

THIRTY-SIXTH

ANNUAL REPORT

*of the*

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM



COVERING OPERATIONS FOR  
THE YEAR

1949

LETTER OF TRANSMITTAL

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BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM,  
*Washington, June 30, 1950.*

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-sixth Annual Report, prepared by direction of the Board of Governors of the Federal Reserve System, covering operations during the calendar year 1949.

Yours respectfully,

THOMAS B. McCABE, *Chairman.*

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

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Moderate economic recession followed by upturn in this country and abatement of inflationary trends in other economies of the free world marked the year 1949, covered by this Thirty-sixth Annual Report of the Board of Governors of the Federal Reserve System. These changes led to more flexible use of domestic monetary and credit measures in the United States and to widespread readjustment of foreign exchange rates as a further step toward reestablishing a freer flow of international trade and convertibility of currencies.

In this country, by the beginning of 1949—following three years of near-capacity production with generally rising prices—supplies of many types of goods exceeded demand at prevailing prices. Inventory accumulation in anticipation of rising prices and capital expenditures by business began to decline. Recessionary tendencies set in, and during the first half of the year prices of farm products and foods followed a downward trend begun in 1948. Prices of other products also declined, particularly in the case of some industrial materials; industrial production and employment fell off, and there was a moderate reduction in bank loans.

About midyear, readjustment of prices and business inventories, together with continuation of strong consumer demand and relaxation of credit conditions, combined to check further recession. Subsequently, prices steadied, industrial production and employment expanded, and credit growth was resumed. At the year-end, prices, production, and employment had not regained the high levels of a year earlier, but the money supply in the hands of the public had reached a level only slightly below the postwar peak at the end of 1947.

In other free economies, the shift in the general economic situation reflected the cumulative influence of further progress in postwar recovery, of more nearly adequate supplies of primary goods such as foods and fuels, and of policies directed toward

monetary and fiscal stability. Inflationary forces were no longer as dominant as they had been earlier. Under the impact of these developments, as well as of moderate recession in this country, industrial production abroad increased somewhat less rapidly than it had before. With imports from the United States continuing at a very high level—sustained in part by this country's program of foreign aid—and with a decline in exports to the United States, the dollar gap on current account increased in many instances. In the case of the United Kingdom, this led to a serious decline in gold and dollar reserves.

To meet this adverse development and, more basically, to provide needed strengthening of trade positions in world markets, numerous countries, beginning with the United Kingdom in September, devalued their currencies sharply in relation to the dollar. The devaluation was by 30.5 per cent in the case of the pound sterling and several other currencies and by varying amounts for the remainder. This action, taken at a time when the economic situation in the United States was improving, was followed by some increase in shipments of goods to the United States. There was also a decline in imports from the United States, and apparently some repatriation of capital. As a result, the reserve positions of many countries improved. The levels attained, however, were not generally sufficient to provide a cushion adequate for a self-sustaining system of international trade with currency convertibility at stable exchange rates.

Following devaluation, price developments abroad were highly selective. For many finished products exported to the United States, dollar prices declined, generally by less than the extent of devaluation. Dollar prices of some other finished products showed no change. For most leading materials traded internationally, dollar prices were as high at the end of the year as they were before devaluation, although they had declined temporarily in the autumn. Thus, prices of these materials in devalued currencies were up sharply, but for the most part living costs abroad did not advance at this time. For the year as a whole, prices and living costs in other free countries showed much less rise than in other postwar years and, with supplies more nearly adequate, rationing and price controls were eased.

While the recession in this country during the first half of 1949 appeared to mark an important turning point in postwar economic development, the readjustment was moderate, reflecting the continued existence of deferred demands, notably for passenger automobiles, houses, and public construction. The moderate nature of the recession also reflected increased Government expenditures, the influence of some price reductions, and adjustment of production patterns and of consumer and business demands generally. In addition, the wider diffusion and availability of credit were factors of importance.

At the same time many basic problems of adaptation remained to be met. Within the United States, these included the various problems of maintaining stability with growth in a peacetime economy in which expenditures for military and foreign aid would continue to be large and an abundant supply of money and credit would be readily available. In the international field, there continued to be a dollar gap, pressure for further adjustment in patterns of trade and finance in response to devaluation of currencies, and a need for further progress towards freer exchange of goods, convertibility of currencies, and an expanding world trade. The paramount problem of maintaining world peace continued to overshadow all others.

#### FEDERAL RESERVE CREDIT POLICY IN 1949

Throughout the year 1949, the general and selective instruments available to the Federal Reserve authorities were coordinated in a flexible program for adjusting the availability and cost of credit to the changing needs of the economy. As downward trends in business activity, employment, and prices appeared early in the year, the Board of Governors shifted the emphasis of credit policy from restraint to ease. Toward the end of the year, after increasing evidence of economic recovery, the open market operations of the Federal Reserve permitted short-term money rates to rise in response to growing demand for credit.

As the Board has repeatedly emphasized, beginning with its Annual Report for 1945, the Reserve System lacked adequate means of restraining excessive credit expansion during the early postwar years. In striving at that time to moderate inflationary dangers, the



System used such measures as it had at its disposal, including margin requirements, regulation of consumer instalment credit, discount rates, reserve requirements, and moderate increases in short-term money rates. Nevertheless easy money conditions with relatively low rates prevailed throughout this period of acute inflationary pressures. Because the System had not been in a position to exert greater monetary restraints, it had less scope for reversal of policy when the time came to relax credit restraints. Notwithstanding these limitations, the System acted promptly to adjust monetary and credit policy to the changed conditions of early 1949.

The measures first adopted were directed toward easing terms in the areas of consumer instalment credit and stock market credit. As business reaction proceeded and bank loans declined, the System's restrictions were eased on the general availability of credit, particularly bank credit. By midyear, developments in the money market indicated that the lodgment of the large postwar volume of United States Government securities had become more stable and that open market operations could be conducted more with a view to the general credit needs of commerce, industry, and agriculture than to maintaining a fixed structure of yields on Government securities.

**Reduction in reserve requirements.** By successive reductions in reserve requirements during 1949, the Board of Governors progressively eased the anti-inflationary reserve policy previously followed. Bank credit to private borrowers, following a significant slackening of expansion late in 1948, declined moderately during the first half of 1949, reflecting a sharp decline in loans to business. The volume of privately held deposits and currency also declined somewhat more than seasonally. Whereas slower expansion of bank credit in the latter part of 1948 had been partly induced by anti-inflationary measures taken by the Federal Reserve authorities and by voluntary restraint in lending on the part of banks, the decline after the turn of the year reflected primarily the liquidation of business inventories that accompanied continuing downward adjustments in production and prices.

In view of this change in credit developments, the Board reduced reserve requirements early in May and again in August. Required reserves were also released on June 30 by the expiration of the Board's temporary additional authority over reserve require-

ments. These three reductions lowered the requirements against demand deposits by 4 percentage points and those against time deposits by  $2\frac{1}{2}$  percentage points at all classes of member banks. A total of 3.8 billion dollars of reserves was released to banks within four months, including about 1 billion at central reserve city banks in New York and Chicago and about 1.4 billion each at reserve city banks and country banks. The reductions in requirements re-established approximately the same reserve percentages that had been in effect during most of the period 1938-41. The changes in reserve requirements and their effective dates are shown in the table.

## MEMBER BANK RESERVE REQUIREMENTS IN 1949

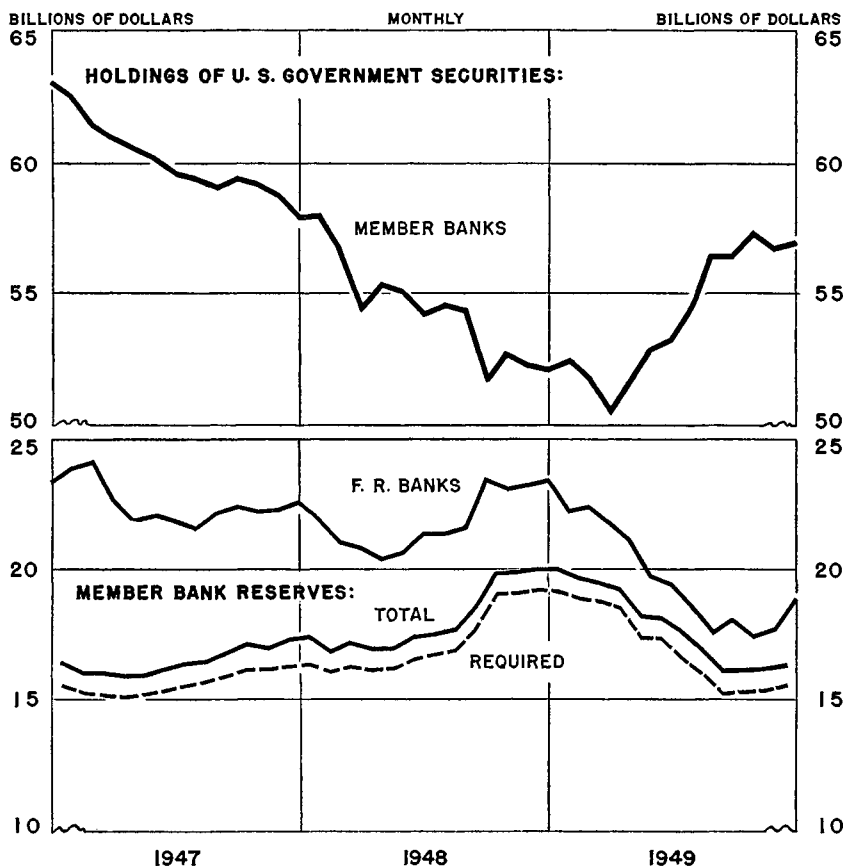
[Percentage of deposits]

Date	Net demand deposits			Time deposits	
	Central reserve city banks	Reserve city banks	Country banks	Central reserve and reserve city banks	Country banks
In effect, Jan. 1, 1948.....	20	20	14	6	6
Jan. 1, 1949.....	26	22	16	$7\frac{1}{2}$	$7\frac{1}{2}$
Changes in 1949, effective—					
May 1.....			15		7
May 5.....	24	21		7	
June 30.....		20		6	
July 1.....			14		6
August 1.....			13		
August 11.....	$23\frac{1}{2}$	$19\frac{1}{2}$		5	
August 16.....			12		5
August 18.....	23	19			
August 25.....	$22\frac{1}{2}$	$18\frac{1}{2}$			
September 1.....	22	18			
In effect, Sept. 1-Dec. 31....	22	18	12	5	5

By April 28, when the Board announced the May reduction in reserve requirements, there had been a decline of approximately 1.2 billion dollars in member bank loans since the first of the year. Of this decline, which exceeded substantially the usual seasonal

decline, about one-half had been at central reserve city banks and the remainder at reserve city banks. In consideration of this development, and also of the fact that requirements at central reserve city banks had been increased by 6 percentage points during 1948, the Board reduced requirements by 2 percentage points on net demand deposits for these banks as compared with 1 percentage point for all other member banks.

### MEMBER BANK RESERVES AND HOLDINGS OF U. S. GOVERNMENT SECURITIES



Most of the funds released by this first easing of reserve requirements went into the Government securities market, as shown in the chart. Banks purchased large amounts of short- and medium-term issues. The Federal Reserve Banks supplied the short-term issues

in order to prevent a disorderly decline in short-term yields, and institutional investors supplied most of the medium-term issues and used the proceeds to purchase long-term bonds that were ineligible for bank purchase. The principal effect of this reduction in reserve requirements was an expansion of bank portfolios of short-term Government securities.

With the expiration at the end of June of the Board's temporary additional authority over member bank reserves, there was another reduction in reserve requirements. Member banks again entered the market to acquire short- and medium-term Government securities and at the same time there was a strong demand by nonbank investors for long-term securities. In this period, pursuant to the action of the Federal Open Market Committee described below, the Federal Reserve made short-term securities available at somewhat lower yields and discontinued sales of Treasury bonds. The moderate decline in yields on Government securities that followed these actions had the effect of making Government securities a less attractive alternative to business and other loans, and, together with the further increase in bank liquidity, was conducive to more lenient lending policies by banks.

Early in August the Board announced a third reduction in reserve requirements, which became effective gradually through September 1. About the same time a renewed expansion of bank loans, which continued through the remainder of the year, increased bank deposits and consequently the amount of reserves required by member banks. Part of the reserves released by the Board's action was absorbed by this expansion, but the greater part was used to purchase short-term Government securities which were made available from the Federal Reserve portfolio.

**More flexible open market operations.** Government securities were in strong demand throughout 1949. The measures taken by the Federal Reserve and the Treasury to permit a rise in short-term rates between mid-1947 and October 1948 had encouraged banks to increase their holdings of short-term Government issues, and the widespread selling of Government bonds by savings institutions and other nonbank holders had slackened by the end of 1948. Without relinquishing its objective of maintaining orderly conditions in the Government securities market, the Federal Reserve

was in a position to initiate a more flexible open market policy that could be integrated with policies relating to reserve requirements and discount rates and adapted to the credit needs of the economy. During most of 1949 Federal Reserve policies were directed primarily toward assuring private borrowers that ample credit would be available to facilitate readjustments in the economy.

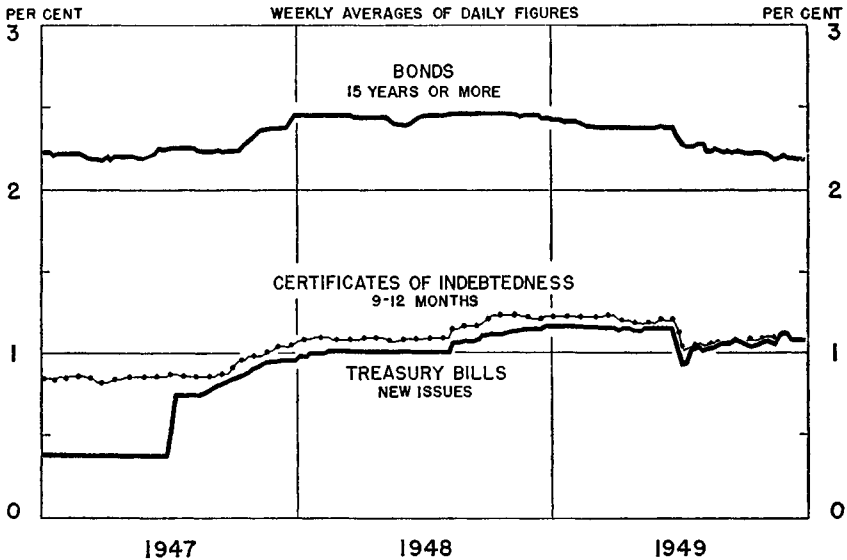
Throughout the first half of the year, the Federal Reserve sold Treasury bonds from the System portfolio in response to market demand, primarily from nonbank investors. These sales absorbed reserve funds released by seasonal declines in currency and deposits and a reduction in Treasury balances. As indicated earlier in the report, when the banks sought to purchase Government securities with reserves released by the reduction in reserve requirements early in May, the System made short-term securities available in order to prevent downward pressures on short-term money market rates.

On June 28, just before the further reduction in reserve requirements on June 30, the Federal Open Market Committee issued the following statement:

The Federal Open Market Committee, after consultation with the Treasury, announced today that with a view to increasing the supply of funds available in the market to meet the needs of commerce, business, and agriculture it will be the policy of the Committee to direct purchases, sales, and exchanges of Government securities by the Federal Reserve Banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the Government security market, and the confidence of investors in Government bonds, will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased.

This policy announcement was soon followed by important developments in the Government securities market. When member banks sought to invest the reserves released on June 30 and July 1 in short- and medium-term Government securities, the Federal Reserve discontinued selling from the System account for a short period. Market prices and yields reacted sharply. Rates on Treasury bills fell within a few days from 1.16 per cent to below 1 per cent and, as shown in the chart, a similar drop occurred in yields on certificates. In order to restore more orderly conditions in the market, the Federal Reserve again made short-

## YIELDS ON U. S. GOVERNMENT SECURITIES



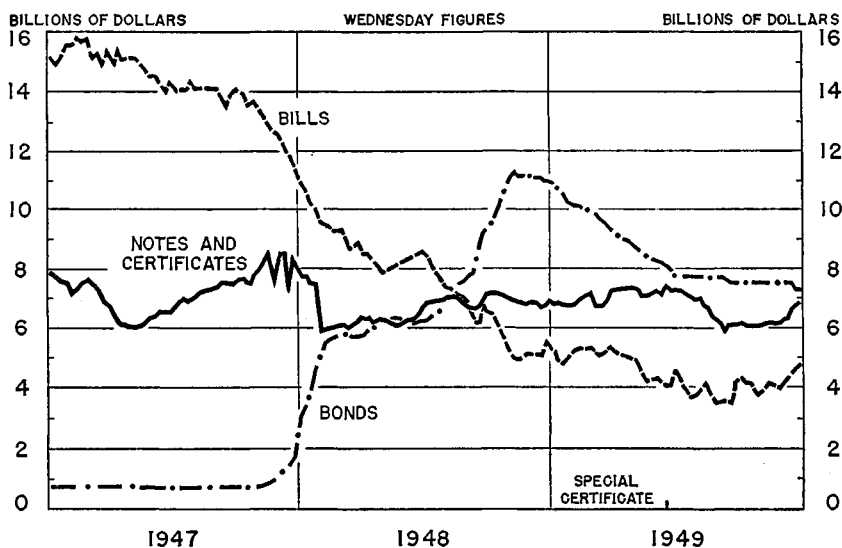
NOTE.—For Treasury bills, rate is average discount on new issue offered during week.

term securities available from its portfolio. Rates on short-term Government securities adjusted upward somewhat but remained below the levels that had prevailed before the end of June.

After this upward adjustment in yields, rates on new Treasury bills varied between 1.01 and 1.12 per cent through the close of the year, and yields on 9-12 month certificates in general moved at a slightly higher level and within a somewhat narrower range. The spread between the yield on longer term certificates and that on 3-month bills was generally narrower than had prevailed previously. At times when conditions in the money market were less easy and yields on bills and certificates were at or near the upper end of the yield ranges mentioned above, the System purchased short-term Government securities in order to meet temporary reserve needs of member banks. During periods when there were surplus funds in the short-term money market and yields declined to the lower area of these ranges, the System made Treasury bills and certificates available to the market, or allowed bills held in the System portfolio to be redeemed at maturity without replacement.

In line with this practice, the Federal Reserve made an additional supply of short-term Government securities available at prevailing market yields in August and early September when member bank reserve requirements were further reduced. As is indicated by the chart, liquid short-term investments were thus provided for any excess reserve funds that banks were unable to utilize elsewhere. The liquidity of member banks was thus greatly increased by the Board's action to reduce reserve requirements. As a result of this action and System sales of short-term securities, non-liquid required reserves were converted into liquid short-term earning assets. This development, together with the decline in yields on liquid types of investments that resulted primarily from the redirection of System open market policy, tended to make bank credit more readily available to private borrowers when their demand for credit increased in late summer.

### RESERVE BANK HOLDINGS OF U.S. GOVERNMENT SECURITIES



Following the announcement of June 28, the Federal Reserve discontinued the practice of making Government bonds available in response to market demand. The purpose of this decision was to avoid absorbing funds that might otherwise be available for private borrowers. Market prices and yields on Government

bonds reflected the interplay of private purchases and sales. The average yield on long-term Government bonds declined from 2.38 per cent for June to 2.24 per cent for August, and yields on medium-term securities declined even more sharply. Between August and the end of December, yields on long-term Government bonds moved within narrow ranges at levels comparable with those prevailing in late 1946 and the first nine months of 1947. Federal Reserve sales of Treasury bonds were negligible in the last half of 1949 compared with sales of about 3 billion dollars in the preceding six months.

Until the middle of November, Federal Reserve open market operations were carried on under the policy of monetary ease adopted early in the summer. At that time there was growing evidence that the recovery in economic activity would continue with increasing strength. In recognition of this change in conditions, the Federal Open Market Committee adopted a policy of permitting growing credit demands to be reflected in rising short-term rates. Treasury bill rates rose somewhat in November, but rates on certificates were held down until after Treasury refunding operations were completed on January 2. Early in 1950 the Federal Reserve sold securities, both short- and long-term, to absorb available reserves and to meet investor demands for securities. Accompanying this action yields on Government securities rose slightly and nonbank investors made substantial purchases of these securities from banks.

In June 1949, for the first time since 1945, the Federal Reserve System made advances direct to the Treasury for its temporary accommodation. The special short-term certificates of indebtedness thus acquired were held by the Reserve Banks on June 15 and 16. Federal Reserve Bank holdings of special short-term Treasury certificates during the years 1943-49 are shown in Table 4 on page 85.

**Maintenance of discount rates.** The Federal Reserve Banks maintained discount rates on eligible paper at  $1\frac{1}{2}$  per cent throughout the year 1949. Table 11 on page 94 shows the schedule of discount rates at the various Federal Reserve Banks on December 31, 1949.

**Easing of consumer instalment credit terms.** Other credit actions by the Federal Reserve initiated early in the year relaxed previously imposed restraints on particular types of lending—con-



sumer instalment credit and stock market credit. Modification of these selective credit regulations began in March and consequently exerted an easing influence on credit terms in these areas during the greater part of the year.

Under temporary authority granted by the Congress, effective September 20, 1948 the Board of Governors had reimposed controls over consumer instalment credit with the objective of curbing its rate of expansion. The maximum maturities and minimum down payments then prescribed were more lenient than those prevailing when the power had lapsed the preceding November. A substantial amount of discretion in setting the terms of instalment contracts was left to retailers and lenders.

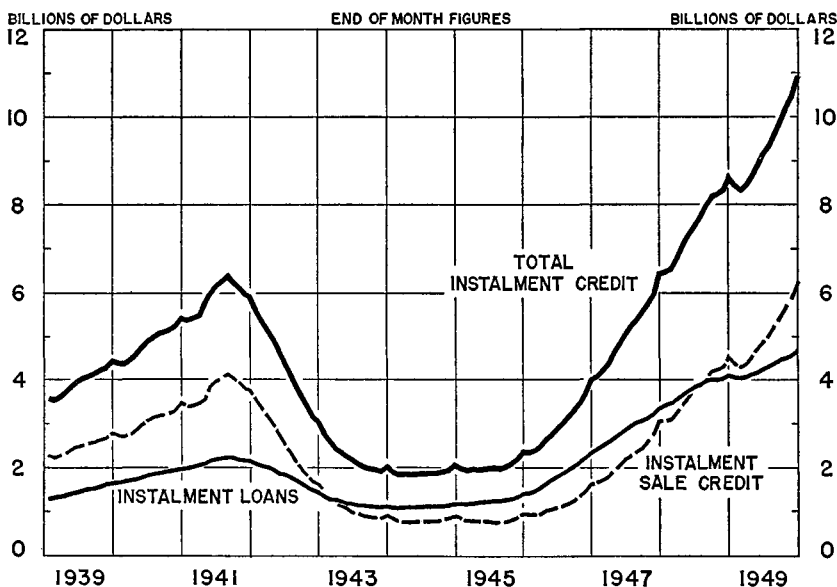
Consumer buying pressures in this area had moderated significantly by the end of February 1949, and many of the commodities covered by the Board's Regulation W were in larger supply and in some cases at lower prices than formerly. Consumer instalment credit had been expanding less rapidly for several months, after having increased approximately fourfold from the abnormally low level reached during the war. In January and February the re-emergence of seasonal patterns—largely obscured during the period of rapid growth—brought the first month-to-month declines since 1945 in outstanding consumer instalment debt.

To meet this changed situation, and taking into account as well the downward readjustments occurring in the economy generally, the Board of Governors relaxed its regulation of consumer instalment credit terms effective March 7 and again effective April 27. These actions probably helped to prevent further decline of consumer expenditures for durable goods. Notwithstanding the fact that maturities and down payments specified in contracts for listed articles generally stayed well within the limits set by Regulation W, there was a noticeable easing of credit terms after each relaxation of requirements. A further easing of terms, which spread to all areas of instalment financing, followed termination of regulation on June 30, when the Board's temporary regulatory authority expired.

Expansion of instalment credit was resumed after February and was maintained throughout the remainder of the year, as is shown in the chart. Sales of automobiles continued at a rapid rate and

in the second half of the year sales of furniture and other durable household goods increased. Instalment balances also rose sharply, not only because of larger sales but also because of smaller down payments and longer maturities under the easier terms.

### CONSUMER INSTALMENT CREDIT



By the end of 1949, instalment credit was at a record total of almost 11 billion dollars. The expansion in the last half of the year, after temporary postwar regulation had been removed, averaged approximately 295 million dollars a month. The corresponding figure for the period December 1947-August 1948 inclusive, after the termination of wartime controls, was 220 million. While regulation was in effect during most of 1947 and again in the last few months of 1948, monthly average increases were much smaller—170 million and 137 million, respectively. The differences in growth reflected in some degree factors other than credit terms, but the presence or absence of regulation was important.

Regulation of this limited credit area may of itself exert only a small influence in behalf of economic stability. Experience with Regulation W has indicated, however, that it can be helpful in that direction and that the easing and removal of controls is followed

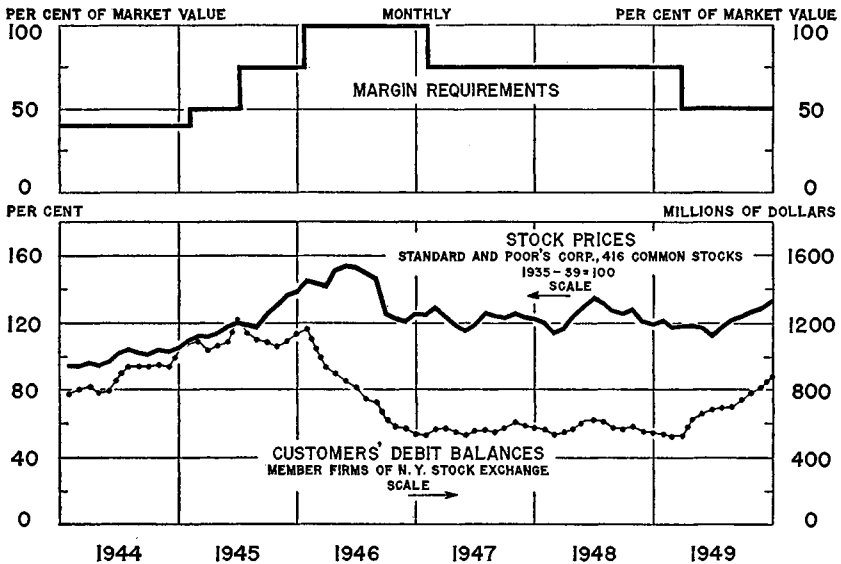
by an easing of effective credit terms and an expansion of the amount of consumer instalment credit outstanding. Expansion was salutary during most of 1949, when the economy was in a phase of readjustment, and relaxation of general as well as selective credit controls was in order.

**Reduction in margin requirements.** Beginning in March 1949, the Board eased the regulations governing the use of credit in the securities markets. The volume of credit for purchasing or carrying securities had been substantially contracted under the relatively restrictive margin regulations of the postwar period. In February 1949 stock market credit outstanding was close to the lowest level on record. Owing partly to high margin requirements and to the public preference for holding liquid assets as against equity securities, the market was generally free of speculative tendencies. Easing of the Board's regulations in 1949 permitted somewhat more buying of stocks on credit and thus provided increased credit support for the expansion of equity financing.

Margin requirements under the Board's Regulations T and U were reduced, effective March 30, 1949, from 75 per cent to 50 per cent. The change restored the same required margin as that in effect from February to June of 1945, which was only moderately higher than the 40 per cent requirement effective during the period 1938-44. Effective May 16, 1949, the regulations were amended to permit a 25 per cent margin in the case of securities acquired through subscription rights when certain conditions are met. Other amendments, effective May 1 and July 20, 1949, relaxed or removed certain administrative provisions of the regulations.

Borrowing in margin accounts expanded substantially after margin requirements were reduced. The immediate increase in purchases of securities on credit came at a time when stock prices had been declining and therefore tended to have a stabilizing effect on the stock market. As shown by the chart, the amount owed by customers to member firms of the New York Stock Exchange increased sharply from March to June 1949 while common stock prices were declining to the lowest level since 1945.

**MARGIN REQUIREMENTS AND THE STOCK MARKET**



Stock market credit continued to expand in the second half of 1949. By the end of the year credit extended by brokers to their customers totaled 881 million dollars, the largest amount since the spring of 1946 though still well below the 1.2-1.5 billion dollars outstanding in the period 1933-37 and again in 1945. The downward movement of stock prices was reversed in June and prices rose steadily thereafter. By the end of the year, common stock prices had reached a level close to the peak of the preceding two years; by May 1950 they were close to the 1946 peak, which was the highest level since 1930. Participation of the public in the stock market, which had been relatively small in the first eight months of 1949, increased somewhat in the last four months of that year and in the early months of 1950.

**BANKING AND MONETARY DEVELOPMENTS IN 1949**

Bank credit to private borrowers declined until midsummer 1949 and then increased substantially during the remainder of the year. The currency and deposits of individuals and businesses declined sharply in the first quarter of the year and increased steadily thereafter to almost 170 billion dollars at the end of the year. This

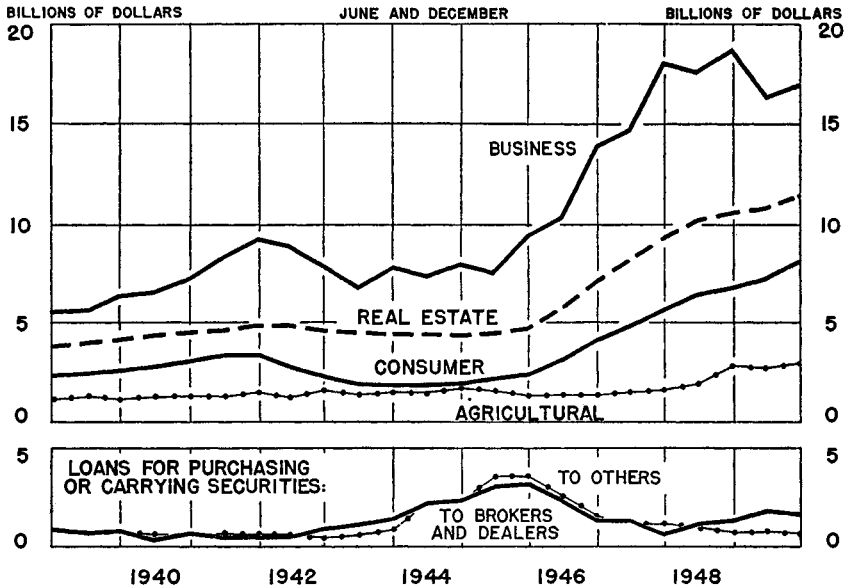
exceeded the year-end figure for 1948 by about 700 million dollars but was slightly below the peak reached at the end of 1947.

**Bank lending activity.** Sharp contraction of business borrowing at commercial banks in the first half of 1949 was followed by rapid expansion beginning in August. At year-end business loans at insured commercial banks were about 1.8 billion dollars below the level of a year earlier but about 1.0 billion above the year's low in early August. The rate of growth in other major types of bank loans slowed down in the early part of the year and then increased again, but for the year as a whole the aggregate increase was considerably less than that of 1948. The decline for the year in loans to commerce and industry was more than offset by increases in loans to farmers (nearly 200 million dollars), to real estate owners (700 million), and to consumers (1.2 billion dollars). Loans for purchasing and carrying securities also increased (300 million dollars). As a result total loans at insured commercial banks increased by more than 500 million dollars in 1949 to a new peak of 42.5 billion. Loans at mutual savings banks, largely real estate mortgages, increased by 900 million dollars, the largest growth in recent years.

Business borrowing at insured commercial banks declined about 2.5 billion dollars from December 31, 1948 to June 30, 1949, as is shown in the chart. This decline, most of which came after March, was considerably greater than the amount normally attributable to seasonal factors. It undoubtedly reflected in part the high level of business profits and retained earnings in late 1948, as well as some curtailment and postponement of business capital expenditures, liquidation of inventories, and reduction in other working capital requirements. In addition, businesses paid off large amounts of bank credit with proceeds of security flotations, including both public offerings in the market and private placements with insurance companies.

Beginning in August, the decline in bank loans to business gave way to expansion, reflecting both seasonal needs for working capital and more than the usual seasonal rise in production. Between then and the end of the year the expansion totaled

**LOANS OF COMMERCIAL BANKS  
ALL INSURED BANKS**



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

about 1 billion dollars, somewhat more than in the corresponding period of 1948.

Consumer instalment credit extended by banks and other lenders contracted somewhat in January and February, for the most part seasonally. Expansion was resumed in March and accelerated in the late summer and fall. In the last half of the year, monthly growth in consumer instalment indebtedness averaged approximately 295 million dollars compared with about 230 million in the second quarter. The growth was more marked in automobile sale credit outstanding than in other instalment segments but all reached new highs by the end of the year. Total instalment indebtedness increased by 2.3 billion dollars during 1949 to an estimated 10.9 billion on December 31.

Real estate lending was in smaller volume during the first half

of 1949 than in the corresponding period of earlier postwar years, but it increased rapidly in the second half of the year when residential building rose sharply. For the year as a whole, mortgage lending continued at about the same high level as in 1948 and 1947. The increase in outstanding mortgage debt slowed down, however, because debt retirement was greater in 1949 than in the earlier years. Holdings of real estate loans increased considerably less at commercial banks than at savings and loan associations, life insurance companies, or savings banks.

During the second half of 1949, when mortgage loans held by banks and other institutional lenders increased substantially, mortgage portfolios at insured commercial banks expanded by about half a billion dollars. This increase was about the same as in the corresponding period of 1948 and about double that in the first half of 1949. Savings and loan associations and savings banks also increased their mortgage holdings at a faster rate during the second than the first half of 1949, but this was not generally true of insurance companies.

The reductions in member bank reserve requirements, particularly at mid-1949 and thereafter, and the decline in yields on United States Government securities, reacted favorably on the market for securities of State and local governments. These issues became relatively more attractive outlets for investment funds. Insured commercial banks increased their holdings about 650 million dollars in the last half of the year.

Bank credit for purchasing and carrying listed stocks increased moderately after the Board of Governors relaxed margin requirements in March. There were wide fluctuations in loans to dealers in Government securities, which were in large part related to the refinancing of maturing issues.

**Availability of bank reserves.** The principal factor influencing member bank reserve positions in 1949 was the series of reductions in reserve requirements described earlier in this report. Additional reserves were also made available to banks by the return of currency from circulation and a small gold inflow, as shown in the table and in the chart on page 20.

In the first quarter of 1949 banks obtained reserve funds primarily from a return flow of currency, and some existing reserves were freed by a decline in deposits subject to reserve requirements. These funds, however, were not sufficient to meet a drain on reserves that resulted from Treasury cash transactions and purchases by non-bank investors of long-term Government securities made available

## MAJOR FACTORS AFFECTING MEMBER BANK RESERVES

[In billions of dollars]

Factor	1949					1948
	First quarter	Second quarter	Third quarter	Fourth quarter	Year	
Factors affecting total reserves: <sup>1</sup>						
Gold inflow . . . . .	+0.1	+0.2	+0.1	-0.2	+0.2	+1.5
Return of currency from circulation . . . . .	+0.8	-0.1	+0.1	-0.2	+0.6	+0.6
Treasury cash transactions <sup>2</sup> . . . . .	-1.4	+0.9	-0.7	+0.4	-0.9	-5.7
Federal Reserve purchases (+) or sales (-) of U. S. Govt. securities in the open market, net <sup>3</sup> . . . . .	-0.6	-2.2	-1.3	+0.9	-3.3	+6.3
Other factors, net . . . . .	-0.3	-0.1	-0.1	-0.3	-0.5	-0.1
Changes in member bank reserves:						
Total reserves . . . . .	-1.4	-1.3	-1.9	+0.6	-3.9	+2.6
Excess reserves . . . . .	-0.5	+0.3	-0.2	+0.2	-0.2	-0.3
Required reserves . . . . .	-0.8	-1.5	-1.7	+0.4	-3.7	+2.9
Factors affecting required reserves:						
Board action on reserve requirements <sup>4</sup> . . . . .		-1.6	-2.2		-3.8	+3.0
Deposit changes <sup>4</sup> . . . . .	-0.8	+0.1	+0.5	+0.4	+0.1	-0.1

<sup>1</sup> Signs preceding figures in columns indicate effect on total bank reserves.

<sup>2</sup> Changes in Treasury deposits at the Reserve Banks after adjustment for withdrawals resulting from retirement of U. S. Government securities held by the Reserve Banks.

<sup>3</sup> Figures for market sales include decreases in Federal Reserve holdings of maturing Treasury bills resulting from incomplete exchanges of maturing issues for new issues.

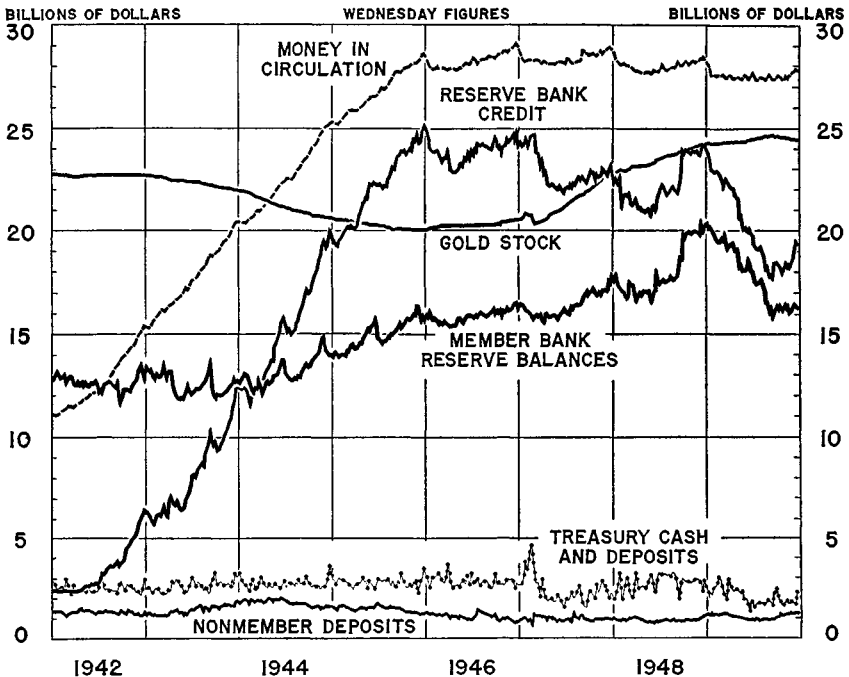
<sup>4</sup> Signs preceding figures in columns indicate effect on required reserves.

NOTE.—Changes are based on figures for Dec. 31, 1947, Dec. 31, 1948, Mar. 31, 1949, June 30, 1949, Sept. 30, 1949, and Dec. 31, 1949. Figures may not add to totals because of rounding.



by the Federal Reserve Banks. Banks sold short-term Government securities in the market, some of which were purchased for the System account.

### MEMBER BANK RESERVES AND RELATED ITEMS



In the second quarter reductions in reserve requirements and a net payment of funds out of Treasury deposits at Reserve Banks into private accounts held at commercial banks made available a substantial amount of reserve funds. These were used to purchase short-term Government securities, which came directly or indirectly from the Federal Reserve System portfolio. In the third quarter additional reserves were freed by further reductions in reserve requirements. These were more than sufficient to meet a temporary drain on bank reserves from Treasury cash transactions and to supply the additional reserves needed to cover the increase in deposits that resulted from a renewed expansion of bank loans. Other freed reserves were absorbed by Federal Reserve sales of Govern-

ment securities which were largely purchased by banks. During the last quarter of the year Treasury operations and market purchases of Government securities by the Federal Reserve supplied banks with more than enough reserve funds to offset an outflow of gold and a seasonal increase of currency in circulation.

By the end of the year total member bank reserves were nearly 4 billion dollars smaller than at the beginning, reflecting the combined effect of the reductions in reserve requirements and the redirection of System open market policy. Member bank holdings of cash, excess reserves, and short-term Government securities increased almost 5 billion dollars between the end of April, when the first reduction in reserve requirements was announced, and the end of September, after the last reduction, as is shown in the table below. The increase was almost entirely in short-term Government securities, made available in substantial part by the Federal Reserve and purchased with funds released by reductions in reserve requirements.

During this period yields on liquid types of investments, primarily short-term Government securities, declined somewhat. Accordingly, banks not only had more funds for lending but found the holding of highly liquid assets to be less profitable than it had

MEMBER BANK HOLDINGS OF CASH, EXCESS RESERVES, AND  
SHORT-TERM GOVERNMENT SECURITIES

[Partly estimated, in billions of dollars]

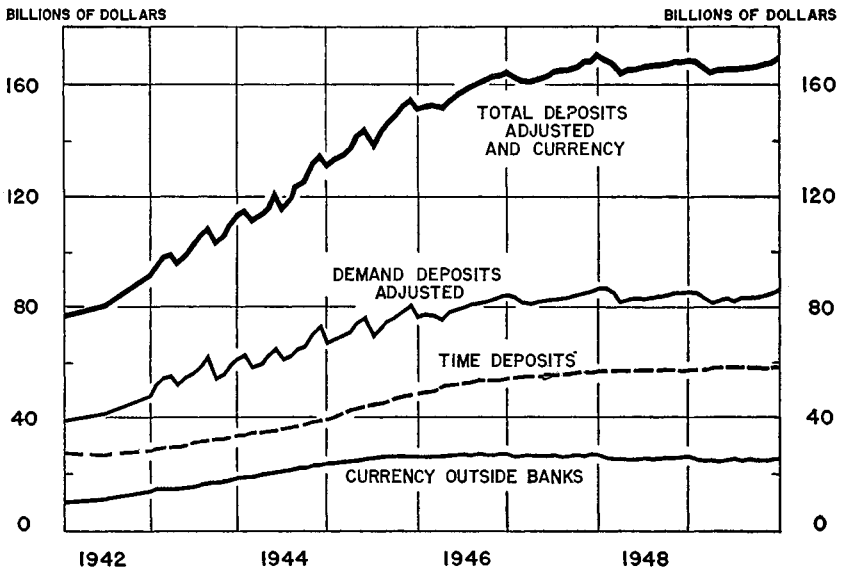
Asset	Amount held			Change Apr. 27- Sept. 28	Change Apr. 27- Dec. 31
	Apr. 27, 1949	Sept. 28, 1949	Dec. 31, 1949		
Total.....	12.3	17.1	16.3	+4.8	+4.0
Cash in vault.....	1.7	1.7	1.5	.....	-0.2
Excess reserves.....	0.5	0.9	1.0	+0.4	+0.5
Treasury bills and certifi- cates.....	10.1	14.5	13.8	<sup>1</sup> +4.4	<sup>1</sup> +3.7
Required reserves.....	18.5	15.1	15.6	-3.4	-2.9

<sup>1</sup> About 1 billion dollars of this increase was due to refunding.

been early in the spring. These developments tended to promote greater availability of credit to private borrowers and to State and local governments.

**Changes in the money supply.** The total of currency outside banks plus demand and time deposits, adjusted to exclude United States Government and interbank deposits and cash items in process of collection, declined by about 5 billion dollars in the first quarter of the year and thereafter increased by more than 5.5 billion, as is shown on the chart. The year-end total was slightly below the peak level at the end of 1947. Expansion of the money supply in the last quarter of 1949 amounted to 3.5 billion dollars and was much greater than in the corresponding period of 1948.

### 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, 1942; end of month, 1943-46; last Wednesday of month, 1947-49 except for June and December call dates.

The amount of currency outside banks declined in 1949 for the third successive year. At the end of the year it was 700 million dollars less than a year earlier and 1.3 billion dollars less than in December 1946. The total of 25 billion dollars was still more than

three times the amount outstanding at the end of 1940. The return of currency from circulation since 1946 has been primarily in bills of \$10 and \$20 denominations, but in 1948 and 1949 there was some return of bills of \$50 denomination or larger.

Privately owned demand deposits in 1949, as in 1948, declined during the first quarter and expanded during the remainder of the year. The decline in the first quarter, when tax payments were heavy, was not as large as in 1948, and the expansion in the last months of the year was somewhat larger than in 1948. The volume of privately owned demand deposits was slightly larger at the end of 1949 than at the end of 1948.

Time deposits increased further in 1949. As in 1948, the growth amounted to about 1 billion dollars and occurred almost entirely in the first half of the year. Mutual savings banks, which are important in the northeastern part of the country, accounted for most of the expansion. Liquid assets held by individuals and businesses in the form of United States Government securities and of shares in savings and loan associations also increased during the year.

In 1949, both the expansive and the contractive forces affecting the money supply held by individuals and businesses were moderate, in contrast with 1948, when a small net decline reflected a balancing of large movements in various factors. For 1949 as a whole expansion of the money supply through growth in bank loans was small in comparison with 1948. The total increase in bank credit to borrowers other than the United States Government, including both loans and investments, was only about 2.6 billion dollars, as compared with 5.9 billion in the preceding year. Gold inflow was moderate during the first three quarters of 1949, and there was a small outflow following currency devaluations by many foreign countries beginning in September. The net gold inflow for the year as a whole amounted to one-eighth of that in 1948. Market transactions in Government securities by nonbank investors had little net effect on the money supply in either 1948 or 1949.

Treasury transactions were the principal factor contracting the private money supply in both years. In 1949 the Treasury increased its cash balance somewhat and its cash retirements of bank-held Government securities exceeded its cash sales of new issues to banks by nearly 1 billion dollars. The contractive influences of Treasury

transactions were felt in the first quarter when income tax and other receipts exceeded expenditures considerably, and again in the third quarter of the year, when sales of savings notes were exceptionally heavy. During other periods of the year Treasury operations tended to increase rather than reduce private holdings of money. The magnitudes of these factors are given in the accompanying table.

### MAJOR FACTORS AFFECTING DEPOSITS AND CURRENCY

[In billions of dollars, partly estimated]

Factor	1949					1948
	First quarter	Second quarter	Third quarter	Fourth quarter	Year	
Factors affecting deposits and currency: <sup>1</sup>						
Gold inflow . . . . .	+0.1	+0.2	+0.1	-0.2	+0.2	+1.5
Loans—commercial and mutual savings banks . . . . .	( <sup>2</sup> )	-1.1	+0.9	+1.6	+1.4	+5.2
Securities of State and local governments and corporations held by commercial and mutual savings banks . . . . .	+0.1	+0.4	+0.7	( <sup>2</sup> )	+1.2	+0.7
Treasury deposits, decrease (+) or increase (-) . . . . .	-1.5	+2.3	-2.1	+0.8	-0.5	-1.3
Treasury sale (+) of new U.S. Govt. securities to, or retirement (-) of maturing securities held by, banking system, <sup>3</sup> net . . . . .	-1.4	-0.2	+0.8	-0.1	-0.9	-5.9
Market purchases (+) or sales (-) of U. S. Govt. securities by the banking system, net . . . . .	-2.0	+0.3	+1.3	+1.1	+0.7	-0.1
Other factors, net . . . . .	-0.2	-0.5	-1.0	+0.3	-1.4	-1.0
Changes in deposits and currency held by individuals and businesses:						
Total . . . . .	-4.9	+1.4	+0.7	+3.5	+0.7	-0.9
Demand deposits adjusted . . . . .	-4.4	+0.8	+1.2	+2.7	+0.2	-1.6
Time deposits <sup>4</sup> . . . . .	+0.5	+0.5	-0.1	+0.2	+1.1	+1.1
Currency outside banks . . . . .	-1.0	+0.2	-0.4	+0.5	-0.7	-0.4

<sup>1</sup> Signs preceding figures in columns indicate effect on deposits and currency.

<sup>2</sup> Less than 50 million dollars.

<sup>3</sup> Includes commercial banks, mutual savings banks, and Federal Reserve Banks.

<sup>4</sup> Includes changes in deposits at commercial banks, mutual savings banks, and the Postal Savings System.

NOTE.—Except for transactions in U. S. Government securities, which are for end-of-quarter dates, changes are based on figures for Dec. 31, 1947, Dec. 31, 1948, Mar. 30, 1949, June 30, 1949, Sept. 28, 1949, and Dec. 31, 1949. Figures may not add to totals because of rounding.

**Regional changes in deposits.** There were no striking changes during 1949 in the regional distribution of deposits. The absence of a pronounced general movement of funds among major areas of the country in 1949 is in sharp contrast with the situation during the war and in the early postwar period. In those years funds were flowing into the southern and western areas, and deposits expanded considerably more rapidly at banks in these sectors of the country than elsewhere. Also, deposits at country banks generally increased more than those at city banks. These movements, which had continued through 1948, appear to have been reversed slightly in 1949. The change from the early postwar period probably reflects among other things a change in the relationships between agricultural and industrial prices.

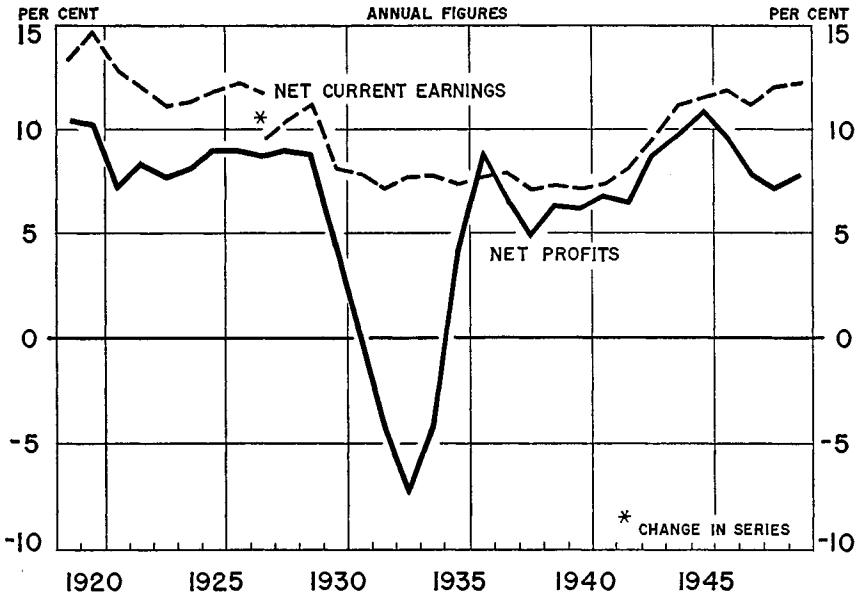
**Bank earnings and profits.** In 1949 net current earnings of member banks before income taxes continued their upward trend of recent years, advancing to 1,097 million dollars, an increase of 64 million over 1948. Increases of 119 million in earnings on loans and of 38 million in other earnings more than offset an increase of 94 million in operating expenses. A small increase in earnings from United States Government securities reversed the downward trend of 1947 and 1948.

Net profits (after adjustments for losses, recoveries, profits on securities, valuation reserves, and income taxes) amounted to 686 million dollars, 65 million more than in 1948. This increase reflected higher net current earnings, smaller additions to valuation reserves, and larger net profits and recoveries on securities; these were offset in part by larger income taxes and losses on loans. Transfers to valuation reserves, which amounted to 172 million dollars in 1949, have become an important factor in the interpretation of reported bank profits. When transfers exceed losses charged against the reserves, as they have in the past three years, there is a decline of reported net profits in relation to net current earnings. However, when the losses exceed the transfers, the reserves will help maintain the level of profits. All classes of banks except central reserve city banks in New York City reported increases in net profits. The decline at New York City banks reflected mainly larger net transfers to valuation reserves and increased provisions for income taxes.

Approximately 313 million dollars, or 46 per cent of net profits of member banks in 1949, was paid out as dividends, compared with 47 per cent in 1948. The rate of dividend payments on total capital accounts was 3.5 per cent in 1949, up slightly from the year before.

Net profits of member banks were 7.6 per cent of average total capital accounts as compared with 7.2 per cent in 1948. This was the first increase since 1945, when profits on securities sold or redeemed were very high and the net profits ratio reached the peak of 10.9 per cent. The ratio of net current earnings to average total capital accounts increased slightly from 12.0 per cent in 1948 to 12.2 per cent in 1949. As indicated on the accompanying chart,

### 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 after adjustments for losses, recoveries, profits on securities, transfers to and from reserves, 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. Capital figures are averages of June and December call-date figures 1919-40, of three or four call-date figures 1941-48, and of three call-date and 10 intervening last-Wednesday-of-the-month figures for 1949.

this approximates the high level of the 1920's and is considerably above the level of the 1930's. In contrast, and largely because of the relatively greater growth in assets than in capital, the ratio of net current earnings before income taxes to total assets was 0.85 per cent in 1949 and 0.79 per cent in 1948, considerably below the level of the 1920's and early 1930's.

**Bank earning assets.** Earning assets of member banks at the end of 1949 were 6 billion dollars more than at the end of 1948 and approximated 102 billion; a 5 billion dollar increase in holdings of United States Government securities accounted for most of the increase. However, average holdings and the rate of earnings on Government securities during 1949 were practically unchanged from 1948 and resulted in an increase of only 4 million dollars in earnings from this source.

Although loan holdings at the year-end showed an increase of 170 million dollars over a year ago, average holdings for the year were considerably higher. During the year there were some important shifts in the types of loans held. Commercial and industrial loans declined for the first time since 1942. This decline was largely offset, however, by increases in real estate and consumer loans. The shift toward loans with higher yields and rate advances for some categories of loans increased the rate of earnings on loans from 3.83 per cent in 1948 to 4.05 per cent in 1949. The higher rates, together with larger average holdings for the year, brought earnings on loans for 1949 to 1,427 million dollars, up 119 million from 1948.

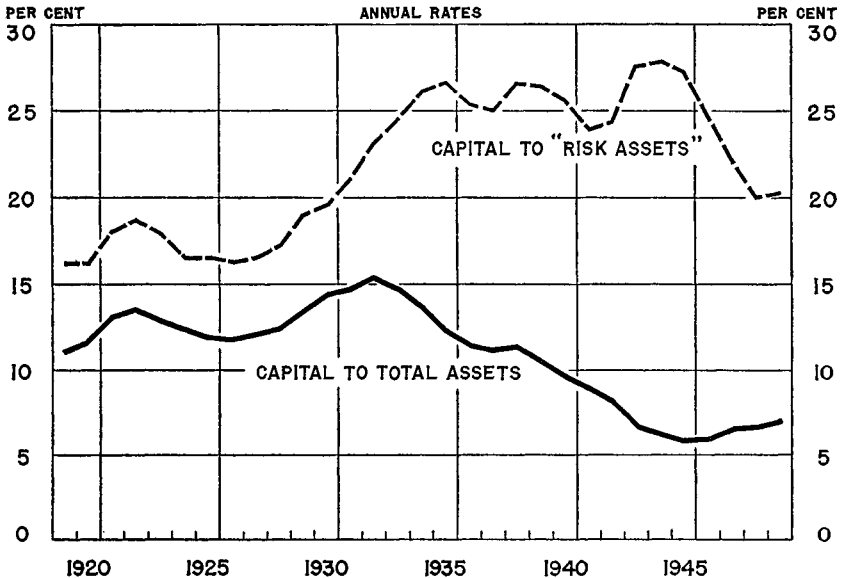
Holdings of securities other than United States Government obligations continued to increase and amounted to more than 8 billion dollars at the end of 1949, approximately a billion higher than at the end of 1948.

**Capital accounts.** Capital accounts of member banks amounted to 9,174 million dollars on December 31, 1949, an increase of 373 million over the previous year. Retention of profits accounted for the increase. The percentage of net profits retained rose slightly to 54 as compared with 53 in 1948. Sales of additional common stock amounting to about 37 million dollars were largely offset by retirements of preferred stock and capital notes amounting to 10 million and by capital repayments to stockholders incident to mergers.



As indicated on the accompanying chart, the ratio of average total capital accounts to average total assets increased from 6.6 to 7.0 per cent in 1949. The ratio of average total capital accounts to average "risk assets" (total assets less Government securities and cash assets) also increased slightly, in contrast to declines in other recent years.

### CAPITAL RATIOS OF MEMBER BANKS PERCENTAGES OF TOTAL ASSETS AND "RISK ASSETS"



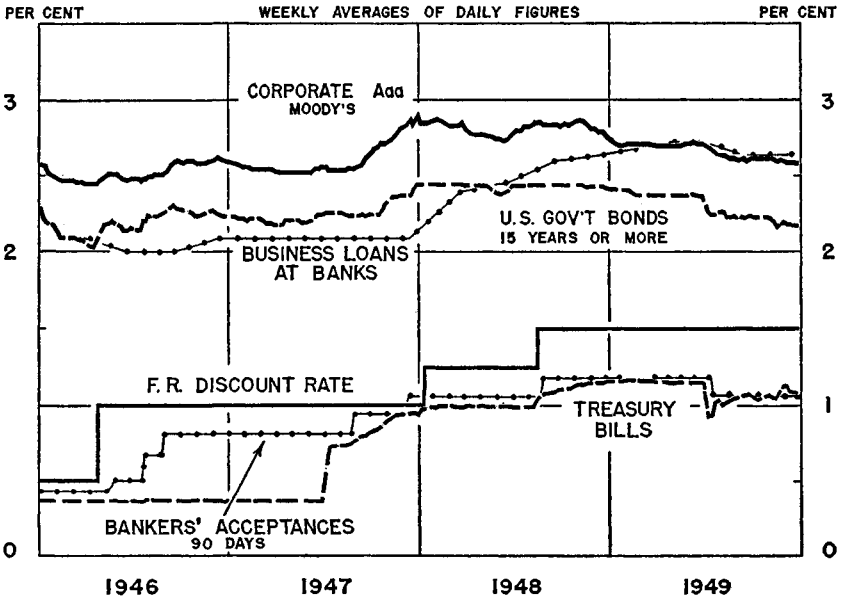
NOTE.—"Risk assets" represent total assets other than cash assets and U. S. Government securities. Capital and asset figures are averages of June and December call-date figures 1919-40, of three or four call-date figures 1941-48, and of three call-date and 10 intervening last-Wednesday-of-the-month figures for 1949.

### INTEREST RATES

Financial policies of business enterprises, investment demand, and the open market policy of the Federal Reserve System greatly influenced the level and structure of interest rates in 1949. In general, both long- and short-term rates were fairly stable during the first six months of the year and declined thereafter. Bond yields declined rapidly in July and August and more gradually throughout the remainder of the year. Short-term rates dropped abruptly in late June and early July and subsequently fluctuated within a narrow band.

**Yields on United States Government securities.** For the year as a whole, there was some decline in the yields on all maturities of United States Government securities. Longer term and short-term yields changed little in the first half of the year and subsequently declined, as is indicated by the chart. Yields on medium-term securities eligible for bank purchase, however, at midyear were considerably below first-of-year levels.

**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. Rate on bankers' acceptances is weekly prevailing rate.

In the first half of the year the repayment of commercial loans reduced bank deposits and released reserves which, together with reserves freed by a reduction in reserve requirements early in May, were used largely to purchase short- and medium-term United States Government securities. The Federal Reserve System made some of these maturities available during this period. Rates on short-term issues were maintained but yields on medium-term securities declined considerably. Through midyear, rates on one-

year Treasury certificates continued at about  $1\frac{1}{4}$  per cent and average yields on new issues of Treasury bills held close to 1.16 per cent.

Following the statement of the Federal Open Market Committee on June 28 and reduction in reserve requirements, yields on short-term Government securities fell abruptly. The decline was arrested and partly reversed, however, by the sale of bills and certificates by the Federal Reserve and by the redemption of bills from the System portfolio. Throughout the remainder of the year the System bought and sold bills and certificates in order to supply banks with reserves needed to meet current demands for credit and currency, but at the same time to moderate movements in bank reserves and hence in short-term money rates. Yields of certificates and of bills moved closer together, as is shown in the chart on page 9, and there was some narrowing of the spread between short-term and long-term rates. At the year-end, rates on both one-year certificates and Treasury bills were about  $1\frac{1}{8}$  per cent, compared with nearly  $1\frac{1}{4}$  per cent for certificates and about 1.16 for bills at the beginning of the year.

Average yields on long-term Treasury bonds declined by a fourth of 1 per cent during the year. During the first half of 1949 there was a substantial demand by savings banks and private pension and trust funds for long-term Government securities, arising partly from an inflow of funds and partly from shifts out of medium-term Government security holdings. This was met largely by sales of securities from the Federal Reserve portfolio. In these circumstances, the decline in average yield of taxable Government bonds with a maturity of 15 years or more was moderate—from 2.44 per cent in December 1948 to 2.38 per cent in March 1949. This yield was maintained until the decline in yields on all maturities of Government securities after June 28. Thereafter the average yield on long-term bonds declined gradually until it reached 2.19 per cent in December.

**Corporate and State and local government bond yields.** A record half-year volume of new corporate security issues, coupled with the competition of long-term Government securities, maintained yields on corporate bonds during the first half of 1949. After a decline in 1948, average yields of Aaa corporate bonds remained at about 2.71 per cent until July 1949, as is shown in the chart on

page 29. There was very little change in the spreads between yields on this and other grades of corporate bonds.

In the second half of the year, however, yields on corporate securities declined, reflecting the decline in yields on United States Government bonds and the substantial decline in new corporate security offerings. The average yield on high-grade corporate bonds fell from 2.71 per cent in June to 2.58 per cent in December. The spreads among the various grades of corporate bonds had narrowed slightly by the end of the year.

Yields on securities sold by State and local governments to finance their expanding construction and capital improvement programs increased somewhat in the late spring and early summer, mainly because of the heavy volume of new issues, and some important issues were postponed awaiting more favorable terms. Yields on these securities declined during the last half of the year notwithstanding a continuing large volume of new issues.

**Short-term commercial rates.** Average rates on short-term commercial loans by banks, which had increased somewhat in 1948, changed little during 1949. They advanced slightly from an average of 2.64 per cent in December 1948 to 2.74 per cent in June 1949, notwithstanding the decline in bank credit. In the third quarter of the year, however, the average declined to 2.63 per cent and remained essentially unchanged in the fourth quarter. The changes were less pronounced in New York City than in other cities.

Other short-term rates, both open market rates and customer rates, remained stable over the first half of the year and declined after June in adjustment to the lower yields of short-term Government issues. Offering rates on prime 90-day bankers' acceptances, for example, were marked down from  $1\frac{3}{16}$  to  $1\frac{1}{16}$  per cent on July 5, corresponding roughly with the reduction in Treasury bill yields. Late in the year acceptance yields were below those of Treasury bills for the first time since 1937.

#### TREASURY FINANCING

A Treasury cash deficit of 1.3 billion dollars in the calendar year 1949 contrasted sharply with substantial surpluses in each of the two preceding years. Cash income exceeded cash outlays in the first quarter of the year, when income tax payments were heavy,

but this surplus was more than offset by the deficit incurred during the remaining three quarters of the year. Funds acquired through cash borrowing exceeded the deficit and provided a small increase in the Treasury cash balance.

As a result primarily of such borrowing, but also through the accrual of interest on savings bonds and notes, United States Government securities held by the public increased 2.3 billion dollars in 1949 and amounted to 218 billion by the year-end. The Treasury also issued about 2 billion dollars of special securities for investment of money accumulated by Federal agencies and trust funds. The total United States Government debt of all forms, including securi-

**TREASURY CASH OPERATIONS AND UNITED STATES  
GOVERNMENT DEBT HELD BY THE PUBLIC**

[In billions of dollars]

Item	Calendar year		
	1949	1948	1947
Cash operating income <sup>1</sup> .....	41.4	45.0	44.3
Cash operating outgo <sup>1</sup> .....	42.6	36.9	38.6
Net cash surplus (+) or deficit (-).....	-1.3	+8.1	+5.7
Change in Treasury cash balance.....	+0.5	+1.1	<sup>2</sup> -2.2
Change in debt held by the public:			
Net cash borrowing (+) <sup>3</sup> .....	+1.7	-7.0	-7.9
Accrual of interest on debt, etc. (+) <sup>4</sup> .....	+0.5	-0.1	+2.0
Change in total held by the public.....	+2.3	-7.1	-5.9
Debt held by the public, end of period <sup>5</sup> .....	217.8	215.5	222.6

<sup>1</sup> The cash budget differs from the Budget based on the Treasury's daily statement principally in that it includes transactions of Federal agencies and trust funds and excludes major intragovernmental transactions and noncash transactions with the public.

<sup>2</sup> 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.

<sup>3</sup> Includes principally net changes in marketable debt adjusted to reflect net market sales or purchases of marketable issues by Government agencies and trust funds, and net sales or redemptions of savings bonds and savings notes.

<sup>4</sup> Includes principally 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 to exclude changes in nonguaranteed debt and in holdings of the Postal Savings System.

<sup>5</sup> Excludes securities held by U. S. Government agencies and trust funds. Includes guaranteed debt.

ties held by the public and by Federal agencies and trust funds, amounted to 257 billion dollars on December 31, 1949. This was about 4 billion dollars more than the total on December 31 of the previous year.

**Cash deficit.** The shift in the Federal Government's financial position from a large surplus in 1948 to a deficit in 1949 resulted mainly from an expansion of cash outlays, and to a lesser extent from a decline in cash income. Total outlays in 1949 amounted to 42.6 billion dollars, 5.7 billion more than in the previous year. Expenditures on national defense and international finance and aid increased by about 2 billion dollars, and outlays by the Commodity Credit Corporation, the Reconstruction Finance Corporation, and the Unemployment Trust Fund also increased. Payments of veterans' allowances and benefits declined somewhat.

Treasury cash income declined by 3.6 billion dollars. As a result of a decline in personal income in 1949, together with a reduction in tax rates in mid-1948, personal income tax collections declined by 2.4 billion dollars and tax refunds rose by more than half a billion. Receipts from sales of surplus property were substantially lower than in 1948. There was a partly offsetting rise of nearly 1 billion dollars in receipts from the tax on corporate profits, reflecting the high level of corporate earnings in 1948.

**Composition of debt.** Continuing the trend of the previous three years, the total volume of marketable United States Government securities held by the public declined during 1949, but holdings of nonmarketable issues increased by a more than offsetting amount. The reduction in marketable securities reflected the fact that no new marketable securities except Treasury bills were offered for cash while a small portion of each maturing issue was redeemed for cash rather than refunded. In the first quarter of the year there were also small retirements of maturing securities held by the Reserve Banks.

The volume of Treasury bills outstanding showed almost no net change for the year, retirements during the first half having been offset by increased offerings in the second half. Treasury bonds called for redemption amounted to 6.6 billion dollars, of which 6.3 billion were refunded into certificates and notes, and the remainder was paid off in cash. A substantial portion—about 4.2 billion dol-

lars—of bonds called for redemption was refunded into 4¼-year notes issued in December. These notes are the longest term marketable securities that have been offered since the Victory Loan Drive of 1945. Previously all maturing marketable securities that were not paid off in cash were refunded into short-term securities. Short-term notes and certificates issued in exchange for bonds amounted to 2.1 billion dollars. This expansion was more than offset, however, by cash retirements amounting to 2.1 billion dollars and the refunding of half a billion dollars of maturing certificates with the 4¼-year notes issued in December.

UNITED STATES GOVERNMENT DEBT HELD BY THE PUBLIC AT  
END OF 1949, BY TYPE OF ISSUE

[In billions of dollars]

Type of issue	Decem- ber 31, 1949	Change during		
		1949	1948	1947
<b>Debt held by the public, total</b> <sup>1</sup> .....	<b>217.8</b>	<b>+2.3</b>	<b>-7.1</b>	<b>-5.9</b>
<b>Marketable issues, total</b> <sup>2</sup> .....	<b>149.8</b>	<b>-2.2</b>	<b>-8.5</b>	<b>-9.8</b>
Bills.....	12.3	+0.2	-3.0	-1.9
Certificates and notes.....	37.8	+4.2	+1.1	-7.4
Bonds.....	99.7	-6.6	-6.6	-0.5
<b>Nonmarketable public issues, total</b> .....	<b>65.9</b>	<b>+4.6</b>	<b>+1.9</b>	<b>+2.7</b>
Savings bonds.....	56.7	+1.7	+3.0	+2.3
Savings and tax notes.....	7.6	+3.0	-0.8	-0.3
Other.....	1.6	-0.1	-0.3	+0.8
<b>Debt bearing no interest</b> .....	<b>2.1</b>	<b>-0.1</b>	<b>-0.5</b>	<b>+1.2</b>
<b>Detail on marketable issues, due or callable:</b>				
Within 1 year.....	56.3	+7.4	-1.7	-4.2
1-5 years.....	34.9	-8.9	-5.8	+10.6
5 years and over, total.....	58.7	-0.7	-1.0	-16.2
Bank-eligible bonds.....	13.6	-0.5	-0.7	-17.1
Restricted bonds.....	45.1	-0.1	-0.3	+0.9

<sup>1</sup> Excludes securities held by U. S. Government agencies and trust funds. Includes guaranteed securities.

<sup>2</sup> Includes a small amount of postal savings and prewar bonds not shown separately.

At the end of the year, approximately 69 per cent of the United States Government debt held by the public was in marketable issues, compared with 71 per cent at the end of 1948. During the past three years, while the total marketable debt declined by 21 bil-

lion dollars, the amounts due or callable in less than five years showed little change. The proportion of the marketable debt due or callable in less than five years increased from 55 per cent at the end of 1946 to 61 at the end of 1949.

The increase during 1949 in nonmarketable forms of debt held by the public was primarily in savings notes, although there was also some increase in the outstanding amount of savings bonds. Sales of savings notes reached a total of 6.0 billion dollars for the year, with redemptions amounting to 2.9 billion. Approximately half of the redemption was for payment of taxes and the other half was for cash. Sales of Series E bonds exceeded redemptions by 900 million dollars, excluding interest, and sales of F and G bonds exceeded redemptions by 800 million dollars. Taking also into account redemption of about 600 million dollars of maturing Series D bonds, net cash borrowing by the Treasury through its savings bonds sales amounted to about 1.1 billion dollars during 1949.

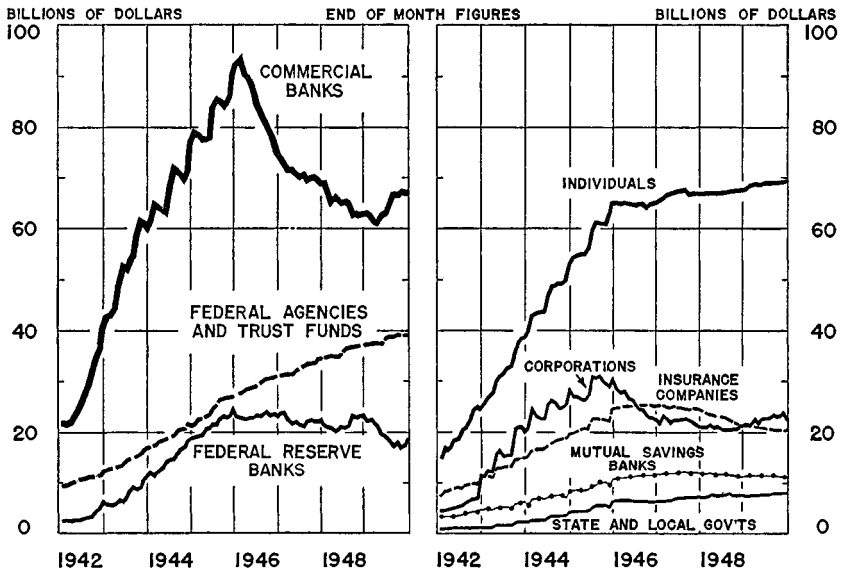
**Ownership of United States Government securities.** The cash deficit of the Government in 1949 was financed fully by net sales of securities to nonbank investors. Holdings of Government securities by commercial banks and Federal Reserve Banks, taken as a group, showed little net change over the year. Commercial banks increased their portfolios of Government securities 4.4 billion dollars, utilizing a large part of the reserve funds freed by reductions in reserve requirements or obtained from gold inflows and the return of currency from circulation. The Reserve Banks, as shown by the following chart and table, reduced their holdings by a like amount.

Commercial bank portfolios of bills, certificates, and notes increased 5.7 billion dollars, while their holdings of Treasury bonds declined about 1.4 billion. The net increase in holdings occurred during the last half of the year, when reserve requirements were reduced and money rates declined. The reduction in bond holdings reflected the fact that the bonds purchased by commercial banks, which were supplied by Federal Reserve Banks, mutual savings banks, and insurance companies, amounted to less than bond holdings called for redemption. The called bonds were exchanged principally for notes maturing in four and one-half years and in lesser amounts for short-term types of securities. Commercial



banks also increased their holdings of short-term types of securities through substantial net market purchases during the year. At the end of the year about 81 per cent of commercial bank portfolios of Government securities was due or callable within five years, compared with 67 per cent at the end of 1946.

### OWNERSHIP OF U. S. GOVERNMENT SECURITIES



NOTE.—Chart relates to gross debt, direct and guaranteed. Reported holdings are shown for Federal agencies and trust funds and for Federal Reserve Banks, and Treasury estimates for other groups.

Reduction in the Reserve System's portfolio of Government securities in 1949 amounted to 4.4 billion dollars. Almost half of this reduction was accounted for by sales of long-term restricted bonds to nonbank investors and mutual savings banks. These groups in turn sold over 2 billion dollars of shorter term bonds to the commercial banks. The Reserve Banks also sold about 1 billion dollars of bank-eligible bonds and a small amount of short-term issues. About 1.2 billion dollars of maturing Government securities held by the System were retired for cash.

The nonbank public increased its total holdings of Government securities by 2.3 billion dollars, approximately the same amount as the total increase in the Federal debt held outside Federal agencies

and trust funds. About 1 billion dollars of the increase in nonbank portfolios was due to accrual of interest on savings bonds. Purchases of both savings bonds and savings notes, however, were larger than redemptions, and holdings of marketable restricted issues also increased. Nonbank holdings of bank-eligible marketable securities declined, reflecting primarily cash redemptions of maturing issues. Insurance companies continued to reduce their portfolios of Government securities, and holdings of mutual savings banks changed little over the year. Other corporations, associations, and individuals, however, considerably increased their aggregate invest-

## OWNERSHIP OF UNITED STATES GOVERNMENT SECURITIES

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

Type of investor	Amount held on Dec. 31, 1949 <sup>1</sup>	Change in		
		1949	1948	1947
<b>Total of securities outstanding<sup>1</sup></b> .....	<b>257.2</b>	<b>+4.3</b>	<b>-4.1</b>	<b>-2.5</b>
<b>Held by U. S. Government agencies and trust funds, total<sup>2</sup></b> .....	<b>39.3</b>	<b>+2.0</b>	<b>+3.0</b>	<b>+3.4</b>
Marketable issues .....	5.3	-0.2	+0.2	-1.0
Special issues .....	33.9	+2.2	+2.8	+4.4
<b>Held by the public, total</b> .....	<b>217.8</b>	<b>+2.3</b>	<b>-7.1</b>	<b>-5.9</b>
<i>Federal Reserve Banks, total</i> .....	18.9	-4.4	+0.8	-0.8
Bills, certificates, and notes .....	11.7	-0.7	-7.4	-2.9
Bank-eligible bonds .....	2.3	-1.6	+1.7	+1.5
Restricted bonds .....	4.9	-2.1	+6.4	+0.6
<i>Commercial banks, total</i> .....	66.8	+4.4	-6.3	-5.8
Bills, certificates, and notes .....	22.5	+5.7	+0.7	-4.8
Bonds, due or callable:				
Within 5 years .....	30.5	-2.4	-6.1	+10.5
After 5 years .....	11.6	+1.0	-1.3	-11.3
Nonmarketable issues .....	2.2	+0.1	+0.4	-0.2
Mutual savings banks .....	11.4	( <sup>3</sup> )	-0.5	+0.2
Insurance companies .....	20.5	-1.0	-2.8	-1.0
State and local governments .....	8.1	+0.2	+0.6	+1.0
Other corporations and associations <sup>4</sup> .....	22.6	+1.2	+0.2	-1.2
Individuals <sup>5</sup> .....	69.5	+1.9	+1.0	+1.7

<sup>1</sup> Includes guaranteed securities.<sup>2</sup> Includes the Postal Savings System and also includes nonmarketable issues not shown separately.<sup>3</sup> Less than 50 million dollars.<sup>4</sup> Includes savings and loan associations, dealers and brokers, and investments of foreign balances and international accounts in this country.<sup>5</sup> Includes partnerships and personal trust accounts.

ment in Government securities, and holdings of State and local governments showed a small further rise.

#### ECONOMIC DEVELOPMENTS IN 1949

Production, employment, and incomes in the United States declined in the first half of 1949, increased moderately in the second half, and for the year as a whole were at levels which, though below those of 1948, were high relative to most other periods. Production in manufacturing and mining, down 8 per cent from the 1948 level, was nevertheless 76 per cent above the 1935-39 average—as compared with a 16 per cent increase in population—and 40 per cent above the 1940 level. Production other than manufacturing and mining and related transportation activities was reduced much less; aggregate output of goods and services was down only moderately from the 1948 level. With some reduction in employment—reflecting increased productivity as well as reduced output—and a further growth in the labor force, unemployment in 1949 was above the low levels prevailing earlier in the postwar period.

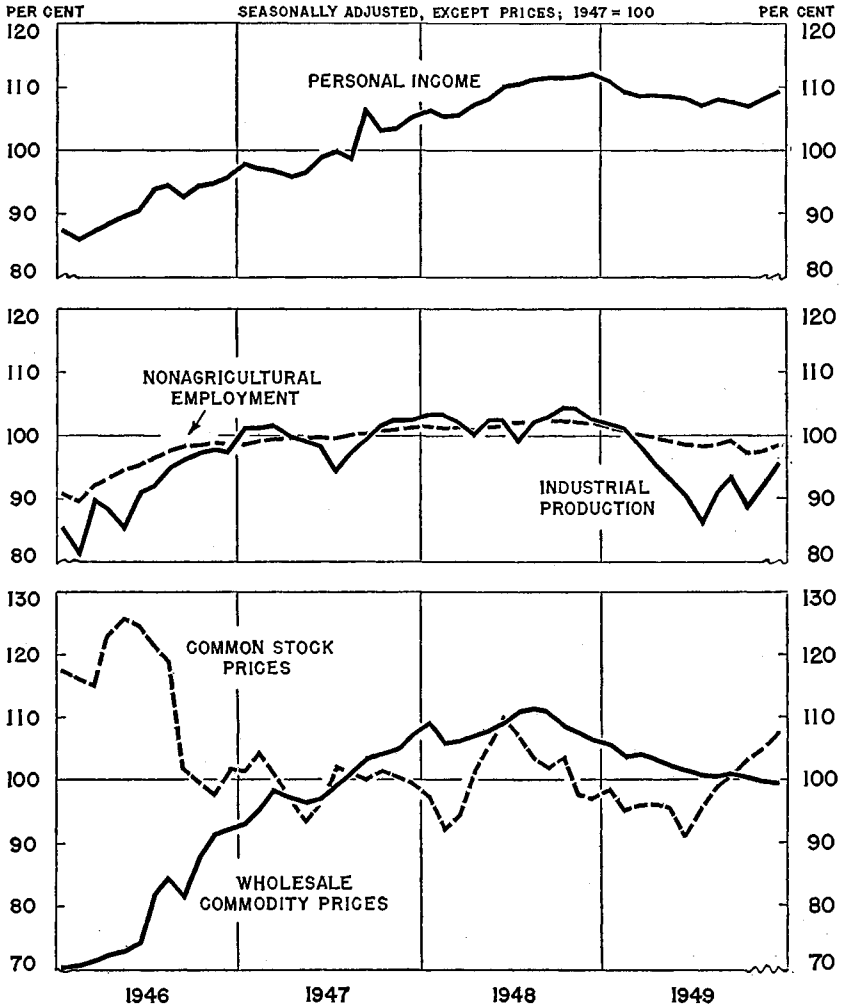
The shift in demand-supply conditions reflected in the decline in output and employment was also evident in a decline in commodity prices, but here again the decline was limited largely to the first half of the year and was moderate. Wholesale prices at the end of the year, while 11 per cent below the August 1948 peak and 8 per cent below the 1948 average, were still nearly double the prewar level. The cost of living showed very little decline during 1949 and was still two-thirds above prewar. With a generally easier labor market and the cost of living tending to decline rather than advance, wage rates showed much less rise during 1949 than in earlier postwar years and changes to a greater extent took the form of increased pensions and other such benefits.

Reflecting chiefly inventory losses as contrasted with inventory gains in 1948, corporate profits in 1949 were about one-sixth below the peak year 1948. Common stock prices advanced steadily in the second half of 1949 to levels equal to the highest reached during 1948, reflecting such factors as more favorable profit reports than had been anticipated and a reappraisal of the whole situation accompanying the favorable turn of affairs in midyear. Farm land values, although under some downward pressure as a result of a 15 per cent reduction in net farm income from 1948 to 1949, at the year-end

were still double the prewar average. Urban property values were at levels close to postwar peaks.

**Recession in first half.** Within the year 1949, economic conditions showed very marked changes, some of which are indicated on the accompanying chart. At the beginning of the year the in-

**SELECTED BUSINESS INDEXES**



NOTE.—Income, Department of Commerce; employment, Bureau of Labor Statistics and Federal Reserve; stock prices, Standard and Poor's Corporation (416 shares); wholesale prices, Bureau of Labor Statistics. These series and industrial production index converted to 1947 base by Federal Reserve.

fluence of long-sustained high rates of production, large supplies of goods on hand, and declining prices for numerous commodities came to be felt over a widening area of the economy. Prices of agricultural products continued the decline of the latter part of 1948. Weakness in markets for textiles, paper, and some other nondurable goods was reflected in some part in price reductions but to a large extent in reductions in output, beginning in the latter part of 1948 and continuing until mid-1949.

In metal markets the strong situation of late 1948 was reversed and beginning in January prices of metal scrap generally and of new nonferrous metals declined sharply. This weakening followed a marked reduction in consumer takings of household equipment beginning in the autumn of 1948 and, much more important, reductions in business orders for machinery and a wide variety of other finished metal products. Steel consuming industries accumulated steel stocks during the winter and spring, and after March the changed demand situation was reflected in a declining rate of steel production. Also, a greater than seasonal decline in residential building in the latter part of 1948 and in early 1949 contributed to a curtailment of demands for building supplies and to the weakening in the general situation at that time.

On the other hand, an expanded volume of exports under the Economic Cooperation Administration program tended to strengthen the situation early in the year and the operation of the farm price support program—extended somewhat at the time—limited price declines for many agricultural products. Continuing strong demand for automobiles was a sustaining factor in this period.

In the second quarter, while prices of materials and industrial production continued to decline, residential building increased much more than seasonally. This increase, leading eventually to a total of over 1 million new housing units in 1949 as compared to 930,000 in 1948, followed some downward adjustment in prices of new houses and some easing of credit terms. Activity in this field proved to be one of the major factors leading to a reversal of the downward movement in the economy in midyear and an advance thereafter. Another important factor was sustained spending for consumer goods and services. Consumer expenditures as a whole showed no decline after the first quarter and, with some decline in retail

prices, unit purchases showed some increase. Automobile purchases reached new high levels as more new cars became available and as instalment credit terms were relaxed. Purchases of household equipment revived somewhat toward the end of the second quarter. Government outlays for goods and services increased further in this period, with outlays for some purposes expanding substantially. Unemployment payments also increased, offsetting to some degree the net loss of wage income in manufacturing and mining and on the railroads. Exports continued at a high level during the second quarter despite a marked decline in imports and deterioration in the monetary reserve positions of some foreign countries.

**Moderate recovery in second half.** With production of both nondurable goods and durable goods curtailed more than consumption, inventories were reduced somewhat during the second quarter and the way was paved for a revival of production. New orders for producers' equipment, moreover, had been for a considerable period at levels much below current production and unfilled orders had been drawn down from earlier high levels. Under these circumstances, in midsummer, with demands in the residential building, public construction, and automobile fields very strong, business buying revived and the downward movement in prices and production was stopped before the recession had extended far into the economy. Thus, while industrial production in June and July averaged 15 per cent below the peak reached in the autumn of 1948, aggregate output of goods and services in the economy was down only about 6 per cent in dollar terms and less than that in physical volume. The decline in personal income from the peak was very moderate—only about 4 per cent.

With the revival of business buying in midsummer, prices of industrial materials recovered somewhat and production at factories and mines rose. The increases in output were marked in nondurable lines where inventories had been depleted. Thus, revival in the textile and paper industries came very fast. Owing to the continuing threat of a steel strike, steel consumers continued to hold large stocks of steel and, with consumption remaining at a high level, output at steel mills during the third quarter was generally above 80 per cent of capacity. Automobile demand for steel reached new high levels. Meanwhile, reflecting the strengthening in the whole situa-

tion, buying of some producers goods rose from earlier low levels and production of machinery, which had declined at a rapid rate in the first half of the year, showed little further change, at a level one-fifth lower than in 1948. Industrial production as a whole was up 9 points in September from the June-July average, at 174 instead of 165.

In October and the early part of November output in the steel industry was reduced by a prolonged strike but the effects of the strike in reducing output in other industries were very limited. Then steel output increased again to more than 90 per cent of capacity, reflecting demands for steel to replenish inventories as well as to meet current requirements. Building material output was high throughout the fourth quarter. So also was output of nondurable goods. Fuel production, on the other hand, was interrupted by strikes, and demand for fuels was limited by mild weather and a level of activity in industry and on the railroads still below the highs of 1948. Total industrial production in December was at 180 per cent of the 1935-39 average, halfway between the June-July low and the 1948 autumn high.

During the second half year there was some further decline in prices of farm products and foods and, although prices of industrial materials rose somewhat, other prices as a group showed little change. Crops were again large in 1949 and supplies of livestock products became more plentiful, reflecting the influence of the heavy grain crops of 1948. Nonferrous metal prices, which had declined by 40 per cent in the first half-year, advanced moderately in the third quarter as buying increased. Finished steel prices, which had been mostly maintained, except for premium charges of various sorts, were advanced 4 per cent in December. Consumer prices for goods and services generally were stable in the second half of the year except mainly for declines in food prices at the year-end and a continued gradual advance in rents and utility charges.

Thus prices both at wholesale and retail were unusually stable in the second half of 1949. The devaluations of foreign currencies beginning in mid-September apparently had little effect on the price level in this country, partly because of the strengthening of domestic markets which had begun in midyear. The longer term effects

of the devaluations on markets abroad and in this country could not be immediately determined.

Wage rates in manufacturing continued to show little change during the second half of the year except in terms of pension benefits agreed to in the steel industry after the strike and in some other cases after negotiations. Railroad wage rates rose as scheduled hours for nonoperative personnel were reduced in September, in accordance with a contract made earlier, and there were also some advances in the pay of Government employees.

#### INTERNATIONAL TRADE AND FINANCE

Unprecedentedly rapid and widespread readjustments of foreign currency values were the outstanding development of 1949 in international trade and finance. These began on September 18 with the devaluation of the pound sterling by 30.5 per cent or from \$4.03 to \$2.80. Changes followed in the currencies of 29 countries, including most countries in the sterling area and Western Europe, as well as Canada, Egypt, and others. The sterling area, Scandinavia, and several other countries with close economic ties to the United Kingdom devalued by the full 30.5 per cent necessary to keep their currencies at par with sterling. Other countries devalued less. A number of countries, chiefly in Latin America, altered their multiple rate structures so as to reduce the effective rates of exchange applicable to various types of transactions. The International Monetary Fund concurred in the changes made by its member countries.

The currency changes were precipitated by a sharp deterioration in the British gold and dollar position in the second and third quarters of 1949. More basic causes, however, are to be found in the postwar distortions affecting price-cost relations and trade patterns, which persisted in Europe and other parts of the world despite the encouraging progress in recovery and reconstruction which had been achieved by the end of 1948. There was growing recognition that these distortions would probably prevent the achievement of balance-of-payments equilibrium by the end of the European Recovery Program, if more drastic measures were not taken. At the same time, the recovery of European production and the general tapering off of internal monetary expansion favored the success of currency devaluation in 1949 as a step toward longer term economic equilibrium.



The immediate effects of the currency changes on trade and gold and dollar positions were favorable, partly because the speculative positions taken earlier against the devalued currencies were reversed. Total foreign holdings of gold and short-term dollar balances, which had declined from 14.9 billion dollars at the beginning of the year to 14.6 billion on September 30, rose to 15.2 billion by the end of December. British gold and dollar reserves recovered by about 350 million dollars from September 18 to the end of the year. Tightening of import and exchange controls by some countries contributed to the over-all gain in foreign gold and dollar reserves.

Changes in dollar prices consequent to the currency devaluations were varied. On the whole, dollar prices of exports from devaluing countries declined. This improved their general competitive position in world markets. At the same time, the dollar prices of raw materials imported by the United States from devaluing countries declined much less than the average price level of their exports, and by the year-end, dollar prices of most leading imported raw materials had risen to pre-devaluation levels. This development, resulting in part from the expanding business activity in the United States, had additional favorable effects on the dollar position of the devaluing countries.

**United States balance of payments.** Changes in the United States balance of payments during 1949 reflected in part the factors already referred to in connection with currency devaluations. The current account surplus in the United States balance of payments, which had been reduced from the postwar peak level of 11.5 billion dollars in 1947 to 6.7 billion in 1948, increased to an annual rate of 8.0 billion in the second quarter of 1949. Contributing to this increase were both an increase in United States exports and a decline in imports. There was a sharp decline in the current account surplus during the remainder of the year.

The decline in economic activity and the accompanying inventory adjustments in the United States during the first half of the year contributed to the reduction of the value of imports, although part of the reduction (and also of the increase in exports) was due to anticipation of currency devaluations. In some countries, particularly in the sterling area, this decline in United States imports had serious repercussions. In other countries, particularly on the

European continent, it was more than compensated by the decline in prices of United States exports.

Because of the increase in the United States surplus on current account, gold sales to the United States increased in the second quarter of 1949, and foreign dollar bank balances, which had been increasing during 1948 and in the first quarter of 1949, were again drawn down to meet foreign needs. As will be seen by reference to the table on the following page, this occurred despite the large amount of United States foreign aid extended in the second quarter.

In the third quarter, the current account surplus dropped sharply from 2 billion dollars to 1.3 billion, almost entirely because of a decline in exports. Part of this decline was due to increased restrictions by sterling area governments on dollar imports as a means of combating unfavorable dollar positions.

Following foreign currency devaluations, the current account surplus declined in the fourth quarter to its lowest postwar level, 1.1 billion dollars. The rise in recorded United States imports from 1.5 billion dollars in the third quarter to 1.8 billion in the fourth quarter was in part a seasonal development, in part a result of the upturn in United States business activity, and in part a reflection of increases in the price of coffee. The price effects of the devaluations also began to be felt, especially where imports had previously been deferred in anticipation of the devaluations. The low recorded export figure of 2.6 billion dollars for the fourth quarter was partly attributable to restrictive measures taken by foreign countries on their imports and to increased production abroad.

Partly as a consequence of the movements in trade, gold movements were abruptly reversed in the fourth quarter, with a net outflow from this country of 150 million dollars. The outflow was also attributable in part to the reversal of speculative positions against foreign currencies and to gold purchases by foreign monetary authorities wishing to inspire confidence in newly established currency values.

For 1949 as a whole, the reduction from 1948 in the United States current account surplus was the consequence of the decrease in export proceeds. This decrease resulted from reductions in prices and, in the latter part of the year, a decline in export volume. The latter decline would have had more serious effects in the United

States had not the devaluation of foreign currencies coincided with an upturn in business activity here. With United States Government foreign loans and grants at higher levels than at any time except during the war years, and with foreign gold and dollar reserves near their postwar low, the decline in United States exports

### FOREIGN TRADE OF THE UNITED STATES AND MEANS OF FINANCING<sup>1</sup>

[In billions of dollars]

Item	1949					1948
	First quarter	Second quarter	Third quarter	Fourth quarter	Year	
<b>U. S. exports, total</b> .....	<b>4.3</b>	<b>4.4</b>	<b>3.7</b>	<b>3.6</b>	<b>16.0</b>	<b>17.1</b>
Recorded exports .....	3.3	3.4	2.7	2.6	12.0	12.7
Other goods and services...	1.0	1.0	1.0	1.0	4.0	4.1
<b>U. S. imports, total</b> .....	<b>2.6</b>	<b>2.4</b>	<b>2.3</b>	<b>2.4</b>	<b>9.7</b>	<b>10.4</b>
Recorded imports .....	1.8	1.6	1.5	1.8	6.6	7.1
Other goods and services...	0.8	0.8	0.8	0.6	3.1	3.4
<b>Net purchases from U. S. by foreign countries</b> .....	<b>1.8</b>	<b>2.0</b>	<b>1.3</b>	<b>1.1</b>	<b>6.2</b>	<b>6.7</b>
<b>Sources of financing utilized by foreign countries:</b>						
<b>U. S. Government, net total</b> ..	<b>1.7</b>	<b>1.7</b>	<b>1.5</b>	<b>1.1</b>	<b>5.9</b>	<b>5.1</b>
Credits .....	0.3	0.1	0.2	0.1	0.6	0.9
Donations .....	1.4	1.5	1.3	1.1	5.3	4.2
<b>U. S. private, net total</b> .....	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>1.1</b>	<b>1.5</b>
Foreign investment, long- and short-term...	0.2	0.1	0.2	0.2	0.6	0.9
Donations .....	0.1	0.1	0.1	0.1	0.5	0.7
<b>International Bank and Monetary Fund</b> .....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	0.1	0.1	0.4
<b>Foreign countries' capital assets, net total</b> .....	( <sup>2</sup> )	0.4	0.1	<sup>3</sup> -0.4	( <sup>2</sup> )	0.8
Sales of gold to U. S. ....	0.1	0.2	0.1	-0.2	0.2	1.5
Liquidation of long- and short-term dollar assets .....	<sup>3</sup> -0.1	0.2	( <sup>2</sup> )	<sup>3</sup> -0.3	<sup>3</sup> -0.2	<sup>3</sup> -0.7
<b>Errors and omissions</b> .....	<b>-0.3</b>	<b>-0.3</b>	<b>-0.5</b>	<b>+0.1</b>	<b>-1.0</b>	<b>-1.0</b>

<sup>1</sup> This table is derived largely from U. S. balance-of-payments data compiled by the U. S. Department of Commerce, as revised and published in *Survey of Current Business*, June 1950, pp. 11-18.

<sup>2</sup> Less than 50 million dollars.

<sup>3</sup> Increase.

could have been avoided only by an increase in United States imports or a larger volume of private investment abroad.

In an effort to encourage the expansion of foreign private investment, several bills have been introduced in Congress in connection with the President's Point Four program for technical assistance to underdeveloped countries. Consideration has been given to a bill that would empower the Export-Import Bank to extend guarantees to United States investors against certain risks peculiar to foreign investment. The President has also recommended that Congress enact more favorable tax provisions for income from foreign sources, and the State Department is engaged in negotiating treaties providing equitable treatment for United States investments in foreign countries.

**Progress in European recovery.** Production continued to increase in European countries receiving American aid in 1949. Pre-war levels of production were exceeded by about 15 per cent in industry and were almost reached in agriculture. Toward the end of the year, however, a slackening of the increase in industrial production became noticeable in most European countries.

Inflationary pressures abated in many countries during 1949. France, for instance, where prices had risen by 62 per cent in the course of 1948, consolidated the stabilization that had been achieved toward the end of 1948. In the United Kingdom, on the other hand, inflationary pressures were still felt as a result of higher Government expenditures, of inventory accumulation prior to devaluation, and of increases in sterling prices of many imports following devaluation. At the same time, unemployment remained or became a problem in countries like Germany, Italy, and Belgium.

With the decisive breaking of production bottlenecks and the stoppage of the most dangerous inflationary conditions in European countries, the first aim of the European Recovery Program has been achieved. There remains the problem of reducing the large dollar gap in the balances of payments of these countries, which is being approached along three main lines.

The first is a direct and immediate expansion of European dollar earnings. The currency adjustments already made will help to bring this about. Also, the United States Government is continuing to negotiate for reciprocal tariff concessions under the Trade Agree-

ments Act and to work toward simplifying our customs procedures.

Secondly, the Economic Cooperation Administration proposes to modify its method of allocating funds among European countries so as to give them increased incentives to improve their dollar balances of payments. Future aid to individual countries would not be based on new calculations of "requirements," but would generally reflect uniform percentage cuts from 1949-50. This would assure European countries that any improvement in their balances of payments beyond the target would result in increases of their monetary reserves rather than in less aid during a subsequent period.

Finally, an effort is being made to remove obstacles to the functioning of the European economy as an efficient unit. To promote productivity, intra-European competition, and the efficient allocation of European resources, an attempt has been initiated to remove quantitative restrictions of imports—the most disruptive impediment to a free intra-European flow of goods and services. Among further steps, it is contemplated that the European countries will set up a payments system which will make the European currencies transferable among the countries participating in the Recovery Program.

#### CHANGES IN BANKING STRUCTURE

**Number of banking offices.** The number of banking offices in the United States increased by 207 in 1949, as a result of a decrease of 16 in the number of banks and an increase of 223 in the number of branches and additional offices. The net increase of 207 in the number of banking offices was the sixth consecutive annual increase. It was slightly more than the increase of 189 in 1948 and identical with the increase in 1947. At the end of 1949 there were 19,371 banking offices (14,687 banks and 4,684 branches and additional offices). All of these figures exclude banking facilities at military and other Government establishments, of which there were 94 at the end of 1949, an increase of 24 for the year. There were about 350 of these banking facilities at the end of the war.

For the second successive year the number of banks (head offices) declined. The net decrease was 16, as compared with 11 in 1948 and with increases in the three preceding years. The number of new banks opened for business declined for the third consecutive year; of the 73 opened, 18 were member banks, 43 were insured non-

member banks, and 12 were noninsured banks. A total of 95 banks went out of existence through consolidations, liquidations, and suspensions, but 59 of them became branches. Four small non-insured banks (three of which were unincorporated private banks) suspended operations; their aggregate deposits were about 2.5 million dollars. Of the 14,687 banks in operation on December 31, 14,156 were commercial banks and 531 were mutual savings banks.

The number of branches and additional offices, exclusive of banking facilities at military and other Government establishments, increased by a net of 223 during the year. This was the largest increase since 1934, and compares with 200 in 1948. The number of such offices has increased in every year since 1933 except in 1942, when it remained unchanged.

About a third of the new banks opened for business in 1949 were in Illinois and Texas, where branch banking is prohibited, and in Georgia, where branches may be established only in the large cities. About a third of the new branches established were in California, Massachusetts, Michigan, and New York, where either State-wide or city branch banking has had considerable development.

**Changes in Federal Reserve membership.** As a result principally of consolidations and conversions of banks into branches, the number of member banks decreased by 26 during 1949, compared with a net decrease of 5 in 1948 and with net increases totaling 585 in the preceding nine years. National banks decreased by 16 and State member banks by 10. Consolidations, absorptions, withdrawals from membership, etc., more than offset accessions to membership. Of the 36 banks added to membership, 15 were national banks and 21 were State banks; and of the latter, 6 were newly organized and 15 were already in operation. These 15 had total deposits of 161 million dollars, and all but 3 were already insured.

The 6,892 member banks in operation at the end of 1949 accounted for 49 per cent of the number and 85 per cent of the deposits of all commercial banks in the country. 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 varied only fractionally during the past few years.

Although nearly one-half of all commercial banks in the country are members of the Federal Reserve System, the proportion that are members in the various States ranges from 87 per cent in New York to 24 per cent in Iowa. The States with the largest number and proportion of member banks are, with some exceptions, in the northern and eastern sections of the country, while the nonmember banks are concentrated more in the midwestern and southern sections of the country. The differences in proportion of member and nonmember banks in the various States may be attributed to a number of factors, including the extent to which banking facilities are provided by means of branch systems rather than by single-unit banks, the number of nonpar banks, and differences between State capital requirements and those prescribed by Federal law for admission to Federal Reserve membership.

**Nonmember banks eligible for membership.** As mentioned briefly in last year's report, preliminary analysis of a survey made by the Reserve Banks as of December 31, 1948 indicated that nearly one-third of the nonmember commercial banks were ineligible for membership in the Federal Reserve System on the basis of minimum statutory capital requirements. Further study of the survey data indicates that 5,081 nonmember commercial banks, or slightly over 70 per cent of the total, were eligible for membership and 1,890 were ineligible.<sup>1</sup>

Of the 1,890 ineligible banks, 475 were ineligible because they were operating one or more branches that were established outside their respective head-office cities after February 25, 1927, the date of the enactment of the McFadden Act. Of these 475 banks, 218 were in the Chicago Federal Reserve District, with Iowa and Wisconsin accounting for 163. These banks would be eligible for membership if it were not for the statutory capital stock requirements applicable to banks operating such branches. In addition, it is estimated that at least 200 banks would become eligible for Federal Reserve membership if they converted a relatively small portion of surplus and undivided profits into capital stock. With their pres-

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<sup>1</sup> The following classes of banks were excluded from this study: 131 private banks, 67 trust companies without deposits, 37 noncheck industrial banks, 24 cash depositories in South Carolina, 9 guaranty savings banks in New Hampshire, 7 cooperative exchanges in Arkansas, and 10 miscellaneous financial institutions, a total of 285 banks.

ent capital structure, they are ineligible for membership, because the law prescribes capital requirements in terms of capital stock.

**Par and nonpar banks.** During 1949 there was a net increase of 117 in the number of banks on the Federal Reserve Par List and a net decrease of 138 in the number of nonpar banks.<sup>2</sup> These changes were considerably larger than in other recent years and reflected principally changes in Wisconsin. The Wisconsin par clearance bill became effective in June 1949; it provided for the clearing at par of checks drawn on all banks organized under the law of that State and, as a result, 107 nonpar banks were added to the par list.

During the year, a total of 196 banks were added to the par list, 3 were withdrawn, and 76 banks formerly on the list terminated existence. Of these 76 banks, 71 were absorbed by other par banks (including 53 that were converted into branches), 1 suspended, and 4 were liquidated.

At the end of 1949 there were 12,178 par-remitting and 1,873 nonpar banks. The latter represented only 13 per cent of the banks on which checks are drawn and held only a very small proportion of the deposits with all commercial banks in the country. There were 4,289 par-remitting branches and 273 nonpar branches of commercial banks.

At the end of the year there were 6 Federal Reserve districts and 29 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. Over 99 per cent of the banks not on the par list were in the following 14 States: Minnesota 414; Georgia 291; Mississippi 162; Arkansas 123; North Carolina 114; Louisiana 103; South Dakota 99; Alabama 96; Tennessee 93; South Carolina 88; North Dakota 87; Missouri 66; Florida 62; and Texas 57.

**Check routing symbols.** The program inaugurated by the American Bankers Association and the Federal Reserve System in June 1945 to facilitate check collection by use of routing symbols made additional progress during 1949. A survey conducted as of December 1, 1949 showed that practically all banks handling a sizable volume of checks made extensive use of the routing symbols. It

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<sup>2</sup>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.



was also found that 67 per cent of all checks cleared through Federal Reserve Banks carried routing symbols in the approved location; this percentage compares with 58 on December 1, 1948.

#### BANK SUPERVISION BY THE FEDERAL RESERVE SYSTEM

On July 15, 1949, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Executive Committee of the National Association of Supervisors of State Banks, and the Board of Governors issued a joint statement announcing the adoption of certain changes in the bank examination and reporting procedure which had been followed by the supervisory agencies since July 1938. The revision provided for abandonment of Roman numerals II, III, and IV in the examiners' classification of bank assets, and the substitution of the terms "substandard," "doubtful," and "loss." It provided also for the discontinuance of the practice of appraising Group 2 securities on the basis of the 18-month average of market value and, instead, their appraisal at current market value. The purpose of the revision was the clarification and simplification of procedure in the interest of more uniform application. It did not involve a fundamental change in procedure nor signify any intention on the part of the supervisory authorities to become more severe in the classification of assets.

In accordance with the practice of previous years, a conference of the Vice Presidents in charge of bank examination and supervision at the several Federal Reserve Banks, and the chief examiners at such banks, was held in Washington in early 1949. The representatives of the Reserve Banks met with members of the Board of Governors and members of the Board's staff to consider current supervisory problems. Representatives of the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency also attended the conference. At the annual convention of the National Association of Supervisors of State Banks, held in Reno, Nevada, in October, effective discussions were held between representatives of the Board and officers of the bank examination departments of each of the Reserve Banks, who were in attendance at the convention.

During the year the Board continued to maintain formal and informal contacts on matters of mutual interest pertaining to bank

examination and supervision with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Executive Committee of the National Association of Supervisors of State Banks.

**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 1949 program for the examination of State member banks was practically completed.

**Bank holding companies.** During 1949 the Board authorized the issuance of two voting permits for limited purposes to holding company affiliates of member banks.

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 three organizations.

**Trust powers of national banks.** During the year 1949, 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 3 banks which previously had been granted certain trust powers. Trust powers of 22 national banks were terminated, 17 by voluntary liquidation or consolidation and 5 by voluntary surrender. At the end of 1949, there were 1,776 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.** During 1949 the Board approved two applications made by member banks pursuant to the provisions of Section 25 of the Federal Reserve Act for permission to establish foreign branches. Member banks opened three foreign branches in 1949, one each in China, Japan, and Thailand. Two of the three branches so established had been authorized in previous years. The types of banking operations conducted by branches in Germany and Japan continue to be restricted by the terms of the licenses issued by the occupation authorities.

At the end of 1949, seven member banks had in active operation a total of 92 branches in 23 foreign countries and possessions of the United States. Of the 92 branches, four national banks were operating 86, and three State member banks were operating 6. The foreign branches in active operation were distributed geographically as follows:

Latin America .....	46	England .....	10
Argentina .....	10	Far East .....	20
Brazil .....	8	China .....	2
Chile .....	2	Hong Kong .....	1
Colombia .....	3	India .....	2
Cuba .....	16	Japan .....	8
Mexico .....	1	Philippines .....	5
Panama .....	3	Singapore .....	1
Peru .....	1	Thailand .....	1
Uruguay .....	1	U. S. Possessions.....	11
Venezuela .....	1	Canal Zone .....	4
Continental Europe .....	5	Puerto Rico .....	7
Belgium .....	1	<b>Total .....</b>	<b>92</b>
France .....	1		
Germany .....	3		

There was no change during the year in the 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 four 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 affiliates or branches, one operates a branch in England and one in France, one operates a branch in France, and one has an English fiduciary affiliate.

During the year the Board's Division of Examinations examined the head office of The Chase Bank, 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. Currently the bank has a fiduciary affiliate in England, and operates one branch each in France, China, and Hong Kong. One branch formerly operated in China was closed during the year under the provisions of the Board's Regulation M, due to disturbed conditions. The Board approved in 1949 an extension for a period of 20 years of the bank's corporate existence, which would have expired in 1950.

Bank of America, New York, New York, an affiliate of Bank of America National Trust and Savings Association, San Francisco, California, was organized in late 1949 under the provisions of Section 25(a) of the Federal Reserve Act and chartered by the Board to engage in international or foreign banking.

#### CHANGES IN REGULATIONS OF THE BOARD OF GOVERNORS

**Discounts for and advances to member banks.** The Board's Regulation A, relating to discounts for and advances to member banks by Federal Reserve Banks, was amended effective February 17, 1949, to permit the discount of notes evidencing loans which are made pursuant to a commodity loan program of the Commodity Credit Corporation and are subject to a commitment to purchase by that Corporation. Provision also was made for the use of certificates of interest such as are issued by the Commodity Credit Corporation under its cotton loan program as security for advances to member banks. An obsolete provision concerning loans subject

to guarantees or commitments pursuant to Executive Order No. 9112 or the Contract Settlement Act of 1944 was eliminated.

**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 effective May 5, 1949, as to banks in reserve and central reserve cities, and effective May 1, 1949, as to other member banks, to reduce the required reserves against time deposits from 7.5 to 7 per cent for all member banks, and to reduce the required reserves against demand deposits from 26 to 24 per cent for central reserve city banks, from 22 to 21 per cent for reserve city banks, and from 16 to 15 per cent for other member banks.

In connection with the expiration on June 30, 1949, of the temporary authority of the Board to require increased reserves for member banks, Regulation D was amended effective June 30, 1949, as to banks in reserve and central reserve cities, and effective July 1, 1949, as to other member banks, to require reserves against time deposits of 6 per cent for all member banks, and reserves against demand deposits of 24 per cent for central reserve city banks, 20 per cent for reserve city banks, and 14 per cent for other member banks.

In August 1949, Regulation D was amended to reduce the required reserves of all member banks by 2 percentage points on demand deposits and 1 percentage point on time deposits. The reduction as to demand deposits became effective in one-half per cent amounts on August 11, 18, and 25, and September 1, 1949, for reserve and central reserve city banks, and in 1 per cent amounts on August 1 and 16, 1949, for other member banks. The reduction as to time deposits became effective August 11, 1949, for reserve and central reserve city banks, and on August 16, 1949, for other member banks.

**Trust powers of national banks.** The Board's Regulation F, relating to trust powers of national banks, was amended effective May 20, 1949, to provide that any security which is a direct obligation of the United States may be regarded as a readily marketable security within the meaning of Section 17, which relates to common trust funds.

**Check clearing and collection.** As stated in the Board's Annual Report for 1948, the Board's Regulation J, relating to the clearing and collection of checks by Federal Reserve Banks, was amended effective January 1, 1949, to permit conditional payment of checks and other cash items and the return of unpaid items on the following day.

**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 March 30, 1949, to reduce the margin requirements from 75 per cent to 50 per cent.

Effective May 1, 1949, Regulations T and U were amended to relax the provisions relating to substitutions of securities in undermargined accounts, and Regulation T was amended to simplify operations in special cash accounts. Effective May 16, 1949, 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.

Effective July 20, 1949, Regulations T and U were amended to remove margin requirements applicable to credit for financing the functions of specialists on securities exchanges designated by the Board as requiring suitable reports concerning the use of such credit; and the New York Stock Exchange was so designated, effective until further notice. Regulation T also was amended to relax requirements with respect to the period within which payment must be obtained for "when distributed" securities purchased in a special cash account.

**Consumer instalment credit.** The Board's authority to issue Regulation W, relating to consumer instalment credit, expired on June 30, 1949, and the regulation ceased to be operative after that date. As stated elsewhere in this report, the regulation had been amended effective March 7 and again effective April 27 to relax its requirements in various respects. Through these two actions, the standard maximum maturity for all credits under Regulation W became 24 months instead of 15 to 18 months, and the minimum down payment on listed articles such as furniture and appliances was

reduced from 20 to 10 per cent. The one-third down payment on automobiles remained unchanged. Articles costing less than \$100 were exempted from the regulation, compared with the previous exemption of articles costing less than \$50. Certain technical changes in the regulation were made, effective January 1 and March 7, 1949.

### HEARING

**Hearing under Clayton Antitrust Act.** As noted in the previous Annual Report, the Board, on June 24, 1948, issued its Complaint against Transamerica Corporation, San Francisco, California, together with a notice of 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.

The actual taking of testimony began in Washington on February 2, 1949, with the presentation of evidence on behalf of the Board. The hearings were conducted before a member of the Board, R. M. Evans, who had been designated by the Board as Hearing Officer. On February 15, 1949, the hearings were adjourned to San Francisco where they were reconvened on March 28, 1949. The Board's Solicitor rested his case on July 8, 1949. After an interval, during which certain motions were argued and a recess was taken, the hearing of evidence on behalf of the Respondent was begun on September 19, 1949. The hearing had not been concluded at the end of 1949.

### LEGISLATION

**Consumer instalment credit.** Under the terms of the Joint Resolution approved August 16, 1948, which authorized the Board to regulate consumer instalment credit during a period ending June 30, 1949, the Board's authority to regulate such credit expired on the latter date.

**Reserves of member banks.** The additional authority to increase member bank reserve requirements which was granted to the Board by an amendment to Section 19 of the Federal Reserve Act contained in the Joint Resolution approved August 16, 1948, expired on June 30, 1949.

**Salaries.** An Act approved October 15, 1949, in effect amended Sections 10 and 12B of the Federal Reserve Act by increasing the

rate of basic compensation of the members of the Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation from \$15,000 to \$16,000 per annum.

**International Bank obligations.** An Act approved June 29, 1949, amended Section 5136 of the Revised Statutes of the United States so as to remove restrictions upon national banks and State member banks with respect to dealing in and underwriting obligations issued by the International Bank for Reconstruction and Development, subject to the limitation that a bank's holdings of such obligations shall not exceed 10 per cent of its capital and surplus. The Act also amended the Bretton Woods Agreements Act to exempt from the provisions of the Securities Act of 1933, and the Securities Exchange Act of 1934, securities issued or guaranteed by the International Bank.

**Housing obligations.** The Housing Act of 1949, approved July 15, 1949, amended Section 5136 of the Revised Statutes of the United States so as to remove restrictions upon national banks and State member banks with respect to dealing in, underwriting, and purchasing for their own accounts certain obligations of local public agencies and public housing agencies secured by agreements with Federal housing authorities. The Act also amended Section 5200 of the Revised Statutes to provide that the limitations upon loans by a national bank to any one borrower shall not apply to similar obligations of such agencies.

**Real estate loans.** An Act approved October 25, 1949, amended Section 24 of the Federal Reserve Act, relating to real estate loans by national banks, to permit such banks to make loans on certain types of long-term leaseholds under rules and regulations prescribed by the Comptroller of the Currency, and also to permit them to finance the construction of military rental housing under Title VIII of the National Housing Act.

#### LEGISLATIVE PROPOSALS

**Bank holding companies.** In previous Annual Reports the Board has recommended legislation to provide more effective supervision and control of bank holding companies, including provisions controlling expansion and requiring the divorcement of activities unre-



lated to banking. Hearings on this subject were held by the Senate and House Committees on Banking and Currency of the 80th Congress and a bill recommended by the Board was reported favorably by the Senate Committee. Thereafter, the proposed legislation was discussed further with various interested groups and, with a number of changes which did not affect its basic objectives, was introduced in the present Congress.

**State member bank capital requirements.** Upon the recommendation of the Board, S. 2494 and H. R. 5749 have been introduced for the purpose of modifying the capital requirements for the admission of State banks to membership in the Federal Reserve System and for the establishment of out-of-town branches by State member banks. The present requirements prevent many sound banks with adequate capital from becoming members of the Federal Reserve System. They also tend to force State member banks which would like to remain in the System to withdraw from membership and operate as nonmember banks in order to establish branches. The proposed legislation would vest in the Board discretion 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 stock of \$50,000 (or \$25,000 for banks heretofore organized) would be required for membership.

**Federal Reserve branch buildings.** In 1947 the Board called attention to the fact that the need for more adequate building facilities at the branches of the Federal Reserve Banks could not be met because of a statute providing that in no case should the cost of the building proper (exclusive of vaults, permanent equipment, furnishings, and fixtures) exceed \$250,000. To meet the most urgent needs, the law was amended on July 30, 1947, to provide that this limit should not apply as long as the aggregate of such costs incurred thereafter with the approval of the Board was not in excess of 10 million dollars. This amount, however, has been inadequate to cover branch building programs which are necessary to efficient operation. Therefore, the Board has recommended legislation to increase the aggregate amount which may be used for this purpose.

## RESERVE BANK OPERATIONS

**Volume of operations.** On the whole, the volume of operations in the principal departments of the Federal Reserve Banks increased over the level of 1948. Most of the normal peacetime operations were in excess of previous years, but continuing the earlier post-war decline there was further contraction in operations as fiscal agents for the United States Treasury and other Government agencies. Table 5 on page 85 shows the volume of operations in the principal departments of the Federal Reserve Banks for each of the past five years.

Discounts and advances were less numerous in 1949 than in 1948, but greater in amount. The number of banks accommodated through rediscounts or advances in 1949 was 1,006 as compared with 1,166 in 1948. The amount of industrial loans declined but the number increased somewhat, and at the end of the year 1949 outstanding loans were higher than at any year-end since 1944. The volume of currency and coin received and counted and of checks handled set new records in 1949, although a decline was shown in the aggregate amounts of the currency and checks handled. For the fourth consecutive year there was a decrease in the number and aggregate amount of issues, redemptions, and exchanges of United States Government securities. Transfers of funds increased in both number and amount.

**Earnings and expenses.** Current earnings and expenses of the various Federal Reserve Banks in 1949 are given in detail in Table 6 on pages 86-87, and a condensed annual statement since 1914 for all the Reserve Banks combined is shown in Table 7 on pages 88-89. The table on page 62 summarizes the distribution of Federal Reserve Bank earnings for the year 1949 in comparison with 1948.

Current earnings of 316 million dollars in 1949 were 12 million more than in 1948. Current expenses increased by somewhat over 4 million dollars, and current net earnings were 239 million in 1949, as compared with 231 million for the previous year.

Net additions to current net earnings, resulting for the most part from net profits on the sale of Government securities, aggregated 28 million dollars as compared with 6 million in 1948. Transfers to reserves for contingencies totaled 40 million dollars, about the same as in 1948, and payments to the United States Treasury as

**EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS  
1949 AND 1948**

[In thousands of dollars]

Item	1949	1948
Current earnings.....	316,537	304,161
Current expenses.....	77,478	72,710
Current net earnings.....	239,059	231,451
Additions to current net earnings.....	31,664	6,517
Deductions from current net earnings.....	3,392	414
Net additions.....	28,272	6,103
Transferred to reserves for contingencies.....	40,394	40,421
Paid U. S. Treasury (interest on outstanding F. R. notes)....	193,146	166,690
Net earnings after reserves and payments to U. S. Treasury.....	33,791	30,443
Dividends paid.....	12,329	11,920
Transferred to surplus (Sec. 7).....	21,462	18,523

interest on outstanding Federal Reserve notes amounted to 193 million, or 26 million more than in 1948. The 6 per cent dividend to member banks on their holdings of capital stock of the Federal Reserve Banks, as required by the Federal Reserve Act, amounted to 12 million dollars. Remaining net earnings of 21 million dollars were transferred to the Section 7 surplus account.

**Holdings of loans and securities.** The table on page 63 presents a comparison of average holdings, earnings, and rates of interest on holdings of loans and securities of the Federal Reserve Banks during each of the past four years. Continuing the trend of the past few years, average holdings of United States Government securities in 1949 declined 2 billion dollars, the largest decrease for any year since 1946, the peak year. This reduction in Reserve Bank credit was made possible largely by decreases in the requirements for member bank reserves and in the volume of currency in circulation, which supplied member banks with additional reserve funds. Earnings on holdings of Government securities increased somewhat, despite the decrease in holdings, reflecting an increase from 1.39 per cent for 1948 to 1.60 per cent for 1949 in the average rate of interest received. Holdings of discounts and advances and

of industrial loans, and earnings from both these sources, declined from 1948.

## RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1946-49

[Dollar amounts in thousands]

Item and year	Total	Dis- counts and advances	Accept- ances pur- chased	U. S. Government securities direct and guaranteed	Indus- trial loans
Average daily holdings:					
1946.....	\$23,570,260	\$310,308	\$8,457	\$23,250,195	\$1,300
1947 <sup>1</sup> .....	22,552,491	218,755	384	22,331,740	1,612
1948 <sup>1</sup> .....	21,841,623	330,706	.....	21,509,321	1,596
1949 <sup>1</sup> .....	19,804,711	231,201	.....	19,572,664	846
Earnings:					
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
1949.....	315,754	3,472	.....	312,241	41
Average rate of interest (per cent):					
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
1949.....	1.59	1.50	.....	1.60	4.85

<sup>1</sup> Based on holdings at opening of business.

**Foreign transactions.** Continuing the upward trend which began in the latter part of 1947, total dollar and gold assets held by the Federal Reserve Banks for foreign account increased by about 700 million dollars net during 1949 to nearly 5 billion dollars. This net increase took the form largely of earmarked gold and dollar deposits, which rose by 482 million dollars and 124 million dollars, respectively. 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, on the other hand, declined by a moderate amount. This contrasted with a sharp net rise in 1947 and a relatively moderate increase in 1948. Combined assets held for foreign and international account amounted to around 8 billion dollars at the end of the year, or close to the peak reached in February 1947.

The demand for loans on gold by foreign central banks showed a

decline during the year. While outstanding loans had reached a peak of nearly 260 million dollars in August 1948, by the end of 1949 the total had receded to slightly less than 70 million. Loans had been outstanding to five central banks at the end of 1948; three of these banks retired their loans in full during 1949 and the other two are expected to liquidate their indebtedness within several months. New loans were made to two central banks, one of which had reduced its indebtedness by the end of the year, while the other was still indebted for the full amount. The policy with respect to loans on gold remains unchanged. It contemplates short-term advances for temporary, usually seasonal, dollar deficiencies; interest is at the discount rate of the Federal Reserve Bank of New York, which was  $1\frac{1}{2}$  per cent throughout 1949.

One regular foreign central bank account was opened during the year, and another account was opened by the Federal Reserve Bank of New York acting as fiscal agent of the United States. On the other hand, one wartime account which had been maintained for a foreign government was closed.

The Federal Reserve Bank of New York, in its capacity as United States depository for the International Bank and the International Monetary Fund, continued to perform a variety of services for those institutions, including the earmarking of gold, handling investments in United States Government securities, and holding securities in custody.

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. Its fiscal agency function for the Office of Alien Property of the Department of Justice in the administration of foreign funds control, however, was terminated on May 31, 1949.

**Bank premises.** In May 1949 the Board modified its postwar policy with respect to construction work at Federal Reserve Banks and branches to permit alterations and improvements necessary to provide satisfactory working conditions.

The Federal Reserve Bank of San Francisco was authorized to let contracts for buildings to house its Portland and Seattle Branches,

which are presently occupying leased quarters. Upon occupancy of these two new buildings, all Reserve Banks and branches will be housed in their own buildings for the first time in the history of the System. Authorization was given the Federal Reserve Bank of Chicago to erect an addition to and make substantial alterations in the Detroit Branch building.

Other building projects authorized by the Board in 1949 were the construction of a garage and other improvements to the St. Louis property of the Federal Reserve Bank of St. Louis and extension of the mezzanine floor and alterations in its Little Rock Branch building, modernization and extension of the air conditioning system in the head-office building of the Federal Reserve Bank of Kansas City, and air conditioning and other improvements to the building of the Baltimore Branch of the Federal Reserve Bank of Richmond.

Purchase of a lot forming a part of the land upon which the St. Louis Bank building is situated was consummated early in 1950. A strip of land contiguous to the Pittsburgh Branch property was purchased by the Federal Reserve Bank of Cleveland, with a view to constructing an addition to the present building. Property which had been acquired in 1945 as a building site for an annex to the Pittsburgh Branch was disposed of at a small profit.

Preparation of detailed plans and specifications was authorized during 1949 for an addition to the building of the Federal Reserve Bank of Richmond, for a new building to house the Jacksonville Branch of the Federal Reserve Bank of Atlanta, and for an addition to the Los Angeles Branch quarters of the Federal Reserve Bank of San Francisco.

The cost of bank premises owned by the Federal Reserve Banks is given in Table 9 on page 92.

#### 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 122.

The Chairmen and Deputy Chairmen at the Federal Reserve Banks were redesignated to serve as such for the year 1949, except for the following changes:

Warren F. Whittier, Agricultural Consultant, Chester Springs, Pennsylvania, who had served as a Class C director of the Federal Reserve Bank of Philadelphia since December 2, 1939, and as Deputy Chairman since July 1, 1941, on March 18, was designated Chairman and Federal Reserve Agent for the remaining portion of the year 1949.

C. Canby Balderston, Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pennsylvania, who had served as a Class C director of the Federal Reserve Bank of Philadelphia since April 8, 1943, on March 18, was appointed Deputy Chairman for the remaining portion of the year 1949.

A. Z. Baker, Chairman of the Board, The Cleveland Union Stock Yards Company, Cleveland, Ohio, who had been a Class C director of the Federal Reserve Bank of Cleveland since August 8, 1942, was appointed Deputy Chairman for the year 1949.

Charles P. McCormick, President and Chairman of the Board, McCormick & Company, Inc., Baltimore, Maryland, who had been a Class C director of the Federal Reserve Bank of Richmond since August 31, 1939, and Deputy Chairman since January 1, 1947, was designated Chairman and Federal Reserve Agent for the year 1949.

John B. Woodward, Jr., President and General Manager, Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia, was appointed Deputy Chairman of the Federal Reserve Bank of Richmond for the year 1949, after having been appointed a Class C director, effective January 1, 1949, for the unexpired portion of the term ending December 31, 1949.

Rufus C. Harris, President, The Tulane University of Louisiana, New Orleans, Louisiana, who had been a Class C director of the Federal Reserve Bank of Atlanta since January 28, 1938, was appointed Deputy Chairman for the year 1949.

F. J. Lunding, President, Jewel Tea Company, Inc., Barrington, Illinois, was appointed Deputy Chairman of the Federal Reserve Bank of Chicago for the year 1949, after having been appointed a Class C director for the term beginning January 1, 1949.

**Directors.** A list of the directors of the Federal Reserve Banks and branches as of the close of the year is shown on pages 123-35.

The Board of Governors made the following appointments of new directors either for terms beginning January 1, 1949, or to fill vacancies during the year:

*Class C Directors.* Philip T. Sharples, Chairman, The Sharples Corporation, Philadelphia, Pennsylvania, was appointed a Class C director of the Federal Reserve Bank of Philadelphia for the unexpired portion of the term ending December 31, 1951. Mr. Sharples assumed his duties on June 9.

L. L. Rummell, Dean, College of Agriculture, The Ohio State University, Columbus, Ohio, was appointed a Class C director of the Federal Reserve Bank of Cleveland for the term beginning January 1, 1949.

John B. Woodward, Jr., President and General Manager, Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia, was appointed a Class C director of the Federal Reserve Bank of Richmond, effective January 1, 1949, for the unexpired portion of the term ending December 31, 1949.

Paul E. Reinhold, President, Foremost Dairies, Inc., Jacksonville, Florida, was appointed a Class C director of the Federal Reserve Bank of Atlanta for the term beginning January 1, 1949.

F. J. Lunding, President, Jewel Tea Company, Inc., Barrington, Illinois, was appointed a Class C director of the Federal Reserve Bank of Chicago for the term beginning January 1, 1949.

*Branch Directors.* Ernest H. Hahne, President, Miami University, Oxford, Ohio, was appointed a director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for the term beginning January 1, 1949.

Sidney A. Swensrud, President, Gulf Oil Corporation, Pittsburgh, Pennsylvania, on February 3, was appointed a director of the Pitts-



burgh Branch of the Federal Reserve Bank of Cleveland for the unexpired portion of the term ending December 31, 1949.

John W. Taylor, President, University of Louisville, Louisville, Kentucky, was appointed a director of the Louisville Branch of the Federal Reserve Bank of St. Louis for the term beginning January 1, 1949.

James A. McCain, President, Montana State University, Missoula, Montana, was appointed a director of the Helena Branch of the Federal Reserve Bank of Minneapolis for the term beginning January 1, 1949.

G. Norman Winder, Rancher, Craig, Colorado, was appointed a director of the Denver Branch of the Federal Reserve Bank of Kansas City for the term beginning January 1, 1949.

**Change in First Vice President.** Mr. Charles B. Dunn resigned as First Vice President of the Federal Reserve Bank of Chicago effective November 1. Mr. Dunn had served as General Counsel of the Federal Reserve Bank of Chicago from January 1, 1934 to February 26, 1942, when he was appointed Vice President as well as General Counsel. He was appointed First Vice President effective October 25, 1945.

**Staff.** At the end of 1949, the total number of officers and employees of the twelve Federal Reserve Banks and their twenty-four branches was 17,967, representing a decline of 1,120 since the end of 1948. The total Reserve Bank personnel has declined each year 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 1942 was as follows:

1942	19,972	1946	21,430
1943	24,741	1947	19,364
1944	24,442	1948	19,087
1945	23,522	1949	17,967

#### BOARD OF GOVERNORS—STAFF

**Death of member of the Board.** Lawrence Clayton, who had been a member of the Board of Governors since February 1947, died on December 4, 1949. Mr. Clayton first became associated with the Board of Governors in December 1934, as Assistant to the Chair-

man of the Board, which position he held until the beginning of 1945 when he resigned to engage in private business.

**Staff.** On December 31, 1949, the Board's staff, exclusive of those on leave without pay, numbered 540, as compared to 517 at the end of 1948.

Frank A. Southard, Jr., resigned as Associate Director of the Board's Division of Research and Statistics effective February 28, 1949, to accept the appointment as United States Executive Director of the International Monetary Fund. Mr. Southard became associated with the Board on August 16, 1948, having previously served as Director of the Office of International Finance of the Treasury Department.

G. Howland Chase was appointed by the Board as Assistant Solicitor effective June 26, 1949. Mr. Chase became associated with the Board's Legal Division on May 2, 1932, and served in that Division until December 7, 1948, when he was appointed Attorney in the Office of the Solicitor.

Woodlief Thomas, who had been Director of the Board's Division of Research and Statistics since February 1945, was appointed to the newly created position of Economic Adviser to the Board, effective October 1, 1949. With the exception of a period during 1929 and 1930 when Mr. Thomas served with the Transfer Commission (Office for Reparations Payments) in Berlin, Germany, he has been engaged in research work for the Federal Reserve System since 1920, serving at various times with the Federal Reserve Bank of Philadelphia, the Federal Reserve Bank of New York, and the Board of Governors.

Ralph A. Young was appointed to succeed Mr. Thomas as Director of the Division of Research and Statistics. Mr. Young, who had been Associate Director of the Division since December 1947, joined the Board's staff as Assistant Director of the Division of Research and Statistics in March 1946, prior to which he had served for a number of years as Director of the Financial Research Program of the National Bureau of Economic Research and concurrently as Professor of Economics at the Wharton School of Business and Finance of the University of Pennsylvania.

## BOARD OF GOVERNORS—INCOME AND EXPENSES

The following table shows the income and expenses of the Board for the year 1949:

OPERATING SURPLUS, January 1, 1949 . . . . .	\$	311,169.60		
Adjustment in 1949 applicable to preceding years . . . . .		1,496.71	\$	312,666.31
<hr/>				
<b>INCOME:</b>				
Assessments on Federal Reserve Banks . . . . .		3,242,500.00		
Sale of <i>Federal Reserve Bulletin</i> . . . . .		13,673.02		
Sale of other publications . . . . .		21,766.49		
Miscellaneous . . . . .		4,618.74		3,282,558.25
				<hr/>
				3,595,224.56
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<b>EXPENSES:</b>				
Salaries . . . . .		2,262,124.51		
Retirement contributions—regular . . . . .		171,895.54		
Retirement contributions—special . . . . .		20,884.72		
Traveling expenses . . . . .		179,669.44		
Postage and expressage . . . . .		10,750.46		
Telephone and telegraph . . . . .		66,809.55		
Printing and binding . . . . .		144,576.61		
Stationery and supplies . . . . .		27,128.85		
Furniture and equipment, including rental . . . . .		47,896.64		
Books and subscriptions . . . . .		11,556.71		
Heat, light, and power . . . . .		33,045.68		
Repairs and alterations (building & grounds) . . . . .		7,399.19		
Repairs and maintenance (furniture & equipment) . . . . .		6,107.50		
Medical service and supplies . . . . .		1,521.87		
Insurance . . . . .		4,622.40		
<b>Miscellaneous:</b>				
Surveys of consumer finances . . . . .	\$	162,571.92		
Cafeteria (net) . . . . .		34,460.10		
Legal and consultant fees and expenses . . . . .		26,490.85		
All other . . . . .		53,104.71		
				<hr/>
				276,627.58
				<hr/>
				3,272,617.25
<hr/>				
OPERATING SURPLUS, December 31, 1949 . . . . .	\$			<u>322,607.31</u>

In addition to the foregoing, the Board made certain expenditures on a reimbursable basis for which it received reimbursements in 1949 as follows:

Printing Federal Reserve notes . . . . .	\$4,221,433.00
Leased wire service (telegraph) . . . . .	102,963.05
Leased telephone lines . . . . .	9,684.00
Federal Reserve Issue and Redemption Division (Comptroller of the Currency) . . . . .	98,550.20
Miscellaneous . . . . .	24,859.57

The accounts of the Board for the year 1949 were audited by the Auditor of the Federal Reserve Bank of Boston, who certified them to be correct.

## RESEARCH AND ADVISORY SERVICES

As in former years, the Board continuously studied the interrelationships between the banking and monetary situation and general economic developments. The areas analyzed included changes in both business and consumer incomes and expenditures, employment and unemployment, production and prices, Treasury financing, business financing and the market for equity capital, commercial bank loans, and the general financial position of business and consumers. Close attention was also given to economic and financial developments in foreign countries, including the relationships between developments in the United States and abroad.

From time to time members of the Board supplied Congressional committees with information concerning banking and monetary matters related to Federal Reserve responsibilities. Members of the Board's staff gave technical assistance to several Congressional committees engaged in investigating special monetary and economic problems, and participated in numerous governmental and private conferences relating to current and prospective economic conditions. Staff members also served on interdepartmental committees concerned with analyzing a wide range of economic developments and with improving and extending statistical and other information of value in analyzing economic tendencies. Among the projects with which the staff helped in this manner were the "Standard Industrial Classification Manual for Nonmanufacturing Industries," sponsored and published by the Bureau of the Budget; a discussion and training program for foreign experts, sponsored by the Organization for European Economic Cooperation, the Economic Cooperation Administration, and the Bureau of Labor Statistics; and a study of appropriate standards for industrial production indexes, sponsored and published by the United Nations.

The Board continued its sponsorship of the Survey of Consumer Finances—a comprehensive study in the field of noncorporate private finance. These surveys, made annually since 1946, have provided significant data on the distribution of consumer incomes, ownership and use of liquid and nonliquid assets, consumer saving, and housing expenditures and finance. The surveys have also provided information concerning the attitudes of consumers toward business conditions in general, their own financial status, and their

potential expenditures for houses, automobiles, and other types of durable goods. Results of the 1949 survey, conducted for the Board by the Survey Research Center of the University of Michigan, were published in the *Federal Reserve Bulletin* in a series of articles beginning in June 1949. Results of a supplementary survey, conducted in July 1949, were published in the October issue of the *Bulletin*. A fifth annual survey was begun in January 1950.

Work has continued on the project to develop estimates of money-flows for major sectors of the economy. Substantial progress was made in bringing accounts for most sectors up to date. For the banking sector a monthly series relating assets of the entire banking system to the money supply was initiated and since June 1949 has been released currently and later published in the *Federal Reserve Bulletin*.

Considerable progress was made during the year in assembling, revising, and tabulating an historical statistical series of the principal assets and liabilities of all banks in the United States, by class of bank and by State.

A general revision of the Board's Index of Industrial Production was undertaken in order to utilize new information provided by the 1947 Census and other sources. Further refinement of the Board's statistics on consumer credit was undertaken in 1949.

In December the Board published a pamphlet, *Distribution of Bank Deposits by Counties*, which gives separately the demand and the time deposits of individuals, partnerships, and corporations as of June 30, 1949. A similar pamphlet was last published in July 1948 with data as of December 31, 1947. The deposit figures supplement other information available on a county basis for analyzing local business conditions. Data for the latest pamphlet were prepared from bank and branch condition reports, which were obtained by the Comptroller of the Currency from national banks, by the Federal Reserve Banks from State member banks, and by the Federal Deposit Insurance Corporation from nonmember banks. Prior to 1949, branch condition reports were last obtained in 1941, and then for member banks only.

In October the Board issued an historical supplement to its monthly *Federal Reserve Chart Book on Bank Credit, Money Rates, and Business*. The book, as enlarged in a substantially revised edition

issued in March 1950, contains 113 pages of charts going back to at least 1919 in most cases and for longer periods in other cases.

The Board continued to work on problems involving United States policy decisions in the international economic and financial field. A large part of this work was related to the activities of the National Advisory Council on International Monetary and Financial Problems of which the Chairman of the Board is a member, and was carried out in close collaboration with the other agencies represented on the Council.

Representatives of the Federal Reserve System participated in the Second Conference of Central Bank Experts of the Western Hemisphere held in Santiago, Chile, in December, and the Board continued to cooperate in projects of an international nature by supplying members of its staff for assignments abroad. These included assisting the Government of Ceylon to prepare central bank legislation, giving advice on policy to the new Central Bank of the Philippines, making a preliminary survey of financial conditions in Korea for the Economic Cooperation Administration, assisting the International Bank for Reconstruction and Development to analyze economic and financial conditions in Germany and in Chile, and helping to prepare a report on the fiscal problems of Guatemala for the Government of that country. Members of the Board's staff assisted the Economic Cooperation Administration in work on specific problems from time to time and attended the meetings of ECA Finance Officers in Paris in April and November. The Director of the Board's Division of Research and Statistics spent three months in Europe visiting central banks and studying economic and financial conditions abroad. The Board facilitated the work of numerous officials of foreign central banks and governments and other persons who came to the United States on official business or to study American banking policies and practices or American methods of analyzing economic developments.

#### PUBLICATIONS AND RELEASES

There was a continuing demand for the Board's publications and releases during 1949. The volume of requests for the booklet entitled, **THE FEDERAL RESERVE SYSTEM—ITS PURPOSES AND FUNCTIONS**, made a second printing necessary. The mailing list for

articles relating to surveys of consumer finances expanded greatly, and 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.

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. Supplements in February, May, August, and November.

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

BANKING STUDIES (1941). Reprinted in March.

AMENDMENTS TO RULES OF ORGANIZATION AND RULES OF PROCEDURE (Board of Governors of the Federal Reserve System). Published in June.

RETAIL CREDIT SURVEY—1948. Published in July.

THIRTY-FIFTH ANNUAL REPORT OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM. Published in August.

PAR LIST. Complete list in August with monthly supplements.

HISTORICAL SUPPLEMENT TO FEDERAL RESERVE CHARTS ON BANK CREDIT, MONEY RATES, AND BUSINESS. Published in October.

REPLY OF THE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (To the Questionnaire of the Joint Congressional Committee on the Economic Report). Published in November.

THE FEDERAL RESERVE SYSTEM—ITS PURPOSES AND FUNCTIONS (1947). Reprinted in December.

DISTRIBUTION OF BANK DEPOSITS BY COUNTIES, June 30, 1949. Published in December.

#### FEDERAL RESERVE MEETINGS

The Federal Open Market Committee met in Washington on February 28, March 1, May 3, June 28, August 5, and December 13, 1949, 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 110-18 of this report.

A Conference of the Chairmen of the Federal Reserve Banks was held on May 28-30, 1949, and was attended by members of the Board of Governors.

The Conference of Presidents of the Federal Reserve Banks held meetings on February 25-26, May 2, November 2-4, and December 14, and the Board of Governors met with the Presidents on February 28, May 3, and December 14.

Meetings of the Federal Advisory Council were held on February 13-15, May 15-17, September 18-20, and November 13-15. The Board of Governors met with the Council on February 15, May 17, September 20, and November 15. 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.



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## TABLES

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**NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL)  
DECEMBER 31, 1949**
**ASSETS**

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

Interdistrict settlement fund.....	7,247,986	
Gold certificates on hand.....	1,015,444	
Gold certificates with Federal Reserve Agent.....	14,359,000	
Gold certificates on hand and due from U. S. Treasury.....		<b>22,622,430</b>
Redemption fund for Federal Reserve notes.....		<b>553,793</b>
Total gold certificate reserves.....		<b>23,176,223</b>
Other cash:		
United States notes.....	31,768	
Silver certificates.....	182,703	
Standard silver dollars.....	2,630	
National and Federal Reserve Bank notes.....	4,349	
Subsidiary silver, nickels, and cents.....	36,395	
Total other cash.....		<b>257,845</b>
Discounts and advances secured by U. S. Government securities:		
Discounted for member banks.....	8,259	
Discounted for others.....		8,259
Other discounts and advances:		
Discounted for member banks.....	86	
Foreign loans on gold.....	69,500	69,586
Total discounts and advances.....		<b>77,845</b>
Industrial loans.....		<b>2,070</b>
U. S. Government securities in System Open Market Account:		
Bills.....	4,829,247	
Certificates.....	6,275,450	
Notes.....	562,200	
Bonds.....	7,217,700	
Total U. S. Government securities.....		<b>18,884,597</b>
Total loans and securities.....		<b>18,964,512</b>
Due from foreign banks.....		<b>38</b>
Federal Reserve notes of other Federal Reserve Banks.....		<b>162,306</b>
Uncollected items:		
Transit items.....	2,740,285	
Exchanges for clearing house.....	168,593	
Other cash items.....	37,903	
Total uncollected items.....		<b>2,946,781</b>
Bank premises:		
Land.....		13,710
Buildings (including vaults).....	47,207	
Fixed machinery and equipment.....	18,248	
Total buildings.....	65,455	
Less depreciation allowances.....	45,427	20,028
Total bank premises.....		<b>33,738</b>
Other assets:		
Industrial loans past due.....	109	
Miscellaneous assets acquired account industrial loans.....	77	
Miscellaneous assets acquired account closed banks.....	43	
Total.....	229	
Less valuation allowances.....	166	
Net.....		63
Fiscal Agency and other expenses, reimbursable.....	2,468	
Interest accrued.....	62,334	
Premium on securities.....	30,443	
Deferred charges.....	1,413	
Sundry items receivable.....	2,212	
Real estate acquired for banking house purposes.....	2,006	
Suspense account.....	483	
All other.....	232	
Total other assets.....		<b>101,654</b>
Total assets.....		<b>45,643,097</b>

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

LIABILITIES

Federal Reserve notes outstanding (issued to Federal Reserve Banks) . . . . .	24,358,525	
Less: Held by issuing Federal Reserve Banks . . . . .	815,186	
Forwarded for redemption . . . . .	60,693	875,879
Federal Reserve notes, net (includes notes held by U. S. Treasury and by Federal Reserve Banks other than issuing Bank) . . . . .		<u>23,482,646</u>
Deposits:		
Member bank—reserve account . . . . .	16,568,088	
U. S. Treasurer—general account . . . . .	821,354	
Foreign . . . . .	766,521	
Other deposits:		
Nonmember bank—clearing accounts . . . . .	90,763	
Officers' and certified checks . . . . .	10,645	
Federal Reserve exchange drafts . . . . .	588	
International organizations <sup>1</sup> . . . . .	319,740	
All other . . . . .	328,533	
Total other deposits . . . . .	750,269	
Total deposits . . . . .		<u>18,906,232</u>
Deferred availability items . . . . .		<u>2,412,620</u>
Other liabilities:		
Accrued dividends unpaid . . . . .		
Unearned discount . . . . .	7	
Discount on securities . . . . .	7,099	
Sundry items payable . . . . .	1,994	
Suspense account . . . . .	219	
All other liabilities . . . . .	155	
Total other liabilities . . . . .		<u>9,474</u>
Total liabilities . . . . .		<u>44,810,972</u>

CAPITAL ACCOUNTS

Capital paid in . . . . .		210,891
Surplus (Sec. 7) . . . . .		488,173
Surplus (Sec. 13b) . . . . .		27,543
Other capital accounts:		
Reserves for contingencies:		
Reserve for registered mail losses . . . . .	7,518	
All other . . . . .	98,000	
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 . . . . .		<u>105,518</u>
Total liabilities and capital accounts . . . . .		<u>45,643,097</u>

<sup>1</sup> Includes such organizations as the International Bank for Reconstruction and Development and the International Monetary Fund.

<sup>2</sup> Amount in this account closed out at end of year.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1949 AND 1948

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948
<b>ASSETS</b>												
Gold certificates.....	22,622,430	22,335,430	865,183	757,179	7,250,198	7,390,440	1,208,508	1,011,054	1,539,111	1,442,156	1,087,376	971,500
Redemption fund for Federal Reserve notes.....	553,793	630,650	51,417	54,026	49,736	55,182	48,915	60,212	59,127	75,340	52,047	57,788
Total gold certificate reserves.....	23,176,223	22,966,080	916,600	811,205	7,299,934	7,445,622	1,257,423	1,071,266	1,598,238	1,517,496	1,139,423	1,029,288
Other cash.....	257,845	292,303	26,367	32,787	41,720	42,544	14,489	17,967	21,343	22,367	21,367	20,827
Discounts and advances:												
Secured by U. S. Govt. securities..	8,259	32,680	1,241	1,090	1,415	17,860	1,695	2,095	455	215	2,400	1,275
Other.....	69,586	190,125	4,378	11,978	21,962	60,840	5,560	15,400	6,394	17,492	3,406	9,316
Total discounts and advances.....	77,845	222,805	5,619	13,068	23,377	78,700	7,255	17,495	6,849	17,707	5,806	10,591
Industrial loans.....	2,070	832					1,885	767	1		100	65
U. S. Government securities:												
Bills.....	4,829,247	5,487,406	333,160	340,112	1,144,483	1,317,805	328,959	391,965	445,406	526,077	310,023	356,374
Certificates.....	6,275,450	6,077,569	432,931	408,558	1,487,219	1,457,291	427,471	484,121	578,791	582,657	402,865	394,702
Notes.....	562,200	790,550	38,785	53,144	133,236	189,560	38,296	56,469	51,852	75,790	36,092	51,341
Bonds.....	7,217,700	10,977,221	497,935	737,933	1,710,523	2,632,140	491,655	784,103	665,696	1,052,386	463,355	712,905
Total U. S. Govt. securities.....	18,884,597	23,332,746	1,302,811	1,539,747	4,475,461	5,596,796	1,286,381	1,666,658	1,741,745	2,236,910	1,212,335	1,515,322
Total loans and securities.....	18,964,512	23,556,383	1,308,430	1,552,815	4,498,838	5,675,496	1,295,521	1,684,920	1,748,595	2,254,617	1,218,247	1,525,978
Due from foreign banks.....	38	49	3	3	112	116	3	4	3	4	2	2
Federal Reserve notes of other Federal Reserve Banks.....	162,306	186,738	7,982	7,511	24,252	20,331	10,369	10,935	10,825	10,515	19,976	33,918
Uncollected items.....	2,946,781	2,860,271	225,098	239,342	546,227	507,095	172,456	173,597	267,302	290,167	291,047	243,580
Bank premises.....	33,738	32,348	1,129	1,185	7,872	8,023	2,987	3,053	4,936	4,867	2,470	2,557
Other assets.....	101,654	148,699	7,140	10,004	23,583	35,252	6,492	10,279	9,249	14,209	6,475	9,682
Total assets.....	45,643,097	50,042,871	2,492,749	2,654,852	12,442,438	13,734,379	2,759,740	2,972,021	3,660,491	4,114,242	2,699,007	2,865,832

<sup>1</sup> After deducting \$26,000 participations of other Federal Reserve Banks on Dec. 31, 1949, and \$33,000 on Dec. 31, 1948.

LIABILITIES												
Federal Reserve notes.....	23,482,646	24,161,103	1,397,144	1,421,708	5,430,282	5,582,297	1,632,189	1,662,531	2,050,079	2,144,650	1,580,160	1,657,802
Deposits:												
Member bank—reserve account...	16,568,088	20,479,200	711,482	859,338	5,347,438	6,701,274	788,335	951,233	1,185,987	1,510,027	708,359	848,901
U. S. Treasurer—general account...	821,354	1,122,900	69,946	85,223	255,479	184,745	63,750	104,176	66,722	104,469	62,147	69,937
Foreign.....	766,521	641,692	47,918	40,049	1,246,250	1,209,368	60,848	51,492	69,975	58,484	37,269	31,150
Other.....	750,269	547,252	7,750	6,025	464,380	430,976	5,131	6,060	9,162	12,347	43,503	5,918
Total deposits.....	18,906,232	22,791,044	837,096	990,635	6,313,547	7,526,363	918,064	1,112,961	1,331,846	1,685,327	851,278	955,906
Deferred availability items.....	2,412,620	2,319,336	204,434	193,312	446,138	390,869	143,300	134,949	201,506	213,208	223,472	212,326
Other liabilities including accrued dividends.....	9,474	10,652	718	642	2,303	2,670	557	674	979	1,086	518	624
Total liabilities.....	44,810,972	49,282,135	2,439,392	2,606,297	12,192,270	13,502,199	2,694,110	2,911,115	3,584,410	4,044,271	2,655,428	2,826,658
CAPITAL ACCOUNTS												
Capital paid in.....	210,891	201,351	12,001	11,364	72,425	69,333	15,084	14,681	19,432	19,073	9,223	8,717
Surplus (Sec. 7).....	488,173	466,711	30,778	29,347	148,149	143,019	38,205	36,704	45,957	43,968	23,779	22,417
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.....	105,518	65,131	7,567	4,833	22,275	12,509	7,852	5,032	9,686	5,924	7,228	4,691
Total liabilities and capital accounts.....	45,643,097	50,042,871	2,492,749	2,654,852	12,442,438	13,734,379	2,759,740	2,972,021	3,660,491	4,114,242	2,699,007	2,865,832
Contingent liability on acceptances purchased for foreign correspondents.....	10,507	3,329	662	210	3,319	1,065	841	270	967	306	515	163
Commitments to make industrial loans.....	2,288	1,643	.....	75	.....	.....	689	46	886	969	15	131
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent.....	24,358,525	25,127,171	1,452,244	1,492,676	5,598,022	5,749,057	1,681,577	1,730,992	2,143,118	2,234,859	1,647,486	1,732,817
Held by Federal Reserve Bank and forwarded for redemption.....	875,879	966,068	55,100	70,968	167,740	166,760	49,388	68,461	93,039	90,209	67,326	75,015
Federal Reserve notes, net <sup>1</sup> .....	23,482,646	24,161,103	1,397,144	1,421,708	5,430,282	5,582,297	1,632,189	1,662,531	2,050,079	2,144,650	1,580,160	1,657,802
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificates.....	14,359,000	13,579,000	440,000	460,000	4,670,000	4,870,000	750,000	550,000	1,000,000	745,000	670,000	625,000
Eligible paper.....	7,701	30,080	1,240	1,090	1,415	17,810	1,695	2,095	.....	.....	2,401	1,275
U. S. Government securities.....	10,800,000	12,200,000	1,100,000	1,100,000	1,000,000	1,000,000	1,000,000	1,200,000	1,150,000	1,500,000	1,000,000	1,150,000
Total collateral held.....	25,166,701	25,809,080	1,541,240	1,561,090	5,671,415	5,887,810	1,751,695	1,752,095	2,150,000	2,245,000	1,672,401	1,776,275

<sup>1</sup> After deducting \$520,250,000 participations of other Federal Reserve Banks on Dec. 31, 1949, and \$432,276,000 on Dec. 31, 1948.

<sup>2</sup> After deducting \$7,188,000 participations of other Federal Reserve Banks on Dec. 31, 1949, and \$2,264,000 on Dec. 31, 1948.

<sup>3</sup> 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 1949 AND 1948—Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948
<b>ASSETS</b>														
Gold certificates.....	995,700	1,059,483	4,375,007	4,371,528	686,840	669,692	424,248	470,419	828,480	827,337	685,083	574,293	2,676,696	2,790,349
Redemption fund for Federal Reserve notes.....	39,851	44,408	82,957	106,421	42,929	44,871	22,338	23,136	34,766	36,192	27,142	26,711	42,568	46,363
Total gold certificate reserves.....	1,035,551	1,103,891	4,457,964	4,477,949	729,769	714,563	446,586	493,555	863,246	863,529	712,225	601,004	2,719,264	2,836,712
Other cash.....	21,132	23,506	29,800	40,332	18,957	16,622	5,907	12,128	12,170	11,516	13,849	14,918	30,744	36,789
Discounts and advances:														
Secured by U. S. Govt. securities.....	29	35	125	2,300		500	49	175	850	7,035				100
Other.....	2,850	7,795	9,627	25,857	2,502	6,845	1,738	4,753	2,552	6,654	2,432	6,464	6,185	16,731
Total discounts and advances.....	2,879	7,830	9,752	28,157	2,502	7,345	1,787	4,928	3,402	13,689	2,432	6,464	6,185	16,831
Industrial loans.....							78							
U. S. Government securities:														
Bills.....	258,911	275,100	720,606	797,316	260,982	302,977	156,337	167,963	233,581	255,774	208,889	248,684	427,910	507,259
Certificates.....	336,446	304,687	936,404	863,550	339,138	335,561	203,156	186,029	303,530	283,281	271,444	275,429	556,055	551,703
Notes.....	30,141	39,633	83,890	112,328	30,382	43,648	18,200	24,198	27,193	36,848	24,318	35,827	49,815	71,764
Bonds.....	386,962	550,320	1,077,003	1,559,731	390,059	606,086	233,658	336,001	349,106	511,660	312,202	497,477	639,546	996,479
Total U. S. Govt. securities.....	1,012,460	1,169,740	2,817,903	3,332,925	1,020,561	1,288,272	611,351	714,191	913,410	1,087,563	816,853	1,057,417	1,673,326	2,127,205
Total loans and securities.....	1,015,339	1,177,570	2,827,655	3,361,082	1,023,063	1,295,617	613,216	719,119	916,812	1,101,252	819,285	1,063,881	1,679,511	2,144,036
Due from foreign banks.....	2	2	5	7	1	2	1	1	1	2	1	2	4	4
Federal Reserve notes of other Federal Reserve Banks.....	18,865	19,581	18,464	22,147	8,781	8,853	5,154	9,274	6,386	8,153	11,715	10,122	19,537	25,398
Uncollected items.....	211,621	180,309	435,849	464,344	171,468	160,762	79,245	73,484	163,207	154,841	134,637	126,991	248,624	245,759
Bank premises.....	1,523	1,574	3,514	3,191	1,926	1,941	1,146	1,177	2,323	2,386	717	756	3,195	1,638
Other assets.....	5,499	7,536	15,363	21,183	6,803	8,593	3,190	4,465	4,942	6,820	4,208	6,738	8,710	13,938
Total assets.....	2,309,532	2,513,969	7,788,614	8,390,235	1,960,768	2,206,953	1,154,445	1,313,203	1,969,087	2,148,499	1,696,637	1,824,412	4,709,589	5,304,274

LIABILITIES														
Federal Reserve notes.....	1,290,999	1,329,272	4,501,280	4,598,426	1,090,460	1,144,264	612,217	631,349	918,194	939,231	640,274	623,721	2,339,368	2,425,852
Deposits:														
Member bank—reserve account.....	685,366	874,451	2,627,072	3,121,362	611,854	776,122	394,920	506,653	768,824	942,409	814,892	967,561	1,923,559	2,419,869
U. S. Treasury—general account.....	50,493	75,302	56,269	114,069	31,881	84,998	36,733	74,130	44,989	80,835	40,242	71,341	42,703	73,675
Foreign.....	31,185	26,064	104,963	86,455	27,382	22,885	19,015	15,893	27,382	22,249	26,621	21,614	67,713	55,989
Other.....	31,948	3,939	12,519	10,925	29,880	10,236	4,997	2,842	35,695	3,133	31,700	3,053	73,604	51,798
Total deposits.....	798,992	979,756	2,800,823	3,332,811	700,997	894,241	455,665	599,518	876,890	1,048,626	913,455	1,063,569	2,107,579	2,601,331
Deferred availability items.....	182,689	171,763	370,515	353,456	136,306	138,815	63,781	61,750	141,514	131,455	111,613	108,995	187,352	208,438
Other liabilities including accrued dividends.....	454	490	1,679	1,753	474	563	354	381	396	457	325	418	717	894
Total liabilities.....	2,273,134	2,481,281	7,674,297	8,286,446	1,928,237	2,177,883	1,132,017	1,292,998	1,936,994	2,119,769	1,665,667	1,796,703	4,635,016	5,236,515
CAPITAL ACCOUNTS														
Capital paid in.....	8,240	7,874	26,885	25,480	6,894	6,693	4,709	4,472	7,379	6,968	8,456	7,852	20,163	18,844
Surplus (Sec. 7).....	21,194	20,028	72,029	68,842	19,118	17,974	12,494	11,797	18,045	17,008	15,873	14,954	42,552	40,653
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.....	6,202	4,024	13,974	8,038	5,998	3,882	4,152	2,863	5,532	3,617	5,334	3,596	9,718	6,122
Total liabilities and capital accounts.....	2,309,532	2,513,969	7,788,614	8,390,235	1,960,768	2,206,953	1,154,445	1,313,203	1,969,087	2,148,499	1,696,637	1,824,412	4,709,589	5,304,274
Contingent liability on acceptances purchased for foreign correspondents.....	431	136	1,450	453	378	120	263	83	378	117	368	113	935	293
Commitments to make industrial loans.....		288	54	31	500								144	103
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent.....	1,361,404	1,399,057	4,603,840	4,747,788	1,133,225	1,186,204	622,585	648,743	949,986	969,727	683,605	659,057	2,481,433	2,576,194
Held by Federal Reserve Bank and forwarded for redemption.....	70,405	69,785	102,560	149,362	42,765	41,940	10,368	17,394	31,792	30,496	43,331	35,336	142,065	150,342
Federal Reserve notes, net <sup>1</sup> .....	1,290,999	1,329,272	4,501,280	4,598,426	1,090,460	1,144,264	612,217	631,349	918,194	939,231	640,274	623,721	2,339,368	2,425,852
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificates.....	675,000	575,000	3,060,000	2,765,000	400,000	315,000	210,000	210,000	280,000	280,000	204,000	184,000	2,000,000	2,000,000
Eligible paper.....						500	50	175	900	7,035				100
U. S. Government securities.....	700,000	850,000	1,600,000	2,000,000	800,000	950,000	450,000	450,000	700,000	700,000	500,000	500,000	800,000	800,000
Total collateral held.....	1,375,000	1,425,000	4,660,000	4,765,000	1,200,000	1,265,500	660,050	660,175	980,900	987,035	704,000	684,000	2,800,000	2,800,100

<sup>1</sup> 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 1947, 1948, AND 1949**

[In thousands of dollars]

Type of issue	Rate of interest (Per cent)	December 31			Change during	
		1949	1948	1947	1949	1948
<b>Treasury bonds:</b>						
1948-50*	2			49,600		-49,600
1948-51	2½			100,500		-100,500
1948*	1¾			66,000		-66,000
1949-51*, June	2		102,360	4,700	-102,360	+97,660
1949-51*, Sept.	2		247,081	5,706	-247,081	+241,375
1949-51*, Dec.	2		170,365	18,551	-170,365	+151,814
1949-52	3½		24,525	32,000	-24,525	-7,475
1949-53	2½		72,600	77,600	-72,600	-5,000
1950-52*, Mar.	2	116,700	139,284	8,065	-22,584	+131,219
1950-52*, Sept.	2	400,000	421,524	57,261	-21,524	+364,263
1950-52, Sept.	2½	63,200	63,200	71,350		-8,150
1951-54	2½	41,500	61,175	86,400	-19,675	-25,225
1951-55	3	11,900	12,229	19,520	-329	-7,291
1951-53*	2	695,600	787,429	400,666	-91,829	+386,763
1951-53	2½		18,105	44,270	-18,105	-26,165
1951-55*	2	9,300	13,148	3,700	-3,848	+9,448
1952-54*, Mar.	2½	65,200	83,994	38,242	-18,794	+45,752
1952-54*, June	2	443,900	504,323	174,796	-60,423	+329,527
1952-55*, June	2½	110,100	130,603	50,236	-20,503	+80,367
1952-54*, Dec.	2	280,100	476,707	283,810	-196,607	+192,897
1953-55	2			16,238		-16,238
1954-56	2½			3,150		-3,150
1955-60	2½			30,545		-30,545
1956-58*	2½	36,700	83,461	63,269	-46,761	+20,192
1956-59*	2½	59,700	338,363	291,591	-278,663	+46,772
1956-59	2½			21,316		-21,316
1958-63	2½			11,725		-11,725
1959-62*, June	2½	483,800	991,121	55,524	-507,321	+935,587
1959-62*, Dec.	2½	807,300	929,097	113,693	-121,797	+815,404
1960-65	2½			63,250		-63,250
1962-67*	2½	28,100	181,670	16,260	-153,570	+165,410
1963-68*	2½	119,300	285,409	20,672	-166,109	+264,737
1964-69*, June	2½	29,000	161,276	8,437	-132,276	+152,839
1964-69*, Dec.	2½	220,100	359,980	13,328	-139,880	+346,652
1965-70*	2½	368,700	434,582	51,017	-65,882	+383,565
1966-71*	2½	34,700	100,668	3,152	-65,968	+97,516
1967-72*, June	2½	969,000	1,237,097	61,840	-268,097	+1,175,257
1967-72*, Sept.	2½	15,300	160,082	110,777	-144,782	+49,305
1967-72*, Dec.	2½	1,808,500	2,310,793	210,316	-502,293	+2,100,477
<b>Total Treasury bonds</b>		<b>7,217,700</b>	<b>10,977,221</b>	<b>2,852,869</b>	<b>-3,759,521</b>	<b>+8,124,352</b>
<b>Treasury notes*:</b>						
Sept. 15, 1948	1½			548,150		-548,150
Oct. 1, 1948	1			928,400		-928,400
Jan. 1, 1949	1½		244,050		-244,050	+244,050
Apr. 1, 1950	1¾	298,100	546,500		-248,400	+546,500
Mar. 15, 1954	1¾	264,100			+264,100	
<b>Total Treasury notes</b>		<b>562,200</b>	<b>790,550</b>	<b>1,476,550</b>	<b>-228,350</b>	<b>-686,000</b>
<b>Certificates*:</b>						
	¾			6,338,863		-6,338,863
	1			457,642		-457,642
	1½	1,803,000	4,550,372		-2,747,372	+4,550,372
	1¾	4,472,450	1,527,197		+2,945,253	+1,527,197
<b>Total certificates</b>		<b>6,275,450</b>	<b>6,077,569</b>	<b>6,796,505</b>	<b>+197,881</b>	<b>-718,936</b>
<b>Treasury bills*</b>		<b>4,829,247</b>	<b>5,487,406</b>	<b>11,433,410</b>	<b>-658,159</b>	<b>-5,946,004</b>
<b>Total holdings</b>		<b>18,884,579</b>	<b>23,332,746</b>	<b>22,559,334</b>	<b>-4,448,167</b>	<b>+773,412</b>

\* Taxable.

† Restricted as to commercial bank ownership.



**NO. 4—FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1943-49<sup>1</sup>**

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount
1943—Jan. 29.....	115	1943—Mar. 19.....	778	1943—Sept. 9.....	126
30.....	202	20.....	768	10.....	243
31*.....	202	21*.....	768	11.....	246
Mar. 2.....	3	22.....	603	12*.....	246
4.....	174	23.....	700	13.....	214
5.....	354	24.....	512	14.....	179
6.....	543	25.....	432	15.....	424
7*.....	543	26.....	384	16.....	258
8.....	591	27.....	304	1945—Mar. 15.....	4
9.....	648	28*.....	304	Dec. 4.....	107
10.....	632	29.....	104	5.....	318
11.....	790	30.....	40	6.....	374
12.....	940	June 15.....	805	7.....	484
13.....	1,043	16.....	659	8.....	484
14*.....	1,043	17.....	350	9*.....	484
15.....	1,302	18.....	256	10.....	202
16.....	1,250	19.....	212	1949—June 15.....	220
17.....	981	20*.....	212	16.....	127
18.....	836	Sept. 8.....	11		

<sup>1</sup> There were no issues during the years 1944, 1946, 1947, and 1948. Interest rate  $\frac{1}{4}$  per cent throughout.

\*Sunday or holiday.

**NO. 5—VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1945-49**

[Number in thousands: amounts in thousands of dollars]

	1945	1946	1947	1948	1949
<b>NUMBER OF PIECES HANDLED<sup>1</sup></b>					
Discounts and advances:					
Notes discounted and advances made.....	8	8	11	10	8
Industrial loans:					
Loans made.....	.3	.2	.3	.3	.4
Commitments to make industrial loans.....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Currency received and counted.	3,016,719	3,423,547	3,491,962	3,754,584	3,809,865
Coin received and counted.....	4,562,709	5,743,862	6,159,697	6,531,128	7,294,363
Checks handled:					
U. S. Govt checks.....	510,608	380,634	331,914	331,866	357,044
All other.....	1,341,342	1,597,377	1,668,651	1,780,185	1,847,807
Collection items handled:					
U. S. Govt coupons paid.....	18,292	20,192	19,003	17,417	16,334
All other.....	4,483	4,551	* 7,135	11,373	11,451
Issues, redemptions, and exchanges of U. S. Govt securities.....	382,067	245,904	177,351	164,556	151,103
Transfer of funds.....	939	1,059	1,148	1,220	1,232
<b>AMOUNTS HANDLED</b>					
Discounts and advances.....	34,778,804	20,133,819	17,234,926	19,138,175	20,216,071
Industrial loans:					
Loans made.....	14,043	3,445	9,296	15,994	4,005
Commitments to make industrial loans.....	2,350	8,845	6,069	2,187	4,130
Currency received and counted.	18,307,687	20,945,847	22,099,562	24,307,644	23,841,612
Coin received and counted.....	445,892	519,892	622,054	578,857	623,678
Checks handled:					
U. S. Govt checks.....	124,610,917	80,419,096	72,577,329	69,605,341	64,379,607
All other.....	563,498,349	651,457,054	719,630,054	799,771,839	758,342,771
Collection items handled:					
U. S. Govt coupons paid.....	2,348,172	2,817,311	2,491,424	2,379,155	2,303,038
All other.....	9,295,666	9,312,790	6,455,968	4,965,273	4,175,169
Issues, redemptions, and exchanges of U. S. Govt securities.....	302,353,553	278,422,685	254,060,950	321,953,221	289,312,802
Transfer of funds.....	223,490,280	252,991,164	316,459,625	393,459,807	415,887,444

<sup>1</sup> Two or more checks, coupons, etc., handled as a single item are counted as one "piece."

<sup>2</sup> Less than 50. <sup>3</sup> Increase reflects midyear change in method of counting items.

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1949

Item	System	Boston	New York	Phila- delphia	Cleve- land	Rich- mond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco
<b>CURRENT EARNINGS</b>													
Discounts and advances.....	\$3,471,924	\$181,165	\$1,425,130	\$196,459	\$285,904	\$197,358	\$110,509	\$418,125	\$133,749	\$68,198	\$175,421	\$86,360	\$193,546
Industrial loans.....	41,013			37,728	20	2,769				496			
Commitments to make in- dustrial loans.....	10,280	451		79	6,897	734	713	435			17		954
U. S. Government securities.....	312,240,932	21,419,245	74,083,054	21,269,717	28,798,075	20,042,917	16,734,213	46,578,291	16,872,994	10,104,928	15,098,534	13,506,250	27,732,714
All other.....	772,781	10,348	131,663	6,954	240,360	16,975	34,513	55,148	15,391	5,408	223,847	12,652	19,522
Total current earnings.....	316,536,930	21,611,209	75,639,847	21,510,937	29,331,256	20,260,753	16,879,948	47,051,999	17,022,134	10,179,030	15,497,819	13,605,262	27,946,736
<b>CURRENT EXPENSES</b>													
Operating expenses:													
Salaries:													
Officers.....	3,649,245	224,230	718,563	176,180	297,441	245,889	264,700	451,219	244,115	200,910	247,877	229,588	348,533
Employees.....	50,024,026	3,263,147	12,257,194	3,016,305	4,214,252	3,187,576	2,276,971	7,817,701	2,943,024	1,495,522	2,664,030	2,313,414	4,574,890
Retirement System con- tributions.....	5,292,429	338,648	1,246,846	309,532	442,256	353,927	258,983	824,887	306,939	153,594	299,676	256,407	500,734
Legal fees.....	18,907	68	23	1,053	8,568			1,212	6,598		1,220	2	163
Directors' fees and ex- penses.....	276,448	17,913	20,651	18,325	19,047	18,711	38,447	17,460	22,125	17,863	27,423	25,067	33,416
Federal Advisory Council, fees and expenses.....	22,164	1,540	1,372	1,424	1,518	1,110	2,283	1,976	1,293	1,950	2,019	2,496	3,183
Traveling expenses (other than of direc- tors and members of Federal Advisory Council).....	850,247	49,109	104,126	32,968	71,201	73,652	56,301	120,899	66,656	62,117	62,860	53,968	96,390
Postage and expressage.....	8,845,639	833,094	1,371,694	540,775	757,692	756,801	679,304	1,228,574	474,204	303,587	514,708	466,321	918,885
Telephone and telegraph.....	519,097	23,612	101,416	31,156	47,032	30,440	42,344	32,923	45,345	26,905	39,636	34,446	63,842
Printing, stationery, and supplies.....	3,686,535	328,275	683,692	218,841	267,725	208,009	236,198	654,627	257,068	101,447	216,506	189,532	324,615
Insurance.....	650,526	43,701	159,806	30,454	54,712	37,361	30,610	91,516	38,046	21,611	42,701	32,270	67,738
Taxes on real estate.....	1,937,416	203,253	482,167	91,436	215,922	87,096	79,760	301,363	80,521	98,688	105,724	49,577	141,909
Depreciation (building).....	1,940,323	55,832	261,866	66,352	244,966	115,160	50,607	176,790	110,472	31,406	105,601	41,309	79,962
Light, heat, power, and water.....	701,661	48,889	140,171	43,858	93,747	47,709	39,397	93,691	53,603	26,470	31,534	40,313	42,279
Repairs and alterations.....	835,401	25,407	62,208	31,494	203,635	78,743	27,345	160,121	59,524	57,226	69,612	24,219	35,867
Rent.....	271,011	1,262		7,849	4,868	7,608	19,915	68,541	6,490	1,268	13,732	9,944	129,534
Furniture and equipment, including rental.....	3,540,338	210,971	731,105	259,661	370,602	289,833	156,344	580,241	211,728	89,319	191,195	168,359	280,980
All other.....	1,313,481	96,349	177,731	78,276	247,784	62,210	65,919	161,354	87,598	90,426	71,626	61,588	112,620
Inter-Bank expenses.....		28,952	-314,334	36,764	42,279	22,518	18,842	63,418	16,544	11,489	16,544	16,084	40,900
Total operating ex- penses.....	83,774,894	5,794,252	18,206,297	4,992,703	7,605,247	5,624,353	4,344,270	12,848,513	5,031,893	2,791,798	4,724,224	4,014,904	7,796,440

Less reimbursement for certain fiscal agency and other expenses....	15,844,034	907,219	3,146,763	833,222	1,231,421	901,269	903,985	2,808,274	981,091	507,750	979,791	912,463	1,730,786
Net operating expenses..	67,930,860	4,887,033	15,059,534	4,159,481	6,373,826	4,723,084	3,440,285	10,040,239	4,050,802	2,284,048	3,744,433	3,102,441	6,065,654
Assessment for expenses of Board of Governors.....	3,242,500	203,600	1,022,800	260,300	298,100	161,000	133,800	446,200	117,300	80,800	117,200	113,000	288,400
Federal Reserve currency: Original cost.....	5,582,979	337,026	1,135,259	413,412	456,129	441,215	454,701	1,005,538	345,540	98,048	204,355	213,288	478,468
Cost of redemption.....	721,337	44,886	132,268	44,144	58,120	61,572	65,138	116,364	38,513	18,213	30,328	34,146	77,645
Total current expenses..	77,477,676	5,472,545	17,349,861	4,877,337	7,186,175	5,386,871	4,093,924	11,608,341	4,552,155	2,481,109	4,096,316	3,462,875	6,910,167

**PROFIT AND LOSS**

Current net earnings.....	239,059,254	16,138,664	58,289,986	16,633,600	22,145,081	14,873,882	12,786,024	35,443,658	12,469,979	7,697,921	11,401,503	10,142,387	21,036,569
Additions to current net earnings:													
Profits on sales of U. S. Government securities (net).....	31,361,686	2,125,355	7,652,704	2,272,116	2,961,697	1,995,190	1,638,435	4,268,571	1,646,280	912,889	1,499,577	1,395,483	2,993,389
All other.....	302,118	51,347	7,747	1,607	107,433	768	385	131,944	126	32	329	72	328
Total additions.....	31,663,804	2,176,702	7,660,451	2,273,723	3,069,130	1,995,958	1,638,820	4,400,515	1,646,406	912,921	1,499,906	1,395,555	2,993,717
Deductions from current net earnings:													
Charge-offs and special depreciation on bank premises.....	515,035	218,696			178,577			117,762					
Retirement System (adjustment for revised benefits).....	2,613,424	158,177	667,315	178,515	224,183	163,430	98,399	328,771	153,522	84,292	186,597	114,429	255,794
All other.....	263,473	203,729	2,615	590	1,348	5,128	6,240	36,737	1,096	358	1,239	790	3,603
Total deductions.....	3,391,932	580,602	669,930	179,105	404,108	168,558	104,639	483,270	154,618	84,650	187,836	115,219	259,397
Net additions.....	28,271,872	1,596,100	6,990,521	2,094,618	2,665,022	1,827,400	1,534,181	3,917,245	1,491,788	828,271	1,312,070	1,280,336	2,734,320
Transferred to reserves for contingencies.....	40,394,146	2,733,910	9,765,231	2,820,890	3,760,963	2,537,242	2,178,868	5,936,360	2,116,055	1,288,565	1,915,442	1,738,520	3,602,100
Paid U. S. Treasury (interest on outstanding Federal Reserve notes).....	193,145,837	12,877,827	46,165,513	13,510,438	17,903,138	12,261,570	10,490,252	28,681,442	10,294,486	6,268,253	9,328,916	8,272,076	17,091,926
Net earnings after reserves and payments to U. S. Treasury.....	33,791,143	2,123,027	9,349,763	2,396,890	3,146,002	1,902,470	1,651,085	4,743,101	1,551,226	969,374	1,469,215	1,412,127	3,076,863
Dividends paid.....	12,329,373	692,023	4,220,220	895,650	1,156,753	539,948	485,448	1,556,097	407,193	272,831	432,591	492,888	1,177,731
Transferred to surplus (Sec. 7) Surplus (Sec. 7), January 1..	21,461,770	1,431,004	5,129,543	1,501,240	1,989,249	1,362,522	1,165,637	3,187,004	1,144,033	696,543	1,036,624	919,239	1,899,132
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
Surplus (Sec. 7), December 31.	488,172,896	30,778,154	148,148,740	38,205,457	45,956,799	23,779,189	21,193,500	72,028,821	19,117,860	12,493,859	18,045,024	15,873,439	42,552,054

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-49

Bank and period	Current earnings	Current expenses	Net earnings before payments to U. S. Treasury <sup>1</sup>	Dividends paid	Franchise tax paid to U. S. Treasury <sup>2</sup>	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	22,312,244	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		86,772	8,366,350
1948.....	304,160,818	72,710,188	197,132,683	11,919,809			\$75,223,818		18,522,518
1949.....	316,536,930	77,477,676	226,936,980	12,329,373			166,690,356		21,461,770
							193,145,837		
Total—1914-49.....	2,699,036,159	1,132,479,332	1,482,184,244	278,959,256	149,138,300	2,188,893	435,060,011	* -3,658	<sup>4</sup> 616,841,442

Aggregate for each Federal Reserve Bank, 1914-49:									
Boston.....	181,642,341	80,516,232	96,756,479	19,236,765	7,111,395	280,843	28,983,673	+135,412	41,008,391
New York.....	734,068,904	270,029,230	452,896,407	95,640,049	68,006,262	369,115	104,342,496	-433,413	184,971,898
Philadelphia.....	202,317,585	83,836,016	115,688,226	24,923,287	5,558,901	722,406	31,366,631	+290,661	52,826,340
Cleveland.....	248,173,731	105,259,095	133,175,905	28,012,568	4,842,447	82,930	41,067,181	-9,907	59,180,686
Richmond.....	148,700,514	67,575,390	75,587,350	11,773,565	6,200,189	172,493	27,925,138	-71,516	29,587,481
Atlanta.....	131,221,475	55,465,890	68,343,648	10,069,265	8,950,561	79,265	22,773,535	+5,491	26,465,531
Chicago.....	375,082,879	151,810,221	208,091,413	32,693,889	25,313,526	151,045	62,552,014	+11,681	87,369,258
St. Louis.....	126,712,457	60,136,107	59,485,614	9,676,109	2,755,629	7,464	22,861,953	-26,514	24,210,973
Minneapolis.....	83,226,575	38,438,114	41,934,982	6,701,195	5,202,900	55,615	13,474,451	+64,875	16,435,946
Kansas City.....	129,481,758	65,131,593	59,397,404	9,396,589	6,939,100	64,213	20,829,874	-8,674	22,176,302
Dallas.....	104,430,416	50,511,720	49,014,486	9,223,606	560,049	102,083	18,867,159	+55,336	20,206,253
San Francisco.....	233,977,524	103,769,724	121,812,330	21,612,369	7,697,341	101,421	40,015,906	-17,090	52,402,383
Total.....	2,699,036,159	1,132,479,332	1,482,184,244	278,959,256	149,138,300	2,188,893	435,060,011	-3,658	616,841,442

<sup>1</sup> Current earnings less current expenses, plus other additions and less other deductions.

<sup>2</sup> The Banking Act of 1933 eliminated the provision in the Federal Reserve Act requiring payment of a franchise tax.

<sup>3</sup> On Dec. 31, 1949, 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).

<sup>4</sup> On Dec. 31, 1949, surplus (Sec. 7)—accumulated pursuant to Section 7 of the Federal Reserve Act—amounted to \$488,172,896 (\$616,841,442 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—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918-49 AND END OF MONTH 1949

[In millions of dollars]

End of year or month	Reserve Bank credit outstanding						Gold stock	Treas-ury cur-rency out-stand-ing	Money in cir-culation	Treas-ury cash hold-ings	Treas-ury de-posits with Federal Reserve Banks	Non-member deposits	Other Federal Reserve ac-counts	Member bank reserve bal-ances	
	Dis-counts and ad-vances	U. S. Govern-ment securities			All other <sup>1</sup>	Total								Total	Excess <sup>2</sup>
		Total	Bonds	Bills, certifi-cates, 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	33	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.....	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
1949—															
January.....	456	22,109	10,224	11,885	349	22,914	24,271	4,589	27,580	1,336	1,514	1,194	611	19,540	477
February.....	251	22,342	9,883	12,459	262	22,855	24,290	4,588	27,557	1,323	1,423	1,194	618	19,617	808
March.....	245	21,688	9,241	12,447	333	22,267	24,314	4,592	27,439	1,309	1,482	1,154	670	19,118	686
April.....	303	21,094	8,902	12,192	340	21,737	24,332	4,593	27,417	1,324	984	1,243	618	19,076	638
May.....	247	19,704	8,356	11,348	141	20,092	24,342	4,596	27,507	1,315	628	930	628	18,024	794
June.....	103	19,343	7,780	11,563	250	19,696	24,466	4,597	27,493	1,307	438	941	713	17,867	948
July.....	316	18,529	7,780	10,749	393	19,238	24,520	4,593	27,394	1,298	514	1,018	690	17,437	752
August.....	531	17,524	7,775	9,749	171	18,225	24,608	4,593	27,393	1,308	610	914	690	16,512	1,175
September.....	109	18,010	7,538	10,472	297	18,415	24,602	4,593	27,412	1,311	1,176	1,051	713	15,947	771
October.....	283	17,316	7,536	9,780	261	17,860	24,584	4,592	27,407	1,307	595	1,187	690	15,850	589
November.....	321	17,682	7,513	10,169	263	18,267	24,479	4,596	27,543	1,317	517	1,238	689	16,038	671
December.....	78	18,885	7,218	11,667	536	19,499	24,427	4,598	27,600	1,312	821	1,517	706	16,568	1,018

<sup>1</sup> Includes Government overdrafts in 1918, 1919, and 1920.

<sup>2</sup> Figures available only on call dates prior to 1929.

**NO. 9—BANK PREMISES OF FEDERAL RESERVE BANKS AND BRANCHES  
DECEMBER 31, 1949**

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	\$ 1,129,116
New York.....	5,215,656	12,183,528	4,835,045	22,234,229	6,667,687
Annex.....	592,679	1,451,570	215,418	2,259,667	828,798
Buffalo.....	255,000	465,707	.....	720,707	375,701
Philadelphia.....	1,884,357	4,463,369	920,743	7,268,469	2,986,586
Cleveland.....	1,295,490	6,464,253	1,639,034	9,398,777	2,280,817
Cincinnati.....	380,744	1,038,384	200,131	1,619,259	1,193,092
Pittsburgh.....	1,189,941	1,049,450	379,694	2,619,085	1,461,758
Richmond.....	271,924	2,101,178	663,667	3,036,769	1,037,981
Annex.....	80,333	482,482	109,132	671,947	139,014
Baltimore.....	250,487	1,247,262	331,970	1,829,719	885,925
Charlotte.....	105,701	291,175	154,449	551,325	406,669
Atlanta.....	283,000	1,461,474	308,082	2,052,556	712,021
Birmingham.....	124,137	330,680	65,491	520,308	131,775
Jacksonville.....	45,842	238,231	39,669	323,742	84,099
Nashville.....	48,000	211,616	35,091	294,707	96,345
New Orleans.....	277,078	762,455	212,281	1,251,814	499,062
Chicago.....	2,963,548	6,438,744	2,131,139	11,533,431	2,352,914
Detroit.....	1,022,064	1,301,593	160,241	2,483,898	1,161,281
St. Louis.....	1,355,374	2,126,302	1,320,670	4,802,346	1,313,604
Little Rock.....	85,007	240,733	151,092	476,832	185,013
Louisville.....	131,177	226,259	72,463	429,899	165,469
Memphis.....	128,542	287,468	105,662	521,672	262,048
Minneapolis.....	600,521	2,316,746	660,969	3,578,236	1,042,162
Helena.....	15,710	126,401	44,142	186,253	103,465
Kansas City.....	495,300	3,391,101	969,821	4,856,222	1,496,343
Denver.....	101,512	449,876	79,268	630,656	268,523
Oklahoma City.....	65,021	409,890	95,480	570,391	215,933
Omaha.....	176,427	397,938	94,548	668,913	342,574
Dallas.....	189,831	1,350,945	451,242	1,992,018	413,053
El Paso.....	39,003	114,644	30,191	183,838	42,311
Houston.....	78,812	313,335	112,111	504,258	147,609
San Antonio.....	75,002	159,743	55,859	290,604	113,553
San Francisco.....	412,996	3,144,407	784,102	4,341,505	879,629
Los Angeles.....	443,488	988,109	323,195	1,754,792	466,614
Portland.....	159,980	1,469,739	.....	629,719	629,719
Salt Lake City.....	114,075	341,449	84,814	540,338	217,210
Seattle.....	250,000	1,752,242	.....	1,002,242	1,002,242
<b>Total.....</b>	<b>22,450,485</b>	<b>63,133,081</b>	<b>18,499,063</b>	<b>104,082,629</b>	<b>33,737,715</b>

**OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES**

Boston.....	372,988	78,793	.....	451,781	239,600
New York.....	45,000	125,864	.....	170,864	62,600
Richmond.....	113,183	1,099	.....	114,282	78,849
Charlotte.....	10,868	.....	.....	10,868	10,868
Atlanta.....	35,000	.....	.....	35,000	35,000
Jacksonville.....	<sup>1</sup> 155,617	.....	.....	155,617	155,617
St. Louis.....	176,055	<sup>2</sup> 1,161,339	146,456	1,483,850	1,328,194
San Francisco.....	60,000	.....	.....	60,000	60,000
Los Angeles.....	35,000	.....	.....	35,000	35,000
<b>Total.....</b>	<b>1,003,711</b>	<b>1,367,095</b>	<b>146,456</b>	<b>2,517,262</b>	<b>2,005,728</b>

<sup>1</sup> Cost of building under construction; Branch occupies rented quarters.

<sup>2</sup> Includes building on site.

<sup>3</sup> Includes cost of remodeling in process.



**NO. 10—NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF FEDERAL RESERVE BANKS**

[December 31, 1949]

Federal Reserve Bank (Including branches)	President	Other officers		Employees <sup>1</sup>		Total	
	Annual salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston . . . . .	\$25,000	19	\$204,950	1,220	\$3,247,654	1,240	\$3,477,604
New York . . . . .	50,000	49	680,700	3,623	11,419,914	3,673	12,150,614
Philadelphia . . . . .	25,000	13	153,000	1,054	2,919,352	1,068	3,097,352
Cleveland . . . . .	25,000	29	276,150	1,657	4,117,352	1,687	4,418,502
Richmond . . . . .	25,000	23	226,400	1,222	3,047,963	1,246	3,299,363
Atlanta . . . . .	25,000	29	239,600	923	2,195,188	953	2,459,788
Chicago . . . . .	35,000	37	397,500	2,685	7,552,951	2,723	7,985,451
St. Louis . . . . .	25,000	26	229,300	1,070	2,798,683	1,097	3,052,983
Minneapolis . . . . .	25,000	23	205,750	614	1,488,597	638	1,719,347
Kansas City . . . . .	25,000	24	220,200	1,035	2,571,291	1,060	2,816,491
Dallas . . . . .	25,000	23	202,500	927	2,304,555	951	2,532,055
San Francisco . . . . .	25,000	35	328,400	1,595	4,406,898	1,631	4,760,298
<b>Total . . . . .</b>	<b>\$335,000</b>	<b>330</b>	<b>\$3,364,450</b>	<b>17,625</b>	<b>\$48,070,398</b>	<b>17,967</b>	<b>\$51,769,848</b>

<sup>1</sup> Includes 302 part-time employees.

NOTE.—During the year 1949, the Banks were reimbursed \$10,126,990 on account of salaries of officers and employees.

FEDERAL RESERVE SYSTEM

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

[Per cent per annum]

In effect December 31, 1949

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)	(1)	(1)	(1)	(1)	2½-5	1½-2	(1)	(1)	(1)	(1)
On remaining portion.....	(1)	(1)	(1)	(1)	(1)	(1)	2½-5	(1)	(1)	(1)	(1)	(1)
Commitments to make loans under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses.....	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½
To financing institutions.....	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½
Effective minimum buying rates on prime bankers' acceptances payable in dollars.....	(1)		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1-90 days.....		1½										
91-120 days.....		1¾										
121-180 days.....		1¾										

<sup>1</sup> Rate charged borrower by financing institution less commitment rate.

<sup>2</sup> Rate charged borrower, but not to exceed 1 per cent above the discount rate.

<sup>3</sup> Rate charged borrower.

<sup>4</sup> Financing institution is charged ¼ per cent on undisbursed portion of loan.

<sup>5</sup> 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. 12—MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Effective date of change	Net demand deposits <sup>1</sup>			Time deposits (All member banks)
	Central reserve city banks	Reserve city banks	Country banks	
1917—June 21.....	13	10	7	3
1936—Aug. 16.....	19½	15	10½	4½
1937—Mar. 1.....	22¾	17½	12¾	5¾
May 1.....	26	20	14	6
1938—Apr. 16.....	22¾	17½	12	5
1941—Nov. 1.....	26	20	14	6
1942—Aug. 20.....	24			
Sept. 14.....	22			
Oct. 3.....	20			
1948—Feb. 27.....	22			
June 11.....	24			
Sept. 16.....			16	7½
Sept. 24.....	26	22		7½
1949—May 1.....			15	7
May 5.....	24	21		7
June 30.....		20		6
July 1.....			14	6
Aug. 1.....			13	
Aug. 11.....	23½	19½		5
Aug. 16.....			12	5
Aug. 18.....	23	19		
Aug. 25.....	22½	18½		
Sept. 1.....	22	18		
In effect Jan. 1, 1950.....	22	18	12	5

<sup>1</sup> Demand deposits subject to reserve requirements, which beginning Aug. 23, 1935, have been total demand deposits minus cash items in process of collection and demand balances due from domestic banks (also minus war loan and series E bond accounts during the period Apr. 13, 1943–June 30, 1947)

<sup>2</sup> Requirement became effective at country banks.

<sup>3</sup> Requirement became effective at central reserve and reserve city banks.

NO. 13—MAXIMUM RATES ON TIME DEPOSITS

[Per cent per annum]

Type of deposit	Nov. 1, 1933 to Jan. 31, 1935	Feb. 1, 1935 to Dec. 31, 1935	In effect beginning Jan. 1, 1936
Savings deposits.....	3	2½	2½
Postal Savings deposits.....	3	2½	2½
Other time deposits payable:			
In 6 months or more.....	3	2½	2½
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 member banks as established by the Board of Governors under provisions of Regulation Q. Under this regulation 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. 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.

NO. 14—MARGIN REQUIREMENTS<sup>1</sup>

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

[Per cent of market value]

	Feb. 5, 1945– July 4, 1945	July 5, 1945– Jan. 20, 1946	Jan. 21, 1946– Jan. 31, 1947	Feb. 1, 1947– Mar. 29, 1949	Effective Mar. 30, 1949
Regulation T: For extensions of credit by brokers and dealers on listed securities . . . . .	50	75	100	75	50
For short sales . . . . .	50	75	100	75	50
Regulation U: For loans by banks on stocks . . . . .	50	75	100	75	50

<sup>1</sup> 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.

## NO. 15—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, and expired June 30, 1949, in accordance with Public Law 905, approved August 16, 1948

Type of credit	September 20, 1948– March 6, 1949		March 7, 1949– April 26, 1949		April 27, 1949– June 30, 1949	
	Minimum down payment <sup>1</sup> (Per cent)	Maximum maturity <sup>2</sup> (Months)	Minimum down payment <sup>1</sup> (Per cent)	Maximum maturity (Months)	Minimum down payment <sup>1</sup> (Per cent)	Maximum maturity (Months)
Instalment sales:						
Group A . . . . .	33½	15–18	33½	21	33½	24
Automobiles . . . . .						
Group B . . . . .	20	15–18	15	21	10	24
Other listed articles <sup>3</sup>						
Instalment loans:						
To purchase listed articles . . . . .	( <sup>4</sup> )	15–18	( <sup>4</sup> )	21	( <sup>4</sup> )	24
Other . . . . .		15–18		21		24

<sup>1</sup> Down payments determined after deduction of any trade-in, except in case of automobiles.

<sup>2</sup> 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.

<sup>3</sup> Other articles consisted of 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.

<sup>4</sup> Where credit was to purchase listed articles, requirements were same as on instalment sales of the respective articles.

NOTE: The regulation, amendments, and supplements thereto contained additional provisions and various exceptions to limitations not shown in this table.

NO. 16—ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES DURING 1949

	All banks	Commercial and stock savings banks and nondeposit trust companies					Mutual savings banks	
		Total	Member banks		Nonmember banks		Insured	Non-insured
			National	State member	Insured	Non-insured		
<b>Number of banks, Dec. 31, 1948</b>	<b>14,703</b>	<b>14,171</b>	<b>4,991</b>	<b>11,927</b>	<b>6,498</b>	<b>758</b>	<b>1,193</b>	<b>339</b>
Changes during 1949:								
New banks <sup>1</sup> .....	+73	+72	+12	+6	+42	+12	+1	.....
Suspensions.....	-4	-4	.....	.....	.....	-4	.....	.....
Consolidations and absorptions:								
Banks converted into branches.....	-59	-58	-24	-14	-20	.....	-1	.....
Other.....	-20	-19	-7	-3	-9	.....	-1	.....
Voluntary liquidations <sup>2</sup> .....	-12	-12	-2	.....	-2	-8	.....	.....
Other changes—net <sup>3</sup> .....	+6	+6	.....	.....	.....	+6	.....	.....
Interclass changes:								
Conversions—								
National into State.....	.....	.....	-2	+1	+1	.....	.....	.....
State into national.....	.....	.....	+7	-4	-2	-1	.....	.....
Federal Reserve membership: <sup>4</sup>								
Admissions of State banks.....	.....	.....	.....	+15	-12	-3	.....	.....
Withdrawals of State banks.....	.....	.....	.....	-11	+11	.....	.....	.....
Federal deposit insurance: <sup>5</sup>								
Admissions of State banks.....	.....	.....	.....	.....	+34	-34	.....	.....
Withdrawals of State banks.....	.....	.....	.....	.....	-1	+1	.....	.....
Net increase or decrease.....	-16	-15	-16	-10	+42	-31	-1	.....
<b>Number of banks, Dec. 31, 1949</b>	<b>14,687</b>	<b>14,156</b>	<b>4,975</b>	<b>11,917</b>	<b>6,540</b>	<b>727</b>	<b>1,192</b>	<b>339</b>
<b>Number of branches and additional offices,<sup>7</sup> Dec. 31, 1948</b>	<b>4,461</b>	<b>4,279</b>	<b>1,913</b>	<b>1,219</b>	<b>1,079</b>	<b>68</b>	<b>132</b>	<b>50</b>
Changes during 1949:								
De novo branches.....	+175	+158	+75	+47	+32	+4	+9	+8
Banks converted into branches.....	+59	+58	+27	+19	+11	+1	+1	.....
Discontinued.....	-12	-11	-1	-4	-3	-3	-1	.....
Other changes.....	+1	+1	.....	.....	+1	.....	.....	.....
Interclass branch changes:								
National to State member.....	.....	.....	-4	+4	.....	.....	.....	.....
State member to national.....	.....	.....	+1	-1	.....	.....	.....	.....
State member to nonmember.....	.....	.....	.....	-8	+8	.....	.....	.....
Nonmember to national.....	.....	.....	+1	.....	-1	.....	.....	.....
Nonmember to State member.....	.....	.....	.....	+12	-1	-11	.....	.....
Noninsured to insured.....	.....	.....	.....	.....	+6	-6	.....	.....
Net increase or decrease.....	+223	+206	+99	+69	+53	-15	+9	+8
<b>Number of branches and additional offices,<sup>7</sup> Dec. 31, 1949</b>	<b>4,684</b>	<b>4,485</b>	<b>2,012</b>	<b>1,288</b>	<b>1,132</b>	<b>53</b>	<b>141</b>	<b>58</b>
<b>Number of banking facilities<sup>8</sup> on Dec. 31, 1948</b>	<b>70</b>	<b>70</b>	<b>52</b>	<b>13</b>	<b>5</b>			
Established during 1949.....	+24	+24	+21	+1	+2			
On Dec. 31, 1949.....	94	94	73	14	7			

<sup>1</sup> 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."

<sup>2</sup> Exclusive of new banks organized to succeed operating banks.

<sup>3</sup> Exclusive of liquidations incident to the succession, conversion, and absorption of banks.

<sup>4</sup> An increase of seven, less one decrease. Seven industrial banks, eliminated from the series in 1947 since they were not authorized by State law to accept deposits, restored to series because law passed in 1949 authorizing acceptance of deposits. One institution, not engaged in banking business, eliminated from series.

<sup>5</sup> 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."

<sup>6</sup> 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 "interclass bank changes."

<sup>7</sup> Covers all branches and other additional offices at which deposits are received, checks paid, or money lent, except banking facilities that are shown separately.

<sup>8</sup> Banking facilities are provided through arrangements made by the Treasury Department with banks designated as depositories and financial agents of the Government at military and other Government establishments. These figures 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, 1949<sup>1</sup>**

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
<b>DISTRICT</b>										
Boston	485	318	485	318	329	247	156	71		
New York	894	896	894	896	768	827	126	69		
Philadelphia	836	150	836	150	640	113	196	37		
Cleveland	1,125	292	1,125	292	700	252	425	40		
Richmond	1,012	500	804	375	479	238	325	137	208	125
Atlanta	1,188	197	577	159	351	140	226	19	611	38
Chicago	2,490	594	2,490	594	1,001	240	1,489	354		
St. Louis	1,472	140	1,135	80	496	42	639	38	337	60
Minneapolis	1,278	110	678	69	478	26	200	43	600	41
Kansas City	1,749	10	1,740	10	756	6	984	4	9	
Dallas	1,022	47	914	38	623	24	291	14	108	9
San Francisco	500	1,308	500	1,308	266	1,232	234	76		
<b>Total</b>	<b>14,051</b>	<b>4,562</b>	<b>12,178</b>	<b>4,289</b>	<b>6,887</b>	<b>3,387</b>	<b>5,291</b>	<b>902</b>	<b>1,873</b>	<b>273</b>
<b>STATE</b>										
Alabama	225	23	129	23	92	23	37		96	
Arizona	9	51	9	51	5	38	4	13		
Arkansas	232	21	109	6	68	2	41	4	123	15
California	196	949	196	949	118	904	78	45		
Colorado	144	1	144	1	92	1	52			
Connecticut	109	36	109	36	63	31	46	5		
Delaware	38	15	38	15	17	5	21	10		
Dist. of Col.	19	41	19	41	15	32	4	9		
Florida	185	3	123	3	73	3	50		62	
Georgia	396	38	105	34	67	32	38	2	291	4
Idaho	43	53	43	53	25	48	18	5		
Illinois	887	3	885	3	505	3	380		2	
Indiana	488	100	488	100	236	44	252	56		
Iowa	663	164	663	164	161		502	164		
Kansas	610		608		215		393		2	
Kentucky	383	41	383	41	112	25	271	16		
Louisiana	162	72	59	49	46	43	13	6	103	23
Maine	63	69	63	69	38	37	25	32		
Maryland	164	115	164	115	77	77	87	38		
Massachusetts	178	169	178	169	142	153	36	16		
Michigan	441	225	441	225	231	173	210	52		
Minnesota	680	6	266	6	207	6	59		414	
Mississippi	202	64	40	12	31	5	9	7	162	52
Missouri	593		527		180		347		66	
Montana	111		111		84		27			
Nebraska	408	2	408	2	142	2	266			
Nevada	8	19	8	19	6	18	2	1		
New Hampshire	75	2	75	2	52	1	23	1		
New Jersey	329	151	329	151	281	136	48	15		
New Mexico	51	12	51	12	35	2	16	10		
New York	638	755	638	755	558	700	80	55		
North Carolina	211	194	97	74	54	39	43	35	114	120
North Dakota	150	22	63	6	43		20	6	87	16
Ohio	661	215	661	215	424	188	237	27		
Oklahoma	384	1	376	1	224	1	152		8	
Oregon	69	96	69	96	29	87	40	9		
Pennsylvania	972	181	972	181	742	153	230	28		
Rhode Island	18	45	18	45	10	32	8	13		
South Carolina	151	41	63	36	33	30	6	88	5	
South Dakota	169	48	70	23	62	20	8	3	99	25
Tennessee	294	87	201	74	82	58	119	16	93	13
Texas	900	5	843	5	571	5	272		57	
Utah	55	23	55	23	31	21	24	2		
Vermont	69	11	69	11	40	2	29	9		
Virginia	312	109	307	109	204	60	103	49	5	
Washington	122	133	122	133	53	126	69	7		
West Virginia	180		179		108		71		1	
Wisconsin	551	151	551	151	164	21	387	130		
Wyoming	53		53		39		14			

<sup>1</sup> Does not include mutual savings banks, on a few of which some checks are drawn, but does include 94 banking facilities (see footnote 8, Table 16). The difference in the number of member banks on Dec. 31, 1949 shown in this table and in Table 16 is due to the fact that this table excludes 2 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 103 banks and trust companies on which no checks are drawn.

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

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# APPENDIX

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## RECORD OF POLICY ACTIONS

### BOARD OF GOVERNORS

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FEBRUARY 17, 1949

**Amendments to Regulation A, Discounts for and Advances to Member Banks by Federal Reserve Banks.**

Effective February 17, 1949, Regulation A was amended to permit the discount by the Federal Reserve Banks of nonnegotiable notes evidencing loans made pursuant to commodity loan programs of the Commodity Credit Corporation, to provide for the use of certificates of interest issued by that Corporation under commodity loan programs as security for advances to member banks, and to eliminate a provision relating to certain loans guaranteed by the Government during World War II.

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

A requirement in Regulation A that notes must be negotiable in order to be discounted by the Federal Reserve Banks prevented the discount of notes evidencing loans made by banks pursuant to commodity loan programs of the Commodity Credit Corporation. Since some member banks which were restricting their holdings of these notes had indicated that they were influenced in part by delays in payment when the notes were tendered to the Commodity Credit Corporation and that it might be feasible for them to hold greater amounts of the notes if they were eligible for discount for temporary periods, one of the Reserve Banks proposed that Regulation A be amended to permit the discount of the notes. It was urged that the negotiability requirement could be safely waived in this instance and that such action might be helpful to member banks and their customers and reduce the need for direct loans by the Commodity Credit Corporation. Other Reserve Banks proposed that, in order to be of value in connection with loans under the cotton loan program of the Commodity Credit Corporation, the amendment also provide for advances to member banks at the regular discount rate on the security of certificates of interest issued by the Corporation under that program. It was recognized that the Reserve Banks probably would handle relatively little of this paper, but after consultation with the Reserve Banks and the Commodity Credit Corporation, it was deemed desirable to adopt these proposals.

A provision in Regulation A which waived the negotiability requirement in



connection with notes evidencing war production and contract termination loans guaranteed by the Government during World War II was eliminated because it had become obsolete.

MARCH 2, 1949

**Amendment to Regulation W, Consumer Instalment Credit.**

Mr. Vardaman moved that Regulation W be amended to provide for a maximum maturity of 21 months instead of 15 to 18 months on all listed articles and unclassified loans subject to the Regulation and for a minimum down payment on listed articles other than automobiles of 15 per cent instead of 20 per cent.

Mr. Clayton moved to amend Mr. Vardaman's motion to provide for a uniform maximum maturity of 18 months for instalment sales credits and for unclassified loans, and for down payments on listed articles other than automobiles of 15 per cent.

Votes for Mr. Clayton's motion: Mr. Clayton. Votes against: Messrs. McCabe, Eccles, Szymczak, Draper, and Vardaman.

Votes for Mr. Vardaman's motion: Messrs. McCabe, Szymczak, Draper, Vardaman, and Clayton. Votes against: Mr. Eccles.

To carry Mr. Vardaman's motion into effect, an amendment to Regulation W was approved by unanimous vote, effective March 7, 1949, to provide a maximum maturity of 21 months instead of 15 to 18 months on extensions of consumer instalment credit and to reduce down payments on listed articles other than automobiles from 20 per cent to 15 per cent. The amendment retained the  $33\frac{1}{3}$  per cent down payment requirement on automobiles and made two other minor changes in the Regulation.

The majority of the Board disapproved Mr. Clayton's motion because it was felt that current conditions called for a greater relaxation of the Regulation than his motion would provide. Mr. Eccles voted against both motions because he felt any relaxation of the Regulation at this time was premature.

The majority of the Board approved Mr. Vardaman's motion because they felt that action was called for by the changed conditions since the Regulation was reinstated on September 20, 1948. At that time economic conditions generally and in the specific lines covered by the Regulation were strongly inflationary. Consumer instalment credit was expanding at the rate of approximately 2 billion dollars a year and there was a substantial excess of money demands over the supply of consumers' durable goods. In the following five months some slackening in the rate of growth of instalment credit became evident accompanied by a reduction of sales particularly in the household

appliance field. Over the same period a considerable diminution of general inflationary pressures became evident.

The two minor changes were made to (1) exempt from the Regulation loans to finance residential units such as house trailers, and (2) provide a maximum maturity of 24 instead of 20 months on renewals of existing extensions of credit to avoid undue hardship in certain specified circumstances.

MARCH 28, 1949

**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."**

The supplements to Regulations T and U were amended, effective March 30, 1949, to reduce the margin requirements for registered securities in general accounts from 75 per cent to 50 per cent, these requirements to be applicable both to purchases of securities and to short sales.

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

This action was taken in the light of changes in business and credit conditions in recent months. There were increasing evidences that inflationary pressures were subsiding and that a readjustment from a highly inflationary situation was taking place. It was the view of the Board that, in these conditions, the time had arrived when action to reduce margin requirements should be taken.

APRIL 19, 1949

**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."**

Regulations T and U were amended, effective May 1, 1949, to relax the rules regarding withdrawals and substitutions in undermargined accounts, and Regulation T was further amended to clarify and relax somewhat the rules regarding "cash transactions."

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

These amendments were adopted for the purpose of facilitating and simplifying operations under the Regulations. Under the rule previously in effect, securities might be substituted in an undermargined account on the same day. The amendment restored the rule which had been in effect from 1938 to 1945, which allowed a customer, upon the sale of a security, to withdraw the margin required for the purchase of the security.

The changes in Regulation T in regard to "cash transactions" were largely

of a technical nature. The period of seven days within which payment must be obtained in the cash account was changed from seven calendar days to seven full business days. The amount owing in the cash account which a broker was authorized to disregard was increased from \$50 to \$100. Certain changes of a clarifying and relaxing character were made in the existing requirement that in the event of a security being purchased in a cash account and then for any reason sold or delivered to any broker or dealer without having been previously paid for in full by the customer, the customer for the succeeding 90 days must have cash in the account to cover any security he purchases.

APRIL 22, 1949

**Amendment to Regulation W, Consumer Instalment Credit.**

Effective April 27, 1949, Regulation W was amended to provide for a minimum down payment of 10 per cent on all listed articles other than automobiles and a maximum maturity of 24 months on all listed articles and unclassified loans subject to the Regulation, to increase to 27 months the maximum maturity of renewals of credit to prevent undue hardship in certain specified circumstances, and to provide for the exemption from the Regulation of all listed articles having a cash price of less than \$100 instead of less than \$50. The amendment did not change the requirement of a down payment of  $33\frac{1}{3}$  per cent on automobiles.

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

This further step in the liberalization of Regulation W was in conformity with the Board's policy of using flexibly credit and monetary authority entrusted to the Federal Reserve System. It was taken in view of the fact that most of the articles subject to the Regulation were in greater supply than was the case in 1948 and also of the further abatement of general inflationary pressures since the previous amendment to the Regulation.

APRIL 28, 1949

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

The Supplement to Regulation D was amended to reduce member bank reserve requirements against net demand deposits by two percentage points for banks in central reserve cities and one percentage point for other member banks, and to reduce reserve requirements against time deposits by  $\frac{1}{2}$  percentage point for all member banks, effective May 1, 1949 as to banks in nonreserve cities and May 5, 1949 at other banks.

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

In a press release dated April 28, 1949, the Board stated that the effect of

these decreases would be to lower the required reserves of banks in central reserve cities by approximately 500 million dollars, of banks in reserve cities by approximately 350 million dollars, and of banks in nonreserve cities by 350 million dollars. The reasons for taking this action were stated in the press release as follows:

“The present action was taken in furtherance of the Board’s policy of adjusting all of its credit regulations in accordance with changing economic conditions and the credit requirements of the current business situation. Since the first of the year there has been a decline of approximately one and one-half billion dollars in loans at member banks. About one billion of this decline has occurred at member banks in New York and Chicago—the central reserve cities. The remainder of the decline was largely at banks in reserve cities. In view of this trend of loans and the fact that requirements at the New York and Chicago banks had been increased from 20 to 26 per cent during 1948 the Board felt that it was appropriate at this time to reduce the requirements for the central reserve city banks somewhat more than for other member banks. We have frequently stated that credit regulations are not a one-way street. They should be tightened or relaxed as general economic conditions require.”

MAY 13, 1949

**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.”**

Regulations T and U were amended, effective May 16, 1949, to increase from 50 to 75 per cent the maximum loan value for securities acquired through the exercise of subscription rights, whether exercised by the original holder or by a purchaser of the rights. The amendments specified that such transactions should be set aside in a special account and that substitutions or withdrawals might not be made in the account. They also specified that no new credit might be granted to a customer on the preferential terms if such a credit had been outstanding more than nine months without being changed to the 50 per cent basis generally applicable under the Regulations.

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

This action was taken in order to facilitate the exercise of subscription rights on a basis which would encourage repayment within nine months of any credit extended in excess of that permitted under the regular provisions of the Regulations.

MAY 20, 1949

**Amendment to Regulation F, Trust Powers of National Banks.**

Regulation F was amended, effective May 20, 1949, to provide specifically that, for the purposes of Section 17 of the Regulation, relating to common trust funds, the term "readily marketable security" should include any security which is a direct obligation of the United States.

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

This action was taken by the Board for the reason that from time to time questions had arisen with respect to whether Series G United States Savings Bonds, which were redeemable but not salable, could be regarded as readily marketable securities for common trust fund purposes. While the classification of the bonds as readily marketable securities was consistent with the purposes of the pertinent provisions of Regulation F, the bonds did not appear to comply technically with the definition of the term "readily marketable security" contained in the Regulation, and, in order to clarify that situation, the Board amended the Regulation so as to specify that the term should include any direct obligation of the United States.

JUNE 29, 1949

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

The Supplement to Regulation D was amended to require that member banks maintain reserves with their Federal Reserve Banks as follows: banks in central reserve cities, 24 per cent of net demand deposits and 6 per cent of time deposits, effective June 30, 1949; banks in reserve cities, 20 per cent of net demand deposits and 6 per cent of time deposits, effective June 30, 1949; and banks not in central reserve or reserve cities, 14 per cent of net demand deposits and 6 per cent of time deposits, effective July 1, 1949.

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

This action was taken by the Board in order that reserve requirements would be within the statutory limitations that would be in effect after the expiration on June 30, 1949, of the temporary authority to increase reserve requirements which had been granted by Congress in August 1948. The changed requirements resulted in a reduction of approximately 800 million dollars in required reserves.

JULY 19, 1949

**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."**

Regulations T and U were amended, effective July 20, 1949, to remove margin requirements applicable to credit for financing the functions of "specialists" on an exchange designated by the Board. The amendment also made certain technical changes concerning "when distributed" securities.

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

The action with respect to specialists was in some respects similar to action in 1945 and again in 1946, when margin requirements regarding specialists had been held at 50 per cent as requirements were increased in general accounts from 50 per cent to 75 per cent and later to 100 per cent. Studies made in considering the amendment indicated that the specialist is subject to close regulation and supervision by his exchange and that in recent years total credit used by specialists has been small. The Board concluded that it would be reasonable to test the operation of such an amendment, which had been requested by the New York Stock Exchange as a means of improving the market, provided specialists were required to make certain reports to the exchange on which they operate. The New York Stock Exchange complied with these reporting requirements and the Board designated it as qualifying under the amendment.

The amendment with respect to "when distributed" securities was essentially one to simplify operations.

AUGUST 5, 1949

**Decreases 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 reduce reserve requirements in several steps, as follows:

<i>On net demand deposits:</i>	<i>Effective</i>
<i>Central reserve city banks</i>	
From 24 to 23½ per cent	August 11, 1949
From 23½ to 23 per cent	August 18, 1949
From 23 to 22½ per cent	August 25, 1949
From 22½ to 22 per cent	September 1, 1949
<i>Reserve city banks</i>	
From 20 to 19½ per cent	August 11, 1949
From 19½ to 19 per cent	August 18, 1949
From 19 to 18½ per cent	August 25, 1949
From 18½ to 18 per cent	September 1, 1949

*Nonreserve city banks*

From 14 to 13 per cent	August 1, 1949
From 13 to 12 per cent	August 16, 1949

*On time deposits:**Central reserve and reserve city banks*

From 6 to 5 per cent	August 11, 1949
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*Nonreserve city banks*

From 6 to 5 per cent	August 16, 1949
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Votes for this action: Messrs. McCabe, Eccles, Szymczak, Draper, and Clayton. Votes against this action: none.

The effect of these decreases was to lower the reserve requirements of banks in central reserve cities by approximately 500 million dollars, of banks in reserve cities by approximately 675 million dollars, and of banks in nonreserve cities by approximately 625 million dollars.

The reasons for this action were the same as those which prompted the action of the Federal Open Market Committee as recorded on page 115 of this report.

At a meeting of the Federal Open Market Committee just before this meeting of the Board it was stated that if the Federal Open Market Committee were willing to allow the System's holdings of short-term Treasury securities to go into the market in amounts sufficient to absorb the reserves that would be released by a reduction in reserve requirements, the Board of Governors would reduce reserve requirements by 2 percentage points of demand deposits and possibly 1 percentage point of time deposits of member banks to become effective on various dates. The Federal Open Market Committee concurred in the suggested program and accordingly the above action on reserve requirements was taken by the Board. The purpose of this combined action was to increase the ability of banks to meet credit demands, but to avoid sharp decreases in short-term money rates by providing banks with short-term securities for investment of surplus funds pending other demands.

OCTOBER 10, 1949

**Proposed Change in Rate on Discounts and Advances to Member Banks under Sections 13 and 13a of the Federal Reserve Act.**

The Board informed the Federal Reserve Bank of New York that it was not prepared to approve a reduction from  $1\frac{1}{2}$  per cent to  $1\frac{1}{4}$  per cent in the rate on discounts and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

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

On September 15, 1949, the directors of the Federal Reserve Bank of New York voted, subject to review and determination of the Board of Governors of the Federal Reserve System, to reduce the rate on discounts and advances to member banks as indicated above, stating that the action was taken in the light of need and appropriateness with respect to the existing structure of interest rates in the market resulting from prior reductions of reserve requirements and open market operations, and with a view to helping retain initiative with respect to the domestic situation and international developments. The New York Bank believed that the reduction should be announced on Friday, September 16, effective Monday morning, September 19.

The proposed rate reduction was considered at a meeting of the Board on Friday, September 16, at which time the members of the Board present did not feel that the underlying economic and credit situation called for a reduction. For that reason, it was agreed that the New York Bank should be informed that action by the Board on the new rate would be deferred until the following week to afford an opportunity to discuss the matter further. Over the ensuing week end, the devaluation of the British pound was announced. During the next week the proposal was given special consideration by the Board and there was a division of opinion as to whether the reduction should be approved. The matter was also discussed with the Presidents of all of the Federal Reserve Banks and at meetings of the executive committee of the Federal Open Market Committee and of the Board with the Federal Advisory Council. On September 21, the New York Bank was informed that action was being again deferred. On September 22, the Bank reaffirmed its proposal to reduce the rate and was again advised by the Board that action was being deferred. On October 6, the New York Bank acted a third time to reduce the rate and in its advice to the Board indicated that if the Board did not approve the reduction the Board of Directors of that Bank contemplated acting at future meetings to reestablish the existing rate unless and until there were further changes in the situation which would affect possible discount rate policy. At a meeting of the Board of Governors on October 7, it was decided to inform the New York Bank that the Board was not prepared at that time to approve the reduced rate but that the matter would be given further consideration at a meeting early in the following week and if there were any change in the Board's position the Bank would be advised.

On October 10, it was agreed unanimously by the Board that the reduction in the rate should not be approved for the following reasons: The upturn in economic activity and in credit expansion during recent weeks had been sufficiently general to suggest the possibility of a resumption of inflationary conditions later on and the situation then existing was not one that needed the stim-



ulation of a lower discount rate. The elements that might be most depressing to the economy, such as existing or prospective strikes in the coal, steel, railroad, and automobile industries were not monetary in character and their effects could not be corrected by monetary action. While foreign currency devaluation might tend to have a depressing effect on commodity prices in this country and might cause some hesitation on the part of buyers in making commitments, there was no evidence that such tendencies were appearing. Under the circumstances, it seemed inadvisable for the System to indicate a belief that the effect of devaluation would be depressing.

OCTOBER 10, 1949

**Changes in Rules for Uniform Application by Federal Reserve Banks in Waiving Penalties for Deficiencies in Reserves of Member Banks.**

The rules prescribed by the Board of Governors under which the Federal Reserve Banks are authorized to waive penalties for deficiencies in reserves of member banks were liberalized somewhat, effective October 10, 1949. The principal provisions of the revised rules permit waiver of penalties (1) to the extent that a deficiency in a given reserve computation period is offset by excess reserves during the immediately following reserve computation period, provided that the deficiency does not exceed 2 per cent of the member bank's required reserves, (2) to the extent that a deficiency during a reserve computation period ending on a nonbusiness day is offset by the inclusion of that day in the next reserve computation period.

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

As was the case with previous revisions of these rules, this further liberalization authorizing the Federal Reserve Banks in their discretion to waive penalties was adopted in recognition of the fact that a member bank sometimes has difficulty in avoiding a deficiency within the prescribed weekly or semimonthly reserve computation period. It was felt that if, in the circumstances described, a nominal deficiency in one computation period was made up during the immediately succeeding period, the requirements of law with respect to reserves would be complied with and at the same time the number of occasions on which member banks would have to pay deficient reserve penalties would be reduced. In taking this action, the Board emphasized that the law contemplates that member banks should make an attempt to hold and maintain the prescribed reserve balances from day to day, making allowances for unforeseen fluctuations in deposits and reserves, even though penalties are assessed on daily average deficiencies over prescribed periods.

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## RECORD OF POLICY ACTIONS FEDERAL OPEN MARKET COMMITTEE

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MARCH 1, 1949

(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 a term of one year beginning March 1, 1949—was held on February 28, 1949, for the purpose of ratifying actions which had been taken under existing policies and of discussing developments in the monetary and credit situation since the last meeting of the Committee. No policy actions were taken at that meeting.)

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

The following direction to the executive committee which, except for one change, was in the same form as the direction issued at the meeting on November 30, 1948, 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 changing economic conditions and 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, Chairman; Sproul, Vice Chairman; Clayton, Draper, Earhart, Eccles, Gidney, Leach, McLarin, Szymczak, and Vardaman. Votes against this action: none.

Throughout the entire year 1948 the Federal Open Market Committee followed a policy of limiting the availability of bank reserves, as a means of restraining the expansion of bank credit in an inflationary situation, and at the same time continued its policy of maintaining stable and orderly conditions in the Government securities market. At the time of the meeting of the Committee on November 30, 1948, the downward pressure on prices in the long-term Government security market had eased and, although the economy continued to operate at a high level, the outlook for total expenditures was obscure because increases were expected in Government expenditures while reductions might occur in consumer and business demands.

In the interim following the November meeting economic developments had shown a further and more general tendency toward relaxation of inflationary pressures. The underlying situation indicated the probability of either a period of stability in demand and production or a moderate downturn accompanied by downward movements in prices and production. While a period of healthy readjustment appeared to be the more likely probability, there were a number of important uncertainties in the situation which made it difficult to forecast which way the economy would turn. A more detailed discussion of the outlook during this period is contained in the Annual Report of the Board of Governors for the year 1949 of which this record is a part.

There had also been further discussions with representatives of the Treasury, during the three-month period since the previous meeting, relating to short-term rates of interest, the retirement of maturing Government debt, steps that might be taken to encourage investment and reinvestment in savings bonds, and other matters involved in the determination of open market and debt management policy.

When this meeting was held the Committee felt that, because of the uncertainties in the situation, it should replace the existing policy of exercising restraint on credit expansion with a policy which would relax such restraint without following an aggressive easy money policy. This decision was reached with the understanding that consideration was being given by the Board of Governors and the Federal Reserve Banks to what should be done through the medium of discount rates, consumer credit regulation, margin requirements, and changes in reserve requirements so that the entire credit policy of the System would be consistent and free to stand or to move in either direction depending on developments that might occur.

The above direction was issued to enable the executive committee to carry out the new policy. The direction was in the same form as that issued at the meeting of the Committee on November 30, except for one change which made it clear that the policy was adopted in the light of changing economic conditions as well as the existing general credit situation.

MAY 3, 1949

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

The following direction to the executive committee which was in the same form as the direction issued at the meeting of the Committee on March 1, 1949, 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 changing economic conditions and 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. Sproul, Vice Chairman; Clayton, Draper, Earhart, Eccles, Gidney, Leach, McLarin, Szymczak, and Vardaman.

Votes against this action: none.

At the time of this meeting economic developments had shown a sufficiently broad and consistent downward movement to justify the expectation of a continued modest recession for some months to come. Although the decline in employment, production, and prices from the high levels reached in 1948

had been relatively small, the outlook was for even further declines. In reviewing the entire matter at this meeting, at which consideration was also given to the recommendations to be made to the Treasury with respect to Treasury financing, it was felt that the downward readjustments that had taken place were desirable and in the interest of more stable economic conditions and that, with national economic policies operating to cushion such declines, the movement would not be more than a moderate one. It appeared, however, that the policies of the System should now be directed toward somewhat easier credit conditions to assist in keeping the movement from going too far.

As referred to elsewhere in this report, a number of actions in this direction had been taken by the Board of Governors before this meeting of the Committee was held. Effective early in May reserve requirements of member banks were reduced; Regulation W was amended effective March 7 and April 27 to reduce the maximum maturities and down payments required in connection with consumer instalment loans; and Regulations T and U were amended effective March 30 to reduce the margin requirements prescribed therein from 75 to 50 per cent.

The above direction was adopted by the Committee as a part of this program. It provided for an increase from 2 billion dollars to 3 billion dollars in the authority of the executive committee to increase or decrease the total amount of securities in the System account because it was felt that, in view of prospective market developments before another meeting of the full Committee, it would be desirable for the executive committee to have the increased authority.

JUNE 28, 1949

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

The following direction to the executive committee which, except for one change, was in the same form as the direction issued at the meeting on May 3, 1949, 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 changing economic conditions and the general credit situation of the country, for the practical administration of the account, for the maintenance of 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. McCabe, Chairman; Sproul, Vice Chairman; Clayton, Draper, Earhart, Eccles, Evans, Gidney, Leach, McLarin, Szymczak, and Vardaman. Votes against this action: none.

By late June the decline in business activity had gone further than had been considered likely at the beginning of the year and there were indications that it would go somewhat further. On the date of this meeting it was clear that Congress would not extend the temporary authority of the Board of Governors to increase reserve requirements of member banks and that the lapse of this authority at the end of June would reduce reserve requirements of member banks by about 800 million dollars and, therefore, would have a substantial easing influence on the money market. It was also clear that Congress would not extend the temporary authority of the Board for the regulation of consumer instalment credit which would result in greater availability of credit in this field.

It was agreed at this meeting that the easing influence of the reduction of 800 million dollars in reserve requirements should be permitted to make itself felt in the market, and that open market operations should be so conducted, in the light of developments after the reduction in reserve requirements became effective on July 1, as to continue the System's policy of monetary ease. The direction set forth above was adopted for that purpose. The only change from the previous direction was in the reference to orderly conditions as distinguished from stable and orderly conditions in the Government security market.

This was a significant change in the direction and grew out of the suggestion that the declines in business activity that had taken place and the credit policy being currently followed by the Federal Reserve System afforded the Federal Open Market Committee an opportunity to adopt a more flexible policy, first with respect to the general business and credit situation, and second, with respect to support of the Government security market. Discussions at this meeting were in the light of further conferences that had been held by representatives of the Committee with the Secretary of the Treasury in which the view was expressed that the time had arrived when the Federal

Open Market Committee should begin to determine its policies on the basis of the general business and credit situation and orderly conditions in the Government security market, without attempting to maintain a relatively fixed pattern of prices and yields on United States Government securities. Under existing conditions, the revised policy contemplated increased availability of reserve funds and some further decline in rates, and in all conditions somewhat freer movements in prices and yields in the Government security market. The members of the Committee were favorable to such a change in existing policy. The statement issued to the press in connection with this change was as follows:

The Federal Open Market Committee, after consultation with the Treasury, announced today that with a view to increasing the supply of funds available in the market to meet the needs of commerce, business, and agriculture it will be the policy of the Committee to direct purchases, sales, and exchanges of Government securities by the Federal Reserve Banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the Government security market and the confidence of investors in Government bonds will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased.

AUGUST 5, 1949

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

The following direction to the executive committee, which was in the same form as the direction issued at the meeting of the Committee on June 28, 1949, 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 changing economic conditions and the general credit situation of the country, for the practical administration of the account, for the maintenance of 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. Sproul, Vice Chairman; Clayton, Draper, Earhart, Eccles, Gidney, Leach, and McLarin. Votes against this action: none.

During July the decline in business activity continued for the eighth consecutive month. The decline had been orderly and, because of supporting factors in the economy with high levels of activity in some segments, had been relatively mild. The outlook was for a continued high level of activity with a likelihood of some moderate increase in the immediate future. It was not clear, however, whether the corrections that had been made had been sufficient to prevent further declines over a longer term period. The indications were that present credit policy should be one of continued monetary ease as one means of encouraging a high level of business activity while at the same time avoiding conditions of such ease as would prevent needed adjustments in the economy or would encourage undue expansion.

At this meeting it was stated that, if the Federal Open Market Committee should be willing to allow the System's holdings of Treasury securities to go into the market in amounts sufficient to absorb the reserves that would be released by a reduction in reserve requirements, the Board of Governors would reduce reserve requirements by two percentage points on demand deposits and possibly one percentage point on time deposits of all member banks, to become effective on various dates in August and September.

It was agreed by members of the Federal Open Market Committee that, in view of the tendency for declining economic activity in the United States, the release of additional funds to banks by the proposed reduction in reserve requirements was desirable. It was recognized, however, that unless banks were supplied with securities for immediate investment of their additional funds, there would be disorderly conditions in the money market and an unnecessarily sharp and largely temporary decline in interest rates. It was felt that sales of short-term securities by the System would provide banks with liquid assets and prevent an undue decline in interest rates without interfering with the major goal of the reserve-requirement reduction, namely, to encourage the extension of credit beneficial to increased production and employment.

Accordingly, the members of the Committee indicated that if the Board of Governors should reduce reserve requirements by the amount proposed



(approximately 1.8 billion dollars) they would act to reduce the System's holdings of securities to offset the released reserves, and that securities would be sold from the System account until transition to the lower reserve requirements had been made so that the reduction would not result in a general further lowering of short-term rates. The above direction was adopted for that purpose and for the further purpose of continuing the System policy of monetary ease.

DECEMBER 13, 1949

### **1. Increase in Short-Term Rates.**

The members of the Federal Open Market Committee, on November 22, 1949, upon recommendation of the executive committee, authorized the purchase and sale of bills and certificates in the market at somewhat lower prices (higher yields) than had recently prevailed. At this meeting this informal action was approved, ratified, and confirmed.

Votes for this action: Messrs. McCabe, Chairman; Sproul, Vice Chairman; Draper, Earhart, Eccles, Gidney, Leach, McLarin, Szymczak, and Vardaman. Votes against this action: none.

Until the middle of November, operations in the System open market account continued to be carried on under the policy of monetary ease adopted at the meeting of August 5, 1949, as one means of restraining further declines in production and employment. However, when the executive committee met on November 18, 1949, there had been a moderate recovery from the lows reached during the summer. The strength of the movement and the indication that it would continue well into 1950 prompted the executive committee of the Federal Open Market Committee to recommend to the full Committee that it authorize the executive committee to increase short-term rates somewhat in order to indicate a change from a policy of monetary ease to a policy of mild restrictions on the availability of bank reserves through open market operations. The purpose of this change in policy was to indicate the view on the part of monetary authorities that economic conditions had changed, that it was believed to be desirable to adopt a policy of some restraint and that, depending on developments, some further increases in rates might be called for. The full Committee approved the increase for the reasons that prompted the executive committee to make its recommendation.

### **2. Authority to Effect Transactions in System Account.**

The following direction to the executive committee, which was in the same form as the direction issued at the meeting on August 5, 1949, 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 changing economic conditions and the general credit situation of the country, for the practical administration of the account, for the maintenance of 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 billion dollars.

Votes for this action: Messrs. McCabe, Chairman; Sproul, Vice Chairman; Draper, Earhart, Eccles, Gidney, Leach, McLarin, and Szymczak.  
Votes against this action: none.

Before this meeting of the Committee there had been further discussions with the Secretary of the Treasury relating to Treasury financing and it had been decided that the issues of Treasury securities maturing on December 15 would be refunded with a 4¼ year 1¾ per cent note and that a 1⅛ per cent certificate would be exchanged for the maturing January 1 certificate.

It was suggested that the likelihood of a higher level of economic activity during the next few months, accompanied by substantial Treasury deficits, indicated the desirability of greater flexibility in interest rates in order that the System's policy could respond to changes in the economic situation. In the circumstances, it was felt that the System should follow a policy of mild restraint within the limits imposed by the necessity of supporting a 1⅛ per cent one-year rate in connection with the January refunding, and that after Christmas the substantial amounts of funds which would seasonally be coming into the market should be absorbed by the sale of securities from the System account in order to keep interest rates from declining. The above direction was adopted for that purpose, the limitation of 2 billion dollars in the first paragraph of the direction being fixed with the thought that in carrying out the policy set forth above it would not be necessary to decrease the total securities held in the System account by more than that amount.

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1949]

*Term Expires*

THOMAS B. McCABE of Pennsylvania, <i>Chairman</i> .....	January 31, 1956
MARRINER S. ECCLES of Utah.....	January 31, 1958
M. S. SZYMCAK 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
ELLIOTT THURSTON, <i>Assistant to the Board</i>	
CHESTER MORRILL, <i>Special Adviser to the Board</i>	
WINFIELD W. RIEFLER, <i>Assistant to the Chairman</i>	
WOODLIEF THOMAS, <i>Economic Adviser to the Board</i>	
S. R. CARPENTER, <i>Secretary</i>	
BRAY HAMMOND, <i>Assistant Secretary</i>	
MERRITT SHERMAN, <i>Assistant Secretary</i>	
GEORGE B. VEST, <i>General Counsel</i>	
FREDERIC SOLOMON, <i>Assistant General Counsel</i>	
JOHN C. BAUMANN, <i>Assistant General Counsel</i>	
J. LEONARD TOWNSEND, <i>Solicitor</i>	
G. HOWLAND CHASE, <i>Assistant Solicitor</i>	
RALPH A. YOUNG, <i>Director, Division of Research and Statistics</i>	
EDWIN R. MILLARD, <i>Director, Division of Examinations</i>	
GEORGE S. SLOAN, <i>Assistant Director, Division of Examinations</i>	
C. C. HOSTRUP, <i>Assistant Director, Division of Examinations</i>	
ROBERT F. LEONARD, <i>Director, Division of Bank Operations</i>	
J. E. HORBETT, <i>Assistant Director, Division of Bank Operations</i>	
LOWELL MYRICK, <i>Assistant Director, Division of Bank Operations</i>	
FRED A. NELSON, <i>Director, Division of Personnel Administration</i>	
LISTON P. BETHEA, <i>Director, Division of Administrative Services</i>	
GARDNER L. BOOTHE, II, <i>Assistant Director, Division of Administrative Services</i>	

# FEDERAL OPEN MARKET COMMITTEE

[December 31, 1949]

## MEMBERS

THOMAS B. McCABE, *Chairman* (Board of Governors)

ALLAN SPROUL, *Vice Chairman* (Elected by Federal Reserve Bank of New York)

ERNEST G. DRAPER (Board of Governors)

C. E. EARHART (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)

MARRINER S. ECCLES (Board of Governors)

R. M. EVANS (Board of Governors)

RAY M. GIDNEY (Elected by Federal Reserve Banks of Cleveland and Chicago)

HUGH LEACH (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)

W. S. McLARIN, JR. (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)

M. S. SZYMCAK (Board of Governors)

JAMES K. VARDAMAN, JR. (Board of Governors)

## EXECUTIVE COMMITTEE

THOMAS B. McCABE, *Chairman*

ALLAN SPROUL, *Vice Chairman*

MARRINER S. ECCLES

JAMES K. VARDAMAN, JR.

HUGH LEACH

## 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*

WOODLIEF THOMAS, *Economist*

EARLE L. RAUBER, *Associate Economist*

DONALD S. THOMPSON, *Associate Economist*

O. P. WHEELER, *Associate Economist*

CHARLES W. WILLIAMS, *Associate Economist*

JOHN H. WILLIAMS, *Associate Economist*

# FEDERAL ADVISORY COUNCIL

[December 31, 1949]

## 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—FREDERIC A. POTTS, President, Philadelphia National Bank, Philadelphia, Pennsylvania.
- District No. 4—SIDNEY B. CONGDON, President, The National City Bank of Cleveland, Cleveland, Ohio.
- District No. 5—ROBERT V. FLEMING, President and Chairman, The Riggs National Bank, Washington, District of Columbia.
- District No. 6—J. T. BROWN, President, The First National Bank of Jackson, Jackson, Mississippi.
- District No. 7—EDWARD E. BROWN, Chairman, The First National Bank of Chicago, Chicago, Illinois.
- District No. 8—W. L. HEMINGWAY, Chairman, Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri.
- 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, The Puget Sound National Bank of Tacoma, Tacoma, Washington.

## EXECUTIVE COMMITTEE

EDWARD E. BROWN, <i>ex officio</i>	W. RANDOLPH BURGESS
CHARLES E. SPENCER, JR., <i>ex officio</i>	FREDERIC A. POTTS
ROBERT V. FLEMING, <i>ex officio</i>	SIDNEY B. CONGDON

## OFFICERS

President, EDWARD E. BROWN	First Vice President, CHARLES E. SPENCER, JR.
Second Vice President, ROBERT V. FLEMING	Secretary, HERBERT V. PROCHNOW

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS

[December 31, 1949]

## 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.....	Warren F. Whittier.....	C. Canby Balderston
Cleveland.....	George C. Brainard.....	A. Z. Baker
Richmond.....	Charles P. McCormick.....	John B. Woodward, Jr.
Atlanta.....	Frank H. Neely.....	Rufus C. Harris
Chicago.....	Vacancy.....	Franklin J. Lunding
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. Dearmont, Chairman of the Federal Reserve Bank of St. Louis, who was elected Chairman of the Conference and as Chairman of the Executive Committee in December 1948, continued to serve during 1949. The other members of the Executive Committee, Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, and Mr. Stevens, Chairman of the Federal Reserve Bank of New York, who were also elected in December 1948, continued to serve during 1949.

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—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

	<i>Term Expires Dec. 31</i>
<i>Class A:</i>	
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
Russell H. Britton.....Executive Vice President and Cashier, First National Bank of Rochester, Rochester, N. H.....	1951
<i>Class B:</i>	
Roy L. Patrick.....President, Rock of Ages Corporation, Burlington, Vt.	1949
Philip R. Allen.....Director, Bird & Son, inc., E. Walpole, Mass.....	1950
Frederick S. Blackall, jr.....President and Treasurer, The Taft-Peirce Manufacturing Company, Woonsocket, R. I.....	1951
<i>Class C:</i>	
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
Ames Stevens.....Treasurer and Director, Ames Worsted Company, Lowell, Mass. ....	1951

## District No. 2—New York

<i>Class A:</i>	
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
Roger B. Prescott.....President, The Keeseville National Bank, Keeseville, N. Y. ....	1951
<i>Class B:</i>	
Lewis H. Brown.....Chairman of the Board, Johns-Manville Corporation, New York, N. Y.....	1949
Marion B. Folsom.....Treasurer, Eastman Kodak Company, Rochester, N. Y. ....	1950
Jay E. Crane.....Director, Standard Oil Company (New Jersey), New York, N. Y. ....	1951

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

*Class C:*

Robert D. Calkins.....	Vice President and Director, General Education Board, New York, N. Y.....	1949
Robert T. Stevens.....	Chairman of the Board, J. P. Stevens and Company, Inc., New York, N. Y.....	1950
William I. Myers.....	Dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.....	1951

**Buffalo Branch***Appointed by Federal Reserve Bank:*

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
George G. Kleindinst.....	President, Liberty Bank of Buffalo, Buffalo, N. Y... ..	1951

*Appointed by Board of Governors:*

Thomas Robins, Jr.....	President, Hewitt-Robins, Inc., Buffalo, N. Y.....	1949
Lewis B. Swift.....	President, Taylor Instrument Companies, Rochester, N. Y. ....	1950
Carl G. Wooster.....	Farmer, Union Hill, N. Y.....	1951

**District No. 3—Philadelphia***Class A:*

John B. Henning.....	President, Wyoming National Bank, Tunkhannock, Pa. ....	1949
Archie D. Swift.....	Chairman of Board, Central-Penn National Bank, Philadelphia, Pa. ....	1950
George W. Reily.....	President, Harrisburg National Bank, Harrisburg, Pa..	1951

*Class B:*

William J. Meinel.....	President and General Manager, Heintz Manufacturing Company, Philadelphia, Pa.....	1949
Walter H. Lippincott.....	President and Director, Lobdell Company, Wilmington, Del. ....	1950
Albert G. Frost.....	Chairman of the Board, The Esterbrook Pen Company, Camden, N. J.....	1951

*Class C:*

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
Philip T. Sharples.....	Chairman, The Sharples Corporation, Philadelphia, Pa. ....	1951

**District No. 4—Cleveland***Class A:*

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
Ben R. Conner.....	President, The First National Bank of Ada, Ada, Ohio .....	1951



## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

*Class B:*

Ross Pier Wright.....	Secretary-Treasurer, Reed Manufacturing Company, Erie, Pa. ....	1949
C. L. Austin.....	Executive Vice President, Jones & Laughlin Steel Corporation, Pittsburgh, Pa.....	1950
Joel M. Bowlby.....	Chairman of the Board, The Eagle-Picher Company, Cincinnati, Ohio .....	1951

*Class C:*

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
Leo L. Rummell.....	Dean, College of Agriculture, The Ohio State Uni- versity, Columbus, Ohio.....	1951

## Cincinnati Branch

*Appointed by Federal Reserve Bank:*

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
Spears Turley.....	Vice President and Trust Officer, State Bank and Trust Company of Richmond, Richmond, Ky.....	1951
Joseph B. Hall.....	President, Kroger Company, Cincinnati, Ohio.....	1951

*Appointed by Board of Governors:*

S. Headley Shouse.....	Tobacco and livestock raiser, Lexington, Ky.....	1949
Paul G. Blazer.....	Chairman of the Board, Ashland Oil & Refining Company, Ashland, Ky.....	1950
Ernest H. Hahne.....	President, Miami University, Oxford, Ohio.....	1951

## Pittsburgh Branch

*Appointed by Federal Reserve Bank:*

R. E. Bowie.....	President, Security Trust Company, Wheeling, W. Va. ....	1949
T. C. Swarts.....	Executive Vice President, Woodlawn Trust Company, Aliquippa, Pa. ....	1950
Laurence S. Bell.....	Executive Vice President, The Union National Bank of Pittsburgh, Pittsburgh, Pa.....	1951
Montfort Jones.....	Professor of Finance, The University of Pittsburgh, Pittsburgh, Pa. ....	1951

*Appointed by Board of Governors:*

Sidney A. Swensrud.....	President, Gulf Oil Corporation, Pittsburgh, Pa....	1949
Josiah M. Koch.....	Vice President, Quaker State Oil Refining Corpora- tion, Oil City, Pa.....	1950
A. H. Burchfield, Jr.....	President and General Manager, Joseph Horne Com- pany, Pittsburgh, Pa.....	1951

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

**District No. 5—Richmond***Class A:*

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
James D. Harrison.....	President, First National Bank of Baltimore, Baltimore, Md. ....	1951

*Class B:*

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
Charles C. Reed.....	President, Williams & Reed, Inc., Richmond, Va....	1951

*Class C:*

John B. Woodward, Jr.....	President and General Manager, Newport News Shipbuilding and Dry Dock Company, Newport News, Va. ....	1949
Charles P. McCormick....	President and Chairman of Board, McCormick & Company, Inc., Baltimore, Md.....	1950
W. G. Wysor.....	Management Counsel, Southern States Cooperative, Inc., Richmond, Va.....	1951

**Baltimore Branch***Appointed by Federal Reserve Bank:*

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
Holmes D. Baker.....	President, The Citizens National Bank of Frederick, Frederick, Md. ....	1951

*Appointed by Board of Governors:*

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
James E. Hooper.....	Vice President, William E. Hooper and Sons Company, Baltimore, Md.....	1951

**Charlotte Branch***Appointed by Federal Reserve Bank:*

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
Thomas J. Robertson.....	President, The First National Bank of South Carolina of Columbia, Columbia, S. C.....	1951

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term Expires Dec. 31*

*Appointed by Board of Governors:*

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
R. Flake Shaw.....	Executive Vice President, North Carolina Farm Bureau Federation, Greensboro, N. C.....	1951

**District No. 6—Atlanta**

*Class A:*

W. D. Cook.....	Director, First National Bank in Meridian, Meridian, Miss. ....	1949
George J. White.....	President, The First National Bank of Mount Dora, Mount Dora, Fla.....	1950
R. C. Williams.....	President, The First National Bank of Atlanta, Atlanta, Ga.....	1951

*Class B:*

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
J. A. McCrary.....	Vice President and Treasurer, J. B. McCrary Company, Inc., Atlanta, Ga.....	1951

*Class C:*

Rufus C. Harris.....	President, The Tulane University of Louisiana, New Orleans, La.....	1949
Frank H. Neely.....	Chairman of the Board, Rich's Inc., Atlanta, Ga...	1950
Paul E. Reinhold.....	President, Foremost Dairies, Inc., Jacksonville, Fla...	1951

**Birmingham Branch**

*Appointed by Federal Reserve Bank:*

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
D. C. Wadsworth.....	President, The American National Bank of Gadsden, Gadsden, Ala.....	1951

*Appointed by Board of Governors:*

Thad Holt.....	President and Treasurer, Voice of Alabama, Inc., Birmingham, Ala.....	1949
J. Roy Faucett.....	Faucett Brothers, Northport, Ala.....	1950
Wm. Howard Smith.....	President, McQueen-Smith Farms, Prattville, Ala...	1951

**Jacksonville Branch**

*Appointed by Federal Reserve Bank:*

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. W. Shands.....	President, The Atlantic National Bank of Jacksonville, Jacksonville, Fla.....	1950
J. D. Camp.....	President, Broward National Bank of Fort Lauderdale, Fort Lauderdale, Fla.....	1951

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

*Appointed by Board of Governors:*

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
J. Hillis Miller.....	President, University of Florida, Gainesville, Fla....	1951

## Nashville Branch

*Appointed by Federal Reserve Bank:*

Leslie 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
Parkes Armistead.....	President, The American National Bank of Nashville, Nashville, Tenn.....	1951

*Appointed by Board of Governors:*

W. Bratten Evans.....	President, Tennessee Enamel Manufacturing Company, Nashville, Tenn.....	1949
C. E. Brehm.....	President, University of Tennessee, Knoxville, Tenn..	1950
H. C. Meacham.....	Farmer, Franklin, Tenn.....	1951

## New Orleans Branch

*Appointed by Federal Reserve Bank:*

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, Miss.....	1949
T. J. Eddins.....	President, Bank of Slidell, Slidell, La.....	1950
J. C. Bolton.....	President, Rapides Bank and Trust Company in Alexandria, Alexandria, La.....	1951

*Appointed by Board of Governors:*

E. O. Batson.....	President, Batson-McGehee Company, Inc., Millard, Miss. ....	1949
H. G. Chalkley, Jr.....	President, Sweet Lake Land and Oil Company, Inc., Lake Charles, La.....	1950
John J. Shaffer, Jr.....	Planter, Ellendale, La.....	1951

## District No. 7—Chicago

*Class A:*

Horace S. French.....	President, The Manufacturers National Bank of Chicago, Chicago, Ill.....	1949
Vivian W. Johnson.....	President, First National Bank, Cedar Falls, Iowa..	1950
Walter J. Cummings.....	Chairman, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.....	1951

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

	<i>Term Expires Dec. 31</i>
<b>DIRECTORS—Cont.</b>	
<i>Class B:</i>	
William J. Grede..... President, Grede Foundries, Inc., Milwaukee, Wis...	1949
Nicholas H. Noyes..... Chairman, Finance Committee, Eli Lilly and Company, Indianapolis, Ind.....	1950
Wm. C. Heath..... President, A. O. Smith Corporation, Milwaukee, Wis. ....	1951

<i>Class C:</i>	
Paul G. Hoffman..... Director, The Studebaker Corporation, South Bend, Ind. ....	1949
Allan B. Kline..... President, American Farm Bureau Federation, Chicago, Ill.....	1950
F. J. Lunding..... President, Jewel Tea Company, Inc., Barrington, Ill..	1951

**Detroit Branch**

*Appointed by Federal Reserve Bank:*

Chas. T. Fisher, Jr..... President, The National Bank of Detroit, Detroit, Mich. ....	1949
Chas. A. Kanter..... Chairman, The Manufacturers National Bank of Detroit, Detroit, Mich.....	1950
John A. Stewart..... Vice President and Cashier, Second National Bank & Trust Company, Saginaw, Mich.....	1950

*Appointed by Board of Governors:*

Ben R. Marsh..... Vice President and General Manager, Michigan Bell Telephone Company, Detroit, Mich.....	1949
Ernest Gilbert..... Farmer, Waldron, Mich.....	1950

**District No. 8—St. Louis**

<i>Class A:</i>	
G. R. Corlis..... President, Anna National Bank, Anna, Ill.....	1949
Tom K. Smith..... Chairman of Board, Boatmen's National Bank, St. Louis, Mo.....	1950
Phil E. Chappell..... President, Planters Bank and Trust Company, Hopkinsville, Ky. ....	1951

<i>Class B:</i>	
K. August Engel..... President, Arkansas Democrat Company, Little Rock, Ark. ....	1949
Louis Ruthenburg..... President and General Manager, Servel, Inc., Evansville, Ind.....	1950
M. Moss Alexander..... President, Missouri Portland Cement Company, St. Louis, Mo. ....	1951

<i>Class C:</i>	
Russell L. Dearmont..... Chief Counsel for Trustee, Missouri-Pacific Lines, St. Louis, Mo.....	1949
Wm. H. Bryce..... Vice President and Director, Dixie Wax Paper Company, Memphis, Tenn.....	1950
Vacancy .....	1951

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

## Little Rock Branch

*Appointed by Federal Reserve Bank:*

Emmet Morris.....	Chairman, Worthen Bank and Trust Company, Little Rock, Ark.....	1949
Geo. S. Neal.....	President, Bank of Russellville, Russellville, Ark....	1950
Lloyd Spencer.....	President, First National Bank, Hope, Ark.....	1951
Thomas W. Stone.....	Executive Vice President, The Arkansas National Bank of Hot Springs, Hot Springs, Ark.....	1951

*Appointed by Board of Governors:*

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
Cecil C. Cox.....	Farmer, Stuttgart, Ark.....	1951

## Louisville Branch

*Appointed by Federal Reserve Bank:*

A. C. Voris.....	President, Citizens National Bank, Bedford, Ind....	1949
Noel Rush.....	President, Lincoln Bank and Trust Company, Louisville, Ky.....	1950
H. Lee Cooper.....	President, Ohio Valley National Bank, Henderson, Ky. ....	1951
Ira F. Wilcox.....	Cashier and Director, The Union National Bank of New Albany, New Albany, Ind.....	1951

*Appointed by Board of Governors:*

Smith D. Broadbent, Jr.....	Farmer, Cadiz, Ky.....	1949
Alvin A. Voit.....	President, Mengel Company, Louisville, Ky.....	1950
John W. Taylor.....	President, University of Louisville, Louisville, Ky...	1951

## Memphis Branch

*Appointed by Federal Reserve Bank:*

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
Norfleet Turner.....	President, First National Bank, Memphis, Tenn....	1951
H. W. Hicks.....	President, First National Bank, Jackson, Tenn....	1951

*Appointed by Board of Governors:*

Hugh M. Brinkley.....	Farmer, Hughes, Ark.....	1949
M. P. Moore.....	Partner, E. E. Moore and Company, Senatobia, Miss..	1950
Leslie M. Stratton, Jr.....	Executive Vice President, Stratton-Warren Hardware Company, Memphis, Tenn.....	1951

## District No. 9—Minneapolis

*Class A:*

Clarence E. Hill.....	Chairman of the Board, Northwestern National Bank, Minneapolis, Minn.....	1949
J. R. McKnight.....	Chairman, Pierre National Bank, Pierre, S. D.....	1950
C. W. Burges.....	Vice President and Cashier, The Security National Bank of Edgeley, Edgeley, N. D.....	1951

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

*Class B:*

Homer P. Clark.....	Chairman of the Board, West Publishing Company, St. Paul, Minn.....	1949
Walter H. McLcod.....	President, Missoula Mercantile Company, Missoula, Mont. ....	1950
Ray C. Lange.....	President, Chippewa Canning Company, Chippewa Falls, Wis.....	1951

*Class C:*

W. D. Cochran.....	GMC Truck Distributor, Iron Mountain, Mich.....	1949
Roger B. Shepard.....	Chairman of the Board.....	1950
Paul E. Miller.....	Director of Agricultural Extension Division, Uni- versity of Minnesota, St. Paul, Minn.....	1951

**Helena Branch***Appointed by Federal Reserve Bank:*

B. M. Harris.....	President, Yellowstone Bank, Columbus, Mont.....	1949
Theodore Jacobs.....	President, First National Bank, Missoula, Mont....	1950
E. D. MacHaffie.....	President, State Publishing Company, Helena, Mont..	1950

*Appointed by Board of Governors:*

Malcolm E. Holtz.....	Agriculturist, Great Falls, Mont.....	1949
James A. McCain.....	President, Montana State University, Missoula, Mont..	1950

**District No. 10—Kansas City***Class A:*

M. A. Limbocker.....	Chairman of the Board and President, Citizens Na- tional Bank, Emporia, Kan.....	1949
W. L. Bunten.....	Executive Vice President, Goodland State Bank, Goodland, Kan.....	1950
T. A. Dines.....	Chairman of the Board, United States National Bank, Denver, Colo.....	1951

*Class B:*

J. M. Bernardin.....	Lumberman, Kansas City, Mo.....	1949
L. C. Hutson.....	Chairman of the Board, Chickasha Cotton Oil Com- pany, Chickasha, Okla.....	1950
Willard D. Hosford.....	Vice President and General Manager, John Deere Plow Company, Omaha, Neb.....	1951

*Class C:*

Robert B. Caldwell.....	Caldwell, Downing, Noble and Garrity, Kansas City, Mo.....	1949
Robert L. Mehornay.....	President, North-Mehornay Furniture Company, Kan- sas City, Mo.....	1950
Lyle L. Hague.....	Farmer and stockman, Cherokee, Okla.....	1951

**Denver Branch***Appointed by Federal Reserve Bank:*

P. K. Alexander.....	Vice President, The First National Bank of Denver, Denver, Colo.....	1949
J. D. Allen.....	President, The First National Bank of Eagle County, Eagle, Colo.....	1950
Albert K. Mitchell.....	Rancher, Albert, N. M.....	1950

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

*Appointed by Board of Governors:*

W. A. Alexander.....	President, The Denver Tramway Corporation, Denver, Colo.....	1949
G. Norman Winder.....	Rancher, Craig, Colo.....	1950

## Oklahoma City Branch

*Appointed by Federal Reserve Bank:*

S. A. Bryant.....	President, The Farmers National Bank, Cushing, Okla. ....	1949
Robert L. Bosworth.....	Financial Vice President, Continental Oil Company, Ponca City, Okla.....	1950
Frank A. Sewell.....	Chairman of the Board and President, Liberty National Bank, Oklahoma City, Okla.....	1950

*Appointed by Board of Governors:*

Cecil W. Cotton.....	President, C. W. Cotton Supply Company, Tulsa, Okla. ....	1949
Rufus J. Green.....	Rancher and farmer, Duncan, Okla.....	1950

## Omaha Branch

*Appointed by Federal Reserve Bank:*

Walter S. Byrne.....	General Manager, Metropolitan Utilities District of Omaha, Omaha, Neb.....	1949
I. R. Alter.....	President, First National Bank, Grand Island, Neb....	1949
Fred W. Marble.....	President, Stock Growers National Bank, Cheyenne, Wyo. ....	1950

*Appointed by Board of Governors:*

Joseph W. Seacrest.....	Co-Publisher and Co-Editor in Chief, The Journal Newspapers, Lincoln, Neb.....	1949
Fred S. Wallace.....	Farmer, Gibbon, Neb.....	1950

## District No. 11—Dallas

*Class A:*

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
P. P. Butler.....	President, First National Bank in Houston, Houston, Texas.....	1951

*Class B:*

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
J. R. Milam.....	President, The Cooper Company, Inc., Waco, Texas..	1951



DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term Expires Dec. 31*

DIRECTORS—Cont.

*Class C:*

J. R. Parten.....	President, Woodley Petroleum Company, Houston, Texas .....	1949
G. A. Frierson.....	G. A. Frierson & Son, Shreveport, La.....	1950
R. B. Anderson.....	General Manager, W. T. Waggoner Estate, Vernon, Texas .....	1951

**El Paso Branch**

*Appointed by Federal Reserve Bank:*

George G. Matkin.....	President, State National Bank, El Paso, Texas....	1949
W. H. Holcombe.....	Executive Vice President, Security State Bank, Pecos, Texas .....	1950
W. S. Warnock.....	Vice President, El Paso National Bank, El Paso, Texas .....	1951
W. Henry Wooldridge.....	President, Lone Star Motor Company, El Paso, Texas .....	1951

*Appointed by Board of Governors:*

Hiram S. Corbett.....	President, J. Knox Corbett Lumber Company, Tucson, Ariz. ....	1949
Hal Bogle.....	Livestock feeding, farming and ranching, Dexter, N. M.....	1950
Dorrance D. Roderick.....	President, Newspaper Printing Corporation, El Paso, Texas .....	1951

**Houston Branch**

*Appointed by Federal Reserve Bank:*

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
O. R. Weyrich.....	President, Houston Bank and Trust Company, Houston, Texas.....	1951
P. R. Hamill.....	President, Bay City Bank and Trust Company, Bay City, Texas.....	1951

*Appointed by Board of Governors:*

George A. Slaughter.....	Farming, Wharton, Texas .....	1949
Vacancy .....		1950
Ross Stewart.....	President, C. Jim Stewart and Stevenson, Inc., Houston, Texas.....	1951

**San Antonio Branch**

*Appointed by Federal Reserve Bank:*

Riley Peters.....	Executive Vice President, First State Bank, Kerrville, Texas .....	1949
E. R. L. Wroe.....	President, American National Bank, Austin, Texas..	1950
C. L. Skaggs.....	President, The First National Bank of Weslaco, Weslaco, Texas.....	1951
E. A. Baetz.....	President, Bexar County National Bank, San Antonio, Texas .....	1951

## DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

## DIRECTORS—Cont.

*Appointed by Board of Governors:*

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
Henry P. Drought.....	Attorney at Law, San Antonio, Texas.....	1951

## District No. 12—San Francisco

*Class A:*

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
Carroll F. Byrd.....	President, The First National Bank of Willows, Willows, Calif.....	1951

*Class B:*

Walter S. Johnson.....	President, American Box Corporation, San Francisco, Calif. ....	1949
St. George Holden.....	St. George Holden Realty Company, San Francisco, Calif. ....	1950
Reese H. Taylor.....	President, Union Oil Company of California, Los Angeles, Calif.....	1951

*Class C:*

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
Harry R. Wellman.....	Director, Giannini Foundation of Agricultural Economics, University of California, Berkeley, Calif...	1951

## Los Angeles Branch

*Appointed by Federal Reserve Bank:*

W. R. Bimson.....	President, The Valley National Bank of Phoenix, Phoenix, Ariz.....	1949
M. Vilas Hubbard.....	President, Citizens Commercial Trust and Savings Bank of Pasadena, Pasadena, Calif.....	1950
Frank L. King.....	President, California Bank, Los Angeles, Calif...	1950

*Appointed by Board of Governors:*

Y. Frank Freeman.....	Vice President, Paramount Pictures, Inc., Hollywood, Calif. ....	1949
Fred G. Sherrill.....	Vice President, J. G. Boswell Company, Los Angeles, Calif. ....	1950

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1949—Cont.

*Term  
Expires  
Dec. 31*

DIRECTORS—Cont.

Portland Branch

*Appointed by Federal Reserve Bank:*

E. B. MacNaughton.....	Chairman of the Board, The First National Bank of Portland, Portland, Ore.....	1949
W. W. Flint.....	President, The First National Bank of Cottonwood, Cottonwood, Idaho.....	1950
Frank Wortman.....	President, The First National Bank of McMinnville, McMinnville, Ore.....	1950

*Appointed by Board of Governors:*

Aaron M. Frank.....	President, Meier and Frank Company, Inc., Portland, Ore.....	1949
R. B. Taylor.....	Livestock and farming, Adams, Ore.....	1950

Salt Lake City Branch

*Appointed by Federal Reserve Bank:*

D. F. Richards.....	President, American National Bank of Idaho at Idaho Falls, Idaho Falls, Idaho.....	1949
Chas. L. Smith.....	Chairman of the Board, First Security Bank of Utah, N. A., Salt Lake City, Utah.....	1950
John A. Schoonover.....	President, The Idaho First National Bank, Boise, Idaho.....	1950

*Appointed by Board of Governors:*

Henry Aldous Dixon.....	President, Weber College, Ogden, Utah.....	1949
Merle G. Hyer.....	Livestock and farming, Lewiston, Utah.....	1950

Seattle Branch

*Appointed by Federal Reserve Bank:*

Lawrence M. Arnold.....	Chairman of the Board, Seattle-First National Bank, Seattle, Wash.....	1949
Fred C. Forrest.....	Chairman of the Board and President, The First National Bank of Pullman, Pullman, Wash.....	1950
Benj. N. Phillips.....	Chairman of the Board, First National Bank in Port Angeles, Port Angeles, Wash.....	1950

*Appointed by Board of Governors:*

Henry C. Isaacson.....	President, Isaacson Iron Works, Seattle, Wash.....	1949
John M. McGregor.....	Manager, McGregor Land & Livestock Company, Hooper, Wash.....	1950

**DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS,**  
**Dec. 31, 1949—Cont.**  
**SENIOR OFFICERS OF FEDERAL RESERVE BANKS**  
 [December 31, 1949]

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston . . . . .	Joseph A. Erickson William Willett	Robert B. Harvey <sup>1</sup> 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	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 L. E. Donaldson Robert N. Hilkert	E. C. Hill Wm. G. McCreedy P. M. Poorman <sup>2</sup>
Cleveland . . . . .	Ray M. Gidney Wm. H. Fletcher	Roger R. Clouse W. D. Fulton J. W. Kossin	A. H. Laning <sup>2</sup> Martin Morrison Paul C. Stetzelberger Donald S. Thompson
Richmond . . . . .	Hugh Leach J. S. Walden, Jr.	R. L. Cherry R. W. Mercer <sup>2</sup> W. R. Milford	C. B. Strathy K. Brantley Watson Edw. A. Wayne Charles W. Williams
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 Vacancy	Allan M. Black <sup>1</sup> 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 <sup>2</sup>	Otis R. Preston R. E. Towle Sigurd Ueland
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 <sup>1</sup> 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 <sup>2</sup> 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 <sup>2</sup>	W. L. Partner C. R. Shaw H. F. Slade W. F. Volberg O. P. Wheeler

<sup>1</sup> Cashier.<sup>2</sup> Also Cashier.

**DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS,  
Dec. 31, 1949—Cont.**

**VICE PRESIDENTS IN CHARGE OF BRANCHES OF FEDERAL RESERVE BANKS**

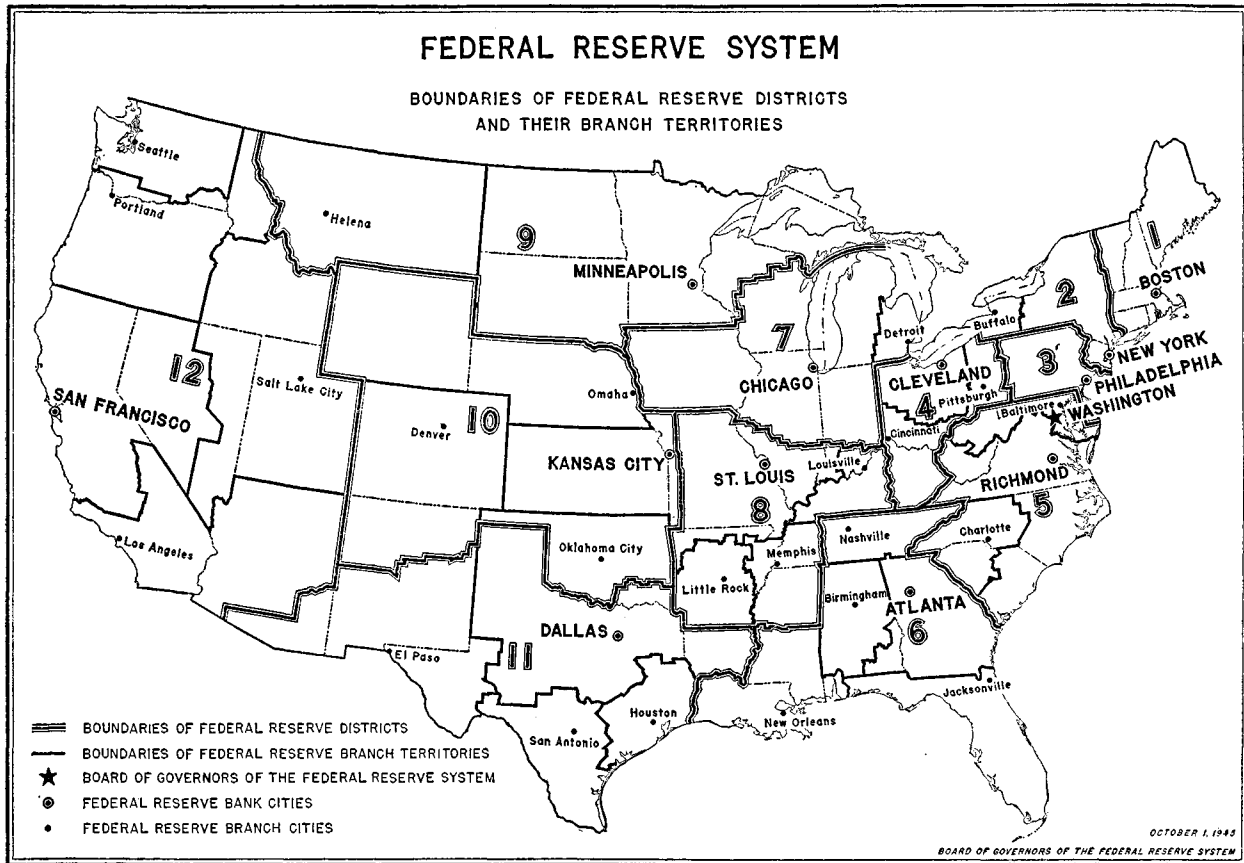
Federal Reserve Bank of—	Branch	Chief Officer
New York .....	Buffalo	I. B. Smith <sup>1</sup>
Cleveland .....	Cincinnati Pittsburgh	W. D. Fulton J. W. Kossin
Richmond .....	Baltimore Charlotte	W. R. Milford R. L. Cherry
Atlanta .....	Birmingham Jacksonville Nashville New Orleans	P. L. T. Beavers T. A.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

<sup>1</sup> 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.

Mr. Davis, President of the Federal Reserve Bank of St. Louis, and Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, who had served during 1948 as Chairman of the Conference and Vice Chairman, respectively, were re-elected to serve until the close of the first meeting of the Conference held during or after February 1950. Mr. Charles G. Young, Jr., Counsel of the Federal Reserve Bank of St. Louis, who was appointed Secretary of the Conference in May 1948, continued to serve during 1949.



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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