THIRTY-FIFTH

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR
THE YEAR

1948

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, June 30, 1949.

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 Thirty-fifth Annual Report, prepared by direction of the Board of Governors of the Federal Reserve System, covering operations during the calendar year 1948.

Yours respectfully,

THOMAS B. MCCABE, *Chairman.*

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

Federal Reserve policies during most of 1948, as in the preceding eight years, were directed toward exerting restraint on inflationary credit expansion while at the same time maintaining stability in the market for Government securities. During the late fall of 1948 and more definitely in 1949, economic developments began to reflect widespread abatement of the inflationary pressures. The adjustments evident in the economy then called for relaxation of measures of credit restraint, and accordingly the Board of Governors took prompt action to modify its policies.

Inflationary forces continued dominant in the economy during the greater part of 1948, the year covered by this Thirty-fifth Annual Report of the Board of Governors of the Federal Reserve System. Commodity prices, which had risen sharply in 1946 and 1947, advanced generally until late summer of 1948 after showing some weakness early in the year. Production increased moderately from the unusually high levels reached in 1947. Incomes continued to expand, as did expenditures for consumer goods, housing, plant and equipment, and public works. Federal Government expenditures increased as programs of international aid and military defense expanded, while personal income taxes were reduced. Businesses, farmers, home owners, and individuals continued to borrow. Further lending by banks and other financing institutions was made possible in part by widespread selling of Government securities to the Federal Reserve. However, the over-all volume of credit was checked somewhat by voluntary action by the banks as well as compulsory restraints on private credit expansion.

As the year progressed, supplies in many lines came more nearly into balance with demands and in some cases exceeded demands at prevailing prices. After August, commodity prices declined in both wholesale and retail markets. The average level of wholesale prices, which had risen 16 per cent in 1947, was no higher at the end of 1948 than at the beginning. Consumer prices rose 3 per cent in 1948 compared with 9 per cent in 1947. Toward the end of the year credit expansion slackened and persistent selling of Government bonds by nonbank investors ceased.

In the early months of 1949, further easing of inflationary pressures was reflected in a slackening in consumer buying, more general price reductions, declines in production and employment, a rise in unemployment from the very low levels of recent years, and a decline in bank credit.

FEDERAL RESERVE POLICIES UNDER CHANGING CONDITIONS

In view of the inflationary tendencies prevailing during most of 1948, as well as of the possibility of further inflation through credit expansion, the policies of the Federal Reserve System continued to be directed toward exercising as much restraint upon credit expansion as was possible under the limitations imposed by the need for supporting the market for Government securities. Notwithstanding further substantial credit growth, monetary expansion was more effectively restrained in 1948 than in any other year since before the war. The principal limiting element was the substantial surplus of the Treasury, reinforced by restrictive policies pursued by the Federal Reserve.

Early in 1949, as evidences of economic readjustment indicated less need for restrictive credit policies, the Board of Governors relaxed certain of its regulations and requirements. In March, it reduced margin requirements on security loans by brokers and banks, fixed in Regulations T and U, from 75 to 50 per cent of the market value of the collateral securities (in May it made a further change permitting a 25 per cent margin in the case of securities acquired through the exercise of subscription rights when certain specified conditions are followed). In March and again in April, it amended Regulation W, governing consumer instalment credit, to reduce minimum down payments on articles other than automobiles and to increase the maximum period permitted for repayment of all credits under the regulation. The April amendment also raised the specific exemption in terms of sales price of articles covered by instalment contracts. In April, the Board also reduced reserve requirements by 2 percentage points on demand deposits at member banks in central reserve cities, by 1 percentage point on demand deposits at all other member banks, and by one-half percentage point on time deposits at all member banks. The effect on the money market of this reduction was offset, however, because banks sought, and Federal Open Market Committee policy of maintaining short-term rates required, sales of securities from the System's portfolio. In anticipation of the expiration on June 30 of the remaining temporary reserve authority, releasing the residue of approximately 800 million dollars of reserves, the Open Market Committee on June 28 modified its policy so that reserves thus released or accruing later might have effect in the money market. In taking all of these steps, the Federal Reserve authorities acted in conformity with a long-established policy of administering credit controls in a flexible manner so as to meet changes in economic conditions.

The Treasury cash surplus exerted some drain on bank reserves during the first quarter of 1949 but the amount was much less than in the same period of 1948. Banks were under relatively little pressure and such reserves as were needed were readily available. After March, the money market became easier. Many banks increased their holdings of Treasury bonds in the first quarter and subsequently there was also a demand for short-term Government securities. Bond yields declined slightly and shorter term money rates became less firm even at their relatively low levels.

The banking system has emerged from the long period of inflationary pressures exceptionally well equipped to meet changed conditions. Banks have a large proportion of their assets in liquid and riskless form. Loans are close to record volume but cash and Government securities constitute about two-thirds of all assets of commercial banks. This is a somewhat larger proportion than in 1939 and more than twice that for 1929. The volume of highly speculative loans appears much smaller than has often been the case in the past. Mortgage loans, which have expanded rapidly on the basis of high property values, are generally on a better amortization basis than was previously customary, and a large portion of them are insured by Government agencies.

The Federal Reserve System is also much better equipped than ever before to meet the credit needs of the economy in a period of downward readjustment. Through open market operations, the System has virtually unlimited means of supplying the money market with additional reserves, if the situation should call for such action. The Reserve Banks have about 23 billion dollars of gold certificate reserves, only half of which are currently needed to meet gold reserve requirements. Accordingly, the System could more than double its note and deposit liabilities. Furthermore, the Banking Act of 1935, by removing some of the technical limitations on the lending functions of the Reserve Banks, placed them in a position to lend to member banks on any assets considered to be acceptable as security for advances. This makes possible a liberal lending policy on the part of the Reserve Banks. Also, the Reserve Banks have authority to make so-called Section 13b loans for working capital purposes to business and industry when other credit is unavailable.

Although the Federal Reserve System has substantial powers to act for the purpose of counteracting contraction of credit, the System continues to lack adequate means of coping with a recurrence of strong inflationary pressures. This country has a virtually unlimited potential for further increase in deposits and bank reserves as well as for a more rapid use of money. The volume of deposits and currency outstanding is nearly three times the maximum prewar level, and the turnover of bank deposits is currently less rapid than it has been in previous periods of high economic activity. Spending for all purposes could be considerably expanded through more active use of the money supply already outstanding.

The problem of exercising credit restraint in the United States, or of encouraging expansion, centers on the supply of bank reserves. While individual banks obtain or lose reserves largely through the shifting of deposits among banks, the banking system as a whole acquires reserves in three major ways: imports of gold, return of currency from circulation, and purchases of Government securities by the Federal Reserve Banks. If credit expansion, during a period of inflation, is to be held in check, additional reserves arising principally from these sources have to be absorbed or immobilized.

Commercial banks alone hold more than 60 billion dollars of marketable Government securities, which they can convert at will into reserves capable of supporting an enormous credit expansion. The exceptional and assured liquidity of the banking system, which is an element of strength in a period of recession, can be a source of danger in a period of boom. Also, sales of securities to the Federal Reserve from the large volume of nonbank holdings can create additional reserves.

As the Board has pointed out in previous Annual Reports and other statements, large-scale selling of Government securities to the Federal Reserve increases the supply of money and of bank reserves and thus accentuates inflationary pressures when production is insufficient to satisfy demand. Continuous market transactions aggregating large amounts are inevitable in view of the large volume of marketable Government securities outstanding and the wide distribution of their ownership. Therefore, regular and active participation in the market by the Federal Reserve is necessary for the maintenance of orderly conditions and the prevention of unnecessarily wide fluctuations in prices.

In earlier periods, when the public debt was a relatively small part of the debt structure, there was little or no need for supporting the market for Government securities and, therefore, no problem of dealing with additional bank reserves created through support operations. Federal Reserve policies could be and were directed primarily toward the maintenance of the volume of bank reserves and the cost of obtaining reserves at levels that conformed to the current needs of the economy. With a large Government debt which is likely to be a dominant part of the debt structure for many years, the Federal Reserve has to cope with the dual problem of maintaining an orderly Government security market and exercising control over the volume of bank reserves.

LEGISLATIVE PROPOSALS

Proposals for legislation which the Board has repeatedly presented to the Congress have been in general designed to enable the Federal Reserve authorities to meet more effectively the responsibilities placed with the System by the Congress.

Power to increase reserve requirements. In its Annual Reports and other public statements since the end of the war, the Board of Governors has stressed the limited effectiveness of the traditional instruments of credit policy in the general monetary situation created by war finance. In August 1948, the Congress granted temporary authority for increasing the reserve requirements of member banks. This temporary authority expired on June 30, 1949.

In his Economic Report for 1949, the President pointed out that the monetary authorities should at all times be in a position to carry out their traditional functions of exerting effective restraint upon excessive credit expansion in an inflationary period and conversely of easing credit conditions in a time of deflationary pressures. The powers of the Federal Reserve to exert effective restraint on credit expansion are limited by the obligation to support the market for Government securities. In order to be in a better position to discharge its responsibility for maintaining sound credit conditions, the Board requested continuation of the temporary authority to apply a supplemental reserve requirement to member banks, and the extension of the requirement to all insured banks.

The Board recognized that the proposed supplemental reserve requirement was not the perfect or final way of providing the Federal Reserve with adequate means to perform its primary function. It was proposed as an interim authority that could be used, if necessary, without making drastic changes in existing practices, until a more fundamental solution could be provided.

Chairman McCabe summarized the Board's views in a statement presented before the Banking and Currency Committee of the Senate on May 11, 1949, recommending that the temporary authorities with respect to consumer instalment credit and special reserve requirements be extended, provided the latter were made applicable to all insured commercial banks. The statement continued:

> We are suggesting the extension of these authorities in the hope that the Congress will in the meantime survey the entire framework and functioning of our financial system and of the role of banking and Government therein. It is evident from the resolutions which members of this Committee have sponsored to create a National Monetary Commission that you are well aware of the need for a thorough and painstaking study of this whole complicated and difficult subject. We hope that you will press ahead to authorize such a review and reappraisal in all its ramifications of the function of the entire banking system and its role in contributing to national economic stability through the financing of individuals, business enterprises, and Government.
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> We in the Federal Reserve System are naturally concerned over the areas of controversy that surround the System's functioning and responsibilities as a central banking, monetary, regulatory, and supervisory authority. We trust that Congress will review its delegation of authority and responsibility to the System to be sure that they are commensurate with each other and with the objectives established by Congress. Such a review would include consideration: (1) of the System's open market powers and their relation to Federal financing and the administration of the public debt; (2) of the use of selective credit controls such as those over security loans and consumer instalment loans and of the proper sphere for the application of such types of control; (3) of the distribution of bank regulatory and supervisory power among the various Government

> agencies; (4) of the need for some mechanism of policy coordination on the domestic financial front such as we have available through the National Advisory Council on the international financial front; (5) of the objectives of central banking and supervisory policies; and (6) of the relation of the Federal Reserve System as a central banking organization to the banks of the nation, both member and nonmember.
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> In any such review the role and function of reserves will inevitably receive prominent consideration. As you know, the System has been conducting extensive studies of this subject and believes that a more scientific formula for establishing reserves can be determined by the Congress. I feel confident that solutions to these problems can be found without impairment of our long established institutions, or encroachment upon either State or national prerogatives. Indeed, it is imperative to find solutions that avoid, on the one hand, extremes of centralization which would threaten the dual banking system, or, on the other hand, jeopardize the effectiveness of national policy by disunity, discrimination, and divided counsels.

The Board feels strongly that all insured commercial banks, and not member banks alone, should participate when national monetary conditions require that additional reserves be set aside. Banks now enjoying the protection of Federal deposit insurance include 95 per cent of all commercial banks and hold 98 per cent of all deposits in commercial banks, while member banks of the Federal Reserve System include slightly less than half of the total number and hold about 85 per cent of the deposits.

The banking laws of the 48 States lack uniformity and do not take into account the relation of bank reserves to national credit and monetary requirements. It will require statesmanship of the highest order on the part of the financial community and public authorities, both State and national, to bring about a long overdue reform in all banking laws covering reserve requirements. Otherwise the dual banking system will be jeopardized, particularly in a period of emergency. Only wise action, promptly undertaken, can insure the preservation of the dual banking system.

It is inequitable to have member banks bear the entire burden of credit action undertaken in the public interest. Any expansion in reserves is likely to spread throughout the banking system and increase the lending power of nonmember as well as of member banks. Member banks already carry higher effective reserves than nonmembers, even where requirement percentages are the same. Member banks can count as reserves only their balances with the Federal Reserve Banks. Nonmember banks can count vault cash, balances with city correspondents, and, in some States, securities issued by the Federal Government or by States or their political subdivisions. Correspondent balances do not immobilize funds but simply shift lending capacity from one bank to another. Nonmember banks, nevertheless, benefit by the strength which the very existence of the Federal Reserve System gives to the entire credit structure of the country. Failure to apply national monetary measures to all insured banks seriously impairs the effectiveness of national monetary policy.

What is needed for an effective and flexible national monetary policy is a system of bank reserves that will apply to all commercial banks enjoying the benefit of Federal insurance of deposits but permit continuance of our dual Federal and State chartering and supervision of banks. Differences in reserve requirements should be based more largely on the nature of deposits than on the location of banks. It is essential, in view of the potential sources of bank reserves and possible changes in the country's credit needs, that reserve requirements for all insured banks be as uniform as practicable in order to apportion basic reserves equitably in the banking system as a whole and to regulate their amount to accommodate the needs of commerce, industry, and agriculture.

Consumer instalment credit regulation. The Congress in August 1948 also granted the Board of Governors temporary authority, which expired June 30, 1949, to reinstate controls over consumer instalment credit, and the President in his Economic Report for 1949 recommended that this authority be continued. The Board has urged that the Congress pass legislation extending this authority for an additional period of two years with the basic objective of furthering economic stability. In adapting the regulation to changing economic conditions, under a continuing authority, the Board would have in view the prevention of excessive expansion or contraction of consumer instalment credit as well as contributing to sound credit conditions in this area and in the economy generally. Modifications of the regulation, effective March 7 and April 27, 1949, are examples of the flexible use of this authority.

Considered against the long background of credit history, consumer instalment credit is relatively new. Its rapid development goes back only to World War I. It began to assume recognized importance in our credit structure towards the mid-twenties. Since that time the outstanding credit volume has shown a noteworthy growth trend, as well as wide fluctuations. Its volume at the end of 1948 stood at 8.6 billion dollars contrasted with roughly 1.2 billion in the mid-twenties.

A continuing growth trend for consumer instalment credit can be a constructive development for the economy. Sustained expansion of instalment credit has accompanied a more widespread use of durable consumer goods, especially those of high unit value, and consequently has contributed to a rising standard of personal consumption. Wide fluctuations in volume about the growth trend, however, are undesirable from the standpoint of stability. The addition of credit funds to consumer spending power from income accentuates economic upswing and at maximum limits of production can only make for inflationary pressures. Liquidation of instalment credit diverts consumer income to repayment of old debts and accentuates business downswing. In some circumstances it may seriously aggravate deflationary tendencies.

The use of instalment credit by consumers is especially volatile because it is so closely associated with the acquisition of expensive durable goods and high-priced services. For most consumers, the purchase of these goods and services is occasional. In each case the purchase represents a very important buying decision, and in most instances the decision is postponable.

While continuing fluctuations in instalment credit volume are to be expected, a moderating influence on such fluctuations can be exercised by the regulation of credit terms. During boom periods, higher required down payments and shorter maturities can damp down the rate of increase of this credit. During recession periods, smaller required down payments and longer maturities can help to brake the speed of decline. Regulation along these lines is administratively practicable, and can be exercised in a manner that is consistent with our economic and political system.

Such a regulation would not in itself enable attainment of greater financial stability for the economy. It could be, however, a useful supplement to other monetary and credit instruments available for this purpose. Established public policy in this country recognizes that broad monetary and credit controls, properly administered, are a principal means of fostering the national objective of a rising standard of living on the basis of sustained high levels of output and employment and stable values. As a result of recent war finance, the Reserve System's available means of influencing current credit developments with a view to greater economic stability have been seriously weakened. Extension of the Reserve System's temporary authority to regulate consumer instalment credit would have gone some distance toward remedying this condition.

Bank holding company legislation. The Board again urges the enactment of legislation to provide more effective supervision and control of bank holding companies and to curb abuses in that field. Congress endeavored to deal with this problem in the Banking Act of 1933 by requiring holding company affiliates of member banks to obtain voting permits from the Board in order to vote their stock in such banks. However, the Board's experience in administering the law over a period of more than 15 years has demonstrated the need for additional legislation if regulation of bank holding companies is to be effective in correcting and preventing practices which are contrary to public policy and interest.

The regulation of bank holding companies as an incident to the granting of voting permits is largely on a voluntary basis since holding companies can control subsidiary banks without voting their stock. In addition to failing to reach those companies which elect not to obtain voting permits, the present law fails to reach others because of the inadequate definition of the term "holding company affiliate." Even in those cases in which bank holding companies obtain voting permits, the law prescribes few requirements or restrictions and does not vest in the Board the authority necessary to require corrections in the policies and practices of holding companies.

Hearings on this subject were held by the Senate and House Committees on Banking and Currency of the 80th Congress and a bill was reported favorably by the Senate Committee, but no further action was taken. The Board believes the existing law is clearly inadequate and that new legislation, providing for the regulation of all bank holding companies and including provisions controlling expansion and requiring the divorcement of activities unrelated to banking, should receive prompt consideration.

Capital requirements for member banks. The Board has recommended in previous Annual Reports that consideration be given to amendment of the statutory provisions prescribing capital requirements for the admission of State banks to membership in the Federal Reserve System and the establishment of branches by such banks. Legislation of this nature is needed because, without justification, the present arbitrary requirements prevent many sound banks from becoming members of the Federal Reserve System, although they otherwise would be entitled to membership. Most of these banks are insured by the Federal Deposit Insurance Corporation. In addition, present statutory requirements result in unwarranted discrimination between State member banks and other State banks in connection with the establishment of branches. In order to correct this situation, the Board urges the enactment of legislation repealing the existing requirements and vesting full discretion in the Board to determine the adequacy of the capital of State banks applying for membership and of State member banks desiring to establish branches, except that a minimum capital of $50,000 (or $25,000 in the case of banks heretofore organized) would be required for admission to membership.

Financing of business enterprises. The Board has heretofore called attention to the fact that Section 13b of the Federal Reserve Act, which authorizes Federal Reserve Banks to make and guarantee business loans, contains undesirable restrictive provisions. In previous Annual Reports, it has recommended legislation to broaden the authority of the Reserve Banks in this field.

FEDERAL RESERVE POLICIES IN 1948

In 1948 a large Treasury surplus, a substantial part of which was used to retire Government securities held by the Federal Reserve System, absorbed bank reserves and deposits. The anti-inflationary effects on bank reserves, however, were more than offset by purchases of Government securities by the

Federal Reserve System in carrying out its market support policy. Banks were also supplied with a moderate amount of reserves through gold acquisitions and a return flow of currency from circulation. Continued expansion in bank loans provided new deposits, but this expansion was smaller than in other recent years. The net result of all factors was a small decline in bank deposits and currency held by the public—the first decrease for any year since 1937.

Policies pursued by the Federal Reserve to restrain credit expansion included the following:

(1) In consultation with the Treasury, the Federal Reserve accepted cash for maturing securities held by the System and thus prevented the return of reserves to the banking system.

(2) Likewise, interest rates on Treasury bills and certificates were permitted to rise and banks and others were thereby encouraged to hold more of these securities, which made it possible for Federal Reserve holdings to be reduced. In line with this policy, discount rates at Federal Reserve Banks were raised.

(3) Reserve requirements of member banks were increased so as to absorb additional reserves made available by the gold inflow and by Federal Reserve purchases in support of the market for Government securities.

(4) Regulation of consumer instalment credit was reimposed for the purpose of slackening the rapid rate of growth of this volatile type of credit.

(5) High margin requirements were retained on loans for purchasing and carrying securities in order to discourage the possible development of speculative credit expansion in this field.

The cash surplus of the Treasury, which was largely responsible for the reduction in bank deposits during 1948, amounted to 8 billion dollars for the year as a whole. It was supplemented by about 1.5 billion dollars obtained from sales of savings bonds and savings notes in excess of redemptions. The bulk of these funds was obtained in the first quarter of the year. The surplus was used largely to retire over 5 billion dollars of Government securities held by the Federal Reserve Banks. The Federal Open Market Committee, which directs transactions in Government securities for the Federal Reserve Banks, accepted cash for as many of the System's holdings of maturing issues as the cash position of the Treasury would permit. Occasional reduction by the Treasury in the amount of weekly offerings of Treasury bills also resulted initially in a decrease in Federal Reserve holdings of bills and some drain on bank reserves.

Rates on Treasury bills, which had been permitted to rise from ⅜ per cent in the summer of 1947 to about 1 per cent near the end of that year, rose further in the latter half of 1948 to about 1⅛ per cent. Rates on new offerings of one-year certificates, which had been raised from ⅞ per cent in 1947 to 1⅛ per cent at the beginning of 1948, were increased to 1¼ per cent in the fourth quarter of 1948. The higher rates contributed to increases in holdings of these securities, particularly bills, by both banks and nonbank investors, and in substantial declines in Federal Reserve holdings.

Policies pursued by the Federal Reserve served to limit the expansion of bank loans, but Federal Reserve purchases of Government securities from nonbank holders provided funds for an increase in loans by nonbank lenders. Also, the demand for credit slackened somewhat in the course of the year. Although measures of restraint did not prevent a further expansion in bank loans, the rate of growth slackened, particularly in the last quarter of the year, as compared with other recent years. Total loans of commercial banks increased by 4.4 billion dollars in 1948, compared with 6.9 billion in 1947.

Deposits and currency held by individuals and business declined by 6 billion dollars in the first quarter of 1948, reflecting the large Treasury surplus. They increased by more than 5 billion dollars during the remainder of the year, largely as a result of bank loan expansion, Federal Reserve purchases of Government securities from nonbank holders, and the gold inflow.

The ability of banks and other investors to sell Government securities through the market to the Federal Reserve and the large amount of securities outstanding limited the restraining effect of monetary and fiscal policies. To the extent that banks needed additional reserves, the drain on bank reserves resulting from the Treasury surplus and its use to retire securities held by the Federal Reserve was offset by bank sales of securities, which the Federal Reserve purchased. Banks were also in a position to meet increases in reserve requirements by selling Government securities.

Nevertheless, the combined measures exerted some degree of restraint. When banks find it necessary to sell Government securities in order to offset a drain on reserves resulting from Treasury withdrawals of cash or to meet an increase in reserve requirements, their liquidity is reduced and they are likely to be less willing to sell additional amounts in order to increase loans. Conversely, additional reserves flowing to banks, unless absorbed by some means, serve as an inducement to expand loans. So long as bank holdings of Government securities, particularly short-term issues, can be readily converted to other uses without the risk of loss in liquidation, they are in effect excess reserves. Thus, an increase in bank holdings of short-term Government securities expands the potential lending power of banks. Conversely, a decrease in such holdings and any measures which limit their availability serve to reduce the potential liquidity of banks.

It is primarily through the means outlined in the foregoing pages that monetary and fiscal policies may influence the lending activities of banks and also to some extent the willingness of other owners of Government securities to hold them or to shift to other assets. Whether Government securities are to be held or sold is decided by the banks and other holders of the securities. As long as the Reserve System functioned as the residual buyer of the securities offered for sale the initiative in the creation of bank credit rested with the market, not with those charged with responsibility for national monetary policy.

THE PUBLIC DEBT

Changes in the volume, structure, and ownership of the Federal Government debt continued in 1948 to be an important factor in monetary and credit developments. As in the preceding year, an excess of Treasury cash receipts over cash outlays made possible further reduction in the public debt. As the table shows, the cash surplus was larger in 1948 than in 1947, reflecting an increase in cash receipts and some decline in cash outlays. A small part of the surplus was used to increase the Treasury's cash balance, which had been drawn down during 1947. The more substantial part of the surplus was used to repay cash borrowings, principally marketable debt issues. The debt reduction thus achieved was partly offset by an increase in noncash borrowing, chiefly through special issues to Government agencies and trust funds.

Debt reduction. The total public debt outstanding was further reduced by 4 billion dollars in 1948 to a total of 253 billion at the end of the year. The reduction was larger than in 1947, when retirement of debt was

Treasury Cash Operations and Changes in Cash Balance and Public Debt

[In billions of dollars]

Item	Calendar year		
	1948	1947	1946
Cash operating income[1]	45.0	44.3	41.6
Cash operating outgo[1]	36.9	38.6	41.4
Net cash surplus (+)	+8.1	+5.7	+0.2
Change in Treasury cash balance	+1.1	[2] −2.2	−22.5
Change in public debt:			
Net cash repayment of borrowing[3]	−7.0	−7.9	−22.7
Noncash borrowing, etc.[4]	+2.9	+5.4	+3.5
Change in debt[5]	−4.1	−2.5	−19.2
Public debt, end of period[5]	252.9	257.0	259.5

[1] The cash budget differs from the budget based on the Treasury's daily statement principally in that all receipts and expenditures are consolidated and intergovernmental transfers of funds are excluded. Refunds of taxes, which amounted to 2.2 billion dollars in 1948, 2.6 billion in 1947, and 2.8 billion in 1946, are treated as a deduction from cash income rather than as cash outgo as formerly.

[2] Includes also a decrease of 1.8 billion dollars in the Exchange Stabilization Fund in part payment of the United States contribution to the International Monetary Fund.

[3] Includes principally net changes in marketable debt, net sales or redemptions of savings bonds and savings notes, and net market sales or purchases of marketable issues by Government agencies and trust funds.

[4] Includes principally changes in special issues to Government agencies and trust funds, net accrued interest on savings bonds and Treasury bills, and amounts of Federal securities issued in payment of certain budget expenditures, such as armed forces leave bonds. Includes also small adjustment for net market sales or purchases of marketable issues by Government agencies and trust funds which do not affect total outstanding debt.

[5] Includes guaranteed debt.

also made possible by a Treasury cash surplus. The total reduction effected through cash surpluses in these two years was much smaller than that in 1946, when cash balances accumulated largely during the last war loan drive were used to reduce the debt by 19 billion dollars.

The amount of the debt in marketable form decreased by 8 billion dollars in 1948, while nonmarketable issues held by the public increased by about 2 billion and special issues to Federal agencies by nearly 3 billion. The decline in outstanding marketable securities was smaller than in 1947, but so also was the increase in nonmarketable public and special issues. Matured and other noninterest-bearing debt declined slightly in 1948 after increasing in 1947.

Composition of the debt. Composition of the Government debt has been changing gradually as the result of refunding, further sales of special issues to Government agencies, and increased efforts to place more savings bonds.

In 1948, the Treasury retired 2.9 billion dollars of bills. Maturities of other marketable issues totaled 35.5 billion dollars, including 21.2 billion of certificates, 7.8 billion of notes, and 6.4 billion of bonds. About 5.4 billion of these maturities were paid off in cash. The remainder was refunded into short-term securities which, with the exception of one 18-month note issue, were one-year certificates. As a result of the debt operations, the amount of outstanding marketable bonds was reduced by 6.4 billion dollars. Short-term types of securities were reduced by 1.8 billion. As indicated in the table, a reduction of 2.9 billion dollars in bills was partly offset by an increase of 1.1 billion in notes and certificates.

PUBLIC DEBT OUTSTANDING AT END OF 1948, BY TYPE OF ISSUE

[In billions of dollars]

Type of issue	1948	Change during		
		1948	1947	1946
Gross public debt, total[1]	252.9	−4.1	−2.5	−19.2
Marketable public issues, total[2]	157.5	−8.3	−10.9	−22.2
Treasury bills	*12.2*	*−2.9*	*−1.9*	(3)
Certificates and notes	*33.7*	*+1.1*	*−7.5*	*−21.0*
Treasury bonds	*111.4*	*−6.4*	*−1.5*	*−1.1*
Nonmarketable public issues, total	61.4	+1.9	+2.8	−0.7
Savings bonds	*55.1*	*+3.0*	*+2.3*	*+1.6*
Savings notes	*4.6*	*−0.8*	*−0.3*	*−2.5*
Other	*1.8*	*−0.3*	*+0.9*	*+0.2*
Special issues	31.7	+2.8	+4.4	+4.6
Debt bearing no interest	2.2	−0.5	+1.2	−0.9
Detail on marketable public issues, due or callable:				
Within 1 year	49.1	−1.7	−4.2	−15.6
1-5 years	44.1	−5.9	+10.4	+4.2
5 years and over, total	64.4	−0.7	−17.0	−10.8
Bank-eligible bonds	*14.7*	*−0.7*	*−17.0*	*−8.2*
Restricted bonds	*49.6*	....	....	*−2.6*

[1] Includes guaranteed securities.

[2] Includes a small amount of postal saving and prewar bonds not shown separately.

[3] Less than 50 million dollars.

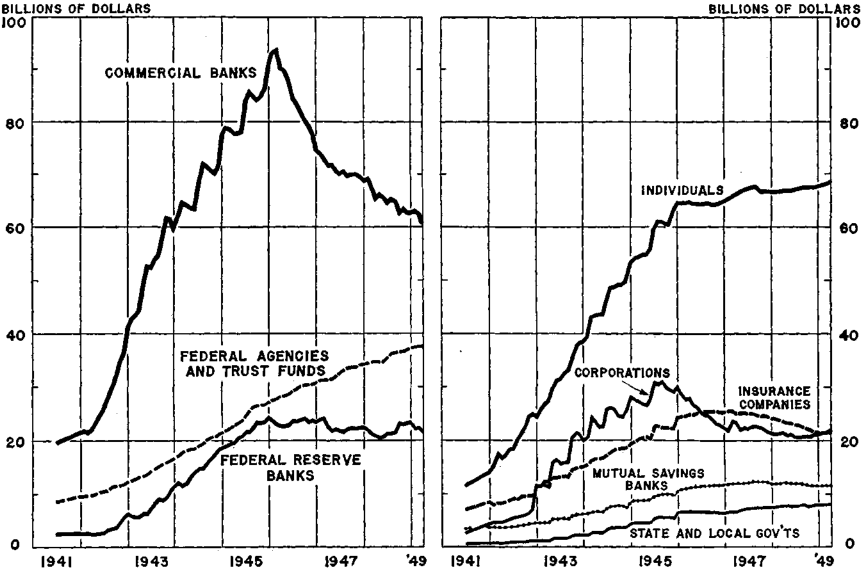
NOTE: Details may not add to totals because of rounding.

The total of nonmarketable public debt issues held by the public increased further in 1948 but by a moderate amount, 1.9 billion dollars. Savings bonds outstanding increased by 3 billion dollars, as 7.3 billion of sales, together with net interest accruals on outstanding bonds, exceeded redemptions. The sales volume in 1948 resulted in part from an increase in the annual purchase limit permitted for individuals and a special drive to place savings bonds with both individuals and savings institutions.

At the end of 1948, about three-fifths of the debt of 253 billion dollars was composed of marketable issues. The remainder included 32 billion dollars of special issues held by Government agencies and trust funds, 55 billion of savings bonds held largely by individuals and redeemable on demand or short notice, and small amounts of several other types of nonmarketable issues, largely savings notes held by corporations. The marketable debt of 157.5 billion dollars included about 46 billion dollars of short-term types of securities (bills, certificates, and notes) and about 47 billion of Treasury bonds due or callable within five years. Of the 64 billion dollars of bonds with longer periods to run, almost 50 billion were issues that are restricted as to ownership by banks.

Ownership of Government securities. The largest change in ownership of Government securities during the year was the decline of 6 billion dollars in commercial bank holdings, as is shown in the accompanying chart and table.

OWNERSHIP OF U. S. GOVERNMENT SECURITIES



NOTE: Chart relates to interest-bearing debt, direct and guaranteed. Reported holdings are shown for (1) Federal agencies and trust funds and (2) Federal Reserve Banks, and Treasury estimates for other groups. Figures are for June and December 1941 and for end of each month thereafter.

The Treasury cash surplus and its use to retire Government securities held by the Federal Reserve, together with increases in reserve requirements, resulted in a drain on bank reserves which the banks met by selling Government securities, largely certificates and notes. Changes in types of securities held by the banks also reflected other factors. Holdings of Treasury bonds that matured were for the most part exchanged for certificates and notes, offsetting to this extent market sales of these types of securities. Commercial banks also sold some Treasury bonds, but they added to their holdings of bills.

Reserve Bank holdings of Government securities increased by 800 million dollars notwithstanding the policy of accepting cash for as many maturing holdings as the cash position of the Treasury would permit and the consequent retirement of 5.5 billion dollars of maturing securities. The Reserve Banks made substantial purchases of restricted bonds from insurance companies and other nonbank investors. They also bought some bank-eligible bonds and made some net purchases of certificates and notes, but sold a substantial amount of bills.

OWNERSHIP OF UNITED STATES GOVERNMENT SECURITIES[1]

[Partly estimated. Par values, in billions of dollars]

Type of owner	Amount held on Dec. 31, 1948	Change in		
		1948	1947	1946
U. S. Government agencies and trust funds, total[2]	37.3	+3.0	+3.4	+3.9
Marketable issues	*5.5*	*+0.2*	*−1.0*	*−0.7*
Special issues	*31.7*	*+2.8*	*+4.4*	*+4.6*
Federal Reserve Banks, total	23.3	+0.8	−0.8	−0.9
Bills, certificates , and notes	*12.4*	*−7.4*	*−2.9*	*−0.7*
Bank-eligible bonds	*4.0*	*+1.7*	*+1.5*	*−0.2*
Restricted bonds	*7.0*	*+6.4*	*+0.6*	....
Commercial banks, total	62.6	−6.1	−5.8	−16.3
Bills, certificates, and notes	*16.9*	*+0.8*	*−4.8*	*−17.9*
Bonds, due or callable:				
Within 5 years	*32.9*	*−6.0*	*+10.5*	*+7.8*
After 5 years	*10.6*	*−1.3*	*−11.3*	*−5.9*
Nonmarketable issues	*2.2*	*+0.4*	*−0.2*	*−0.3*
Mutual savings banks	11.5	−0.5	+0.2	+1.1
Insurance companies	21.5	−2.8	−1.0	+0.9
State and local governments	7.9	+0.6	+1.0	−0.2
Other corporations and associations[3]	21.2	(4)	−1.2	−7.8
Individuals[5]	67.6	+1.0	+1.7	+0.1
Total, all investors	252.9	−4.1	−2.5	−19.2

[1] Includes guaranteed securities.

[2] Includes nonmarketable issues not shown separately.

[3] Includes savings and loan associations, dealers and brokers, and investments of foreign balances and international accounts in this country.

[4] Less than 50 million dollars.

[5] Includes partnerships and personal trust accounts.

Insurance companies and mutual savings banks, which had maintained or expanded their Government security portfolios in the early postwar period, reduced them in 1948 by 2.8 billion and 0.5 billion dollars, respectively.

These changes resulted largely from sales of long-term, restricted Treasury bonds. Other nonbank investors, including nonfinancial corporations, brokers and dealers, State and local governments, and individuals increased their total holdings of Government securities during the year. They sold marketable bonds on balance, but increased their holdings of certificates and bills by about 4 billion dollars. Purchases of savings bonds exceeded redemptions.

BANK CREDIT DEVELOPMENTS

The money supply in the hands of businesses and individuals declined somewhat in 1948 following a rapid growth in the preceding postwar years. The decline occurred entirely in the first quarter of the year and reflected the large Treasury cash surplus, which was either used to retire securities held by the banking system, including the Reserve Banks, or held in Treasury balances. Loan expansion at commercial banks and gold inflow, which continued during the year, accounted for a substantial growth in deposits during the last nine months. For the year as a whole, these factors almost offset the contractive effect on the money supply of Treasury operations.

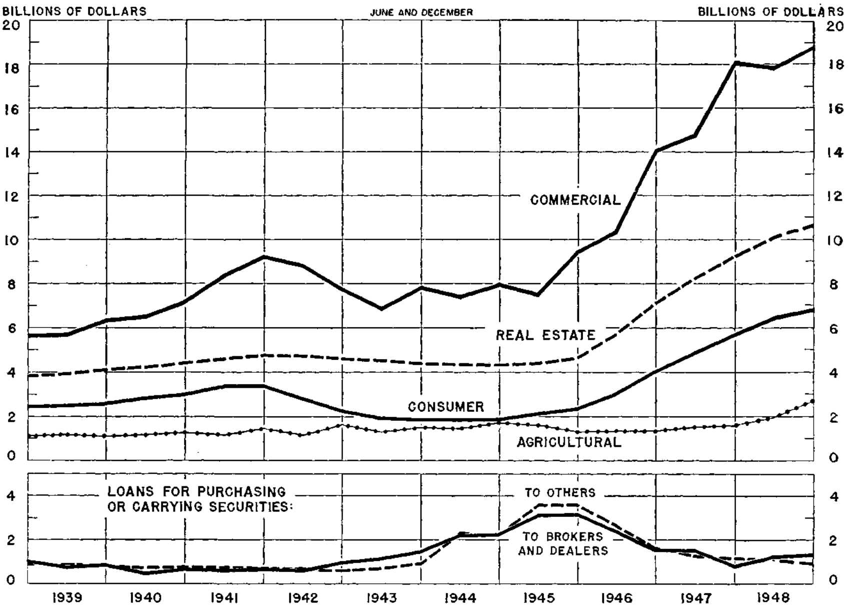
Expansion of bank loans was not as great in 1948 as in either of the two preceding years. Growth in loans slackened considerably in the last quarter of the year following action by the Federal Reserve, largely under special legislation enacted in August, to absorb funds available to banks for lending and to place under restraint the demand for consumer instalment credit. Substantial amounts of loans by nonbank lenders and some decline in the credit needs of business reduced somewhat the demand for bank loans. Programs for encouraging restraint in lending, undertaken by the banks themselves under the leadership of the American Bankers Association and by the bank supervisory agencies, also helped to limit loan expansion.

Reduced growth in bank loans. Slackened expansion in 1948 characterized bank lending to businesses, consumers, and real-estate owners in all sections of the country. Total loans at commercial banks increased by about 4.4 billion dollars as compared with 6.9 billion in 1947 and over 5 billion in 1946.

Business loans, which usually decline over the first half of the year and rise in the second half, showed considerably less than the normal seasonal reduction in the first half of 1948. Early in the second half of the year rapid expansion in the volume of these loans was resumed. After September, however, bank loans to businesses showed little further growth as compared with an increase of about 2 billion dollars in the same period of the previous year. Total growth in bank loans to businesses was about 0.7 billion dollars in 1948 compared with about 4 billion in 1947, as shown in the chart. Most of the increase occurred at banks in New York City and in the Southwest and Far West, while in 1947 the increase was more general throughout the country.

COMMERCIAL BANK LOANS

ALL INSURED BANKS



NOTE: All insured commercial banks in the United States. Commercial loans include commercial and industrial loans, open market commercial paper, and acceptances. Consumer loans are partly estimated prior to Dec. 31, 1942.

Business demand for bank credit was less active in 1948 than in other postwar years, in part because a larger volume of funds was obtained from other sources. As is indicated in the following section of this report, in 1948 businesses financed a larger proportion of their capital expansion programs from retained earnings and funds obtained from sales of securities and loans from nonbank lenders than they did in 1947.

Bank loans to real-estate owners increased by about 1.4 billion dollars in 1948, which was somewhat less than in previous postwar years. The volume of new mortgages continued about as large as in 1947, but banks acquired a smaller proportion of the total. They were more selective in making real-estate loans and showed a growing tendency to regard their existing mortgage portfolios as large enough under existing conditions.

Banks continued to be active lenders to consumers in 1948, accounting for about 40 per cent of the expansion of more than 2 billion dollars in consumer instalment credit during the year. Instalment credit extended by banks to consumers expanded at the rate of about 80 million dollars each month through September 1948. In the last quarter of the year, however, this type of indebtedness showed little further change. In part, leveling off of bank loans to consumers reflected reimposition in September of the Board's regulation of consumer instalment credit under authority granted by Congress in August.

Agricultural loans at banks, which had risen only gradually in 1947 and 1946, increased by more than 1 billion dollars in 1948. Most of the growth in such loans was associated with large crop surpluses and the consequent decline in prices of leading crops to Government support levels. Many farmers obtained bank loans on wheat, corn, and cotton that were guaranteed by the Commodity Credit Corporation under the Government's price support program. Other loans to farmers showed only moderate expansion, which occurred in the first half of the year.

Loans for purchasing and carrying securities increased 300 million dollars during 1948, as a result of a sharp expansion late in the year in loans to brokers and dealers for carrying United States Government securities. Loans for purchasing and carrying corporate stocks and bonds declined somewhat.

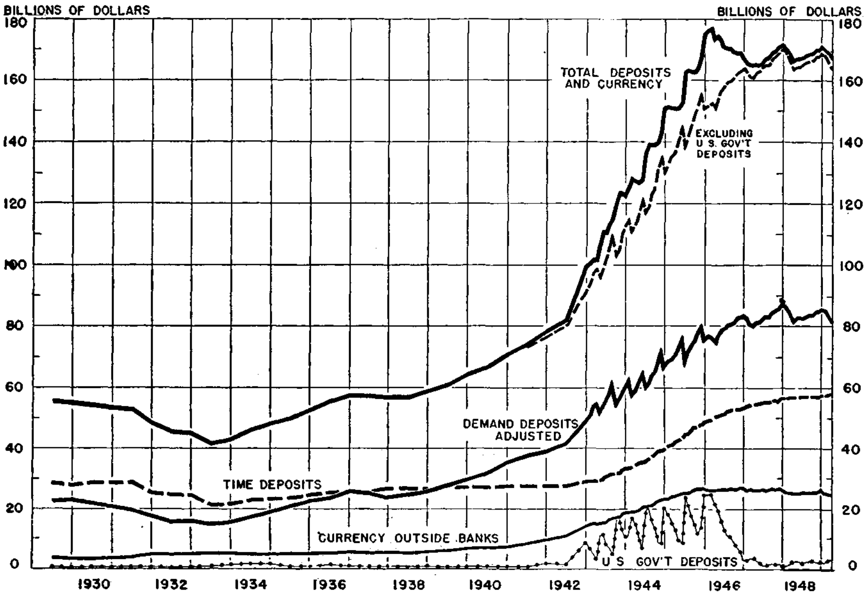
Banks participated to an almost negligible extent in the large amount of financing in the market by corporations and by State and local governments in 1948. Although the volume of such issues for new money was over 8 billion dollars, commercial bank holdings of these securities increased only about 0.2 billion dollars as compared with an increase of nearly a billion dollars in 1947. Most of the change in 1948 occurred in the first half of the year, when an increase in holdings of State and local government securities at reserve city and country banks more than offset a reduction in holdings of such securities and corporate securities at central reserve city banks.

Changes in volume and activity of money. The decline in total deposits and currency held by businesses and individuals was about 1 billion dollars in 1948. This reduction was small in contrast with the very rapid monetary expansion during the war and first two postwar years. It was the first year-to-year decline in the money supply held by businesses and individuals since 1937, as is shown in the chart.

In the first quarter of the year deposits and currency of individuals and businesses declined 6 billion dollars, as shown in the table on page 20. This decline reflected primarily seasonally large Treasury receipts from income taxes and other sources which were applied to retiring bank-held securities and building up Treasury deposit balances. In each of the subsequent three quarters, privately held deposits and currency increased somewhat. Expansion of bank credit and gold inflow more than offset some further monetary contraction effected by a moderate Treasury cash surplus.

The Federal Reserve Banks purchased in the market a substantial volume of long-term Government securities sold by nonbank investors, particularly insurance companies. These transactions were especially large in the last half of the year. During most of the year, and particularly in the first quarter, nonbank investors were net buyers of short-term Government securities, Taking all classes of Government securities, both long-term and short-term, nonbank investors were net purchasers in the first part of the year and net sellers in the second half. For the year as a whole, sales of long-term Government securities by nonbank investors as a group were practically balanced by their purchases of short-term issues. On balance, therefore, these transactions tended neither to increase nor decrease the supply of bank deposits. In the first quarter of the year, however, the effect was to reduce deposits, whereas in the last two quarters the effect was to increase deposits.

BANK DEPOSITS AND CURRENCY



NOTE: Figures are partly estimated. Deposits are for all banks in the United States. Demand deposits adjusted exclude U. S. Government and interbank deposits and items in process of collection. Time deposits include deposits in the Postal Savings System and in mutual savings banks. Figures are for June and December, 1929-42; end of month, 1943-46; last Wednesday of month, 1947 through March 1949.

Currency in circulation outside banks was reduced about 400 million dollars in 1948, with the strengthening of the postwar tendency to return $10 and $20 bills from circulation. Privately held demand deposits declined by 1.6 billion dollars in 1948 in contrast with an increase of nearly 4 billion in the previous year. Time deposits rose by 1.1 billion dollars, after having risen by 2.5 billion in 1947. In 1948 nearly the entire increase occurred in the first half of the year. The decrease in demand deposits was distributed among nearly all the major groups of holders—businesses, farmers, and individuals. Demand deposits of individuals as a group declined by an amount approximately equal to the increase in their holdings of Government securities.

MAJOR FACTORS AFFECTING DEPOSITS AND CURRENCY

[In billions of dollars, partly estimated]

Factor	1948					1947
	Fourth quarter	Third quarter	Second quarter	First quarter	Total	
	(Sign indicates effect on deposits and currency)					
Bank loans[1]	+1.0	+2.0	+1.2	+0.9	+5.2	+7.4
Gold inflow	+0.4	+0.3	+0.4	+0.4	+1.5	+2.9
Purchases (+) or sales (−) of U. S. Government securities by commercial banks and Federal Reserve Banks from or to nonbank investors	+0.7	+0.8	+0.2	−1.5	+0.2	+0.2
Restricted bonds, net	*+1.5*	*+2.6*	(2)	*+1.8*	*+5.9*	*+0.6*
Other securities, net	*−0.8*	*−1.8*	*+0.2*	*−3.3*	*−5.7*	*−0.4*
Retirement of U.S. Government securities held by:						
Federal Reserve Banks	−0.4	−1.1	−0.3	−3.7	−5.5	−3.2
Commercial banks	−0.1	−0.5	−0.2	−0.2	−0.9	−3.6
Treasury deposits	+0.9	−0.4	+0.3	−2.1	−1.3	+1.2
Other factors, net	−0.3	+0.1	+0.1	+0.2	−0.1	+1.1
Change in deposits and currency held by individuals and businesses, total	**+2.2**	**+1.2**	**+1.7**	**−6.0**	**−0.9**	**+6.0**
Demand deposits adjusted	+1.6	+1.2	+1.2	−5.6	−1.6	+3.8
Time deposits	+0.2	−0.1	+0.5	+0.5	+1.1	+2.5
Currency outside banks	+0.4	+0.1	(2)	−0.9	−0.4	−0.3

[1] Includes loans of commercial and mutual savings banks.

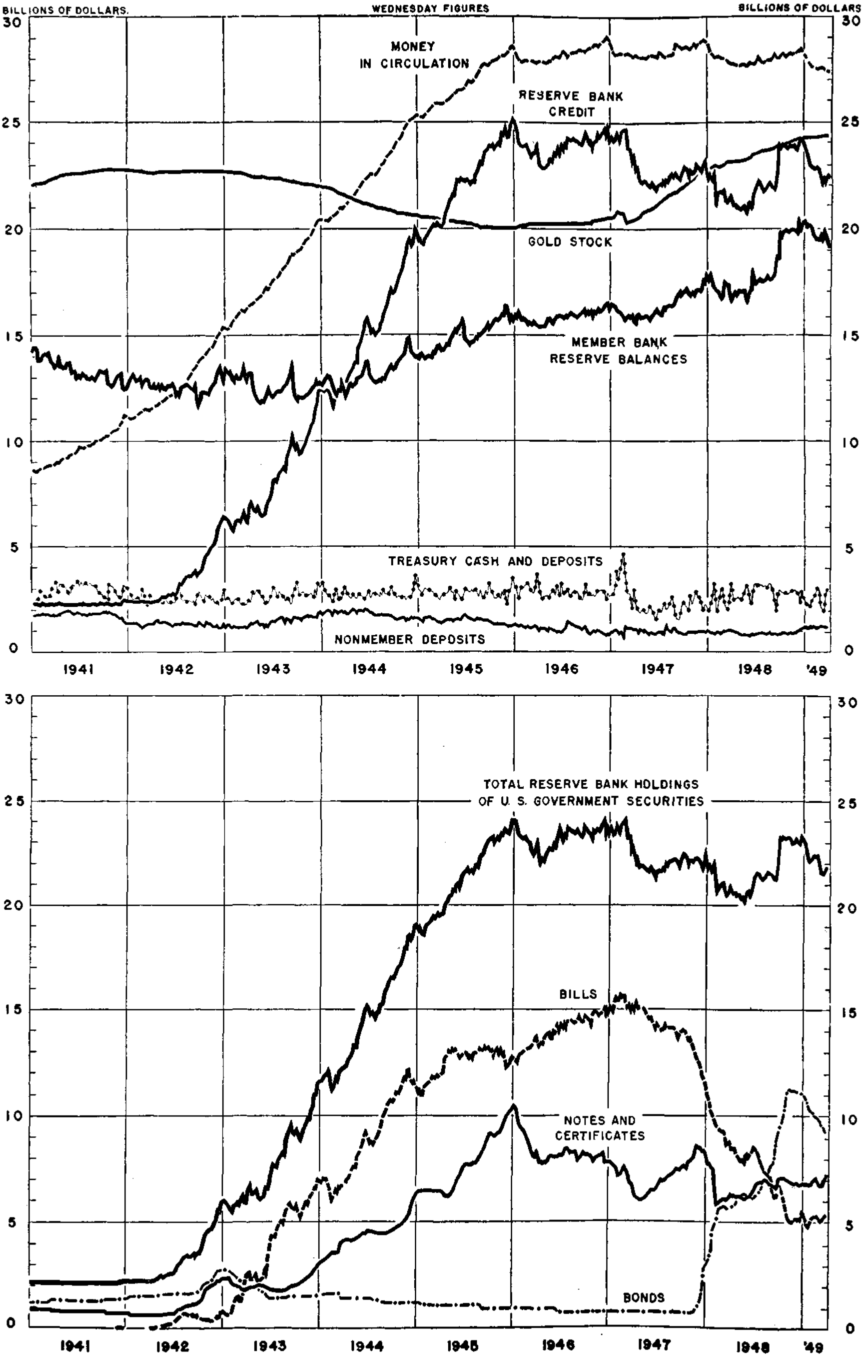
[2] Less than 50 million dollars.

NOTE: Changes are based on figures for Dec. 31, 1946, Dec. 31, 1947, and Mar. 31, June 30, Sept. 29, and Dec. 31, 1948. Quarterly figures may not add to yearly total because of rounding.

Expenditures of all private groups in the economy continued to expand throughout 1948 despite the moderate decline in the privately held money supply. This development reflected a further increase in the average rate at which money was used. Over the three years following the end of the war, the annual rate of turnover of demand deposits at banks rose significantly. At banks in leading cities outside New York, the ratio between the amount of checks drawn on demand deposits and the amount of deposits outstanding was about one-fifth higher in 1948 than in 1945, the last war year. In fact, use of demand deposits at these banks was about as rapid in 1948 as it was on an average over the four-year period 1938-41, although the volume of these deposits was about three times as large.

Availability of bank reserves. From the end of the war, and particularly from mid-1947 until the end of 1948, Federal Reserve credit policies and Treasury fiscal and debt management programs had as a major objective as much restraint on the availability of bank reserves and therefore on monetary and credit expansion as was consistent with maintenance of orderly and stable conditions in the market for Government securities. Action toward this objective on the basis of existing powers included concentration of the Treasury program of debt retirement on securities held by the Reserve Banks, upward adjustment of rates on short-term Government securities and in the Federal Reserve discount rate, reduction in Federal Reserve support prices for

MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS



medium-term and long-term Government securities, and increases in reserve requirements on deposits of member banks.

Treasury operations exerted a contractive force on bank reserves of 5.8 billion dollars in 1948, as is shown in the table. Most of this effect was concentrated in the first quarter of the year when seasonally large income tax payments increased substantially the Treasury balances at the Reserve Banks and these funds were used largely for retirement of securities held by the Reserve Banks.

In addition to the loss of reserve funds which banks sustained because of Treasury operations, member banks were required to hold a larger volume of reserves as a result of actions taken by the Board of Governors to raise reserve requirements. Effective in February and again in June, reserve requirements of member banks in New York and Chicago were increased by 2 percentage points on net demand deposits, and each of these actions increased required reserves by almost 500 million dollars. During September, largely in accordance with additional authority granted to the Board in August at the special session of Congress, reserve requirements were raised at all classes of member banks by 2 percentage points on net demand deposits and 1.5 percentage points on time deposits. As a consequence, required reserves were increased by about 2 billion dollars.

MAJOR FACTORS AFFECTING MEMBER BANK RESERVES
[In billions of dollars]

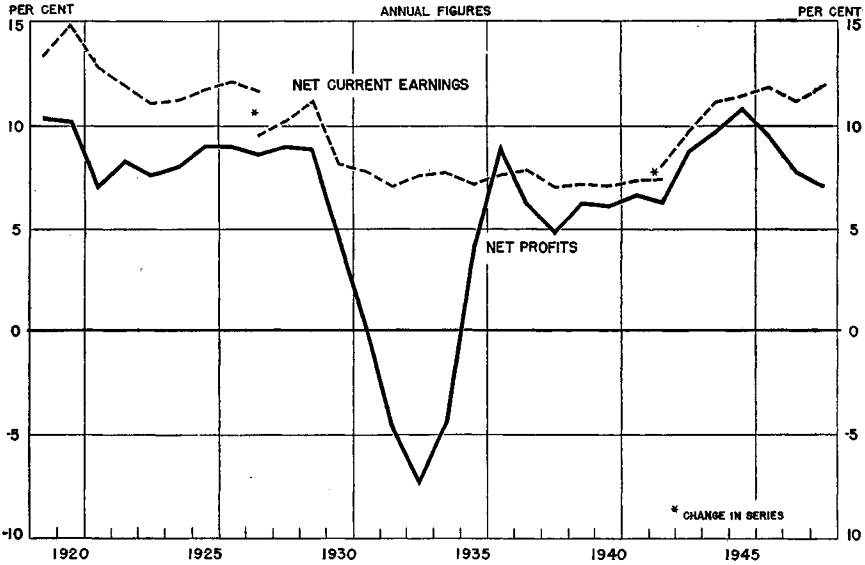
Factor	1948					1947
	Fourth quarter	Third quarter	Second quarter	First quarter	Total	
	(Sign indicates effect on bank reserves)					
Gold inflow	+0.4	+0.3	+0.4	+0.4	+1.5	+2.9
Currency returned from circulation	−0.1	−0.2	−0.1	+1.1	+0.6	+0.1
Reserve Bank market purchases of Government securities, net	+0.3	+3.2	+0.8	+2.0	+6.3	+2.5
Retirement of securities held by Reserve Banks	−0.4	−1.1	−0.3	−3.7	−5.5	−3.2
Treasury deposits at the Reserve Banks	+0.5	+0.3	(1)	−1.1	−0.3	−0.5
Nonmember deposits at Reserve Banks	−0.3	(1)	+0.1	−0.1	−0.3	−0.1
Other factors, net	+0.1	+0.1	−0.1	+0.1	+0.3	+0.1
Change in member bank reserve balances, total	**+0.5**	**+2.6**	**+0.8**	**−1.3**	**+2.6**	**+1.8**
Change due to deposit changes	+0.3	+0.3	+0.2	−0.9	−0.1	+0.8
Change due to Board action increasing requirements	....	+2.0	+0.5	+0.5	+3.0	....
Excess reserves	+0.2	+0.3	+0.1	−0.8	−0.3	+0.9

[1] Less than 50 million dollars.

Banks were supplied with reserves in 1948 as a result of a further gold inflow of 1.5 billion dollars. This gold was received in part settlement of the country's large excess of exports over imports. A return flow of currency from circulation of 600 million dollars also added to the reserve funds available to banks. The additional reserves needed were supplied through Federal Reserve purchases of Government securities sold for the most part by commercial banks. Over the full year 1948 these purchases amounted to a net of 6.3 billion dollars.

Banks continued throughout the year to increase their loans, thus creating additional deposits and adding to reserve requirements. During the last nine months of the year, member bank reserve requirements increased by about 800 million dollars as a result of growth in deposits. Had reserve requirements not been raised by Board action, member banks could have expanded credit without selling any securities during this period.

Bank earnings and earning assets. Member bank net current earnings before income taxes were larger in 1948 than in any previous year. They amounted to 1,033 million dollars, an increase of 104 million or 11 per cent over the amount reported in 1947. Increased earnings on loans more than offset decreased earnings on United States Government securities and increased expenses. The ratio of net current earnings before income taxes to total capital accounts increased to 12 per cent, the highest level since the 1920's. The ratio of net current earnings before income taxes to total assets rose from 0.73 per cent in 1947 to 0.79 per cent in 1948.



EARNINGS RATIOS OF MEMBER BANKS

PERCENTAGES OF CAPITAL ACCOUNTS

NOTE: Net current earnings are total earnings from current operations less current operating expenses. Net profits are net current earnings plus recoveries, profits on securities, etc., less losses and charge-offs and taxes on net income. Capital accounts consist of all forms of capital, including capital notes and debentures, surplus, undivided profits, reserves for contingencies, and other miscellaneous capital accounts. Prior to 1927 profits on securities were included in current earnings; beginning in 1942 taxes on net income were excluded, while recurring depreciation was included, as a current operating expense deduction from earnings.

Member bank net profits after taxes (and after adjustments for losses, recoveries, profits on securities, and transfers to and from valuation reserves) decreased 32 million dollars and amounted to 621 million for the year. The decline in net profits, in contrast to the increase in net current earnings, reflects principally an increase in transfers to establish reserves for losses on loans under the reserve method of accounting for bad debts as authorized by the Bureau of Internal Revenue in December 1947. Net profits were 7.2 per cent of total capital accounts and, as is shown in the chart on page 23, the ratio of net profits to total capital accounts continued its downward trend from the peak of nearly 11 per cent reached in 1945. The lower ratio in 1948 was due in part to increases in capital accounts.

Earning assets of member banks amounted to about 96 billion dollars at the close of 1948, a decrease of over 2 billion during the year. A decline of nearly 6 billion dollars in holdings of United States Government securities during the year was partly offset by an increase of more than 3 billion in loans. These changes were somewhat similar to those in 1947 but, as is shown in the table, the increase in loans was less than in the previous year, and the decrease in Government securities somewhat more.

MEMBER BANK LOANS AND INVESTMENTS

[In billions of dollars]

Item	Outstanding Dec. 31, 1948	Change during year	
		1948	1947
Loans and investments, total	**95.6**	**−2.2**	**+1.5**
Loans, total	**[1]36.1**	**+3.4**	**+5.9**
Commercial and industrial loans	17.6	+0.6	+3.8
Agricultural loans	1.8	+0.7	+0.2
Loans for purchasing or carrying securities	2.2	+0.3	−1.1
Real-estate loans	8.2	+1.1	+1.8
Consumer loans	5.6	+0.9	+1.4
All other, including loans to banks	1.0	....	−0.1
U. S. Government securities, total	**52.2**	**−5.8**	**−5.1**
Bills, certificates, and notes	13.4	+0.8	−4.2
Bonds	38.8	−6.6	−0.9
State and local government securities	**4.5**	**+0.3**	**+0.7**
Other securities	**2.9**	**−0.2**	....

[1] This loan total is a net figure, comparable with other totals in table and with loan totals for previous years. Individual loan items are gross figures (i.e., before deduction of valuation reserves). They do not add to total and are not entirely comparable with net figures shown in previous reports. Before computing annual changes for 1948, individual loan items for the end of 1947 were adjusted to a gross basis.

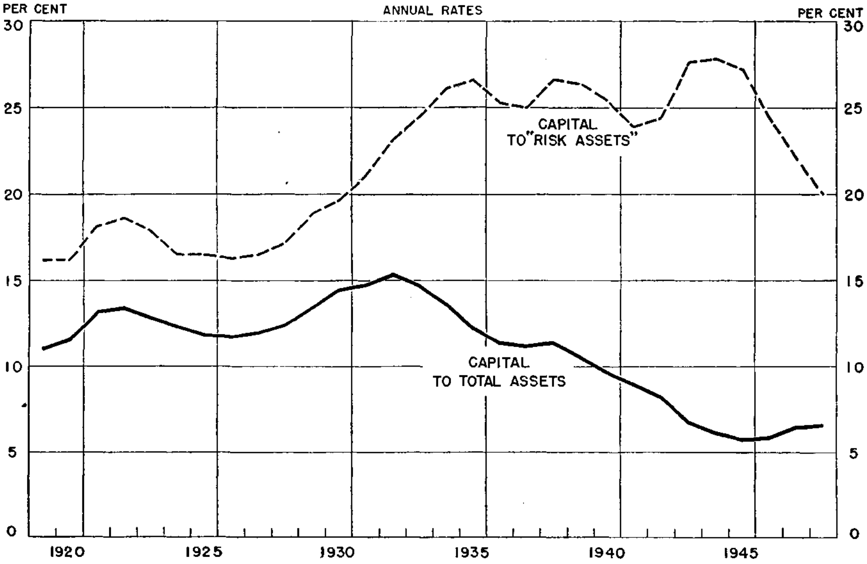
Total holdings of Treasury bills, certificates, and notes increased for the first time since 1945, and Government bond holdings declined by 6.6 billion dollars in contrast to a decline of less than 1 billion in the previous year. These shifts resulted from higher yields available on short-term securities, the retirement of bonds maturing or called for redemption, and perhaps some uncertainty as to whether the current support level of Government bond prices would be continued. The average yield to member banks on their Government security holdings increased slightly from 1.53 per cent in 1947 to 1.56 in 1948. The average yield on loans also continued to increase, from 3.56 to 3.83 per cent.

Capital accounts. Capital accounts of member banks increased by 337 million dollars in 1948, as compared with an increase of 369 million in the previous year. Retention of profits accounted for most of the increase. Sales of additional common stock increased slightly and retirements of preferred stocks and capital notes declined slightly from 1947, resulting in a capital increase of 11 million dollars from these transactions, as compared with a net decline of 6 million in 1947. Dividend payments amounted to 294 million dollars in 1948, an increase of 13 million over the previous year. They represented 3.4 per cent of total capital accounts at the year end and 47 per cent of net profits.

The ratio of average total capital accounts to average total assets increased for the third successive year, as is shown in the accompanying chart, and amounted to 6.6 per cent in 1948. In contrast, the ratio of average total capital accounts to average risk assets, defined to include all assets other than cash assets and United States Government securities, continued to decline from the peak reached in 1944 and amounted to only 20 per cent in 1948, the lowest ratio since 1930. The decline has resulted from a far greater relative growth in so-called risk assets than in total capital accounts. In 1947 and 1948 there were increases of nearly 7 billion and 4 billion dollars, respectively, in risk assets.

CAPITAL RATIOS OF MEMBER BANKS

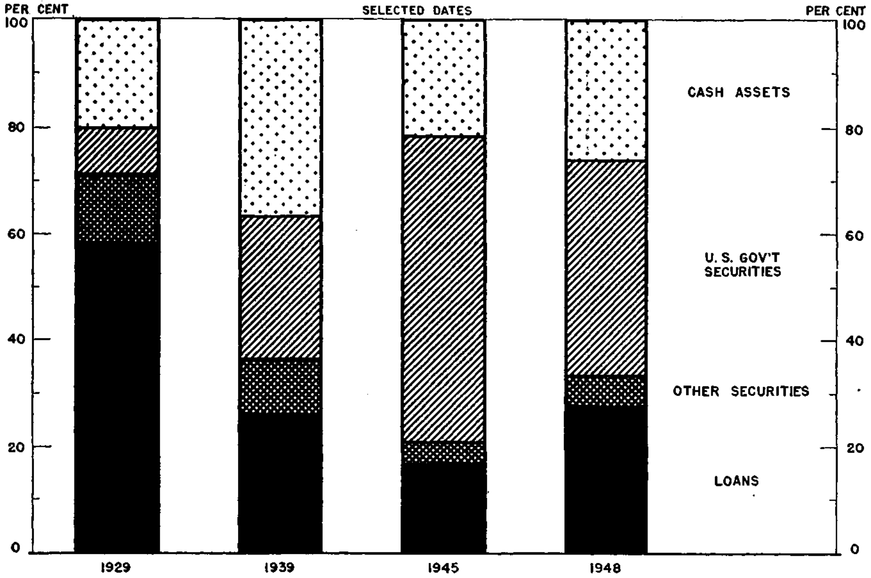
PERCENTAGES OF TOTAL ASSETS AND "RISK ASSETS"



NOTE: "Risk assets" represent total assets other than cash assets and U. S. Government securities. Capital and asset figures are based on averages of June and December call date figures 1919-40 and of three or four call date figures thereafter.

Changes in the distribution of member banks assets by broad groups during the past two decades are shown in the accompanying chart. It will be noted that loans and securities other than those of the United States Government, which comprised three-fourths of total assets in 1929, were only a fifth of the total in 1945 and, notwithstanding the subsequent increase in loans and decline in holdings of Government securities, were still only about a third of the total at the end of 1948.

CHANGES IN MEMBER BANK ASSETS



NONBANK SOURCES OF INVESTMENT FUNDS

A lower rate of expansion of private loans and investments by commercial banks in 1948 was accompanied by a substantial increase in lending and investing by other groups in the economy. Financial institutions other than commercial banks—especially the savings institutions—increased their investments in business securities and mortgages. Individuals purchased a considerably larger volume of corporate and State and local government securities last year than in the previous year. Finally, business enterprises invested slightly more of their own funds in 1948 than in 1947.

Savings institutions as a group extended a substantially greater volume of credit to private borrowers in 1948 than they did in previous years. This credit was extended largely to provide business corporations with additional funds for carrying out capital expansion programs and to finance the purchase of homes and other construction. The amount of new savings flowing to such institutions was slightly smaller in 1948 than in other recent years.

The increase in their lending was financed by the liquidation of a large volume of United States Government securities.

During 1948 the life insurance companies are estimated to have reduced their portfolios of United States Government securities by 3.3 billion dollars. The proceeds of this liquidation were added to 3.6 billion dollars of receipts from other sources, mainly new individual savings, to provide nearly 7 billion of funds for increased private investment. This increase was approximately 35 per cent larger than the increase in 1947. The principal increases in life insurance investments in 1948 occurred in corporate securities—4.2 billion dollars—and in mortgages—2.2 billion.

At mutual savings banks, additional deposits and retained earnings amounting to 0.7 billion dollars, together with a reduction of 0.5 billion in holdings of United States Government securities, provided 1.2 billion for new investment in 1948, as compared with 1.0 billion in 1947. They invested most of these funds in business securities and real-estate mortgages.

Savings and loan associations, in contrast to life insurance companies and mutual savings banks, invested slightly less in 1948 than in 1947—1.8 billion dollars as compared with 1.9 billion. Funds came largely from new savings. A small decline in holdings of Government securities was partly offset by an increase in cash.

The continued large volume of internal funds available to business corporations in 1948—principally from retained profits, amounts set aside for depreciation allowances, and a small reduction in liquid asset holdings—enabled them in the aggregate to finance their record expenditures with relative ease. Such funds amounted to 16.3 billion dollars in 1948 and 15.5 billion in 1947. The total of internal funds was a slightly larger proportion of total business funds from all sources, external as well as internal, in 1948 than in the preceding year. The large volume of internal funds available to businesses in 1948 was largely invested in plant, equipment, inventories, and customer credit.

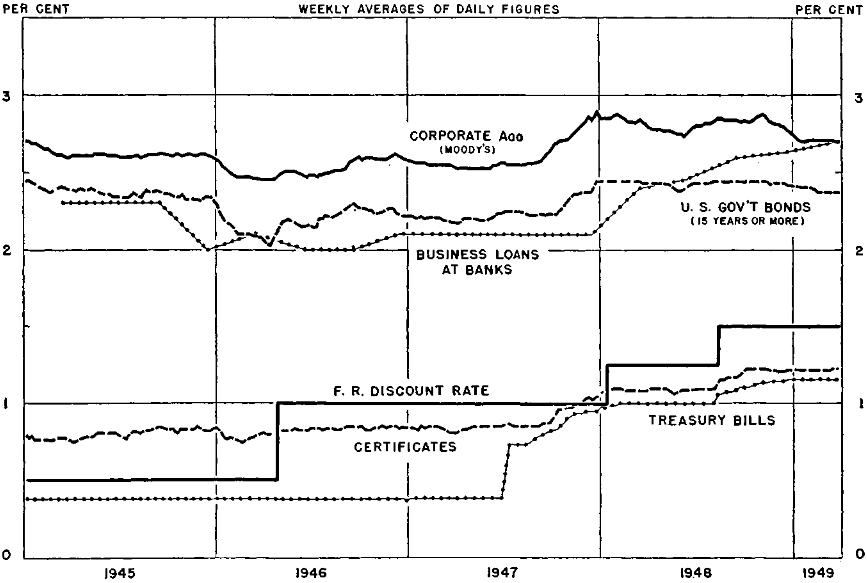
During 1948 individuals and unincorporated businesses reduced their holdings of currency and demand deposits by approximately 1 billion dollars. At the same time individuals increased their holdings of corporate and State and local government securities by almost 3 billion dollars, which was slightly more than double the increase in 1947. Individuals also added further to their holdings of United States Government securities.

CHANGES IN STRUCTURE OF INTEREST RATES

Short-term money rates rose further in 1948, chiefly as a result of official policies permitting a rise in rates on short-term Government securities while maintaining yields on long-term Treasury bonds. Yields on corporate and municipal bonds fluctuated during the year but were slightly lower at the end than at the beginning. Stock yields rose to quite high levels for prosperity conditions.

In the first two months of 1948, rates on short-term Government securities continued to rise as they had during the last half of 1947 and then changed little until August. One-year certificates were offered at 1⅛ per cent and rates on Treasury bills were just under 1 per cent. In August, the Treasury announced 1⅜ per cent one and one-half year notes in exchange for notes maturing September 15, and 1¼ per cent one-year certificates for certificates and notes maturing October 1. Rates on Treasury bills rose to about 1⅛ per cent by the end of the year. Federal Reserve Bank discount rates, which had been raised from 1 per cent to 1¼ per cent in January, were increased again in mid-August to 1½ per cent.

MONEY RATES



NOTE: For Treasury bills, rate is average discount on new issue during week. Federal Reserve discount rate is for the Federal Reserve Bank of New York. Rate on business loans at banks is average for loans made at banks in 19 selected cities in the first 15 days of March, June, September, and December.

Some increases also occurred in the interest rates charged by banks on loans to their customers. Average rates for all types of short-term business loans made by banks in 19 selected money centers rose from 2.1 per cent in December 1947 to 2.6 per cent in December 1948, as is shown in the accompanying chart. The rise in rates applied to business loans of all sizes.

Bond yields generally, which had advanced somewhat during the last four months of 1947, showed little further change in 1948. The average yield on high-grade corporate bonds, for example, was 2.8 per cent in December 1948 compared with 2.9 per cent in December 1947. A slight decline in yields in the first half of the year was followed by a rise in the summer and another slight decline in the closing weeks of the year. Yields on other grades of corporate bonds and on municipal bonds fluctuated more during the year than did those on high-grade corporate issues and showed small, mixed changes for the year as a whole.

INCREASED SUPPLIES AND MORE SELECTIVE PRICE MOVEMENTS

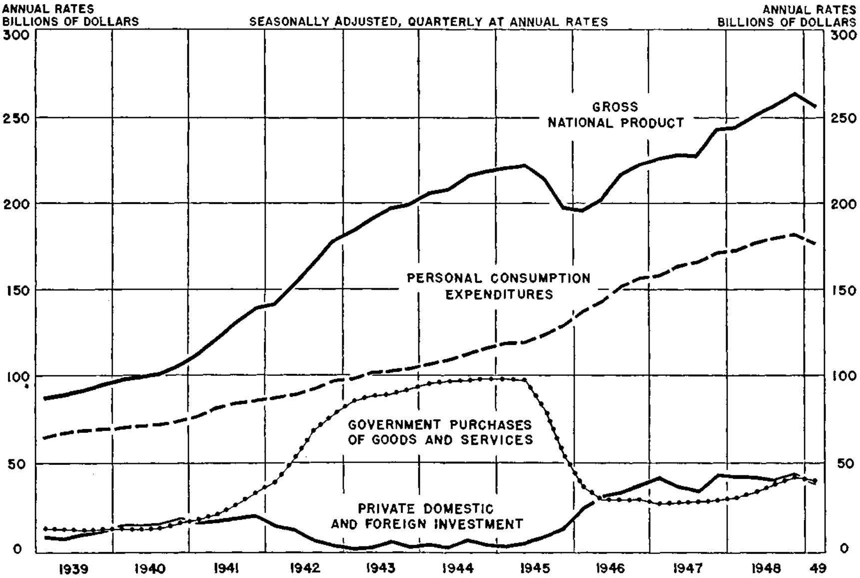
During 1948 production in most areas of the world increased further and more goods and services were made available to consumers and producers than at any other time since the end of the war. As a consequence, many of the shortages which had persisted during 1946 and 1947 were eliminated, and price developments became more selective—by country, by product, and by stage of production and distribution. The increase in supplies resulted largely from further progress toward orderly conditions of production and trade in many parts of the world, further development by the United States of a broad program of aid to Western Europe, expansion in plant capacity and material supplies, and more favorable growing conditions for crops in important areas. Demand, while uneven and not as much in excess of supply as before, on the whole was still strong, providing the incentive required for heavy production in this period.

In the United States, where production before 1948 had already risen to levels very close to capacity, further increases were generally moderate. Crop production was considerably larger than in 1947, and there were substantial increases in construction activity and electric power production. Output of manufactures and minerals expanded only moderately, owing in some instances to supply limitations but in others to a leveling off or a reduction in demand. As before, more goods were shipped abroad than were received but the difference, which had been very great in 1947, was considerably reduced in 1948 because exports declined and imports increased. Government purchases for stockpiling and other military purposes expanded, but altogether the share of domestic production available for civilian use was somewhat larger than in 1947 and actual supplies available to consumers and businesses reached new high levels. Some of the increased product available for civilian use went into business inventories, facilitating future production, speeding the delivery of goods to customers, and weakening the bargaining position of sellers.

As a consequence of this and of various other developments, such as the replenishment or building up of supplies of goods in the hands of domestic consumers and a reduction in export demand, inflationary pressures eased somewhat. The general level of wholesale commodity prices, which had advanced rapidly in 1947, declined early in 1948. Then it rose to a new peak in the third quarter, with sharp advances in meats, livestock, and metals and metal products, and little change for most other commodities. In the last quarter of 1948, prices declined to about the level prevailing at the end of 1947, and in early 1949 they declined more sharply. Wage rates advanced further in 1948, particularly during the late spring and summer months. In capital markets, farm land values showed some further rise until the latter part of the year, while real property values in urban areas continued close to earlier high levels and security prices showed little change.

Reflecting the larger volume of goods sold as well as the higher level of prices prevailing, total expenditures for goods and services during the year amounted to 255 billion dollars, as compared with 232 billion in 1947, an increase of 10 per cent. The rise from the fourth quarter of 1947 to the fourth quarter of 1948 was almost as large as this. The course of expenditures in 1948 is shown in the chart for the total and for broad types of outlays. Subsequently, in the first quarter of 1949, expenditures showed the first significant decline since the period immediately following the end of the war.

GROSS NATIONAL PRODUCT



NOTE: U. S. Department of Commerce data.

From the fourth quarter of 1947 to the fourth quarter of 1948, outlays by governments for currently produced goods and services rose by 12.5 billion dollars. Federal outlays showed a marked increase, chiefly for military purposes and foreign aid in the form of grants, and there was further substantial growth in outlays by State and local governments, both for current operations and for construction projects, particularly schools and highways.

The slight reduction indicated for private domestic and foreign investment together reflected a sharp decline in net foreign investment which more than offset a 7.5 billion dollar increase in domestic investment. The sharp decline in foreign investment was due chiefly to marked declines in net exports of goods and in the share of Federal aid to other countries which took the form of loans rather than grants. The rise in domestic investment reflected mainly a further rise in outlays for producers' equipment and an increase in inventory accumulation. Part of the increase in inventory accumulation was accounted for by a shift in the situation on farms where, because of very large crops, stocks were being increased rather than depleted.

Personal consumption expenditures in the fourth quarter of 1948 were at an annual rate about 10 billion dollars higher than in the final quarter of 1947. Meanwhile personal disposable income increased by about 18.5 billion and consumption expenditures declined as a proportion of personal disposable income. Expenditures for new houses, regarded as investment rather than consumption outlays, were at about the same level at the end of 1948 as a year earlier. There was a substantial increase in net current personal saving, which includes expenditures for new houses as well as accumulations of securities and liquid assets minus increases in debt. Consumer indebtedness for housing and other purposes continued to increase, although at a slackened rate toward the end of the year.

PERSONAL INCOME AND EXPENDITURES

[In billions of dollars]

Item	Year		Fourth quarter[1]	
	1948	1947	1948	1947
Personal income	213.6	195.2	219.6	203.1
Disposable income[2]	192.6	173.6	199.4	180.9
Consumption expenditures	177.7	164.8	181.0	171.1
Durable goods	*22.7*	*21.0*	*22.9*	*22.1*
Nondurable goods	*103.6*	*96.5*	*105.1*	*100.2*
Services	*51.4*	*47.3*	*53.0*	*48.8*
Personal saving	14.9	8.8	18.4	9.7

[1] Seasonally adjusted quarterly totals at annual rates.

[2] Disposable income is personal income less income taxes.

SOURCE: U. S. Department of Commerce.

More selective price movements. Price movements, which had been very generally upward most of the time from the end of the war through 1947, became much more selective in 1948, especially in commodity markets but also to some extent in markets for real property. Upward adjustment of wages was also somewhat more selective. The general level of wholesale prices, which had risen 16 per cent the previous year, showed no net change in 1948 and consumer prices rose only 3 per cent, as compared with 9 per cent in 1947. In wholesale markets, prices of some products, notably metals and many of their manufactures, rose further, as demand continued in excess of supply during most of the year; at the other extreme, prices of crops declined sharply, to Federal price support levels, under the impact of harvests greatly in excess of current use. Consumer prices were higher at the year-end than at the beginning of the year for most types of goods and services but were somewhat lower for foods. Comparative data are given in the accompanying table.

CHANGES IN PRICES

Group	Percentage increase or decrease		
	Dec. 1947 to Dec. 1948	Dec. 1946 to Dec. 1947	1935-39 to Dec. 1948
Basic commodity prices (28 items)	−15	+17	+153
General wholesale index:			
Total	−1	+16	+101
Farm products	−10	+17	+133
Foods	−5	+11	+115
Other commodities	+5	+17	+88
Textile products	−1	+10	+107
Building materials	+6	+21	+126
Fuel and light	+10	+30	+82
Metals and products	+15	+12	+89
Consumers' prices	+3	+9	+71
Food	−1	+11	+105
Apparel	+5	+8	+100
Rent	+4	+6	+20

NOTE.—Based on Bureau of Labor Statistics data.

While net changes in prices over the whole year were small, changes within the year were large. In the first few weeks of 1948, the rapid rise in prices which had characterized the latter part of 1947 came to an end and in February prices of numerous products, especially grains and livestock, dropped sharply. There were declines in retail as well as wholesale markets for some products, particularly meats. The reaction in prices, however, did not become general.

During the spring and summer months, although crop prospects improved and prices of some crops remained near Federal support levels, prices in many markets advanced considerably, bringing the general average to a new high. Cotton prices rose from 32 cents a pound in February to 37 cents in May and June. During the summer, metal prices rose more rapidly than at any time since the end of 1946, when Federal price controls were removed; livestock and meat prices advanced to new peaks, despite the prospect of greatly increased feed supplies; and prices of fuels rose somewhat further. This strengthening did not extend to as many markets as had earlier advances but it was nevertheless important. Beginning in May it was accompanied by further wage advances which, though not as large as those in 1946 and 1947, were substantial.

The whole upward movement in prices and wages after the reaction in prices early in the year reflected largely the widespread strength of existing demand, although for some commodities, such as nonferrous metals, interruptions to supply were also important. The demand situation was strong at this time, partly because many demands deferred from the war period had not been fully met, an expanded defense program and a program of economic aid to Western Europe were being inaugurated, and Federal taxes on personal incomes were being reduced. To some extent the rise in metal prices represented an adjustment of prices to market conditions which had prevailed for some time rather than a response to further expansion in demand.

The high point of this advance in commodity prices as a whole was reached in August, and during the remaining months of the year there were declines in both wholesale and retail markets. Sharp reductions in prices of livestock and meats, marked continuing declines in textiles, and reductions in some types of lumber were offset only in part by further increases in metals and metal products. In markets for some metal products such as household appliances, moreover, sales declined toward the end of the year, production schedules were revised downward from earlier exceptional peak levels, and later, in the early part of 1949, prices were reduced somewhat. Prices in used car markets declined rather more than seasonally. Supplies of fuel, which had been very short in the winter of 1947-48, increased and inventories accumulated, setting the stage for some decline in production and prices of fuel in the early part of 1949.

In general, the easing of inflationary pressures in the latter part of the year was in marked contrast to the resurgence of upward pressures in the latter part of 1947, but activity and employment continued at a high level, incomes reached a new peak, and unemployment remained at a very low level. Later, in the first quarter of 1949, further easing in the general situation was reflected in further price reductions, declines in production and employment, and an increase in unemployment.

Production close to capacity and demand. In broad terms, production in 1948 continued close to capacity and, for a variety of reasons, supplies came to approximate demands in most lines and to exceed demands in a number of other lines. As the year began, much progress had already been made in replenishing inventories at all stages of production, distribution, and consumption and in modernizing and expanding the country's industrial plant. During 1948 output was larger than in 1947 and the volume of goods exported was reduced from earlier peak levels. Domestic consumer demand continued strong until the latter part of the year when there was some weakening in a number of markets. At the year-end public programs called for further increases in outlays and private investment programs were still large in many lines, particularly the public utilities, but in some other lines, such as residential building, less new work was being undertaken.

Production was larger in 1948 than in 1947, partly because capacity and supplies in some lines had been increased and partly because weather conditions were much more favorable to crops. Construction activity rose further in 1948 as supplies of materials and labor expanded and in some fields, such as residential building, supply came to equal or exceed demand at existing high price levels, tending to ease the market for both old and new houses and to encourage caution on the part of potential home buyers, financing agencies, and builders. Electric power output expanded further by a large amount, but capacity and output at the end of the year were still inadequate to meet expanding demand in some areas, particularly the Pacific Northwest.

In industry—at factories and mines—output for the year, at 192 per cent of the 1935-39 average, was moderately higher than the 1947 level of 187. It showed little change during the course of the year, however, as further advances in output of some products, notably steel, automobiles, and petroleum, were offset by declines in output of some other products such as cotton textiles, shoes, and coal. In many industries, such as the machinery, chemicals, and food processing industries, output continued at earlier high levels.

In transportation there was not much change in the total volume of traffic from 1947 to 1948, partly because much of the increased output of agricultural products was held on farms. There was some further shift of traffic from the railroads to other forms of transportation; toward the end of the year carloadings fell below the levels prevailing late in 1947. Substantial current output of freight cars eased the shortage of railroad equipment, and demand for new automobile trucks was fairly well maintained although the number of trucks on the road reached a new peak.

As long as production in the economy was generally close to capacity but still short of demand, and as long as prices consequently were increasing at a rapid rate, one important question was how much production might be short of demand. Another was how long it would take to increase production enough to make up the difference and this posed the question of the course of demand as well as of supply. Would demand increase further, especially if military or related demands expanded? On the other hand, would it perhaps decline, as some of the more urgent deferred demands were met?

By the beginning of 1949, as production seemed to be catching up with or exceeding demand in an increasing number of lines, and as price declines became more numerous, questions concerning the course of prices and employment in the immediate future came more into the foreground. Earlier weaknesses in some prices during 1947 and 1948 had been followed by sharp advances and the extent of future demands, especially in connection with international developments, was not known. It was evident also that the financial position of consumers and producers was still relatively strong and that, as in other postwar years of generally rising incomes, sellers having excess stocks had often been able to dispose of them by reducing prices only moderately.

But, as supplies increased throughout the economy, in the hands of consumers as well as producers and distributors, demands were becoming less urgent. Consumers were saving more of their incomes and there were important questions concerning the course of consumer buying and the utilization of the increased personal savings together with the exceedingly large volume of undistributed business profits available for investment purposes. In the field of private investment the general tendency was toward a lower rate of expenditure, while Government outlays for goods and services were rising somewhat.

On the whole, the prospective course of prices, production, employment, incomes, and expenditures appeared to be downward in the early part of 1949 but economic activity was still not far below the peak levels reached during 1948.

INTERNATIONAL TRADE AND FINANCE

In 1948 there was a sharp reduction in the United States export surplus from the record peacetime level of 1947. As has been indicated earlier, this development was the combined result of a substantial decline in exports and a marked increase in imports. Exports of goods and receipts for services performed for foreigners amounted to 16.8 billion dollars in 1948, a decline of 2.9 billion from the preceding year. At the same time, imports and payments to foreigners for services amounted to 10.5 billion dollars, a figure almost one-fourth larger than in 1947. While still large, the export surplus, amounting to 6.3 billion dollars, was the smallest since 1942, and was 44 per cent below the level of 1947.

In the financing of the export surplus, the greatest change from the pattern of 1947 occurred with respect to the use of foreign gold and dollar assets. The net liquidation of such assets during the year was less than 1 billion dollars, as compared with 4.5 billion in 1947. There was also a decrease in United States Government aid, which, notwithstanding inauguration of the European Recovery Program, declined from 5.7 billion dollars in 1947 to 4.7 billion in 1948. Partly as a result of continued political uncertainty abroad, private investment and lending by international institutions continued at relatively low levels.

While the previous depletion of foreign gold and dollar resources and the decrease in United States aid were in part responsible for the reduction in the export surplus, this decline should also be regarded as evidence of a gradual return to a more balanced situation for the world as a whole. In large measure, the export surplus of recent years has reflected the contribution of the United States to postwar reconstruction. It was, therefore, to be expected that, as reconstruction proceeded, the abnormal dependence of foreign countries on United States production and financial assistance would diminish and that the United States would purchase an increasing amount of goods and services from abroad.

The movement toward international balance reflected in the United States balance of payments in 1948 was by no means uniform for all countries. The United Kingdom, largely because of a persistent sellers' market abroad and continued austerity at home, was able to reduce its over-all external deficit by more than four-fifths and its gold and dollar deficit by more than one-half. Canada and Italy also substantially improved their positions and, largely as a result of increased exports, were able to increase their dollar holdings during the year. Other countries, such as France, did not succeed in materially reducing their balance-of-payments gap, and Germany and Japan continued to need large amounts of outside aid. Finally, further deterioration in the international economic positions of such countries as South Africa, Argentina, and Mexico led to losses of reserves, tighter import controls, or currency depreciation.

The long-run policy of the United States continued to be directed toward the gradual elimination of trade restrictions as an important step in bringing about a high level of mutually beneficial international trade. An important objective of the European Recovery Program has been to prepare the European nations to participate in freer multilateral trade.

Exports and imports of the United States. Recorded exports of merchandise in 1948 amounted to 12.6 billion dollars, as compared with 15.3 billion in 1947. Owing to a 7 per cent increase in the average level of prices of export commodities, the decline in physical volume of exports was even greater than indicated by the decline in dollar amount. Receipts from services and investments, amounting to 3.4 billion dollars, were slightly below the 1947 level.

Recorded United States imports of merchandise amounted to 7.1 billion dollars in 1948, an increase of 1.3 billion from the level of 1947. This increase was accounted for by an 11 per cent increase in the import price level and by a roughly similar increase in physical volume. The growth in imports was shared by all major types of commodities. Payments to foreign countries for services and on investments increased from 2.4 billion dollars in 1947 to 2.8 billion in 1948. Imports of goods and services were equal to 4.7 per cent of the national income of the United States in 1948, as compared with 4.2 per cent in 1947. In the years immediately preceding the war, the corresponding percentage was about 6 per cent.

Until recent years, an export balance in United States merchandise trade with Europe, North America, and Africa was usually offset in part by an import balance with Asia and with South America. Since the war, however, United States exports have exceeded imports in every major area. This continued to be true in 1948, but to a less impressive extent. In the case of each major foreign area, the ratio of United States imports to United States exports was considerably higher in 1948 than in 1947. Recorded exports and imports of merchandise, by areas, are shown in the accompanying table.

UNITED STATES MERCHANDISE TRADE

[Dollar items in millions]

Area	1948 trade			Imports as a percentage of exports		
	Exports	Imports	Net exports	1948	1947	1935–39 annual average
Recorded trade, total	**$12,619**	**$7,070**	**$5,549**	**56.0**	**37.4**	**82.4**
Africa	785	407	378	51.8	39.8	53.1
Asia	2,094	1,332	762	63.6	44.9	145.7
Europe	4,286	1,092	3,194	25.5	14.4	55.3
North America	3,393	2,538	855	74.8	56.0	81.4
Oceania	153	164	−11	107.2	48.6	40.8
South America	1.908	1,537	371	80.6	52.5	118.8
Unrecorded trade[1]	**779**	**641**	**138**	....	....	....
Total	**$13,398**	**$7,711**	**$5,687**	**57.6**	**37.8**	**84.9**

[1] Consists mainly of certain U. S. Government transactions. On the export side, sales of Government surplus property to foreigners, and certain categories of civilian supplies distributed by the armed forces in occupied areas, accounted for the bulk of such transactions in 1947 and 1948.

Means of financing export surplus. About three-fourths of the total export surplus of the United States in 1948 was financed by gifts and loans from the United States Government. The dollars to cover the remaining net exports were derived, as shown by the table on page 38, from private United States investments and gifts, from loans by the International Bank and the International Monetary Fund, and from the sale of gold and other foreign-owned assets to the United States. In contrast with 1947, these sales were of relatively minor importance to the financing of the export surplus in 1948.

In 1948, the United States Government extended financial assistance to foreign countries amounting to 4.7 billion dollars, or 17 per cent less than in 1947. The amount of donations, however, was more than twice as large as in 1947, since the great bulk of Government assistance in 1948 took the form of gifts rather than loans. European countries received more than three-fourths of the aid extended by the United States Government in 1948, largely as part of the European Recovery Program.

Private gifts and investments continued to finance a part of the net exports from the United States. The net amount of charitable contributions and personal remittances in 1948 was about 600 million dollars. The net outflow of private capital, amounting to about 900 million dollars, consisted mainly of advances by parent companies in this country to their subsidiaries abroad.

As previously indicated, various countries found it necessary to draw on their holdings of gold and other liquid assets in the United States. Net sales of gold to the United States by foreign countries amounted to 1.5 billion dollars during the year. In considerable part, however, these sales were offset by an increase of 1 billion dollars in foreign banking funds held in the United States. Part of the gold sales represented new foreign production of gold, which remained at the 1947 level of about 700 million dollars (not including Soviet production). Total foreign gold and dollar holdings, which had been depleted considerably in 1947, thus remained approximately constant in 1948.

FOREIGN TRADE OF THE UNITED STATES AND MEANS OF FINANCING[1]
[In billions of dollars]

	1948	1947
United States exports, total	**16.8**	**19.7**
Goods	13.4	16.1
Services	3.4	3.7
United States imports, total	**10.5**	**8.5**
Goods	7.7	6.1
Services	2.8	2.4
Net purchases from United States by foreign countries	**6.3**	**11.3**
Sources of financing utilized by foreign countries, total	**7.5**	**12.3**
United States Government, net total	**4.7**	**5.7**
Credits	0.9	3.9
Donations	3.8	1.8
United States—private, net total	**1.5**	**1.3**
Foreign investment (long- and short-term)	0.9	0.7
Donations	0.6	0.6
International institutions, net total	**0.4**	**0.8**
Dollars disbursed by International Bank	0.2	0.3
Dollars drawn from International Monetary Fund	0.2	0.5
Foreign countries' own capital assets, net total	**0.9**	**4.5**
Sales of gold to United States	1.5	2.8
Reduction of banking funds in United States	[2] −1.0	1.2
Liquidation of other assets in United States	0.3	0.5
Errors and omissions	**−1.1**	**−1.0**

[1] This table is derived largely from U. S. balance-of-payments data compiled by the Department of Commerce. Gold and dollar transactions between the United States and the International Monetary Fund and the International Bank are omitted while gold and dollar financing provided by the Fund and the Bank are included. ECA disbursements that are ultimately to be placed on a loan basis are treated as credits. Details may not add to totals because of rounding.

[2] Increase.

CHANGES IN BANKING STRUCTURE

Number of banking offices. There was a net increase of 189 banking offices in the United States in 1948. This was the fifth consecutive annual increase and followed somewhat larger increases of 207 in 1947 and 225 in 1946. The number of newly organized banks and branches was 242, as compared with 271 in 1947 and 301 in 1946. The banking offices that went out of existence in 1948 totaled 53, a smaller number than in either of the two preceding years. At the end of 1948 there were 19,164 banking offices (14,703 banks and 4,461 branches and additional offices). There were also 70 banking facilities at military reservations, excluded from the foregoing figures, a decrease of one during the year; at the end of the war, there were about 350 of these offices.

The number of banks (head offices) declined in 1948 for the first time since 1944. The net decline of 11 compares with net increases of 14 in 1947, 32 in 1946, and 18 in 1945. The number of new banks opened for business was 80, a decline from the corresponding figures of 111 in 1947 and 144 in 1946. These declines followed increases beginning in 1943 and reaching a peak in 1946. Twenty of the 80 banks opening for business were member banks, 41 were insured nonmember banks, and 19 were noninsured banks. Of the 91 banks discontinued through consolidation, liquidation, etc., 56 became branches. The number of banks in operation at the end of 1948 was 14,703 (14,171 commercial banks and 532 mutual savings banks).

The number of branches and additional offices, exclusive of offices at military reservations, increased by a net of 200 during the year. This increase in 1948, although only slightly larger than in 1947 and 1946, was the largest since 1934. The number of such offices has increased in every year since 1933 except 1942, when it remained unchanged.

Approximately 40 per cent of the new banks opened for business in the past four years have been in Georgia, Illinois, and Texas, where branch banking is prohibited. About the same percentage of the new branches have been in California, Massachusetts, Michigan, and New York, while the new banks opened in these four States have amounted to only 6 per cent of the total.

Changes in Federal Reserve membership. Membership in the Federal Reserve System decreased for the first time since 1938. The loss of 5 banks in 1948 compares with net gains of 23 in 1947 and 16 in 1946. The number of national banks decreased by a net of 14 and the number of State member banks increased by a net of 9. Admissions to membership were more than offset by consolidations, etc., in which 37 banks became branches. Of the 49 banks admitted to membership, 17 were national banks and 32 were State banks; of the latter, 5 were newly organized and 27 were already in operation. All but one of the 27 had previously been admitted to membership in the Federal Deposit Insurance Corporation and their total deposits amounted to about 83 million dollars. A survey made by the Reserve Banks as of December 31 showed that nearly one-third of the nonmember commercial banks were ineligible for membership in the Federal Reserve System on the basis of statutory capital requirements.

The 6,918 member banks in operation at the end of 1948 accounted for 49 per cent of the number and 85 per cent of the deposits of all commercial banks in the country. The State member banks accounted for 21 per cent of the number and 65 per cent of the deposits of all State commercial banks. These percentages have remained practically unchanged in recent years.

Par and nonpar banks. During 1948 there was a net increase of 24 in the number of banks on the Federal Reserve Par List and a net decrease of

30 in the number of nonpar banks.[1] These changes continued the trend of several years but the number of banks involved was somewhat smaller. During the year, 112 banks were added to the Par List, 7 were withdrawn, and 81 banks formerly on the list terminated existence. Of the latter, 72 were absorbed by other par banks and 55 of the 72 were converted into branches. There were net increases in nonpar banks in only three States.

At the end of 1948 there were 12,061 banks remitting at par and 2,011 nonpar banks. The latter represented only 14 per cent of the banks on which checks are drawn and held a very small proportion of the deposits of all commercial banks in the country. The number of nonpar branches of commercial banks, which has been decreasing slightly in recent years, was 318 at the end of the year.

In February 1949, when the last nonpar bank in one State came on the Par List, there were 5 Federal Reserve districts and 28 States and the District of Columbia in which all banks were on the Federal Reserve Par List. In each of 5 other States, the number of nonpar banks was less than 10. At the end of 1948 over 99 per cent of the banks not on the Par List were in the following 15 States: Minnesota 416, Georgia 294, Mississippi 165, Arkansas 124, North Carolina 116, Wisconsin 107, Alabama 106, Louisiana 103, South Dakota 100, Tennessee 95, North Dakota 89, South Carolina 89, Missouri 67, Florida 63, and Texas 58.

Check routing symbols. Further progress was made during 1948 in the uses of routing symbols on checks to facilitate their collection. The program was inaugurated by the American Bankers Association and the Federal Reserve System in June 1945.

Nearly all of the banks on the Federal Reserve Par List now have check routing symbols printed on some of their checks in the approved location, i.e., in the upper right-hand corner. On the basis of a survey made as of December 1, 1948, it was found that 58 per cent of all checks clearing through Federal Reserve Banks carried routing symbols in the approved location.

Designation of reserve cities. In accordance with the basis for the classification of reserve cities adopted in December 1947 by the Board of Governors and published in the 1947 Annual Report, the following changes were made in the classification of reserve cities, effective March 1, 1948: The city of National City (National Stock Yards), Illinois was classified as a reserve city, and the designations of the following cities as reserve cities were terminated: Grand Rapids, Michigan; Ogden, Utah; and Spokane, Washington.

BANK SUPERVISION BY THE FEDERAL RESERVE SYSTEM

The year 1948 ended with a very moderate decrease in the total resources of all member banks. There were also changes in the character of assets held

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[1] The Federal Reserve Par List comprises all member banks, which are required under the law to remit at par for checks forwarded to them by the Federal Reserve Banks for payment, and also such nonmember banks as have agreed to do so.

by the banks, representing in the main a continuing shift from what are usually termed riskless assets (cash assets and United States Government securities) into loans. The larger volume of risk assets commensurately increased the responsibilities of bank managements and bank supervisory authorities to detect and correct elements of weakness as they develop.

While the number and volume of assets of State member banks with problem characteristics were small in the aggregate, the fact remains that the high level of business activity in 1948, as in the past several years, tended to obscure real and potential elements of risk in loans and to increase the difficulty of their proper appraisal by bank managements and examiners. Manifestly, a diminution of business activity could affect adversely the collectibility of many loans and disclose a greater degree of deterioration than is now apparent.

Difficulty in finding and attracting capable bank personnel continued to be a problem during the year, for some of the smaller banks in particular.

The continued increase in risk assets in 1948 was not offset by proportionate increases in aggregate capital. Therefore, the need for capital became even more pronounced. While a relatively few State member banks sold additional common stock during the year, many were reluctant to take such action. In some cases this reluctance appears to spring from unwillingness of controlling interests to dilute their stockholdings through sales of new stock. In other cases lack of market appears to be the most important obstacle. In such circumstances it has been urged that caution be exercised in further expansion of risk assets and disbursement of earnings through cash dividends.

The Board continued during the year to work closely with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Executive Committee of the National Association of Supervisors of State Banks on matters of mutual interest pertaining to bank examination and supervision.

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

Examination of State member banks. State member banks are subject to examinations made by direction of the Board of Governors or of the Federal Reserve Banks by examiners selected or approved by the Board of Governors. The established policy is to conduct 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 bank is situated, with additional examinations if considered desirable. In order to avoid duplication and to minimize inconvenience to the banks examined, wherever practicable joint examinations are made in cooperation with the State banking authorities or alternate examinations are made by agreement with State authorities. The 1948 program for the examination of State member banks was substantially completed.

A conference of the Vice Presidents in charge of bank examination and supervision at the several Federal Reserve Banks was held at the offices of the Board of Governors on February 12 and 13, 1948 to consider current supervisory problems. Representatives of the Comptroller of the Currency and the Federal Deposit Insurance Corporation participated in the conference. The annual convention of the National Association of Supervisors of State Banks, held in Louisville, Kentucky, in September, afforded another opportunity for an informal meeting of the bank supervisory officers of the Federal Reserve Banks with representatives of the Board to consider matters of current interest.

Bank holding companies. During 1948 the Board acted on applications for voting permits submitted by holding company affiliates of banks and authorized the issuance of four permits for general purposes and five permits for limited purposes.

The regular annual reports were obtained from holding company affiliates to provide information with respect to the organizations to which voting permits have been granted. In accordance with established practice, a number of holding company affiliates were examined during the year by examiners for the Federal Reserve Banks in whose districts the principal offices of the holding companies are located.

Section 301 of the Banking Act of 1935 provides that the term "holding company affiliate" shall not include, except for the purposes of Section 23A of the Federal Reserve Act, any organization which is determined by the Board not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies. During the year the Board made such determinations with respect to seven organizations.

As mentioned in previous reports, the existing statutes do not provide adequate means for regulation of bank holding companies. The Board's recommendations for the strengthening of such regulation are presented earlier in this report.

Trust powers of national banks. During the year, 13 national banks were granted authority by the Board to exercise one or more trust powers under the provisions of Section 11(k) of the Federal Reserve Act. This number includes the grant of additional powers to one bank which previously had been granted certain trust powers. Trust powers of 10 national banks were terminated by voluntary liquidation or consolidation. At the end of 1948 there were 1,788 national banks holding permits to exercise trust powers. A list of such banks, with indication of the power or powers each bank is authorized to exercise, will be supplied to those requesting it.

Foreign branches and banking corporations. The Board approved six applications made during 1948 by member banks pursuant to the provisions of Section 25 of the Federal Reserve Act for permission to establish foreign branches. During the year member banks opened eight foreign branches, several of which had been authorized by the Board prior to 1948. The new branches were distributed geographically as follows: Brazil 3, Germany 1, Japan 3, Philippines 1. Owing to disturbed conditions, the operations of one foreign branch were in temporary suspension at the end of the year under the provisions of the Board's Regulation M. The types of banking operations conducted by branches in Germany and Japan are restricted by the terms of the licenses issued by the military occupation authorities.

At the end of 1948, seven member banks had in active operation a total of 89 branches in 22 foreign countries and possessions of the United States. Of the 89 branches, four national banks were operating 83, and three State member banks were operating 6. The foreign branches in active operation were distributed geographically as follows:

Latin America	**46**
Argentina	10
Brazil	8
Chile	2
Colombia	3
Cuba	16
Mexico	1
Panama	3
Peru	1
Uruguay	1
Venezuela	1
Continental Europe	**5**
Belgium	1
France	1
Germany	3
England	**10**
Far East	**17**
China	1
Hong Kong	1
India	2
Japan	7
Philippines	5
Singapore	1
U. S. Possessions	**11**
Canal Zone	4
Puerto Rico	7
Total	**89**

At the end of 1948 there were four corporations organized under State laws which operate under agreements entered into with the Board pursuant to Section 25 of the Federal Reserve Act relating to investment by member banks in the stock of corporations engaged principally in international or foreign banking. These corporations are First of Boston International Corporation, International Banking Corporation, Morgan & Cie., Incorporated, and Bankers Company of New York. One of the four has no foreign affiliates or branches, one has a branch in England and during the year opened a branch in France, one operates a branch in France, and one has an English fiduciary affiliate.

During the year the agreement with the Board under which French American Banking Corporation operated was terminated, owing to the acquisition by other interests of the stock in the Corporation formerly held by member banks.

The Board's Division of Examinations examined during the year the head office of The Chase Bank, 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. The bank has a fiduciary affiliate in England, and operates a branch in France, two branches in China, and a branch in Hong Kong.

CHANGES IN REGULATIONS OF THE BOARD OF GOVERNORS

Reserves of member banks. The Board's Regulation D, relating to reserves required to be maintained by member banks with Federal Reserve Banks, was amended to increase the required reserves against demand deposits for banks in central reserve cities from 20 to 22 per cent effective February 27, 1948, and from 22 to 24 per cent effective June 11, 1948. It was again amended effective September 24, 1948, as to banks in reserve and central reserve cities, and effective September 16, 1948, as to other member banks, to increase the required reserves against time deposits from 6 to 7.5 per cent for all member banks, and to increase the required reserves against demand deposits from 24 to 26 per cent for central reserve city banks, from 20 to 22 per cent for reserve city banks, and from 14 to 16 per cent for other member banks. The regulation also was amended in minor respects effective September 16, 1948, to reflect changes in the applicable statutes.

Effective in May 1949, the Board reduced reserve requirements by 2 percentage points on net demand deposits at member banks in central reserve cities, by 1 percentage point on net demand deposits at all other member banks, and by one-half percentage point on time deposits at all member banks. These reductions became effective May 5, 1949 for member banks in reserve and central reserve cities and May 1, 1949 for other member banks.

Membership of State banks. The Board's Regulation H, relating to membership of State banks in the Federal Reserve System, was amended effective September 1, 1948, to eliminate certain conditions of membership which were not considered essential as standard conditions of membership for State member banks of the Federal Reserve System. This action was taken as part of a program to accomplish greater uniformity in the conditions of membership applicable to State member banks.

Check clearing and collection. The Board's Regulation J, relating to the clearing and collection of checks by Federal Reserve Banks, was amended effective January 1, 1949, pursuant to recommendations of the American Bankers Association, to permit conditional payment of checks and other cash items presented by Federal Reserve Banks. The amendment authorizes a procedure under which a cash item which a Federal Reserve Bank presents to a drawee bank, and for which remittance or settlement is made by the drawee bank on the day it receives the item, may be returned for credit or refund at any time prior to midnight of the drawee's next business day.

Interlocking bank directorates. The Board's Regulation L, relating to interlocking bank directorates under the Clayton Act, was amended effective July 1, 1948, to permit a director, officer, or employee of a member bank to be at the same time a director, officer, or employee of not more than one bank which is principally engaged in international or foreign banking and which does not receive deposits or make loans in the United States except as may be incidental to its international or foreign business.

Margin requirements for purchasing securities. The Board's Regulation T, relating to the extension and maintenance of credit by brokers, dealers, and members of national securities exchanges, and Regulation U, relating to loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange, were amended effective April 1, 1948, to permit a customer to make substitutions on certain conditions in an undermargined account without having to supply additional margin. Previously, substitutions were limited by the rule that the proceeds of sales of securities in an undermargined account be used to the extent necessary to increase the margin on the remaining securities until it was on the margin basis prescribed by the regulations.

Effective March 30, 1949, the margin requirements under the Board's Regulations T and U were reduced from 75 per cent to 50 per cent. Effective May 1, 1949, these regulations were amended to simplify operations in the special cash account under Regulation T and to relax further the provisions relating to substitutions of securities under the regulations. Effective May 16 the regulations were amended to permit a 25 per cent margin in the case of securities acquired through subscription rights when specified conditions are met.

Consumer instalment credit. The Board's Regulation W, relating to consumer instalment credit, was reissued effective September 20, 1948, in much the same form as the regulation was when terminated on November 1, 1947. The new regulation covered instalment sales and loans for the purchase of 12 kinds of consumers' durable goods, excluding articles selling for less than $50. It also covered instalment loans for most other consumer purposes. The regulation required down payments of at least 33⅓ per cent on purchases of automobiles and 20 per cent on purchases of the other listed articles. On all types of instalment credit subject to the regulation, maturities were restricted to 15 months for credits not exceeding $1,000 and 18 months for larger amounts (with monthly payments of at least $70 on amounts over $1,000). Instalment credits in excess of $5,000 were not regulated. The regulation was amended effective November 1, 1948, to permit customer trials of appliances without prior down payments under certain specified conditions.

Effective January 1, 1949, Regulation W was amended to provide that, for purposes of the exemption of articles selling for less than $50, any applicable sales taxes might be disregarded. Effective March 7, 1949, the regulation was amended to reduce required down payments on articles other than automobiles from 20 per cent to 15 per cent and to increase to 21 months the maximum period permitted for repayment of all credits under the regulation. Certain technical changes were made at the same time. Effective April 27, 1949, the required down payment on articles other than automobiles was reduced to 10 per cent, the maximum period permitted for repayment of all credits under the regulation was increased to 24 months, and the exemption of articles selling under $50 was changed to an exemption of articles selling under $100.

LITIGATION

Suit regarding condition of membership. The Supreme Court of the United States on March 15, 1948 reversed the decision of the United States Court of Appeals for the District of Columbia in the suit of Peoples Bank, Lakewood Village, California, against the members of the Board of Governors. The suit asked for a declaration that a condition of membership accepted by the Peoples Bank at the time of its admission to membership in the Federal Reserve System was invalid and sought an injunction against its enforcement. The Supreme Court held that "the Bank's grievance here is too remote and insubstantial, too speculative in nature, to justify an injunction against the Board of Governors, and therefore equally inappropriate for a declaration of rights." Two Justices dissented and two Justices did not participate in the decision. A rehearing was denied April 19, 1948. The opinions of the Supreme Court are reported in 333 U. S. 426 and were printed in the *Federal Reserve Bulletin* for April 1948, pages 398-402.

Hearing under Clayton Antitrust Act. On June 24, 1948, the Board issued a complaint against Transamerica Corporation, a holding company having its principal place of business in San Francisco, California, together with a notice of a hearing to determine whether an order should be entered requiring the Corporation to cease and desist from violating Section 7 of the Clayton Antitrust Act, which vests specifically in the Board the responsibility for enforcement with respect to banks, banking associations, and trust companies. The complaint charged that the Corporation violated the Act by acquiring the stock of numerous banks. After certain preliminary motions had been heard and disposed of, the taking of testimony began before a Hearing Officer on February 2, 1949.

LEGISLATION

Consumer instalment credit. A Joint Resolution approved August 16, 1948, restored the Board's authority to regulate consumer credit for a period ending June 30, 1949, in accordance with Executive Order No. 8843, dated August 9, 1941, in so far as it relates to instalment credit. This authority had been terminated on November 1, 1947, by a Joint Resolution approved August 8, 1947.

Reserves of member banks. The Joint Resolution approved August 16, 1948, also amended Section 19 of the Federal Reserve Act to give the Board additional authority to increase the reserves required to be maintained by member banks with Federal Reserve Banks during a period ending June 30, 1949. This amendment authorized the Board to increase the required reserves against time deposits to a maximum of 7.5 per cent for all member banks and to increase the required reserves against demand deposits to not more than 30 per cent for central reserve city banks, 24 per cent for reserve city banks, and 18 per cent for other member banks.

Real-estate loans. An Act approved May 25, 1948, amended the third paragraph of Section 24 of the Federal Reserve Act, so as to make it clear that the restrictions and limitations of that section upon real-estate loans by national banks do not apply to loans which are made to established industrial or commercial businesses and in which the Reconstruction Finance Corporation cooperates or purchases a participation.

Criminal provisions. Under an Act approved June 25, 1948, which became effective September 1, 1948, Title 18 of the United States Code, entitled "Crimes and Criminal Procedure," was revised and codified into the criminal code. The Act repealed certain criminal provisions contained in Sections 12B and 22 of the Federal Reserve Act and in related statutes and incorporated the substance of these provisions in the revised Title 18.

RESERVE BANK OPERATIONS

Earnings and expenses. Current earnings and expenses of the various Federal Reserve Banks are given in detail in Table 6 on pages 70-71, and a condensed annual statement for all the Reserve Banks combined since 1914 is shown in Table 7 on pages 72-73. The table below gives a condensed comparative summary for all of the Reserve Banks for the years 1947 and 1948.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS
1947 and 1948
[In thousands of dollars]

Item	1948	1947
Current earnings	304,161	158,656
Current expenses	72,710	65,393
Current net earnings	231,451	93,263
Additions to current net earnings	6,517	2,887
Deductions from current net earnings	414	508
Net additions	6,103	2,379
Transferred to reserves for contingencies	40,421	406
Paid U. S. Treasury (Sec. 13b)	....	36
Paid U. S. Treasury (interest on outstanding F. R. notes)	166,690	75,224
Net earnings after reserves and payments to U. S. Treasury	30,443	19,976
Dividends paid	11,920	11,523
Transferred to surplus (Sec. 13b)	....	87
Transferred to surplus (Sec. 7)	18,523	8,366

The increase of about 145 million dollars in current earnings in 1948 reflected principally an increase of 143 million in earnings on United States Government securities in the System Open Market Account. Current expenses increased only about 7 million dollars, so that current net earnings were 138 million more in 1948 than in 1947.

After net additions to current net earnings of 6 million dollars (consisting mostly of net profits on sales of United States Government securities) transfers to reserves for contingencies of 40 million, and payments of 167 million to the United States Treasury as interest on outstanding Federal Reserve notes, remaining net earnings were 30 million dollars in 1948. Dividends to member banks, as provided in the Federal Reserve Act, totaled about 12 million dollars, leaving 18 million, which was transferred to surplus.

As noted above, earnings on Reserve Bank holdings of United States Government securities were 143 million dollars more in 1948 than in 1947. This increase reflected a higher average rate of earnings in 1948, which resulted from a somewhat higher yield on Treasury bills and certificates and a shift from Treasury bills into bonds, with little change in total holdings. Earnings from discounts and advances were greater in 1948 than in 1947, reflecting the increases made in the Federal Reserve Bank discount rates in 1948, as well as a larger volume of loans. The accompanying table shows average holdings, earnings, and average rates of earnings on loans and securities of the Federal Reserve Banks during the past four years.

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1945–48
[Dollar amounts in thousands]

Item and year	Total	Discounts and advances	Acceptances purchased	U. S. Government securities, direct and guaranteed	Industrial loans
Average daily holdings:					
1945	$21,742,589	$375,958	$ 22	$21,363,244	$3,365
1946	23,570,260	310,308	8,457	23,250,195	1,300
1947[1]	22,552,491	218,755	384	22,331,740	1,612
1948[1]	21,841,623	330,706	....	21,509,321	1,596
Earnings:					
1945	141,631	1,977	(2)	139,553	101
1946	149,703	2,497	43	147,125	38
1947	157,823	2,195	4	155,564	60
1948	303,316	4,371	....	298,903	42
Average rate of earnings (per cent):					
1945	0.65	0.53	0.50	0.65	2.99
1946	0.64	0.80	0.51	0.63	2.90
1947	0.70	1.00	1.01	0.70	3.75
1948	1.39	1.32	....	1.39	2.64

[1] Based on holdings at opening of business.
[2] Less than $500.

Foreign transactions. Total dollar and gold assets of foreign central banks and governments held by the Federal Reserve Banks increased in 1948 by nearly 900 million dollars, thereby reversing the downward trend which had been in evidence since the high point of about 7 billion dollars was reached in September 1945. The increase, however, was less than the amount of foreign-owned gold that was shipped to this country during the year. At the end of the year, dollar deposits, earmarked gold, United States Government securities, and other dollar assets held for all such accounts amounted to about 4.2 billion dollars.

The rise in assets held for foreign account took the form largely of United States Government securities and dollar deposits, although the amount of gold held under earmark also showed a net increase of 195 million dollars for the year.

The amount of gold and dollar assets held by the Federal Reserve Bank of New York for the International Bank for Reconstruction and Development and the International Monetary Fund increased only moderately. This contrasted with the sharp net rise in 1947, when member countries made large payments covering their participation in the Fund and the Bank.

As a result of increased demands from foreign central banks for loans against gold, the total of such loans outstanding rose from about 50 million dollars at the end of 1947 to a new record high of nearly 260 million in August, but then receded to about 190 million at the end of 1948. These loans, which were designed to cover temporary requirements for dollar exchange on the part of the borrowing countries, were made for periods not exceeding three months. Interest was at the discount rate of the Federal Reserve Bank of New York, which was raised from 1 to 1½ per cent during the year. Of four loans on gold outstanding at the beginning of the year, two were repaid in full, and one in part during the year. Loans were made to five other central banks during the year, of which two were repaid in full, while the amount advanced to the other three had been considerably reduced by the end of the year.

Three regular foreign accounts were opened during the year, one of which represented the transfer of a balance from an account which the Federal Reserve Bank of New York had previously maintained as fiscal agent of the United States.

The Federal Reserve Bank of New York, as fiscal agent of the United States, continued to operate the United States Stabilization Fund in accordance with authorization and instructions from the Treasury Department and to act in a fiscal agency capacity in the administration of foreign funds control. Under the Executive Order of January 15, 1934, and Treasury regulations issued thereunder, the Federal Reserve Banks continued to collect and analyze reports from banks, security brokers and dealers, and others covering the international movement of capital.

The Federal Reserve Bank of New York handled a variety of operations during the year for the International Bank for Reconstruction and Development and the International Monetary Fund. Operations undertaken for the International Bank included making investments in United States Government securities, holding securities in custody, receiving deposits, making payments under loans granted by the Bank, and acting as fiscal agent of the Bank in connection with its two bond issues floated in 1947. For the Fund, the operations consisted largely of making dollar payments in connection with its foreign exchange and gold transactions with member countries, and of holding gold and securities in custody.

Volume of operations. Operations in the principal departments of the Federal Reserve Banks during 1948 were on the whole somewhat higher than in 1947 and checks collected and currency and coins handled registered increases to new all-time peaks. As in the preceding two years of adjustment from a war economy, there was some decline in 1948 in the number of issues, redemptions, and exchanges of Government securities by Reserve Banks acting as fiscal agents for the United States Treasury and Government agencies. Volume of operation figures for 1948 as compared with the previous four years are shown in Table 5 on page 69.

Bank premises. The policy stated in the 1947 Annual Report of approving the preparation of plans for needed building construction or extensive alterations and repairs at Federal Reserve Banks and their branches but not authorizing commencement of construction unless of an emergency character was continued during 1948.

Under this policy the only construction projects authorized in 1948 were completion of the rehabilitation of the building acquired by the Federal Reserve Bank of St. Louis in 1944, air conditioning of a few floors at the Federal Reserve Bank of Chicago in order to complete the air conditioning of the building, and construction of a coin vault in the Detroit Branch of the Federal Reserve Bank of Chicago.

In addition, the Federal Reserve Bank of San Francisco was authorized to proceed with the preparation of final plans for the construction of buildings to house its Portland and Seattle Branches on sites acquired in 1946 and 1945, respectively, and to execute purchase contracts for structural steel and elevators for these buildings. The Portland and Seattle Branches occupy rented quarters, and in each case the owners of the buildings have asked that the space be vacated as soon as possible for other use.

RESERVE BANK PERSONNEL

Chairmen and Deputy Chairmen. One of the three Class C directors appointed by the Board of Governors for each Federal Reserve Bank is designated annually to serve as Chairman of the Board of Directors and as Federal Reserve Agent, and another Class C director is appointed annually as Deputy Chairman. A list of the Chairmen and Deputy Chairmen is shown on page 106.

The Chairmen and Deputy Chairmen at the Federal Reserve Banks were redesignated to serve as such for the year 1948, except for the following changes:

Harold D. Hodgkinson, Vice President, General Manager and Chairman of Management Board, Wm. Filene's Sons Company, Boston, Massachusetts, who had been a Class C director of the Federal Reserve Bank of Boston since January 1, 1947, was appointed Deputy Chairman for the year 1948.

Robert T. Stevens, Chairman of the Board, J. P. Stevens and Company, Inc., New York, New York, was appointed a Class C director of the Federal Reserve Bank of New York on May 14, and designated Chairman and Federal Reserve Agent for the remaining portion of the year 1948. He formerly served as a Class B director of the Federal Reserve Bank of New York from January 1, 1934, to January 8, 1942, when he was called into active service with the United States Army.

Wm. H. Bryce, Vice President, Dixie Wax Paper Company, Memphis, Tennessee, was appointed a Class C director of the Federal Reserve Bank of St. Louis on March 22, and Deputy Chairman for the remaining portion of the year 1948.

Directors. A list of the directors of the Federal Reserve Banks and Branches as of the close of the year is shown on pages 107-15.

The Board of Governors made the following appointments of new directors either for terms beginning January 1, 1948, or to fill vacancies during the year:

Class C Directors. Ames Stevens, Treasurer, Ames Worsted Company, Lowell, Massachusetts, was appointed a Class C director of the Federal Reserve Bank of Boston on July 26.

Robert T. Stevens, Chairman of the Board, J. P. Stevens and Company, Inc., New York, New York, was appointed a Class C director of the Federal Reserve Bank of New York on May 14.

Allan B. Kline, President, American Farm Bureau Federation, Chicago, Illinois, was appointed a Class C director of the Federal Reserve Bank of Chicago for the term beginning January 1, 1948.

Wm. H. Bryce, Vice President, Dixie Wax Paper Company, Memphis, Tennessee, was appointed a Class C director of the Federal Reserve Bank of St. Louis on March 22.

Branch Directors. Lewis B. Swift, President, Taylor Instrument Companies, Rochester, New York, was appointed a director of the Buffalo Branch of the Federal Reserve Bank of New York on January 23.

R. E. Ebert, President, Dixie Home Stores, Inc., Greenville, South Carolina, was appointed a director of the Charlotte Branch of the Federal Reserve Bank of Richmond for the term beginning January 1, 1948.

J. Roy Faucett, a partner of Faucett Brothers, Northport, Alabama, was appointed a director of the Birmingham Branch of the Federal Reserve Bank of Atlanta for the term beginning January 1, 1948.

Marshall F. Howell, Secretary-Treasurer, Bond-Howell Lumber Company, Jacksonville, Florida, was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for the term beginning January 1, 1948.

Howard Phillips, Vice President and General Manager, Dr. P. Phillips Company, Orlando, Florida, was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta on February 5. Mr. Phillips formerly served as a director of the Jacksonville Branch from February 28, 1938, to April 18, 1942, when he was called to active service in the Army of the United States.

J. Hillis Miller, President, University of Florida, Gainesville, Florida, was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta on August 16.

C. E. Brehm, Acting President, University of Tennessee, Knoxville, Tennessee, was appointed a director of the Nashville Branch of the Federal Reserve Bank of Atlanta for the term beginning January 1, 1948.

Ben R. Marsh, Vice President and General Manager, Michigan Bell Telephone Company, Detroit, Michigan, was appointed a director of the Detroit Branch of the Federal Reserve Bank of Chicago for the term beginning January 1, 1948.

A. Howard Stebbins, Sr., Chairman of Board, Stebbins and Roberts, Inc., Little Rock, Arkansas, was appointed a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis on February 11.

Alvin A. Voit, President, The Mengel Company, Louisville, Kentucky, was appointed a director of the Louisville Branch of the Federal Reserve Bank of St. Louis on January 20.

Smith D. Broadbent, Jr., of Cadiz, Kentucky, was appointed a director of the Louisville Branch of the Federal Reserve Bank of St. Louis on June 15. Mr. Broadbent is engaged in farming.

M. P. Moore, a partner of E. E. Moore and Company, Senatobia, Mississippi, was appointed a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for the term beginning January 1, 1948.

C. W. Cotton, President, C. W. Cotton Supply Company, Tulsa, Oklahoma, was appointed a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for the term beginning January 1, 1948.

Joseph W. Seacrest, Co-Publisher, Nebraska State Journal, Lincoln, Nebraska, was appointed a director of the Omaha Branch of the Federal Reserve Bank of Kansas City on April 16.

Edward E. Hale, Chairman of the Department and Professor of Economics, University of Texas, Austin, Texas, was appointed a director of the San Antonio Branch of the Federal Reserve Bank of Dallas for the term beginning January 1, 1948.

Henry C. Isaacson, President, Isaacson Iron Works, Seattle, Washington, was appointed a director of the Seattle Branch of the Federal Reserve Bank of San Francisco on January 16.

Change in Presidents. Laurence F. Whittemore resigned as President of the Federal Reserve Bank of Boston effective October 4, to become President of the New York, New Haven and Hartford Railroad Company. Mr. Whittemore had served as a Class B director from September 7, 1944, to February 28, 1946, and as President of the Bank since March 1, 1946.

Joseph A. Erickson was appointed President of the Federal Reserve Bank of Boston to succeed Mr. Whittemore and assumed office on December 15. Mr. Erickson formerly was Executive Vice President of the National Shawmut Bank of Boston.

Staff. At the end of 1948, the total number of officers and employees of the twelve Federal Reserve Banks and their twenty-four branches was 19,087, representing a decline of 277 since the end of 1947. The total Reserve Bank personnel has declined steadily since 1943 when it was at its peak owing to the great expansion in the volume of operations resulting from the war. The total number of officers and employees of the Reserve Banks and Branches at the end of each year beginning with 1941 was as follows:

1941	14,083	1945	23,522
1942	19,972	1946	21,430
1943	24,741	1947	19,364
1944	24,442	1948	19,087

BOARD OF GOVERNORS—STAFF

Appointments of Board members and designation of Chairman. The appointment of Thomas B. McCabe, of Pennsylvania, as a member of the Board of Governors for the unexpired portion of the term ending January 31, 1956, was approved by the Senate on April 12. On April 15 the President designated him as Chairman of the Board for a four-year term and he took the oath of office as a member of the Board.

M. S. Szymczak, of Illinois, whose term as a member of the Board of Governors expired on January 31, 1948, was reappointed by the President and confirmed by the Senate for an additional term of 14 years.

Staff. On December 31, 1948, the Board's staff, exclusive of those on leave without pay, numbered 517, as compared to 504 at the end of 1947.

Carl E. Parry, Director of the Division of Security Loans, retired March 31, as a member of the Board's staff, under the provisions of the Federal Reserve Retirement System. Mr. Parry became associated with the Board on October 1, 1924, and had served as Director of the Division of Security Loans since November 24, 1934.

Winfield W. Riefler rejoined the Board's staff on May 10, as Assistant to the Chairman of the Board. He was a member of the research staff of the Board of Governors from 1923 to 1933 and a director of the Federal Reserve Bank of Philadelphia in 1941 and 1942. Mr. Riefler had been a professor at the Institute for Advanced Study, Princeton, New Jersey, since 1935 and has served as an officer or director of several organizations engaged in economic research. From 1942 to 1944 he was in London as United States Minister and Special Assistant to the Ambassador.

J. Burke Knapp resigned as an Assistant Director of the Board's Division of Research and Statistics effective May 23, to accept a position with the Department of State. Mr. Knapp was associated with the Board's Division of Research and Statistics from February 1940 to August 1944, when he resigned to accept a position with the Department of State. He returned to the Board in October 1945, and served as Special Assistant to the Chairman until June 1, 1946, when he was appointed an Assistant Director of the Division of Research and Statistics.

Frank A. Southard, Jr., was appointed an Associate Director of the Board's Division of Research and Statistics to be in charge of all international activities of the Division and assumed his duties on August 16. Mr. Southard was Chairman of the Department of Economics at Cornell University and was on leave of absence serving as Director of the Office of International Finance of the Treasury Department at that time. During the war, he was Financial Adviser at the Allied Force Headquarters in the Mediterranean.

Robert F. Leonard, formerly the Director of the Division of Examinations, was appointed Associate Director of the Division of Bank Operations, effective September 1. Mr. Leonard became Director of the Division of Bank Operations on January 1, 1949, following the retirement of Mr. Smead, former Director, at the end of 1948.

Edwin R. Millard, formerly an Assistant Director of the Division of Examinations, was appointed Director of the Division of Examinations to succeed Mr. Leonard, effective September 1.

Frederic Solomon and John C. Baumann were appointed Assistant General Counsel, effective August 13. Mr. Solomon and Mr. Baumann had been Assistant Counsel in the Board's Legal Division for a number of years.

Bonnar Brown resigned as Assistant Director of the Division of Research and Statistics effective October 15, to become associated with the Stanford Research Institute, Stanford, California. On October 1, 1937, Mr. Brown was employed as a member of the staff of the Division of Security Loans and served as Assistant Director of that Division from July 1, 1944, until October 1, 1947, when he was appointed Assistant Director of the Division of Research and Statistics.

On December 6, the title of J. Leonard Townsend, formerly Associate General Counsel of the Board's Legal Division, was changed to that of Solicitor. Mr. Townsend assumed charge of a separate division in the Board's organization which is responsible for the representation of the Board in all litigation to which the Board may be a party, and for the institution and conduct of all formal proceedings by or on behalf of the Board to enforce provisions of law or of the Board's regulations. As Solicitor, Mr. Townsend also continues to handle questions arising in connection with the proposed legislation relating to the regulation of bank holding companies.

Prior to his association with the Board's legal staff, Mr. Townsend had been Assistant Solicitor of the Securities and Exchange Commission. Before entering government service, Mr. Townsend had been engaged in the general practice of law in Washington with the Honorable A. Mitchell Palmer, former Attorney General of the United States, and with the Honorable James M. Beck, former Solicitor General of the United States.

Clarence C. Hostrup was appointed an Assistant Director of the Division of Examinations effective December 12. Mr. Hostrup became associated with the Board on October 1, 1933, and had been a Federal Reserve Examiner since January 1, 1934.

Edward L. Smead, Director of the Division of Bank Operations, retired at the end of the year as a member of the Board's staff, under the provisions of the Federal Reserve Retirement System. Mr. Smead became associated with the Board on April 19, 1915, and had served as Director of the Division of Bank Operations since April 12, 1920. Mr. Smead also served successively as Acting Administrator for the War Loans Committee and Administrator for War Loans during the period from October 1942 to August 1946.

J. R. Van Fossen, Assistant Director of the Division of Bank Operations, also retired as of the close of the year as a member of the Board's staff, under the provisions of the Federal Reserve Retirement System. Mr. Van Fossen joined the Board's staff on October 22, 1917, and had served as Assistant Director of the Division of Bank Operations since January 1, 1922.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The following table shows the income and expenses of the Board for the year 1948:

OPERATING SURPLUS, January 1, 1948		$ 340,067.67	
Adjustment in 1948 applicable to preceding years		917.46	$ 339,150.21
INCOME:			
Assessments on Federal Reserve Banks		3,243,670.69	
Sale of *Federal Reserve Bulletin*		14,916.82	
Sale of other publications		29,121.25	
Miscellaneous		6,712.81	3,294,421.57
			3,633,571.78
EXPENSES:			
Salaries		2,083,777.12	
Retirement contributions—regular		150,867.05	
Retirement contributions—special		421,972.00	
Traveling expenses		146,307.72	
Postage and expressage		19,227.31	
Telephone and telegraph		62,596.51	
Printing and binding		139,778.69	
Stationery and supplies		27,022.01	
Furniture and equipment, including rental		35,402.65	
Books and subscriptions		10,932.15	
Heat, light, and power		32,811.50	
Repairs and alterations (building and grounds)		7,338.59	
Repairs and maintenance (furniture and equipment)		4,797.42	
Medical service and supplies		1,139.51	
Insurance		2,663.02	
Miscellaneous:			
Survey of consumer finances	$127,597.19		
Cafeteria (net)	30,933.89		
All other	17,237.85	175,768.93	3,322,402.18
OPERATING SURPLUS, December 31, 1948			$ 311,169.60

In addition to the foregoing, the Board made certain expenditures on a reimbursable basis for which it received reimbursements in 1948 as follows:

Printing Federal Reserve notes, including cost of additional equipment	$3,533,182.00
Leased wire service (telegraph)	96,561.22
Leased telephone lines	9,684.00
Federal Reserve Issue and Redemption Division (Comptroller of the Currency)	89,511.90
Miscellaneous	17,826.25

The accounts of the Board for the year 1948 were audited by the Auditor of the Federal Reserve Bank of New York, who certified them to be correct.

RESEARCH AND ADVISORY SERVICES

Analysis of conditions affecting the availability and use of money continued to be the major objective of the Board's research activities during 1948. Subjects of special importance included Treasury financing and the market for Government securities, bank and nonbank credit, the capital markets, liquid asset holdings and current saving, production and employment, prices, gross national product and individual incomes, and the effect of foreign commitments on domestic resources.

On several occasions, members of the Board appeared before congressional committees to give information regarding monetary and credit conditions and the ability of the Federal Reserve to meet possible contingencies. Members of the Board's staff assisted congressional committees to investigate special problems and participated in public and private conferences relating to agricultural credit, building codes, home mortgage credit, industrial classification, and national income and productivity. Staff members also served on many interdepartmental committees concerned with analysis of particular economic developments and the improvement of statistics and other information required to interpret current developments.

A third annual survey of consumer finances was sponsored by the Board of Governors early in 1948 to obtain information regarding changes in the financial position of consumers. The data collected also reflected the attitude of consumers toward the economic outlook and their plans with respect to saving, liquid asset holdings, and investment. The survey was conducted for the Board by the Survey Research Center, a division of the Institute for Social Research, University of Michigan. The results were published in the *Federal Reserve Bulletin*. A fourth annual survey is being conducted in 1949.

Work has continued on the study of the flow of money payments. Financial statements tracing these flows on an annual basis have been completed for most sectors of the economy, covering the period from 1936 to 1947. The statement showing the flow of funds through the banking sector was published in the January 1948 *Bulletin*.

The Board of Governors sponsored the publication of the pamphlet, *Distribution of Bank Deposits by Counties,* showing demand and time deposits of individuals, partnerships, and corporations in all banks by counties, States, and Federal Reserve districts, as of December 31, 1947. Data for national banks and banks in the District of Columbia were obtained by the Comptroller of the Currency, for State member banks by the Board of Governors of the Federal Reserve System, and for nonmember banks by the Federal Deposit Insurance Corporation; data for noninsured banks were obtained with the cooperation of the State bank supervisory authorities. The pamphlet was published in July 1948. Corresponding data for the war years 1941-44, obtained in the same manner, are available in pamphlets published by the Treasury Department.

Early in 1948 the Board of Governors and the Federal Reserve Banks conducted a nation-wide survey of the lending operations of sales finance companies during 1947. The results of the survey, which complement the release on the activities of sales finance companies issued monthly by the Board of Governors, were published in the *Bulletin* for July 1948.

Progress was made in revising and supplementing the Board's regular statistical series to improve their composition and increase their usefulness for analysis of current developments. The quarterly series of interest rates on bank loans to business was completely revised to take account of the new and more satisfactory data that have recently become available through Federal Reserve surveys. The revised series was first published in the *Bulletin* for March 1949. The new monthly series of assets and liabilities of all banks in the United States, referred to in the Board's Annual Report for 1947, was completed and published for the first time in the *Bulletin* for April 1948. This series continues the semi-annual data published by the Board over a long period, and is comparable with the semi-annual series announced by the three Federal bank supervisory authorities as of June 30, 1947 except for exclusion of banks in the possessions of the United States.

Various components of the Board's consumer credit statistics were revised to give them broader coverage or to make them more representative of short-term credit. The revision was described in the *Bulletin* for August 1948. Following discussions with the trade, the Board's statistics on department store sales and stocks were expanded to include data for additional sub-departments and published on the new basis beginning with April 1948.

In connection with the increased activities of the United States in world affairs, the Board's staff continued to provide studies in the international economic and financial field to help furnish a basis for United States policy decisions. As in the two preceding years, a large part of this work was closely geared to the activities of the National Advisory Council on International Monetary and Financial Problems, of which the Chairman of the Board of

Governors is a member. Members of the Board's staff collaborated closely with the other agencies represented on the Council, and were active in interdepartmental committees and working groups preparing material for use by the Council. The Council gave close attention to financial problems arising under the European Recovery Program and to important questions dealing with other foreign lending and assistance activities of the United States and with policies and operations of the International Fund and the International Bank. The Board's staff also continued to work on the special problems and operating responsibilities of the Federal Reserve System in the international field.

The Board continued to cooperate in projects of an international nature by supplying members of its staff for assignments abroad. Early in the year, two of the Board's economists spent three months in Manila assisting representatives of the Philippine Government in drafting central bank legislation. In March, two examiners from the Board's staff with one representative each from the Federal Reserve Banks of Richmond and Chicago, went to Haiti at the request of the Haitian Government as members of a mission to examine the Banque Nationale de la Republique d'Haiti. In the late spring, one of the Associate Directors of the Board's Division of Research and Statistics headed a financial mission to Japan, and an economist from the Board's staff was also a member of this mission. At the end of August, a member of the Board's staff was assigned as an adviser to the Joint Brazil-United States Technical Commission for a period of four months; a Vice President of the Federal Reserve Bank of New York was one of the three members of this Commission. In the fall of the year, a member of the Board's staff was sent abroad to study economic and financial conditions in France and Italy. Late in the year, one of the Board's economists was given six months' leave of absence to act as General Policy Adviser to the Central Bank of the Philippines, and another economist was lent to the Government of Ceylon for a period of six months to assist representatives of that government in drafting central bank legislation. In addition, the Board from time to time provided the services of members of its staff to the Economic Cooperation Administration to assist in work on specific problems.

The Board had numerous visitors from foreign central banks and governments who had come to the United States for official negotiations or for consultation with financial authorities, international organizations, bankers, and others. It also facilitated the work of visitors who had come for the study of American banking, supervisory methods, and related matters.

PUBLICATIONS AND RELEASES

During the year 1948, interest in the Board's publications and releases continued to increase. There was a special demand for the 1947 edition of the publication entitled, THE FEDERAL RESERVE SYSTEM—ITS PURPOSES

AND FUNCTIONS. This booklet was used extensively in teaching and training programs of educational and business institutions. Several periodic releases were initiated. In addition to regulations and various reprints, the following publications were issued:

FEDERAL RESERVE BULLETIN. Issued monthly.

FEDERAL RESERVE CHARTS ON BANK CREDIT, MONEY RATES, AND BUSINESS. Issued monthly.

MEMBER BANK CALL REPORT. Three issues, one each in April, July, and October.

STATE BANK MEMBERS AND NONMEMBER BANKS THAT MAINTAIN CLEARING ACCOUNTS WITH FEDERAL RESERVE BANKS. Complete list in February with monthly supplements.

LIST OF STOCKS REGISTERED ON NATIONAL SECURITIES EXCHANGES. Complete list in February with supplements in May, August, and November.

BANKING STUDIES (1941). Reprinted in March.

THIRTY-FOURTH ANNUAL REPORT OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM. Published in May.

RETAIL CREDIT SURVEY—1947. Published in July.

DISTRIBUTION OF BANK DEPOSITS BY COUNTIES, December 31, 1947. Published in July.

PAR LIST. Complete list in August with monthly supplements.

FEDERAL RESERVE MEETINGS

The Federal Open Market Committee met in Washington on February 27, March 1, May 20, October 4, November 15, and November 30, 1948, 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 Reserve Banks will be carried out. A record of the actions taken by the Committee on questions of policy will be found on pages 94-99 of this report.

Conferences of the Chairmen of the Federal Reserve Banks were held on May 29-31 and December 9-10, and were attended by members of the Board of Governors.

The Conference of Presidents of the Federal Reserve Banks held meetings on February 25-26, May 18, October 1-2, and November 29, and the Board of Governors met with the Presidents on February 27, May 21, October 5, and December 1.

Meetings of the Federal Advisory Council were held on February 15-17, April 25-27, September 19-21, and November 14-16. The Board of Governors met with the Council on February 17, April 27, September 21, and

November 16. 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 in all matters within the jurisdiction of the Board.

During the year conferences were held by each of the following, attended by representatives of the Federal Reserve Banks and of the Board of Governors: Federal Reserve Bank officers in charge of examination departments, trust examiners, personnel concerned with accounting, and personnel administering Regulation W (consumer instalment credit). Meetings were held with Committees of the Presidents' Conference, such as the Committee on Collections and the Subcommittee on Personnel; and representatives of the Board met also with other groups to discuss international monetary and credit matters, domestic credit problems, bank holding company legislation, consumer credit statistics, and other subjects with which the Board was concerned.

TABLES

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1948

ASSETS

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

Interdistrict settlement fund	7,745,986		
Gold certificates on hand	1,010,444		
Gold certificates with Federal Reserve Agent	13,579,000		
Gold certificates on hand and due from U. S. Treasury		**22,335,430**	
Redemption fund for Federal Reserve notes		**630,650**	
Total gold certificate reserves			**22,966,080**
Other cash:			
United States notes		31,468	
Silver certificates		220,159	
Standard silver dollars		2,521	
National and Federal Reserve Bank notes		4,207	
Subsidiary silver, nickels, and cents		33,948	
Total other cash			**292,303**
Discounts and advances secured by U. S. Government securities:			
Discounted for member banks	32,630		
Discounted for others	....		
		32,630	
Other discounts and advances:			
Discounted for member banks	50		
Foreign loans on gold	190,125	190,175	
Total discounts and advances		**222,805**	
Industrial loans		**832**	
U. S. Government securities in System Open Market Account:			
Bills	**5,487,406**		
Certificates	**6,077,569**		
Notes	**790,550**		
Bonds	**10,977,221**		
Total U. S. Government securities		**23,332,746**	
Total loans and securities			**23,556,383**
Due from foreign banks			**49**
Federal Reserve notes of other Federal Reserve Banks			**186,738**
Uncollected items:			
Transit items		2,631,640	
Exchanges for clearing house		163,257	
Other cash items		65,374	
Total uncollected items			**2,860,271**
Bank premises:			
Land		13,070	
Buildings (including vaults)	45,754		
Fixed machinery and equipment	17,868		
Total buildings	63,622		
Less depreciation allowances	44,344	19,278	
Total bank premises			**32,348**
Other assets:			
Industrial loans past due	163		
Miscellaneous assets acquired account industrial loans	126		
Miscellaneous assets acquired account closed banks	43		
Total	332		
Less valuation allowances	166		
Net		166	
Fiscal Agency and other expenses, reimbursable		2,563	
Interest accrued		67,883	
Premium on securities		72,828	
Deferred charges		1,119	
Sundry items receivable		1,671	
Real estate acquired for banking house purposes		1,955	
Suspense account		430	
All other		84	
Total other assets			**148,699**
Total assets			**50,042,871**

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL)
—Continued

LIABILITIES

Federal Reserve notes outstanding (issued to Federal Reserve Banks)		25,127,171	
Less: Held by issuing Federal Reserve Banks	906,046		
Forwarded for redemption	60,022	966,068	
Federal Reserve notes, net (includes notes held by U. S. Treasury and by Federal Reserve Banks other than issuing Bank)			**24,161,103**
Deposits:			
Member bank—reserve account		**20,479,200**	
U. S. Treasurer—general account		**1,122,900**	
Foreign		**641,692**	
Other deposits:			
Nonmember bank—clearing accounts	105,055		
Officers' and certified checks	7,491		
Federal Reserve exchange drafts	1,592		
International organizations [1]	297,738		
All other	135,376		
Total other deposits		**547,252**	
Total deposits			**22,791,044**
Deferred availability items			**2,319,336**
Other liabilities:			
Accrued dividends unpaid		....	
Unearned discount		14	
Discount on securities		8,849	
Sundry items payable		1,622	
Suspense account		160	
All other liabilities		7	
Total other liabilities			**10,652**
Total liabilities			**49,282,135**

CAPITAL ACCOUNTS

Capital paid in			**201,351**
Surplus (Sec. 7)			**466,711**
Surplus (Sec. 13b)			**27,543**
Other capital accounts:			
Reserves for contingencies:			
Reserve for registered mail losses		7,131	
All other		58,000	
Earnings and expenses:			
Current earnings	(2)		
Current expenses	(2)		
Current net earnings	(2)		
Add—profit and loss	(2)		
Deduct—dividends accrued since January 1	(2)		
interest on Federal Reserve notes	(2)		
Unallocated net earnings		(2)	
Total other capital accounts			**65,131**
Total liabilities and capital accounts			**50,042,871**

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[1] Includes such organizations as the International Bank for Reconstruction and Development and the International Monetary Fund.

[2] Amount in this account closed out at end of year.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1948 AND 1947

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1948	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948	1947
ASSETS												
Gold certificates	22,335,430	20,810,170	757,179	759,612	7,390,440	6,259,354	1,011,054	1,016,538	1,442,156	1,434,229	971,500	1,044,281
Redemption fund for Federal Reserve notes	630,650	687,127	54,026	56,120	55,182	120,919	60,212	60,691	75,340	75,702	57,788	60,479
Total gold certificate reserves	22,966,080	21,497,297	811,205	815,732	7,445,622	6,380,273	1,071,266	1,077,229	1,517,496	1,509,931	1,029,288	1,104,760
Other cash	292,303	272,631	32,787	24,804	42,544	39,412	17,967	14,687	22,367	23,878	20,827	19,620
Discounts and advances:												
Secured by U. S. Govt. securities	32,680	34,444	1,090	2,235	17,860	24,955	2,095	3,455	215	1,704	1,275	615
Other	190,125	50,981	11,978	3,238	60,840	16,905	15,400	3,386	17,492	5,086	9,316	2,479
Total discounts and advances	222,805	85,425	13,068	5,473	78,700	41,860	17,495	6,841	17,707	6,790	10,591	3,094
Industrial loans	832	1,387	....	....	....	....	767	1,357	....	....	65	30
U. S. Government securities:												
Bills	5,487,406	11,433,410	340,112	771,910	1,317,805	3,270,067	391,965	798,366	526,077	1,040,322	356,374	636,584
Certificates	6,077,569	6,796,505	408,558	442,209	1,457,291	1,482,995	434,121	468,634	582,657	647,980	394,702	485,785
Notes	790,550	1,476,550	53,144	96,070	189,560	322,183	56,469	101,811	75,790	140,776	51,341	105,536
Bonds	10,977,221	2,852,869	737,933	185,619	2,632,140	622,496	784,103	196,711	1,052,386	271,995	712,905	203,909
Total U. S. Govt. securities	23,332,746	22,559,334	1,539,747	1,495,808	5,596,796	5,697,741	1,666,658	1,565,522	2,236,910	2,101,073	1,515,322	1,431,814
Total loans and securities	23,556,383	22,646,146	1,552,815	1,501,281	5,675,496	5,739,601	1,684,920	1,573,720	2,254,617	2,107,863	1,525,978	1,434,938
Due from foreign banks	49	95	3	6	[1]16	[1]31	4	8	4	9	2	5
Federal Reserve notes of other Federal Reserve Banks	186,738	162,242	7,511	9,130	20,331	17,676	10,935	10,866	10,515	8,922	33,918	22,291
Uncollected items	2,860,271	2,984,999	239,342	244,218	507,095	670,430	173,597	192,379	290,167	275,270	243,580	253,489
Bank premises	32,348	33,007	1,185	1,241	8,023	8,239	3,053	3,182	4,867	4,938	2,557	2,637
Other assets	148,699	115,237	10,004	7,544	35,252	25,057	10,279	7,455	14,209	10,780	9,682	8,219
Total assets	50,042,871	47,711,654	2,654,852	2,603,956	13,734,379	12,880,719	2,972,021	2,879,526	4,114,242	3,941,591	2,865,832	2,845,959

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[1] After deducting $33,000 participations of other Federal Reserve Banks on Dec. 31, 1948, and $64,000 on Dec. 31, 1947.

LIABILITIES												
Federal Reserve notes	24,161,103	24,820,434	1,421,708	1,472,299	5,582,297	5,765,916	1,662,531	1,681,880	2,144,650	2,139,963	1,657,802	1,741,896
Deposits:												
Member bank—reserve account	20,479,200	17,899,371	859,338	766,622	6,701,274	5,573,276	951,233	867,114	1,510,027	1,386,873	848,901	784,772
U. S. Treasurer—general account	1,122,900	870,031	85,223	66,431	184,745	229,639	104,176	77,363	104,469	79,221	69,937	43,913
Foreign	641,692	391,849	40,049	21,125	[1]209,368	[1]168,000	51,492	26,649	58,484	30,597	31,150	16,121
Other	547,252	569,433	6,025	7,444	430,976	472,411	6,060	4,707	12,347	12,185	5,918	2,062
Total deposits	22,791,044	19,730,684	990,635	861,622	7,526,363	6,443,326	1,112,961	975,833	1,685,327	1,508,876	955,906	846,868
Deferred availability items	2,319,336	2,449,763	193,312	224,606	390,869	449,937	134,949	164,635	213,208	227,328	212,326	221,555
Other liabilities including accrued dividends	10,652	14,806	642	901	2,670	4,109	674	898	1,086	1,383	624	762
Total liabilities	49,282,135	47,015,687	2,606,297	2,559,428	13,502,199	12,663,288	2,911,115	2,823,246	4,044,271	3,877,550	2,826,658	2,811,081
CAPITAL ACCOUNTS												
Capital paid in	201,351	195,517	11,364	11,243	69,333	68,888	14,681	14,370	19,073	18,843	8,717	8,220
Surplus (Sec. 7)	466,711	448,189	29,347	28,117	143,019	138,596	36,704	35,350	43,968	42,173	22,417	21,210
Surplus (Sec. 13b)	27,543	27,543	3,011	3,011	7,319	7,319	4,489	4,489	1,006	1,006	3,349	3,349
Other capital accounts	65,131	24,718	4,833	2,157	12,509	2,628	5,032	2,071	5,924	2,019	4,691	2,099
Total liabilities and capital accounts	50,042,871	47,711,654	2,654,852	2,603,956	13,734,379	12,880,719	2,972,021	2,879,526	4,114,242	3,941,591	2,865,832	2,845,959
Contingent liability on acceptances purchased for foreign correspondents	3,329	2,460	210	157	[2]1,065	[2]787	270	199	306	228	163	121
Commitments to make industrial loans	1,643	7,434	75	....	....	....	46	490	969	1,642	131	78
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent	25,127,171	25,705,984	1,492,676	1,535,998	5,749,057	5,929,626	1,730,992	1,746,101	2,234,859	2,229,858	1,732,817	1,805,525
Held by Federal Reserve Bank and forwarded for redemption	966,068	885,550	70,968	63,699	166,760	163,710	68,461	64,221	90,209	89,895	75,015	63,629
Federal Reserve notes, net[3]	24,161,103	24,820,434	1,421,708	1,472,299	5,582,297	5,765,916	1,662,531	1,681,880	2,144,650	2,139,963	1,657,802	1,741,896
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificates	13,579,000	12,719,000	460,000	460,000	4,870,000	3,570,000	550,000	550,000	745,000	735,000	625,000	675,000
Eligible paper	30,080	32,410	1,090	2,235	17,810	24,880	2,095	3,455	....	....	1,275	615
U. S. Government securities	12,200,000	13,550,000	1,100,000	1,100,000	1,000,000	2,400,000	1,200,000	1,200,000	1,500,000	1,500,000	1,150,000	1,150,000
Total collateral held	25,809,080	26,301,410	1,561,090	1,562,235	5,887,810	5,994,880	1,752,095	1,753,455	2,245,000	2,235,000	1,776,275	1,825,615

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[1] After deducting $432,276,000 participations of other Federal Reserve Banks on Dec. 31, 1948, and $223,720,000 on Dec. 31, 1947.

[2] After deducting $2,264,000 participations of other Federal Reserve Banks on Dec. 31, 1948, and $1,673,000 on Dec. 31, 1947.

[3] Includes Federal Reserve notes held by the U. S. Treasury and by Federal Reserve Banks other than the issuing Bank.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1948 AND 1947—*Continued*

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1948	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948	1947
ASSETS														
Gold certificates	1,059,483	1,013,770	4,371,528	4,182,995	669,692	620,743	470,419	431,975	827,337	750,224	574,293	505,160	2,790,349	2,791,289
Redemption fund for Federal Reserve notes	44,408	40,529	106,421	90,074	44,871	46,693	23,136	22,880	36,192	35,619	26,711	26,180	46,363	51,241
Total gold certificate reserves	1,103,891	1,054,299	4,477,949	4,273,069	714,563	667,436	493,555	454,855	863,529	785,843	601,004	531,340	2,836,712	2,842,530
Other cash	23,506	23,750	40,332	42,326	16,622	15,047	12,128	6,793	11,516	10,380	14,918	12,455	36,789	39,479
Discounts and advances:														
Secured by U. S. Govt. securities	35	80	2,300	175	500	50	175	....	7,035	700	....	....	100	475
Other	7,795	2,075	25,857	6,882	6,845	1,771	4,753	1,265	6,654	1,771	6,464	1,670	16,731	4,453
Total discounts and advances	7,830	2,155	28,157	7,057	7,345	1,821	4,92 8	1,265	13,689	2,471	6,464	1,670	16,831	4,928
Industrial loans	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U. S. Government securities:														
Bills	275,100	531,611	797,316	1,535,867	302,977	568,921	167,963	298,577	255,774	522,437	248,684	395,279	507,259	1,063,469
Certificates	304,687	396,910	863,550	946,565	335,561	390,354	186,029	223,788	283,281	328,193	275,429	363,390	551,703	619,702
Notes	39,633	86,229	112,328	205,644	43,648	84,804	24,198	48,618	36,848	71,300	35,827	78,947	71,764	134,632
Bonds	550,320	166,605	1,559,731	397,328	606,086	163,852	336,001	93,936	511,660	137,759	497,477	152,534	996,479	260,125
Total U. S. Govt. securities	1,169,740	1,181,355	3,332,925	3,085,404	1,288,272	1,207,931	714,191	664,919	1,087,563	1,059,689	1,057,417	990,150	2,127,205	2,077,928
Total loans and securities	1,177,570	1,183,510	3,361,082	3,092,461	1,295,617	1,209,752	719,119	666,184	1,101,252	1,062,160	1,063,881	991,820	2,144,036	2,082,856
Due from foreign banks	2	4	7	13	2	3	1	2	2	3	2	3	4	8
Federal Reserve notes of other Federal Reserve Banks	19,581	16,919	22,147	22,440	8,853	10,191	9,274	8,158	8,153	10,128	10,122	7,051	25,398	18,470
Uncollected items	180,309	174,514	464,344	464,388	160,762	161,999	73,484	67,641	154,841	159,158	126,991	109,719	245,759	211,794
Bank premises	1,574	1,559	3,191	3,064	1,941	1,973	1,177	1,208	2,386	2,456	756	797	1,638	1,713
Other assets	7,536	6,700	21,183	15,992	8,593	7,162	4,465	3,657	6,820	5,726	6,738	6,012	13,938	10,933
Total assets	2,513,969	2,461,255	8,390,235	7,913,753	2,206,953	2,073,563	1,313,203	1,208,498	2,148,499	2,035,854	1,824,412	1,659,197	5,304,274	5,207,783

LIABILITIES														
Federal Reserve notes	1,329,272	1,397,716	4,598,426	4,636,568	1,144,264	1,143,968	631,349	626,969	939,231	949,067	623,721	624,739	2,425,852	2,639,453
Deposits:														
Member bank—reserve account	874,451	789,320	3,121,362	2,655,849	776,122	691,845	506,653	450,542	942,409	868,410	967,561	863,227	2,419,869	2,201,521
U. S. Treasurer—general account	75,302	55,312	114,069	101,887	84,998	41,733	74,130	43,975	80,835	40,670	71,341	39,504	73,675	50,383
Foreign	26,064	13,489	86,455	44,744	22,885	11,515	15,893	8,225	22,249	11,515	21,614	10,857	55,989	29,012
Other	3,939	2,347	10,925	5,724	10,236	8,161	2,842	2,645	3,133	4,325	3,053	2,292	51,798	45,130
Total deposits	979,756	860,468	3,332,811	2,808,204	894,241	753,254	599,518	505,387	1,048,626	924,920	1,063,569	915,880	2,601,331	2,326,046
Deferred availability items	171,763	173,035	353,456	372,809	138,815	150,013	61,750	57,024	131,455	135,688	108,995	93,632	208,438	179,501
Other liabilities including accrued dividends	490	619	1,753	2,337	563	678	381	867	457	601	418	446	894	1,205
Total liabilities	2,481,281	2,431,838	8,286,446	7,819,918	2,177,883	2,047,913	1,292,998	1,190,247	2,119,769	2,010,276	1,796,703	1,634,697	5,236,515	5,146,205
CAPITAL ACCOUNTS														
Capital paid in	7,874	7,514	25,480	23,827	6,693	6,404	4,472	4,293	6.968	6,522	7,852	7,304	18,844	18,089
Surplus (Sec. 7)	20,028	19,110	68,842	66,217	17,974	16,972	11,797	11,233	17,008	16,148	14,954	14,111	40,653	38,952
Surplus (Sec. 13b)	762	762	1,429	1,429	521	521	1,073	1,073	1,137	1,137	1,307	1,307	2,140	2,140
Other capital accounts	4,024	2,031	8,038	2,362	3,882	1,753	2,863	1,652	3,617	1,771	3,596	1,778	6,122	2,397
Total liabilities and capital accounts	2,513,969	2,461,255	8,390,235	7,913,753	2,206,953	2,073,563	1,313,203	1,208,498	2,148,499	2,035,854	1,824,412	1,659,197	5,304,274	5,207,783
Contingent liability on acceptances purchased for foreign correspondents	136	101	453	335	120	86	83	62	117	86	113	81	293	217
Commitments to make industrial loans	288	400	31	351	....	580	....	....	....	3,750	....	....	103	143
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent	1,399,057	1,458,483	4,747,788	4,769,011	1,186,204	1,187,366	648,743	644,064	969,727	972,664	659,057	660,981	2,576,194	2,766,307
Held by Federal Reserve Bank and forwarded for redemption	69,785	60,767	149,362	132,443	41,940	43,398	17,394	17,095	30,496	23,597	35,336	36,242	150,342	126,854
Federal Reserve notes, net[1]	1,329,272	1,397,716	4,598,426	4,636,568	1,144,264	1,143,968	631,349	626,969	939,231	949,067	623,721	624,739	2,425,852	2,639,453
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificates	575,000	675,000	2,765,000	2,990,000	315,000	315,000	210,000	200,000	280,000	280,000	184,000	169,000	2,000,000	2,100,000
Eligible paper	....	....	....	....	500	50	175	....	7,035	700	....	....	100	475
U. S. Government securities	850,000	800,000	2,000,000	1,800,000	950,000	950,000	450,000	450,000	700,000	700,000	500,000	500,000	800,000	1,000,000
Total collateral held	1,425,000	1,475,000	4,765,000	4,790,000	1,265,500	1,265,050	660,175	650,000	987,035	980,700	684,000	669,000	2,800,100	3,100,475

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[1] Includes Federal Reserve notes held by the U. S. Treasury and by Federal Reserve Banks other than the issuing Bank.

NO. 3—HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS, END OF DECEMBER 1946, 1947, AND 1948

[In thousands of dollars]

Type of issue	Rate of interest (Per cent)	December 31			Change during	
		1948	1947	1946	1948	1947
Treasury bonds:						
1947–52	4¼	....	....	12,000	....	−12,000
1948–50*	2	....	49,600	39,600	−49,600	+10,000
1948–51	2¾	....	100,500	100,500	−100,500	....
1948*	1¾	....	66,000	25,000	−66,000	+41,000
1949–51*, June	2	102,360	4,700	7,750	+97,660	−3,050
1949–51*, Sept.	2	247,081	5,706	500	+241,375	+5,206
1949–51*, Dec.	2	170,365	18,551	....	+151,814	+18,551
1949–52	3⅛	24,525	32,000	31,500	−7,475	+500
1949–53	2½	72,600	77,600	74,100	−5,000	+3,500
1950–52*, Mar.	2	139,284	8,065	....	+131,219	+8,065
1950–52*, Sept.	2	421,524	57,261	36,800	+364,263	+20,461
1950–52, Sept.	2½	63,200	71,350	70,000	−8,150	+1,350
1951–54	2¾	61,175	86,400	81,800	−25,225	+4,600
1951–55	3	12,229	19,520	16,000	−7,291	+3,520
1951–53*	2	787,429	400,666	21,150	+386,763	+379,516
1951–53	2¼	18,105	44,270	31,500	−26,165	+12,770
1951–55*	2	13,148	3,700	....	+9,448	+3,700
1952–54*, Mar.	2½	83,994	38,242	....	+45,752	+38,242
1952–54*, June	2	504,323	174,796	....	+329,527	+174,796
1952–55*, June	2¼	130,603	50,236	31,600	+80,367	+18,636
1952–54*, Dec.	2	476,707	283,810	....	+192,897	+283,810
1953–55	2	....	16,238	13,700	−16,238	+2,538
1954–56	2¼	....	3,150	....	−3,150	+3,150
1955–60	2⅞	....	30,545	14,500	−30,545	+16,045
1956–58*	2½	83,461	63,269	6,940	+20,192	+56,329
1956–59*	2¼	338,363	291,591	....	+46,772	+291,591
1956–59	2¾	....	21,316	5,000	−21,316	+16,316
1958–63	2¾	11,725	72,591	40,900	−60,866	+31,691
1959–62*[1], June	2¼	991,121	55,524	....	+935,597	+55,524
1959–62*[1], Dec.	2¼	929,097	113,693	....	+815,404	+113,693
1960–65	2¾	63,250	96,185	37,250	−32,935	+58,935
1962–67*[1]	2½	181,670	16,260	....	+165,410	+16,260
1963–68*[1]	2½	285,409	20,672	....	+264,737	+20,672
1964–69*[1], June	2½	161,276	8,437	....	+152,839	+8,437
1964–69*[1], Dec.	2½	359,980	13,328	....	+346,652	+13,328
1965–70*[1]	2½	434,582	51,017	....	+383,565	+51,017
1966–71*[1]	2½	100,668	3,152	....	+97,516	+3,152
1967–72*[1], June	2½	1,237,097	61,840	....	+1,175,257	+61,840
1967–72*, Sept.	2½	160,082	110,777	55,300	+49,305	+55,477
1967–72*[1], Dec.	2½	2,310,793	210,316	....	+2,100,477	+210,316
Total Treasury bonds	....	10,977,221	2,852,869	753,390	+8,124,352	+2,099,479
Treasury notes:*						
Mar. 15, 1947	1¼	....	....	3,500	....	−3,500
Sept. 15, 1947	1¼	....	....	10,000	....	−10,000
Sept. 15, 1947	1½	....	....	46,400	....	−46,400
Sept. 15, 1948	1½	....	548,150	295,400	−548,150	+252,750
Oct. 1, 1948	1	....	928,400	....	−928,400	+928,400
Jan. 1, 1949	1⅛	244,050	....	....	+244,050	....
Apr. 1, 1950	1⅜	546,500	....	....	+546,500	....
Total Treasury notes	....	790,550	1,476,550	355,300	−686,000	+1,121,250
Certificates*	⅞	....	6,338,863	7,496,012	−6,338,863	−1,157,149
	1	....	457,642	....	−457,642	+457,642
	1⅛	4,550,372	....	....	+4,550,372	....
	1¼	1,527,197	....	....	+1,527,197	....
Total certificates	....	6,077,569	6,796,505	7,496,012	−718,936	−699,507
Treasury bills:*						
Option accounts	....	....	....	4,905,617	....	−4,905,617
System account	....	5,487,406	11,433,410	9,839,366	−5,946,004	+1,594,044
Total bills	....	5,487,406	11,433,410	14,744,983	−5,946,004	−3,311,573
Total holdings	....	23,332,746	22,559,334	23,349,685	+773,412	−790,351

* Taxable.

[1] Restricted as to commercial bank ownership.

NO. 4—FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1942-48[1]

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount
1942—June 16	58	1943—Mar. 6	543	1943—June 15	805
19	70	8	591	16	659
20	47	9	648	17	350
22	34	10	632	18	256
23	94	11	790	19	212
Sept. 15	324	12	940	Sept. 8	11
16	189	13	1,043	9	126
17	286	15	1,302	10	243
18	76	16	1,250	11	246
19	53	17	981	13	214
Nov. 27	139	18	836	14	179
28	329	19	778	15	424
30	422	20	768	16	258
Dec. 1	98	22	603	1945—Mar. 15	4
10	16	23	700	Dec. 4	107
15	145	24	512	5	318
1943—Jan. 29	115	25	432	6	374
30	202	26	384	7	484
Mar. 2	3	27	304	8	484
4	174	29	104	10	202
5	354	30	40		

[1] There were no issues during the years 1944, 1946, 1947, and 1948. Interest rate ¼ per cent throughout.

NO. 5—VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1944-48

[Number in thousands; amounts in thousands of dollars]

	1944	1945	1946	1947	1948
NUMBER OF PIECES HANDLED[1]					
Discounts and advances:					
Notes discounted and advances made	5	8	8	11	10
Industrial loans:					
Loans made	.6	.3	.2	.3	.3
Commitments to make industrial loans	(2)	(2)	(2)	(2)	(2)
Currency received and counted	3,006,898	3,016,719	3,423,547	3,491,962	3,754,584
Coin received and counted	4,167,265	4,562,709	5,743,862	6,159,697	6,531,128
Checks handled:					
U. S. Government checks	426,460	510,608	380,634	331,914	331,866
All other	1,288,465	1,341,342	1,597,377	1,668,651	1,780,185
Collection items handled:					
U. S. Government coupons paid	17,054	18,292	20,192	19,003	17,417
All other	4,622	4,483	4,551	[3]7,135	11,373
Issues, redemptions, and exchanges of U. S. Government securities	357,782	382,067	245,904	177,351	164,556
Transfer of funds	906	939	1,059	1,148	1,220
AMOUNTS HANDLED					
Discounts and advances	14,922,128	34,778,804	20,133,819	17,234,926	19,138,175
Industrial loans:					
Loans made	20,381	14,043	3,445	9,296	15,994
Commitments to make industrial loans	4,769	2,350	8,845	6,069	2,187
Currency received and counted	17,157,034	18,307,687	20,945,847	22,099,562	24,307,644
Coin received and counted	417,014	445,892	519,892	622,054	578,857
Checks handled:					
U. S. Government checks	127,931,710	124,610,917	80,419,096	72,577,329	69,605,341
All other	532,755,045	563,498,349	651,457,054	719,630,054	799,771,839
Collection items handled:					
U. S. Government coupons paid	1,840,647	2,348,172	2,817,311	2,491,424	2,379,155
All other	7,962,994	9,295,666	9,312,790	6,455,968	4,965,273
Issues, redemptions, and exchanges of U. S. Government securities	264,138,176	302,353,553	278,422,685	254,060,950	321,953,221
Transfer of funds	215,006,532	223,490,280	252,991,164	316,459,625	393,459,807

[1] Two or more checks, coupons, etc., handled as a single item are counted as one "piece."
[2] Less than 50.
[3] Increase reflects mid-year change in method of counting items.

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1948

Item	System	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounts and advances	$4,370,951	$253,546	$1,410,523	$299,520	$376,153	$259,604	$193,434	$705,193	$190,412	$88,859	$202,049	$116,230	$275,428
Industrial loans	42,099	....	....	33,538	....	2,351	6,210	....	....	....	....	....	....
Commitments to make industrial loans	14,385	424	....	....	5,559	1,120	753	2,499	1,249	....	1,418	....	1,363
U. S. Government securities	298,903,034	20,050,265	71,691,491	21,349,295	28,654,256	19,411,678	14,986,852	42,591,873	16,325,579	9,148,680	13,932,513	13,522,038	27,238,514
All other	830,349	17,966	120,830	9,493	229,207	22,316	31,451	108,162	27,476	8,889	182,152	12,987	59,420
Total current earnings	304,160,818	20,322,201	73,222,844	21,691,846	29,265,175	19,697,069	15,218,700	43,407,727	16,544,716	9,246,428	14,318,132	13,651,255	27,574,725
CURRENT EXPENSES													
Operating expenses:													
Salaries:													
Officers	3,448,209	212,909	686,148	172,488	289,630	233,321	247,141	414,683	220,969	181,571	242,869	218,779	327,701
Employees	49,162,858	3,125,008	12,098,548	2,970,649	4,206,414	3,129,523	2,242,702	7,731,717	2,836,921	1,451,069	2,613,646	2,158,103	4,598,558
Retirement System contributions	5,031,949	317,910	1,190,223	299,721	427,578	330,078	248,949	758,330	295,292	146,703	289,727	231,228	496,210
Legal fees	21,070	358	160	11,000	5,910	42	87	....	....	....	100	3,333	80
Directors' fees and expenses	271,772	19,431	17,549	17,339	19,201	17,921	36,068	17,125	22.645	19,350	30,055	23,372	31,716
Federal Advisory Council, fees and expenses	22,180	1,472	1,204	1,139	1,808	1,060	2,175	1,757	1,832	1,888	2,089	2,841	2,915
Traveling expenses (other than of directors and members of Federal Advisory Council)	731,236	39,658	98,636	30,620	59,903	63,745	43,591	96,714	60,134	46,544	58,028	52,921	80,742
Postage and expressage	8,297,751	813,633	1,336,664	543,774	718,930	717,236	608,869	1,108,785	445,449	277,686	465,363	410,651	850,711
Telephone and telegraph	508,509	23,598	94,567	30,297	46,643	28,312	42,942	38,034	44,403	23,315	40,602	33,362	62,434
Printing, stationery, and supplies	3,834,151	311,970	757,085	227,347	309,096	200 098	218,327	765,227	224,470	101,826	216,689	159,931	342,085
Insurance	635,463	45,752	140,589	28,867	52,138	37,789	29,058	88,907	48,368	28,657	41,128	30,273	63,937
Taxes on real estate	1,850,018	191,086	478,083	91,436	216,490	85,753	77,060	251,441	79,887	90,825	102,677	46,449	138,831
Depreciation (building)	1,359,172	70,733	240,861	129,213	258,389	87,896	55,699	186,451	92,672	31,406	84,765	46,233	74,854
Light, heat, power, and water	743,721	48,061	194,905	42,910	94,453	47,630	38,940	91,044	50,974	26,270	29,512	38,443	40,579
Repairs and alterations	611,042	31,734	68,037	28,012	112,385	22,340	49,336	109,024	51,540	45,658	41,473	22,428	29,075
Rent	343,986	6,556	....	7,339	1,210	7,113	33,793	120,170	10,541	1,356	18,425	11,196	126,287
Furniture and equipment, including rental	3,030,583	144,031	492,839	232,465	300,054	249,395	212,686	494,031	211,579	90,283	145,104	189,401	268,715
All other	[r]1,190,993	89,587	163,040	69,749	210,070	57,042	63,606	167,344	[r]86,449	70,158	61,187	52,966	99,795
Inter-Bank expenses	....	29,479	−318,183	37,901	43,048	22,928	19,184	63,637	16,845	11,698	16,377	15,909	41,177
Total operating expenses	[r]81,094,663	5,522,966	17,740,955	4,972,266	7,373,350	5,339,222	4,270,213	12,504,421	[r]4,800,970	2,646,263	4,499,816	3,747,819	7,676,402

Less reimbursement for certain fiscal agency and other expenses....	[r]16,814,392	972,072	3,310,522	841,450	1,313,498	1,000,480	980,763	3,097,002	[r]939,776	527,260	1,045,364	837,923	1,948,282
Net operating expenses..	64,280,271	4,550,894	14,430,433	4,130,816	6,059,852	4,338,742	3,289,450	9,407,419	3,861,194	2,119,003	3,454,452	2,909,896	5,728,120
Assessment for expenses of Board of Governors.......	3,243,670	204,420	1,035,555	261,768	299,362	158,694	132,681	442,737	115,549	80,229	115,543	110,478	286,654
Federal Reserve currency:													
Original cost...........	4,425,883	286,573	869,225	337,464	339,459	367,505	414,766	877,611	307,469	88,202	156,629	163,675	217,305
Cost of redemption.....	760,364	44,749	131,808	47,775	58,863	62,724	73,096	115,746	44,232	18,666	34,500	32,077	96,128
Total current expenses..	72,710,188	5,086,636	16,467,021	4,777,823	6,757,536	4,927,665	3,909,993	10,843,513	4,328,444	2,306,100	3,761,124	3,216,126	6,328,207
PROFIT AND LOSS													
Current net earnings........	231,450,630	15,235,565	56,755,823	16,914,023	22,507,639	14,769,404	11,308,707	32,564,214	12,216,272	6,940,328	10,557,008	10,435,129	21.246,518
Additions to current net earnings:													
Profits on sales of U. S. Government securities (net)................	6,214,838	424,725	1,502,316	456,165	596,016	396,690	327,611	826,315	322,194	179,381	299,614	279,104	604,707
All other..............	301,849	704	3,788	3,567	69	358	1,657	289,304	137	828	1,032	405	....
Total additions.....	6,516,687	425,429	1,506,104	459,732	596,085	397,048	329,268	1,115,619	322,331	180,209	300,646	279,509	604,707
Deductions from current net earnings:													
Special depreciation on bank buildings.......	282,238	....	....	....	....	....	....	282,238	....	....	....	....	....
All other..............	131,943	4,511	3,757	1,247	109,899	4,587	1,143	2,582	185	344	479	1,440	1,769
Total deductions...	414,181	4,511	3,757	1,247	109,899	4,587	1,143	284,820	185	344	479	1,440	1,769
Net additions..............	6,102,506	420,918	1,502,347	458,485	486,186	392,461	328,125	830,799	322,146	179,865	300,167	278,069	602,938
Transferred to reserves for contingencies.............	40,420,453	2,675,977	9,884,088	2,960,087	3,906,750	2,592,033	1,992,637	5,676,601	2,129,843	1,210,753	1,845,874	1,820,182	3,725.628
Paid U. S. Treasury (interest on outstanding F. R. notes)..................	166,690,356	11,071,200	39,809,041	12,184,077	16,153,370	10,855,278	8,260,729	23,621,237	9,014,434	5,081,916	7,743,024	7,589,538	15,306,512
Net earnings after reserves and payments to U. S. Treasury................	30,442,327	1,909,306	8,565,041	2,228,344	2,933,705	1,714,554	1,383,466	4,097,175	1,394,141	827,524	1,268,277	1,303,478	2,817,316
Dividends paid.............	11,919,809	679,032	4,141,797	874,343	1,138,865	508,237	465,488	1,472,491	392,300	262,776	407,803	460,093	1.116,584
Transferred to surplus (Sec. 7)......................	18,522,518	1,230,274	4,423,244	1,354,001	1,794,840	1,206,317	917,978	2,624,684	1,001,841	564,748	860,474	843,385	1,700,732
Surplus (Sec. 7), January 1..	448,188,608	28,116,876	138,595,953	35,350,216	42,172,710	21,210,350	19,109,885	66,217,133	16,971,986	11,232,568	16,147,926	14,110,815	38,952,190
Surplus (Sec. 7), December 31	466,711,126	29,347,150	143,019.197	36,704,217	43,967,550	22,416,667	20,027,863	68,841,817	17,973,827	11,797,316	17,008,400	14,954,200	40,652,922

[r] Revised.

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-48

Bank and period	Current earnings	Current expenses	Net earnings before payments to U. S. Treasury[1]	Dividends paid	Franchise tax paid to U. S. Treasury[2]	Paid to U. S. Treasury (Sec. 13b)	Paid to U. S. Treasury (Interest on F. R. notes)	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
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
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
1938	36,261,428	28,911,608	9,581,954	8,019,137	...	119,524	...	−419,140	1,862,433
1939	38,500,665	28,646,855	12,243,365	8,110,462	...	24,579	...	−425,653	4,533,977
1940	43,537,805	29,165,477	25,860,025	8,214,971	...	82,152	...	−54,456	17,617,358
1941	41,380,095	32,963,150	9,137,581	8,429,936	...	141,465	...	−4,333	570,513
1942	52,662,704	38,624,044	12,470,451	8,669,076	...	197,672	...	49,602	3,554,101
1943	69,305,715	43,545,564	49,528,433	8,911,342	...	244,726	...	135,003	40,237,362
1944	104,391,829	49,175,921	58,437,788	9,500,126	...	326,717	...	201,150	48,409,795
1945	142,209,546	48,717,271	92,662,268	10,182,851	...	247,659	...	262,133	81,969,625
1946	150,385,033	57,235,107	92,523,935	10,962,160	...	67,054	...	27,708	81,467,013
1947	158,655,566	65,392,975	95,235,592	11,523,047	...	35,605	$75,223,818	86,772	8,366,350
1948	304,160,818	72,710,188	197,132,683	11,919,809	...	...	166,690,356	...	18,522,518
Total—1914-48	2,382,499,229	1,055,001,656	1,255,247,264	266,629,883	149,138,300	2,188,893	241,914,174	[3] −3,658	[4]595,379,672

Aggregate for each Federal Reserve Bank, 1914–48:									
Boston	160,031,132	75,043,687	81,755,625	18,544,742	7,111,395	280,843	16,105,846	+135,412	39,577,387
New York	658,429,057	252,679,369	397,381,131	91,419,829	68,006,262	369,115	58,176,983	−433,413	179,842,355
Philadelphia	180,806,648	78,958,679	99,780,898	24,027,637	5,558,901	722,406	17,856,193	+290,661	51,325,100
Cleveland	218,842,475	98,072,920	112,126,765	26,855,815	4,842,447	82,930	23,164,043	−9,907	57,191,437
Richmond	128,439,761	62,188,519	61,423,310	11,233,617	6,200,189	172,493	15,663,568	−71,516	28,224,959
Atlanta	114,341,527	51,371,966	56,202,311	9,583,817	8,950,561	79,265	12,283,283	+5,491	25,299,894
Chicago	328,030,880	140,201,880	174,666,870	31,137,792	25,313,526	151,045	33,870,572	+11,681	84,182,254
St. Louis	109,690,323	55,583,953	47,639,902	9,268,916	2,755,629	7,464	12,567,467	−26,514	23,066,940
Minneapolis	73,047,545	35,957,004	34,697,355	6,428,364	5,202,900	55,615	7,206,198	+64,875	15,739,403
Kansas City	113,983,939	61,035,277	48,599,273	8,963,998	6,939,100	64,213	11,500,958	−8,674	21,139,678
Dallas	90,825,154	47,048,845	39,330,283	8,730,718	560,049	102,083	10,595,083	+55,336	19,287,014
San Francisco	206,030,788	96,859,557	101,643,541	20,434,638	7,697,341	101,421	22,923,980	−17,090	50,503,251
Total	2,382,499,229	1,055,001,656	1,255,247,264	266,629,883	149,138,300	2,188,893	241,914,174	−3,658	595,379,672

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[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, 1948, 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 $27,542,653 ($27,546,311 received from the Secretary of the Treasury minus the $3,658 net debits shown here).

[4] On Dec. 31, 1948, surplus (Sec. 7)—accumulated pursuant to Section 7 of the Federal Reserve Act—amounted to $466,711,126 ($595,379,672 retained net earnings, shown here, minus $139,299,557, charge-off cost of Federal Deposit Insurance Corporation stock, and $500,000, charge-off on bank premises, plus $11,131,011 transferred from reserves for contingencies).

NO. 8—BANK PREMISES OF FEDERAL RESERVE BANKS AND BRANCHES
DECEMBER 31, 1948

Federal Reserve Bank or branch	Cost				Net book value
	Land	Building (Including vaults)	Fixed machinery and equipment	Total	
Boston	$ 1,246,726	$ 3,542,603	$ 662,157	$ 5,451,486	$ 1,184,948
New York	5,215,656	12,183,528	4,827,595	22,226,779	6,799,350
Annex	592,679	1,451,570	215,418	2,259,667	850,731
Buffalo	255,000	465,707		720,707	372,525
Philadelphia	1,884,357	* 4,463,369	* 920,743	7,268,469	3,052,938
Cleveland	1,295,490	6,464,253	1,636,430	9,396,173	2,372,304
Cincinnati	380,744	* 1,038,384	* 200,131	* 1,619,259	1,242,075
Pittsburgh	781,364	1,049,451	379,694	2,210,509	1,252,747
Richmond	271,924	2,101,178	663,667	3,036,769	1,071,578
Annex	80,333	482,482	109,132	671,947	146,252
Baltimore	250,487	1,247,262	331,970	1,829,719	910,870
Charlotte	105,701	291,175	154,449	551,325	427,938
Atlanta	283,000	1,461,474	308,082	2,052,556	740,150
Birmingham	124,137	330,680	65,491	520,308	136,492
Jacksonville	45,842	238,231	39,669	323,742	87,433
Nashville	48,000	211,616	35,091	294,707	99,247
New Orleans	277,078	762,455	212,281	1,251,814	510,589
Chicago	2,963,548	6,426,383	1,779,868	11,169,799	2,242,304
Detroit	1,022,064	1,081,281	176,355	2,279,700	948,866
St. Louis	1,355,374	2,126,302	1,320,454	4,802,130	1,316,638
Little Rock	85,007	240,733	151,092	476,832	188,923
Louisville	131,177	226,259	72,463	429,899	168,372
Memphis	128,542	287,468	105,837	521,847	267,332
Minneapolis	600,521	2,316,746	660,969	3,578,236	1,067,827
Helena	15,710	126,401	44,142	186,253	109,206
Kansas City	495,300	3,391,101	933,404	4,819,805	1,538,605
Denver	101,512	449,876	79,268	630,656	275,773
Oklahoma City	65,021	409,890	95,480	570,391	222,550
Omaha	176,427	397,938	94,548	668,913	348,964
Dallas	189,831	1,350,945	* 451,242	* 1,992,018	435,709
El Paso	39,003	114,644	30,191	183,838	44,171
Houston	78,812	313,335	112,111	504,258	153,630
San Antonio	75,002	159,743	55,859	290,604	122,334
San Francisco	412,996	3,144,407	784,102	4,341,505	927,892
Los Angeles	443,488	988,109	323,195	1,754,792	486,376
Salt Lake City	114,075	341,449	84,814	540,338	224,039
Total	21,631,928	61,678,428	18,117,394	101,427,750	32,347,678

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Boston	$ 372,588	$ 78,793		$ 451,381	$ 291,341
New York	45,000	125,864		170,864	63,700
Pittsburgh	[1] 316,537			316,537	220,000
Richmond	107,248	1,099		108,347	72,914
Charlotte	10,868			10,868	10,868
Atlanta	35,000			35,000	35,000
Jacksonville	[1] 155,617			155,617	155,617
St. Louis	176,055	413,023	$146,456	735,534	600,139
San Francisco	60,000			60,000	60,000
Los Angeles	35,000			35,000	35,000
Portland[2]	160,000			160,000	160,000
Seattle[2]	[1] 250,000			250,000	250,000
Total	1,723,913	618,779	146,456	2,489,148	1,954,579

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* Revised.

[1] Includes building on site.

[2] The Portland and Seattle branches occupy rented quarters.

NO. 9—NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF FEDERAL RESERVE BANKS

[December 31, 1948]

Federal Reserve Bank (Including branches)	President	Other officers		Employees[1]		Total	
	Annual salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston	$25,000	19	$196,450	1,265	$3,249,789	1,285	$3,471,239
New York	50,000	50	667,945	3,959	11,985,988	4,010	12,703,933
Philadelphia	25,000	13	147,500	1,068	2,923,683	1,082	3,096,183
Cleveland	25,000	28	264,250	1,749	4,118,164	1,778	4,407,414
Richmond	25,000	23	212,700	1,284	3,016,777	1,308	3,254,477
Atlanta	25,000	30	233,600	997	2,265,751	1,028	2,524,351
Chicago	35,000	37	385,450	2,903	7,383,538	2,941	7,803,988
St. Louis	25,000	23	201,200	1,137	2,792,194	1,161	3,018,394
Minneapolis	25,000	17	162,000	626	1,474,363	644	1,661,363
Kansas City	25,000	25	224,400	1,113	2,620,731	1,139	2,870,131
Dallas	25,000	24	203,500	929	2,173,601	954	2,402,101
San Francisco	25,000	35	313,800	1,715	4,680,860	1,751	5,019,660
Total	$335,000	324	$3,212,795	18,745	$48,685,439	19,081	$52,233,234

[1] Includes 563 part-time employees.

NOTE: During the year 1948, $10,768,324 was reimbursed to the Banks on account of salaries.

NO. 10—FEDERAL RESERVE BANK DISCOUNT, INTEREST, AND COMMITMENT RATES, AND BUYING RATES ON BILLS

[Per cent per annum]

In effect December 31, 1948

Type of transaction	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
Discounts for and advances to member banks under Secs. 13 and 13a of the Federal Reserve Act	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½
Advances to member banks under Sec. 10(b) of the Federal Reserve Act	2	2	2	2	2	2	2	2	2	2	2	2
Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of the United States (last paragraph of Sec. 13 of the Federal Reserve Act)	2½	2½	2½	2½	2½	2½	2¾	2½	2¾	2½	2½	2½
Loans 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	3-5	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)	(1)	(1)	(1)	2½-5	1½-2	(1)	(1)	(1)	(1)
On remaining portion	(3)	(3)	(3)	(3)	(3)	(3)	2½-5	(3)	(3)	(3)	(3)	(3)
Commitments to make loans under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses	½-1½	½-1¼	½-1¼	½-1¼	½-1¼	½-1¼	¼-1¼	½-1¼	½-1¼	½-1¼	½-1¼	½-1¼
To financing institutions	½-1½	½-1¼	½-1¼	½-1¼	½-1¼	(4) ½-1¼	¼-1¼	¼-1¼	½-1¼	½-1¼	(4) ½-1¼	(4) ½-1¼
Effective minimum buying rates on prime bankers' acceptances payable in dollars	(5)	......	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
1-90 days	......	1½	......	......	......	......	......	......	......	......	......	......
91-120 days	......	1⅝	......	......	......	......	......	......	......	......	......	......
121-180 days	......	1¾	......	......	......	......	......	......	......	......	......	......

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

[2] Rate charged borrower, but not to exceed 1 per cent above the discount rate.

[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 generally apply to any purchases made by other Federal Reserve Banks.

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 loans and commitments made under Section 13b of the Federal Reserve Act may have maturities not exceeding 5 years.

NO. 11—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
Oct. 3, 1942–Feb. 26, 1948	20	20	14	6
Feb. 27, 1948–June 10, 1948	22	20	14	6
June 11, 1948–Sept. 15, 1948	24	20	14	6
Sept. 16–24, 1948-Apr. 30-May 4, 1949[2]	26	22	16	7½
May 1-5, 1949–June 29-30, 1949 [2]	24	21	15	7
June 30–July 1, 1949 and after [2]	24	20	14	6

[1] Demand deposits subject to reserve requirements, i.e., total demand deposits minus (1) cash items in process of collection, (2) demand balances due from domestic banks, and (3) war loan and Series E bond accounts during the period Apr. 13, 1943 to June 30, 1947, and all U. S. Government demand accounts Apr. 24, 1917 to Aug. 23, 1935.

[2] Changes effective Sept. 16, May 1, and July 1 at country banks; Sept. 24, May 5, and June 30 at other classes.

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]

Types 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
In 90 days to 6 months	3	2½	2
In 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 Feb. 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—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]

	Nov. 1, 1937–Feb. 4, 1945	Feb. 5, 1945–July 4, 1945	July 5, 1945–Jan. 20, 1946	Jan. 21, 1946–Jan. 31, 1947	Effective Feb. 1, 1947
Regulation T:					
For extensions of credit by brokers and dealers on listed securities	40	50	75	100	[2]75
For short sales	50	50	75	100	[2]75
Regulation U:					
For loans by banks on stocks	40	50	75	100	[2]75

[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 per cent) and the maximum loan value.

[2] Changed to 50 per cent effective Mar. 30, 1949.

NO. 14—MINIMUM DOWN PAYMENTS AND MAXIMUM MATURITIES ON CONSUMER INSTALMENT CREDIT SUBJECT TO REGULATION W

Prescribed by Board of Governors of the Federal Reserve System effective September 20, 1948, in accordance with Public Law 905, approved August 16, 1948

Type of credit	Effective Sept. 20, 1948[1]	
	Minimum down payment (Per cent)[2]	Maximum maturity (Months)[4]
Instalment sales:		
Group A	33⅓	15–18
Automobiles		
Group B	20	15–18
Cooking stoves and ranges, dishwashers, ironers, mechanical refrigerators, washing machines, combination units incorporating any of the foregoing.		
Room-unit air conditioners, radio or television sets and phonographs, sewing machines, vacuum cleaners, furniture and soft-surface floor coverings.		
Instalment loans:		
To purchase listed articles	(3)	15–18
Other	....	15–18

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[1] Effective Mar. 7, 1949 the down payment became 15 per cent for all articles except automobiles, which remained at 33⅓ per cent, and maximum maturities were changed to 21 months for all credits under the regulation, regardless of amount.

Effective Apr. 27, 1949, the down payment became 10 per cent for all articles except automobiles, which remained at 33 1/3 per cent, and maximum maturities were changed to 24 months for all credits under the regulation.

[2] Down payments determined after deduction of any trade-in, except in case of automobiles.

[3] Where credit is to purchase listed articles, requirements same as on instalment sales of the respective articles.

[4] Maximum maturities for all instalment credits under the regulation, prior to Mar. 7, 1949, were 15 months for credits of $1,000 or less, and 18 months for credits over $1,000, provided that if the maturity was more than 15 months the monthly payment must have been at least $70.

NOTE: Limitations are subject to various exceptions; for exceptions in detail, and for additional provisions not reflected in this table, the regulation should be consulted.

NO. 15—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918-48 AND END OF MONTH 1948

[In millions of dollars]

End of year or month	Reserve Bank credit outstanding						Gold stock	Treasury currency outstanding	Money in circulation	Treasury cash holdings	Treasury deposits with Federal Reserve Banks	Nonmember deposits	Other Federal Reserve accounts	Member bank reserve balances	
	Discounts and advances	U. S. Government securities			All other[1]	Total								Total	Excess[2]
		Total	Bonds	Bills, certificates, and notes											
1918....	1,766	239	28	211	493	2,498	2,873	1,795	4,951	288	51	121	118	1,636	51
1919....	2,215	300	27	273	777	3,292	2,707	1,707	5,091	385	31	101	208	1,890	68
1920....	2,687	287	26	261	380	3,355	2,639	1,709	5,325	218	57	23	298	1,781	......
1921....	1,144	234	32	202	185	1,563	3,373	1,842	4,403	214	96	27	285	1,753	99
1922....	618	436	29	407	351	1,405	3,642	1,958	4,530	225	11	29	276	1,934	......
1923....	723	134	30	104	382	1,238	3,957	2,009	4,757	213	38	23	275	1,898	14
1924....	320	540	75	465	441	1,302	4,212	2,025	4,760	211	51	39	258	2,220	59
1925....	643	375	61	314	441	1,459	4,112	1,977	4,817	203	16	29	272	2,212	−44
1926....	637	315	48	267	430	1,381	4,205	1,991	4,808	201	17	65	293	2,194	−56
1927....	582	617	291	326	456	1,655	4,092	2,006	4,716	208	18	26	301	2,487	63
1928....	1,056	228	54	174	524	1,809	3,854	2,012	4,686	202	23	27	348	2,389	−41
1929....	632	511	77	434	440	1,583	3,997	2,022	4,578	216	29	30	393	2,355	−73
1930....	251	729	164	565	393	1,373	4,306	2,027	4,603	211	19	28	375	2,471	96
1931....	638	817	360	457	398	1,853	4,173	2,035	5,360	222	54	110	354	1,961	−33
1932....	235	1,855	422	1,433	55	2,145	4,226	2,204	5,388	272	8	43	355	2,509	576
1933....	98	2,437	443	1,994	153	2,688	4,036	2,303	5,519	284	3	132	360	2,729	859
1934....	7	2,430	396	2,034	26	2,463	8,238	2,511	5,536	3,029	121	189	241	4,096	1,814
1935....	5	2,431	216	2,215	50	2,486	10,125	2,476	5,882	2,566	544	255	253	5,587	2,844
1936....	3	2,430	491	1,939	67	2,500	11,258	2,532	6,543	2,376	244	259	261	6,606	1,984
1937....	10	2,564	752	1,812	39	2,612	12,760	2,637	6,550	3,619	142	407	263	7,027	1,212
1938....	4	2,564	841	1,723	34	2,601	14,512	2,798	6,856	2,706	923	441	260	8,724	3,205
1939....	7	2,484	1,351	1,133	102	2,593	17,644	2,963	7,598	2,409	634	653	251	11,653	5,209
1940....	3	2,184	1,285	899	87	2,274	21,995	3,087	8,732	2,213	368	1,732	284	14,026	6,615
1941....	3	2,254	1,467	787	104	2,361	22,737	3,247	11,160	2,215	867	1,360	291	12,450	3,085
1942....	6	6,189	2,793	3,396	484	6,679	22,726	3,648	15,410	2,193	799	1,278	256	13,117	1,988
1943....	5	11,543	1,630	9,913	691	12,239	21,938	4,094	20,449	2,303	579	1,716	339	12,886	1,236
1944....	80	18,846	1,243	17,603	819	19,745	20,619	4,131	25,307	2,375	440	1,598	402	14,373	1,625
1945....	249	24,262	947	23,315	580	25,091	20,065	4,339	28,515	2,287	977	1,308	495	15,915	1,458
1946....	163	23,350	753	22,597	581	24,093	20,529	4,562	28,952	2,272	393	822	607	16,139	562
1947....	85	22,559	2,853	19,706	536	23,181	22,754	4,562	28,868	1,336	870	961	563	17,899	1,499
1948—															
Jan.....	327	21,925	4,791	17,134	530	22,782	22,935	4,561	28,111	1,305	2,343	1,049	551	16,919	768
Feb.....	431	21,024	5,688	15,336	655	22,109	23,036	4,561	28,019	1,325	1,591	1,154	556	17,062	762
Mar.....	430	20,887	5,671	15,216	291	21,607	23,137	4,559	27,781	1,325	1,972	999	588	16,639	655
Apr.....	249	20,340	6,167	14,173	269	20,858	23,169	4,562	27,716	1,319	1,236	826	546	16,944	737
May....	306	20,662	6,319	14,343	608	21,576	23,304	4,562	27,812	1,322	1,684	1,057	546	17,021	848
June....	265	21,366	6,206	15,160	268	21,900	23,532	4,565	27,903	1,327	1,928	859	592	17,389	742
July....	318	21,325	6,757	14,568	392	22,035	23,679	4,565	27,866	1,323	1,755	1,067	572	17,696	877
Aug.....	323	21,577	7,781	13,796	207	22,107	23,725	4,571	28,055	1,321	1,919	864	565	17,679	837
Sept.....	325	23,413	9,260	14,153	333	24,071	23,872	4,575	28,118	1,321	1,664	843	585	19,986	1,038
Oct.....	339	23,042	10,925	12,117	494	23,875	24,004	4,580	28,176	1,321	1,610	1,074	542	19,736	742
Nov.....	337	23,206	11,181	12,025	339	23,881	24,166	4,585	28,331	1,332	1,601	932	541	19,894	809
Dec.....	223	23,333	10,977	12,356	542	24,097	24,244	4,589	28,224	1,325	1,123	1,189	590	20,479	1,202

[1] Includes Government overdrafts in 1918, 1919, and 1920.

[2] Figures available only on call dates prior to 1929.

NO. 16—ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES DURING 1948

	All banks	Commercial and stock savings banks and nondeposit trust companies					Mutual savings banks	
		Total	Member banks		Nonmember banks			
			National	State member	Insured	Noninsured	Insured	Noninsured
Number of banks, Dec. 31, 1947	**14,714**	**14,181**	**5,005**	**[1]1,918**	**6,478**	**783**	**[1]194**	**339**
Changes during 1948:								
New banks[2]	+80	+80	+15	+5	+41	+19	......	......
Consolidations and absorptions:								
Banks converted into branches	−56	−56	−21	−16	−18	−1	......	......
Other	−20	−19	−9	−1	−6	−3	−1	......
Voluntary liquidations[3]	−12	−12	......	−1	−8	−3	......	......
Unclassified	−3	−3	......	......	......	−3	......	......
Inter-class changes:								
Conversions—								
National into State	......	......	−2	......	+2	......	......	......
State into national	......	......	+3	−1	−2	......	......	......
Federal Reserve membership:[4]								
Admissions of State banks	......	......	......	+27	−26	−1	......	......
Withdrawals of State banks	......	......	......	−4	+4	......	......	......
Federal deposit insurance:[5]								
Admissions of State banks	......	......	......	......	+33	−33	......	......
Withdrawals of State banks	......	......	......	......	......	......	......	......
Net increase or decrease	−11	−10	−14	+9	+20	−25	−1	......
Number of banks, Dec. 31, 1948	**14,703**	**14,171**	**4,991**	**[1]1,927**	**6,498**	**758**	**[1]193**	**339**
Number of branches,[6] Dec. 31, 1947	**4,261**	**4,090**	**1,817**	**1,168**	**1,038**	**67**	**124**	**47**
Changes during 1948:								
De novo branches	+162	+151	+68	+36	+41	+6	+8	+3
Banks converted into branches	+56	+56	+31	+19	+6	......	......	......
Branches discontinued	−18	−18	−6	−6	−6	......	......	......
Inter-class branch changes:								
State member to national	......	......	+3	−3	......	......	......	......
Nonmember to State member	......	......	......	+5	−5	......	......	......
Noninsured to insured	......	......	......	......	+5	−5	......	......
Net increase or decrease	+200	+189	+96	+51	+41	+1	+8	+3
Number of branches,[6] Dec. 31, 1948	**4,461**	**4,279**	**1,913**	**1,219**	**1,079**	**68**	**132**	**50**
Number of banking facilities at military reservations,[7] Dec. 31, 1947	**71**	**71**	**53**	**13**	**5**	......	......	......
Changes during 1948:								
Established	+1	+1	+1	......	......	......	......	......
Discontinued	−2	−2	−2	......	......	......	......	......
Net decrease	−1	−1	−1	......	......	......	......	......
Number of banking facilities at military reservations,[7] Dec. 31, 1948	**70**	**70**	**52**	**13**	**5**	......	......	......

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[1] The State member bank figures and the insured mutual savings banks 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."

[2] Exclusive of new banks organized to succeed operating banks.

[3] Exclusive of liquidations incident to the succession, conversion, and absorption of banks.

[4] Exclusive of conversions of national banks into State member banks, or vice versa. Such changes do not affect Federal Reserve membership; they are included under "conversions."

[5] 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."

[6] Covers all branches and other additional offices at which deposits are received, checks paid, or money lent.

[7] "Banking facilities" are provided through arrangements made by the Treasury Department with banks designated as depositaries and financial agents of the Government. The figures shown do not include branches that have also been designated by the Treasury Department as "banking facilities."

NO. 17—NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, BY FEDERAL RESERVE DISTRICTS AND STATES, DECEMBER 31, 1948[1]

Federal Reserve district or State	Total banks on which checks are drawn, and their branches & offices		On par list						Not on par list (nonmember)	
			Total		Member		Nonmember			
	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices
DISTRICT										
Boston	495	302	495	302	336	222	159	80	......	....
New York	908	858	908	858	783	795	125	63	......	....
Philadelphia	841	140	841	140	645	103	196	37	......	....
Cleveland	1,134	274	1,134	274	704	236	430	38	......	....
Richmond	1,009	462	798	341	478	219	320	122	211	121
Atlanta	1,183	175	557	139	346	122	211	17	626	36
Chicago	2,488	579	2,434	555	1,003	230	1,431	325	54	24
St. Louis	1,469	133	1,126	73	495	40	631	33	343	60
Minneapolis	1,278	112	620	44	476	26	144	18	658	68
Kansas City	1,749	9	1,740	9	760	6	980	3	9	....
Dallas	1,015	41	906	32	618	19	288	13	109	9
San Francisco	503	1,248	502	1,248	268	1,179	234	69	1	....
Total	**14,072**	**4,333**	**12,061**	**4,015**	**6,912**	**3,197**	**5,149**	**818**	**2,011**	**318**
STATE										
Alabama	224	23	118	23	89	23	29	....	106	....
Arizona	10	44	10	44	5	33	5	11	......	....
Arkansas	230	19	106	5	67	1	39	4	124	14
California	193	917	193	917	114	873	79	44	......	....
Colorado	142	1	142	1	92	1	50	....	......	....
Connecticut	115	26	115	26	66	13	49	13	......	....
Delaware	39	14	39	14	17	4	22	10	......	....
Dist. of Col.	19	39	19	39	16	36	3	3	......	....
Florida	181	2	118	2	73	2	45	....	63	....
Georgia	394	31	100	27	65	26	35	1	294	4
Idaho	47	48	47	48	27	45	20	3	......	....
Illinois	882	3	880	3	504	3	376	....	2	....
Indiana	486	97	486	97	237	41	249	56	......	....
Iowa	666	162	666	162	165	....	501	162	......	....
Kansas	608	....	606	....	214	....	392	....	2	....
Kentucky	383	39	383	39	112	25	271	14	......	....
Louisiana	161	65	58	42	46	36	12	6	103	23
Maine	63	69	63	69	38	37	25	32	......	....
Maryland	163	109	163	109	77	73	86	36	......	....
Massachusetts	183	162	183	162	146	146	37	16	......	....
Michigan	442	216	442	216	229	166	213	50	......	....
Minnesota	679	6	263	6	206	6	57	....	416	....
Mississippi	205	58	40	10	32	3	8	7	165	48
Missouri	595	....	528	....	180	....	348	....	67	....
Montana	112	....	112	....	84	....	28	....	......	....
Nebraska	409	2	409	2	144	2	265	....	......	....
Nevada	8	18	8	18	6	17	2	1	......	....
New Hampshire	74	2	74	2	52	1	22	1	......	....
New Jersey	334	141	334	141	286	126	48	15	......	....
New Mexico	49	11	49	11	34	2	15	9	......	....
New York	646	730	646	730	567	679	79	51	......	....
North Carolina	209	181	93	64	54	35	39	29	116	117
North Dakota	150	24	61	6	42	....	19	6	89	18
Ohio	666	204	666	204	425	177	241	27	......	....
Oklahoma	384	1	376	1	225	1	151	....	8	....
Oregon	70	88	70	88	33	82	37	6	......	....
Pennsylvania	979	166	979	166	749	140	230	26	......	....
Rhode Island	19	42	19	42	11	30	8	12	......	....
South Carolina	149	37	60	33	32	27	28	6	89	4
South Dakota	170	48	70	23	62	20	8	3	100	25
Tennessee	293	82	198	66	81	54	117	12	95	16
Texas	895	3	837	3	567	3	270	....	58	....
Utah	55	22	55	22	31	20	24	2	......	....
Vermont	69	11	69	11	40	2	29	9	......	....
Virginia	314	96	309	96	203	48	106	48	5	....
Washington	122	124	121	124	53	117	68	7	1	....
West Virginia	181	....	180	....	109	....	71	....	1	....
Wisconsin	550	150	443	101	164	21	279	80	107	49
Wyoming	55	....	55	....	41	....	14	....	......	....

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[1] Does not include mutual savings banks, on a few of which some checks are drawn, but does include 70 banking facilities (see footnote 7, Table 16). The difference in the number of member banks on Dec. 31, 1948 shown in this table and in Table 16 is due to the fact that this table excludes 3 nondeposit trust companies and 3 mutual savings banks on which no checks are drawn. The difference between the number of nonmember commercial banks is due to the fact that this table excludes 96 banks and trust companies on which no checks are drawn.

Back figures.—See Banking and Monetary Statistics, Table 15, and previous *Annual Reports.*

APPENDIX

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

JANUARY 9, 1948

Changes in Rates on Discounts and Advances to Member Banks under Section 13, 13(a), and 10(b) of the Federal Reserve Act, and in Minimum Buying Rates on Bankers' Acceptances.

The Board approved for the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, and Dallas, effective January 12, 1948, a rate of 1¼ per cent on discounts and advances under Sections 13 and 13(a) of the Federal Reserve Act except advances to individuals, partnerships and corporations other than member banks under the last paragraph of Section 13; and a rate of 1¾ per cent on advances under Section 10(b).

Votes for this action: Messrs. Eccles, Szymczak, Draper, Evans, Vardaman, and Clayton. Votes against this action: none.

Pursuant to the policy established by this action, the Board subsequently approved the rates mentioned above for the Federal Reserve Bank of Boston effective January 14; for the Federal Reserve Bank of San Francisco effective January 15; and for the Federal Reserve Bank of Kansas City effective January 19.

Also on January 9, to be effective January 12, the Board approved, by the same votes, a minimum buying rate of 1¼ per cent on bankers' acceptances for the Federal Reserve Bank of New York, and subsequently approved the same rate for the following Federal Reserve Banks, effective on the dates indicated:

Boston	January 14, 1948
Philadelphia	January 19, 1948
Cleveland	January 26, 1948
Richmond	February 14, 1948
Atlanta	January 24, 1948
Chicago	January 19, 1948
St. Louis	January 23, 1948
Minneapolis	January 15, 1948
Kansas City	January 30, 1948
Dallas	February 14, 1948
San Francisco	January 15, 1948

While minor changes were made at some of the Federal Reserve Banks in rates on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of Section 13 and in various rates under Section 13b, the new rates were within the limits of rates previously established at other Federal Reserve Banks.

These actions were taken by the Board as a part of an anti-inflationary program, described elsewhere in this report, which was designed to keep pressure on member bank reserves and thereby to restrain the expansion of bank credit while at the same time continuing the policy of supporting the long-term rate on Government bonds. The effect of the increase, together with the increase from one per cent to 1⅛ per cent in the issuing rate on one-year Treasury certificates, effected by the Treasury in connection with the refunding of the November and December 1947 issues of maturing Treasury securities, was to increase rates in the short-term area of the market, thereby reducing the spread between the long- and short-term rates and increasing the inducement for banks to hold short-term Government issues. It was pointed out that, as long as the System continued its policy of supporting the market for United States Government securities, member banks would have ready access to reserves through the sale of such securities and that, if the discount rate were fixed at a somewhat higher level than the issuing rate on Treasury certificates, banks would be encouraged to adjust their reserve position through the sale of certificates and bills rather than by borrowing from the Federal Reserve Banks. The discount rate of the Federal Reserve Banks was fixed at 1¼ per cent for that reason.

JANUARY 23, 1948

Increase in Reserve Requirements of Member Banks in Central Reserve Cities.

> The supplement to Regulation D, Reserves of Member Banks, was amended, effective as of the opening of business on February 27, 1948, to require that member banks in central reserve cities (except such banks in outlying sections of such cities as were authorized by the Board to maintain lower reserves) maintain reserves of 22 per cent, instead of 20 per cent, of their net demand deposits.
>
> Votes for this action: Messrs. Eccles, Draper, Evans, and Vardaman.
> Votes against this action: none.

The effect of this increase was to raise the required reserves of member banks in central reserve cities by approximately 500 million dollars and the increase was approved as one step in the anti-inflationary program, discussed elsewhere in this report, which was designed to restrain further inflationary expansion of bank credit.

The Board would have preferred to take action affecting the required reserves of all member banks but was unable to do so for the reason that requirements of reserve city and country banks were already at the maximum permitted under the law. The action was not taken earlier because the reserve position of banks had been under considerable pressure during the latter part of 1947, and, while it had been anticipated that the banks would also be under pressure during February and March, the return flow of currency after the year-end and increased reserves resulting from System purchases of securities in December had eased the money market and total loans of member banks in central reserve cities had increased. The action of the Board had the effect of reducing the supply of Government securities which the central reserve city banks had available for sale to the Federal Reserve Banks to create reserves for further loan expansion and absorbed some of the reserves created by the sale to the Federal Reserve Banks of securities by nonbank holders during December and January.

MARCH 5, 1948

Amendments to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange.

Effective April 1, 1948, Regulations T and U were amended to permit a customer to make substitutions in an undermargined account (one having a margin of less than 75 per cent) without having to supply additional margin.

Votes for this action: Messrs. Eccles, Szymczak, Draper, Evans, and Clayton. Votes against this action: none.

A typical method of making such substitutions would be by selling one security and purchasing another. Previously such substitutions had been limited by the rule that the proceeds of sales of securities in an undermargined account must be used to the extent necessary to increase the margin on the remaining securities until it was on the 75 per cent basis.

The changes were essentially technical amendments which did not add to the amount of credit available for stock market transactions under existing regulations. The substitutions permitted by the amendments made it somewhat easier for customers with undermargined accounts to shift their holdings from one security to another in cases where there was no increase in the total holdings or total credit.

JUNE 1, 1948

Increase in Reserve Requirements of Member Banks in Central Reserve Cities.

The supplement to Regulation D, Reserves of Member Banks, was amended, effective as of the opening of business on June 11, 1948, to require that member banks in central reserve cities (except such banks in outlying sections of such cities as were authorized by the Board to maintain lower reserves) maintain reserves of 24 per cent, instead of 22 per cent, of their net demand deposits.

Votes for this action: Messrs. Eccles, Draper, Evans, Vardaman, and Clayton. Votes against this action: Messrs. McCabe and Szymczak.

When this action was taken, the reserve position of central reserve city banks was easy and there were increasing evidences that an inflationary psychology was again taking hold of the country. It was the feeling of the majority of the Board that action at this time should be taken as a part of the anti-inflationary program discussed elsewhere in this report for the purpose of limiting the reserves available for the expansion of bank credit. The reasons for the action were substantially the same as those which prompted similar action by the Board on January 23, 1948.

Messrs. McCabe and Szymczak voted "no" because they felt that much of the restraining effect of an increase in reserve requirements at central reserve city banks in June would be nullified by System open market operations to maintain stability in short-term rates pending the Treasury refinancing. They favored postponing decision until later in the summer when the Treasury refinancing would be out of the way and the probable course of credit developments could be more clearly evaluated.

JULY 1, 1948

Amendment to Regulation L, Interlocking Bank Directorates under the Clayton Act.

Regulation L was amended, effective July 1, 1948, by the addition of a new paragraph (f) providing that any director, officer, or employee of a member bank of the Federal Reserve System might be at the same time a director, officer, or employee of not more than one bank which was principally engaged in international or foreign banking and did not receive deposits or make loans in the United States except as might be incidental to its international or foreign business.

Votes for this action: Messrs. Szymczak, Draper, Evans, Vardaman, and Clayton. Votes against this action: none.

The statute authorized the Board by regulation to permit an interlocking relationship between a member bank and not more than one other bank. It also contained a specific exemption of an interlocking directorate between a member bank and a corporation principally engaged in foreign banking which has an agreement with the Board under Section 25 of the Federal Reserve Act. In the circumstances, since the only competition between a member bank and a corporation principally engaged in foreign banking is to a limited extent in the field of international banking, it was felt that it would be appropriate to amend the regulation to permit interlocking directorates between a member bank and not more than one corporation principally engaged in foreign banking even though not subject to an agreement with the Board under Section 25.

AUGUST 3, 1948

Amendment to Regulation H, Membership of State Banking Institutions in the Federal Reserve System.

Regulation H was amended effective September 1, 1948, to eliminate certain conditions of membership in the Federal Reserve System relating to the sale of real-estate obligations and the exercise of trust powers. The amendment added the following paragraph to footnote numbered six concerning the effect of the elimination of these conditions:

"For many years, the Board prescribed, as standard conditions of membership, a condition which, in general, prohibited banks from engaging as a business in the sale of real-estate loans to the public and certain conditions relating to the exercise of trust powers, including one which prohibited self-dealing in the investment of trust funds. The elimination of these conditions as standard conditions of membership does not reflect any change in the Board's position as to the undesirability of the practices formerly prohibited by such conditions; and attention is called to the fact that engaging as a business in the sale of real-estate loans to the public or failing to conduct trust business in accordance with the applicable State laws and sound principles of trust administration may constitute unsafe or unsound practices and violate condition numbered 1."

Votes for this action: Messrs. McCabe, Eccles, Szymczak, Draper, Evans, Vardaman, and Clayton. Votes against this action: none.

In connection with the foregoing change in the standard conditions of membership, the conditions of membership of each State bank member were reviewed and certain additional conditions were canceled in individual cases.

State member banks were informed of this and of the foregoing action in a letter reading as follows:

> Over the period of more than 30 years since the Federal Reserve System was established the number and type of conditions of membership have varied from time to time. Practically all State member banks, however, are subject to present standard conditions of membership numbered 1 and 2, which have been prescribed since January 1, 1936, or to conditions prescribed in earlier years which contain provisions comparable in whole or in part. The Board's program contemplates the retention of these conditions, conditions prohibiting or restricting the exercise of unusual powers which banks apparently had under their charters or applicable State laws when admitted to membership, and only such other conditions as appear desirable in the light of the facts of particular cases. As a result there will be a much greater uniformity and simplicity in the conditions of membership applicable to State member banks, regardless of the dates of admission to membership.
>
> The program does not reflect any lowering of the standards expected of State member banks and the cancellation of a condition of membership is not to be construed as indicative of any change in the Board's views as to the desirability or undesirability of the practice to which the former condition referred. For correction of unsound policies and practices with respect to matters previously covered by specific conditions of membership, reliance will be placed upon the regular examination and supervisory procedures and the general conditions of membership.
>
> The program is one of cancellation only. No conditions have been added, and no provisions have been expanded or reworded. The Federal Reserve Banks have been requested to advise each member bank of any cancellation and, for the convenience of the member bank, to furnish it with a copy of the conditions or portions thereof which continue in effect.

AUGUST 12, 1948

Changes in Rates on Discounts and Advances to Member Banks under Sections 13, 13(a), and 10(b) of the Federal Reserve Act; on Advances to Individuals, Partnerships, and Corporations other than Member Banks under the Last Paragraph of Section 13; and in Minimum Buying Rates on Bankers' Acceptances.

The Board approved for the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Dallas, and San Francisco, effective August 13, 1948, a rate of 1½ per cent on discounts and advances under Sections 13 and 13(a) except advances to individuals, partnerships, and corporations other than member banks under the last paragraph of Section 13; and a rate of 2 per cent on advances under Section 10(b).

> Votes for this action: Messrs. McCabe, Eccles, Szymczak, Draper, Evans, Vardaman, and Clayton. Votes against this action: none.

Pursuant to the policy established by the foregoing action, the Board subsequently approved the rates mentioned above for the Federal Reserve Bank of Philadelphia effective August 23; for the Federal Reserve Bank of St. Louis effective August 19; and for the Federal Reserve Bank of Kansas City effective August 16.

Also on August 12, to be effective August 13, the Board approved, by the same votes, for the Federal Reserve Banks of Boston, New York, Richmond, Atlanta, Chicago, and Dallas a minimum buying rate of 1½ per cent on bankers' acceptances, and subsequently approved the same rate for the following Federal Reserve Banks, effective on the dates indicated:

Philadelphia	August 23, 1948
Cleveland	August 30, 1948
St. Louis	August 19, 1948
Minneapolis	August 23, 1948
Kansas City	August 16, 1948
San Francisco	August 21, 1948

In furtherance of conformity with the above rates, the Board approved a rate of 2¾ per cent for advances under the last paragraph of Section 13, on August 12 for the Federal Reserve Bank of Chicago effective August 13, and on August 20 for the Federal Reserve Bank of Minneapolis effective August 23.

While other changes, of a minor nature, were made at some of the Federal Reserve Banks in rates on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of Section 13 and in various rates under Section 13b, the new rates were within the limits of rates previously established at other Federal Reserve Banks.

These rates were approved for substantially the same reasons as prompted similar action of the Board on January 9, 1948, and to maintain the desired relation of the discount rates of the Federal Reserve Banks with the issuing rate on Treasury certificates which the Secretary of the Treasury had announced would be increased to 1¼ per cent in connection with the refunding of certificates and notes maturing on October 1, 1948.

AUGUST 17, 1948

Adoption in Revised Form of Regulation W, Consumer Instalment Credit.

Mr. Evans moved that in the revised Regulation W to be issued by the Board, the down payment requirement for automobiles be fixed at 33⅓ per cent with 20 per cent for all other items covered by the regulation; and that for credits not exceeding $1,000, the maximum maturity be fixed at 15 months, and for credits in excess of $1,000, the maximum maturity be fixed at 18 months, except that the monthly payments on credits of more than $1,000 be not less than $70.

Mr. Vardaman moved to amend Mr. Evans' motion to provide for a down payment of 20 per cent for furniture and 33⅓ per cent for all other items, and a maximum maturity of 15 months for all credits.

Mr. Vardaman's motion was put by the Chair and lost, Messrs. Eccles and Vardaman voting "aye," and Messrs. Szymczak, Draper, Evans, and Clayton voting "no."

Mr. Clayton then moved that Mr. Evans' motion be amended to provide for a down payment of 20 per cent for furniture and 33⅓ per cent for all other items, and a maximum maturity of 18 months for all credits.

Mr. Clayton's motion was put by the Chair and lost, Mr. Clayton voting "aye," and Messrs. Eccles, Szymzak, Draper, Evans, and Vardaman voting "no."

Mr. Evans' original motion was then put by the Chair and carried.

Votes for this action: Messrs. Eccles, Szymczak, Draper, Evans, Vardaman, and Clayton. Votes against this action: none.

Thereupon, by the same votes, the Board adopted Regulation W in the revised form provided in Mr. Evans' motion, to become effective September 20, 1948, under the authority of Public Law 905 (S.J. Res. 157), approved August 16, 1948, authorizing the Board of Governors of the Federal Reserve System to exercise consumer instalment credit controls until June 30, 1949.

The majority of the Board disapproved Mr. Vardaman's and Mr. Clayton's motions because it was felt that a down payment of 33⅓ per cent for any items other than automobiles and a return to the over-all maturity of 15 months prescribed by the old regulation which expired November 1, 1947 would provide a more restrictive change from terms currently being offered than would be suitable in the existing situation, and that an over-all maturity of 18 months would not provide sufficient restraint.

With the exception of down payments and maturities, the regulation was in substantially the same form as Regulation W which expired on November 1, 1947. A fundamental purpose of the revised Regulation W was to restrain the expansion of consumer instalment credit. From the end of 1945 to the end of June 1948, such credit had been growing rapidly at a rate of about 2 billion dollars a year, and this credit growth materially contributed to inflationary pressures in markets for consumer and other goods. Since the November 1, 1947 expiration of the old regulation, terms offered by merchants and lenders in the consumer instalment credit field had been relaxed considerably. The requirements of the regulation issued effective September 20, 1948, were somewhat less restrictive than those in effect at the expiration of the old regulation, but somewhat tighter than terms generally in effect before September 20, 1948.

SEPTEMBER 8, 1948

Increase in Reserve Requirements of Member Banks and Amendment to Regulation D, Reserves of Member Banks.

The supplement to Regulation D, Reserves of Member Banks, was amended to increase member bank reserve requirements 2 percentage points against net demand deposits and 1½ percentage points against time deposits, effective September 16, 1948, at banks in non-reserve cities and September 24, 1948, at other banks, except that as to member banks in outlying sections of reserve and central reserve cities which have been authorized to maintain the same reserves as banks in non-reserve cities, the amendment was to be effective September 16, 1948. Regulation D was also amended in certain minor respects to conform to required changes in the law.

Votes for this action: Messrs. McCabe, Eccles, Szymczak, Draper, Evans, Vardaman, and Clayton. Votes against this action: none.

This action, like the two previous actions in 1948, was taken in an inflationary period as a part of the program of the Federal Reserve System to restrain the inflationary expansion of bank credit, and to that end utilized additional authority granted the Board by the Congress at the special session in August. It placed reserve requirements on time deposits at the maximum authorized by the Congress and requirements on net demand deposits at 2 percentage points less than the maximum at reserve and non-reserve city banks and at 4 percentage points less than the maximum at central reserve city banks.

OCTOBER 27, 1948

Amendment to Regulation W, Consumer Instalment Credit.

> Effective November 1, 1948, subsection 6(g) of Regulation W was amended to permit the delivery of a listed article (other than an automobile) exclusively for the purpose of a bona fide trial, approval, or demonstration without a deposit equal to the required down payment, provided that certain specified conditions were followed and that within 10 days after such delivery the required down payment or the return of the article was obtained.
>
> Votes for this action: Messrs. McCabe, Eccles, Draper, and Evans. Votes against this action: none.

The amendment was designed to reduce certain technical difficulties experienced by instalment dealers subject to the regulation, and was not intended to result in any relaxing of the credit restrictions. It had been the custom for some dealers to deliver appliances and other articles subject to the customer's approval or for demonstration purposes. When such deliveries were made in anticipation of an instalment sale, the regulation previously had required a down payment at or before the time of delivery. The amendment provided that if certain specified conditions were followed, the seller might allow a trial period of not more than 10 days without previously obtaining the down payment.

NOVEMBER 24, 1948

Amendment to Regulation J, Check Clearing and Collection.

> Regulation J, Check Clearing and Collection, was amended effective January 1, 1949, to authorize a procedure for the conditional payment of cash items presented by Federal Reserve Banks subject to the right of drawee banks to return unpaid items for credit or refund on the next business day following their receipt by the drawee.
>
> Votes for this action: Messrs. McCabe, Eccles, Szymczak, Draper, Evans, Vardaman, and Clayton. Votes against this action: none.

The reasons for this action are set forth in the following statement released in the morning papers of November 26, 1948:

> Several months ago, the American Bankers Association recommended that the Board of Governors of the Federal Reserve System amend its Regulation J, relating to the clearing and collection of checks by Federal Reserve Banks, in order to authorize a procedure for the conditional

payment of cash items presented by Federal Reserve Banks subject to the right of a drawee bank to return unpaid items for credit or refund on the next business day after their receipt by the drawee. The recommendation was made in the light of the fact that in recent years many banks have adopted the practice of "delayed posting" which involves a procedure of this kind with respect to the return of unpaid items and that the practice has been recognized by the enactment of statutes in a number of States and by rules adopted by numerous clearing house associations.

On April 16, 1948, the Board of Governors published in the *Federal Register* a preliminary notice of proposed amendments to its Regulation J to give effect to the procedure recommended by the American Bankers Association; and at that time a statement with respect to the proposed changes was sent by the Federal Reserve Banks to their member banks for their information.

The Board has now adopted the amendments to Regulation J, to become effective January 1, 1949, in the form in which they were previously published in the *Federal Register* (except for a change in the footnote and one other minor change). These amendments are being published in the *Federal Register* on or about November 30, 1948. It is contemplated that the Federal Reserve Banks will amend their operating circulars or letters relating to the collection of cash items to conform to the amendments to the Regulation. In effect, the amendments to the Regulation and to the operating circulars or letters of the Federal Reserve Banks authorize the Federal Reserve Banks to accept, as conditional, payment for checks and other cash items made on the day such items are received by a drawee bank and to permit the drawee bank to return items as unpaid, for credit or refund, at any time up to midnight of the drawee's next business day following receipt of and remittance for such items.

It should be noted that adoption of these amendments does not mean that any bank is required to follow the practice of delaying the return of unpaid cash items; and any bank may continue to return unpaid cash items with its remittance on the day of receipt.

It is also to be noted that the procedure provided for in these amendments for the return of unpaid items on the day after presentment and remittance applies only to checks and other items handled by the Reserve Banks as "cash items" and does not apply to items handled by them as "noncash items" under the Board's Regulation G.

In May 1948 the American Bankers Association transmitted to banks which are members of the Association a suggested form of collection agreement with depositors, for use by banks on deposit tickets, signature cards, and the like, in order that the banks may be afforded adequate protection with respect to the collection of items in accordance with such conditional payment procedure. The Association has also drafted a model statute authorizing a procedure of this kind and has informed the Board of Governors that it will send a copy of the proposed statute, together with an explanatory statement, to the State Bankers Association of each State, urging its adoption.

December 17, 1948

Amendment to Regulation W, Consumer Instalment Credit.

> Effective January 1, 1949, Regulation W, Consumer Instalment Credit, was amended to release from the scope of the regulation articles selling for $50 or more only because of the inclusion of applicable sales taxes in the price of the article to the purchaser.
>
> Votes for this action: Messrs. McCabe, Eccles, Szymczak, Draper, Evans, and Clayton. Votes against this action: none.

In communities and regions which had sales taxes, the effect of adding the tax to prices just under $50 was to raise the price of some articles above the $50 level at which Regulation W became applicable. The Board's view was that such situations called for a technical exception, and the amendment was adopted to reduce operating difficulties in the trade, particularly for those merchants serving areas which include some localities with sales taxes and others without them.

RECORD OF POLICY ACTIONS
FEDERAL OPEN MARKET COMMITTEE

MARCH 1, 1948

(A meeting of the Federal Open Market Committee—the last before the members of the Committee took office who were elected as representatives of the Federal Reserve Banks for terms of one year beginning March 1, 1948—was held on February 27, 1948, for the purpose of ratifying actions which had been taken under existing policies and of discussing developments in the monetary and credit situation. At that meeting no policy actions were taken.)

1. *Authority to Effect Transactions in System Account.*

The following direction to the executive committee was approved:

> The executive committee is 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 light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market to the needs of commerce and business; 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 3 billion dollars.
>
> The executive committee is 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 total amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

Votes for this action: Messrs. Eccles, Sproul, Clayton, Draper, Evans, Gilbert, Leedy, Szymczak, Vardaman, Williams, and Young. Votes against this action: none.

During February a very sharp decline occurred in prices of farm products and foods which served to weaken somewhat the pressure on the general price level. Although the future trend was not clear when this meeting was held it appeared that the underlying economic conditions would foster further upward price movements and that the situation would continue to be fundamentally an inflationary one. The volume of capital expenditures and consumer buying which characterized 1947 had continued into 1948 and the demand for funds was reflected in part in very large sales of Treasury bonds to the System account and in further increases in bank loans. For reasons outlined in the Annual Report of the Board of Governors for the year 1948, of which this record is a part, these movements, together with an inflow of gold and a return flow of currency, were adding to the inflationary pressures in the economy. In the period December 9, 1947 to February 28, 1948, inclusive, total securities in the System account declined by approximately 900 million dollars. However, the composition of the account changed very materially, Treasury bill holdings having been reduced by about 3 billion dollars and certificates by about 2.9 billion, while note holdings increased nearly 300 million and bonds 4.5 billion.

Since the meeting of the Committee on December 9, 1947, the policy of combating inflation had been further implemented by additional retirements of maturing Government debt, a downward revision on December 24, 1947, of the prices at which the System would purchase Treasury bonds in the market in carrying out the policy of maintaining the long-term issuing rate on Government securities, an increase in the issuing rate of one-year Treasury certificates from 1 to 1⅛ per cent followed by an increase in January in the discount rates of the Federal Reserve Banks from 1 to 1¼ per cent, and an increase in February in reserve requirements of central reserve city banks from 20 to 22 per cent of net demand deposits.

Discussions with the Treasury had continued during the period and the representatives of the Federal Open Market Committee had expressed the opinion that Federal Reserve credit and Treasury debt management policies during the immediate future or until conditions changed should be determined with a view to exercising continuing restraint upon the expansion of bank credit. It was also suggested that the existence of a large Treasury surplus during the first quarter of the year would be the principal weapon available in the credit field for combating inflation, that retirement of Government securities held by the Federal Reserve Banks should be continued as long as surplus funds were available and that funds of the Treasury held in war loan accounts should be withdrawn at such times as would aid in carrying out the policy of keeping bank reserves under pressure. A further proposal was that at the proper time it would be desirable for the rate on one-year Treasury certificates to rise to 1¼ per cent with a further increase in the discount rates of the Federal Reserve Banks. There was also discussion of the desirability of channeling withheld tax payments through war loan accounts and of the issuance of a new series of savings notes the yields on which would be more in line with existing short-term rates.

The approval of the direction adopted at this meeting, which was in substantially the same form as the direction issued at the meeting on December 9, 1947, continued the existing open market policy of the Committee which, as part of the program outlined above, was for the purpose of keeping pressure on the market and thereby restraining the expansion of bank credit while at the same time continuing the policy of supporting the long-term rate on Government bonds.

MAY 20, 1948

1. Authority to Effect Transactions in System Account.

The following direction to the executive committee was approved:

> The executive committee is 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 light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market to the needs of commerce and business; 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.

The executive committee is 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 total amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

Votes for this action: Messrs. McCabe, Sproul, Clayton, Draper, Eccles, Evans, Gilbert, Leedy, Szymczak, Williams, and Young. Votes against this action: none.

Although important changes in the economic situation had occurred since the previous meeting of the Federal Open Market Committee, they did not change the fundamentally inflationary situation with which the Committee had to deal. It was the view of the Committee, therefore, that its existing anti-inflationary policy of keeping pressure on the money market for the purpose of restraining the expansion of bank reserves should be continued and the above direction was issued for that purpose. In taking this action it was understood that discussions with the Treasury of credit and debt management policies would be continued with a view to a further increase in the short-term rate to be followed at the appropriate time by an increase in the discount rates at the Federal Reserve Banks and in reserve requirements of banks in central reserve cities.

The direction was in the same form as the direction issued at the meeting of the Committee on March 1, 1948, except that the limitation contained in the first paragraph on the amount by which the securities in the account could be increased or decreased was reduced from 3 billion dollars to 1.5 billion. The reduction was made because it was felt that the factors affecting the Government securities market and the changes in the System account that would be required to carry out System policies in the interim before another meeting of the Committee would not call for a larger authority.

October 4, 1948

1. Increase in the Authority to Effect Transactions in System Account.

The actions of the members of the Federal Open Market Committee on August 11 and September 24, 1948, increasing from 1.5 billion dollars to 3 billion and from 3 billion to 4 billion, respectively, the limitations on the authority of the executive committee with respect to increases or decreases in the total amount of securities in the System account, as contained in the first paragraph of the direction issued at the meeting of the Federal Open Market Committee on May 20, 1948, were approved, ratified, and confirmed.

> Votes for this action: Messrs. McCabe, Sproul, Clayton, Draper, Eccles, Evans, Gilbert, Leedy, Szymczak, Williams, and Young. Votes against this action: none.

Following the previous meeting of the Committee pressure on the market for restricted Treasury bonds developed to an unexpected extent and during the latter part of the period the pressure on bank eligible bonds again increased. By August 11 Treasury bonds held in the System account had increased from 6.3 billion dollars on May 19 to 7.2 billion and by September 24 these holdings had grown to about 9 billion. Holdings of certificates had also increased. It appeared at the time the actions of the members of the Committee were taken that pressure on the bond market would continue for a further period and the increased authorities were approved in order that the executive committee might carry out the policy of supporting the long-term rate on Treasury bonds and maintaining stable and orderly conditions in the Government security market.

2. Authority to Effect Transactions in System Account.

The following direction to the executive committee was approved:

> The executive committee is 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 light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market to the needs of commerce and business; 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 2 billion dollars.
>
> The executive committee is 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 total amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

> Votes for this action: Messrs. McCabe, Sproul, Clayton, Draper, Eccles, Evans, Gilbert, Leedy, Szymczak, Williams, and Young. Votes against this action: none.

When this meeting of the Committee was held the inflationary elements in the economy continued strong and an appraisal of the situation appeared to justify the conclusion that the prospects for the rest of 1948 were clearly expansionary and that a downturn was not to be expected even if some of the "soft spots" in the economy should spread. Discussion by members of the executive committee and by representatives of the full Committee with representatives of the Treasury had continued since the previous meeting of the Committee and several actions had been taken to carry out the anti-inflationary program of keeping the reserve position of banks under pressure and discouraging further inflationary credit expansion.

Effective June 11, 1948, the Board of Governors increased reserve requirements on demand deposits of member banks in central reserve cities by 2 percentage points and following the granting of increased authority at the special session of Congress in August reserve requirements of all member banks were increased by 2 percentage points on demand deposits and 1½ percentage points on time deposits, effective September 16 for non-reserve city banks and September 24 for reserve and central reserve city banks. On August 9 the Treasury announced that the certificates and notes maturing on October 1 would be refunded into 1¼ per cent certificates. This announcement was followed by an adjustment in short-term rates to bring them in line with the 1¼ per cent rate and by an increase in the discount rates at all Federal Reserve Banks from 1¼ per cent to 1½ per cent. On August 18 the Treasury announced a new issue of savings notes, Series D, with a higher scale of interest rates than the previous issue. On August 19 the Board of Governors announced the reissuance of its regulation on consumer instalment credit under authority granted by the special session of the Congress. During the period the Treasury continued to manage its balances with the Federal Reserve Banks and in war loan accounts so as to further the policy of keeping pressure on bank reserves and to utilize available balances to retire maturing debt. To the extent possible, the effects on bank reserves of securities purchased for the System account in carrying out the policy of supporting the long-term rate on Treasury bonds and maintaining stable and orderly conditions in the Government security market had been offset by the sale of Treasury bills from the System account.

The above direction was adopted so that the management of the System open market account could be continued as a part of the anti-inflationary program to the fullest extent possible consistent with the policy of supporting the Government bond market and maintaining stable and orderly conditions in that market.

It was the opinion of the Committee at this meeting that other steps that might be taken to carry out the program would include (1) a further increase in short-term rates with corresponding increases in the bill rate with a view to bringing about greater flexibility in the bill market and increasing the holdings of bills outside the Federal Reserve Banks, (2) a further increase in the discount rates at the Federal Reserve Banks to follow the increase in short-term rates, (3) the continued retirement of Government debt to the extent permitted by Treasury balances, (4) the continued timing of calls on war loan accounts to exert some drain on bank reserves, and (5) continued study of the situation for the purpose of determining what, if any, action should be taken further to increase member bank reserve requirements.

The limitation of 2 billion dollars contained in the first paragraph of the direction set forth above represented an increase of 500 million over the limitation in the direction issued at the meeting on May 20, 1948. The limitation was fixed at that amount for the reason that it appeared that over the next month or more a very substantial amount of securities would have to be purchased in carrying out the policy of supporting the long-term rate on Government bonds.

NOVEMBER 30, 1948

(A meeting of the Federal Open Market Committee was held on November 15, 1948, to consider monetary and credit and debt management problems but no policy actions were taken at that time.)

1. Authority to Effect Transactions in System Account.

The following direction to the executive committee was approved:

> The executive committee is 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 light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market to the needs of commerce and business; 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 2 billion dollars.
>
> The executive committee is 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 total amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

Votes for this action: Messrs. McCabe, Clayton, Draper, Eccles, Evans, Gilbert, Leedy, Szymczak, Vardaman, Williams, Young, and Rounds (alternate for Mr. Sproul). Votes against this action: none.

When this meeting was held the situation had again changed considerably. Pressure on the long-term Government bond market, which had continued through the early part of November, had subsequently eased. The economy continued to operate at a high level but the outlook for total expenditures was obscure because increases were expected in Governmental expenditures while reductions might occur in consumer and business demands. Various alternative actions that might be taken by the Committee were considered, and it was agreed that the above direction, which was in the same form as the direction issued at the meeting on October 4, 1948, should be adopted to enable the System to continue to cope with conditions as they developed.

ACTION OF FEDERAL ADVISORY COUNCIL ON BANK HOLDING COMPANY LEGISLATION

SEPTEMBER 21, 1948

In connection with proposed bank holding company legislation, the Council adopted the following resolution on May 20, 1947:

RESOLUTION

The Council for the past few years has at almost every meeting discussed the holding company situation, the inadequacies of existing legislation, and proposals for additional legislation in connection with it.

(1) The Council believes that holding company legislation should be enacted at this time. Experience has shown that the present legislation is inadequate and that additional legislation is urgently necessary.

(2) It approves the general approach to the holding company problem embodied in Senate Bill 829.

(3) It believes Senate Bill 829 should be amended—

(a) By adding to the declaration of policy and the standards for Federal Reserve Board, Comptroller of the Currency, and Federal Deposit Insurance Corporation action a more definite statement of objectives and standards. (A memorandum is attached which was the subject of discussion between the Board of Governors and the Federal Advisory Council which indicates the type of amendments in this regard which the Council believes necessary.) [The memorandum follows below.]

(b) By granting tax exemption to such holding companies as are required to divest themselves of nonbanking assets. Simple justice requires that such tax exemption should be granted, and a precedent exists for it in the utility holding company legislation.

(c) By requiring a larger percentage than 10 per cent of the ownership of stock in two or more banks in order to create an automatic holding company relationship.

(d) By providing that incidental ownership of bank stocks in fiduciary capacities such as executor, trustee under a will, etc., should not create an automatic holding company relationship.

The Council urges the Board to submit amendments in accordance with these suggestions and to press for the enactment of the bill as so amended.

* * * * *

MEMORANDUM

SUBMITTED IN CONNECTION WITH THE FOREGOING RESOLUTION

1. To reach and regulate any banking operation which, functioning in an area or with a structure larger than that permitted to independent banks, can or does, through the medium of concentrated control, jeopardize independent

competitive banking at local or regional levels or place independent banks under the particular circumstances at a competitive disadvantage;

2. To confine the size and expanse of any such banking operation, regardless of its competitive or other aspects, within limits consistent with adequate and sound banking; and

3. To control the magnitude and expanse of any such banking operation, regardless of all other considerations, to the end that, in the event of adverse general economic conditions, such an operation will not be subjected to any inordinate pressure arising from unwieldiness due solely to mere size and expanse which, in turn, may put an inordinate pressure on the nation's banking structure.

* * * * *

On February 17, 1948, the Council adopted the following resolution regarding bank holding company legislation:

RESOLUTION

The Federal Advisory Council has approved by resolution Bank Holding Company legislation. It believes that Senate Bill No. 829 with the amendments suggested by the Council in its resolution of May 20, 1947 should be passed by this session of the Congress and that action by the Congress should not be delayed.

The Federal Advisory Council urges the Board of Governors of the Federal Reserve System to use its best efforts to secure the passage of the bill, with the amendments suggested by the Council and asks that this resolution be transmitted to the members of the Senate and House Banking and Currency Committees.

* * * * *

The Council reaffirms the position it took on bank holding company legislation as expressed in the above resolutions, and favors the enactment of such legislation at the next session of the Congress.

MEMORANDUM OF FEDERAL ADVISORY COUNCIL ON CREDIT CONDITIONS, NOVEMBER 22, 1948

The unforeseen outcome of the election has brought at least a temporary reluctance on the part of business concerns in some sections of the country to promote further capital expansion programs. This hesitation to proceed with business plans will probably continue until the Administration program relating to taxes, labor legislation, and other measures concerning business has been announced and the attitude of the new Congress can be appraised. The election has also affected the security markets. The Government bond market has been stronger, partly because of the feeling that the Administration will maintain the present support policy for Government securities, and partly because of the feeling that it is likely the volume of new corporate securities offered will be less because of the cancellation or postponement of expansion plans and that a Government bond yielding 2½ per cent may be an attractive investment in comparison with the probable yield on the reduced supply of high-grade corporates.

The members of the Council do not now find any clear and uniform economic trend evident throughout the twelve Federal Reserve districts. The Council, therefore, believes that until the trend following the election becomes much clearer, it would not be advisable "to rock the economic boat." Specifically, the Council believes it would not be desirable under present circumstances to change (1) the reserve requirements, (2) the rediscount rate, or (3) the support policy for Government securities.

The Council further believes that increasing bank reserves is not the proper method of dealing with the problem of inflation. One of the results of an increase in bank reserves under current conditions is the transfer of Government securities from banks to the Federal Reserve System, thereby largely nullifying any possible benefits from increasing the reserves and making the problem of debt management by the Treasury more difficult. An increase in member bank reserves not only makes membership in the System less desirable, but it also affects the earnings of some banks adversely. The over-all earnings of banks may be satisfactory, but the arbitrary character of an increase in reserves in all banks affects the earnings of individual banks unfairly.

The repeated emphasis on bank deposits and on the banks as a major factor in causing inflation gives the public an erroneous impression of the principal reasons for the current inflation, which are to be found in the great expansion in the production of durable goods including housing and in large expenditures for defense, foreign aid, and veterans' assistance. Attempts to control through monetary policy an inflation which has resulted from conditions largely outside the banking system are certain to be unsuccessful.

The Council appreciates that members of the Board have on some occasions called attention publicly to those factors outside the banking system which are principally responsible for the inflation. If these facts could be re-emphasized whenever the occasion permits, it woud be very helpful to a better public understanding of the situation.

With the conditions now prevailing, any proposals to increase reserves under the present authority, to request additional authority to impose still higher reserves, or to seek authority for special reserves for banks would in view of the foregoing comments be opposed by the Council, and by bankers generally, as detrimental to the best interests of the economy.

The Council believes it would be helpful if a comprehensive study could be made of the whole question of bank reserves, including such subjects as the purposes bank reserves serve, whether authority to vary reserves should be granted or whether they should be fixed definitely by legislation, and the proper relationship of reserves to the various classes of deposits, and to the size and location of banks. This study might be undertaken by a committee including representatives of the banking agencies of the Federal Government, the banking departments of the State governments and the banks. An objective and exhaustive study in this field would be a useful guide to ultimate legislation.

In relation to the matter of interest rates on Government securities, the Council has at other times stated that under present conditions it would be beneficial to our economy to have a modest rise in short-term rates. Even a small increase in these rates is helpful in reducing the demand for credit by making both borrowers and bankers aware of the dangers in the present situation. The timing of any increase in such rates should be a matter of agreement between the Board of Governors and the Treasury.

* * * * *

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1948]

	Term Expires
THOMAS B. MCCABE, of Pennsylvania, *Chairman*	January 31, 1956
MARRINER S. ECCLES, of Utah	January 31, 1958
M. S. SZYMCZAK, of Illinois	January 31, 1962
ERNEST G. DRAPER, of Connecticut	January 31, 1950
R. M. EVANS, of Virginia	January 31, 1954
JAMES K. VARDAMAN, JR., of Missouri	January 31, 1960
LAWRENCE CLAYTON, of Massachusetts	January 31, 1952

ELLIOTT THURSTON, *Assistant to the Board*
CHESTER MORRILL, *Special Adviser to the Board*
WINFIELD W. RIEFLER, *Assistant to the Chairman*
S. R. CARPENTER, *Secretary*
  BRAY HAMMOND, *Assistant Secretary*
  MERRITT SHERMAN, *Assistant Secretary*
GEORGE B. VEST, *General Counsel*
  FREDERIC SOLOMON, *Assistant General Counsel*
  JOHN C. BAUMANN, *Assistant General Counsel*
J. LEONARD TOWNSEND, *Solicitor*
WOODLIEF THOMAS, *Director, Division of Research and Statistics*
  RALPH A. YOUNG, *Associate Director, Division of Research and Statistics*
  FRANK A. SOUTHARD, JR., *Associate Director, Division of Research and Statistics*
EDWIN R. MILLARD, *Director, Division of Examinations*
  GEORGE S. SLOAN, *Assistant Director, Division of Examinations*
  C. C. HOSTRUP, *Assistant Director, Division of Examinations*
EDWARD L. SMEAD, *Director, Division of Bank Operations*
  ROBERT F. LEONARD, *Associate Director, Division of Bank Operations*
  J. R. VAN FOSSEN, *Assistant Director, Division of Bank Operations*
  J. E. HORBETT, *Assistant Director, Division of Bank Operations*
  LOWELL MYRICK, *Assistant Director, Division of Bank Operations*
FRED A. NELSON, *Director, Division of Personnel Administration*
LISTON P. BETHEA, *Director, Division of Administrative Services*
  GARDNER L. BOOTHE, II, *Assistant Director, Division of Administrative Services*

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1948]

MEMBERS

THOMAS B. MCCABE, *Chairman* (Board of Governors)
ALLAN SPROUL, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
LAWRENCE CLAYTON (Board of Governors)
ERNEST G. DRAPER (Board of Governors)
MARRINER S. ECCLES (Board of Governors)
R. M. EVANS (Board of Governors)
R. R. GILBERT (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
H. G. LEEDY (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
M. S. SZYMCZAK (Board of Governors)
JAMES K. VARDAMAN, JR. (Board of Governors)
ALFRED H. WILLIAMS (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)
C. S. YOUNG (Elected by Federal Reserve Banks of Cleveland and Chicago)

EXECUTIVE COMMITTEE

THOMAS B. MCCABE, *Chairman*
ALLAN SPROUL, *Vice Chairman*
MARRINER S. ECCLES
M. S. SZYMCZAK
ALFRED H. WILLIAMS

AGENT

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

OFFICERS

CHESTER MORRILL, *Secretary*
S. R. CARPENTER, *Assistant Secretary*
GEORGE B. VEST, *General Counsel*
J. LEONARD TOWNSEND, *Assistant General Counsel*
WOODLIEF THOMAS, *Economist*
KARL R. BOPP, *Associate Economist*
WATROUS H. IRONS, *Associate Economist*
JOHN K. LANGUM, *Associate Economist*
T. BRUCE ROBB, *Associate Economist*
JOHN H. WILLIAMS, *Associate Economist*

FEDERAL ADVISORY COUNCIL

[December 31, 1948]

MEMBERS

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

District No. 2—W. Randolph Burgess, Chairman, Executive Committee, The National City Bank of New York, New York, New York.

District No. 3—David E. Williams, President, Corn Exchange National Bank and Trust Company, Philadelphia, Pennsylvania.

District No. 4—John H. McCoy, President, The City National Bank and Trust Company of Columbus, Columbus, Ohio.

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

District No. 6—J. T. Brown, President, The Capital National Bank of Jackson, Jackson, Mississippi.

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

District No. 8—James H. Penick, President, Worthen Bank and Trust Company, Little Rock, Arkansas.

District No. 9—Henry E. Atwood, President, First National Bank of Minneapolis, Minneapolis, Minnesota.

District No. 10—James M. Kemper, Chairman, Commerce Trust Company, Kansas City, Missouri.

District No. 11—J. E. Woods, Chairman, Temple National Bank, Temple, Texas.

District No. 12—Reno Odlin, President, Puget Sound National Bank of Tacoma, Tacoma, Washington.

EXECUTIVE COMMITTEE

Edward E. Brown, *ex officio*
W. Randolph Burgess
John H. McCoy
Charles E. Spencer, Jr., *ex officio*
David E. Williams
Robert V. Fleming, *ex officio*

OFFICERS

President, Edward E. Brown
Second Vice President, Robert V. Fleming
First Vice President, Charles E. Spencer, Jr.
Secretary, Herbert V. Prochnow

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS

[December 31, 1948]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Albert M. Creighton	Harold D. Hodgkinson
New York	Robert T. Stevens	William I. Myers
Philadelphia	Vacancy	Warren F. Whittier
Cleveland	George C. Brainard	Reynold E. Klages
Richmond	W. G. Wysor	Charles P. McCormick
Atlanta	Frank H. Neely	J. F. Porter
Chicago	Clarence W. Avery	Paul G. Hoffman
St. Louis	Russell L. Dearmont	Wm. H. Bryce
Minneapolis	Roger B. Shepard	W. D. Cochran
Kansas City	Robert B. Caldwell	Robert L. Mehornay
Dallas	J. R. Parten	R. B. Anderson
San Francisco	Brayton Wilbur	Harry R. Wellman

CONFERENCE OF CHAIRMEN

The Chairmen of the Federal Reserve Banks are organized into a Conference of Chairmen which meets from time to time to consider matters of common interest, and to consult with and advise the Board of Governors.

Mr. Shepard, Chairman of the Federal Reserve Bank of Minneapolis, served as Chairman of the Conference and as Chairman of the Executive Committee until December. The other members of the Executive Committee were Mr. Avery, Chairman of the Federal Reserve Bank of Chicago, and Mr. Dearmont, Chairman of the Federal Reserve Bank of St. Louis.

At the meeting of the Conference on December 10, Mr. Dearmont was elected Chairman of the Conference and Chairman of the Executive Committee. The other members of the Executive Committee elected at that time were Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, and Mr. Stevens, Chairman of the Federal Reserve Bank of New York.

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

DIRECTORS

Class A and Class B directors are elected by the member banks of the district. 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 of the Federal Reserve System.

District No. 1—Boston

		Term Expires Dec. 31
Class A:		
Leon A. Dodge	President, The First National Bank of Damariscotta, Damariscotta, Me.	1948
Earle W. Stamm	President, The National Bank of Commerce of New London, New London, Conn.	1949
Allan Forbes	President, State Street Trust Company, Boston, Mass.	1950
Class B:		
Frederick S. Blackall, jr.	President and Treasurer, The Taft-Peirce Manufacturing Company, Woonsocket, R. I.	1948
Roy L. Patrick	President, Rock of Ages Corporation, Burlington, Vt.	1949
Philip R. Allen	Director, Bird & Son, inc., E. Walpole, Mass.	1950
Class C:		
Ames Stevens	Treasurer, Ames Worsted Company, Lowell, Mass.	1948
Harold D. Hodgkinson	Vice President, General Manager and Chairman of Management Board, Wm. Filene's Sons Company, Boston, Mass.	1949
Albert M. Creighton	Chairman of the Board	1950

District No. 2—New York

Class A:		
Howard A. Wilson	President, Citizens National Bank and Trust Company of Fulton, Fulton, N. Y.	1948
Winthrop W. Aldrich	Chairman of the Board, The Chase National Bank of the City of New York, New York, N.Y.	1949
Frederic E. Worden	Chairman of the Board and President, The National Bank of Auburn, Auburn, N.Y.	1950
Class B:		
Carle C. Conway	Chairman of the Board, Continental Can Company, Inc., New York, N. Y.	1948
Lewis H. Brown	Chairman of the Board, Johns-Manville Corporation, New York, N.Y.	1949
Charles E. Adams	Chairman of the Board, Air Reduction Company, Inc., New York, N. Y.	1950
Class C:		
William I. Myers	Dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.	1948
Robert D. Calkins	Director and Vice President, General Education Board, New York, N. Y.	1949
Robert T. Stevens	Chairman of the Board, J. P. Stevens and Co., Inc., New York, N. Y.	1950

Buffalo Branch

Appointed by Federal Reserve Bank:		
Charles H. Diefendorf	President, The Marine Trust Company of Buffalo, Buffalo, N. Y.	1948
Raymond F. Leinen	Executive Vice President, Lincoln Rochester Trust Company, Rochester, N. Y.	1949
C. George Niebank	President, Bank of Jamestown, Jamestown, N. Y.	1949
Clyde C. Brown	President, The Cuba National Bank, Cuba, N. Y.	1950
Appointed by Board of Governors:		
Carl G. Wooster	Farmer, Union Hill, N. Y.	1948
Thomas Robins, Jr.	President, Hewitt-Robins, Inc., Buffalo, N. Y.	1949
Lewis B. Swift	President, Taylor Instrument Companies, Rochester, N. Y.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

District No. 3—Philadelphia

DIRECTORS—Cont.		*Term Expires Dec. 31*
Class A:		
George W. Reily	President, Harrisburg National Bank, Harrisburg, Pa.	1948
John B. Henning	President, Wyoming National Bank, Tunkhannock, Pa.	1949
Archie D. Swift	Chairman of the Board, Central-Penn National Bank, Philadelphia, Pa.	1950
Class B:		
Albert G. Frost	President, The Esterbrook Pen Company, Camden, N. J.	1948
William J. Meinel	President and General Manager, Heintz Manufacturing Company, Philadelphia, Pa.	1949
Walter H. Lippincott	President and Director, Lobdell Company, Wilmington, Del.	1950
Class C:		
Vacancy		1948
Warren F. Whittier	Agricultural Consultant, Chester Springs, Pa.	1949
C. Canby Balderston	Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa.	1950

District No. 4—Cleveland

Class A:		
Ben R. Conner	President, The First National Bank of Ada, Ada, Ohio	1948
John D. Bainer	President, The Merchants National Bank and Trust Company of Meadville, Meadville, Pa.	1949
John T. Rohr	President, The Toledo Trust Company, Toledo, Ohio	1950
Class B:		
Joel M. Bowlby	President, The Eagle-Picher Company, Cincinnati, Ohio	1948
Ross Pier Wright	Secretary-Treasurer, Reed Manufacturing Company, Erie, Pa.	1949
L. H. Lund	Vice President and Treasurer, Westinghouse Electric Corporation, Pittsburgh, Pa.	1950
Class C:		
Reynold E. Klages	President, Columbus Auto Parts Company, Columbus, Ohio	1948
George C. Brainard	President and General Manager, Addressograph-Multigraph Corporation, Cleveland, Ohio	1949
A. Z. Baker	Chairman of the Board, The Cleveland Union Stock Yards Company, Cleveland, Ohio	1950

Cincinnati Branch

Appointed by Federal Reserve Bank:		
Neil McElroy	President, The Procter & Gamble Company, Cincinnati, Ohio	1948
Spears Turley	Vice President and Trust Officer, State Bank and Trust Company of Richmond, Kentucky, Richmond, Ky.	1948
Waldo E. Pierson	President, The First National Bank of Cincinnati, Cincinnati, Ohio	1949
Walter H. J. Behm	President, The Winters National Bank and Trust Company of Dayton, Dayton, Ohio	1950
Appointed by Board of Governors:		
Francis H. Bird	Dean, College of Business Administration, University of Cincinnati, Cincinnati, Ohio	1948
S. Headley Shouse	Tobacco and livestock raiser, Lexington, Ky.	1949
Paul G. Blazer	Chairman of the Board, Ashland Oil & Refining Company, Ashland, Ky.	1950

Pittsburgh Branch

Appointed by Federal Reserve Bank:		
Archie J. McFarland	President, Wheeling Steel Corporation, Wheeling, W. Va.	1948
Laurence S. Bell	Executive Vice President, The Union National Bank of Pittsburgh, Pittsburgh, Pa.	1948
R. E. Bowie	President, Security Trust Company, Wheeling, W. Va.	1949
T. C. Swarts	Executive Vice President, Woodlawn Trust Company, Aliquippa, Pa.	1950
Appointed by Board of Governors:		
A. H. Burchfield, Jr.	President and General Manager, Joseph Horne Company, Pittsburgh, Pa.	1948
Howard W. Jordan	President, Pennsylvania Rubber Company, Jeannette, Pa.	1949
Josiah M. Koch	Vice President, Quaker State Oil Refining Corporation, Oil City, Pa.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

District No. 5—Richmond

DIRECTORS—Cont.

		Term Expires Dec. 31
Class A:		
James D. Harrison	President, First National Bank of Baltimore, Baltimore, Md.	1948
Warren S. Johnson	President, Peoples Savings Bank and Trust Company, Wilmington, N. C.	1949
John A. Sydenstricker	Cashier, First National Bank in Marlinton, Marlinton, W. Va.	1950
Class B:		
Charles C. Reed	President, Williams & Reed, Inc., Richmond, Va.	1948
H. L. Rust, Jr.	President, H. L. Rust Company, Washington, D. C.	1949
Cary L. Page	President and Treasurer, Jackson Mills, Wellford, S. C.	1950
Class C:		
W. G. Wysor	Management Counsel, Southern States Cooperative, Inc., Richmond, Va.	1948
Edward R. Stettinius, Jr.	Rector, University of Virginia, Rapidan, Va.	1949
Charles P. McCormick	President and Chairman of Board, McCormick & Company, Inc., Baltimore, Md.	1950

Baltimore Branch

Appointed by Federal Reserve Bank:		
Holmes D. Baker	President, The Citizens National Bank of Frederick, Frederick, Md.	1948
George M. Moore	Vice President, The Union National Bank of Clarksburg, Clarksburg, W. Va.	1949
Eugene G. Grady	President, The Western National Bank of Baltimore, Baltimore, Md.	1949
W. Bladen Lowndes	President, Fidelity Trust Company, Baltimore, Md.	1950
Appointed by Board of Governors:		
James E. Hooper	Vice President, William E. Hooper and Sons Company, Baltimore, Md.	1948
L. Vinton Hershey	President and General Manager, Hagerstown Shoe Company, Hagerstown, Md.	1949
James M. Shriver	President, The B. F. Shriver Company, Westminster, Md.	1950

Charlotte Branch

Appointed by Federal Reserve Bank:		
Angus E. Bird	Chairman of the Board, The Citizens & Southern National Bank of South Carolina, Columbia, S. C.	1948
Allen H. Sims	Executive Vice President and Trust Officer, Citizens National Bank in Gastonia, Gastonia, N. C.	1949
George S. Crouch	President, Union National Bank, Charlotte, N. C.	1949
N. S. Calhoun	President, Security National Bank, Greensboro, N. C.	1950
Appointed by Board of Governors:		
R. Flake Shaw	Executive Vice President and Secretary, North Carolina Farm Bureau Federation, Greensboro, N. C.	1948
W. A. L. Sibley	Vice President and Treasurer, Monarch Mills, Union, S. C.	1949
R. E. Ebert	President, Dixie Home Stores, Inc., Greenville, S. C.	1950

District No. 6—Atlanta

Class A:		
R. C. Williams	President, The First National Bank of Atlanta, Atlanta, Ga.	1948
W. D. Cook	Chairman of the Board, First National Bank in Meridian, Meridian, Miss.	1949
George J. White	President, The First National Bank of Mount Dora, Mount Dora, Fla.	1950
Class B.		
J. A. McCrary	Vice President and Treasurer, J. B. McCrary Company, Inc., Atlanta, Ga.	1948
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1949
A. B. Freeman	Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd., New Orleans, La.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

DIRECTORS—Cont.

Class C:

		Term Expires Dec. 31
J. F. Porter	President, Tennessee Burley Tobacco Growers Association, Columbia, Tenn.	1948
Rufus C. Harris	President, The Tulane University of Louisiana, New Orleans, La.	1949
Frank H. Neely	President, Rich's, Inc., Atlanta, Ga.	1950

Birmingham Branch

Appointed by Federal Reserve Bank:

M. B. Spragins	President, The First National Bank of Huntsville, Huntsville, Ala.	1948
James G. Hall	Executive Vice President, The First National Bank of Birmingham, Birmingham, Ala.	1949
R. L. Adams	President, Bank of York, York, Ala.	1949
W. C. Bowman	Chairman of the Board, The First National Bank of Montgomery, Montgomery, Ala.	1950

Appointed by Board of Governors:

Wm. Howard Smith	President, McQueen-Smith Farms, Prattville, Ala.	1948
Thad Holt	President-Treasurer, Voice of Alabama, Inc., Birmingham, Ala.	1949
J. Roy Faucett	Faucett Brothers, Northport, Ala.	1950

Jacksonville Branch

Appointed by Federal Reserve Bank:

J. S. Fairchild	Executive Vice President, The First National Bank of Winter Garden, Winter Garden, Fla.	1948
Max Losner	President, The First National Bank of Homestead, Homestead, Fla.	1949
H. S. Moody	Executive Vice President, Manatee River Bank & Trust Company, Bradenton, Fla.	1949
J. T. Shands	President, The Atlantic National Bank of Jacksonville, Jacksonville, Fla.	1950

Appointed by Board of Governors:

J. Hillis Miller	President, University of Florida, Gainesville, Fla.	1948
Howard Phillips	Vice President and General Manager, Dr. P. Phillips Company, Orlando, Fla.	1949
Marshall F. Howell	Secretary-Treasurer, Bond-Howell Lumber Co., Jacksonville, Fla.	1950

Nashville Branch

Appointed by Federal Reserve Bank:

Edward Potter, Jr.	President, Commerce Union Bank, Nashville, Tenn.	1948
L. R. Driver	President, The First National Bank in Bristol, Bristol, Tenn.	1949
T. L. Cathey	President, Peoples and Union Bank, Lewisburg, Tenn.	1949
W. H. Hitchcock	President, First and Peoples National Bank, Gallatin, Tenn.	1950

Appointed by Board of Governors:

H. C. Meacham	Farmer, Franklin, Tenn.	1948
W. Bratten Evans	President, Tennessee Enamel Manufacturing Company, Nashville, Tenn.	1949
C. E. Brehm	Acting President, University of Tennessee, Knoxville, Tenn.	1950

New Orleans Branch

Appointed by Federal Reserve Bank:

T. G. Nicholson	President, The First National Bank of Jefferson Parish at Gretna, Gretna, La.	1948
John Legier	President, National American Bank of New Orleans, New Orleans, La.	1949
W. S. Johnson	Executive Vice President, The First National Bank of McComb City, McComb City, Miss.	1949
T. J. Eddins	President, Bank of Slidell, Slidell, La.	1950

Appointed by Board of Governors:

John J. Shaffer, Jr.	Planter, Ellendale, La.	1948
E. O. Batson	President, Batson-McGehee & Company, Inc., Millard, Miss.	1949
H. G. Chalkley	President, Sweet Lake Land and Oil Company, Inc., Lake Charles, La.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

District No. 7—Chicago

DIRECTORS—Cont.

Class A:

		Term Expires Dec. 31
Walter J. Cummings	Chairman, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.	1948
Horace S. French	President, The Manufacturers National Bank of Chicago, Chicago, Ill.	1949
Vivian W. Johnson	President, First National Bank, Cedar Falls, Iowa	1950

Class B:

William C. Heath	President, A. O. Smith Corporation, Milwaukee, Wis.	1948
William J. Grede	President, Grede Foundries, Inc., Milwaukee, Wis.	1949
Nicholas H. Noyes	Vice President in Charge of Finances, Eli Lilly and Company, Indianapolis, Ind.	1950

Class C:

Clarence W. Avery	President and Chairman, The Murray Corporation of America, Detroit, Mich.	1948
Paul G. Hoffman	Director, The Studebaker Corporation, South Bend, Ind.	1949
Allan B. Kline	President, American Farm Bureau Federation, Chicago, Ill.	1950

Detroit Branch

Appointed by Federal Reserve Bank:

Rudolph E. Reichert	President, Ann Arbor Bank, Ann Arbor, Mich.	1948
Charles A. Kanter	President, The Manufacturers National Bank of Detroit, Detroit, Mich.	1948
Charles T. Fisher, Jr.	President, The National Bank of Detroit, Detroit, Mich.	1949

Appointed by Board of Governors:

Ernest Gilbert	Farmer, Waldron, Mich.	1948
Ben R. Marsh	Vice President and General Manager, Michigan Bell Telephone Company, Detroit, Mich.	1949

District No. 8—St. Louis

Class A:

Phil E. Chappell	President, Planters Bank and Trust Company, Hopkinsville, Ky.	1948
G. R. Corlis	President, Anna National Bank, Anna, Ill.	1949
Tom K. Smith	Chairman of Board, Boatmen's National Bank, St. Louis, Mo.	1950

Class B:

A. Wessel Shapleigh	President, Shapleigh Hardware Company, St. Louis, Mo.	1948
K. August Engel	President, Arkansas Democrat Company, Little Rock, Ark.	1949
Louis Ruthenburg	President and General Manager, Servel, Inc., Evansville, Ind.	1950

Class C:

J. P. Redman	Farmer, Cairo, Ill.	1948
Russell L. Dearmont	Chief Counsel for Trustee, Missouri-Pacific Lines, St. Louis, Mo.	1949
Wm. H. Bryce	Vice President, Dixie Wax Paper Company, Memphis, Tenn.	1950

Little Rock Branch

Appointed by Federal Reserve Bank:

Chas. A. Gordon	Vice President, Simmons National Bank, Pine Bluff, Ark.	1948
Lloyd Spencer	President, First National Bank, Hope, Ark.	1948
Emmet Morris	Chairman, Worthen Bank and Trust Company, Little Rock, Ark.	1949
Geo. S. Neal	President, Bank of Russellville, Russellville, Ark.	1950

Appointed by Board of Governors:

Cecil C. Cox	Farmer, Stuttgart, Ark.	1948
Ralph E. Plunkett	President, Plunkett-Jarrell Grocer Company, Little Rock, Ark.	1949
A. Howard Stebbins, Sr.	Chairman of Board, Stebbins and Roberts, Inc., Little Rock, Ark.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

DIRECTORS—Cont.

Louisville Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
Lee L. Persise	President, The State Bank of Salem, Salem, Ind.	1948
H. Lee Cooper	President, Ohio Valley National Bank, Henderson, Ky.	1948
A. C. Voris	President, Citizens National Bank, Bedford, Ind.	1949
Wallace M. Davis	Vice President, Citizens Fidelity Bank and Trust Company, Louisville, Ky.	1950
Appointed by Board of Governors:		
Geo. O. Boomer	President, The Girdler Corporation, Louisville, Ky.	1948
Smith D. Broadbent, Jr.	Farmer, Cadiz, Ky.	1949
Alvin A. Voit	President, The Mengel Company, Louisville, Ky.	1950

Memphis Branch

Appointed by Federal Reserve Bank:		
Norfleet Turner	President, First National Bank, Memphis, Tenn.	1948
H. W. Hicks	President, First National Bank, Jackson, Tenn.	1948
W. W. Campbell	President, National Bank of Eastern Arkansas, Forrest City, Ark.	1949
W. P. Kretschmar	Chairman of Board, Commercial National Bank, Greenville, Miss.	1950
Appointed by Board of Governors:		
Leslie M. Stratton, Jr.	Executive Vice President, Stratton-Warren Hardware Company, Memphis, Tenn.	1948
Hugh M. Brinkley	Farmer, Hughes, Ark.	1949
M. P. Moore	Partner, E. E. Moore and Company, Senatobia, Miss.	1950

District No. 9—Minneapolis

Class A:		
F D. McCartney	Vice President, First National Bank, Oakes, N. D.	1948
Clarence E. Hill	Chairman of the Board, Northwestern National Bank, Minneapolis, Minn.	1949
J. R. McKnight	President, Pierre National Bank, Pierre, S. D.	1950
Class B:		
Ray C. Lange	President, Chippewa Canning Company, Chippewa Falls, Wis.	1948
Homer P. Clark	Chairman of the Board, West Publishing Company, St. Paul, Minn.	1949
Walter H. McLeod	President, Missoula Mercantile Company, Missoula, Mont.	1950
Class C:		
Paul E. Miller	Director, Agricultural Extension Division, University of Minnesota, Minneapolis, Minn.	1948
W. D. Cochran	G. M. C. Truck Distributor, Iron Mountain, Mich.	1949
Roger B. Shepard	Chairman of the Board	1950

Helena Branch

Appointed by Federal Reserve Bank:		
Theodore Jacobs	President, First National Bank, Missoula, Mont.	1948
E. D. MacHaffie	President, State Publishing Company, Helena, Mont.	1948
B. M. Harris	President, Yellowstone Bank, Columbus, Mont.	1949
Appointed by Board of Governors:		
R. B. Richardson	President, Western Life Insurance Company, Helena, Mont.	1948
Malcolm E. Holtz	Agriculturist, Great Falls, Mont.	1949

District No. 10—Kansas City

Class A:		
T. A. Dines	Chairman of the Board, United States National Bank, Denver, Colo.	1948
M. A. Limbocker	Chairman of the Board and President, Citizens National Bank, Emporia, Kan.	1949
W. L. Bunten	Executive Vice President, Goodland State Bank, Goodland, Kan.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

DIRECTORS—Cont.

Class B:

		Term Expires Dec. 31
Willard D. Hosford	Vice President and General Manager, John Deere Plow Company, Omaha, Neb.	1948
J. M. Bernardin	Lumberman, Kansas City, Mo.	1949
L. C. Hutson	President and General Manager, Chickasha Cotton Oil Company, Chickasha, Okla.	1950

Class C:

Lyle L. Hague	Farmer and stockman, Cherokee, Okla.	1948
Robert B. Caldwell	Caldwell, Downing, Noble and Garrity, Kansas City, Mo.	1949
Robert L. Mehornay	President, North-Mehornay Furniture Company, Kansas City, Mo.	1950

Denver Branch

Appointed by Federal Reserve Bank:

J. D. Allen	President, The First National Bank of Eagle County, Eagle, Colo.	1948
Albert K. Mitchell	Rancher, Albert, N. M.	1948
P. K. Alexander	Vice President, The First National Bank of Denver, Denver, Colo.	1949

Appointed by Board of Governors:

M. E. Noonen	Sheep rancher, Kremmling, Colo.	1948
W. A. Alexander	Vice President and Assistant General Manager, The Denver Tramway Corporation, Denver, Colo.	1949

Oklahoma City Branch

Appointed by Federal Reserve Bank:

D. M. Tyler	First Vice President, Dewey Portland Cement Company, Dewey, Okla.	1948
Hugh L. Harrell	Vice President, First National Bank and Trust Company, Oklahoma City, Okla.	1948
S. A. Bryant	President, The Farmers National Bank, Cushing, Okla.	1949

Appointed by Board of Governors:

Rufus Green	Rancher and farmer, Duncan, Okla.	1948
C. W. Cotton	President, C. W. Cotton Supply Company, Tulsa, Okla.	1949

Omaha Branch

Appointed by Federal Reserve Bank:

Fred W. Marble	President, Stock Growers National Bank, Cheyenne, Wyo.	1948
Walter S. Byrne	General Manager, Metropolitan Utilities District of Omaha, Omaha, Neb.	1949
I. R. Alter	President, First National Bank, Grand Island, Neb.	1949

Appointed by Board of Governors:

Fred S. Wallace	Farmer, Gibbon, Neb.	1948
Joseph W. Seacrest	Co-Publisher, Nebraska State Journal, Lincoln, Neb.	1949

District No. 11—Dallas

Class A:

Walter P. Napier	Chairman of the Board, Alamo National Bank, San Antonio, Texas	1948
J. Edd McLaughlin	Vice President, Security State Bank and Trust Company, Ralls, Texas	1949
W. L. Peterson	President, The State National Bank, Denison, Texas	1950

Class B:

J. R. Milam	President, The Cooper Company, Inc., Waco, Texas	1948
George L. MacGregor	Chairman of the Board, President and General Manager, Dallas Power and Light Company, Dallas, Texas	1949
W. F. Beall	President and General Manager, 3 Beall Brothers 3, Department Stores, Jacksonville, Texas	1950

Class C:

R. B. Anderson	General Manager, W. T. Waggoner Estate, Vernon, Texas	1948
J. R. Parten	President, Woodley Petroleum Company, Houston, Texas	1949
G. A. Frierson	G. A. Frierson & Son, Shreveport, La.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

DIRECTORS—Cont.

El Paso Branch

Appointed by Federal Reserve Bank:

		Term Expires Dec. 31
W. S. Warnock	Vice President, El Paso National Bank, El Paso, Texas	1948
W. Henry Wooldridge	President, Lone Star Motor Company, El Paso, Texas	1948
George G. Matkin	Vice President, State National Bank, El Paso, Texas	1949
W. H. Holcombe	Executive Vice President, Security State Bank, Pecos, Texas	1950

Appointed by Board of Governors:

Dorrance D. Roderick	President, Newspaper Printing Corporation, El Paso, Texas	1948
Hiram S. Corbett	President, J. Knox Corbett Lumber Company, Tucson, Ariz.	1949
Hal Bogle	Livestock feeding, farming and ranching, Dexter, N. M.	1950

Houston Branch

Appointed by Federal Reserve Bank:

James A. Elkins	Attorney, Vinson, Elkins, Weems & Francis, Houston, Texas	1948
B. C. Roberts	President, Wharton Bank & Trust Company, Wharton, Texas	1948
Melvin Rouff	First Vice President, Houston National Bank, Houston, Texas	1949
R. Lee Kempner	Chairman of the Executive Committee, United States National Bank, Galveston, Texas	1950

Appointed by Board of Governors:

Ross Stewart	President, C. Jim Stewart and Stevenson, Inc., Houston, Texas	1948
George A. Slaughter	Farming, Wharton, Texas	1949
J. E. Wheat	Attorney at Law, Woodville, Texas	1950

San Antonio Branch

Appointed by Federal Reserve Bank:

Robert D. Barclay	President, National Bank of Commerce, San Antonio, Texas	1948
C. L. Skaggs	President, The First National Bank of Weslaco, Weslaco, Texas	1948
Riley Peters	Executive Vice President, First State Bank, Kerrville, Texas	1949
E. R. L. Wroe	President, American National Bank, Austin, Texas	1950

Appointed by Board of Governors:

Henry P. Drought	Attorney at Law, San Antonio, Texas	1948
Holman Cartwright	Livestock and farming, Twin Oaks Ranch, Dinero, Texas	1949
Edward E. Hale	Chairman of the Department and Professor of Economics, The University of Texas, Austin, Texas	1950

District No. 12—San Francisco

Class A:

Carroll F. Byrd	President, The First National Bank of Willows, Willows, Calif.	1948
William W. Crocker	President, Crocker First National Bank of San Francisco, San Francisco, Calif.	1949
Chas. H. Stewart	President, Portland Trust and Savings Bank, Portland, Ore.	1950

Class B:

Reese H. Taylor	President, Union Oil Company of California, Los Angeles, Calif.	1948
Walter S. Johnson	President, American Box Corporation, San Francisco, Calif.	1949
St. George Holden	St. George Holden Realty Company, San Francisco, Calif.	1950

Class C:

Harry R. Wellman	Director, Giannini Foundation of Agricultural Economics, University of California, Berkeley, Calif.	1948
Brayton Wilbur	President, Wilbur-Ellis Company, San Francisco, Calif.	1949
Wm. R. Wallace, Jr.	Member of the firm, Williamson & Wallace, Attorneys at Law, San Francisco, Calif.	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

DIRECTORS—Cont.

Los Angeles Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
M. Vilas Hubbard	President, Citizens Commercial Trust and Savings Bank of Pasadena, Pasadena, Calif.	1948
Frank L. King	President, California Bank, Los Angeles, Calif.	1948
W. R. Bimson	President, The Valley National Bank of Phoenix, Phoenix, Ariz.	1949
Appointed by Board of Governors:		
Fred G. Sherrill	Vice President, J. G. Boswell Company, Los Angeles, Calif.	1948
Y. Frank Freeman	Vice President, Paramount Pictures, Inc., Hollywood, Calif.	1949

Portland Branch

Appointed by Federal Reserve Bank:		
William C. Christensen	President, The Commercial National Bank of Hillsboro, Hillsboro, Ore.	1948
W. W. Flint	President, The First National Bank of Cottonwood, Cottonwood, Idaho	1948
E. B. MacNaughton	Chairman of the Board, The First National Bank of Portland, Portland, Ore.	1949
Appointed by Board of Governors:		
R. B. Taylor	Livestock and farming, Adams, Ore.	1948
Aaron M. Frank	President, Meier and Frank Company, Inc., Portland, Ore.	1949

Salt Lake City Branch

Appointed by Federal Reserve Bank:		
Chas. L. Smith	Chairman of the Board, First Security Bank of Utah, N. A., Salt Lake City, Utah	1948
John A. Schoonover	President, The Idaho First National Bank, Boise, Idaho	1948
D. F. Richards	President, American National Bank of Idaho at Idaho Falls, Idaho Falls, Idaho	1949
Appointed by Board of Governors:		
Merle G. Hyer	Livestock and farming, Lewiston, Utah	1948
Henry Aldous Dixon	President, Weber College, Ogden, Utah	1949

Seattle Branch

Appointed by Federal Reserve Bank:		
Benj. N. Phillips	Chairman of the Board, The First National Bank in Port Angeles, Port Angeles, Wash.	1948
Fred C. Forrest	Chairman of the Board and President, The First National Bank of Pullman, Pullman, Wash.	1948
Lawrence M. Arnold	Chairman of the Board, Seattle-First National Bank, Seattle, Wash.	1949
Appointed by Board of Governors:		
John M. McGregor	Manager, McGregor Land & Livestock Company, Hooper, Wash.	1948
Henry C. Isaacson	President, Isaacson Iron Works, Seattle, Wash.	1949

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

SENIOR OFFICERS OF FEDERAL RESERVE BANKS

[December 31, 1948]

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston	Joseph A. Erickson William Willett	Robert B. Harvey[1] E. G. Hult E. O. Latham	Alfred C. Neal Carl B. Pitman O. A. Schlaikjer R. F. Van Amringe
New York	Allan Sproul L. R. Rounds	E. O. Douglas H. H. Kimball L. W. Knoke Walter S. Logan	A. Phelan H. V. Roelse Robert G. Rouse V. Willis R. B. Wiltse
Philadelphia	Alfred H. Williams W. J. Davis	Karl R. Bopp Robert N. Hilkert E. C. Hill	Wm. G. McCreedy P. M. Poorman[2]
Cleveland	Ray M. Gidney Wm. H. Fletcher	W. D. Fulton J. W. Kossin A. H. Laning[2]	B. J. Lazar Martin Morrison Donald S. Thompson
Richmond	Hugh Leach J. S. Walden, Jr.	R. L. Cherry Claude L. Guthrie[2] E. A. Kincaid	R. W. Mercer W. R. Milford C. B. Strathy Edw. A. Wayne
Atlanta	W. S. McLarin, Jr. L. M. Clark	P. L. T. Beavers V. K. Bowman J. E. Denmark Joel B. Fort, Jr.	T. A. Lanford E. P. Paris S. P. Schuessler
Chicago	C. S. Young Charles B. Dunn	Allan M. Black[1] Neil B. Dawes W. R. Diercks E. C. Harris	John K. Langum O. J. Netterstrom A. L. Olson Alfred T. Sihler W. W. Turner
St. Louis	Chester C. Davis F. Guy Hitt	O. M. Attebery Wm. E. Peterson C. A. Schacht	Paul E. Schroeder William H. Stead C. M. Stewart
Minneapolis	J. N. Peyton O. S. Powell	H. G. McConnell A. W. Mills[2] Otis R. Preston	R. E. Towle Sigurd Ueland Harry I. Ziemer
Kansas City	H. G. Leedy Henry O. Koppang	L. H. Earhart Delos C. Johns R. L. Mathes	John Phillips, Jr. G. H. Pipkin C. E. Sandy[1] D. W. Woolley
Dallas	R. R. Gilbert W. D. Gentry	E. B. Austin R. B. Coleman H.R. DeMoss W. E. Eagle	W. H. Holloway Watrous H. Irons L. G. Pondrom[2] C. M. Rowland Mac C. Smyth
San Francisco	C. E. Earhart H. N. Mangels	Albert C. Agnew W. N. Ambrose D. L. Davis J. M. Leisner[2]	W. L. Partner C. R. Shaw H. F. Slade W. F. Volberg O. P. Wheeler

[1] Cashier.

[2] Also Cashier.

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1948—Cont.

VICE PRESIDENTS IN CHARGE OF BRANCHES OF FEDERAL RESERVE BANKS

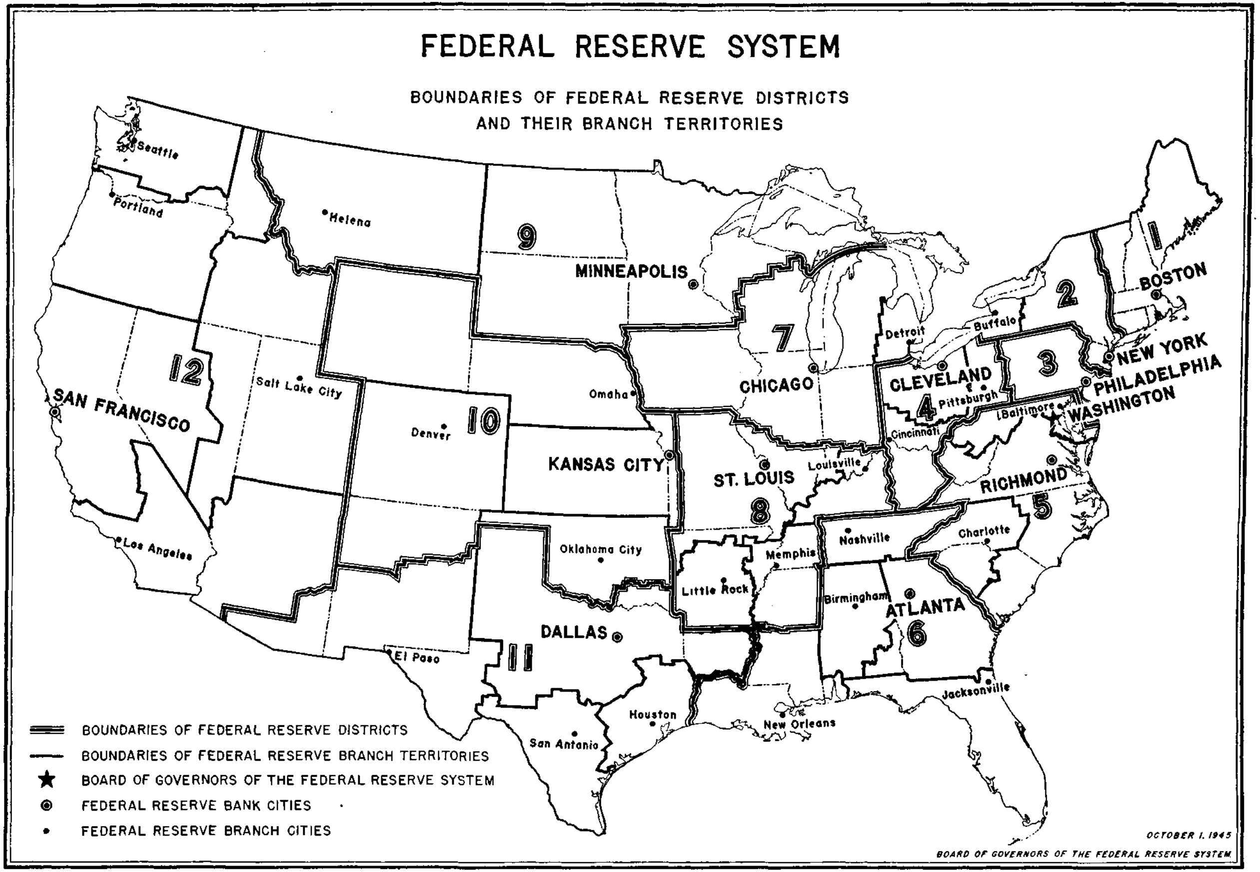
Federal Reserve Bank of—	Branch	Chief Officer
New York	Buffalo	I. B. Smith[1]
Cleveland	Cincinnati	B. J. Lazar
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	W. R. Milford
	Charlotte	R. L. Cherry
Atlanta	Birmingham	P. L. T. Beavers
	Jacksonville	T. A. Lanford
	Nashville	Joel B. Fort, Jr.
	New Orleans	E. P. Paris
Chicago	Detroit	E. C. Harris
St. Louis	Little Rock	C. M. Stewart
	Louisville	C. A. Schacht
	Memphis	Paul E. Schroeder
Minneapolis	Helena	R. E. Towle
Kansas City	Denver	G. H. Pipkin
	Oklahoma City	R. L. Mathes
	Omaha	L. H. Earhart
Dallas	El Paso	C. M. Rowland
	Houston	W. H. Holloway
	San Antonio	W. E. Eagle
San Francisco	Los Angeles	W. N. Ambrose
	Portland	D. L. Davis
	Salt Lake City	W. L. Partner
	Seattle	C. R. Shaw

[1] General Manager.

CONFERENCE OF PRESIDENTS

The Presidents of the Federal Reserve Banks are organized into a Conference of Presidents which meets from time to time to consider matters of common interest, and to consult with and advise the Board of Governors.

During the year Mr. Davis, President of the Federal Reserve Bank of St. Louis, served as Chairman of the Conference and Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, served as Vice Chairman. In May Mr. Charles G. Young, Jr., Assistant to the General Counsel of the Federal Reserve Bank of St. Louis, was elected Secretary to succeed Mr. William F. Treiber, Assistant Vice President and Secretary of the Federal Reserve Bank of New York.



FEDERAL RESERVE SYSTEM

BOUNDARIES OF FEDERAL RESERVE DISTRICTS AND THEIR BRANCH TERRITORIES

OCTOBER 1, 1945

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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. 138-45.

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