FORTIETH

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR THE YEAR

1953

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, March 1, 1954.

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 Fortieth Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1953 during which, on December 23, occurred the fortieth anniversary of the approval of the original Federal Reserve Act.

Yours respectfully,

WM. McC. MARTIN, JR., *Chairman.*

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

Nineteen fifty-three was another year of record production and price stability for the national economy, and of further advance in the economic strength of the free world. Domestic conditions during much of the year were nevertheless characterized by important realignments and adjustments in production, employment, and the credit markets. With the purpose of contributing to national stability and growth, monetary policy was promptly and flexibly adapted to these shifts of economic forces. Additional steps were taken to promote more self-reliant financial markets.

Reflecting in part continuing large requirements for the defense program and more particularly expansion in private expenditures for consumption and capital investment, total demand for national output in the first half of the year established a new high level. In the second half of the year demand and output contracted moderately, and employment declined below the level of the end of 1952. Abroad, notably in the industrial nations of Western Europe, gains in productive activity and financial stability were extended throughout the year. The vigor of developments abroad helped to sustain markets for internationally traded commodities, especially in the second half of the year.

The main element in the changing situation in the United States after midyear was a decline in demand for a wide variety of industrial products as producers and distributors, who had been accumulating inventories at a rapid rate, reduced their purchases in order to check further accumulation. By the year-end, excess inventory holdings were being worked off.

Another important demand development was a shift from rising to gradually declining defense expenditures. Curtailment of defense demands reflected many influences, including the cessation of fighting in Korea, some easing of international tensions, and some shift in the goals and nature of the program.

Capital outlays of business for new plant and equipment were at appreciably higher levels than during 1952, with reductions in some lines more than offset by increases in others. Although some tightness developed in the mortgage market in the late spring and summer, residential building was for the most part maintained close to earlier levels. Consumer buying of goods, which was unusually active early in the year, was reduced moderately after midyear. Reflecting a lower level of agricultural prices during 1953, farm incomes declined from the relatively high level of the preceding year and farm purchases accordingly were smaller.

Despite these changes in demand and activity, domestic commodity prices, in both wholesale and retail markets, showed only selective changes during 1953. Important downward adjustments had been made earlier in prices of many agricultural and industrial materials which had been bid up to exceptional peaks after the Korean outbreak. Federal price support for cotton, wheat, and other basic farm products in large supply was a sustaining factor. Declines in demand for goods, aside from those directly associated with changes in the inventory situation and in the defense program, were generally small.

Real estate values declined in some sectors; new construction prices were generally maintained. In securities markets, common stock prices fluctuated moderately—a gradual decline to the low for the year in September being followed by some recovery in the last quarter. Under the impact of first rising and then declining interest rates, debt obligations showed more price variation than in other recent years. Toward the year-end, rates on short-term Government securities and on prime open market commercial paper were lower than at any time since 1951. Most other interest rates, though down considerably from spring levels, were still somewhat higher than in 1952.

Treasury financing needs were heavy in 1953, both for refunding a large volume of maturing issues and for raising new money, and the total of private credit demands continued large. Early in 1953, when increasingly heavy utilization of productive resources presented an inflationary threat, Federal Reserve policy was directed toward restraint of excessive bank credit expansion. Subsequently, as private credit demands relaxed and inflationary pressures abated, the Federal Reserve moved to expand the supply of funds available for bank lending and to ease the credit markets generally. By the year-end, the Federal Reserve was actively pursuing a policy of credit ease designed to avoid deflationary tendencies.

In most countries abroad, the year 1953 was one of high and rising production and of financial equilibrium internally. Foreign trade was larger than in the second half of 1952 and marked by increasingly active competition. For many nations, problems of balance in international payments were less acute than in earlier years. The achievement and maintenance of financial stability both internally and in external payments permitted some easing of credit conditions by monetary authorities in most European countries. With world demand continuing strong, but commodity supplies generally ample, the level of world prices showed stability.

Several leading countries, including the United Kingdom, Germany, and the Low Countries, reduced the scope and severity of direct restrictions on foreign payments in 1953. The considerable strengthening of monetary reserves in Europe and the sterling area laid the basis for further steps in the direction of freer trade and convertibility of currencies.

FEDERAL RESERVE CREDIT POLICY

Over the year the Federal Reserve System adapted its operations to the changing economic and credit situation, with the basic objective of promoting conditions favorable to sustained high employment, stable values, growth of the country, and a rising level of consumption. In the first quarter, in the presence of booming economic conditions, and recognizing the inflationary potential of strong credit demands, the Federal Reserve System continued to pursue a policy directed toward slowing the pace of bank credit expansion with a view to reducing inflationary dangers. Operations under this policy made it necessary for member banks as a group to obtain part of their needed reserve funds through borrowing. To make the policy more effective, the Federal Reserve discount rate was raised in January 1953 from 1¾ per cent to 2 per cent.

As the spring advanced, credit demands continued active and impinged heavily on the banks despite a large volume of nonbank funds available for lending and investing. Member banks became increasingly reluctant to lend on the basis of funds borrowed from the Federal Reserve Banks. Interest rates rose sharply, especially in May, and there was some additional demand for credit in anticipation of higher rates. At this juncture, it became apparent that Treasury financing needs would be large during the next few months. These developments further tightened credit conditions, causing deferment of some borrowing. Apprehension was widespread that the large credit demands of the economy would not be satisfied from prospective savings and bank credit. Also about this time there were signs of an abatement of the inflationary threat.

In recognition of the change in the economic and credit situation, the Federal Reserve modified its credit policy with a view to avoiding deflationary tendencies without encouraging a renewal of inflationary pressures. The System began early in May to increase the availability of credit by enlarging the supply of reserve funds. Through additional open market operations in June and a reduction in reserve requirements in early July, enough funds were supplied to provide assurance that the heavy demands for credit which ordinarily develop over the second half of the year could be met without undue strain on the economy. These actions were promptly reflected in a decline in member bank borrowing, easier conditions of credit availability, a marked decline in interest rates, and an improved tone in credit markets generally.

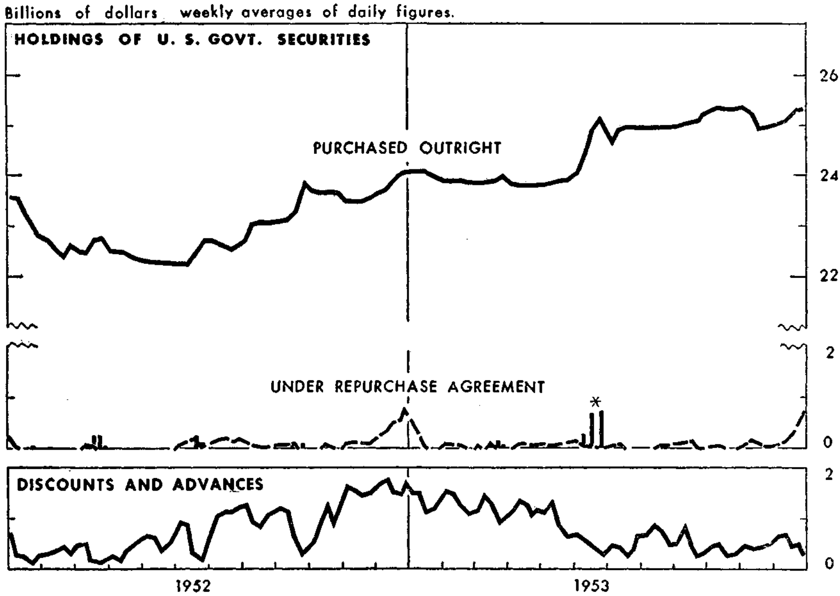
As signs of receding levels of economic activity and private credit demand appeared over ensuing months, the System in late summer and early autumn again used open market operations to supply additional reserves to the banking system and thus actively promoted credit ease with a view to avoiding deflationary tendencies. These reserves were helpful to member banks in meeting the autumn expansion of currency and credit. Interest rates declined further. By additional open market purchases near the year-end the System took further steps toward credit ease with the objective of promoting stability and growth in the economy.

Open market operations. The System in 1953 coordinated its open market operations with the use of its other major credit policy instruments—discount rate policy and changes in reserve requirements. As the major instrument by which the System conditions the tone of the money market, open market operations were employed over the year to establish first a situation of credit restraint and then of ease.

Early in 1953 the Federal Reserve sold Government securities to offset a seasonal easing of bank reserve positions and to maintain

FEDERAL RESERVE CREDIT

Billions of dollars weekly averages of daily figures.



* Direct purchases of special certificates from Treasury.
NOTE.—Excludes Federal Reserve float, industrial loans, and acceptances.

restraint on the availability of bank credit. The System resold the substantial volume of securities which had been purchased over the year-end under agreements in which nonbank dealers undertook to buy them back again in a short time. In addition, the System sold a small amount of its other Treasury bill holdings. Open market purchases of Treasury bills were begun in early May and were made on a large scale in June in order to supply reserves to banks. Purchases were made again in August and September and later in November and December in order to permit the banks to meet fully their seasonal needs for reserve funds.

In November the Federal Reserve sold direct to the Treasury 500 million dollars of notes maturing December 1. The Treasury paid for these securities by issuing gold certificates against half of its holdings of free gold and immediately retired the securities. This transaction enabled the Treasury to borrow an equivalent amount in the market without exceeding the statutory debt limit. The volume of member bank reserves was not affected. Also, during March and June, in order to smooth the impact of quarterly tax payments on the money market, the Federal Reserve purchased directly from the Treasury special certificates of indebtedness in the amounts of 333 million and 1,172 million dollars respectively, which were retired in a few days.

Change in discount rate. The Federal Reserve discount rate was raised from 1¾ to 2 per cent on January 16, 1953 at most Federal Reserve Banks and within a week at the remaining Banks. This action was designed to align the discount rate with short-term market rates and to help restrict undue expansion in bank credit by promoting greater reluctance on the part of member banks to resort to the discount privilege at the Federal Reserve Banks.

Change in reserve requirements. On June 24, 1953 the Board announced a reduction in member bank reserve requirements on net demand deposits of 2 percentage points for central reserve city banks and 1 percentage point for reserve city and country banks. The new requirements, effective July 1 for country banks and July 9 for reserve city and central reserve city banks, are 13, 19, and 22 per cent, respectively. Requirements on time deposits remained unchanged at 6 per cent.

This step, which released an estimated 1.2 billion dollars in reserves, was taken in anticipation of exceptionally heavy demands on bank reserves occasioned by seasonal currency and credit requirements, including Treasury financing needs, over the second half of the year.

Regulation of stock market credit. The margin requirement on stock market credit was reduced to 50 per cent, effective February 20, 1953. The previous requirement of 75 per cent had been set in January 1951.

Stock prices declined from mid-March to mid-September and subsequently recovered about half of the decline. Stock market credit expanded immediately following the relaxation of margin requirements and stabilized thereafter. Such credit has not been large in amount for more than two decades.

Steps toward freer, more self-reliant financial markets. The System took several further steps during 1953 toward establishment of freer, more self-reliant financial markets. A free, self-reliant financial market may be defined as one in which the allocation of available funds among various uses is effected through competition in the market. Borrowers offer interest rates and other terms that enable them to obtain the funds they require, and lenders bid for loans and securities in accordance with their appraisal of risks, yields and their portfolio needs, and with their estimate of current Federal Reserve actions. In such a market Federal Reserve purchases and sales would be solely for the purpose of influencing the volume of bank reserves in order to promote economic stability and growth.

Changes in bank reserves affect the supply, availability, and cost of credit. In a financial market such as is described above, the Federal Reserve would seek to have the impact of its actions as broad, general, and impersonal as possible. It would neither establish prices of particular securities or classes of securities directly, nor set up or maintain particular relationships in rate levels as between different sectors of the credit market, such as might impair the efficiency of the market in performing its allocative function.

The potential buying or selling power at the disposal of the Federal Reserve when it enters the market to buy or sell securities is very large. In paying for its purchases or being paid for its sales, it increases or decreases reserve funds in the market. These factors pose an operating problem for the System in keeping the impact of its open market operations in the securities market as broad and general as possible with the least distortion of price relationships.

In an effort to minimize this problem, the Federal Open Market Committee took various steps during 1953 to change its operating practices. These are shown in the policy record which appears on pages 86-105 of this Annual Report. The Committee, in effectuating its open market policies, emphasized operations in short-term securities which are the primary liquidity instruments of the credit market. In addition to this decision, the following steps were taken:

(1) The Committee reworded its directive to its executive committee regarding orderly markets. The rewording of the directive emphasizes the intention of the Federal Open Market Committee to limit its operations in the Government securities market solely to those for the purpose of providing or absorbing reserves, except in the correction of disorderly markets. It was believed that this rewording would indicate to the market that it should not expect offsetting action by the System whenever fluctuations occur. Some such fluctuations are technical and self-correcting. Others reflect basic changes in the credit outlook. The directive, however, recognizes that unusual circumstances may develop such disorder as to require correction through direct Federal Reserve intervention.

(2) The Committee also changed System operating technique during periods of Treasury refunding. Prior to the Treasury-Federal Reserve accord, it was the practice to intervene in the market in support of Treasury refunding operations. Such intervention was continued for a time after the accord since it was thought that, without it, cash redemptions of maturing issues would be unduly large. Under this technique, reserve funds were injected into the money market that were not warranted by economic circumstances. This in turn had undesirable credit consequences. The development of a self-reliant private market for Government securities was deterred because investors could not tell whether the price of a new Government security offering was being established by competitive market forces or as a result of official actions. Over the two years following the Treasury-Federal Reserve accord, the Treasury and the Federal Reserve sought in various ways to minimize or eliminate injections of reserve funds into the market in connection with Treasury refunding operations. In connection with a small refunding in December 1952, the Committee decided to refrain from purchasing the maturing securities. Again in the February 1953 refinancing, no maturing securities were purchased by the System. Cash redemptions were very small on both refinancings, and the Committee continued the policy of not intervening in the market in subsequent Treasury financing operations.

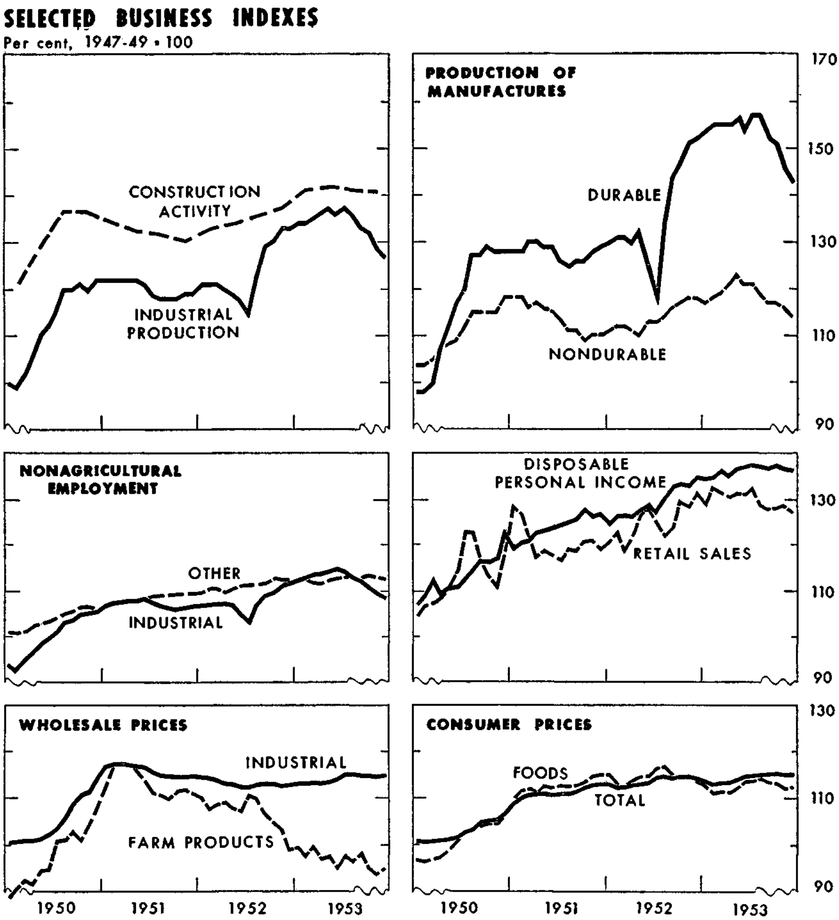
(3) The Committee discontinued, effective April 15, 1953, its requirement that transactions with the open market account be confined to dealers in Government securities who met certain specified qualifications. The requirement, which had been adopted by the Committee in 1944 to meet wartime conditions, was believed to be no longer necessary or desirable.

Review of the discount and discount rate mechanism. As part of a continuing program for keeping its credit instruments adapted to the needs of a flexible monetary policy, the Federal Reserve initiated in 1953 a comprehensive re-examination of its discount function, and at the year-end these studies were still in progress.

ECONOMIC CONDITIONS

Output in the United States for the year 1953 was in record volume, but reached its peak rate about midyear and then declined significantly. In other countries of the free world, output generally rose throughout 1953 and there were few indications up to the end of the year that there had been any significant decline in demand.

The principal declines in economic activity in the United States after midyear were in manufacturing and mining, where the immediate effects of changed inventory policies and some reduction in defense spending were concentrated. Reduction in industrial output was accompanied by some decline in imports of industrial materials.



NOTE.—Monthly series, seasonally adjusted except for prices. Indexes for retail sales and disposable personal income based on Department of Commerce data. Indexes for prices and employment based on Bureau of Labor Statistics data with employment seasonally adjusted by Federal Reserve. Index for construction activity based on Commerce and Labor data representing deflated work put in place.

In contrast to the marked shifts in production during 1953, and to similar developments in employment, changes in wholesale and consumer prices were within an unusually narrow range, during the second as well as the first half of the year. Prices of farm products declined much more moderately than in the preceding year.

At the year-end total output of goods and services was slightly higher than at the end of 1952 while employment and hours of work were below the advanced levels of a year earlier. An apparent further increase in output per man-hour reflected many factors, including substantial additions of highly efficient new plants and installation of much new equipment in existing plants.

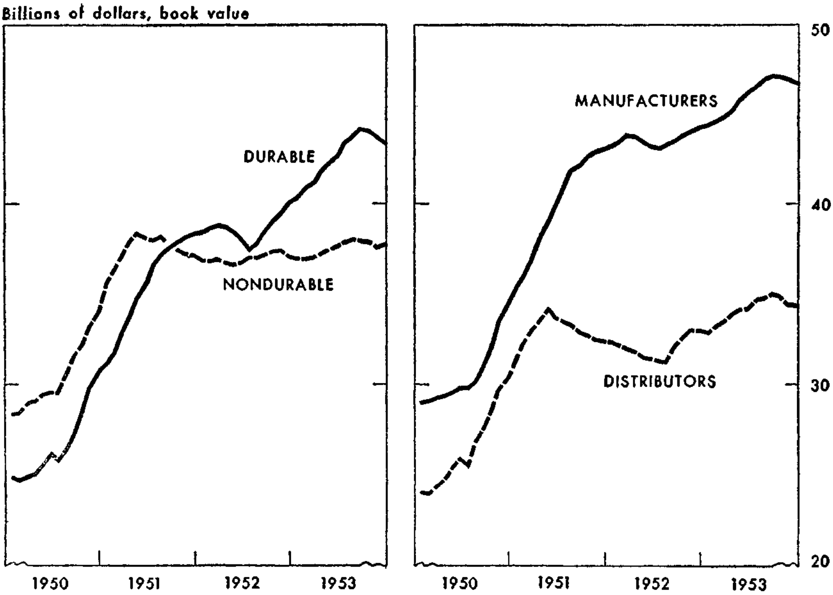
Funds to finance plant expansion, to meet other private needs, and to take care of Treasury requirements were obtained in larger proportion from individual and business savings than the year before. Bank credit expanded only moderately over the year, although borrowing at banks as well as elsewhere was large for the season in the early part of the year.

Demand and production. In 1953 the value of total output was about 367 billion dollars, 19 billion or 6 per cent larger than in 1952 and a record in physical volume as well as dollar amount. The substantial rise in production for the year as a whole reflected a further rise to exceptional levels of output in the first half of the year, following an upsurge in demand in the fall of 1952. During this period the productive resources of the economy were being utilized at an unusually high rate. Increased activity was based primarily on more private spending, particularly by consumers. Federal outlays for national security rose moderately, in contrast to sharp advances in the preceding two years when such outlays accounted directly for about half of the increase in national product. In the first half of 1953, as in the latter part of 1952, production of goods exceeded final takings by a substantial amount and business inventories were accumulated in large volume.

After midyear the pace of economic activity slackened appreciably as business buying for inventory dropped sharply and as fresh expansive forces were lacking. At this time reductions in defense spending came to be more widely anticipated. A truce in Korea was agreed to in July, and international tensions appeared to be easing somewhat. Business concerns and the armed services reduced new ordering and, with new orders below shipments, unfilled orders

INVENTORIES

Billions of dollars, book value



NOTE.—Department of Commerce book value data, adjusted for seasonal variation.

declined sharply from earlier high levels. Reflecting the effect of reduced output accompanying these developments, the buildup of business inventories, which had been at a seasonally adjusted annual rate of 6 billion dollars in the second quarter, was considerably retarded in the third quarter and turned into moderate liquidation in the fourth quarter. At that time, as the chart shows, stocks were being reduced by both manufacturers and distributors. The principal reductions were in stocks of durable goods, which earlier had advanced most.

Gross national product declined from a peak seasonally adjusted annual rate of 371 billion dollars in the second quarter to less than 364 billion in the fourth quarter. This was slightly above the level of a year earlier. The shift from substantial accumulation to liquidation of inventories was as large as the decline of 8 billion dollars in the annual rate of total production, with changes in other types of expenditures small and largely offsetting. At the end of 1953 expenditures of most types, except business inventory outlays, were either higher than or about the same as at the end of 1952.

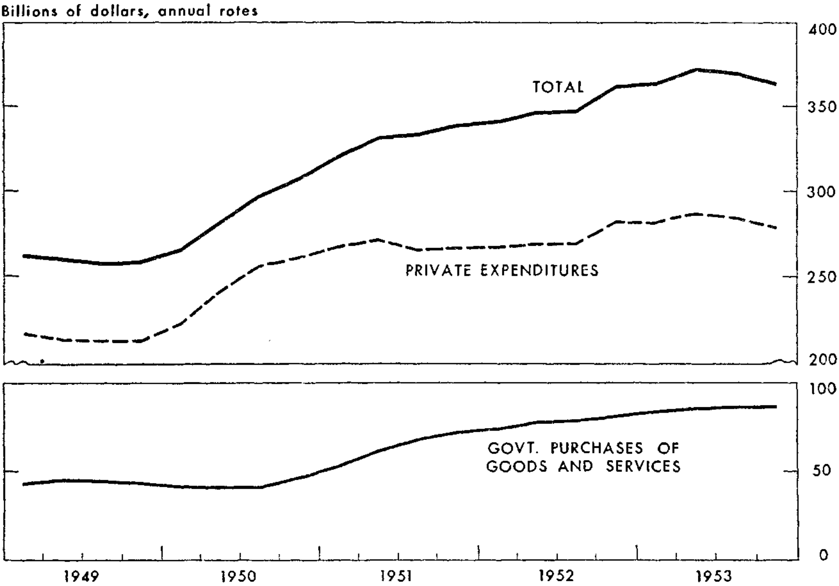
Government spending for goods and services changed little in the second half of 1953, despite a decline in spending for national security. Federal outlays for farm price supports increased and State and local government spending continued to rise. In the fourth quarter defense outlays were at an annual rate of 50 billion dollars, almost the same as a year earlier, and moderately below the peak second quarter rate. At the year-end defense outlays still accounted for about one-seventh of total product.

Business outlays for fixed investment—construction of facilities and producers' durable equipment—rose somewhat during the first half of the year, and leveled off in the second half. For the full year, such outlays were 6 per cent above the record 1952 level. Farm investment, however, declined substantially, and among nonfarm industries there were diverse movements. Electric and gas utilities, for example, reported an increase of 17 per cent, while railroads reported a reduction of 5 per cent. For manufacturing as a whole there was an increase of 4 per cent, with a larger rise in nondurable than in durable goods lines. Construction of offices, stores, and other commercial facilities, which had been restricted somewhat in 1952, rose very sharply in 1953.

Residential building, after allowance for seasonal influences, shared

GROSS NATIONAL PRODUCT

Billions of dollars, annual rates



NOTE.—Department of Commerce quarterly estimates at annual rates, adjusted for seasonal variation.

in the general expansion in the economy early in the year and then declined during the spring and summer. The seasonally adjusted volume increased somewhat toward the end of the year, however, while industrial activity was declining. The number of dwelling units started in 1953 was about 1.1 million, roughly the same number as in each of the two preceding years.

Consumer purchases of goods and services in 1953 were at a new high in both dollar amount and physical volume. Following a sharp expansion in late 1952, such expenditures rose moderately in the first half of 1953, with the principal increases in autos and various services. In the second half, total consumer expenditures changed only slightly as declines in purchases of goods about offset a substantial further rise in outlays for services. Demand for autos was not quite as strong in the second half and demand for apparel showed a decline in the third quarter, followed by some recovery late in the year. In real terms, after allowing for a slight rise in consumer prices over the year, total consumption outlays in the fourth quarter were a little larger than a year earlier. With population continuing to rise rapidly—by 2.7 million persons or 1.7 per cent—per capita real takings were about the same in both years.

Exports from the United States continued throughout 1953 at the rate which had prevailed in the latter part of 1952—about 12 billion dollars annually, excluding shipments under military assistance grants. This stability in export demand reflected a combination of high and generally rising world demand and the increased ability of the rest of the world to meet its own requirements on a fully competitive basis. Agricultural exports were somewhat smaller than in any other year since the war. Other exports, though smaller than in 1951 and the first half of 1952, exceeded those of the years 1948-50. United States imports reached a peak in the second quarter of 1953 at a rate of 11.4 billion dollars per annum, and thereafter fell to a rate of about 10 billion dollars in the last months of the year. Imports of foodstuffs and finished manufactures and, among materials, those of petroleum and newsprint, continued large during the latter part of 1953. Declines in imports of other materials reflected the shift, in the United States, from inventory accumulation in the first half to working down of inventories in the final quarter of the year.

Industrial production. Shifts in demand arising out of changes in inventories and in the defense program had their chief impact on activity and employment at factories. Total industrial output rose from the advanced level of 133 per cent of the 1947-49 average late in 1952 to 137 in May and July 1953 and then declined during the remainder of the year to 127 in December. Reductions from previous high levels were widespread, with output of nondurable goods declining after May and durable manufactures and minerals declining from peaks reached during the summer. Within the durable goods group, primary metal and metal fabricating industries showed substantial decreases in activity after midyear, while output of building materials was for the most part maintained close to earlier high levels. Increases in output late in 1952 and early in 1953 had been particularly sharp for consumer durable goods, including autos, appliances, and television, and a considerable part of the subsequent decline in metal fabricating was in output of these and related products. The decline was not limited to consumer metal goods, however, as farm equipment output continued downward and output of some other producers' goods, including trucks and railroad equipment, declined from earlier high levels. Output of ordnance also declined. Despite some curtailment in the second half, auto production for the year was up 40 per cent from 1952 and truck production was nearly the same as in 1952.

In the nondurable goods group, the textile, apparel, rubber, and leather industries reported marked declines. Activity in the food, paper, printing, chemicals, and petroleum refining industries meanwhile continued close to earlier advanced levels. Coal mining and crude petroleum output were curtailed in the latter part of the year, following earlier accumulation of stocks.

Labor market. Developments in the labor market in 1953 paralleled broadly changes in economic activity. In the first half of the year civilian employment, average hourly and weekly wages, and total wage and salary receipts reached new highs. After midyear, demands for labor eased appreciably and by December many of the earlier gains had been lost. Nonagricultural employment, seasonally adjusted, rose about 500,000 to a peak of 49.5 million persons in July and subsequently declined about 1 million. Changes in employment and in hours of work, like changes in production, were chiefly in manufacturing. The average number of hours worked in factories was down to 40 per week at the end of the year, as compared with about 41.5 hours a year earlier. Overtime work had been reduced and part-time work increased.

Changes in nonagricultural employment outside of manufacturing were for the most part small. Federal employment, however, declined 240,000 over the year while State and local government employment rose almost this much. Also, toward the end of the year employment in transportation industries was reduced appreciably. On farms, employment continued to decline in 1953. The armed services were maintained at about 3.5 million.

The labor force continued to expand in the early months of 1953, with increases from year-ago levels. As demands for labor were reduced, however, many youths and young married women, and some older workers, withdrew from the labor force, and by December fewer persons were reported in the civilian labor force than a year earlier. Unemployment in December, at 1,850,000 persons, was considerably above the postwar low reported in early autumn, about 450,000 higher than in December 1952, and a little higher than at the end of 1951. For the year 1953 unemployment averaged 1.5 million or 2.4 per cent of the civilian labor force.

Demand and production in other countries. In the free world outside the United States the transition from postwar recovery to peacetime growth was already well advanced at the beginning of 1953. With problems of internal financial stability and the balance of external payments much less acute than they had been in 1951 or in the first part of 1952, attention was shifting in Europe and elsewhere to long-term expansion of productive capacity and improvement in living standards.

In the industrial countries of Western Europe, both demand and production rose during 1953, helping to support growth of output in primary producing countries and stability in world prices. Expenditures by consumers and also by business in Western Europe rose in the course of 1953, while expenditures by governments for defense and other purposes were maintained at the relatively high levels established in the first part of the year. Industrial production in October and November was about 5 per cent higher than a year before, despite the adverse effects on Continental steel production of the leveling off in world demand for steel. Construction activity was strong, particularly in Germany and the United Kingdom, reflecting the continued existence of large backlogs of requirements created by war damage and obsolescence. Agricultural production in Western Europe reached a new record, about 30 per cent above 1948 and 20 per cent above prewar.

Commercial imports of European countries from outside Europe increased in physical volume during 1953, the expansion being mainly in raw material imports. Although restrictions were maintained by European governments on imports from the dollar area, these restrictions were moderated by a number of countries in the course of the year. Under these circumstances, stability rather than expansion of European purchases from the United States was attributable to the increase in production in recent years which has reduced European dependence on United States foodstuffs and capital goods. Meanwhile, Western Europe's exports to the dollar area continued to rise, and there was also a recovery in exports to overseas sterling area countries. Sales of goods and services to the United States military establishment increased considerably.

Important as external trade is in the European economy, the impetus to expanding production in Western Europe in 1953 came not so much from foreign trade as from growth of internal demand. Recovery in internal demand and production started in the summer of 1952, when an earlier liquidation of inventories ended. In contrast with the first years of postwar reconstruction, when large advances in industrial production were accompanied by inflationary boom conditions, financial stability was fully maintained in 1953. The absence of inflationary pressures, together with the balance-of-payments equilibrium achieved from the middle of 1952 onward, permitted some relaxation of monetary restraints in 1953, and interest rates declined somewhat in the majority of Western European countries.

In Asia, Latin America, and Africa, output of primary products for world markets generally expanded in 1953. In India and Southeast Asia there was also a notable increase in production of food for local or regional markets. Industrial production rose moderately in India, and more sharply in Japan, reaching new highs in both countries. Government programs for development of agriculture, public utilities, and industry were carried forward in a number of countries. In some countries of Southeast Asia, however, the decline in export prices during the past two years threatened to cause fiscal difficulties for development programs.

Import purchases by the less industrialized countries were generally smaller than in 1952. In many countries, however, imports turned up in the course of the year.

Canada continued to experience rapid economic development. Exports of grains and metals in the second half of the year fell somewhat below earlier high levels but other exports continued in strong demand. Employment was high and domestic demand for both Canadian and imported goods continued on a rising trend for the greater part of the year. Partly for seasonal reasons, Canadian imports from the United States declined somewhat in the second half of 1953 from the peak reached in the first half. Only in the last months of the year were there any signs of slackening in domestic trade. Despite the decline in United States interest rates in the second half of the year, money market rates in Canada remained stable for long-term maturities, and continued to rise up to October for shorter term maturities.

Prices. Wholesale prices in the United States and in other countries were remarkably stable in 1953. The marked rise in demand in the latter part of 1952 and the early part of 1953, in a period when most remaining price and wage controls in the United States were being eliminated, had no appreciable effect on broad averages of prices. Nor were prices significantly affected by the truce in Korea at midyear, the easing in demands in the United States in the second half of the year, or the intensified competitive pressures developing among producers and distributors.

In mid-December, the United States wholesale price index was slightly higher than a year earlier, with industrial prices up 1.5 per cent, prices of farm products down 5 per cent, and prices of processed foods unchanged. The index of basic commodity prices, which had declined very sharply in 1951 and 1952, fluctuated little during 1953 at about the pre-Korean level.

In Europe, wholesale prices declined somewhat in the first half of 1953 and were generally stable in the second half. Sustained demand in Europe contributed to stability of world prices.

Tin prices fell sharply in April and again in July, and rubber prices fell through October. Both of these materials had been in heavy demand for strategic stockpiles in earlier years. During the second half of the year some weakness developed in prices of certain materials, including hides and leather and steel scrap. On the other hand, prices of coffee and cocoa rose considerably in response to news of short crops. Abroad, soft-currency prices of raw materials obtainable alternatively from soft-currency or dollar sources were in closer alignment with dollar prices in 1953 than in earlier postwar years, in consequence mainly of adjustments that occurred in 1952. Prices of finished goods in the United States for the most part changed little during 1953 and were at a level higher in relation to material prices than in the first half of 1950 before hostilities broke out in Korea.

Farm product prices in the United States declined somewhat further in 1953 to about the pre-Korean level. Total farm production was maintained at a high level, despite drought in some areas, and, with crop exports further reduced, carryovers continued to rise. The further price decline for crops was small, partly because prices of basic crops at the beginning of the year were already around Federal support levels. Prices of beef cattle declined one-fifth further during the year, and per capita beef consumption reached a record level. Cattle marketings were 30 per cent larger than in 1952. In contrast, marketings of hogs declined to the lowest level in several years and prices of pork products rose considerably.

Consumer prices in the United States edged up to a new high in October, and then declined slightly. In December they were less than 1 per cent higher than in December 1952. Rents continued to rise, advancing more rapidly after July when most remaining rent controls were terminated. Costs of medical care and other consumer services also rose further. Prices of apparel and house furnishings changed little and foods declined somewhat. Used car prices declined sharply and December prices were down to about the postwar low of late 1949.

In real estate markets, prices of older properties, particularly more expensive houses, tended to decline somewhat. Prices of new houses, however, were relatively stable. Reflecting reductions in farm incomes, prices of farm real estate declined 6 per cent from the peak reached in late 1952. In securities markets, common stock prices generally moved downward in the second and third quarters and increased moderately thereafter.

Income and saving. Stability in prices and marked changes in production and employment during 1953 were clearly reflected in the pattern of income change. Personal income, seasonally adjusted, increased moderately further in the first half of the year, reached a peak in July, and declined moderately thereafter. December income, at an annual rate of 285 billion dollars, was 4 billion higher than a year earlier but about 3 billion below the high of July. The decline after July reflected a reduction of 5 billion dollars in the rate of wage and salary payments, partly offset in the total by an appreciable rise in unemployment benefits and by further moderate increases in rental income and interest. Business and professional income and dividends remained relatively steady. Income of farm proprietors declined somewhat further in 1953, reflecting reductions in prices which more than offset the effects on net income of a small rise in marketings and a slight decline in production expenses.

Personal tax payments fluctuated more or less with income, and thus disposable income moved up until midyear and declined subsequently. In the fourth quarter, with disposable income at a somewhat higher level than a year earlier and consumption expenditures also up a little, personal saving was the same large proportion of income as before, more than 7.5 per cent.

Corporate profits before taxes increased during the first half of 1953, reaching a seasonally adjusted annual rate of 46 billion dollars in the second quarter. As a result of declining sales and narrowing profit margins, however, profits decreased in the second half of the year, especially in manufacturing industries. For the year as a whole, corporate profits were about the same as in 1951, the previous all-time peak, and about 4 billion dollars larger than in 1952. Larger income tax liabilities, and a record volume of dividend payments, absorbed most of the 1952–53 increase in profits before taxes, and undistributed profits were only moderately larger in 1953 than in 1952.

Debt and equity financing. Investment of funds directly or through financial institutions other than the commercial banking system increased markedly in 1953, reaching a new high for recent years. Expansion in credit from all sources, including the commercial banking system, was about as large in 1953 as in the record year 1952. Credit demands, particularly of businesses and consumers, were extremely large in the first half of 1953 but slackened somewhat after midyear.

The role of commercial banks in the net extension of credit was reduced as a result of various factors, including the large amount of funds offered by nonbank lenders, the limitations on the availability of bank reserves early in the year, and the restraint on loan expansion which banks began to exercise as their ratios of loans to liquid assets and to capital rose further. In 1953 the commercial banking system, including Federal Reserve Banks, absorbed a substantially reduced part of the increase in major types of debt and new equity instruments. Moreover, a larger proportion of the growth in bank loans and investments represented savings deposits than in earlier years.

Real estate mortgage credit increased substantially further in 1953. Its outstanding volume rose 9.6 billion dollars compared with 8.8 billion in 1952, as is shown in the table. Commercial banks expanded their holdings of mortgages about 1 billion dollars or 6 per cent, somewhat less than in 1952. On the other hand, savings and loan associations increased their mortgage holdings more rapidly—by a total of 3.5 billion dollars or 19 per cent. Life insurance companies and savings banks expanded their portfolios somewhat more than in 1952.

Growth in consumer instalment credit outstanding was rapid during the early months of 1953 as credit extensions based on sales of autos and household durable goods continued the expansion started in the spring of 1952, reaching a new high, after allowing for seasonal variation. Subsequently, such credit extensions declined appreciably, reflecting a decrease in the proportion of credit sales and, later, some reduction in total sales of such goods. Since repayments meanwhile continued to increase, the amount of credit outstanding showed much less marked increases after midyear. The share of instalment credit held by commercial banks rose moderately in the early part of the year but later declined.

Corporate plant and equipment expenditures and inventory accumulations were larger in 1953 than in 1952, but total funds available from retained earnings and depreciation allowances were of record proportions. Corporate stock and bond issues, net of repayments, were 7.8 billion dollars in 1953 as compared to 8.1 billion in 1952. Excluding flotations by sales finance and personal loan companies, which were very large in 1953, corporate stock and bond issues were down 1.2 billion dollars or about 15 per cent from 1952. Business borrowing at banks declined 400 million dollars in 1953, as compared with an increase of 1.9 billion in 1952.

Growth in Major Types of Debt and Equity Financing

[Net increase in amounts outstanding, in billions of dollars]

Distribution of growth by—	1953 p	1952	1951
Major types:			
Real estate mortgages	9.6	8.8	9.4
Consumer credit	3.1	4.4	0.7
Corporate bond and stock issues	7.8	8.1	6.3
Bank loans to business	−0.4	1.9	3.7
State and local govt. issues	4.0	3.4	2.5
Federal cash borrowing	4.6	3.4	−1.2
Bank credit not included above	1.8	1.5	0.6
Selected holders:			
Federal Reserve Banks	1.2	0.9	3.0
Commercial banking system	4.4	8.9	5.7
Selected nonbank sources:			
Mutual savings banks	1.8	1.7	0.8
Savings and loan associations	3.8	3.2	2.1
Life insurance companies	4.5	4.4	3.4
Federal, State, and local govts	2.0	2.5	1.9

p Preliminary.

NOTE.—Includes only selected types of loan extensions and new equity financing. Among types not included are trade credit other than consumer credit; interbank loans; security issues by foreign agencies, international organizations, nonprofit and eleemosynary institutions; nonbank loans for purchasing securities; and claims such as shares, pass books, and policies issued by financial organizations. The sum of the figures for major types of debt and equity financing does not equal the sum of the amounts shown for holders, since not all types of credit and holders are included. The figures for holders exclude purchases of the indicated types of credit and equity instruments by individuals, corporations, foreign investors, nonlife insurance companies, and other investor groups not shown separately.

State and local governments expanded their borrowings to record levels. This reflected in part unusually large construction programs for highways, schools, and public housing, and in part an increased reliance on borrowed funds for financing these expenditures.

Treasury demand for credit increased in 1953. Federal cash income at 70.4 billion dollars for the calendar year was 1 billion less than in 1952, while cash expenditures rose 3.5 billion to 76.5 billion. More than 1.5 billion dollars of the resulting cash deficit was financed by drawing down the Treasury cash balance and 4.6 billion was covered by net cash borrowing from the public. Government securities held by the public increased about 5.4 billion dollars, of which 4.6 billion represented the Treasury's net cash financing and the remainder largely discount accruals on outstanding savings bonds. Additions to public holdings in 1953 amounted to 1.5 billion dollars for commercial banks and Federal Reserve Banks and about 3.9 billion for nonbank investors.

The larger cash deficit in 1953 resulted primarily from a rise in expenditures. Spending for national security programs increased 1.5 billion dollars over 1952, although it leveled off during the year and turned down in the fourth quarter. Price support of farm products and social security programs accounted for the bulk of the increase of 2 billion dollars in other outlays. Cash income declined slightly despite peak or near-peak tax rates and higher incomes. Lower corporate tax collections, which reflected reduced 1952 corporate earnings, were responsible for the decline. Other tax receipts increased.

The pattern of Federal receipts over the year showed continued concentration in the first half of the year, primarily as a result of the Mills plan for corporate tax payments. Cash outgo reversed the trend of the previous two years and was smaller in the second half of the year than in the first half, but this shift was not sufficient to offset the concentration of receipts in the first six months—especially in the first quarter. The result was a cash surplus of more than 2 billion dollars in the January–June period, and a deficit of more than 8 billion over the remainder of the year.

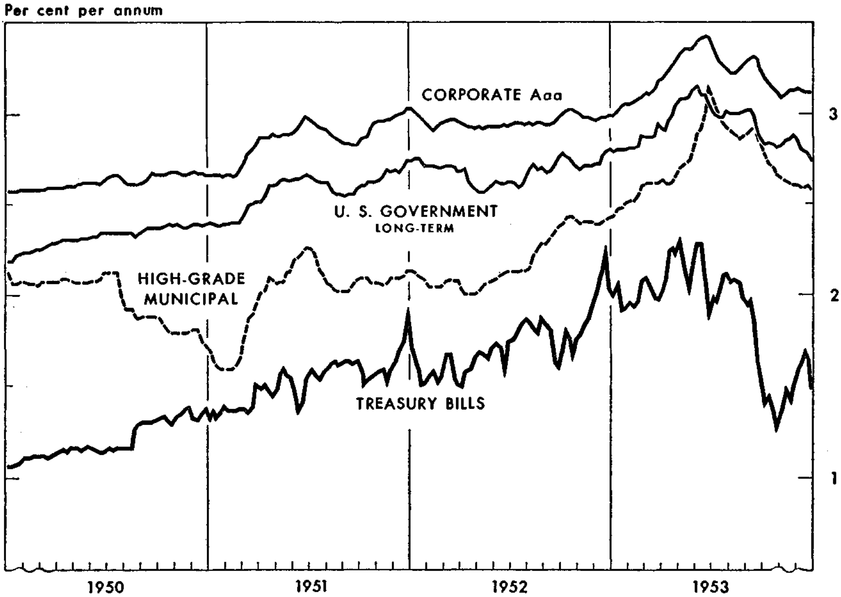
During the calendar year 1953 the Treasury engaged in extensive borrowing operations to meet the cash deficit and also to retire maturing tax anticipation bills and to meet some cash attrition on refunding operations. The Treasury entered the securities market with several new issues to obtain more than 12 billion dollars in cash. Two of these offerings were tax anticipation issues totaling 6.7 billion dollars. The Treasury also sold for cash more than 1 billion dollars of long-term bonds in May and more than 2 billion of intermediate-term bonds in November. In addition, the Treasury raised 2.3 billion by increasing the weekly bill offerings. On five other occasions the Treasury entered the market to refund maturing debt in excess of 35 billion dollars. In nonmarketable issues, net sales of savings notes approximately offset small net redemptions of savings bonds.

An objective in Treasury debt management operations during the year was to lengthen the maturity of the Federal debt. Over the year, five offerings were made of securities maturing in from 3½ to 30 years, and a total of 9 billion dollars of these was issued.

Interest rates. During the first half of 1953 the large and growing demand for credit tended to outstrip the substantial and increasing funds available for lending and investing. Pressure of credit demand resulted in a moderate increase in interest rates through mid-April and then in a sharp advance. Most rates reached their highs for the year in May and June when borrowing demands were abnormally heavy. By that time it had become apparent that Federal financing for the remainder of the year would be heavier than had been anticipated, owing largely to the failure of Federal revenues to reach earlier expectations. There was also some tendency for borrowers to enter the market for financing in advance of their actual needs. From late 1952 to the middle of 1953, yields on most types of securities rose about ½ of 1 per cent, while interest rates on short-term business loans and other short-term paper rose about ¼ of 1 per cent.

MONEY RATES

Per cent per annum



NOTE.—Treasury bill rates are market rates on longest bills. Yields on long-term U. S. Governments exclude 3¼ per cent bonds of 1978-83, issued May 1, 1953. Corporate Aaa rates are from Moody's Investors Service; high-grade municipals, from Standard and Poor's Corporation.

Beginning in June, rates declined sharply, in some cases more sharply than they previously had risen. This shift reflected both the increased availability of bank credit during the period and some slackening in credit demand. At the end of the year the market yield on Treasury bills was down to 1.5 per cent, substantially below a year earlier and as low as at any time since 1951. Yields on other Government securities and on short-term private paper were below those prevailing at the beginning of the year. Corporate and municipal bond yields were substantially below their midyear peaks but somewhat above the levels a year earlier.

BANK CREDIT AND MONEY

Total loans and investments of commercial banks increased 4.4 billion dollars in 1953 compared with 8.9 billion in 1952. Private demands for bank credit were strong during the first half of 1953 but slackened around midyear. Holdings of Government securities fluctuated considerably during the year. Expansion of demand deposits and currency was less than in other recent years, but time deposits continued to increase substantially. Bank reserve positions were tight during the first five months of the year and thereafter eased considerably, reflecting Federal Reserve actions and slackening credit demands.

Bank loans and investments. Demand for bank credit from private borrowers strengthened considerably in late 1952 and early 1953 with the accelerated pace of economic activity. After midyear, however, private demand for bank credit weakened.

The pattern of early strength and later weakness in demand for bank credit was particularly evident in consumer and business loans. Consumer loans expanded rapidly from the spring of 1952 through the second quarter of 1953, owing largely to heavy automobile financing, but growth slackened sharply in the third quarter and ceased in the fourth quarter. Nevertheless, the total outstanding increased 1.3 billion dollars or 15 per cent for the year. This was the largest growth for any major category of bank loans or investments, as shown in the table.

Business demand for bank credit, which in recent years has usually declined in the January-June period, was maintained over the first quarter of 1953 and declined only moderately in the second quarter. After midyear, however, credit demand from this source did not

Loans and Investments of Commercial Banks

[In billions of dollars]

Type of loan or investment	Outstanding Dec. 30, 1953	Increase, or decrease (−)				
		Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Loans and investments, total	145.8	4.4	−2.1	−1.4	4.8	3.2
U. S. Govt. securities	63.6	0.3	−2.8	−1.9	3.6	1.4
Other securities	14.6	0.5	0.3	(1)	0.2	0.1
Loans, total	67.6	3.6	0.4	0.5	1.0	1.7
Business	27.5	−0.4	(1)	−0.5	0.3	−0.2
Real estate	16.7	1.0	0.2	0.3	0.3	0.2
Agricultural	5.0	1.1	(1)	−0.2	0.2	1.1
Security	3.5	0.3	−0.5	0.1	0.1	0.6
Consumer	10.7	1.3	0.6	0.6	0.2	(1)
Other	5.2	0.3	(1)	0.2	0.1	(1)

[1] Less than 50 million dollars.

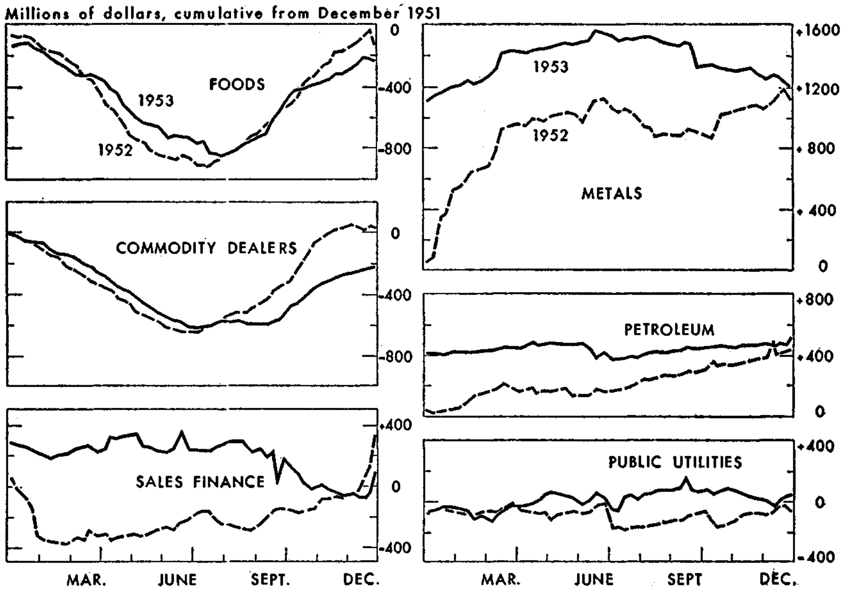
NOTE.—Data exclude interbank loans. Total loans are after, and types of loans before, deductions for valuation reserves. Consumer and "other" loans are partly estimated for all dates, and other figures for dates other than Dec. 31, 1952 and June 30, 1953. Details may not add to totals because of rounding.

rise as much as it usually does. Late in the year business loans declined slightly in contrast with the sharp rise that occurred late in 1952. For the year as a whole, such loans decreased about 400 million dollars, the first decline since 1949 and only the second in more than a decade.

Slackening of business credit demands developed in varying degrees in major industries. During the first half of the year, as shown in the chart on the next page, net loan repayments by industries whose activities are highly seasonal—such as food processors and commodity dealers—followed their seasonal pattern but were smaller than in the previous year. Expansion after mid-1953, however, was substantially less than in other recent years, in part because large supplies of farm products were placed in storage under Commodity Credit Corporation price support loans instead of being marketed through commercial channels. By the end of 1953 outstanding loans in both industries were well below the year-end levels of the previous two years. Loans to manufacturers of metals and metal products generally continued their steady expansion during the first half of 1953 but declined during the last half. Borrowing by sales

CHANGES IN BANK LOANS — SELECTED INDUSTRIES

Millions of dollars, cumulative from December 1951



NOTE.—Data reported by more than 200 of the largest weekly reporting member banks. Foods include liquor and tobacco. Metals include metal products, machinery, and transportation equipment. Petroleum includes coal, chemicals, and rubber. Public utilities include transportation.

finance companies also declined in the last half of 1953, in contrast with a substantial increase in the same period of the preceding year. Expansion of bank loans to the petroleum and public utility groups, which include rapidly growing industries, appears to have stopped during 1953.

Weakening of credit demand appeared somewhat earlier in the year for agricultural loans than for other loan categories, partly as a result of the sharp decline in agricultural prices during the last half of 1952. The growth of 1.3 billion dollars in the last half of 1953 did not represent an increase in demand for farm production credit but rather an increase in Federally guaranteed loans made by banks in connection with price support programs, either directly or through purchases of certificates of interest in loans on agricultural commodities held by the CCC.

In contrast with these slackening tendencies in consumer and production loans, real estate loans at banks increased steadily throughout the year at about the same pace as in 1952. Security loans fluctuated considerably in the course of the year, reflecting changes in loans on Government securities in connection with Treasury financing operations and seasonal demands of dealers. Loans for purchasing and carrying other securities changed little, despite the reduction in margin requirements in February.

Banks continued to add to their holdings of State and local government securities in 1953, but at a slower rate than in 1952. With the greater part of the Federal Government borrowing from the public in 1953 absorbed by nonbank investors, holdings of United States Government securities by commercial banks increased only about 0.3 billion dollars and Federal Reserve holdings expanded about 1.2 billion.

Commercial banks reduced their portfolios of Government securities nearly 5 billion dollars in the first half of 1953. In this period banks were under pressure to maintain their reserve positions, and the Treasury was retiring debt by using surplus receipts and also by drawing down its balances with banks. Bank holdings of short-term Government securities were reduced largely by sales to nonbank investors but also through cash retirement of maturing tax anticipation bills and other securities. Bill holdings of banks declined about 3.5 billion dollars from December 1952 through May 1953, and banks also sold large amounts of certificates, notes, and short-term bonds. The effect of these developments on the liquidity of commercial bank portfolios was offset in part by the closer approach to maturity of large bank holdings of short-term bonds and notes.

Central reserve city and reserve city banks accounted for the greater part of the reduction in bank holdings of short-term Government securities. Bill holdings fell considerably below the levels that had been maintained at these banks since the spring of 1951. Country banks also disposed of Government securities early in 1953, but their holdings remained as large over the first five months as in the same period of 1952.

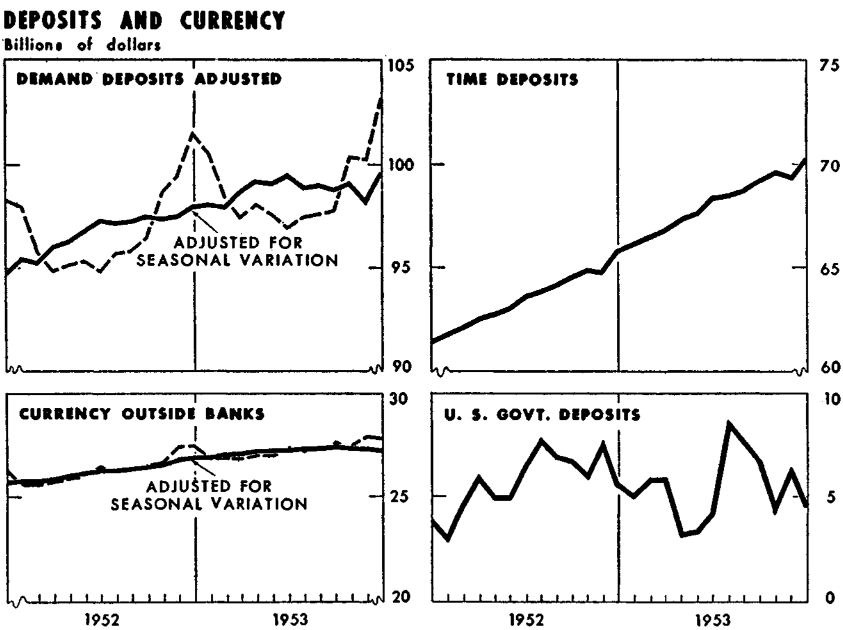
With the easing in bank reserve positions that accompanied large open market operations by the Federal Reserve beginning in May and the reduction in reserve requirements at midyear, banks quickly rebuilt their Government security portfolios. Commercial banks initially acquired about 4.5 billion dollars of the large Treasury financing in mid-July. These additions, which were distributed throughout all classes of banks, fully offset the reductions in holdings of Governments that had occurred since the first of the year.

Liquidation of Government securities was resumed before the end of July and holdings were reduced substantially by early September. They were increased again in November when the Treasury sold an issue of intermediate-term bonds for cash.

Deposits and currency. Monetary expansion continued in 1953 but the increase was smaller than in any year since 1949. Expansion in privately held demand deposits and currency was about 2.1 billion dollars or about 1.5 per cent for the year. This growth was one-half the increase in 1952 and one-third that in each of the two preceding years.

Demand deposits adjusted, after allowance for usual seasonal changes, continued to expand at a fairly rapid rate through April, but increased only slightly during the remainder of the year, as is shown in the chart. For the year as a whole these deposits increased 1.8 billion dollars or nearly 2 per cent.

Currency outside banks, after allowance for usual seasonal movements, increased gradually through the third quarter of the year



NOTE.—Figures are partly estimated. Deposits are for all banks in the United States. Demand and time deposits are adjusted to exclude U. S. Government and interbank deposits. Demand deposits are also adjusted to exclude items in process of collection. Time deposits include deposits in the Postal Savings System and in mutual savings banks. Figures are for last Wednesday of month except for June and December call dates.

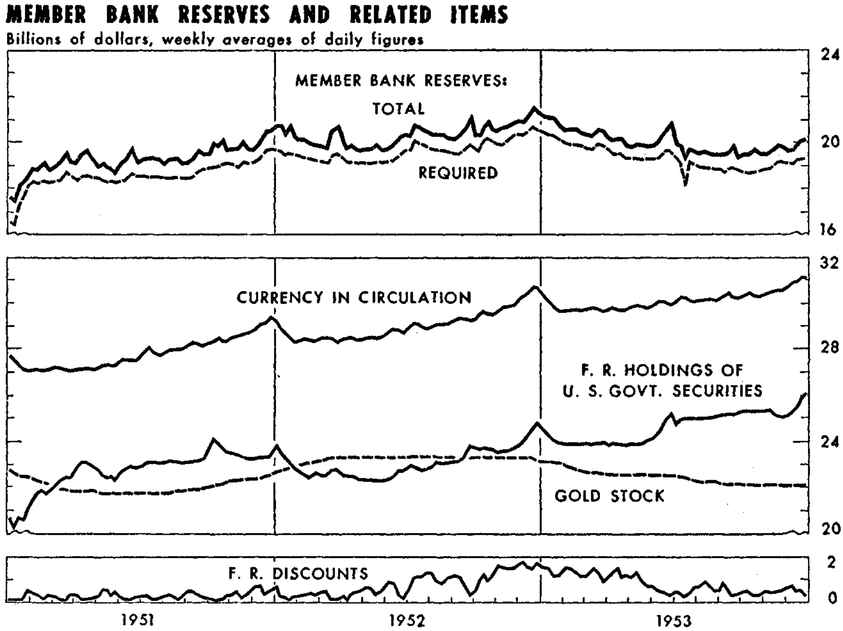
and thereafter changed little. The year's growth of 300 million dollars or 1 per cent compared with a growth of 1.2 billion dollars or 4.5 per cent in 1952.

Growth in time deposits at commercial and mutual savings banks continued very large in 1953—4.6 billion dollars compared with 4.5 billion in 1952.

United States Government deposits fluctuated more widely than in other recent years, reflecting primarily larger and more concentrated Treasury borrowing. In addition to fluctuations during regular tax-payments, such as in the second half of March and June, these deposits rose sharply when substantial issues of new securities were sold to the public, as in July and November. In the intervening periods they were gradually drawn down in meeting the costs of Government operations. In general, they were maintained at lower levels than in 1952.

The rate of use, or turnover, of demand deposits rose somewhat in 1953, after having remained relatively stable the previous two years. Demand deposits at banks outside of the leading financial centers turned over 18.9 times in 1953, compared with 18.4 times in 1952.

Bank reserve positions. During the early months of 1953 member bank reserve positions were under pressure and bank borrowing at the Federal Reserve continued at a high level. A major factor tending to exert pressure on bank reserves was an outflow of gold. After remaining relatively static for nearly a year, gold began to leave the United States late in 1952 as foreign countries, principally the United Kingdom and Western Europe, converted some of their expanding dollar balances into gold. A reserve drain during the first weeks of 1953 also resulted from a reduction in Federal Reserve holdings of Government securities, reflecting largely the resale of bills acquired under repurchase agreement near the end of 1952. A large volume of reserve funds was provided early in 1953 by a return of currency from circulation. In addition, required reserves of banks declined as the Treasury drew down its deposits at commercial banks to retire debt and as other demand deposits also declined. While banks were able to reduce their indebtedness at the Reserve Banks somewhat in January, the volume of member bank borrowing averaged around 1.2 billion dollars during the early months of the year.



In early May the System began a program for supplying a substantial volume of additional reserve funds to meet the anticipated seasonal and growth needs for credit and currency during the remainder of the year. Open market purchases supplied a total of 1.2 billion dollars of reserves to member banks in the period from early May through the first week of July, and a reduction in reserve requirements on demand deposits early in July freed an additional 1.2 billion of reserve funds. Open market purchases were resumed after mid-August, and by the end of the year they had supplied a further 1.5 billion dollars of reserves, including 600 million near the close of the year under repurchase contracts. In November the Treasury issued gold certificates to the System to retire 500 million dollars of Government securities held by the Federal Reserve Banks, a transaction which did not affect member bank reserve balances.

A substantial portion of the reserve funds supplied by these Federal Reserve actions was used to meet the requirements of the public for currency and to provide the additional reserves to support deposit growth. There was also some drain on bank reserves during this period owing to a continued gold outflow. The needs for reserves were less than the amount provided, however, as private demands for bank credit did not come up to the usual seasonal volume, bank deposits increased less than anticipated, and the seasonal outflow of currency was moderate. Banks were able to reduce greatly their borrowings at the Reserve Banks and the volume of their excess reserves increased. By the last week of December, average member bank borrowing had declined to 200 million dollars and was substantially less than the prevailing volume of excess reserves.

FOREIGN FINANCIAL DEVELOPMENTS

The transition from postwar recovery to peacetime growth, noted earlier in this report, has been paralleled in many countries by a rise of confidence in the usefulness of free markets for bringing about adjustments to promote sound economic growth. Decreased use of direct controls affecting prices or purchases in domestic trade has involved greater reliance on general policies relating to credit and government finance. In international trade and finance, some degree of direct control still exists in many countries. Nevertheless, developments in 1951-53 have reflected a growing appreciation of the interdependence of policy in the domestic and external spheres. Most remarkable has been the widespread evidence of growing belief in the possibility of linking together the free world countries in a broadened market economy with fewer barriers to trade and investment.

Problems of dollar shortage were no longer pressing heavily on Western Europe at the beginning of 1953. Europe's economic recovery, accelerated by American aid, had freed that region from abnormal needs for imports and enabled it to respond to growing demand for European goods in the United States and elsewhere.

A factor widely recognized as vital for this expansion of European exports was the achievement, through a difficult period extending from 1948 to 1952, of internal financial stability at appropriate exchange rates for most currencies. Moreover, the key to financial stability was found in noninflationary fiscal and credit policies: reliance upon direct controls over costs and prices was waning.

As problems of instability were surmounted, the undesirable effects of foreign trade restriction came to be more widely recognized.

Within Europe such restrictions were lessened between 1948 and 1951 through the work of the Organization for European Economic Cooperation, and bilateral bargaining for trade and credits between governments gave way in 1950 to the automatic credit and gold settlement procedures of the European Payments Union.

A shift in policies was evident also in the sterling area, now linked to EPU through Britain. The sterling area since the outbreak of war in 1939 has been a grouping of countries within which capital could move freely or with negligible restrictions, but whose trade and capital transactions with the rest of the world, especially with the dollar area, were subjected to close controls. In December 1952 the Commonwealth Conference in London reached full agreement that a continuing insulation of the sterling area from the rest of the world economy was not to be desired.

Thus at the beginning of 1953, both in Europe and in the sterling area, efforts were being directed toward a new relaxation of trade and exchange controls, including the discriminatory controls on dollar transactions.

United States balance of payments. To treat dollar trade like any other trade seemed in many countries an almost Utopian goal in 1948. If this is practical policy in some of the same countries now, it is partly because a remarkable shift has occurred since 1948 in the balance of payments between the United States and the rest of the world.

United States merchandise imports in 1953 were over 50 per cent greater in value and 30 per cent greater in volume than in 1948, while commercial exports were approximately the same as in 1948. Total dollar payments from the United States to other countries for current transactions (including purchases of services as well as of goods, and also gifts other than Government aid) totaled about 17 billion dollars in 1953, as compared with only 11 billion in 1948. In 1953 these dollar payments were approximately equal to foreign payments to the United States for our exports of goods and services (apart from those covered by military aid). In 1948 exports of goods and services, strongly supported by economic aid, had exceeded current account dollar payments by 5.5 billion dollars.

United States Government grant and loan aid to European and other countries, other than aid given in the form of military supplies and services, had declined 2.7 billion dollars from 1948 to 1953, but the rise in dollar payments from the United States to other countries on current account had been even greater. At the end of 1953 there was little ground for doubt that these payments, taken in the aggregate, would continue large in the next few years. Of the 17 billion dollar total of current account payments in 1953, United States military expenditures in foreign countries on goods and services for use abroad or for transfer to other countries under the military assistance programs accounted for about 2.5 billion.

In the last months of the year merchandise imports were about 10 per cent below those of the peak second quarter and more than 5 per cent below the average for the year. Military expenditures, however, showed a rising trend in 1953 owing to operations under the offshore procurement program. At the end of the year total payments for current transactions were still at a rate of about 16 billion dollars per annum.

The outflow of private direct investment capital continued at close to the 1948-52 average rate of 700 million dollars, though temporary factors led to a return flow in 1953 of other types of private capital.

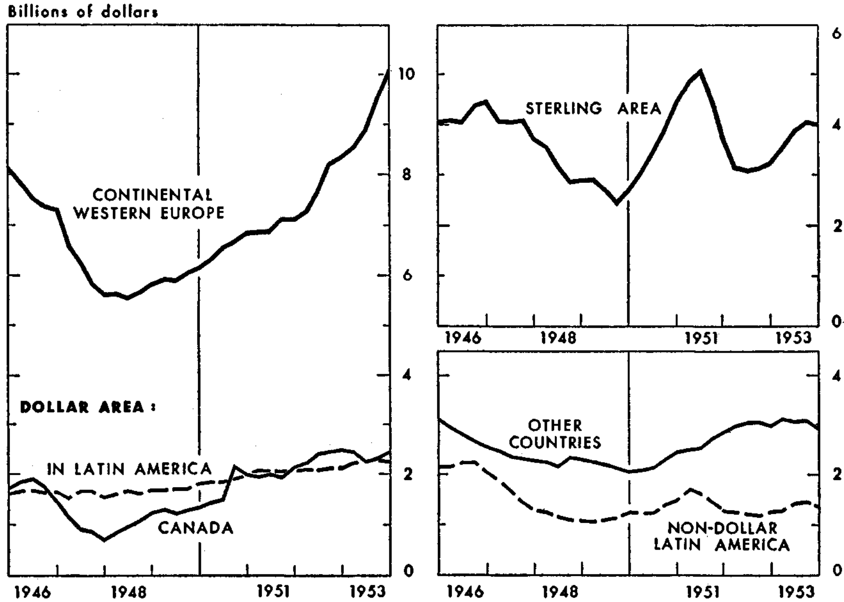
Net transfers of gold and dollar holdings from the United States to foreign countries exceeded 2 billion dollars during 1953. Despite the decline in payments for imports, the gold and dollar movement was almost as large in the second half as in the first half of the year.

Dollar area. The majority of Latin American countries, including Mexico, Cuba, Venezuela, Colombia, and the Central American republics, receive payment in U. S. dollars for most of their exports and have no discriminatory controls on imports from the United States. These countries have had no pressing need to enlarge their holdings of dollars, and they absorbed very little of the increase in aggregate foreign gold and dollar holdings in 1953.

Canada continued to export more than it imported in trade with Europe and the sterling area, but its surplus in this trade declined in 1953. Canadian holdings of U. S. dollars were moderately reduced during the first half of 1953, when Canada's deficit in trade with the United States was at a peak.

Canada continued its policy of letting fluctuations in the balance of payments be reflected in exchange rate movements. The rate

GOLD RESERVES AND DOLLAR HOLDINGS — BY AREAS



NOTE.—End-of-quarter figures; gold reserves partly estimated. Dollar holdings include reported holdings of short-term U. S. Government securities and also certain long-term U. S. Government securities held for foreign official accounts.

declined from over $1.03 at the beginning of the year to about $1.005 in May and June, and again approached $1.03 at the end of the year. Canadian interest rates are generally higher than those in the United States and the spread serves, as a rule, to promote the movement of investment capital into Canada. In the spring of 1953, when long-term rates in the United States rose sharply, a considerable amount of foreign-owned Canadian securities was repatriated or retired, but near the end of the year new flotations in this country were again occurring in considerable volume.

Sterling area. The United Kingdom's official gold and dollar reserves increased steadily during 1953. At 2.5 billion dollars at the end of the year, they were 0.8 billion higher than in the spring and summer of 1952. In addition, other gold and dollar holdings in the area increased slightly. The improvement in the sterling area reserve position reflects the stabilization since mid-1952 of sterling area imports from non-sterling sources at a level considerably lower than in 1951. Also, there has been a gradual but steady increase during recent years in United Kingdom exports to the dollar area. Exports by overseas sterling area countries to the dollar area and to Continental countries in the European Payments Union were fairly well maintained in 1953, though in value they were much below the peak of the Korean war boom.

Curtailment of imports by sterling area countries in 1952 had been facilitated by market forces, following the rebuilding and accumulation of inventories in 1951. Moreover, the sharp fall in export prices of sterling area raw materials, though leading to serious balance-of-payments dislocations for overseas sterling area countries like Australia, had helped to stem internal inflation. Losses of export income after mid-1951, coupled with inflated import demand both overseas and in Britain, had been so serious, however, as to require fresh use of direct restrictions that previously had been lifted.

In 1953 virtually all sterling area countries succeeded in maintaining financial stability internally, and a start was made in relaxing trade restrictions. The most striking progress was made in the United Kingdom, where in 1950 Government trading still accounted for 50 per cent of all imports. By the end of 1953, private importing was again permitted for virtually all commodities except meat and a few other foods, in which exclusive Government trading will cease during 1954. Markets for several internationally traded commodities were reopened in 1953 for the first time since 1939, and in most of them British importers are free to buy abroad without discrimination as to country of origin; this rule now applies to all grains and in effect to cotton, both of which are primarily dollar commodities. For several commodities, notably the nonferrous metals, re-export for sterling is permitted even if the goods were originally paid for in dollars. In 1953 the United Kingdom restored considerable freedom with respect to imports from Continental Western Europe.

Other countries outside Europe. Financial developments in 1953 in a number of other countries were less encouraging than those in the sterling area. In several important cases countries experienced difficulty with their balance of payments not only in dollars but also in sterling and other currencies. Underlying these difficulties, as a rule, was continuance of inflationary pressures.

In South America, a few countries, including Brazil and Chile, were still experiencing active inflation and serious balance-of-payments difficulties during 1953. Argentina, with good crops, was able to increase its exports markedly, but monetary expansion continued and imports were kept under rigid control.

Although Japan's earnings from United States military expenditures continued very large, they were insufficient to bridge completely the over-all trade deficit in 1953. Imports continued to rise, and although industrial production increased by one-sixth over 1952, exports fell off and appeared to be over priced in many markets. Indonesia made some progress toward reducing inflationary pressures, but declines in the value of exports of rubber and tin created continuing difficulties for external balance. Thailand, exporting rice as well as rubber and tin, imposed new controls on imports toward the end of the year in order to conserve its foreign exchange reserves. In Israel, inflationary pressures continued to be felt, though not as strongly as in 1952.

Continental Western Europe. The major improvement in gold reserves and dollar holdings in 1953 occurred in Europe. The Continental countries, like the United Kingdom, enjoyed on the whole a high and balanced level of trade and other current international transactions. Of the major countries, only France and Italy had serious balance-of-payments difficulties, and in both cases these difficulties were not confined to their trade with the dollar area but affected also their payments within Europe. France had not recovered from the after-effects of its 1951 inflation, and maintained rigid import controls in 1953. Italy, on the other hand, adhered to a liberal trade policy and waited for its trading partners, particularly those within Europe, to lower their own trade barriers in return. United States dollar aid and military expenditures enabled both countries to avoid severe declines in their reserves. The gold and dollar reserves of most other countries showed a steady rise. The rise in German and Dutch reserves was very considerable.

A number of European countries took concrete steps in 1953 to relax their controls on international trade and payments. Several countries removed quota restrictions on an additional share of their private imports from other OEEC countries. Germany and the Netherlands reached the stage of 90 per cent liberalization previously achieved by four of the members. Austria moved from complete import control to 50 per cent liberalization, and significant changes were also made by Greece. There was a parallel movement with regard to intra-European service transactions, such as tourist travel and business expenses. With regard to imports from the dollar area, Germany, the Netherlands, Belgium, and Greece explicitly reduced their restrictions.

Steps have been taken to broaden private foreign exchange markets in Europe. During 1953 permission was granted for authorized banks in nine European countries to engage among themselves in spot or forward arbitrage transactions in any of their respective currencies.

By the end of 1953 marked progress had been made not only in building up reserves but also in improving Western Europe's ability to compete on equal terms in world markets. Discriminatory controls on imports still served to protect sheltered markets in some countries. On the other hand, several countries had already gone far in opening up competition. Some countries on the Continent seemed prepared to accept the risks that might be involved in making their currencies more fully convertible, provided there were assurance of the convertibility, when required, of their own earnings of sterling or other important currencies.

LOAN GUARANTEES FOR DEFENSE PRODUCTION

The Defense Production Act of 1950 provided for the guarantee of loans made by commercial banks and other private financing institutions to contractors, subcontractors, and others engaged in the performance of Government contracts for the purpose of expediting production and deliveries or services for the defense program.

The original Executive Order No. 10161 issued September 9, 1950 named as guaranteeing agencies the Departments of the Army, Navy, Air Force, Commerce, Agriculture, and Interior, and the General Services Administration. The United States Atomic Energy Commission and the Defense Materials Procurement Agency subsequently were designated by Executive Order to act as additional guaranteeing agencies. In accordance with the Defense Production Act amendments of 1953 the President, on August 14, 1953, issued Executive Order No. 10480 which superseded and revoked a number of executive orders, including No. 10161. The new Order did not make any substantial changes with respect to the guarantee of defense production loans, although it abolished the Defense Mate-

V LOANS AUTHORIZED, SEPT. 27, 1950–DEC. 31, 1953

[Percentage distribution, by size of loan and number of employees of borrower][1]

Size of loan	Percentage of loans authorized		Cumulative percentage distribution	
	Number	Amount	Number	Amount
Under $100,000	18.7	.6	18.7	.6
$100,000–$499,999	37.7	5.7	56.4	6.3
$500,000–$999,999	16.0	6.5	72.4	12.8
$1,000,000–$4,999,999	21.8	28.1	94.2	40.9
$5,000,000–$9,999,999	2.9	12.2	97.1	53.1
$10,000,000 and over	2.9	46.9	100.0	100.0
Number of employees [2]				
Under 50	18.7	1.4	18.7	1.4
50–99	15.4	2.5	34.1	3.9
100–499	38.8	16.0	72.9	19.9
500–2,499	17.7	25.1	90.6	45.0
2,500 and over	5.2	52.5	95.8	97.5
Not available	4.2	2.5	100.0	100.0

[1] Distributions are of 1,294 loans authorized in an aggregate amount of 2,358 million dollars.
[2] Includes employees of affiliated concerns under common ownership or control.

rials Procurement Agency, heretofore a guaranteeing agency, and transferred the functions of that agency to the General Services Administration.

The Federal Reserve Banks act on behalf of the guaranteeing agencies as fiscal agents of the United States in the making of such contracts of guarantee, and the procedure is governed by Regulation V of the Board of Governors as revised September 27, 1950. Pursuant to this Regulation, and after consultation with the guaranteeing agencies, the Board established a schedule of guarantee fees, a maximum rate of interest of 5 per cent on guaranteed loans, and a maximum commitment fee of one-half of 1 per cent per annum. This schedule of rates and fees was reviewed from time to time by the Board and the guaranteeing agencies but developments during the year did not indicate the need for any changes.

During 1953 the guaranteeing agencies authorized the issuance of 135 guarantee agreements. Guaranteed loans authorized under these and earlier agreements amounted to 234 million dollars.

Regulation V loans outstanding on December 31, 1953 totaled 805 million dollars, of which 666 million or 82.8 per cent on the average was guaranteed. On the same date an additional 364 million dollars was available to borrowers under guarantee agreements in force.

From the beginning of the program in September 1950 through December 1953, 1,294 loans totaling 2,358 million dollars were authorized by the procurement agencies that may guarantee loans. The table on page 38 gives the percentage distribution of authorizations classified by size of loan and number of employees of borrower. Nineteen per cent of the number and approximately 1 per cent of the amount of loans authorized consisted of loans of less than $100,000, while 56 per cent of the number and 6 per cent of the amount were less than $500,000. Approximately 73 per cent of the number and 20 per cent of the amount of loans authorized were to borrowers having less than 500 employees, including employees of any affiliated concerns under common ownership or control.

BANKING OPERATIONS AND STRUCTURE

Bank earnings and profits.[1] Net current earnings of member banks, before income and excess profits taxes, increased again in 1953. Increases also occurred in net losses, charge-offs, and transfers to valuation reserves, and in provisions for taxes on income. As a result, net profits after taxes and profit and loss adjustments amounted to 865 million dollars, 36 million more than in 1952. The ratio of net profits to average capital accounts was 7.8 per cent, down fractionally from 1952.

Net current earnings before income taxes amounted to 1,806 million dollars, an increase of 187 million. Earnings on both United States Government securities and loans were larger than in 1952 as a result of the larger average holdings and higher average rates of return. Earnings on Government securities amounted to 1,007 million dollars, a 78 million increase; and earnings on loans amounted to 2,630 million or 324 million more than in the preceding year. Total current earnings increased by 466 million dollars and total current expenses by 279 million. The table on the following page shows selected earnings data for all member banks in 1953 and 1952.

Net losses, charge-offs, and transfers to valuation reserves were 244 million dollars, or about one-third more than in 1952, and

[1] Figures for 1953 are based on preliminary tabulations.

EARNINGS, EXPENSES, PROFITS, AND DIVIDENDS OF ALL MEMBER BANKS, 1953 AND 1952

[In millions of dollars]

Item	1953 p	1952
Earnings	4,586	4,120
On U. S. Govt. securities	1,007	929
On loans [1]	2,630	2,306
All other	948	884
Expenses	2,780	2,501
Net current earnings before income taxes	1,806	1,619
Net losses, charge-offs, and transfers to valuation reserves [2]	244	181
Profits before income taxes	1,562	1,437
Taxes on net income	698	608
Net profits	865	829
Cash dividends declared [3]	421	390

p Preliminary; final figures will appear in the *Federal Reserve Bulletin*, probably the May issue.
[1] Includes charges on loans other than interest.
[2] Excludes losses charged and recoveries credited to valuation reserves.
[3] Includes interest on capital notes and debentures.

provisions for taxes on net income were 90 million larger. As the net increase in such charges was less than the growth in net current earnings, net profits after taxes and profit and loss adjustments increased 36 million dollars or 4 per cent to 865 million. About 49 per cent of the 1953 profits or 421 million dollars was distributed as dividends; this represented a return of 3.8 per cent on average total capital accounts. The amount distributed was larger than in the previous year, and the rate of return was slightly higher. Profits retained to strengthen capital accounts amounted to 444 million dollars as compared with 439 million dollars in 1952.

Bank earning assets.[2] Earning assets of member banks amounted to 123 billion dollars at the end of 1953, an increase of 3 billion during the year. Practically the entire increase was in loans; holdings of "other" securities increased 300 million dollars, and holdings of United States Government securities were practically unchanged.

Total loans increased 2.8 billion dollars. Over half of the increase, or 1.5 billion, was in "other loans to individuals," which are largely consumer loans. Real estate loans and agricultural loans increased

[2] Figures for 1953 are partly estimated.

800 million dollars each, the increase in agricultural loans reflecting holdings of certificates of interest of the Commodity Credit Corporation. A decrease of 700 million dollars in commercial and industrial loans during the year was the first annual decrease in this category since 1949. According to sample data by industry groups, the larger decreases during 1953 were in loans to commodity dealers, sales finance companies, and manufacturers of food, liquor, and tobacco products; the largest net increase was for the wholesale and retail trade.

Capital accounts.[2] Capital accounts of member banks amounted to 11.3 billion dollars at the end of 1953, an increase of over half a billion during the year. Retention of profits accounted for most of the increase. Proceeds from sales of common stock amounting to 100 million dollars were offset slightly by other changes in capital accounts, including the retirement of preferred stock and the effects of mergers and changes in Federal Reserve membership.

The ratio of average total capital accounts to average total assets for all member banks was 7.0 per cent, practically unchanged from 1952 and 1951. The ratio of average total capital accounts to total assets less cash assets and United States Government securities continued to decline, reaching 15.7 per cent as compared with 16.2 per cent in 1952 and 18.9 per cent in 1950. The decline reflected the increased proportion of earning assets held in the form of loans and investments other than United States Government securities.

Number of banking offices. The number of banking offices in the United States increased to 20,406 during 1953, from 20,095 at the beginning of the year. This was the tenth consecutive year of growth. The number of branches increased by 377 to 5,897, but the number of banks declined by 66 to 14,509. All these figures exclude banking facilities at military and other Government establishments, of which there were 199 at the end of 1953, an increase of 8 during the year.

The number of banks (head offices) continued to decline as they had in the five preceding years. There were 64 new banks opened for business during the year, but this increase in head offices was more than offset by the consolidation or absorption of 116 banks, 93 of which were converted into branches. Table 18 on page 79 shows the increases and decreases in the number of banks and branches by class of bank.

The increase of 377 in the number of branches and additional offices, exclusive of banking facilities at military and other Government establishments, was the largest annual increase on record, exceeding the recent near record highs of 296 in 1952 and 290 during 1951. As in other recent years, most of the increase was in de novo branches, of which there were 304 in 1953. Pennsylvania and New York had the largest branch increases, with 60 and 55 respectively, but smaller increases occurred in practically all other States that permit branch banking. More than half of the increase in branches during 1953 was in places outside the head-office cities, about the same proportion as in 1952.

Changes in Federal Reserve membership. The number of member banks in the Federal Reserve System continued to decline in 1953 as a result of consolidations and absorptions. The total number of member bank offices continued to increase, however, owing to the establishment of de novo branches and to the conversion of most of the absorbed banks into branches.

At the end of the year there were 4,856 national banks and 1,887 State member banks, reflecting declines of 53 and 2, respectively, during the year.

Twenty-two newly organized banks became members, of which 12 were national banks and 10 were State chartered. Seven insured nonmember banks with deposits of about 120 million dollars were admitted to membership. Two of these, as compared with 4 in 1952, had previously withdrawn from the System in order to establish branches outside the city of the head office; they applied for membership and were readmitted under the terms of the legislation enacted in 1952. One State member bank converted into a national bank during the year.

The 6,743 member banks in operation at the end of 1953 accounted for 48 per cent of the number and held 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 held 66 per cent of the deposits of all State commercial banks. These relationships have remained practically unchanged during recent years.

Par and nonpar banks.[3] During 1953 there were 77 banks added

[3] This section refers only to banks on which checks are drawn and their branches and offices, including "banking facilities" at military and other Government establishments. 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.

to the Federal Reserve Par List, and 114 deleted from the list. Of the 77 additions, 17 were nonpar banks that chose to go on the Par List, 57 were newly organized banks, and 3 were banks that previously did not handle checking accounts. Of the 114 deletions, only 3 were banks that withdrew from the Par List. All of the remainder were absorbed by other par banks and most of them were converted into branches. The number of par-remitting and nonpar offices at the end of 1953 is shown below:

	On Par List	Not on Par List
Banks (head offices)	12,085	1,801
Branches	5,306	311
Banking facilities at military and other Government establishments	197	2
Total	17,588	2,114

The par-remitting banks, representing 87 per cent of the banks on which checks are drawn, held all but about 2 per cent of the deposits of all commercial banks in the country. All banks in 29 States and the District of Columbia were on the Federal Reserve Par List at the end of the year, and in each of 5 other States the number of nonpar banks was less than 10. Practically all of the banks not on the Par List were in 14 States, as is indicated by the following distribution:

Minnesota	408	Alabama	97
Georgia	280	North Dakota	93
Mississippi	157	Tennessee	85
Arkansas	116	South Carolina	82
North Carolina	106	Missouri	61
Louisiana	106	Florida	50
South Dakota	97	Texas	47

Table 19 on page 80 shows these statistics by States and Federal Reserve districts.

BANK SUPERVISION BY THE FEDERAL RESERVE SYSTEM

Examination of Federal Reserve Banks. The Board's Division of Examinations examined each of the 12 Federal Reserve Banks and their 24 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 1953 program for the examination of State member banks was practically completed.

Bank holding companies. During 1953 the Board authorized the issuance of four voting permits for general purposes and eight 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 14 organizations.

Trust powers of national banks. During 1953, 23 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 10 banks which previously had been granted certain trust powers. Trust powers of 27 national banks were terminated, 23 by voluntary liquidation, consolidation, merger or conversion, and 4 by voluntary surrender. At the end of 1953 there were 1,767 national banks holding permits to exercise trust powers.

Acceptance powers of member banks. During the year the Board approved the application of a member bank, pursuant to the provisions of Section 13 of the Federal Reserve Act, for permission to accept drafts or bills of exchange drawn for the purpose of furnishing dollar exchange as required by the usages of trade in such countries, dependencies, or insular possessions of the United States as may have been designated by the Board of Governors.

Foreign branches and banking corporations. Under the provisions of Section 25 of the Federal Reserve Act, the Board approved during 1953 an application made by a member bank for permission to establish a branch in a foreign country. One member bank opened a branch in France in 1953 which had been authorized by the Board in 1952.

At the end of 1952, seven member banks had in active operation a total of 105 branches in 23 foreign countries and possessions of the United States. Of the 105 branches, four national banks were operating 99 and three State member banks were operating 6. The foreign branches in active operation were distributed geographically as follows:

Latin America	**54**	**England**	**10**
Argentina	10		
Brazil	10	**Far East**	**20**
Chile	2	Hong Kong	1
Colombia	4	India	2
Cuba	19	Japan	10
Mexico	2	Philippines	5
Panama	4	Singapore	1
Peru	1	Thailand	1
Uruguay	1		
Venezuela	1	**United States Possessions**	**14**
Continental Europe	**7**	Canal Zone	4
Belgium	1	Guam	1
France	3	Puerto Rico	9
Germany	3	**Total**	**105**

There was no change in 1953 in the list of 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. Of the four corporations in operation, one has no subsidiaries or foreign branches;

one operates a branch in England (also an agency at the New York International Airport); one operates a branch in France; and one has an English fiduciary affiliate. The head offices of these corporations and the agency at the New York International Airport were examined as of dates in 1953 by the Board's Division of Examinations.

At the end of 1953 there were in operation two banking corporations organized under the provisions of Section 25(a) of the Federal Reserve Act to engage in international or foreign banking. The head offices of these corporations are located in New York City and both were examined during the year by the Board's Division of Examinations. One such institution operates a branch in Germany and the other has a branch in France and a fiduciary affiliate in England. The Board approved during 1953 applications by one of the institutions for permission to establish two branches in foreign countries.

Inter-Agency Bank Examination School. The Inter-Agency Bank Examination School was launched in 1952 by the Board of Governors, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency for the purpose of improving training procedures, shortening the training process, developing better examiners, and serving as a "workshop" through which to develop better bank examination procedures.

The School was designed to train newly appointed assistant examiners in their basic duties. During 1953, the program was expanded to include an intensive program for training experienced assistant examiners and newly appointed examiners in the field duties of examiners. As a part of the program, a demonstration "bank" with essential bank records has been developed for training purposes. The cooperating agencies have endeavored to select, from among bankers and other experts, the most capable men in their respective fields to participate in the training program as instructors and lecturers.

During 1953, two five-week sessions of the School for Assistant Examiners and one four-week session of the School for Examiners were conducted. The sessions of the Inter-Agency Bank Examination School have been attended by 151 men representing the three Federal Bank supervisory agencies, the State banking departments of Louisiana, North Dakota, Oklahoma, and Virginia, and the Treasury Department of the Commonwealth of Puerto Rico.

CHANGES IN REGULATIONS OF THE BOARD OF GOVERNORS

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 February 20, 1953 to decrease the margin requirements from 75 per cent to 50 per cent. The decreased margins also apply to short sales.

The Board's Regulation U was amended effective August 1, 1953 so as to make it clear that the regulation applies to loans for the purpose of purchasing or carrying certain shares issued by open-end investment companies whose assets customarily include registered stocks. The shares affected give the purchaser a proportionate interest in the issuing company's assets, and carry the right to convert his interest into the company's underlying assets or their cash equivalent. Such shares are technically called "redeemable securities."

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 July 1, 1953 as to banks not in reserve or central reserve cities, and effective July 9, 1953 as to banks in reserve and central reserve cities. The amendment reduced the required reserves against demand deposits from 24 to 22 per cent for central reserve city banks, from 20 to 19 per cent for reserve city banks, and from 14 to 13 per cent for other member banks.

ADMINISTRATION OF THE CLAYTON ANTITRUST ACT WITH RESPECT TO BANKS

In June 1948 the Board of Governors issued a complaint against Transamerica Corporation, charging that the acquisition of certain banks in California, Oregon, Washington, Nevada, and Arizona by that corporation violated Section 7 of the Clayton Antitrust Act. That Section, enacted in 1914 and amended in certain particulars in 1950, prohibits any corporation from acquiring the stock of one or more corporations engaged in commerce where the effect may be substantially to lessen competition or to tend to create a monopoly. Authority to enforce compliance with this provision is vested in the Board of Governors where the statute is applicable to banks.

Hearings were held in Washington, D. C., and in San Francisco, California, over a period of several years and, after oral argument before the Board, the Board, on March 27, 1952, issued an order requiring Transamerica to divest itself of the stock of 47 of the banks named in the Board's complaint. Transamerica Corporation petitioned the United States Court of Appeals for the Third Circuit to review the Board's order, and on July 16, 1953, that court set aside the Board's order. While the court decided that banks are within the purview of Section 7, thus affirming the Board's jurisdiction in this field, it held that the Board's order was not supported by the findings which the Board had made. The court added that it may well be in the public interest to have appropriate legislative action on this subject, with which position the Board is in agreement, in view of the fact that its quantitative analysis disclosed a tremendous concentration in banking capital and thereby of economic power.

On November 30, 1953, the Supreme Court of the United States denied a petition for a writ of certiorari to review the decision of the Court of Appeals. On December 4, 1953, the Board announced that it had decided that no further action would be taken in this proceeding.

LEGISLATION

Federal Reserve branch buildings. An Act approved May 29, 1953 amended Section 10 of the Federal Reserve Act so as to increase from 10 million dollars to 30 million the aggregate amount which may be expended with the approval of the Board of Governors for Federal Reserve Bank branch buildings, exclusive of the cost of the vaults, permanent equipment, furnishings and fixtures.

Loans on forest tracts. An Act approved August 15, 1953 amended Section 24 of the Federal Reserve Act by inserting a new paragraph which authorizes national banks to make real estate loans secured by first liens upon forest tracts.

Guarantees of defense loans. The provisions of the Defense Production Act of 1950 which provided for the guarantee of defense production loans and which, together with Executive Order No. 10161, were the authority for Regulation V, were amended by the Act of June 30, 1953 and continued in force until the close of June 30, 1955. In accordance with the amended law, the President, on August 14, 1953, issued Executive Order No. 10480, which superseded Executive Order No. 10161.

RESERVE BANK OPERATIONS

Volume of operations. Table 5 on page 65 discloses moderate increases in most of the principal Reserve Bank operations during the year.

Discounts and advances, although more in number were less in amount than in 1952, reflecting the reduced demand for this form of Reserve Bank credit resulting from the lower member bank reserve requirements that became effective in July and the increase in average holdings of United States Government securities by the Federal Reserve Banks. The number of banks borrowing in 1953 was 1,463 as compared with 1,286 in 1952.

Currency received and counted established new highs during 1953 both in number of pieces handled and amount, as money in circulation continued to increase. Coin received and counted showed relatively small increases in number and amount over 1952, but volume was still under the peaks established in 1949.

New peaks were established in the number and amount of checks handled.

The number and amount of issues, redemptions, and exchanges of Government securities increased substantially in 1953.

The number and amount of transfers of funds continued their steady upward trend of recent years.

Postal money orders handled by the Banks in 1953 changed little in number and amount from the preceding year.

Acting on behalf of the Treasury Department in their capacity as fiscal agents of the United States, the Reserve Banks undertook, beginning July 1, 1953, the verification and destruction of silver certificates and United States notes unfit for further circulation. The number of pieces of currency destroyed in the last six months of the year was approximately 570 million.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1953 are shown in detail in Table 6 on pages 66-67, and a condensed historical statement for all Reserve Banks is shown in Table 7 on pages 68-69. The table on the following page summarizes the earnings and expenses and the distribution of net earnings for 1953 and 1952.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1953 AND 1952

[In thousands of dollars]

Item	1953	1952
Current earnings	513,037	456,060
Current expenses	113,515	104,694
Current net earnings	399,522	351,366
Additions to current net earnings	[1] 2,096	[1] 2,195
Deductions from current net earnings	3,155	611
Net deductions (−) or net additions	−1,059	1,584
Net earnings before payments to U. S. Treasury	398,463	352,950
Paid U. S. Treasury (interest on F. R. notes)	342,568	291,934
Dividends	15,558	14,682
Transferred to surplus (Sec. 7)	40,337	46,334

[1] Includes net profits on sales of U. S. Government securities: 1953—$1,952,000; 1952—$1,992,000.

Current earnings were 513 million dollars in 1953, 12 per cent more than in 1952, largely because of a higher average amount of holdings of United States Government securities and a somewhat higher average rate of interest received thereon. Earnings from discounts and advances were greater in 1953 than in 1952, reflecting the effect of the increase from 1¾ per cent to 2 per cent in the discount rate during January. Current expenses were about 8 per cent larger than in 1952, reflecting in large part the cost of increased production of Federal Reserve currency and shipping charges thereon. The increase in expenses also reflected the effect of changes in salary schedules and a small increase in the number of employees attendant on some growth in operations, including fiscal agency activities. Current net earnings in 1953 amounted to 399 million dollars, an increase of 14 per cent over 1952.

After allowing for profit and loss additions and deductions from current net earnings, net earnings before payments to the United States Treasury amounted to 398 million dollars, an increase of 13 per cent over 1952.

Payments to the United States Treasury as interest on Federal Reserve notes amounted to 343 million dollars in 1953 and surpassed any previous year's distribution of earnings to the Treasury, either in this form or in the form of a franchise tax. A total of 1,521 million dollars has been paid to the Treasury as interest on Federal Reserve notes since the policy of making such payments was begun in 1947. Dividends to member banks at the statutory rate amounted to 16 million dollars, an increase of nearly 1 million over 1952, reflecting the increased paid-in capital of the Federal Reserve Banks because of increased capital and surplus of member banks. The remaining 40 million dollars of net earnings were added to surplus account.

Holdings of loans and securities. The accompanying table presents a comparison of average daily holdings of loans and securities by the Reserve Banks during the past three years, together with earnings thereon and average interest rates. A new high was established in 1953 in average holdings of United States Government securities, which amounted to 24,658 million dollars. The average rate of interest received from these holdings was 2.02 per cent, the highest since 1930. Average holdings of discounts and advances were slightly less in 1953 than in 1952. However, the average rate of interest increased in 1953 because of the January increase in the discount rate from 1¾ per cent to 2 per cent.

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1951–53

[Dollar amounts in thousands]

Item and year	Total [1]	Discounts and advances	U. S. Government securities	Industrial loans
Average daily holdings: [2]				
1951	$23,045,707	$292,770	$22,748,210	$4,646
1952	23,933,643	802,334	23,126,674	4,635
1953	25,438,684	777,595	24,657,904	3,185
Earnings:				
1951	394,473	5,139	389,125	208
1952	455,898	14,083	441,629	186
1953	512,841	15,265	497,455	121
Average rate of interest (per cent):				
1951	1.71	1.75	1.71	4.49
1952	1.90	1.75	1.91	4.01
1953	2.02	1.96	2.02	3.80

[1] Figures for 1951 include small amounts of acceptances purchased and earnings thereon.

[2] Based on holdings at opening of business.

Foreign and international accounts. The total of earmarked gold, dollar deposits, United States Government securities, and miscellaneous holdings for foreign account at the Federal Reserve Banks reached a record level of 8.6 billion dollars at the end of 1953, an increase of 1.5 billion dollars over 1952 and 1.1 billion dollars higher than the previous peak level reached in March 1951. This continuation of the upward trend that began early in 1952 was featured by an increase of 1.2 billion dollars in earmarked gold. Combined deposits and other dollar assets belonging to foreign correspondents rose 324 million net to a total of 3.1 billion dollars, of which 2.6 billion were United States Government securities, principally Treasury bills, held in custody; dollar deposits amounted to 423 million. There was no noteworthy change during 1953 in the holdings by the Federal Reserve Bank of New York for the International Bank for Reconstruction and Development and the International Monetary Fund.

Two foreign central bank accounts were opened during the year; one for a new bank created to take over the functions of an existing bank and the other an account for a bank with which relations had been discontinued at the beginning of the war.

The demand for loans secured by gold collateral continued limited with the maximum amounts advanced aggregating 56.5 million dollars. Two of the three borrowing central banks liquidated their indebtedness during the course of the year and the other bank was indebted at the year-end in the amount of 15.0 million dollars. The policy with respect to gold loans, as has been mentioned in previous Annual Reports, provides for the granting of such loans to foreign monetary authorities for the purpose of assisting them in meeting their dollar requirements for temporary periods.

The Federal Reserve Bank of New York continued to perform various services for the International Bank for Reconstruction and Development and the International Monetary Fund. Also, as fiscal agent of the United States, it continued to operate the United States Stabilization Fund, pursuant to authorization and instructions of the Treasury Department, and to administer for the Treasury Department the blocking regulations affecting assets and transactions in this country of Communist China and North Korea and their nationals.

Bank premises. The Board authorized the Federal Reserve Bank of San Francisco to begin construction of an addition to the Los Angeles Branch building and to purchase adjoining property for future expansion.

The Federal Reserve Bank of New York acquired a site for a new building to house the Buffalo Branch, and the Federal Reserve Bank of Kansas City purchased property for an addition to the Denver Branch and property adjacent to the head-office building for improvement of its security court area and for service facilities.

FEDERAL RESERVE MEETINGS

The Federal Open Market Committee met on March 4-5, June 11, September 24, and December 15, 1953, and the executive committee of the full Committee met frequently during the year. Under the provisions of Section 12A of the Federal Reserve Act, the Federal Open Market Committee, which has responsibility for determining the policies under which the open market operations of the Federal Reserve Banks will be carried out, is required to meet in Washington at least four times each year. A record of the actions taken by the Committee on questions of policy will be found on pages 86-105 of this Report.

Meetings of the Conference of Chairmen of the Federal Reserve Banks were held on April 28 and December 7-8, 1953, and were attended by members of the Board of Governors.

The Conference of Presidents of the Federal Reserve Banks held meetings on March 2-3, June 8-9, September 22-23, and December 14, and the Board of Governors met with the Presidents on March 5, June 11, September 24, and December 15, 1953.

Meetings of the Federal Advisory Council were held on February 15-17, May 17-19, September 13-15, and November 15-17, 1953. The Board of Governors met with the Council on February 17, May 19, September 15, and November 17. The Council is required by law to meet in Washington at least four times each year and is authorized by the Federal Reserve Act to consult with and advise the Board on all matters within the jurisdiction of the Board.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The following table, showing the income and expenses of the Board for the year 1953, has been prepared from the Board's accounts, which are maintained on an accrual basis of accounting:

OPERATING FUND, January 1, 1953			$ 557,962.86
INCOME:			
Assessments on Federal Reserve Banks		$4,099,800.00	
Sale of *Federal Reserve Bulletin*		13,446.12	
Sale of other publications		15,707.99	
Miscellaneous		7,234.72	4,136,188.83
			4,694,151.69
EXPENSES:			
Salaries		3,033,930.61*	
Retirement contributions—regular		230,875.97*	
Retirement contributions—special		21,906.80	
Retirement contributions—supplemental death benefit		14,730.22	
Traveling expenses		223,213.11	
Postage and expressage		26,203.67	
Telephone and telegraph		60,331.76	
Printing and binding		156,342.05	
Stationery and supplies		34,037.50	
Furniture and equipment, including rental		44,735.14	
Books and subscriptions		13,543.26	
Heat, light, and power		37,039.80	
Repairs and alterations (building and grounds)		76,972.20	
Repairs and maintenance (furniture and equipment)		10,750.27	
Medical service and supplies		1,516.02	
Insurance		5,290.78	
All other:			
Surveys of Consumer Finances	$149,960.22		
Other survey and research projects	15,350.00		
Cafeteria (net)	41,145.27		
Legal and consultant fees and expenses	16,804.52		
Borrowed Federal Reserve Bank personnel	2,831.37		
Official dinners, receptions, etc.	2,960.30**		
Miscellaneous	19,044.90	248,096.58	4,239,515.74
OPERATING FUND, December 31, 1953			$ 454,635.95

* Salaries and retirement contributions exclude approximately $81,500 and $8,240, respectively, which were charged direct to cafeteria and leased wire operations.

** Includes expenditures of $1,120.42, contributed by the Board of Governors for two luncheons and a dinner at meetings of Treasury Department savings bond program volunteer workers.

In addition to the foregoing, the Board received the following reimbursements in 1953 for expenditures which it makes on a reimbursable basis:

Printing Federal Reserve notes	$10,721,441.80
Leased wire service (telegraph)	232,541.97
Currency Redemption Division (Office of the Treasurer of the United States)	200,000.00
Federal Reserve Issue and Redemption Division (Office of the Comptroller of the Currency)	140,300.27
Leased telephone lines	9,658.79
Miscellaneous	10,666.38

The accounts of the Board for the year 1953 are being audited by the public accounting firm of Arthur Andersen & Co., whose certificate was not available in time for publication in this Annual Report. When this audit is completed, copies of the certificate will be forwarded to the Banking and Currency Committees of the Senate and of the House of Representatives, respectively.

TABLES

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1953

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

ASSETS

Gold certificates:				
Interdistrict settlement fund		8,344,547		
Gold certificates on hand		1,015,555		
Gold certificates with Federal Reserve Agents		11,093,000	**20,453,102**	
Redemption fund for Federal Reserve notes			**900,644**	
Total gold certificate reserves				**21,353,746**
Other cash:				
United States notes			28,513	
Silver certificates			297,628	
Standard silver dollars			3,492	
National bank notes and Federal Reserve Bank notes			3,058	
Subsidiary silver, nickels, and cents			39,070	
Total other cash				**371,761**
Discounts and advances secured by U. S. Govt. securities:				
Discounted for member banks		12,855		
Discounted for others		....	12,855	
Other discounts and advances:				
Discounted for member banks		....		
Foreign loans on gold		15,000	15,000	
Total discounts and advances			**27,855**	
Acceptances purchased			....	
Industrial loans			**1,879**	
U. S. Government securities:				
Bought outright—				
Bills	**2,596,312**			
Certificates	**5,816,541**			
Notes	**13,263,671**			
Bonds	**3,641,150**			
Total bought outright		**25,317,674**		
Held under repurchase agreement		**597,900**		
Total U. S. Government securities			**25,915,574**	
Total loans and securities				**25,945,308**
Due from foreign banks				**22**
Federal Reserve notes of other Federal Reserve Banks				**214,128**
Uncollected cash items:				
Transit items			3,911,464	
Exchanges for clearing house			256,914	
Other cash items			56,832	
Total uncollected cash items				**4,225,210**
Bank premises:				
Land			14,607	
Buildings (including vaults)		61,448		
Fixed machinery and equipment		27,080		
Total buildings		88,528		
Less depreciation allowances		50,670	37,858	
Total bank premises				**52,465**
Other assets:				
Industrial loans past due		21		
Miscellaneous assets acquired account industrial loans		89		
Miscellaneous assets acquired account closed banks		....		
Total		110		
Less valuation allowances		46		
Net			64	
Reimbursable expenses and other items receivable			4,276	
Interest accrued			132,969	
Premium on securities			9,041	
Deferred charges			1,722	
Real estate acquired for banking house purposes			2,819	
Suspense account			322	
All other			704	
Total other assets				**151,917**
Total assets				**52,314,557**

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

LIABILITIES

Federal Reserve notes:			
Outstanding (issued to Federal Reserve Banks)		27,771,106	
Less: Held by issuing Federal Reserve Banks	1,116,416		
Forwarded for redemption	96,318	1,212,734	
Federal Reserve notes, net (includes notes held by U. S. Treasury and by Federal Reserve Banks other than issuing Bank)			**26,558,372**
Deposits:			
Member bank—reserve accounts		**20,160,435**	
U. S. Treasurer—general account		**345,866**	
Foreign		**423,298**	
Other deposits:			
Nonmember bank—clearing accounts	94,856		
Officers' and certified checks	9,476		
Federal Reserve exchange drafts	452		
International organizations [1]	49,537		
All other	338,494		
Total other deposits		**492,815**	
Total deposits			**21,422,414**
Deferred availability cash items			**3,290,407**
Other liabilities:			
Accrued dividends unpaid		....	
Unearned discount		12	
Discount on securities		13,038	
Sundry items payable		4,682	
Suspense account		291	
All other liabilities		147	
Total other liabilities			**18,170**
Total liabilities			**51,289,363**

CAPITAL ACCOUNTS

Capital paid in			**265,266**
Surplus (Sec. 7)			**625,013**
Surplus (Sec. 13b)			**27,543**
Other capital accounts:			
Reserves for contingencies:			
Reserve for registered mail losses		9,372	
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			**107,372**
Total liabilities and capital accounts			**52,314,557**
Contingent liability on acceptances purchased for foreign correspondents			**23,940**
Industrial loan commitments			**3,569**

[1] Includes International Bank for Reconstruction and Development and International Monetary Fund.

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

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1953 AND 1952

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952
ASSETS												
Gold certificates	20,453,102	21,185,102	1,035,380	688,429	5,197,850	5,977,523	1,300,725	1,271,008	1,770,513	1,446,634	1,064,892	986,348
Redemption fund for Federal Reserve notes	900,644	800,603	54,927	64,891	183,706	135,378	61,086	57,278	82,247	85,475	76,974	76,732
Total gold certificate reserves	21,353,746	21,985,705	1,090,307	753,320	5,381,556	6,112,901	1,361,811	1,328,286	1,852,760	1,532,109	1,141,866	1,063,080
Other cash	371,761	322,020	27,559	22,031	75,299	64,362	26,837	18,317	24,613	21,491	22,580	27,616
Discounts and advances:												
Secured by U. S. Govt. securities	12,855	126,680	600	385	2,625	106,015	3,430	3,175	1,275	1,470	1,200	4,200
Other	15,000	29,699	915	1,829	4,425	8,909	1,125	2,301	1,380	2,714	750	1,504
Industrial loans	1,879	3,892	....	....	....	....	1,380	3,469	....	....	60	56
U. S. Government securities:												
Bought outright	25,317,674	24,033,312	1,394,092	1,693,012	6,517,478	5,549,652	1,525,491	1,510,542	2,149,192	2,399,101	1,501,338	1,624,364
Held under repurchase agreement	597,900	663,700	....	....	597,900	663,700	....	....	....	....	....	....
Total loans and securities	25,945,308	24,857,283	1,395,607	1,695,226	7,122,428	6,328,276	1,531,426	1,519,487	2,151,847	2,403,285	1,503,348	1,630,124
Due from foreign banks	22	23	1	1	[1] 6	[1] 7	2	2	2	2	1	1
Federal Reserve notes of other Banks	214,128	239,458	3,972	5,996	26,487	32,307	17,104	16,086	13,707	12,312	30,147	50,711
Uncollected cash items	4,225,210	4,238,779	324,264	387,995	790,662	874,505	253,896	252,296	416,386	383,177	335,529	344,449
Bank premises	52,465	48,348	6,232	4,071	7,390	7,292	4,734	3,269	5,289	4,746	4,719	4,839
Other assets	151,917	160,878	8,151	11,396	38,519	36,642	8,845	9,761	12,544	15,733	8,853	10,887
Total assets	52,314,557	51,852,494	2,856,093	2,880,036	13,442,347	13,456,292	3,204,655	3,147,504	4,477,148	4,372,855	3,047,0	3,131,707

[1] After deducting $16,000 participations of other Federal Reserve Banks.

LIABILITIES												
Federal Reserve notes	26,558,372	26,250,299	1,632,903	1,603,208	5,924,481	5,796,489	1,896,948	1,857,370	2,463,795	2,410,657	1,849,093	1,887,063
Deposits:												
Member bank—reserve accounts	20,160,435	19,950,372	848,626	835,721	6,049,923	6,184,727	959,879	929,318	1,533,769	1,497,699	827,255	849,025
U. S. Treasurer—general account	345,866	388,808	8,742	44,086	70,675	44,922	30,135	33,092	38,382	15,316	11,127	28,743
Foreign	423,298	549,959	24,961	32,457	[1] 134,793	[1] 184,537	30,690	40,833	37,646	48,162	20,460	26,699
Other	492,815	454,915	8,744	10,013	361,474	334,153	8,688	7,092	14,503	11,270	6,762	7,707
Total deposits	21,422,414	21,344,054	891,073	922,277	6,616,865	6,748,339	1,029,392	1,010,335	1,624,300	1,572,447	865,604	912,174
Deferred availability cash items	3,290,407	3,271,561	267,333	293,075	605,851	628,042	201,073	205,923	293,806	299,246	277,385	280,791
Other liabilities and accrued dividends	18,170	14,923	821	713	6,787	5,996	875	702	1,355	1,431	762	689
Total liabilities	51,289,363	50,880,837	2,792,130	2,819,273	13,153,984	13,178,866	3,128,288	3,074,330	4,383,256	4,283,781	2,992,844	3,080,717
CAPITAL ACCOUNTS												
Capital paid in	265,266	252,634	14,443	13,612	81,852	80,139	18,017	17,186	25,410	24,215	11,655	11,013
Surplus (Sec. 7)	625,013	584,676	38,779	36,462	176,633	167,503	45,909	43,578	57,648	54,064	31,750	29,248
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	107,372	106,804	7,730	7,678	22,559	22,465	7,952	7,921	9,828	9,789	7,445	7,380
Total liabilities and capital accounts	52,314,557	51,852,494	2,856,093	2,880,036	13,442,347	13,456,292	3,204,655	3,147,504	4,477,148	4,372,855	3,047,043	3,131,707
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	44.5%	46.2%	43.2%	29.8%	42.9%	48.7%	46.5%	46.3%	45.3%	38.5%	42.1%	38.0%
Contingent liability on acceptances purchased for foreign correspondents	23,940	19,792	1,460	1,227	[2] 7,068	[2] 5,977	1,795	1,544	2,202	1,821	1,197	1,009
Industrial loan commitments	3,569	3,211	....	....	....	....	1,724	1,136	748	751	51	70
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent	27,771,106	27,420,694	1,706,340	1,660,206	6,164,619	6,063,954	1,997,552	1,944,130	2,577,829	2,506,864	1,955,595	1,966,222
Held by Federal Reserve Bank and forwarded for redemption	1,212,734	1,170,395	73,437	56,998	240,138	267,465	100,604	86,760	114,034	96,207	106,502	79,159
Federal Reserve notes, net [3]	26,558,372	26,250,299	1,632,903	1,603,208	5,924,481	5,796,489	1,896,948	1,857,370	2,463,795	2,410,657	1,849,093	1,887,063
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificates	11,093,000	12,399,000	640,000	400,000	2,670,000	3,520,000	800,000	850,000	1,050,000	820,000	625,000	600,000
Eligible paper	10,130	120,554	600	385	2,525	105,765	3,430	3,175	....	....	1,200	4,200
U. S. Government securities	17,420,000	15,440,000	1,200,000	1,300,000	3,600,000	2,600,000	1,200,000	1,100,000	1,550,000	1,700,000	1,350,000	1,400,000
Total collateral	28,523,130	27,959,554	1,840,600	1,700,385	6,272,525	6,225,765	2,003,430	1,953,175	2,600,000	2,520,000	1,976,200	2,004,200

[1] After deducting $288,486,000 participations of other Federal Reserve Banks on Dec. 31, 1953, and $365,403,000 on Dec. 31, 1952.

[2] After deducting $16,872,000 participations of other Federal Reserve Banks on Dec. 31, 1953, and $13,815,000 on Dec. 31, 1952.

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

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1953 AND 1952—Continued

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952
ASSETS														
Gold certificates	912,263	881,901	3,743,997	4,430,854	857,457	636,609	484,485	327,606	854,501	896,784	817,442	715,296	2,413,597	2,926,110
Redemption fund for Federal Reserve notes	58,813	54,350	151,495	119,453	49,407	51,901	25,562	25,549	41,453	41,266	30,399	29,382	84,575	58,948
Total gold certificate reserves	971,076	936,251	3,895,492	4,550,307	906,864	688,510	510,047	353,155	895,954	938,050	847,841	744,678	2,498,172	2,985,058
Other cash	32,527	27,229	62,522	54,784	24,452	19,662	7,658	5,879	15,080	12,294	15,322	12,311	37,312	36,044
Discounts and advances:														
Secured by U. S. Govt. securities	350	1,315	1,000	3,260	....	125	1,350	500	525	1,205	....	30	500	5,000
Other	645	1,269	2,055	4,100	570	1,121	375	767	570	1,320	675	1,121	1,515	2,744
Industrial loans	340	232	....	....	....	....	99	135	....	....	....	....	....	....
U. S. Government securities:														
Bought outright	1,294,974	1,391,024	4,375,704	3,437,028	1,065,140	1,302,581	624,866	764,400	1,103,420	1,052,082	1,005,694	1,101,591	2,760,285	2,207,935
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,296,309	1,393,840	4,378,759	3,444,388	1,065,710	1,303,827	626,690	765,802	1,104,515	1,054,607	1,006,369	1,102,742	2,762,300	2,215,679
Due from foreign banks	1	1	3	3	1	1	1	1	1	1	1	1	2	2
Federal Reserve notes of other Banks	29,747	33,771	27,164	23,133	15,376	12,218	7,847	10,298	8,901	8,503	12,737	11,220	20,939	22,903
Uncollected cash items	324,678	279,348	719,839	704,040	178,013	174,822	112,856	103,136	217,604	197,170	196,615	179,733	354,868	358,108
Bank premises	3,636	3,666	6,448	6,681	2,898	3,025	1,024	1,051	2,245	2,288	587	629	7,263	6,791
Other assets	8,676	9,959	25,931	22,952	6,261	8,489	3,681	4,978	7,319	7,314	6,568	7,874	16,569	14,893
Total assets	2,666,650	2,684,065	9,116,158	8,806,288	2,199,575	2,210,554	1,269,804	1,244,300	2,251,619	2,220,227	2,086,040	2,059,188	5,697,425	5,639,478

LIABILITIES														
Federal Reserve notes	1,417,107	1,445,056	5,111,406	4,971,415	1,214,921	1,230,998	644,293	650,889	1,019,799	1,022,199	743,749	759,282	2,639,877	2,615,673
Deposits:														
Member bank—reserve accounts	890,376	895,538	3,250,620	3,066,258	764,061	731,518	468,968	437,867	965,518	957,907	1,050,684	1,051,212	2,550,756	2,513,582
U. S. Treasurer—general account	19,314	34,241	30,189	28,710	18,078	31,175	17,791	26,412	20,931	28,440	41,479	25,726	39,023	47,945
Foreign	17,596	22,511	56,060	72,767	15,550	19,893	10,230	13,611	15,550	19,893	18,414	19,893	41,348	48,703
Other	5,679	5,586	17,776	13,177	11,351	14,404	3,849	4,190	8,116	4,039	3,504	1,374	42,369	41,910
Total deposits	932,965	957,876	3,354,645	3,180,912	809,040	796,990	500,838	482,080	1,010,115	1,010,279	1,114,081	1,098,205	2,673,496	2,652,140
Deferred availability cash items	269,537	237,237	505,628	519,440	133,779	142,973	96,521	84,762	180,744	149,141	179,523	156,977	279,227	273,954
Other liabilities and accrued dividends	714	592	3,017	1,963	612	589	703	455	605	475	523	395	1,396	923
Total liabilities	2,620,323	2,640,761	8,974,696	8,673,730	2,158,352	2,171,550	1,242,355	1,218,186	2,211,263	2,182,094	2,037,876	2,014,859	5,593,996	5,542,690
CAPITAL ACCOUNTS														
Capital paid in	11,158	10,408	35,001	32,342	9,150	8,800	5,952	5,719	10,139	9,477	13,279	12,238	29,210	27,485
Surplus (Sec. 7)	28,034	25,803	90,792	84,628	25,465	23,628	16,219	15,131	23,456	21,925	28,146	25,381	62,182	57,325
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	6,373	6,331	14,240	14,159	6,087	6,055	4,205	4,191	5,624	5,594	5,432	5,403	9,897	9,838
Total liabilities and capital accounts	2,666,650	2,684,065	9,116,158	8,806,288	2,199,575	2,210,554	1,269,804	1,244,300	2,251,619	2,220,227	2,086,040	2,059,188	5,697,425	5,639,478
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	41.3%	39.0%	46.0%	55.8%	44.8%	34.0%	44.5%	31.2%	44.1%	46.2%	45.6%	40.1%	47.0%	56.7%
Contingent liability on acceptances purchased for foreign correspondents	1,029	851	3,279	2,751	909	752	598	515	909	752	1,077	752	2,417	1,841
Industrial loan commitments	131	....	28	125	....	....	....	....	887	769	....	....	....	360
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent	1,501,548	1,519,711	5,274,078	5,122,298	1,277,506	1,293,600	663,225	665,643	1,057,504	1,060,282	787,694	805,579	2,807,616	2,812,205
Held by Federal Reserve Bank and forwarded for redemption	84,441	74,655	162,672	150,883	62,585	62,602	18,932	14,754	37,705	38,083	43,945	46,297	167,739	196,532
Federal Reserve notes, net[1]	1,417,107	1,445,056	5,111,406	4,971,415	1,214,921	1,230,998	644,293	650,889	1,019,799	1,022,199	743,749	759,282	2,639,877	2,615,673
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificates	435,000	510,000	2,400,000	2,800,000	355,000	280,000	175,000	170,000	280,000	280,000	283,000	269,000	1,380,000	1,900,000
Eligible paper	....	....	....	....	....	125	1,350	500	525	1,404	....	....	500	5,000
U. S. Government securities	1,100,000	1,050,000	3,000,000	2,400,000	975,000	1,025,000	500,000	505,000	800,000	800,000	525,000	560,000	1,620,000	1,000,000
Total collateral	1,535,000	1,560,000	5,400,000	5,200,000	1,330,000	1,305,125	676,350	675,500	1,080,525	1,081,404	808,000	829,000	3,000,500	2,905,000

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

NO. 3—HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS, END OF DECEMBER 1951, 1952, AND 1953

[In thousands of dollars]

Type of issue	Rate of interest (Per cent)	December 31			Change during	
		1953	1952	1951	1953	1952
Treasury bonds:						
1951–53	2		855,825	755,825	−855,825	+100,000
1951–55	2	8,200	8,200	8,200		
1952–54, Mar.	2½			47,400		−47,400
1952–54, June	2	476,900	461,900	461,900	+15,000	
1952–55, June	2¼	96,700	96,700	96,700		
1952–54, Dec.	2	283,100	297,600	297,600	−14,500	
1954–56*	2¼					
1955–60*	2⅞					
1956–58	2½	12,493	12,493	12,493		
1956–59	2¼	21,690	21,690	21,690		
1956–59*	2¾					
1957–59	2⅜	339,096	339,096			+339,096
1958, June	2⅜					
1958, Dec.	2½					
1958–63*	2¾					
1959–62[1], June	2¼	319,849	319,849	319,849		
1959–62[1], Dec.	2¼	693,765	693,765	693,765		
1960–65*	2¾					
1961, Sept.	2¾					
1962–67[1]	2½	56,610	56,610	56,610		
1963–68[1]	2½	122,585	122,585	122,585		
1964–69[2], June	2½	203,890	203,890	201,390		+2,500
1964–69[2], Dec.	2½	266,999	266,999	266,999		
1965–70[3]	2½	521,490	521,490	521,490		
1966–71[3]	2½	132,707	132,707	132,707		
1967–72[3], June	2½	49,266	49,266	49,266		
1967–72, Sept.	2½	2,552	2,552	2,552		
1967–72[3], Dec.	2½	58,758	58,758	61,258		−2,500
1975–80[4]	2¾			1,213,848		−1,213,848
1978–83	3¼					
Total Treasury bonds		3,666,650	4,521,975	5,344,127	−855,325	−822,152
Treasury notes:						
Dec. 1, 1953–A	2⅛		7,491,750		−7,491,750	+7,491,750
Mar. 15, 1954–A	1⅜	257,450	244,650	244,650	+12,800	
Dec. 15, 1954–B	1⅞	6,994,050			+6,994,050	
Mar. 15, 1955–A	1½	89,800	89,800	89,800		
Dec. 15, 1955–B	1¾	3,233,623	3,233,623	3,233,623		
Apr. 1, 1956–EA	1½	1,000,000	1,000,000	1,000,000		
Oct. 1, 1956–EO	1½	500,000	500,000	500,000		
Mar. 15, 1957–A	2⅞					
Apr. 1, 1957–EA	1½	500,000	500,000			+500,000
Oct. 1, 1957–EO	1½	713,848	713,848			+713,848
Apr. 1, 1958–EA	1½					
Oct. 1, 1958–EO	1½					
Total Treasury notes		13,288,771	13,773,671	5,068,073	−484,900	+8,705,598
Certificates	1⅞		4,857,816	12,792,798	−4,857,816	−7,934,982
	2		202,800		−202,800	+202,800
	2¼	3,704,750			+3,704,750	
	2½	128,900			+128,900	
	2⅝	2,133,491			+2,133,491	
Total certificates		5,967,141	5,060,616	12,792,798	+906,525	−7,732,182
Treasury bills		2,993,012	1,340,750	596,360	+1,652,262	+744,390
Total holdings		25,915,574	24,697,012	23,801,358	+1,218,562	+895,654

* Partially tax-exempt.

[1] Became commercial bank eligible during 1952.

[2] Became commercial bank eligible during 1953.

[3] Restricted as to commercial bank ownership.

[4] Nonmarketable issue convertible into 5-year 1½ per cent marketable notes.

NO. 4.—FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1949–53 [1]

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount	Date	Amount
1949—June 15.	220	1952—Mar. 24.	189	1952—Sept. 19.	134	1953—June 9.	491
16.	127	25.	170	20.	134	10.	451
1950—Mar. 15.	108	26.	14	21*	134	11.	358
June 15.	105	27.	123	22.	6	12.	506
1951—June 1.	100	June 16.	472	1953—Mar. 18.	110	13.	506
2.	100	17.	536	19.	104	14*	506
3*	100	18.	413	20.	189	15.	999
Dec. 17.	320	19.	249	21.	189	16.	1,172
1952—Jan. 22.	55	20.	231	22*	189	17.	823
23.	22	21.	170	23.	333	18.	364
Mar. 17.	811	22*	170	24.	186	19.	992
18.	442	23.	74	25.	63	20.	992
19.	311	24.	47	26.	49	21*	992
20.	338	Sept. 15.	103	June 5.	196	22.	908
21.	338	16.	257	6.	196	23.	608
22.	338	17.	221	7*	196	24.	296
23*	338	18.	242	8.	374		

* Sunday or holiday.

[1] On Nov. 9, 1953, the Reserve Banks sold direct to the U. S. Treasury 500 million dollars of Treasury notes. This was the first use of the authority granted by the Act of Mar. 27, 1942, to sell U. S. Government securities directly to the United States.

NOTE.—Interest rate ¼ per cent throughout. Data for prior years beginning with 1942 are given in previous *Annual Reports*. There were no holdings on dates not shown.

NO. 5—VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1949–53

[Number in thousands; amounts in thousands of dollars]

	1953	1952	1951	1950	1949
NUMBER OF PIECES HANDLED [1]					
Discounts and advances:					
Notes discounted and advances made	20	18	11	8	8
Industrial loans:					
Loans made	.6	1	1.4	.7	.4
Commitments to make industrial loans	[2]	[2]	[2]	[2]	[2]
Currency received and counted	4,405,255	4,183,063	4,066,619	3,846,397	3,809,865
Coin received and counted	5,889,238	5,716,379	5,889,223	7,190,498	7,294,363
Checks handled:					
U. S. Govt. checks	458,607	446,084	412,865	365,812	357,044
Postal money orders	366,807	371,318	....	....	....
All other	[3] 2,415,164	[3] 2,293,061	[3] 2,122,147	1,955,232	1,847,807
Collection items handled:					
U. S. Govt. coupons paid	13,703	13,599	14,510	15,323	16,334
All other	14,360	14,172	13,428	12,793	11,451
Issues, redemptions, and exchanges of U. S. Govt. securities	177,596	163,568	154,335	153,886	151,103
Transfers of funds	1,718	1,595	1,525	1,343	1,232
AMOUNTS HANDLED					
Discounts and advances	93,438,640	105,549,326	43,422,106	17,050,334	20,216,071
Industrial loans:					
Loans made	22,009	31,193	27,656	6,530	4,005
Commitments to make industrial loans	980	3,468	9,078	4,019	4,130
Currency received and counted	29,514,663	27,001,076	26,175,324	24,039,335	23,841,612
Coin received and counted	607,205	558,416	592,664	622,620	623,678
Checks handled:					
U. S. Govt. checks	140,739,438	119,423,270	89,648,061	64,569,739	64,379,607
Postal money orders	6,091,173	5,996,899	....	....	....
All other	[3] 885,726,031	[3] 840,094,629	[3] 799,891,846	856,952,849	758,342,771
Collection items handled:					
U. S. Govt. coupons paid	2,270,606	1,923,079	2,020,560	2,173,589	2,303,038
All other	4,615,970	5,103,262	5,121,274	4,758,483	4,175,169
Issues, redemptions, and exchanges of U. S. Govt. securities	381,877,330	355,234,532	344,771,945	346,224,112	289,312,802
Transfers of funds	876,838,475	767,974,539	656,771,175	509,167,912	415,887,444

[1] Two or more checks, coupons, etc., handled as a single item are counted as one "piece."

[2] Less than 50.

[3] Excludes checks drawn on the Federal Reserve Banks, which were included in prior years. In

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1953

Item	Total	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounts and advances	$15,276,054	$417,488	$3,282,566	$635,823	$1,364,294	$710,297	$746,702	$3,564,394	$748,630	$546,742	$1,202,892	$574,744	$1,481,482
Industrial loans	121,163	....	....	98,000	....	2,274	15,310	....	....	5,579	....	....	....
Commitments to make industrial loans	14,363	....	....	1,184	6,147	560	371	457	....	....	5,449	....	195
U. S. Government securities	497,454,961	32,345,705	116,423,910	30,649,361	46,084,614	33,343,106	29,348,440	77,107,351	24,681,118	14,308,615	20,346,256	22,427,000	50,389,485
All other	170,696	12,421	27,906	11,937	15,872	11,128	9,435	20,140	18,569	7,971	15,174	8,623	11,520
Total current earnings	513,037,237	32,775,614	119,734,382	31,396,305	47,470,927	34,067,365	30,120,258	80,692,342	25,448,317	14,868,907	21,569,771	23,010,367	51,882,682
CURRENT EXPENSES													
Salaries:													
Officers	4,545,557	266,659	872,390	289,362	374,176	333,423	377,596	533,874	283,777	257,032	291,531	279,901	385,836
Employees	66,618,406	4,249,157	15,300,598	3,944,678	5,788,609	4,159,913	3,541,781	10,473,012	3,862,343	2,045,440	3,500,138	3,130,595	6,622,142
Directors' and other fees	293,529	15,477	31,556	16,185	24,930	27,617	40,988	16,017	28,887	14,655	24,669	18,681	33,867
Retirement contributions	6,405,489	404,234	1,406,030	368,525	560,442	419,102	371,836	1,004,699	364,869	192,252	352,896	325,281	635,323
Traveling expenses	1,201,675	76,138	177,201	47,251	98,931	102,007	96,282	147,065	85,439	68,345	79,472	83,973	139,571
Postage and expressage	16,988,335	1,347,822	2,723,399	997,500	1,387,361	1,473,321	1,405,522	2,470,456	953,323	504,568	938,250	859,732	1,927,081
Telephone and telegraph	937,735	51,939	205,251	52,828	67,754	60,118	82,187	96,056	59,806	35,403	56,767	64,944	104,682
Printing, stationery, and supplies	5,311,521	443,641	941,369	288,090	438,375	358,953	381,760	922,057	373,278	159,290	267,877	226,404	510,427
Insurance	991,763	75,518	197,692	41,367	85,025	83,046	59,805	125,345	66,722	32,994	71,445	47,267	105,537
Taxes on real estate	2,581,310	382,020	580,047	101,501	263,978	129,018	131,456	369,669	96,511	99,497	123,445	62,680	241,488
Depreciation (building)	2,920,359	403,814	305,259	66,352	470,188	329,697	176,498	368,087	135,453	27,801	202,627	48,394	386,189
Light, heat, power, and water	1,042,430	69,736	190,621	59,521	101,374	87,762	53,308	154,101	80,985	33,562	86,827	45,085	79,548
Repairs and alterations	1,078,302	257,645	36,413	68,836	120,134	127,085	52,273	106,648	80,418	69,607	35,569	28,663	95,011
Rent	527,495	41,871	3,796	43,067	63,934	2,348	99,371	91,292	23,901	53,386	16,000	30,976	57,553
Furniture and equipment:													
Purchases	2,505,644	330,291	174,218	128,479	165,779	323,683	313,918	434,501	187,210	93,974	58,766	133,777	161,048
Rentals	4,325,905	423,893	697,586	332,258	384,701	311,731	232,062	639,715	223,617	163,340	246,242	230,272	440,488
Assessment for expenses of Board of Governors	4,099,800	251,100	1,206,500	309,600	375,500	206,400	175,900	561,000	155,900	103,700	154,700	185,800	413,700
Federal Reserve currency	10,922,067	718,476	2,312,255	829,852	956,587	889,104	748,985	1,784,003	609,552	194,152	388,223	387,777	1,103,101
All other	[1]1,564,867	116,069	221,605	128,147	391,861	120,955	98,038	294,047	119,759	78,777	122,312	84,590	184,479
Total	[1]134,862,189	9,925,500	27,583,786	8,113,399	12,119,639	9,545,283	8,439,566	20,591,644	7,791,750	4,227,775	7,017,756	6,274,792	13,627,071
Less reimbursement for certain fiscal agency and other expenses	[1]21,347,169	1,161,352	4,348,623	1,150,812	1,965,221	1,272,063	1,304,258	3,635,765	1,323,217	623,501	1,515,048	1,136,577	2,306,504
Net expenses	113,515,020	8,764,148	23,235,163	6,962,587	10,154,418	8,273,220	7,135,308	16,955,879	6,468,533	3,604,274	5,502,708	5,138,215	11,320,567

PROFIT AND LOSS

Current net earnings	399,522,217	24,011,466	96,499,219	24,433,718	37,316,509	25,794,145	22,984,950	63,736,463	18,979,784	11,264,633	16,067,063	17,872,152	40,562,115
Additions to current net earnings:													
Profits on sales of U. S. Government securities (net)	1,952,270	132,962	447,980	125,877	184,975	129,574	109,312	292,477	105,011	61,029	88,787	89,628	184,658
All other	143,904	116,422	4,618	62	14,693	33	4,263	123	2,226	72	763	4	625
Total additions	2,096,174	249,384	452,598	125,939	199,668	129,607	113,575	292,600	107,237	61,101	89,550	89,632	185,283
Deductions from current net earnings:													
Retirement System (adjustment for revised benefits)	2,493,153	140,403	659,362	159,357	160,793	167,576	94,537	299,518	145,596	71,052	221,937	99,799	273,223
Reserves for contingencies	567,132	51,301	93,730	31,257	39,472	64,579	42,052	81,996	32,098	13,690	29,746	28,834	58,377
All other	94,882	53,756	9,370	3,681	705	2,124	617	5,343	2,050	12,375	444	1,314	3,103
Total deductions	3,155,167	245,460	762,462	194,295	200,970	234,279	137,206	386,857	179,744	97,117	252,127	129,947	334,703
Net deductions	1,058,993	+3,924	309,864	68,356	1,302	104,672	23,631	94,257	72,507	36,016	162,577	40,315	149,420
Net earnings before payments to U. S. Treasury	398,463,224	24,015,390	96,189,355	24,365,362	37,315,207	25,689,473	22,961,319	63,642,206	18,907,277	11,228,617	15,904,486	17,831,837	40,412,695
Paid U. S. Treasury (interest on F. R. notes)	342,567,985	20,857,523	82,180,358	20,974,512	32,249,472	22,511,392	20,074,824	55,473,066	16,533,509	9,791,772	13,780,962	14,291,018	33,849,577
Dividends	15,558,377	840,331	4,878,435	1,060,168	1,482,436	676,502	655,703	2,005,407	536,709	348,774	592,217	775,661	1,706,034
Transferred to surplus (Sec. 7)	40,336,862	2,317,536	9,130,562	2,330,682	3,583,299	2,501,579	2,230,792	6,163,733	1,837,059	1,088,071	1,531,307	2,765,158	4,857,084
Surplus (Sec. 7), January 1	584,676,881	36,461,592	167,502,856	43,577,837	54,064,650	29,247,936	25,803,328	84,628,184	23,628,310	15,131,297	21,924,735	25,380,756	57,325,400
Surplus (Sec. 7), December 31	625,013,743	38,779,128	176,633,418	45,908,519	57,647,949	31,749,515	28,034,120	90,791,917	25,465,369	16,219,368	23,456,042	28,145,914	62,182,484

[1] After deducting $395,772 of prorated inter-Bank expenses to avoid duplication in combined totals.

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914–53

Bank and period	Current earnings	Current expenses	Net earnings before payments to U. S. Treasury [1]	Dividends paid	Franchise tax paid to U. S. Treasury [2]	Paid to U. S. Treasury (Sec. 13b)	Paid to U. S. Treasury (Interest on F. R. notes)	Transferred to surplus (Sec. 13b)	Transferred to surplus (Sec. 7)
All Federal Reserve Banks, by years:									
1914–15	$ 2,173,252	$ 2,320,586	$ −141,459	$ 217,463	...	...	...	...	...
1916	5,217,998	2,273,999	2,750,998	1,742,774	...	...	...	...	...
1917	16,128,339	5,159,727	9,582,067	6,804,186	$ 1,134,234	...	...	...	$ 1,134,234
1918	67,584,417	10,959,533	52,716,310	5,540,684	...	...	...	...	48,334,341
1919	102,380,583	19,339,633	78,367,504	5,011,832	2,703,894	...	...	...	70,651,778
1920	181,296,711	28,258,030	149,294,774	5,654,018	60,724,742	...	...	...	82,916,014
1921	122,865,866	34,463,845	82,087,225	6,119,673	59,974,466	...	...	...	15,993,086
1922	50,498,699	29,559,049	16,497,736	6,307,035	10,850,605	...	...	...	−659,904
1923	50,708,566	29,764,173	12,711,286	6,552,717	3,613,056	...	...	...	2,545,513
1924	38,340,449	28,431,126	3,718,180	6,682,496	113,646	...	...	...	−3,077,962
1925	41,800,706	27,528,163	9,449,066	6,915,958	59,300	...	...	...	2,473,808
1926	47,599,595	27,350,182	16,611,745	7,329,169	818,150	...	...	...	8,464,426
1927	43,024,484	27,518,443	13,048,249	7,754,539	249,591	...	...	...	5,044,119
1928	64,052,860	26,904,810	32,122,021	8,458,463	2,584,659	...	...	...	21,078,899
1929	70,955,496	29,691,113	36,402,741	9,583,913	4,283,231	...	...	...	22,535,597
1930	36,424,044	28,342,726	7,988,182	10,268,598	17,308	...	...	...	−2,297,724
1931	29,701,279	27,040,664	2,972,066	10,029,760	...	...	...	...	−7,057,694
1932	50,018,817	26,291,381	22,314,244	9,282,244	2,011,418	...	...	...	11,020,582
1933	49,487,318	29,222,837	7,957,407	8,874,262	...	...	...	...	−916,855
1934	48,902,813	29,241,396	15,231,409	8,781,661	...	...	...	$ −60,323	6,510,071
1935	42,751,959	31,577,443	9,437,758	8,504,974	...	$ 297,667	...	27,695	607,422
1936	37,900,639	29,874,023	8,512,433	7,829,581	...	227,448	...	102,880	352,524
1937	41,233,135	28,800,614	10,801,247	7,940,966	...	176,625	...	67,304	2,616,352
1938	36,261,428	28,911,608	9,581,954	8,019,137	...	119,524	...	−419,140	1,862,433
1939	38,500,665	28,646,855	12,243,365	8,110,462	...	24,579	...	−425,653	4,533,977
1940	43,537,805	29,165,477	25,860,025	8,214,971	...	82,152	...	−54,456	17,617,358
1941	41,380,095	32,963,150	9,137,581	8,429,936	...	141,465	...	−4,333	570,513
1942	52,662,704	38,624,044	12,470,451	8,669,076	...	197,672	...	49,602	3,554,101
1943	69,305,715	43,545,564	49,528,433	8,911,342	...	244,726	...	135,003	40,237,362
1944	104,391,829	49,175,921	58,437,788	9,500,126	...	326,717	...	201,150	48,409,795
1945	142,209,546	48,717,271	92,662,268	10,182,851	...	247,659	...	262,133	81,969,625
1946	150,385,033	57,235,107	92,523,935	10,962,160	...	67,054	...	27,708	81,467,013
1947	158,655,566	65,392,975	95,235,592	11,523,047	...	35,605	$ 75,223,818	86,772	8,366,350
1948	304,160,818	72,710,188	197,132,683	11,919,809	...	...	166,690,356	...	18,522,518
1949	316,536,930	77,477,676	226,936,980	12,329,373	...	...	193,145,837	...	21,461,770
1950	275,838,994	80,571,771	231,561,340	13,082,992	...	...	196,628,858	...	21,849,490
1951	394,656,072	95,469,086	297,059,097	13,864,750	...	...	254,873,588	...	28,320,759
1952	456,060,260	104,694,091	352,950,157	14,681,788	...	...	291,934,634	...	46,333,735
1953	513,037,237	113,515,020	398,463,224	15,558,377	...	...	342,567,985	...	40,336,862
Total—1914–53	4,338,628,722	1,526,729,300	2,762,218,062	336,147,163	149,138,300	2,188,893	1,521,065,076	−3,658	[3] 753,682,288

Aggregate for each Federal Reserve Bank, 1914–53:									
Boston	291,573,183	109,511,415	179,866,014	22,341,511	7,111,395	280,843	100,987,488	+135,412	49,009,365
New York	1,112,695,887	353,933,990	756,097,025	113,992,872	68,006,262	369,116	360,705,612	−433,413	213,456,576
Philadelphia	305,050,253	108,061,594	196,698,313	28,911,322	5,558,901	722,406	100,685,622	+290,661	60,529,401
Cleveland	402,787,621	140,992,661	255,512,887	33,441,312	4,842,447	82,930	146,284,269	−9,907	70,871,836
Richmond	256,884,260	95,688,656	157,787,507	14,277,113	6,200,189	172,493	99,651,421	−71,516	37,557,807
Atlanta	223,291,133	78,691,037	139,095,498	12,420,243	8,950,561	79,264	84,333,788	+5,491	33,306,151
Chicago	623,627,269	210,332,146	403,052,130	40,036,529	25,313,526	151,045	231,406,995	+11,681	106,132,354
St. Louis	213,263,179	83,045,522	124,911,001	11,628,900	2,755,629	7,464	79,987,041	−26,514	30,558,481
Minneapolis	133,398,104	51,074,417	80,472,506	7,986,842	5,202,900	55,615	47,000,819	+64,875	20,161,455
Kansas City	203,913,400	84,898,217	115,641,667	11,533,214	6,939,100	64,213	69,526,493	−8,674	27,587,321
Dallas	179,282,951	68,531,890	107,407,842	11,877,618	560,049	102,083	62,334,028	+55,336	32,478,728
San Francisco	392,861,482	141,967,755	245,675,672	27,699,687	7,697,341	101,421	138,161,500	−17,090	72,032,813
Total	4,338,628,722	1,526,729,300	2,762,218,062	336,147,163	149,138,300	2,188,893	1,521,065,076	−3,658	753,682,288

[1] Current earnings less current expenses, plus and minus profit and loss additions and deductions.

[2] The $753,682,288 transferred to surplus was reduced by direct charges of $139,299,557 for contribution to capital of the Federal Deposit Insurance Corporation and $500,000 for charge-off on bank premises, and was increased by $11,131,012 transferred from reserves for contingencies, leaving a balance of $625,013,743 on December 31, 1953.

NO. 8—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918–53 AND END OF MONTH 1953

[In millions of dollars]

End of year or month	Reserve Bank credit outstanding							Gold stock [2]	Treasury currency outstanding [3]	Money in circulation	Treasury cash holdings [4]	Deposits, other than member bank reserve balances, with F. R. Banks			Other Federal Reserve accounts [5]	Member bank reserve balances		
	U. S. Government securities			Discounts and advances	Float	All other [1]	Total					Treasury deposits	Foreign deposits	Other deposits		Total	Required [6]	Excess [6]
	Total	Bought outright	Held under repurchase agreement															
1918	239	239	....	1,766	199	294	2,498	2,873	1,795	4,951	288	51	96	25	118	1,636	1,585	51
1919	300	300	....	2,215	201	575	3,292	2,707	1,707	5,091	385	31	73	28	208	1,890	1,822	68
1920	287	287	....	2,687	119	262	3,355	2,639	1,709	5,325	218	57	5	18	298	1,781	....	....
1921	234	234	....	1,144	40	146	1,563	3,373	1,842	4,403	214	96	12	15	285	1,753	1,654	99
1922	436	436	....	618	78	273	1,405	3,642	1,958	4,530	225	11	3	26	276	1,934	....	....
1923	134	80	54	723	27	355	1,238	3,957	2,009	4,757	213	38	4	19	275	1,898	1,884	14
1924	540	536	4	320	52	390	1,302	4,212	2,025	4,760	211	51	19	20	258	2,220	2,161	59
1925	375	367	8	643	63	378	1,459	4,112	1,977	4,817	203	16	8	21	272	2,212	2,256	−44
1926	315	312	3	637	45	384	1,381	4,205	1,991	4,808	201	17	46	19	293	2,194	2,250	−56
1927	617	560	57	582	63	393	1,655	4,092	2,006	4,716	208	18	5	21	301	2,487	2,424	63
1928	228	197	31	1,056	24	500	1,809	3,854	2,012	4,686	202	23	6	21	348	2,389	2,430	−41
1929	511	488	23	632	34	405	1,583	3,997	2,022	4,578	216	29	6	24	393	2,355	2,428	−73
1930	729	686	43	251	21	372	1,373	4,306	2,027	4,603	211	19	6	22	375	2,471	2,375	96
1931	817	775	42	638	20	378	1,853	4,173	2,035	5,360	222	54	79	31	354	1,961	1,994	−33
1932	1,855	1,851	4	235	14	41	2,145	4,226	2,204	5,388	272	8	19	24	355	2,509	1,933	576
1933	2,437	2,435	2	98	15	137	2,688	4,036	2,303	5,519	284	3	4	128	360	2,729	1,870	859
1934	2,430	2,430	....	7	5	21	2,463	8,238	2,511	5,536	3,029	121	20	169	241	4,096	2,282	1,814
1935	2,431	2,430	1	5	12	38	2,486	10,125	2,476	5,882	2,566	544	29	226	253	5,587	2,743	2,844
1936	2,430	2,430	....	3	39	28	2,500	11,258	2,532	6,543	2,376	244	99	160	261	6,606	4,622	1,984
1937	2,564	2,564	....	10	19	19	2,612	12,760	2,637	6,550	3,619	142	172	235	263	7,027	5,815	1,212
1938	2,564	2,564	....	4	17	16	2,601	14,512	2,798	6,856	2,706	923	199	242	260	8,724	5,519	3,205
1939	2,484	2,484	....	7	91	11	2,593	17,644	2,963	7,598	2,409	634	397	256	251	11,653	6,444	5,209

1940	2,184	2,184	....	3	80	8	2,274	21,995	3,087	8,732	2,213	368	1,133	599	284	14,026	7,411	6,615
1941	2,254	2,254	....	3	94	10	2,361	22,737	3,247	11,160	2,215	867	774	586	291	12,450	9,365	3,085
1942	6,189	6,189	....	6	471	14	6,679	22,726	3,648	15,410	2,193	799	793	485	256	13,117	11,129	1,988
1943	11,543	11,543	....	5	681	10	12,239	21,938	4,094	20,449	2,303	579	1,360	356	339	12,886	11,650	1,236
1944	18,846	18,846	....	80	815	4	19,745	20,619	4,131	25,307	2,375	440	1,204	394	402	14,373	12,748	1,625
1945	24,262	24,262	....	249	578	2	25,091	20,065	4,339	28,515	2,287	977	862	446	495	15,915	14,457	1,458
1946	23,350	23,350	....	163	580	1	24,093	20,529	4,562	28,952	2,272	393	508	314	607	16,139	15,577	562
1947	22,559	22,559	....	85	535	1	23,181	22,754	4,562	28,868	1,336	870	392	569	563	17,899	16,400	1,499
1948	23,333	23,333	....	223	541	1	24,097	24,244	4,589	28,224	1,325	1,123	642	547	590	20,479	19,277	1,202
1949	18,885	18,885	....	78	534	2	19,499	24,427	4,598	27,600	1,312	821	767	750	706	16,568	15,550	1,018
1950	20,778	20,725	53	67	1,368	3	22,216	22,706	4,636	27,741	1,293	668	895	565	714	17,681	16,509	1,172
1951	23,801	23,605	196	19	1,184	5	25,009	22,695	4,709	29,206	1,270	247	526	363	746	20,056	19,667	389
1952	24,697	24,034	663	156	967	4	25,825	23,187	4,812	30,433	1,270	389	550	455	777	19,950	20,520	−570
1953—																		
January	23,944	23,888	56	1,735	796	4	26,478	22,986	4,820	29,691	1,308	809	586	508	770	20,611	19,997	614
February	23,876	23,853	23	1,309	1,006	4	26,194	22,662	4,824	29,793	1,284	336	511	412	833	20,511	19,796	715
March	23,806	23,806	....	485	632	3	24,927	22,563	4,829	29,754	1,293	222	536	342	850	19,322	19,607	−285
April	23,880	23,806	74	1,014	649	3	25,546	22,562	4,841	29,842	1,269	393	506	416	783	19,740	19,389	351
May	24,246	24,031	215	731	607	4	25,589	22,537	4,849	29,951	1,272	221	515	171	775	20,069	19,263	806
June	24,746	24,718	28	64	601	3	25,414	22,463	4,854	30,125	1,259	132	527	176	951	19,561	19,459	102
July	24,964	24,964	....	644	565	3	26,176	22,277	4,859	30,120	1,263	548	566	346	862	19,607	19,017	590
August	25,063	24,989	74	343	549	3	25,958	22,178	4,867	30,248	1,269	496	524	325	862	19,278	18,802	476
September	25,235	25,235	....	329	685	3	26,252	22,128	4,872	30,275	1,283	642	512	352	880	19,309	18,816	493
October	25,348	25,348	....	413	787	3	26,550	22,077	4,879	30,398	1,275	654	448	468	802	19,460	18,826	634
November	25,095	24,993	102	369	667	3	26,133	22,028	4,885	30,807	766	451	417	367	804	19,434	19,087	347
December	25,916	25,318	598	28	935	2	26,880	22,030	4,894	30,781	761	346	423	493	839	20,160	19,397	763

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

[2] Prior to Jan. 30, 1934, included gold held by Federal Reserve Banks and in circulation.

[3] The stock of money, other than gold, for which the Treasury is primarily responsible—silver bullion at monetary value and standard silver dollars, subsidiary silver and minor coin, and United States notes; also, Federal Reserve bank notes and National Bank notes for the retirement of which lawful money has been deposited with the Treasurer of the United States. Includes money of these kinds held in the Treasury and the Federal Reserve Banks as well as that in circulation.

[4] Gold other than that held against gold certificates and gold certificate credits, including the reserve against United States notes and Treasury notes of 1890, monetary silver other than that held against silver certificates and Treasury notes of 1890, and the following coin and paper money held in the Treasury: subsidiary silver and minor coin, United States notes, Federal Reserve notes, Federal Reserve bank notes, and National Bank notes.

[5] The total of Federal Reserve Bank capital paid in, surplus, other capital accounts, and other liabilities and accrued dividends, less the sum of bank premises and other assets.

[6] These figures are estimated. Available only on call dates prior to 1929.

NOTE.—For description of figures and discussion of their significance, see *Banking and Monetary Statistics*, Sec. 10, pp. 360–66.

NO. 9—BANK PREMISES OF FEDERAL RESERVE BANKS AND BRANCHES DECEMBER 31, 1953

Federal Reserve Bank or branch	Cost				Net book value
	Land	Building (including vaults)	Fixed machinery and equipment	Total	
Boston	$ 1,628,132	p$5,773,609	p$2,866,084	p$10,267,825	$ 6,232,088
New York	5,215,656	12,183,528	4,841,194	22,240,378	5,909,703
Annex	592,679	1,451,570	217,665	2,261,914	753,291
Buffalo	606,050	474,769	....	1,080,819	727,358
Philadelphia	1,884,357	[1]6,475,852	920,743	9,280,952	4,733,662
Cleveland	1,295,490	6,534,737	1,685,765	9,515,992	2,034,310
Cincinnati	380,744	1,083,985	742,636	2,207,365	1,578,986
Pittsburgh	1,189,941	1,107,918	689,889	2,987,748	1,675,217
Richmond	389,611	3,682,181	1,643,765	5,715,557	3,417,965
Annex	80,333	482,482	117,924	680,739	122,060
Baltimore	250,487	1,251,072	480,555	1,982,114	833,829
Charlotte	105,701	308,749	154,449	568,899	345,549
Atlanta	283,000	1,461,474	308,082	2,052,556	628,728
Birmingham	124,137	330,680	70,510	525,327	132,822
Jacksonville	164,004	1,633,543	628,139	2,425,686	2,298,373
Nashville	48,000	211,616	35,091	294,707	84,739
New Orleans	277,078	762,456	265,700	1,305,234	491,060
Chicago	2,963,548	6,515,390	2,720,927	12,199,865	2,083,372
Detroit	1,147,543	2,815,843	1,177,119	5,140,505	4,364,883
St. Louis	1,496,060	2,136,438	1,328,030	4,960,528	1,297,159
Annex	179,720	1,035,281	522,129	1,737,130	1,008,444
Little Rock	85,007	264,604	158,320	507,931	191,810
Louisville	131,177	231,702	72,464	435,343	159,085
Memphis	128,542	287,468	105,662	521,672	240,912
Minneapolis	600,521	2,316,746	641,025	3,558,292	939,500
Helena	15,710	126,401	44,142	186,253	84,110
Kansas City	543,764	3,469,856	1,228,613	5,242,233	1,451,165
Denver	101,512	461,823	86,910	650,245	250,988
Oklahoma City	65,021	421,252	97,588	583,861	217,620
Omaha	176,427	406,867	94,549	677,843	325,585
Dallas	189,831	1,362,220	466,692	2,018,743	333,457
El Paso	39,004	119,739	32,575	191,318	44,068
Houston	78,812	317,336	112,111	508,259	127,345
San Antonio	75,002	163,360	55,859	294,221	82,240
San Francisco	412,996	3,419,261	1,036,864	4,869,121	1,365,315
Los Angeles	478,603	[1]1,557,868	325,782	2,362,253	992,439
Portland	161,239	1,678,511	630,920	2,470,670	2,212,904
Salt Lake City	114,075	341,449	84,814	540,338	189,894
Seattle	274,772	1,891,564	642,240	2,808,576	2,502,410
Total	23,974,286	76,551,200	27,333,526	127,859,012	52,464,445

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

New York	45,000	137,490	....	182,490	77,994
Richmond	146,550	....	....	146,550	146,550
Charlotte	10,868	....	....	10,868	10,868
Atlanta	349,113	....	....	349,113	349,113
Birmingham	173,173	....	....	173,173	173,173
Nashville	414,860	6,069	....	420,929	420,929
Denver	401,014	....	....	401,014	401,014
Omaha	258,007	....	....	258,007	258,007
Dallas	195,255	....	....	195,255	195,255
San Antonio	402,345	....	....	402,345	402,345
San Francisco	63,772	....	....	63,772	63,772
Los Angeles	320,317	....	....	320,317	320,317
Total	2,780,274	143,559	....	2,923,833	2,819,337

p Preliminary.

[1] Includes cost of addition under construction.

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

[December 31, 1953]

Federal Reserve Bank (Including branches)	President	Other officers		Employees[1]		Total	
	Annual salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston	$30,000	21	$265,500	1,365	$4,222,905	1,387	$4,518,405
New York	60,000	56	836,200	3,985	15,225,675	4,042	16,121,875
Philadelphia	30,000	24	298,000	1,219	3,979,521	1,244	4,307,521
Cleveland	25,000	30	362,400	1,730	5,565,846	1,761	5,953,246
Richmond	30,000	27	328,600	1,338	3,976,822	1,366	4,335,422
Atlanta	30,000	35	375,250	1,297	3,776,729	1,333	4,181,979
Chicago	40,000	39	503,700	3,018	10,297,964	3,058	10,841,664
St. Louis	30,000	28	293,500	1,263	3,775,908	1,292	4,099,408
Minneapolis	25,000	22	236,000	687	2,040,351	710	2,301,351
Kansas City	30,000	26	282,150	1,070	3,372,224	1,097	3,684,374
Dallas	....	24	260,300	968	3,216,317	992	3,476,617
San Francisco	30,000	33	376,500	1,956	6,557,987	1,990	6,964,487
Total	$360,000	365	$4,418,100	19,896	$66,008,249	20,272	$70,786,349

[1] Includes 848 part-time employees.

NOTE.—During the year 1953, the Banks were reimbursed $14,315,357 on account of salaries of officers and employees.

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

[Per cent per annum]
In effect December 31, 1953

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	2	2	2	2	2	2	2	2	2	2	2	2
Advances to member banks under Sec. 10(b) of the Federal Reserve Act	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½
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)	3	3	2¾	3	3	3½	2¾	3	3	2¾	3	3
Loans to industrial or commercial businesses under Sec. 13b of the Federal Reserve Act, direct or in participation with financing institutions	3–5½	3–5½	2½–5	2½–5	2½–5	2¾–5	2½–5	3–5	3–5½	2¾–5	3–5½	3–5½
Discounts for and purchases from financing institutions under Sec. 13b of the Federal Reserve Act:												
On portion for which institution is obligated	(1)	(1)	(2)	(1)	(1)	(1)	2½–5	2–2½	(1)	(1)	(1)	(1)
On remaining portion	(3)	(3)	(2)	(3)	(3)	(3)	2½–5	(3)	(3)	(3)	(3)	(3)
Commitments to make loans under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses	½–1½	½–1⅜	½–1¼	½–1¼	½–1¼	¾–1¼	¼–1¼	½–1¼	½–1⅜	½–1¼	½–1⅜	½–1⅜
To financing institutions	½–1½	½–1⅜	½–1¼	½–1¼	½–1¼	[4] ¾–1¼	¼–1¼	¼–1¼	½–1⅜	½–1¼	[5] ½–1⅜	[5] ½–1⅜
Effective minimum buying rates on prime bankers' acceptances payable in dollars	(6)	....	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
1–90 days	....	2⅛	....	....	....	....	....	....	....	....	....	....
91–120 days	....	2¼	....	....	....	....	....	....	....	....	....	....
121–180 days	....	2⅜	....	....	....	....	....	....	....	....	....	....

[1] Rate charged borrower by financing institution less commitment rate.
[2] Rate charged borrower but not to exceed 1 per cent above the discount rate.
[3] Rate charged borrower.
[4] Financing institution is charged ½ per cent per annum on undisbursed portion of loan.
[5] Financing institution is charged ¼ per cent per annum on undisbursed portion of loan.
[6] The rates shown for the Federal Reserve Bank of New York also apply to any purchases made by the other Federal Reserve Banks.

NOTE.—*Maximum maturities.* Discounts for and advances to member banks: 90 days for discounts and advances 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 advances secured by obligations of Federal intermediate credit banks maturing within 6 months are limited to maximum maturities of 15 days; 4 months for advances under Section 10(b). Advances to individuals, partnerships, or corporations under the last paragraph of Section 13: 90 days. Industrial loans and commitments under Section 13b: 5 years.

NO. 12—MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Effective date of change	Net demand deposits [1]			Time deposits	
	Central reserve city banks	Reserve city banks	Country banks	Central reserve and reserve city banks	Country banks
1917—June 21	13	10	7	3	3
1936—Aug. 16	19½	15	10½	4½	4½
1937—Mar. 1	22¾	17½	12¼	5¼	5¼
May 1	26	20	14	6	6
1938—Apr. 16	22¾	17½	12	5	5
1941—Nov. 1	26	20	14	6	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	......	......	......
1951—Jan. 11	23	19	......	6	......
Jan. 16	......	......	13	......	6
Jan. 25	24	20	......	......	......
Feb. 1	......	......	14	......	......
1953—July 1	......	......	13	......	......
July 9	22	19	......	......	......
In effect Jan. 1, 1954 [2]	22	19	13	6	6

[1] 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).

[2] Present legal minimum and maximum requirements on net demand deposits—central reserve cities, 13 and 26 per cent; reserve cities, 10 and 20 per cent; country, 7 and 14 per cent, respectively; on time deposits at all member banks, 3 and 6 per cent, respectively.

NO. 13—MAXIMUM INTEREST RATES PAYABLE ON TIME DEPOSITS [1]

[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

[1] 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[1]

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	Mar. 30, 1949—Jan. 16, 1951	Jan. 17, 1951—Feb. 19, 1953	Effective Feb. 20, 1953
Regulation T:							
For extensions of credit by brokers and dealers on listed securities....	50	75	100	75	50	75	50
For short sales......	50	75	100	75	50	75	50
Regulation U:							
For loans by banks on stocks.........	50	75	100	75	50	75	50

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

NO. 15—FEES AND RATES ESTABLISHED UNDER REGULATION V ON LOANS GUARANTEED PURSUANT TO DEFENSE PRODUCTION ACT OF 1950

[In effect December 31, 1953]

Fees Payable to Guaranteeing Agency by Financing Institution on Guaranteed Portion of Loan

Percentage of loan guaranteed	Guarantee fee (Percentage of interest payable by borrower)	Percentage of any commitment fee charged borrower
70 or less	10	10
75	15	15
80	20	20
85	25	25
90	30	30
95	35	35
Over 95	40–50	40–50

Maximum Rates Financing Institution May Charge Borrower
[Per cent per annum]

Interest rate	5
Commitment rate	½

NO. 16—ALL BANKS IN THE UNITED STATES, BY CLASSES, DECEMBER 31, 1953 AND 1952
PRINCIPAL ASSETS AND LIABILITIES, AND NUMBER OF BANKS

[In millions of dollars]

Item	All banks	Commercial banks							Mutual savings banks		
		Total	Member banks			Insured nonmember	Non-insured		Total [1]	Insured [1]	Non-insured
			Total [1]	National	State [1]						
December 31, 1953[p]											
Loans and investments, total	171,560	145,740	122,590	81,960	40,360	21,200	1,970		25,820	19,240	6,580
Loans	80,530	67,590	57,750	37,690	20,060	9,330	520		12,940	10,020	2,920
Investments	91,030	78,150	64,840	44,260	20,580	11,870	1,450		12,880	9,230	3,650
U. S. Govt. obligations	72,790	63,600	52,790	35,690	17,100	9,690	1,130		9,190	6,500	2,690
Other securities	18,240	14,550	12,050	8,570	3,480	2,180	320		3,690	2,740	950
Cash assets	45,140	44,160	38,630	25,780	12,850	5,090	440		980	790	190
Deposits, total	200,390	175,990	149,570	100,200	49,370	24,260	2,180		24,400	18,380	6,020
Interbank	15,500	15,500	14,750	9,890	4,860	410	340		....	....	....
Other demand	116,760	116,720	99,730	66,120	33,610	15,600	1,390		40	40	....
Other time	68,130	43,770	35,090	24,180	10,910	8,250	450		24,360	18,340	6,020
Total capital accounts	16,190	13,630	11,340	7,390	3,950	1,950	340		2,560	1,820	740
Number of banks	14,509	13,981	6,743	4,856	1,887	6,672	569		528	219	309
December 31, 1952											
Loans and investments, total	165,626	141,624	119,547	80,180	39,367	20,242	1,854		24,003	17,621	6,382
Loans	75,512	64,163	55,034	36,004	19,030	8,605	531		11,349	8,691	2,658
Investments	90,114	77,461	64,514	44,176	20,337	11,638	1,322		12,654	8,930	3,724
U. S. Govt. obligations	72,740	63,318	52,763	35,835	16,928	9,556	1,010		9,422	6,593	2,829
Other securities	17,374	14,143	11,751	8,341	3,409	2,081	312		3,231	2,337	895
Cash assets	45,584	44,666	39,255	26,333	12,922	4,970	444		918	732	187
Deposits, total	195,552	172,931	147,527	98,974	48,553	23,464	1,960		22,621	16,785	5,836
Interbank	15,321	15,319	14,617	9,918	4,699	373	329		2	2	....
Other demand	116,633	116,600	100,020	66,362	33,658	15,351	1,229		33	30	3
Other time	63,598	41,012	32,890	22,694	10,196	7,740	402		22,586	16,753	5,833
Total capital accounts	15,367	12,888	10,761	7,042	3,719	1,804	326		2,479	1,730	749
Number of banks	14,575	14,046	6,798	4,909	1,889	6,627	624		529	206	323

[p] Figures for Dec. 31, 1953 are preliminary and based largely on data regularly collected or estimated as of the last Wednesday of the month, published regularly in the *Federal Reserve Bulletin.* Some items, particularly cash assets and demand deposits, are subject to large daily changes, and the estimates for Dec. 31, 1953 may be considerably different from reported figures; the latter will be published in the *Bulletin,* probably in the May issue.

[1] Member bank figures and insured mutual savings bank figures both include three member mutual savings banks. These banks are not included in the total for "commercial banks," and are included only once in the total for "all banks."

NO. 17—MEMBER BANK EARNINGS, BY CLASS OF BANK, 1953 AND 1952

[Dollar amounts in millions]

Item	Total		Central reserve city banks				Reserve city banks		Country banks	
			New York		Chicago					
	1953p	1952	1953p	1952	1953p	1952	1953p	1952	1953p	1952
Earnings	**$4,586**	**$4,120**	**$757**	**$691**	**$188**	**$169**	**$1,798**	**$1,594**	**$1,842**	**$1,665**
On. U. S. Govt. securities	1,007	929	137	134	53	49	376	344	442	403
On other securities	......	235	......	43	......	12	......	87	......	93
On loans	2,630	2,306	434	378	96	83	1,060	915	1,040	930
All other	......	650	......	137	......	26	......	248	......	240
Expenses	**2,780**	**2,501**	**404**	**371**	**102**	**93**	**1,083**	**974**	**1,190**	**1,063**
Salaries and wages	......	1,244	......	213	......	44	......	478	......	509
Interest on deposits	......	365	......	18	......	14	......	160	......	173
All other	......	893	......	140	......	34	......	337	......	381
Net current earnings before income taxes	**1,806**	**1,619**	**353**	**321**	**86**	**76**	**715**	**620**	**652**	**602**
Recoveries and profits [1]	......	113	......	25	......	11	......	38	......	39
Losses and charge-offs [2]	......	226	......	25	......	9	......	92	......	101
Net addition to valuation reserves	......	68	......	8	......	4	......	29	......	27
Profits before income taxes	**1,562**	**1,437**	**312**	**313**	**78**	**74**	**616**	**537**	**555**	**513**
Taxes on net income	**698**	**608**	**151**	**139**	**35**	**29**	**288**	**241**	**224**	**199**
Net profits	**865**	**829**	**161**	**175**	**43**	**45**	**329**	**295**	**331**	**314**
Cash dividends declared [3]	**421**	**390**	**103**	**95**	**19**	**18**	**166**	**156**	**132**	**122**
Ratios (per cent):										
Net current earnings before income taxes to—										
Average total capital accounts	16.4	15.4	13.9	13.1	15.7	14.5	18.5	17.1	15.9	15.6
Average total assets	1.15	1.06	1.21	1.08	1.07	0.97	1.18	1.06	1.11	1.07
Net profits to—										
Average total capital accounts	7.8	7.9	6.3	7.1	7.8	8.6	8.5	8.1	8.1	8.1
Average total assets	0.55	0.55	0.55	0.59	0.54	0.58	0.54	0.51	0.56	0.56
Average return on U. S. Govt. securities	1.97	1.79	1.92	1.70	1.92	1.78	1.98	1.78	1.99	1.84
Average return on loans	4.68	4.51	3.54	3.32	3.65	3.39	4.76	4.53	5.46	5.42

p Data for 1953 are preliminary, and some items are not available; final figures will appear in the *Federal Reserve Bulletin*, probably in the May issue.

1 Includes recoveries credited to valuation reserves.

2 Includes losses charged to valuation reserves.

3 Includes interest on capital notes and debentures.

NO. 18—ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES DURING 1953

	All banks	Commercial and stock savings banks and nondeposit trust companies					Mutual savings banks	
		Total	Member banks		Nonmember banks			
			National	State member [1]	Insured	Noninsured	Insured [1]	Noninsured
Number of banks, Dec. 31, 1952	**14,575**	**14,046**	**4,909**	**1,889**	**6,627**	**624**	**206**	**323**
Changes during 1953								
New banks [2]	+64	+64	+12	+10	+36	+6	......	......
Suspensions	−4	−4	......	−1	−2	−1	......	......
Reopenings	+3	+3	......	+1	+2	......	......	......
Consolidations and absorptions:								
Banks converted into branches	−93	−92	−54	−14	−20	−4	......	−1
Other	−23	−23	−9	−3	−9	−2	......	......
Voluntary liquidations [3]	−10	−10	......	......	−3	−7	......	......
Other changes [4]	−3	−3	......	......	......	−3	......	......
Interclass bank changes:								
Conversions—								
National into State	......	......	−4	......	+4	......	......	......
State into National	......	......	+2	−1	−1	......	......	......
Federal Reserve membership: [5]								
Admissions of State banks	......	......	......	+10	−7	−3	......	......
Withdrawals of State banks	......	......	......	−4	+4	......	......	......
Federal deposit insurance: [6]								
Admissions of State banks	......	......	......	......	+41	−41	+13	−13
Net increase or decrease	−66	−65	−53	−2	+45	−55	+13	−14
Number of banks, Dec. 31, 1953	**14,509**	**13,981**	**4,856**	**1,887**	**6,672**	**569**	**219**	**309**
Number of branches and additional offices, Dec. 31, 1952 [7]	**5,520**	**5,274**	**2,403**	**1,530**	**1,300**	**41**	**177**	**69**
Changes during 1953								
De novo branches	+304	+280	+145	+69	+63	+3	+13	+11
Banks converted into branches	+93	+92	+57	+24	+10	+1	+1	......
Discontinued	−20	−19	−7	−4	−8	......	......	−1
Interclass branch changes:								
National to State member	......	......	−11	+11	......	......	......	......
National to nonmember	......	......	−2	......	+2	......	......	......
State member to national	......	......	+3	−3	......	......	......	......
State member to nonmember	......	......	......	−1	+1	......	......	......
Nonmember to national	......	......	+2	......	−1	−1	......	......
Nonmember to State member	......	......	......	+5	−5	......	......	......
Noninsured to insured	......	......	......	......	+3	−3	+1	−1
Net increase or decrease	+377	+353	+187	+101	+65	......	+15	+9
Number of branches and additional offices, Dec. 31, 1953 [7]	**5,897**	**5,627**	**2,590**	**1,631**	**1,365**	**41**	**192**	**78**
Number of banking facilities, Dec. 31, 1952 [8]	**191**	**191**	**153**	**20**	**18**	......	......	......
Changes during 1953								
Established	+18	+18	+13	+1	+4	......	......	......
Discontinued	−10	−10	−10	......	......	......	......	......
Net increase or decrease	+8	+8	+3	+1	+4	......	......	......
Number of banking facilities, Dec. 31, 1953 [8]	**199**	**199**	**156**	**21**	**22**	......	......	......

[1] The State member bank figures and the insured mutual savings bank figures both include three member mutual savings banks. These banks are not included in the total for "commercial banks" and are included only once in "all banks."

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

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

[4] Three institutions, not engaged in deposit business, eliminated from series.

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

[6] Exclusive of insured nonmember banks converted into national banks or admitted to Federal Reserve membership, or vice versa. Such changes do not affect Federal Deposit Insurance Corporation membership; they are included in the appropriate other groups under "interclass bank changes."

[7] Covers all branches and other additional offices at which deposits are received, checks paid, or money lent, except banking facilities which are shown separately.

[8] Banking facilities are provided at military and other Government establishments through arrangements made by the Treasury Department with banks designated as depositaries and financial agents of the Government. These figures do not include branches that have also been designated by the Treasury Department as banking facilities.

NO. 19—NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, BY FEDERAL RESERVE DISTRICTS AND STATES, DECEMBER 31, 1953 [1]

Federal Reserve district or State	Total banks on which checks are drawn, and their branches and offices		On par list						Not on par list (Nonmember)	
			Total		Member		Nonmember			
	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices
DISTRICT										
Boston	464	416	464	416	316	326	148	90	......	......
New York	814	1,106	814	1,106	700	1,013	114	93	......	......
Philadelphia	799	265	799	265	607	205	192	60	......	......
Cleveland	1,065	435	1,065	435	652	378	413	57	......	......
Richmond	1,007	685	814	534	477	337	337	197	193	151
Atlanta	1,231	274	642	232	363	200	279	32	589	42
Chicago	2,480	707	2,480	707	1,011	347	1,469	360	......	......
St. Louis	1,460	186	1,144	119	493	74	651	45	316	67
Minneapolis	1,275	115	677	74	472	29	205	45	598	41
Kansas City	1,759	29	1,752	29	753	19	999	10	7	......
Dallas	1,045	79	947	67	635	47	312	20	98	12
San Francisco	487	1,519	487	1,519	258	1,423	229	96	......	......
Total	**13,886**	**5,816**	**12,085**	**5,503**	**6,737**	**4,398**	**5,348**	**1,105**	**1,801**	**313**
STATE										
Alabama	231	31	134	31	96	31	38	......	97	......
Arizona	13	73	13	73	5	57	8	16	......	......
Arkansas	230	22	114	5	70	2	44	3	116	17
California	198	1,057	198	1,057	124	1,001	74	56	......	......
Colorado	154	5	154	5	94	4	60	1	......	......
Connecticut	101	76	101	76	59	62	42	14	......	......
Delaware	35	33	35	33	14	14	21	19	......	......
Dist. of Col.	19	51	19	51	15	41	4	10	......	......
Florida	209	10	159	9	77	8	82	1	50	1
Georgia	400	58	120	55	65	50	55	5	280	3
Idaho	38	65	38	65	20	60	18	5	......	......
Illinois	897	3	895	3	512	3	383	......	2	......
Indiana	477	141	477	141	236	84	241	57	......	......
Iowa	663	163	663	163	164	1	499	162	......	......
Kansas	606	3	604	3	213	3	391	......	2	......
Kentucky	376	59	376	59	110	39	266	20	......	......
Louisiana	171	95	65	69	51	60	14	9	106	26
Maine	62	83	62	83	38	42	24	41	......	......
Maryland	154	147	154	147	72	84	82	63	......	......
Massachusetts	175	213	175	213	138	189	37	24	......	......
Michigan	427	307	427	307	227	244	200	63	......	......
Minnesota	676	6	268	6	205	6	63	......	408	......
Mississippi	200	78	43	18	32	10	11	8	157	60
Missouri	594	1	533	1	177	1	356	......	61	......
Montana	109	......	109	......	82	......	27	......	......	......
Nebraska	413	2	413	2	140	2	273	......	......	......
Nevada	8	22	8	22	6	20	2	2	......	......
New Hamp.	74	2	74	2	52	1	22	1	......	......
New Jersey	307	207	307	207	264	184	43	23	......	......
New Mexico	52	25	52	25	34	8	18	17	......	......
New York	581	910	581	910	507	843	74	67	......	......
North Carolina	211	272	105	127	55	74	50	53	106	145
North Dakota	153	22	60	6	41	......	19	6	93	16
Ohio	644	305	644	305	412	266	232	39	......	......
Oklahoma	383	2	376	2	224	2	152	......	7	......
Oregon	66	116	66	116	27	106	39	10	......	......
Pennsylvania	898	314	898	314	678	269	220	45	......	......
Rhode Island	12	57	12	57	7	44	5	13	......	......
South Carolina	150	71	68	65	33	53	35	12	82	6
South Dakota	169	52	72	27	62	23	10	4	97	25
Tennessee	296	124	211	110	84	83	127	27	85	14
Texas	918	17	871	17	580	17	291	......	47	......
Utah	54	37	54	37	29	34	25	3	......	......
Vermont	66	11	66	11	38	4	28	7	......	......
Virginia	316	144	312	144	204	85	108	59	4	......
Washington	112	173	112	173	48	161	64	12	......	......
West Virginia	182	......	181	......	110	......	71	......	1	......
Wisconsin	553	150	553	150	166	22	387	128	......	......
Wyoming	53	1	53	1	40	1	13	......	......	......

[1] Does not include mutual savings banks, on a few of which some checks are drawn, but does include 199 banking facilities (see footnote 8, Table 18). The difference between the number of member banks on Dec. 31, 1953 shown in this table and in Table 18 is due to the fact that this table excludes 3 member nondeposit trust companies and 3 member mutual savings banks on which no checks are drawn. The corresponding difference for the number of nonmember commercial banks is due to the fact that this table excludes 92 banks and trust companies on which no checks are drawn.

APPENDIX

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

JANUARY 15, 1953

Changes in Rates on Discounts and Advances to Member Banks under Sections 13, 13(a), and 10(b) of the Federal Reserve Act.

The Board approved for the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, Chicago, St. Louis, Minneapolis, and Kansas City, effective January 16, 1953, a rate of 2 per cent on discounts and advances to member banks under Sections 13 and 13(a), and a rate of 2½ per cent on advances under Section 10(b).

Votes for this action: Messrs. Martin, Szymczak, Evans, Vardaman, and Mills. Votes against this action: none. Mr. Robertson, who was not present when this action was taken, stated that he concurred in the action.

Pursuant to the policy established by the foregoing action, the Board subsequently approved the same rates for the other Federal Reserve Banks effective on the dates indicated below:

Boston	January 20, 1953
San Francisco	January 20, 1953
Richmond	January 23, 1953
Dallas	January 23, 1953

The Board also approved certain changes at some of the Federal Reserve Banks in rates on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 and in rates on industrial loans and commitments under Section 13(b), these changes being deemed desirable in order to bring about an appropriate alignment of the rate structure.

Throughout 1952 Federal Reserve policy was designed to limit bank credit expansion to amounts consistent with the requirements of a growing economy operating at a high level without inflation. Under this policy member banks greatly increased their discounting at the Federal Reserve Banks. The general level of borrowing rose from less than half a billion dollars in the first half of 1952 to more than a billion dollars during the last half of the year. Average borrowing in December (1.6 billion dollars) was the largest since 1921. It also appeared that member bank borrowing would continue at a relatively high level during the early part of the new year.

In these circumstances, the Board of Governors felt that an increase in the discount rate, in recognition of conditions in the money market resulting from the active demand for bank credit, would promote greater reluctance on the part of member banks to resort to the discount privilege and would constitute an appropriate further step in the System's policy of credit restraint.

February 20, 1953

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 immediately, to reduce the margin requirements 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. Martin, Szymczak, Evans, Mills, and Robertson. Votes against this action: none. Mr. Vardaman, who was not present when this action was taken, stated that he concurred in the action.

The margin requirements had been increased from 50 per cent to 75 per cent in January 1951 as a preventive measure and as a supplement to the steps previously taken in the credit and monetary area to lessen inflationary pressures. By February 1953 inflationary pressures had moderated and, with the margin requirements fixed at 75 per cent, there had been no substantial increase in the total amount of credit in use in the stock market. Accordingly, the Board concluded that margin requirements of 50 per cent would be adequate to prevent the excessive use of credit for the purchasing and carrying of securities and that a reduction to that level would be in harmony with the System's over-all credit and monetary policy under current conditions.

May 28, 1953

Amendment to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange.

The Board amended Regulation U, effective August 1, 1953, to make it clear that the regulation applied to loans for the purpose of purchasing or carrying shares issued by open-end investment companies whose assets customarily include registered stocks.

Votes for this action: Messrs. Martin, Szymczak, Evans, Vardaman, Mills, and Robertson. Votes against this action: none.

Shares of open-end investment companies (technically called "redeemable securities") give the purchaser a proportionate interest in the issuing company's assets and carry the right to convert his interest into the company's underlying assets or their cash equivalent. Although such investment company shares are only rarely registered on a national securities exchange, the underlying assets of the open-end investment company often consist largely of registered stocks, so that loans for the purpose of purchasing or carrying shares of the issuing company are in substance loans for the purpose of purchasing or carrying the registered stocks which are in its portfolio.

The Board, after carefully considering all aspects of the problem, deemed it desirable to adopt this amendment in order that there would be no question as to the applicability of Regulation U to loans by banks for the purpose of purchasing or carrying shares of open-end investment companies whose assets customarily include registered stocks.

JUNE 23, 1953

Decrease in Reserve Requirements of Member Banks

The supplement to Regulation D, Reserves of Member Banks, was amended to decrease reserve requirements with respect to net demand deposits of member banks as follows:

Effective July 1, 1953: from 14 per cent to 13 per cent for banks not in reserve cities or central reserve cities;

Effective July 9, 1953: from 24 per cent to 22 per cent for banks in central reserve cities, and from 20 per cent to 19 per cent for banks in reserve cities.

Votes for this action: Messrs. Martin, Szymczak, Vardaman, Mills, and Robertson. Votes against this action: none. Mr. Evans, who was not present when this action was taken, stated that he concurred in the action.

The Board stated the reasons for this action as follows in its press release dated June 24, 1953:

"This step was taken in pursuance of Federal Reserve policy, designed to make available the reserve funds necessary to meet the essential needs of the economy and to help maintain stability of the dollar. The reduction, releasing an estimated $1,156,000,000 of reserves, was made in anticipation of the exceptionally heavy demands on bank reserves which will develop in the near future when seasonal requirements of the economy will expand and Treasury financing in large volume is inescapable. The action is intended to provide assurance that these needs will be met without undue strain on the economy and is in conformity with System policy of contributing to the objective of sustaining economic equilibrium at high levels of production and employment."

July 17, 1953

Increase in Rate at the Federal Reserve Bank of Atlanta on Advances under the Last Paragraph of Section 13 of the Federal Reserve Act.

The Board approved, effective July 20, 1953, a rate of 3½ per cent, rather than 3 per cent, on advances by the Federal Reserve Bank of Atlanta to individuals, partnerships, or corporations other than member banks under the last paragraph of Section 13 of the Federal Reserve Act.

Votes for this action: Messrs. Martin, Szymczak, Vardaman, Mills, and Robertson. Votes against this action: none.

Under the last paragraph of Section 13 of the Federal Reserve Act, a Federal Reserve Bank may make advances to any individual, partnership, or corporation on the promissory notes of such individual, partnership, or corporation secured by direct obligations of the United States. Provision for such advances was inserted in the Federal Reserve Act by the Act of March 9, 1933, the emergency banking legislation which was enacted during the banking holiday then in effect. This is an inactive rate, there having been very little lending under this authority in recent years.

The interest rate structure having moved upward over the course of several months to the point that the Federal Reserve Bank of Atlanta's rate for advances under the last paragraph of Section 13 was competitive with the rate for similar extensions of credit through normal and customary channels, the Reserve Bank deemed it advisable to recognize the situation by an adjustment to a higher, noncompetitive rate of interest. The Board concurred in this view.

RECORD OF POLICY ACTIONS
FEDERAL OPEN MARKET COMMITTEE

MARCH 4-5, 1953

1. Authority to Effect Transactions in System Account.

The following directive to the executive committee was approved:

The executive committee is directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary, in the light of current and prospective economic conditions and the general credit situation of the country, with a view to exercising restraint upon inflationary developments, to correcting a disorderly situation in the Government securities market, to relating the supply of funds in the market to the needs of commerce and business, and to the practical administration of the account; provided that the aggregate amount of securities held in the System account (including commitments for the purchase or sale of securities for 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 direct from the Treasury for the account of the Federal Reserve Bank of New York (which Bank shall have discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) 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 at any one time by the Federal Reserve Banks shall not exceed in the aggregate 2 billion dollars.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Erickson, Evans, Johns, Mills, Powell, Robertson, Szymczak, and Young. Votes against this action: none.

This directive was in the same form as the directive adopted at the preceding meeting of the Federal Open Market Committee on December 8, 1952 except for a change to provide that the Committee should arrange for transactions in the System open market account with a view, among other things, "to correcting a disorderly situation in the Government securities market," rather than as previously, "to maintaining orderly conditions in the Government security market." The reasons for this change in wording will be given later in this record.

At the time of this meeting, economic activity was continuing at a very high level. Industrial production had increased further since the meeting in December, and gross national product had continued to expand, partly on the basis of further substantial inventory accumulation. Commodity prices, generally, both on consumer goods and at wholesale, had been stable. Total employment had reached a new high and unemployment had decreased to new postwar lows, and some industries were operating on an overtime basis. Marked gains in personal incomes beginning in the late summer of 1952 had contributed to expansion in consumer buying, as had more liberal credit terms and a greater consumer willingness to incur debt.

For some months, credit policy had been directed toward the general objective of keeping the supply of credit and money adjusted to the needs of a growing and high-level economy in which there was no immediate evidence of price inflation. This policy called for some expansion in the supply of reserves although, in view of the large demand for credit in excess of savings, it resulted in modest restraint on credit growth. During the preceding two years, the Federal Reserve had moved toward greater reliance on influencing the cost, availability, and supply of credit through the discount mechanism, that is, by making it necessary for member banks to borrow from the Federal Reserve Banks a portion of the additional reserves required to meet credit growth. This mechanism limits credit expansion, puts pressure on banks, and makes them more responsive to changes in the discount rate. Under the conditions that existed during 1952 when there were strong demands for credit from both private and Government sectors of the economy, this policy resulted in bank reserve positions being under pressure throughout most of the year. Bank credit expansion with its resulting monetary growth, though adequate to meet the needs of the economy, was thus kept within bounds in order to discourage inflationary developments.

In these circumstances and in accordance with the policy approved by the Federal Open Market Committee on December 8, 1952, the Federal Reserve purchased substantial amounts of Government securities during December 1952 to assist the banks in meeting the sharp pre-Christmas currency outflow and an increase in required reserves. A large part of these purchases was made subject to agreements by Government securities dealers to repurchase the securities after a specified period and thus, when money market conditions permitted, to extinguish automatically the reserves that were created through the original purchases by the Federal Reserve. During the last week of December 1952, Federal Reserve purchases of Government securities under repurchase agreements rose to almost 900 million dollars, compared with just over 300 million a year earlier. After the close of the year there was the customary large return flow of currency to the banks which, along with other seasonal factors, eased their reserve position, with the result that by the third week in January of 1953, all of the securities sold to the System under these agreements had been repurchased. Member bank borrowings at the Reserve Banks, which were generally over 1.5 billion dollars during December, were also reduced somewhat in January.

The discount rates of the Federal Reserve Banks were increased from 1¾ per cent to 2 per cent around the middle of January 1953. Nevertheless, demand for credit continued strong during February, and it was the consensus of the Committee when it met in March that there was still reason to feel concern about the possibility of inflationary developments. The Committee agreed, therefore, that it would pursue a policy which would maintain about the same degree of restraint on credit expansion that had been followed in recent preceding months, a policy consistent with a stable price level and a high level of economic activity.

In adopting the above directive, the Committee did not have in mind a change in its credit policy. Thus, the change in wording of the clause to provide that the executive committee should arrange for transactions with a view, among other things, to "correcting a disorderly situation in the Government securities market" rather than for the purpose of "maintaining orderly conditions in the Government security market" represented a change, not in credit policy, but in policy as to operating techniques for the System open market account.

In addition to the change in the directive, the Federal Open Market Committee also unanimously approved (Mr. Vardaman, who was not present when the foregoing directive was approved, was present when the following actions were taken) the following policies with respect to operations for the System account:

> (1) Under present conditions, operations for the System account should be confined to the short end of the market (not including correction of disorderly markets);
>
> (2) It is not now the policy of the Committee to support any pattern of prices and yields in the Government securities market, and intervention in the Government securities market is solely to effectuate the objectives of monetary and credit policy (including correction of disorderly markets);
>
> (3) Pending further study and further action by the Committee, it should refrain during a period of Treasury financing from purchasing (1) any maturing issues for which an exchange is being offered, (2) when-issued securities, and (3) outstanding issues of comparable maturity to those being offered for exchange.

Adoption of the changed wording of the directive and of the three accompanying statements of operating procedures, which were to be effective under the conditions then present or pending further study by the Committee, grew out of a report to the Federal Open Market Committee by a special subcommittee which had made a comprehensive inquiry into the techniques of Federal Reserve operations in the Government securities market. The subcommittee found that a disconcerting degree of uncertainty existed in the Government securities market with respect both to the occasions which the Federal Open Market Committee might consider appropriate for intervention and to the sector of the market in which such intervention might occur—an uncertainty that was detrimental to the development of depth, breadth, and resiliency of the market. The subcommittee recommended that, as a means of eliminating this uncertainty, the Committee henceforth intervene in the market, not to impose on the market any particular pattern of prices or yields, but solely to effectuate the objectives of monetary and credit policy, and that it confine such intervention to transactions in very short-term securities, preferably bills.

The Federal Open Market Committee recognized that general credit policies adopted from time to time by the Committee, which would involve either putting reserves into the market or withdrawing them from the market, would affect prices and yields on Government securities. It was believed that a more self-reliant market in United States Government securities would develop if its intervention were solely to effectuate the objectives of monetary and credit policy and were carried out by making purchases and sales in the short end of the market, unless a situation developed which made it necessary for the Committee to operate in other sectors in order to correct a disorderly market.

The Committee felt that, under existing conditions, a procedure of confining operations to short-term securities would allow adequate flexibility in open market operations with a minimum of disturbance to prices and yields on longer term securities. The impact of System transactions in the short end of the market, where dollar prices of securities react least in response to a change in yield and where the asset value of securities is least affected, could be considered a normal market risk. The market would still reflect natural forces of supply and demand and thus furnish a signal of the effectiveness of credit policy aimed primarily at the volume and availability of bank reserves. (Mr. Sproul voted for the actions but does not agree with the statement of reasons given in this paragraph.) In adopting the procedure of confining operations to the short end of the market, the Committee did so under existing conditions, recognizing that it could not give a contractual assurance to the Government securities market as to the framework within which it would continue to operate. For similar reasons, and with the understanding that the procedure would be effective pending further study and further action by the Committee, the Committee decided to refrain during a period of Treasury financing from the practice that had been followed on previous occasions of purchasing "rights" evidenced by maturing issues, when-issued securities, and outstanding securities of comparable maturity to those being offered for exchange.

To put these operating procedures into effect under conditions then present or pending further study, the wording of the directive to the executive committee was changed, as stated above, to eliminate the provision that operations should be with a view "to maintaining orderly conditions in the Government securities market." In the past, this clause had provided the authority for intervention in other than the short-term sector of the market. It was felt that it should be changed since intervention "to maintain orderly conditions" might add to or subtract from reserve funds available to the market for purposes other than the pursuit of monetary and credit policies directed toward economic stability. Accordingly, in conjunction with the approval of the procedures with respect to operations for the System account set forth under (1), (2), and (3) above, the foregoing clause was eliminated from the Committee's directive and replaced by the authorization to intervene in the market for the purpose, among other things, of "correcting a disorderly situation in the Government securities market."

2. Minimum Buying Rate on Bankers' Acceptances.

At this meeting the Committee increased the minimum buying rate on prime eligible bankers' acceptances from 1¾ per cent to 2 per cent, subject to change from time to time by the Committee in order to carry out its policies.

> Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Erickson, Johns, Mills, Powell, Robertson, Szymczak, Vardaman, and Young. Votes against this action: none.

This action was taken pursuant to a procedure adopted by the Committee at its meeting on June 19, 1952, under which the minimum buying rate on prime eligible bankers' acceptances is fixed by the Committee with the understanding that the effective rates shall be specified from time to time by the Manager of the System Open Market Account in the light of market conditions and developments and in accordance with directives or limitations by the full Committee or the executive committee for the purpose of carrying out current open market policy. At this meeting (March 4, 1953), the Manager of the System Open Market Account reported that the currently effective rate on the shortest term acceptances was 2⅛ per cent, and the Committee therefore increased the minimum rate from 1¾ per cent to 2 per cent as a means of reflecting more accurately existing market conditions and also of bringing the rate into line with the changed interest rate structure, including the increase to 2 per cent in Federal Reserve Bank discount rates in January 1953.

3. Abandonment of Statement of Terms upon which Federal Reserve Bank of New York Would Transact Business with Brokers and Dealers in United States Government Securities for the System Open Market Account.

Effective as of a date to be fixed by the executive committee of the Federal Open Market Committee, the system of qualification for dealers with whom the System open market account would transact business was abandoned, with the understanding that transactions would be carried on with any persons or firms actually engaged in the business of dealing in Government securities, and that price would be the main criterion for such transactions.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Erickson, Evans, Johns, Mills, Powell, Robertson, Szymczak, Vardaman, and Young. Votes against this action: none.

In February 1944, the Federal Open Market Committee adopted a statement prescribing the terms on which the Federal Reserve Bank of New York would transact business with brokers and dealers in United States Government securities for the System open market account. To qualify for this purpose it was required that a broker or dealer meet certain standards and agree to certain conditions. This statement of terms was published in the record of policy actions of the Federal Open Market Committee contained in the Annual Report of the Board of Governors of the Federal Reserve System covering the year 1944.

Pursuant to the decision reached at this meeting that the dealer qualification system was no longer needed, the following statement with respect to the action was released on April 15, 1953:

> The Federal Open Market Committee has discontinued, effective today, its requirement that transactions with the open market account be confined to dealers in Government securities who meet certain specified qualifications. The requirement, adopted by the Committee in 1944 to meet wartime conditions, is no longer deemed necessary or desirable now that open market operations of the Federal Reserve Banks are divorced from support of any pattern of prices or yields in the Government securities market. Discontinuance of the requirement was recommended by the Open Market Subcommittee appointed in 1952 to make a technical study of the operations of the System account.

4. Repurchase Agreements.

At this meeting the Committee amended, in the respects indicated below, the authority which had been given to the Federal Reserve Banks by the Committee's action on October 4, 1951, and amended on September 25, 1952, whereby the Federal Reserve Banks were authorized under certain conditions to enter into repurchase agreements with nonbank dealers in United States Government securities for the purpose of aiding temporary money market adjustments.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Erickson, Johns, Mills, Powell, Robertson, Szymczak, Vardaman, and Young. Votes against this action: none.

Prior to this meeting, such repurchase agreements were authorized only with nonbank dealers qualified to transact business with the System open market account. In view of the decision to discontinue the system of qualifications for dealers, referred to in the preceding entry, the Committee eliminated the requirement that repurchase agreements be only with nonbank dealers so qualified. In addition, the Committee modified the condition which previously limited such repurchase agreements to "short-term Government securities selling at a yield of not more than the issuing rate for one-year Treasury obligations," and provided that such agreements "cover only short-term Government securities maturing within 15 months." This change was made because it was felt that it would be preferable to relate the repurchase agreements to short-term Government securities of a specified maximum maturity, rather than to those bearing a certain yield.

JUNE 11, 1953

1. Authority to Effect Transactions in System Account.

The Committee adopted the following directive to the executive committee:

> 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 current and prospective economic conditions and the general credit situation of the country, with a view (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to avoiding deflationary tendencies without encouraging a renewal of inflationary developments (which in the near future will require aggressive supplying of reserves to the market), (c) to correcting a disorderly situation in the Government securities market, and (d) to the practical administration of the account; provided that the aggregate amount of securities held in the System account (including commitments for the purchase or sale of securities for 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 direct from the Treasury for the account of the Federal Reserve Bank of New York (which Bank shall have discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) of such amounts of special short-term certifi-

cates 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 at any one time by the Federal Reserve Banks shall not exceed in the aggregate 2 billion dollars.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Erickson, Evans, Fulton, Johns, Mills, Powell, and Robertson. Votes against this action: none.

In terms of credit policy, the foregoing directive placed emphasis on "avoiding deflationary tendencies without encouraging a renewal of inflationary developments (which in the near future will require aggressive supplying of reserves to the market)," rather than "exercising restraint upon inflationary developments," as provided in the directive issued by the Committee at the preceding meeting in March.

The general objective of credit policy under both the March and June directives was one of keeping the supply of credit and money adjusted to the needs of a growing and high-level economy; the change in policy at this meeting reflected recent developments in the economic and credit situation. Commodity prices had remained fairly stable for some months, while output had continued at a very high level and had actually increased slightly further since March. Financial markets, on the other hand, had been unsettled at times during the spring months, particularly during late May, and throughout the period since March there had been an undertone of concern about potential declines in economic activity. Doubts had related to the strength of underlying conditions, concern having been expressed lest measures designed to limit credit expansion had become more restrictive than was desirable, setting in motion forces of decline which would be difficult to check. In recent weeks uncertainties had been increased by new developments in Korea. While attention was focused on the sharp advances in interest rates since mid-April, the cumulative effectiveness of monetary restraints had become evident in the financial and business community to such a degree that credit was more difficult to obtain than was considered to be desirable in terms of the Committee's policy approved at the March meeting—a policy of exercising restraint upon inflationary developments but at the same time keeping the supply of credit adjusted to the needs of a growing and high-level economy. Whereas the money supply, after adjustment for seasonal variation, had shown a rising tendency through April, there appeared to have been a greater than seasonal decline in May.

In considering the credit policy to be pursued henceforth, the Committee also gave attention to recent developments in the market for United States Government securities which had been subjected to a series of pressures that had resulted in generally lower prices and higher rates. Important among these influences was the failure of Treasury cash receipts to meet earlier expectations, requiring the Treasury to step up its new-money financing in the market. At the same time, the Treasury was competing for available funds with heavy private and municipal demands for new capital, which continued to exceed the supply of new long-term funds in the market, and with persistently heavy demands upon commercial bank credit facilities in the face of restrictive Federal Reserve credit policy.

Treasury financing operations during the period since March had included an offering for cash of about a billion dollars of 3¼ per cent fully marketable bonds due in 1978-83, and the Treasury also had borrowed new money by increasing certain weekly bill issues and by the sale of September tax anticipation bills. Treasury refunding operations involved 4,963 million dollars of 1⅞ per cent certificates of indebtedness maturing June 1, 1953 and 725 million of partly tax-exempt 2 per cent bonds of 1953-55 called for redemption on June 15, 1953, and an exchange offer of 3¼ per cent bonds to holders of Series F and G savings bonds maturing from May through December 1953.

Market operations for the System account since the March meeting included the purchase of over 450 million dollars of Treasury bills, offset in part by redemptions of about 122 million. During May and early June alone, net purchases for the System account totaled 375 million dollars for the purpose of providing sufficient funds to the market to prevent further accentuation of the credit tightness that had developed early in May and to forestall the possibility that Treasury borrowing operations would result in unwarranted pressures upon the money market.

While it did not appear in June that the restraints on credit expansion had yet reduced the flow of funds to a point where resources of the economy were not being fully utilized, there had been a dampening of strength of the capital goods boom and a postponement of some capital projects, even though there had been a large increase in capital flotations during May and June, partly reflecting the fear that funds would be harder to obtain later on. There was also growing difficulty in finding takers for Government guaranteed and insured mortgages even at the higher interest rates that had been permitted.

Indications were that, in order to supply normal seasonal and moderate growth demands for credit and keep the situation from getting tighter than was believed to be desirable in view of prospective needs for funds from private and Treasury sources, there would have to be put into the market something like 2.5 to 3.5 billion dollars of reserves between May and the end of 1953. It was the view of the Committee, therefore, that policy should be one of aggressively supplying reserves to the market during the near future on a sharply rising scale and, accordingly, the instruction to the executive committee was changed in the manner indicated.

In connection with the discussion of current credit policy, there was a further discussion of the operating techniques adopted at the March meeting and the suggestion was made that the Committee rescind the decisions approved at that meeting instructing the executive committee that (a) under present conditions, operations for the System account should be confined to the short end of the market (not including correction of disorderly markets) and (b) pending further study and further action by the Committee, it should refrain during a period of Treasury financing from purchasing (1) any maturing issues for which an exchange is being offered, (2) when-issued securities, and (3) any outstanding issues of comparable maturity to those being offered for exchange. This suggestion would have left these matters to the discretion of the executive committee.

In a thorough exploration of the reasons for and against such action, question was raised whether the proposal to rescind the March decisions, which was regarded as a proposal for a possible important change in operating policy, was of sufficient urgency to require action in the absence of two members of the Committee. A vote was requested on the grounds that not to vote would be the equivalent of reaffirming the March action without a vote.

Thereupon, Mr. Mills moved that the two understandings referred to be reaffirmed by the full Committee and that the executive committee be instructed to continue to operate accordingly.

This motion was put by the Chair and lost.

Votes against the motion: Messrs. Sproul, Vice Chairman, Erickson, Fulton, Johns, and Powell. Votes for the motion: Messrs. Martin, Chairman, Evans, Mills, and Robertson.

Mr. Sproul then moved that the understandings relating to confining operations for the System account to the short-term sector of the market and to refraining from certain purchases during periods of Treasury financings, as approved at the meeting of the Committee on March 4-5, 1953, be rescinded, with the understanding that the executive committee would be free to determine how operations should be carried on in the respects mentioned, in the light of the current general credit policy of the Federal Open Market Committee.

Mr. Sproul's motion was put by the Chair and carried.

Votes for the motion: Messrs. Sproul, Vice Chairman, Erickson, Fulton, Johns, and Powell. Votes against the motion: Messrs. Martin, Chairman, Evans, Mills, and Robertson.

The votes against the first motion and in favor of the second were on the grounds that conditions had changed since the meeting of the Committee in March 1953 and that the present situation and the likely situation during the next three months urgently required the removal of these prohibitions so as to restore greater freedom of action. By restoring greater freedom of action to the executive committee, those voting for the motion believed that, within the limits of the full Committee's general policy, open market operations could be directed with greater flexibility and versatility to meet any situation that might develop. While it would not necessarily be the objective to go into the long-term market (transactions for the System account since March had been confined to Treasury bills), it was felt that, in carrying out the Committee's credit policy, the executive committee should have discretion, particularly at times of Treasury financing, to make purchases in whatever areas of the market were under pressure so that there would not be unnecessary erosion of rates, affecting adversely investor and banking psychology and intensifying the restrictive effects of credit policy at the wrong time. Although it was recognized that purchases of Treasury bills would put reserves into the market, it was thought that such purchases might not be as effective as would be desirable in avoiding unwarranted changes in the Government securities market and that, since changes in that market might affect investment conditions generally, they were a factor to be considered in carrying out the aims of monetary policy. It was also believed that, so long as it was the policy of the Committee to put funds into the market, freedom to put them in where the pressures were greatest might minimize the amount the Committee would have to put in and thus help to achieve the purposes of monetary policy most effectively.

The members of the Committee who voted for the first motion, by Mr. Mills, and against the second, by Mr. Sproul, felt that it was better, as a general policy, to confine System account operations to the nearest thing to money, that is, short-term Treasury securities—preferably bills—except in the case of correcting a disorderly market. Their concept of the open market operation was that a minimum burden should be put on the open market account or the Open Market Committee for determining what the market should be; and that, therefore, there should be some general rule for the guidance of the Manager of the System Account. While they recognized that conditions had changed in recent months, they did not feel that the procedures approved at the March meeting had had a test. They were opposed to changing the policy which the Committee recently had been following because they felt such a change would not benefit the Government securities market but might actually harm it through deviating from a policy toward which the Committee had been working over a period of two years, and because they believed that purchases of Treasury bills would be equally as satisfactory as purchases of longer-term securities in carrying out the monetary and credit policy approved at this meeting.

September 24, 1953

1. Authority to Effect Transactions in System Account.

The following directive to the executive committee was approved:

> The executive committee is directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions

for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary, in the light of current and prospective economic conditions and the general credit situation of the country, with a view (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to avoiding deflationary tendencies, (c) to correcting a disorderly situation in the Government securities market, and (d) to the practical administration of the account; provided that the aggregate amount of securities held in the System account (including commitments for the purchase or sale of securities for 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 direct from the Treasury for the account of the Federal Reserve Bank of New York (which Bank shall have discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) 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 at any one time by the Federal Reserve Banks shall not exceed in the aggregate 2 billion dollars.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Erickson, Evans, Fulton, Johns, Mills, Powell, Robertson, Szymczak, and Vardaman. Votes against this action: none.

This directive provided that transactions in the System open market account should be with a view "to avoiding deflationary tendencies" rather than, as had been agreed at the meeting on June 11, 1953, "to avoiding deflationary tendencies without encouraging a renewal of inflationary developments (which in the near future will require aggressive supplying of reserves to the market)." This change in wording reflected a policy that the Committee described as "active ease" under which reserves would be supplied to the market to meet seasonal and growth needs, recognizing that open market operations should be flexible in relation to the volume and timing of supplies of reserves from other sources. At the time of the September meeting, adjustments taking place or in prospect in the economy caused the Committee to believe that the danger of further inflationary tendencies was much less than the possibility of deflationary developments.

General economic activity had continued close to peak levels since the last meeting of the Committee on June 11, and average commodity prices had shown little change. Total output had been maintained at about the advanced levels of the spring, and unemployment had continued exceptionally low. Yet recent adjustments in the economy, although not supported by firm evidence in current statistics pointing to imminent decline in general activity and prices, had caused business and financial opinion to be uneasy about prospective business trends. There had been moderate declines in real estate and construction activity, in personal incomes, and in retail sales, and there was some evidence of increasing inventories. The economy appeared to be entering a new phase in which it would be called upon to absorb resources freed by reductions in defense outlays and inventory accumulation, and there was a question about the ability of other demands to expand sufficiently to maintain current record levels of activity. There was also the possibility that the softening that had developed in an increasing number of markets could be a forerunner of a more general reaction, unless offset by expansion elsewhere.

With respect to bank credit, total loans and investments had declined somewhat in the period immediately preceding this meeting, reflecting partly sales of Government securities as well as less than the usual seasonal expansion in business loans. Increases in private holdings of demand deposits and currency since midyear had been below usual seasonal expectations. This reduction in bank credit had not resulted from tighter money conditions; recently there had been a much easier credit situation than had existed during the spring months, owing to both an increased availability of and a less urgent demand for credit.

These easier credit conditions resulted primarily from the reduction in member bank reserve requirements which was announced by the Board of Governors of the Federal Reserve System on June 24, 1953 and which released around 1.2 billion dollars of reserves, and from the addition by the System open market account of a little over 1 billion dollars of reserves to the market through security purchases during the period June 10-September 23. The addition of these reserves was more than enough to offset drains of funds that had resulted from various factors during the period. Reflecting these conditions, yields on long-term securities of various types receded during the summer after reaching peaks in June and they continued stable at the lower yield levels during August and early September. Prices of United States Government securities advanced sharply during the three-month period.

Despite the much easier credit conditions that had developed in the open market since the June meeting, it appeared in September that, in general, credit was not as readily obtainable as would be desirable and that further easing would be needed to assure ready availability of credit during the fall months when customary seasonal factors would be accentuated by additional Treasury financing. Under these circumstances, the Committee authorized the pursuit of the policy of "active ease" referred to above, and changed the wording of the directive as indicated.

Further consideration was also given to the action taken at the meeting of the Committee on June 11 rescinding the understandings approved at the March meeting that operations for the System account be confined to the short end of the market (not including correction of disorderly markets) and that during a period of Treasury financing the Committee should refrain from purchasing (1) maturing issues for which an exchange is being offered, (2) when-issued securities, and (3) outstanding issues of comparable maturities to those being offered for exchange. (Following the meeting of the full Committee on June 11, the executive committee decided by majority vote to confine operations, under the first paragraph of the directive set forth above, exclusively to Treasury bills.) At the September 24 meeting, the following action was taken by the Committee:

> Mr. Mills moved that the Federal Open Market Committee take the position that operations for the System account in the open market be confined to short-term securities (except in the correction of disorderly markets) and that during a period of Treasury financing there be no purchases of (1) maturing issues for which an exchange is being offered, (2) when-issued securities, or (3) outstanding issues of comparable maturity to those being offered for exchange; and that these policies be followed until such time as they may be superseded or modified by further action of the Federal Open Market Committee.
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> After discussion, Mr. Mills' motion was put by the Chair and carried.
>
> Votes for the motion: Messrs. Martin, Chairman, Erickson, Evans, Fulton, Johns, Mills, Robertson, Szymczak, and Vardaman. Votes against the motion: Messrs. Sproul, Vice Chairman, and Powell.

The reasons for the approval of this action were substantially those stated in opposition to the action taken by the Committee at the meeting on June 11 in rescinding the policies adopted in March regarding these two points—the confining of operations to short-term securities and refraining from purchases of certain securities during a period of Treasury financing. It was felt that the Committee should have some general rules for the guidance of the management of the System open market account in conducting operations to carry out the general credit policy of the Committee; these general rules should not leave too much discretion to the executive committee; and if such rules relating to broad operating procedures were to be changed, any change should be authorized by the full Committee. Specifically, it was the view of those voting for Mr. Mills' motion that, to assist in the development of a self-reliant market, it was desirable to confine operations for the System account in the open market to the nearest thing to money, such as Treasury bills, and that if there were to be any change from this position, such a change should be determined upon by a meeting of the entire Federal Open Market Committee, not by the executive committee. It was also the view of those voting for this motion that to assist in the development of depth, breadth, and resiliency in the Government securities market, the practice which had been followed for some months of refraining from purchases of certain Treasury securities during periods of Treasury financing was desirable. It was noted that the adoption of this practice had not been reflected in an unfavorable experience on the part of the Treasury in its refunding operations.

In adopting the policies stated, which were to be followed until such time as they might be superseded or modified by further action of the Federal Open Market Committee, it was made clear that the Committee could change these policies at any time it might wish to do so in the future in the same way that it could change any other policy which it had adopted; and it was noted that a meeting of the Federal Open Market Committee could be convened on 24 hours' notice if necessary for the purpose of considering a change in these or other policies.

The members of the Committee who opposed adoption of the policies embodied in this action expressed substantially the views that had been stated in favor of the action taken at the June meeting in rescinding similar policies that had been adopted in March. There was a concern that the Committee was trying to write into a "constitution" of the Open Market Committee a prohibition against actions deemed undesirable by the Committee at a particular time; that the resolution put into the form of a continuing directive a matter which should be considered, in the light of existing conditions, at each meeting of the Committee and its executive committee. They felt it preferable for the executive committee of the Federal Open Market Committee to be free to use its judgment, within the limits of the Committee's general credit policy at the time, as to the best method of achieving the objectives of credit policy, in whatever circumstances might arise between meetings of the full Committee.

December 15, 1953

1. Authority to Effect Transactions in System Account.

The following directive to the executive committee was approved:

> The executive committee is directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary, in the light of current and prospective economic conditions and the general credit situation of the country, with a view (a) to relating the supply of funds in

the market to the needs of commerce and business, (b) to promoting growth and stability in the economy by actively maintaining a condition of ease in the money market, (c) to correcting a disorderly situation in the Government securities market, and (d) to the practical administration of the account; provided that the aggregate amount of securities held in the System account (including commitments for the purchase or sale of securities for 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 direct from the Treasury for the account of the Federal Reserve Bank of New York (which Bank shall have discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) 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 at any one time by the Federal Reserve Banks shall not exceed in the aggregate 2 billion dollars.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Erickson, Evans, Fulton, Johns, Mills, Powell, Robertson, and Szymczak. Votes against this action: none.

This directive was changed to provide, as the central objective of current credit policy, that transactions for the System open market account should be with a view "to promoting growth and stability in the economy by actively maintaining a condition of ease in the money market." The corresponding clause of the directive issued by the Committee at its meeting on September 24, 1953, provided that transactions be with a view "to avoiding deflationary tendencies"; at the June 1953 meeting, the instruction read, "to avoiding deflationary tendencies without encouraging a renewal of inflationary developments (which in the near future will require aggressive supplying of reserves to the market)"; and in March 1953, the Committee had directed, in this respect, that transactions be with a view "to exercising restraint upon inflationary developments."

These clauses in the directives issued by the Federal Open Market Committee at its meetings in 1953 indicate the adjustments made in credit policy to adapt it to the unfolding economic situation. The opening months of the year were characterized by a very high level of economic activity, a strong demand for credit, continued growth in the money supply (seasonally adjusted), and, despite fairly stable commodity prices, more reason for concern about the possibility of inflationary developments than of deflationary movements. By June, the situation had shifted to one of less concern with inflationary developments and, instead, growing uneasiness in many areas regarding the future, even though actual production, employment, and incomes remained at or close to record levels, total credit demands were large, and commodity prices were relatively stable. When the Committee met toward the end of September, some downward adjustments had begun to appear in the economy and a more active policy of supplying reserves was adopted. This policy did not make specific provision for avoiding inflationary tendencies since they did not appear likely to threaten.

In the period since September, the decline in economic conditions, though moderate, had been unmistakable. Although wholesale prices had been steady, unemployment at a low level in the period as a whole, and nonfarm income not much below the peaks reached in the summer of 1953, declines had been experienced in industrial production, factory employment, gross national product, and farm income. In the over-all view, the decline constituted the first significant interruption of economic expansion since 1949. Inventory accumulation had been a subject of some concern early in the year, but in the third quarter the rate of accumulation dropped and in October inventories were reduced somewhat. Bank credit and the money supply had shown much less than the usual seasonal increases, even though banks had utilized additional reserves made available to them to purchase Government securities in the absence of loan demand.

Studies of prospects for the months immediately ahead indicated the probability that, after the holiday and other year-end drains, reserve funds would be supplied in January by the post-holiday return flow of currency, and that in subsequent weeks the usual seasonal contraction in private credit demands, offset only in part by a rebuilding of Treasury balances, would tend toward the maintenance of relatively easy money markets into the second quarter of the year. Under the circumstances some reduction in the System's portfolio, following a temporary increase to meet large December needs, was to be expected. Nevertheless, it was the view of the Committee that System policy should in no sense be one of restraint during the period immediately ahead, and it was in this setting that it approved a continuation of the general policy pursued in recent months of supplying or maintaining reserves adequate to promote growth and stability in the economy with, however, the understanding that in carrying out operations for the System account there would be more emphasis on a program of actively maintaining a condition of ease in the money market.

At this meeting, reference also was made to the action taken by the Committee on September 24, 1953 in approving a motion that "the Federal Open Market Committee take the position that operations for the System account in the open market be confined to short-term securities (except in the correction of disorderly markets) and that during a period of Treasury financing there be no purchases of (1) maturing issues for which an exchange is being offered, (2) when-issued securities, or (3) outstanding issues of comparable maturity to those being offered for exchange; and that these policies be followed until such time as they may be superseded or modified by further action of the Federal Open Market Committee."

Mr. Sproul moved that the last clause of the foregoing action taken at the meeting on September 24, 1953 be amended to read, "and that these policies be followed until the next meeting of the Federal Open Market Committee."

Mr. Sproul's motion was put by the Chair and lost.

Votes against the motion: Messrs. Martin, Chairman, Evans, Fulton, Johns, Mills, Powell, Robertson, Szymczak, and Vardaman. Votes for the motion: Messrs. Sproul, Vice Chairman, and Erickson.

In proposing this motion, Mr. Sproul stated that he was in no way altering his opposition to the general purport of the action approved by the Committee on September 24 but that he felt the proposed language would correctly reflect the sense of that meeting, that is, that the action would be subject to review at the next meeting of the Committee.

Those opposed to the motion felt that, while they would not necessarily have any objection to considering the question at the next or any other meeting of the Committee, they would prefer not to have the proposed change adopted inasmuch as it would mean that the action taken at the meeting on September 24 would automatically become ineffective after the next meeting of the Committee unless positive action were taken to renew it.

2. Transactions for the Purpose of Altering the Maturity Distribution of Securities in the System Open Market Account.

Mr. Robertson moved that the Federal Open Market Committee adopt the following policy to be followed until such time as it may be superseded or modified by future action of the Committee:

Transactions for the System account in the open market shall be entered into solely for the purpose of providing or absorbing reserves (except in the correction of disorderly markets), and shall not include offsetting purchases and sales of securities for the purpose of altering the maturity pattern of the System's portfolio.

After discussion, Mr. Sproul, without accepting in any way the idea of a perpetual policy such as was suggested by Mr. Robertson's motion, moved that that motion be amended to provide that it would be effective until the next meeting of the Federal Open Market Committee.

Mr. Sproul's motion was put by the Chair and lost.

Votes against Mr. Sproul's motion: Messrs. Martin, Chairman, Evans, Fulton, Johns, Mills, Powell, Robertson, Szymczak, and Vardaman. Votes for the motion: Messrs. Sproul, Vice Chairman, and Erickson.

Mr. Robertson's motion was then put by the Chair and carried.

Votes for Mr. Robertson's motion: Messrs. Martin, Chairman, Evans, Fulton, Johns, Mills, Powell, Robertson, Szymczak, and Vardaman. Votes against the motion: Messrs. Sproul, Vice Chairman, and Erickson.

This action was taken in the light of an authorization by the executive committee of the Federal Open Market Committee at its meeting on November 23, 1953 under which the Manager of the System Account made certain purchase and sale transactions in the short-term sector of the Government securities market in the amount of 70 million dollars. The full Committee had not previously specifically considered the question whether such transactions might be entered into during periods other than at a time of Treasury financing. The purpose of such "swap" transactions (under which securities having a maturity of 12½ months or less were sold from the System account and replaced with a like amount of Treasury bills maturing in January 1954) was to increase the proportion of the System account in the form of Treasury bills of shortest maturity, a move which the executive committee then felt to be desirable as a means of facilitating prospective operations in carrying out credit policy after the turn of the year.

The votes for Mr. Robertson's motion were on the basis that, generally speaking, "swap" transactions were not desirable in terms of the general policy approved at the meeting on March 4-5, 1953 of not now supporting any pattern of prices and yields in the Government securities market and of intervening in that market solely to effectuate the objectives of monetary and credit policy (including correction of disorderly markets). It was felt that if the System open market account were to engage in purchases and sales in the open market without altering total holdings of securities in the portfolio, the objective of such transactions would not be clearly discernible to the market and thus might cause confusion and uncertainty as to credit policy and, in so doing, militate against the depth, breadth, and resiliency sought in the Government securities market. It was understood, however, that the Committee should have no hesitancy in reversing this action in the event circumstances arose which made that seem to be desirable, and Mr. Sproul's motion was opposed for that reason.

Those opposed to this action took the position that, while supplying reserve funds to the market or taking them out was the primary function of open market operations, to say that it was the sole function would be much too narrow an interpretation; much narrower than saying that the sole purpose was to effectuate the objectives of monetary and credit policy. They felt that "swaps" for the System account which had taken place recently were an appropriate use of the System portfolio, that they had helped the banks and the whole market to readjust their short maturities as they desired and had increased the System's holdings of bills maturing in January 1954 which might be useful in carrying out credit policy. It was their view that "swaps" in the account need not interfere with market flexibility, but might in fact assist the market in adjusting to the needs of investors, and that there was no compelling reason to proscribe them.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1953]

	Term Expires
WM. McC. MARTIN, JR., of New York, *Chairman*	January 31, 1956
M. S. SZYMCZAK of Illinois	January 31, 1962
R. M. EVANS of Virginia	January 31, 1954
JAMES K. VARDAMAN, JR., of Missouri	January 31, 1960
A. L. MILLS, JR., of Oregon	January 31, 1958
J. L. ROBERTSON of Nebraska	January 31, 1964

ELLIOTT THURSTON, *Assistant to the Board*
WINFIELD W. RIEFLER, *Assistant to the Chairman*
WOODLIEF THOMAS, *Economic Adviser to the Board*
ALFRED K. CHERRY, *Legislative Counsel*

S. R. CARPENTER, *Secretary*
MERRITT SHERMAN, *Assistant Secretary*
KENNETH A. KENYON, *Assistant Secretary*

GEORGE B. VEST, *General Counsel*
FREDERIC SOLOMON, *Assistant General Counsel*
HOWARD H. HACKLEY, *Assistant General Counsel*
DAVID B. HEXTER, *Assistant General Counsel*
G. HOWLAND CHASE, *Assistant General Counsel*

RALPH A. YOUNG, *Director, Division of Research and Statistics*
FRANK R. GARFIELD, *Adviser on Economic Research, Division of Research and Statistics*
KENNETH B. WILLIAMS, *Assistant Director, Division of Research and Statistics*
SUSAN S. BURR, *Assistant Director, Division of Research and Statistics*
GUY E. NOYES, *Assistant Director, Division of Research and Statistics*
C. RICHARD YOUNGDAHL, *Assistant Director, Division of Research and Statistics*

ARTHUR W. MARGET, *Director, Division of International Finance*
LEWIS N. DEMBITZ, *Assistant Director, Division of International Finance*

GEORGE S. SLOAN, *Director, Division of Examinations*
C. C. HOSTRUP, *Assistant Director, Division of Examinations*
FRED A. NELSON, *Assistant Director, Division of Examinations*
ARTHUR H. LANG, *Chief Federal Reserve Examiner, Division of Examinations*
ROBERT C. MASTERS, *Assistant Director, Division of Examinations*
GLENN M. GOODMAN, *Assistant Director, Division of Examinations*
HENRY BENNER, *Assistant Director, Division of Examinations*

ROBERT F. LEONARD, *Director, Division of Bank Operations*
J. E. HORBETT, *Assistant Director, Division of Bank Operations*
LOWELL MYRICK, *Assistant Director, Division of Bank Operations*

DWIGHT L. ALLEN, *Director, Division of Personnel Administration*
H. FRANKLIN SPRECHER, JR., *Assistant Director, Division of Personnel Administration*

LISTON P. BETHEA, *Director, Division of Administrative Services*
JOSEPH E. KELLEHER, *Assistant Director, Division of Administrative Services*

GARDNER L. BOOTHE, II, *Administrator, Office of Defense Loans*
EDWIN J. JOHNSON, *Controller, Office of the Controller*

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1953]

MEMBERS

WM. McC. MARTIN, JR., *Chairman* (Board of Governors)

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

J. A. ERICKSON (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)

R. M. EVANS (Board of Governors)

W. D. FULTON (Elected by Federal Reserve Banks of Cleveland and Chicago)

DELOS C. JOHNS (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)

A. L. MILLS, JR. (Board of Governors)

O. S. POWELL (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)

J. L. ROBERTSON (Board of Governors)

M. S. SZYMCZAK (Board of Governors)

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

EXECUTIVE COMMITTEE

WM. McC. MARTIN, JR., *Chairman*
ALLAN SPROUL, *Vice Chairman*
J. A. ERICKSON
R. M. EVANS
A. L. MILLS, JR.

AGENT

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

OFFICERS

WINFIELD W. RIEFLER, *Secretary*
ELLIOTT THURSTON, *Assistant Secretary*
GEORGE B. VEST, *General Counsel*
FREDERIC SOLOMON, *Assistant General Counsel*
WOODLIEF THOMAS, *Economist*
WM. J. ABBOTT, JR., *Associate Economist*
L. MERLE HOSTETLER, *Associate Economist*
J. MARVIN PETERSON, *Associate Economist*
H. V. ROELSE, *Associate Economist*
PARKER B. WILLIS, *Associate Economist*
RALPH A. YOUNG, *Associate Economist*

FEDERAL ADVISORY COUNCIL

[December 31, 1953]

MEMBERS

District No. 1—ERNEST CLAYTON, Chairman, Industrial Trust Company, Providence, Rhode Island.

District No. 2—HENRY C. ALEXANDER, President, J. P. Morgan & Co., Inc., New York, New York.

District No. 3—GEOFFREY S. SMITH, President, Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania.

District No. 4—GEORGE GUND, President, The Cleveland Trust Company, Cleveland, Ohio.

District No. 5—ROBERT V. FLEMING, President and Chairman of the Board, The Riggs National Bank, Washington, D. C.

District No. 6—PAUL M. DAVIS, Chairman, First American National Bank, Nashville, Tennessee.

District No. 7—EDWARD E. BROWN, Chairman of the Board, The First National Bank of Chicago, Chicago, Illinois.

District No. 8—VANCE J. ALEXANDER, Chairman of the Board, Union Planters National Bank, Memphis, Tennessee.

District No. 9—JOSEPH F. RINGLAND, President, Northwestern National Bank of Minneapolis, Minneapolis, Minnesota.

District No. 10—CHARLES J. CHANDLER, President, First National Bank in Wichita, Wichita, Kansas.

District No. 11—DEWITT T. RAY, President, National City Bank of Dallas, Dallas, Texas.

District No. 12—JOHN M. WALLACE, President, Walker Bank & Trust Company, Salt Lake City, Utah.

EXECUTIVE COMMITTEE

EDWARD E. BROWN, *ex officio*

ROBERT V. FLEMING, *ex officio*

HENRY C. ALEXANDER

GEOFFREY S. SMITH

GEORGE GUND

OFFICERS

President, EDWARD E. BROWN

Vice President, ROBERT V. FLEMING

Secretary, HERBERT V. PROCHNOW

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS

[December 31, 1953]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Harold D. Hodgkinson	Ames Stevens
New York	Jay E. Crane	William I. Myers
Philadelphia	William J. Meinel	C. Canby Balderston
Cleveland	John C. Virden	Leo L. Rummell
Richmond	Charles P. McCormick	John B. Woodward, Jr.
Atlanta	Frank H. Neely	Rufus C. Harris
Chicago	John S. Coleman	Bert R. Prall
St. Louis	Russell L. Dearmont	Wm. H. Bryce
Minneapolis	Roger B. Shepard	Paul E. Miller
Kansas City	Raymond W. Hall	Cecil Puckett
Dallas	J. R. Parten	Robert J. Smith
San Francisco	Brayton Wilbur	William R. Wallace, Jr.

Conference of Chairmen

Mr. Franklin J. Lunding, Chairman of the Federal Reserve Bank of Chicago, who had been serving as Chairman of the Conference and of the Executive Committee since May 1952, resigned as a director and Chairman of the Federal Reserve Bank of Chicago, effective December 31, 1952. Mr. Charles P. McCormick, Chairman of the Federal Reserve Bank of Richmond, succeeded Mr. Lunding as Chairman of the Conference and of the Executive Committee. Mr. McCormick previously had been Vice Chairman of the Conference.

At the meeting held in April 1953, Mr. Harold D. Hodgkinson was elected Chairman of the Conference and of the Executive Committee. Mr. Virden, Chairman of the Federal Reserve Bank of Cleveland, was elected Vice Chairman and a member of the Executive Committee, and Mr. Meinel, Chairman of the Federal Reserve Bank of Philadelphia, was elected as the other member of the Executive Committee.

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—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 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

DIRECTORS		*Term Expires Dec. 31*
Class A:		
Lloyd D. Brace	President, The First National Bank of Boston, Boston, Mass.	1953
Harold I. Chandler	Vice President and Cashier, The Keene National Bank, Keene, N. H.	1954
Oliver B. Ellsworth	President, Riverside Trust Company, Hartford, Conn.	1955
Class B:		
Harvey P. Hood	President, H. P. Hood & Sons, Inc., Boston, Mass.	1953
Frederick S. Blackall, jr.	President and Treasurer, The Taft-Peirce Manufacturing Company, Woonsocket, R. I.	1954
Harry E. Umphrey	President, Aroostook Potato Growers, Inc., Presque Isle, Me.	1955
Class C:		
Karl T. Compton	Chairman of the Corporation, Massachusetts Institute of Technology, Cambridge, Mass.	1953
Ames Stevens	President, Ames Worsted Company, Lowell, Mass.	1954
Harold D. Hodgkinson	Vice President, General Manager, and Chairman of Management Board, Wm. Filene's Sons Company, Boston, Mass.	1955

District No. 2—New York

Class A:		
Burr P. Cleveland	President, First National Bank of Cortland, Cortland, N. Y.	1953
F. Palmer Armstrong	President, The Keyport Banking Company, Keyport, N. J.	1954
N. Baxter Jackson	Chairman of the Board, Chemical Bank & Trust Company, New York, N. Y.	1955
Class B:		
Lansing P. Shield	President, The Grand Union Company, East Paterson, N. J.	1953
John E. Bierwirth	President, National Distillers Products Corporation, New York, N. Y.	1954
Clarence Francis	Chairman of the Board, General Foods Corporation, New York, N. Y.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Class C:		
Jay E. Crane	Vice President, Standard Oil Company (New Jersey), New York, N. Y.	1953
William I. Myers	Dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.	1954
Franz Schneider	Executive Vice President, Newmont Mining Corporation, New York, N. Y.	1955

Buffalo Branch

Appointed by Federal Reserve Bank:		
C. Elmer Olson	President, The First National Bank of Falconer, Falconer, N. Y.	1953
Lewis G. Harriman	President, Manufacturers and Traders Trust Company, Buffalo, N. Y.	1954
Bernard E. Finucane	President, Security Trust Company of Rochester, Rochester, N. Y.	1955
Edward P. Vreeland	President, Salamanca Trust Company, Salamanca, N. Y.	1955
Appointed by Board of Governors:		
Robert C. Tait	President, Stromberg-Carlson Company, Rochester, N. Y.	1953
Clayton White	Dairy farmer, Stow, N. Y.	1954
Edgar F. Wendt	President, Buffalo Forge Company, Buffalo, N. Y.	1955

District No. 3—Philadelphia

Class A:		
Archie D. Swift	Chairman of Board, Central-Penn National Bank, Philadelphia, Pa.	1953
Wadsworth Cresse	Executive Vice President and Trust Officer, The First National Bank and Trust Company, Woodbury, N. J.	1954
Bernard C. Wolfe	President, The First National Bank, Towanda, Pa.	1955
Class B:		
Warren C. Newton	President, O. A. Newton and Son Company, Bridgeville, Del.	1953
Andrew Kaul, III	President and Director, Speer Carbon Company, St. Marys, Pa.	1954
Charles E. Oakes	President and Director, Pennsylvania Power and Light Company, Allentown, Pa.	1955
Class C:		
C. Canby Balderston	Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa.	1953
William J. Meinel	President and Chairman of Board, Heintz Manufacturing Company, Philadelphia, Pa.	1954
Henderson Supplee, Jr.	President, Atlantic Refining Company, Philadelphia, Pa.	1955

District No. 4—Cleveland

Class A:		
Lawrence N. Murray	President, Mellon National Bank and Trust Company, Pittsburgh, Pa.	1953
Edison Hobstetter	President, The Pomeroy National Bank, Pomeroy, Ohio	1954
John D. Bainer	President, The Merchants National Bank and Trust Company of Meadville, Meadville, Pa.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Class B:		
Charles J. Stilwell	President, The Warner and Swasey Company, Cleveland, Ohio	1953
Joel M. Bowlby	Chairman of the Board, The Eagle-Picher Company, Cincinnati, Ohio	1954
Edward C. Doll	President, Lovell Manufacturing Company, Erie, Pa.	1955
Class C:		
John C. Virden	Chairman of the Board, John C. Virden Company, Cleveland, Ohio	1953
Leo L. Rummell	Dean, College of Agriculture, The Ohio State University, Columbus, Ohio	1954
Sidney A. Swensrud	Chairman of the Board, Gulf Oil Corporation, Pittsburgh, Pa.	1955

Cincinnati Branch

Appointed by Federal Reserve Bank:		
L. M. Campbell	President, Second National Bank, Ashland, Ky.	1953
Joseph B. Hall	President, Kroger Company, Cincinnati, Ohio	1954
E. S. Dabney	President, Security Trust Company, Lexington, Ky.	1954
Fred A. Dowd	President, Atlas National Bank, Cincinnati, Ohio	1955
Appointed by Board of Governors:		
Granville R. Lohnes	Treasurer, National Cash Register Company, Dayton, Ohio	1953
John C. Baker	President, Ohio University, Athens, Ohio	1954
H. C. Besuden	Farmer, Winchester, Ky.	1955

Pittsburgh Branch

Appointed by Federal Reserve Bank:		
Hugo E. Laupp	President, Wheeling Dollar Savings and Trust Company, Wheeling, W. Va.	1953
William B. McFall	President, Commonwealth Trust Company of Pittsburgh, Pittsburgh, Pa.	1954
Montfort Jones	Professor of Finance, University of Pittsburgh, Pittsburgh, Pa.	1954
Paul Malone	President, The Second National Bank of Uniontown, Uniontown, Pa.	1955
Appointed by Board of Governors:		
Henry A. Roemer, Jr.	President, Sharon Steel Corporation, Sharon, Pa.	1953
Clifford F. Hood	President, United States Steel Corporation, Pittsburgh, Pa.	1954
Douglas M. Moorhead	Farmer, North East, Pa.	1955

District No. 5—Richmond

Class A:		
John A. Sydenstricker	Executive Vice President, First National Bank in Marlinton, Marlinton, W. Va.	1953
James D. Harrison	President, First National Bank of Baltimore, Baltimore, Md.	1954
Warren S. Johnson	Investment Counselor, Peoples Savings Bank & Trust Company, Wilmington, N. C.	1955
Class B:		
Cary L. Page	President and Treasurer, Jackson Mills, Wellford, S. C.	1953
Edwin Hyde	Executive Vice President, Miller & Rhoads, Inc., Richmond, Va.	1954
H. L. Rust, Jr.	President, H. L. Rust Company, Washington, D. C.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Class C:		
Charles P. McCormick	President and Chairman of Board, McCormick & Company, Inc., Baltimore, Md.	1953
W. G. Wysor	Management Counsel, Southern States Cooperative, Inc., Richmond, Va.	1954
John B. Woodward, Jr.	President, Newport News Shipbuilding & Dry Dock Company, Newport News, Va.	1955

Baltimore Branch

Appointed by Federal Reserve Bank:		
Charles W. Hoff	President, Union Trust Company of Maryland, Baltimore, Md.	1953
Charles A. Piper	President, The Liberty Trust Company, Cumberland, Md.	1954
Lacy I. Rice	President, The Old National Bank, Martinsburg, W. Va.	1955
Stanley B. Trott	President, Maryland Trust Company, Baltimore, Md.	1955
Appointed by Board of Governors:		
James M. Shriver	President, The B. F. Shriver Company, Westminster, Md.	1953
Alonzo G. Decker, Jr.	Vice President, The Black and Decker Manufacturing Company, Towson, Md.	1954
Howard M. Taylor, Jr.	Vice President, International Bedding Company, Baltimore, Md.	1955

Charlotte Branch

Appointed by Federal Reserve Bank:		
A. K. Davis	Senior Vice President, Wachovia Bank and Trust Company, Winston-Salem, N. C.	1953
Thomas J. Robertson	President, First National Bank of South Carolina, Columbia, S. C.	1954
George S. Crouch	Chairman of the Board, The Union National Bank, Charlotte, N. C.	1955
Jonathan Woody	President, First National Bank, Waynesville, N. C.	1955
Appointed by Board of Governors:		
R. E. Ebert	President, Dixie Home Stores, Inc., Greenville, S. C.	1953
Paul T. Taylor	President, Taylor Warehouse Company, Winston-Salem, N. C.	1954
Thomas H. Wilson	President, Treasurer, and Advertising Manager, Henredon Furniture Industries, Inc., Morganton, N. C.	1955

District No. 6—Atlanta

Class A:		
Roland L. Adams	President, Bank of York, York, Ala.	1953
W. C. Bowman	Chairman of Board, The First National Bank of Montgomery, Montgomery, Ala.	1954
Leslie R. Driver	President, The First National Bank in Bristol, Bristol, Tenn.	1955
Class B:		
A. B. Freeman	Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd., New Orleans, La.	1953
Pollard Turman	President, J. M. Tull Metal & Supply Company, Inc., Atlanta, Ga.	1954
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Class C:		
Frank H. Neely	Chairman of the Board, Rich's, Incorporated, Atlanta, Ga.	1953
Paul E. Reinhold	Chairman of the Board, Foremost Dairies, Inc., Jacksonville, Fla.	1954
Rufus C. Harris	President, The Tulane University of Louisiana, New Orleans, La.	1955
Birmingham Branch		
Appointed by Federal Reserve Bank:		
T. J. Cottingham	President, State National Bank of Decatur, Decatur, Ala.	1953
Malcolm A. Smith	First Vice President, Birmingham Trust National Bank, Birmingham, Ala.	1954
John B. Barnett, Jr.	President, The Monroe County Bank, Monroeville, Ala.	1955
Frank M. Moody	Vice President, The First National Bank of Tuskaloosa, Tuscaloosa, Ala.	1955
Appointed by Board of Governors:		
John M. Gallalee	President Emeritus, University of Alabama, Tuscaloosa, Ala.	1953
Edwin C. Bottcher	Farmer, Cullman, Ala.	1954
Thad Holt	Norton and Holt, Investments, Birmingham, Ala.	1955
Jacksonville Branch		
Appointed by Federal Reserve Bank:		
Vacancy		1953
G. W. Reese	President, The Citizens and Peoples National Bank of Pensacola, Pensacola, Fla.	1954
Frank W. Norris	President, The Barnett National Bank of Jacksonville, Jacksonville, Fla.	1955
J. Carlisle Rogers	President, The First National Bank of Leesburg, Leesburg, Fla.	1955
Appointed by Board of Governors:		
Marshall F. Howell	Vice President, Bond-Howell Lumber Company, Jacksonville, Fla.	1953
Vacancy		1954
Harry M. Smith	President and Manager, Winter Garden Ornamental Nursery, Inc., Winter Garden, Fla.	1955
Nashville Branch		
Appointed by Federal Reserve Bank:		
G. C. Graves	President, The First National Bank of Athens, Athens, Tenn.	1953
Sam M. Fleming	President, Third National Bank of Nashville, Nashville, Tenn.	1954
James V. Sprouse	President, The First National Bank of Springfield, Springfield, Tenn.	1955
T. R. Keys	President, Erwin National Bank, Erwin, Tenn.	1955
Appointed by Board of Governors:		
C. E. Brehm	President, University of Tennessee, Knoxville, Tenn.	1953
H. C. Meacham	Farming, Franklin, Tenn.	1954
Ernest J. Moench	President, Tennessee Tufting Company, Nashville, Tenn.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.

		Term Expires Dec. 31
New Orleans Branch		
Appointed by Federal Reserve Bank:		
Wm. C. Carter	President, Gulf National Bank of Gulfport, Gulfport, Miss.	1953
G. M. McWilliams	President, Citizens Bank of Hattiesburg, Hattiesburg, Miss.	1954
Keehn W. Berry	President, Whitney National Bank of New Orleans, New Orleans, La.	1955
J. T. Brown	Chairman of the Board, The First National Bank of Jackson, Jackson, Miss.	1955
Appointed by Board of Governors:		
H. G. Chalkley, Jr.	President, Sweet Lake Land & Oil Company, Inc., Lake Charles, La.	1953
Joel L. Fletcher, Jr.	President, Southwestern Louisiana Institute, Lafayette, La.	1954
E. O. Batson	President, Batson-McGehee Company, Inc., Millard, Miss.	1955
District No. 7—Chicago		
Class A:		
Vivian W. Johnson	President, First National Bank, Cedar Falls, Iowa	1953
Walter J. Cummings	Chairman, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.	1954
Nugent R. Oberwortmann	President, The North Shore National Bank of Chicago, Chicago, Ill.	1955
Class B:		
William R. Sinclair	Chairman of the Board, Kingan & Company, Indianapolis, Ind.	1953
Walter E. Hawkinson	Vice President in Charge of Finance, and Secretary, Allis-Chalmers Manufacturing Company, Milwaukee, Wis.	1954
William J. Grede	President, Grede Foundries, Inc., Milwaukee, Wis.	1955
Class C:		
Allan B. Kline	President, American Farm Bureau Federation, Chicago, Ill.	1953
Bert R. Prall	President, Butler Bros., Chicago, Ill.	1954
John S. Coleman	President, Burroughs Corporation, Detroit, Mich.	1955
Detroit Branch		
Appointed by Federal Reserve Bank:		
Raymond T. Perring	President, The Detroit Bank, Detroit, Mich.	1953
Howard P. Parshall	President, The Bank of the Commonwealth, Detroit, Mich.	1954
John A. Stewart	Vice President and Cashier, Second National Bank & Trust Company, Saginaw, Mich.	1954
Appointed by Board of Governors:		
William M. Day	Vice President and General Manager, Michigan Bell Telephone Company, Detroit, Mich.	1953
C. M. Hardin	Dean of Agriculture, Michigan State College, East Lansing, Mich.	1954
District No. 8—St. Louis		
Class A:		
William A. McDonnell	President, First National Bank in St. Louis, St. Louis, Mo.	1953
Phil E. Chappell	President, Planters Bank & Trust Company, Hopkinsville, Ky.	1954
J. E. Etherton	President, Carbondale National Bank, Carbondale, Ill.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Class B:		
Louis Ruthenburg	Chairman of Board, Servel, Inc., Evansville, Ind.	1953
M. Moss Alexander	President, Missouri-Portland Cement Company, St. Louis, Mo.	1954
Ralph E. Plunkett	President, Plunkett-Jarrell Grocer Company, Little Rock, Ark.	1955
Class C:		
Wm. H. Bryce	Chairman of the Board, Dixie Wax Paper Company, Memphis, Tenn.	1953
Joseph H. Moore	Farming, Charleston, Mo.	1954
Russell L. Dearmont	Chief Counsel for Trustee, Missouri-Pacific Lines, St. Louis, Mo.	1955

Little Rock Branch

Appointed by Federal Reserve Bank:		
Gaither C. Johnston	Investments, Dermott, Ark.	1953
H. C. McKinney, Jr.	President, First National Bank, El Dorado, Ark.	1954
Thos. W. Stone	President, The Arkansas National Bank, Hot Springs, Ark.	1954
Harvey C. Couch, Jr.	President, Union National Bank, Little Rock, Ark.	1955
Appointed by Board of Governors:		
Sam B. Strauss	President, Pfeifers of Arkansas, Little Rock, Ark.	1953
Shuford R. Nichols	Farmer, ginner and cotton broker, Des Arc, Ark.	1954
Stonewall J. Beauchamp	President, Terminal Warehouse Company, Little Rock, Ark.	1955

Louisville Branch

Appointed by Federal Reserve Bank:		
Noel Rush	President, Lincoln Bank and Trust Company, Louisville, Ky.	1953
M. C. Minor	President, Farmers National Bank, Danville, Ky.	1954
Ira F. Wilcox	Vice President and Cashier, The Union National Bank, New Albany, Ind.	1954
Magnus J. Kreisle	President, Tell City National Bank, Tell City, Ind.	1955
Appointed by Board of Governors:		
Alvin A. Voit	President, Mengel Company, Louisville, Ky.	1953
Pierre B. McBride	President, Porcelain Metals Corporation, Louisville, Ky.	1954
Smith Broadbent, Jr.	Farmer, Cadiz, Ky.	1955

Memphis Branch

Appointed by Federal Reserve Bank:		
C. H. Reeves	President, Merchants and Farmers Bank, Columbus, Miss.	1953
John A. McCall	President, First National Bank, Lexington, Tenn.	1954
William B. Pollard	President, National Bank of Commerce, Memphis, Tenn.	1954
Ben L. Ross	Chairman of Board, Phillips National Bank, Helena, Ark.	1955
Appointed by Board of Governors:		
M. P. Moore	Owner, Circle M Ranch, Senatobia, Miss.	1953
Caffey Robertson	President, Caffey Robertson Company, Memphis, Tenn.	1954
Henry Banks	Farmer, Clarkedale, Ark.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.

District No. 9—Minneapolis

		Term Expires Dec. 31
Class A:		
H. N. Thomson	Vice President, Farmers and Merchants Bank, Presho, S. D.	1953
C. W. Burges	Vice President and Cashier, Security National Bank, Edgeley, N. D.	1954
Edgar F. Zelle	Chairman of the Board, First National Bank, Minneapolis, Minn.	1955
Class B:		
W. A. Denecke	Livestock rancher, Bozeman, Mont.	1953
Ray C. Lange	President, Chippewa Canning Company, Chippewa Falls, Wis.	1954
Homer P. Clark	Honorary Chairman of the Board, West Publishing Company, St. Paul, Minn.	1955
Class C:		
Roger B. Shepard	St. Paul, Minn.	1953
Paul E. Miller	Director, University of Minnesota Agricultural Extension Division, St. Paul, Minn.	1954
F. A. Flodin	President, Lake Shore Engineering Company, Iron Mountain, Mich.	1955

Helena Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
A. W. Heidel	Vice President, Powder River County Bank, Broadus, Mont.	1953
J. Willard Johnson	Financial Vice President, Western Life Insurance Company, Helena, Mont.	1954
George N. Lund	Vice President and Cashier, First National Bank, Reserve, Mont.	1954
Appointed by Board of Governors:		
G. R. Milburn	Livestock rancher, Grass Range, Mont.	1953
John E. Corette	President and General Manager, Montana Power Company, Butte, Mont.	1954

District No. 10—Kansas City

		Term Expires Dec. 31
Class A:		
W. L. Bunten	President, Goodland State Bank, Goodland, Kan.	1953
T. A. Dines	Chairman of the Board, The United States National Bank of Denver, Denver, Colo.	1954
W. S. Kennedy	President and Chairman of the Board, The First National Bank of Junction City, Junction City, Kan.	1955
Class B:		
Vacancy		1953
Max A. Miller	Livestock rancher, Omaha, Neb.	1954
E. M. Dodds	President and Director, United States Cold Storage Corporation, Kansas City, Mo.	1955
Class C:		
Cecil Puckett	Dean, College of Business Administration, University of Denver, Denver, Colo.	1953
Lyle L. Hague	Farmer and stockman, Cherokee, Okla.	1954
Raymond W. Hall	Vice President, Controller and Director, Hall Brothers, Inc., Kansas City, Mo.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.

		Term Expires Dec. 31
Denver Branch		
Appointed by Federal Reserve Bank:		
Merriam B. Berger	Vice President, The Colorado National Bank of Denver, Denver, Colo.	1953
Ralph S. Newcomer	Executive Vice President, First National Bank in Boulder, Boulder, Colo.	1954
Arthur Johnson	President, First National Bank in Raton, Raton, N. M.	1954
Appointed by Board of Governors:		
Aksel Nielsen	President, The Title Guaranty Company, Denver, Colo.	1953
G. Norman Winder	Rancher, Craig, Colo.	1954
Oklahoma City Branch		
Appointed by Federal Reserve Bank:		
George R. Gear	President, The City National Bank of Guymon, Guymon, Okla.	1953
F. M. Overstreet	President, First National Bank at Ponca City, Ponca City, Okla.	1954
Frank A. Sewell	Chairman of the Board and President, The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Okla.	1954
Appointed by Board of Governors:		
Cecil W. Cotton	President, C. W. Cotton Supply Company, Tulsa, Okla.	1953
Phil H. Lowery	Owner, Lowery Hereford Ranch, Loco, Okla.	1954
Omaha Branch		
Appointed by Federal Reserve Bank:		
I. R. Alter	President, The First National Bank of Grand Island, Grand Island, Nebr.	1953
Ellsworth Moser	President, The United States National Bank of Omaha, Omaha, Nebr.	1953
William N. Mitten	Chairman of the Board and President, First National Bank of Fremont, Fremont, Nebr.	1954
Appointed by Board of Governors:		
Joe W. Seacrest	President, State Journal Company, Lincoln, Nebr.	1953
Manville Kendrick	President, Kendrick Cattle Company, Sheridan, Wyo.	1954

District No. 11—Dallas

Class A:		
W. L. Peterson	President, The State National Bank, Denison, Tex.	1953
P. P. Butler	President, First National Bank in Houston, Houston, Tex.	1954
J. Edd McLaughlin	President, Security State Bank and Trust Company, Ralls, Tex.	1955
Class B:		
Vacancy		1953
D. A. Hulcy	Chairman of the Board and President, Lone Star Gas Company, Dallas, Tex.	1954
J. B. Thomas	President and General Manager and Director, Texas Electric Service Company, Fort Worth, Tex.	1955
Class C:		
Hal Bogle	Livestock feeding, farming and ranching, Dexter, N. M.	1953
Robert J. Smith	President, Pioneer Air Lines, Inc., Dallas, Tex.	1954
J. R. Parten	President, Woodley Petroleum Company, Houston, Tex.	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.

El Paso Branch

Appointed by Federal Reserve Bank:

		Term Expires Dec. 31
W. H. Holcombe	Executive Vice President, Security State Bank, Pecos, Tex.	1953
John P. Butler	President, First National Bank of Midland, Midland, Tex.	1954
J. M. Sakrison	President, Southern Arizona Bank & Trust Company, Tucson, Ariz.	1954
Thomas C. Patterson	Vice President, El Paso National Bank, El Paso, Tex.	1955

Appointed by Board of Governors:

D. F. Stahmann	Farmer, Las Cruces, N.M.	1953
Jas. A. Dick, Jr.	President, James A. Dick Investment Company, El Paso, Tex.	1954
E. J. Workman	President, New Mexico Institute of Mining and Technology, Socorro, N.M.	1955

Houston Branch

Appointed by Federal Reserve Bank:

R. Lee Kempner	President, United States National Bank, Galveston, Tex.	1953
O. R. Weyrich	President, Houston Bank & Trust Company, Houston, Tex.	1954
P. R. Hamill	President, Bay City Bank & Trust Company, Bay City, Tex.	1954
S. Marcus Greer	Chairman of Executive Committee, City National Bank of Houston, Houston, Tex.	1955

Appointed by Board of Governors:

Herbert G. Sutton	T. O. Sutton and Sons, Colmesneil, Tex.	1953
Ross Stewart	Chairman of the Board of Directors, C. Jim Stewart & Stevenson, Inc., Houston, Tex.	1954
Charles N. Shepardson	Dean of Agriculture, A. & M. College of Texas, College Station, Tex.	1955

San Antonio Branch

Appointed by Federal Reserve Bank:

E. R. L. Wroe	President, American National Bank, Austin, Tex.	1953
E. A. Baetz	President, Bexar County National Bank, San Antonio, Tex.	1954
V. S. Marett	President, Gonzales State Bank, Gonzales, Tex.	1954
Ray M. Keck	President, Stockmen's National Bank, Cotulla, Tex.	1955

Appointed by Board of Governors:

Edward E. Hale	Chairman of the Department and Professor of Economics, The University of Texas, Austin, Tex.	1953
Henry P. Drought	Attorney at Law, San Antonio, Tex.	1954
D. Hayden Perry	Livestock farming, Robstown, Tex.	1955

District No. 12—San Francisco

Class A:

Chas. H. Stewart	Chairman of the Board, Portland Trust Bank, Portland, Ore.	1953
Carroll F. Byrd	President, The First National Bank of Willows, Willows, Calif.	1954
John A. Schoonover	President, The Idaho First National Bank, Boise, Idaho	1955

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Class B:		
Alden G. Roach	President, Columbia-Geneva Steel Division and Consolidated Western Steel Division of United States Steel Corporation, San Francisco, Calif.	1953
Reese H. Taylor	President, Union Oil Company of California, Los Angeles, Calif.	1954
Walter S. Johnson	President, American Forest Products Corporation, San Francisco, Calif.	1955
Class C:		
William R. Wallace, Jr.	Member of the firm of Wallace, Garrison, Norton & Ray, Attorneys at Law, San Francisco, Calif.	1953
Harry R. Wellman	Vice President, Agricultural Sciences, University of California, Berkeley, Calif.	1954
Brayton Wilbur	President, Wilbur-Ellis Company, San Francisco, Calif.	1955

Los Angeles Branch

Appointed by Federal Reserve Bank:		
W. R. Bimson	President, The Valley National Bank of Phoenix, Phoenix, Ariz.	1953
Anderson Borthwick	President, The First National Trust and Savings Bank of San Diego, San Diego, Calif.	1954
James E. Shelton	President, Security-First National Bank of Los Angeles, Los Angeles, Calif.	1954
Appointed by Board of Governors:		
Paul H. Helms	President, Helms Bakeries, Los Angeles, Calif.	1953
Bryant Essick	President, Essick Manufacturing Company, Los Angeles, Calif.	1954

Portland Branch

Appointed by Federal Reserve Bank:		
E. C. Sammons	President, The United States National Bank of Portland, Portland, Ore.	1953
Frank Wortman	President, The First National Bank of McMinnville, McMinnville, Ore.	1954
John B. Rogers	President, First National Bank of Baker, Baker, Ore.	1954
Appointed by Board of Governors:		
Aaron M. Frank	President, Meier & Frank Company, Inc., Portland, Ore.	1953
William H. Steiwer, Sr.	Rancher, Fossil, Ore.	1954

Salt Lake City Branch

Appointed by Federal Reserve Bank:		
Harry Eaton	Executive Vice President, Twin Falls Bank and Trust Company, Twin Falls, Idaho	1953
James W. Collins	President, Tracy-Collins Trust Company, Salt Lake City, Utah	1954
George S. Eccles	President, First Security Bank of Utah, National Association, Ogden, Utah	1954
Appointed by Board of Governors:		
Joseph Rosenblatt	President, The Eimco Corporation, Salt Lake City, Utah	1953
George W. Watkins	President, Snake River Equipment Company, Idaho Falls, Idaho	1954

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1953—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Seattle Branch		
Appointed by Federal Reserve Bank:		
Chas. F. Frankland	President, The Pacific National Bank of Seattle, Seattle, Wash.	1953
George H. Jackson	President, First National Bank in Spokane, Spokane, Wash.	1954
W. M. Jenkins	President, First National Bank of Everett, Everett, Wash.	1954
Appointed by Board of Governors:		
D. K. MacDonald	President, D. K. MacDonald & Company, Inc., Seattle, Wash.	1953
Ralph Sundquist	President and General Manager, Sundquist Fruit & Cold Storage, Inc., Yakima, Wash.	1954

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS

Dec. 31, 1953—Cont.

SENIOR OFFICERS OF FEDERAL RESERVE BANKS

[December 31, 1953]

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston	J. A. Erickson Alfred C. Neal	John J. Fogg Robert B. Harvey[2] E. O. Latham	Carl B. Pitman O. A. Schlaikjer R. F. Van Amringe
New York	Allan Sproul William F. Treiber	H. A. Bilby H. H. Kimball L. W. Knoke A. Phelan H. V. Roelse	Robert G. Rouse T. G. Tiebout V. Willis R. B. Wiltse J. H. Wurts
Philadelphia	Alfred H. Williams W. J. Davis	Karl R. Bopp Robert N. Hilkert E. C. Hill Wm. G. McCreedy	P. M. Poorman J. V. Vergari[3] Richard G. Wilgus[1]
Cleveland	W. D. Fulton Donald S. Thompson	Roger R. Clouse A. H. Laning[2] Martin Morrison	H. E. J. Smith Paul C. Stetzelberger
Richmond	Hugh Leach Edw. A. Wayne	N. L. Armistead Aubrey N. Heflin Upton S. Martin R. W. Mercer[2]	C. B. Strathy K. Brantley Watson Chas. W. Williams
Atlanta	Malcolm Bryan Lewis M. Clark	V. K. Bowman J. E. Denmark Harold T. Patterson	L. B. Raisty Earle L. Rauber S. P. Schuessler
Chicago	C. S. Young E. C. Harris	Neil B. Dawes W. R. Diercks W. A. Hopkins L. H. Jones[1]	L. G. Meyer George W. Mitchell A. L. Olson Alfred T. Sihler W. W. Turner
St. Louis	Delos C. Johns Frederick L. Deming	Darryl R. Francis Dale M. Lewis Wm. E. Peterson	H. H. Weigel J. C. Wotawa
Minneapolis	O. S. Powell A. W. Mills	H. C. Core E. B. Larson H. G. McConnell	J. Marvin Peterson Otis R. Preston M. H. Strothman, Jr. Sigurd Ueland
Kansas City	H. G. Leedy Henry O. Koppang	John T. Boysen[1] M. W. E. Park	Clarence W. Tow E. D. Vanderhoof D. W. Woolley
Dallas	.... W. D. Gentry	E. B. Austin J. L. Cook[2] Watrous H. Irons	L. G. Pondrom Harry A. Shuford
San Francisco	C. E. Earhart H. N. Mangels	E. R. Millard H. F. Slade	Ronald T. Symms[2] O. P. Wheeler

[1] Cashier. [2] Also Cashier. [3] Counsel.

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS

Dec. 31, 1953—Cont.

VICE PRESIDENTS IN CHARGE OF BRANCHES OF FEDERAL RESERVE BANKS

Federal Reserve Bank of—	Branch	Chief Officer
New York	Buffalo	I. B. Smith
Cleveland	Cincinnati	R. G. Johnson
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	D. F. Hagner
	Charlotte	R. L. Cherry
Atlanta	Birmingham	John L. Liles, Jr.
	Jacksonville	T. A. Lanford
	Nashville	R. E. Moody, Jr.
	New Orleans	E. P. Paris
Chicago	Detroit	R. A. Swaney
St. Louis	Little Rock	C. M. Stewart
	Louisville	C. A. Schacht
	Memphis	Paul E. Schroeder
Minneapolis	Helena	C. W. Groth
Kansas City	Denver	G. A. Gregory
	Oklahoma City	R. L. Mathes
	Omaha	L. H. Earhart
Dallas	El Paso	C. M. Rowland
	Houston	W. H. Holloway
	San Antonio	W. E. Eagle
San Francisco	Los Angeles	W. F. Volberg
	Portland	J. A. Randall
	Salt Lake City	W. L. Partner
	Seattle	J. M. Leisner

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. Leach, President of the Federal Reserve Bank of Richmond, and Mr. Gilbert, President of the Federal Reserve Bank of Dallas, who were elected Chairman of the Conference and Vice Chairman, respectively, in February 1952, were re-elected as such in March 1953, and continued to serve during 1953, except that Mr. Gilbert retired as President of the Federal Reserve Bank of Dallas, effective September 1, 1953. At the meeting in September 1953, Mr. Young, President of the Federal Reserve Bank of Chicago, was elected Vice Chairman to succeed Mr. Gilbert.

Mr. Aubrey N. Heflin, Vice President and General Counsel, Federal Reserve Bank of Richmond, who was appointed Secretary of the Conference in June 1952, was re-elected as such in March 1953, and continued to serve during 1953.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS

Federal Reserve district	Land area (square miles)	Population, 1950 census[1]
No. 1—Boston	62,526	8,810,111
No. 2—New York	52,168	19,047,445
No. 3—Philadelphia	37,023	8,437,034
No. 4—Cleveland	73,844	13,032,470
No. 5—Richmond	152,115	14,447,821
No. 6—Atlanta	247,589	14,653,406
No. 7—Chicago	190,524	22,176,090
No. 8—St. Louis	195,431	10,472,721
No. 9—Minneapolis	411,867	5,730,909
No. 10—Kansas City	480,362	8,309,576
No. 11—Dallas	386,184	9,113,920
No. 12—San Francisco	685,093	16,465,858
Total	2,974,726	150,697,361

FEDERAL RESERVE DISTRICTS

DISTRICT NO. 1—BOSTON				62,526	8,810,111
Connecticut (excluding Fairfield County)				4,266	1,502,938
Maine				31,040	913,774
Massachusetts				7,867	4,690,514
New Hampshire				9,017	533,242
Rhode Island				1,058	791,896
Vermont				9,278	377,747
DISTRICT NO. 2—NEW YORK				52,168	19,047,445
Connecticut (Fairfield County)				633	504,342
New Jersey (northern part)				3,591	3,712,911
Counties of—					
Bergen	Hunterdon	Morris	Sussex		
Essex	Middlesex	Passaic	Union		
Hudson	Monmouth	Somerset	Warren		
New York				47,944	14,830,192
DISTRICT NO. 3—PHILADELPHIA				37,023	8,437,034
Delaware				1,978	318,085
New Jersey (southern part)				3,931	1,122,418
Counties of—					
Atlantic	Cape May	Gloucester	Ocean		
Burlington	Cumberland	Mercer	Salem		
Camden					
Pennsylvania (eastern part)				31,114	6,996,531
Counties of—					
Adams	Clinton	Lebanon	Philadelphia		
Bedford	Columbia	Lehigh	Pike		
Berks	Cumberland	Luzerne	Potter		
Blair	Dauphin	Lycoming	Schuylkill		
Bradford	Delaware	McKean	Snyder		
Bucks	Elk	Mifflin	Sullivan		
Cambria	Franklin	Monroe	Susquehanna		
Cameron	Fulton	Montgomery	Tioga		
Carbon	Huntingdon	Montour	Union		
Centre	Juniata	Northampton	Wayne		
Chester	Lackawanna	Northumberland	Wyoming		
Clearfield	Lancaster	Perry	York		

[1] Armed forces personnel overseas are not included.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS—Cont.

Federal Reserve district				Land area (square miles)	Population, 1950 census[1]
DISTRICT NO. 4—CLEVELAND				73,844	13,032,470
Kentucky (eastern part)				17,711	1,383,816
Counties of—					
Bath	Fleming	Lawrence	Nicholas		
Bell	Floyd	Lee	Owsley		
Boone	Garrard	Leslie	Pendleton		
Bourbon	Grant	Letcher	Perry		
Boyd	Greenup	Lewis	Pike		
Bracken	Harlan	Lincoln	Powell		
Breathitt	Harrison	Madison	Pulaski		
Campbell	Jackson	Magoffin	Robertson		
Carter	Jessamine	Martin	Rockcastle		
Clark	Johnson	Mason	Rowan		
Clay	Kenton	McCreary	Scott		
Elliott	Knott	Menifee	Whitley		
Estill	Knox	Montgomery	Wolfe		
Fayette	Laurel	Morgan	Woodford		
Ohio				41,000	7,946,627
Pennsylvania (western part)				13,931	3,501,481
Counties of—					
Allegheny	Crawford	Indiana	Venango		
Armstrong	Erie	Jefferson	Warren		
Beaver	Fayette	Lawrence	Washington		
Butler	Forest	Mercer	Westmoreland		
Clarion	Greene	Somerset			
West Virginia (northern part)				1,202	200,546
Counties of—					
Brooke	Marshall	Tyler			
Hancock	Ohio	Wetzel			
DISTRICT NO. 5—RICHMOND				152,115	14,447,821
District of Columbia				61	802,178
Maryland				9,881	2,343,001
North Carolina				49,097	4,061,929
South Carolina				30,305	2,117,027
Virginia				39,893	3,318,680
West Virginia (southern part)				22,878	1,805,006
Counties of—					
Barbour	Hardy	Mingo	Roane		
Berkeley	Harrison	Monongalia	Summers		
Boone	Jackson	Monroe	Taylor		
Braxton	Jefferson	Morgan	Tucker		
Cabell	Kanawha	Nicholas	Upshur		
Calhoun	Lewis	Pendleton	Wayne		
Clay	Lincoln	Pleasants	Webster		
Doddridge	Logan	Pocahontas	Wirt		
Fayette	Marion	Preston	Wood		
Gilmer	Mason	Putnam	Wyoming		
Grant	McDowell	Raleigh			
Greenbrier	Mercer	Randolph			
Hampshire	Mineral	Ritchie			
DISTRICT NO. 6—ATLANTA				247,589	14,653,406
Alabama				51,078	3,061,743
Florida				54,262	2,771,305
Georgia				58,483	3,444,578

[1] Armed forces personnel overseas are not included.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS—Cont.

Federal Reserve district	Land area (square miles)	Population, 1950 census[1]
DISTRICT NO. 6—ATLANTA—Continued		
Louisiana (southern part)	26,630	1,924,433
Parishes of— Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Evangeline, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, La Fourche, Livingston, Orleans, Plaquemines, Pointe Coupee, Rapides, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Vernon, Washingron, West Baton Rouge, West Feliciana		
Mississippi (southern part)	26,092	1,137,877
Counties of— Adams, Amite, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Issaquena, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Madison, Marion, Neshoba, Newton, Pearl River, Perry, Pike, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Yazoo		
Tennessee (eastern part)	31,044	2,313,470
Counties of— Anderson, Bedford, Bledsoe, Blount, Bradley, Campbell, Cannon, Carter, Cheatham, Claiborne, Clay, Cocke, Coffee, Cumberland, Davidson, De Kalb, Dickson, Fentress, Franklin, Giles, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hawkins, Hickman, Houston, Humphreys, Jackson, Jefferson, Johnson, Knox, Lawrence, Lewis, Lincoln, Loudon, Macon, Marion, Marshall, Maury, McMinn, Meigs, Monroe, Montgomery, Moore, Morgan, Overton, Perry, Pickett, Polk, Putnam, Rhea, Roane, Robertson, Rutherford, Scott, Sequatchie, Sevier, Smith, Stewart, Sullivan, Sumner, Trousdale, Unicoi, Union, Van Buren, Warren, Washington, Wayne, White, Williamson, Wilson		
DISTRICT NO. 7—CHICAGO	190,524	22,176,090
Illinois (northern part)	35,333	7,392,839
Counties of— Boone, Bureau, Carroll, Cass, Champaign, Christian, Clark, Coles, Cook, Cumberland, De Kalb, De Witt, Douglas, Du Page, Edgar, Ford		

[1] Armed forces personnel overseas are not included.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS—Cont.

Federal Reserve district				Land area (square miles)	Population, 1950 census[1]
DISTRICT NO. 7—CHICAGO—Continued					
Illinois (northern part)					
Counties of—Continued					
Fulton	Lake	Menard	Stark		
Grundy	La Salle	Mercer	Stephenson		
Hancock	Lee	Moultrie	Tazewell		
Henderson	Livingston	Ogle	Vermilion		
Henry	Logan	Peoria	Warren		
Iroquois	Macon	Piatt	Whiteside		
Jo Daviess	Marshall	Putnam	Will		
Kane	Mason	Rock Island	Winnebago		
Kankakee	McDonough	Sangamon	Woodford		
Kendall	McHenry	Schuyler			
Knox	McLean	Shelby			
Indiana (northern part)				26,806	3,240,863
Counties of—					
Adams	Fountain	La Porte	Ripley		
Allen	Franklin	Madison	Rush		
Bartholomew	Fulton	Marion	St. Joseph		
Benton	Grant	Marshall	Shelby		
Blackford	Hamilton	Miami	Starke		
Boone	Hancock	Monroe	Steuben		
Brown	Hendricks	Montgomery	Tippecanoe		
Carroll	Henry	Morgan	Tipton		
Cass	Howard	Newton	Union		
Clay	Huntington	Noble	Vermillion		
Clinton	Jasper	Ohio	Vigo		
Dearborn	Jay	Owen	Wabash		
Decatur	Jennings	Parke	Warren		
De Kalb	Johnson	Porter	Wayne		
Delaware	Kosciusko	Pulaski	Wells		
Elkhart	Lagrange	Putnam	White		
Fayette	Lake	Randolph	Whitley		
Iowa				56,045	2,621,073
Michigan (southern part)				40,484	6,069,508
Counties of—					
Alcona	Eaton	Lapeer	Ogemaw		
Allegan	Emmet	Leelanau	Osceola		
Alpena	Genesee	Lenawee	Oscoda		
Antrim	Gladwin	Livingston	Otsego		
Arenac	Grand Traverse	Macomb	Ottawa		
Barry	Gratiot	Manistee	Presque Isle		
Bay	Hillsdale	Mason	Roscommon		
Benzie	Huron	Mecosta	Saginaw		
Berrien	Ingham	Midland	St. Clair		
Branch	Ionia	Missaukee	St. Joseph		
Calhoun	Iosco	Monroe	Sanilac		
Cass	Isabella	Montcalm	Shiawassee		
Charlevoix	Jackson	Montmorency	Tuscola		
Cheboygan	Kalamazoo	Muskegon	Van Buren		
Clare	Kalkaska	Newaygo	Washtenaw		
Clinton	Kent	Oakland	Wayne		
Crawford	Lake	Oceana	Wexford		
Wisconsin (southern part)				31,856	2,851,807
Counties of—					
Adams	Clark	Dane	Fond du Lac		
Brown	Columbia	Dodge	Grant		
Calumet	Crawford	Door	Green		

[1] Armed forces personnel overseas are not included.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS—Cont.

Federal Reserve district				Land area (square miles)	Population 1950 census[1]
DISTRICT NO. 7—CHICAGO—Continued					
Wisconsin (southern part)					
Counties of—Continued					
Green Lake	Manitowoc	Portage	Washington		
Iowa	Marathon	Racine	Waukesha		
Jackson	Marinette	Richland	Waupaca		
Jefferson	Marquette	Rock	Waushara		
Juneau	Milwaukee	Sauk	Winnebago		
Kenosha	Monroe	Shawano	Wood		
Kewaunee	Oconto	Sheboygan			
Lafayette	Outagamie	Vernon			
Langlade	Ozaukee	Walworth			
DISTRICT NO. 8—ST. LOUIS				195,431	10,472,721
Arkansas				52,675	1,909,511
Illinois (southern part)				20,602	1,319,337
Counties of—					
Adams	Franklin	Macoupin	Randolph		
Alexander	Gallatin	Madison	Richland		
Bond	Greene	Marion	St. Clair		
Brown	Hamilton	Massac	Saline		
Calhoun	Hardin	Monroe	Scott		
Clay	Jackson	Montgomery	Union		
Clinton	Jasper	Morgan	Wabash		
Crawford	Jefferson	Perry	Washington		
Edwards	Jersey	Pike	Wayne		
Effingham	Johnson	Pope	White		
Fayette	Lawrence	Pulaski	Williamson		
Indiana (southern part)				9,399	693,361
Counties of—					
Clark	Greene	Martin	Spencer		
Crawford	Harrison	Orange	Sullivan		
Daviess	Jackson	Perry	Switzerland		
Dubois	Jefferson	Pike	Vanderburgh		
Floyd	Knox	Posey	Warrick		
Gibson	Lawrence	Scott	Washington		
Kentucky (western part)				22,153	1,560,990
Counties of—					
Adair	Crittenden	Hopkins	Ohio		
Allen	Cumberland	Jefferson	Oldham		
Anderson	Daviess	Larue	Owen		
Ballard	Edmonson	Livingston	Russell		
Barren	Franklin	Logan	Shelby		
Boyle	Fulton	Lyon	Simpson		
Breckinridge	Gallatin	Marion	Spencer		
Bullitt	Graves	Marshall	Taylor		
Butler	Grayson	McCracken	Todd		
Caldwell	Green	McLean	Trigg		
Calloway	Hancock	Meade	Trimble		
Carlisle	Hardin	Mercer	Union		
Carroll	Hart	Metcalfe	Warren		
Casey	Henderson	Monroe	Washington		
Christian	Henry	Muhlenberg	Wayne		
Clinton	Hickman	Nelson	Webster		

[1] Armed forces personnel overseas are not included.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS—Cont.

Federal Reserve district				Land area (square miles)	Population, 1950 census[1]
DISTRICT NO. 8—ST. LOUIS—Continued					
Mississippi (northern part)				21,156	1,041,037
Counties of—					
Alcorn	De Soto	Monroe	Tate		
Attala	Grenada	Montgomery	Tippah		
Benton	Holmes	Noxubee	Tishomingo		
Bolivar	Humphreys	Oktibbeha	Tunica		
Calhoun	Itawamba	Panola	Union		
Carroll	Lafayette	Pontotoc	Washington		
Chickasaw	Lee	Prentiss	Webster		
Choctaw	Leflore	Quitman	Winston		
Clay	Lowndes	Sunflower	Yalobusha		
Coahoma	Marshall	Tallahatchie			
Missouri (eastern part)				58,693	2,970,237
Counties of—					
Adair	Douglas	Maries	Reynolds		
Audrain	Dunklin	Marion	Ripley		
Barry	Franklin	Mercer	St. Charles		
Benton	Gasconade	Miller	St. Clair		
Bollinger	Greene	Mississippi	St. Francois		
Boone	Grundy	Moniteau	St. Louis		
Butler	Harrison	Monroe	St. Louis City		
Caldwell	Henry	Montgomery	Ste. Genevieve		
Callaway	Hickory	Morgan	Saline		
Camden	Howard	New Madrid	Schuyler		
Cape Girardeau	Howell	Oregon	Scotland		
Carroll	Iron	Osage	Scott		
Carter	Jefferson	Ozark	Shannon		
Cedar	Johnson	Pemiscot	Shelby		
Chariton	Knox	Perry	Stoddard		
Christian	Laclede	Pettis	Stone		
Clark	Lafayette	Phelps	Sullivan		
Cole	Lawrence	Pike	Taney		
Cooper	Lewis	Polk	Texas		
Crawford	Lincoln	Pulaski	Warren		
Dade	Linn	Putnam	Washington		
Dallas	Livingston	Ralls	Wayne		
Daviess	Macon	Randolph	Webster		
Dent	Madison	Ray	Wright		
Tennessee (western part)				10,753	978,248
Counties of—					
Benton	Fayette	Henry	Shelby		
Carroll	Gibson	Lake	Tipton		
Chester	Hardeman	Lauderdale	Weakley		
Crockett	Hardin	Madison			
Decatur	Haywood	McNairy			
Dyer	Henderson	Obion			
DISTRICT NO. 9—MINNEAPOLIS				411,867	5,730,909
Michigan (northern part)				16,538	302,258
Counties of—					
Alger	Dickinson	Keweenaw	Menominee		
Baraga	Gogebic	Luce	Ontonagon		
Chippewa	Houghton	Mackinac	Schoolcraft		
Delta	Iron	Marquette			

[1] Armed forces personnel overseas are not included.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS—Cont.

Federal Reserve district				Land area (square miles)	Population, 1950 census[1]
DISTRICT NO. 9—MINNEAPOLIS—Continued					
Minnesota				80,009	2,982,483
Montana				145,878	591,024
North Dakota				70,057	619,636
South Dakota				76,536	652,740
Wisconsin (northern part)				22,849	582,768
Counties of—					
Ashland	Dunn	Oneida	Sawyer		
Barron	Eau Claire	Pepin	Taylor		
Bayfield	Florence	Pierce	Trempealeau		
Buffalo	Forest	Polk	Vilas		
Burnett	Iron	Price	Washburn		
Chippewa	La Crosse	Rusk			
Douglas	Lincoln	St. Croix			
DISTRICT NO. 10—KANSAS CITY				480,362	8,309,576
Colorado				103,922	1,325,089
Kansas				82,108	1,905,299
Missouri (western part)				10,533	984,416
Counties of—					
Andrew	Cass	Holt	Nodaway		
Atchison	Clay	Jackson	Platte		
Barton	Clinton	Jasper	Vernon		
Bates	De Kalb	McDonald	Worth		
Buchanan	Gentry	Newton			
Nebraska				76,663	1,325,510
New Mexico (northern part)				48,065	379,485
Counties of—					
Bernalillo	McKinley	San Juan	Union		
Colfax	Mora	San Miguel	Valencia		
Harding	Rio Arriba	Santa Fe			
Los Alamos	Sandoval	Taos			
Oklahoma (northwestern part)				61,565	2,099,248
Counties of—					
Adair	Ellis	Logan	Pontotoc		
Alfalfa	Garfield	Love	Pottawatomie		
Beaver	Garvin	Major	Roger Mills		
Beckham	Grady	Mayes	Rogers		
Blaine	Grant	McClain	Seminole		
Caddo	Greer	McIntosh	Sequoyah		
Canadian	Harmon	Murray	Stephens		
Carter	Harper	Muskogee	Texas		
Cherokee	Haskell	Noble	Tillman		
Cimarron	Hughes	Nowata	Tulsa		
Cleveland	Jackson	Okfuskee	Wagoner		
Comanche	Jefferson	Oklahoma	Washington		
Cotton	Kay	Okmulgee	Washita		
Craig	Kingfisher	Osage	Woods		
Creek	Kiowa	Ottawa	Woodward		
Custer	Latimer	Pawnee			
Delaware	Le Flore	Payne			
Dewey	Lincoln	Pittsburg			
Wyoming				97,506	290,529

[1] Armed forces personnel overseas are not included.

DESCRIPTION OF FEDERAL RESERVE DISTRICTS—Cont.

Federal Reserve district				Land area (square miles)	Population, 1950 census[1]
DISTRICT NO. 11—DALLAS				386,184	9,113,920
Arizona (southeastern part)				23,227	207,838
Counties of—					
Cochise	Greenlee	Pima	Santa Cruz		
Graham					
Louisiana (northern part)				18,532	759,083
Parishes of—					
Bienville	De Soto	Madison	Tensas		
Bossier	East Carroll	Morehouse	Union		
Caddo	Franklin	Natchitoches	Webster		
Caldwell	Grant	Ouachita	West Carroll		
Catahoula	Jackson	Red River	Winn		
Claiborne	La Salle	Richland			
Concordia	Lincoln	Sabine			
New Mexico (southern part)				73,446	301,702
Counties of—					
Catron	Eddy	Lincoln	Sierra		
Chaves	Grant	Luna	Socorro		
Curry	Guadalupe	Otero	Torrance		
De Baca	Hidalgo	Quay			
Dona Ana	Lea	Roosevelt			
Oklahoma (southeastern part)				7,466	134,103
Counties of—					
Atoka	Choctaw	Johnston	McCurtain		
Bryan	Coal	Marshall	Pushmataha		
Texas				263,513	7,711,194
DISTRICT NO. 12—SAN FRANCISCO				685,093	16,465,858
Arizona (northwestern part)				90,348	541,749
Counties of—					
Apache	Maricopa	Navajo	Yavapai		
Coconino	Mohave	Pinal	Yuma		
Gila					
California				156,740	10,586,223
Idaho				82,769	588,637
Nevada				109,789	160,083
Oregon				96,315	1,521,341
Utah				82,346	688,862
Washington				66,786	2,378,963

[1] Armed forces personnel overseas are not included.

FEDERAL RESERVE BRANCH TERRITORIES

[December 31, 1953]

BUFFALO BRANCH (District No. 2).—The 10 most westerly counties in the State of New York, as follows:

Allegany	Chautauqua	Genesee	Monroe	Orleans
Cattaraugus	Erie	Livingston	Niagara	Wyoming

CINCINNATI BRANCH (District No. 4).—That part of the State of Kentucky in Federal Reserve District No. 4, and the following counties in southern Ohio:

Adams	Clermont	Greene	Meigs	Ross
Athens	Clinton	Hamilton	Miami	Scioto
Brown	Darke	Highland	Montgomery	Vinton
Butler	Fayette	Jackson	Pike	Warren
Clark	Gallia	Lawrence	Preble	Washington

PITTSBURGH BRANCH (District No. 4).—Those parts of the States of Pennsylvania and West Virginia included in Federal Reserve District No. 4.

BALTIMORE BRANCH (District No. 5).—The State of Maryland and the following counties in the State of West Virginia:

Barbour	Grant	Lewis	Pendleton	Taylor
Berkeley	Hampshire	Marion	Pleasants	Tucker
Braxton	Hardy	Mineral	Preston	Upshur
Calhoun	Harrison	Monongalia	Randolph	Webster
Doddridge	Jackson	Morgan	Ritchie	Wirt
Gilmer	Jefferson	Nicholas	Roane	Wood

CHARLOTTE BRANCH (District No. 5).—The following counties in the States of North Carolina and South Carolina:

NORTH CAROLINA

Alamance	Catawba	Guilford	Mecklenburg	Stanly
Alexander	Chatham	Haywood	Mitchell	Stokes
Alleghany	Cherokee	Henderson	Montgomery	Surry
Anson	Clay	Iredell	Moore	Swain
Ashe	Cleveland	Jackson	Polk	Transylvania
Avery	Davidson	Lee	Randolph	Union
Buncombe	Davie	Lincoln	Richmond	Watauga
Burke	Forsyth	Macon	Rockingham	Wilkes
Cabarrus	Gaston	Madison	Rowan	Yadkin
Caldwell	Graham	McDowell	Rutherford	Yancey

SOUTH CAROLINA

Abbeville	Edgefield	Lancaster	Newberry	Saluda
Aiken	Fairfield	Laurens	Oconee	Spartanburg
Anderson	Greenville	Lexington	Pickens	Union
Cherokee	Greenwood	McCormick	Richland	York
Chester				

BIRMINGHAM BRANCH (District No. 6).—The State of Alabama except the following counties:

Baldwin	Covington	Geneva	Houston	Pike
Barbour	Dale	Henry	Mobile	Russell
Coffee				

and towns and cities in Lee and Chambers counties located on or south of the Atlanta & West Point Rail Road and the Western Railway of Alabama.

JACKSONVILLE BRANCH (District No. 6).—The entire State of Florida.

NASHVILLE BRANCH (District No. 6).—That part of the State of Tennessee included in Federal Reserve District No. 6 with the exception of the city of Chattanooga.

NEW ORLEANS BRANCH (District No. 6).—Those parts of the States of Louisiana and Mississippi located in Federal Reserve District No. 6, and the counties of Baldwin and Mobile in the State of Alabama.

DETROIT BRANCH[1] (District No. 7).—The following counties in the State of Michigan:

Bay	Ingham	Livingston	Saginaw	Tuscola
Genesee	Jackson	Macomb	St. Clair	Washtenaw
Hillsdale	Lapeer	Monroe	Sanilac	Wayne
Huron	Lenawee	Oakland	Shiawassee	

[1] Territory increased effective Jan. 1, 1954 to include all that part of the State of Michigan in Federal Reserve District No. 7.

FEDERAL RESERVE BRANCH TERRITORIES—Cont.

LITTLE ROCK BRANCH (District No. 8).—The State of Arkansas except the following counties:

Baxter	Craighead	Greene	Mississippi	Sebastian
Benton	Crawford	Lawrence	Phillips	Sharp
Boone	Crittenden	Lee	Poinsett	Washington
Carroll	Cross	Madison	Randolph	Woodruff
Clay	Fulton	Marion	St. Francis	

and except also the town of Mena (Polk County).

LOUISVILLE BRANCH (District No. 8).—That part of the State of Kentucky included in Federal Reserve District No. 8, with the exception of the town of Morganfield (Union County), and the following counties in the State of Indiana:

Clark	Floyd	Jefferson	Orange	Switzerland
Crawford	Harrison	Lawrence	Perry	Washington
Dubois[2]	Jackson	Martin[3]	Scott	

MEMPHIS BRANCH (District No. 8).—Those parts of the States of Mississippi and Tennessee included in Federal Reserve District No. 8, with the exception of Union City (Obion County), Tennessee, and the following counties in the State of Arkansas:

Craighead[4]	Cross	Lee	Phillips	St. Francis
Crittenden	Lawrence	Mississippi	Poinsett	Woodruff

HELENA BRANCH (District No. 9).—The entire State of Montana.

DENVER BRANCH (District No. 10).—The entire State of Colorado and that part of the State of New Mexico included in Federal Reserve District No. 10.

OKLAHOMA CITY BRANCH (District No. 10).—That part of the State of Oklahoma located in Federal Reserve District No. 10.

OMAHA BRANCH (District No. 10).—The entire States of Nebraska and Wyoming.

EL PASO BRANCH (District No. 11).—That part of the States of Arizona and New Mexico located in Federal Reserve District No. 11, and the following counties in the State of Texas:

Andrews	Ector	Jeff Davis	Midland	Reeves
Brewster	El Paso	Loving	Pecos	Ward
Crane	Hudspeth	Martin	Presidio	Winkler
Culberson				

HOUSTON BRANCH (District No. 11).—The following counties in the southeastern part of the State of Texas:

Anderson	Cherokee	Jackson	Nacogdoches	Shelby
Angelina	Colorado	Jasper	Newton	Trinity
Austin	Fayette	Jefferson	Orange	Tyler
Bastrop	Fort Bend	Lavaca	Polk	Victoria
Brazoria	Galveston	Lee	Refugio	Walker
Brazos	Grimes	Liberty	Sabine	Waller
Burleson	Hardin	Madison	San Augustine	Washington
Calhoun	Harris	Matagorda	San Jacinto	Wharton
Chambers	Houston	Montgomery		

SAN ANTONIO BRANCH (District No. 11).—The following counties in the State of Texas:

Aransas	De Witt	Hidalgo	La Salle	Starr
Atascosa	Dimmit	Jim Hogg	Live Oak	Terrell
Bandera	Duval	Jim Wells	Llano	Travis
Bee	Edwards	Karnes	Mason	Uvalde
Bexar	Frio	Kendall	Maverick	Val Verde
Blanco	Gillespie	Kenedy	McMullen	Webb
Brooks	Goliad	Kerr	Medina	Willacy
Caldwell	Gonzales	Kimble	Nueces	Wilson
Cameron	Guadalupe	Kinney	Real	Zapata
Comal	Hays	Kleberg	San Patricio	Zavalla

LOS ANGELES BRANCH (District No. 12).—That part of the State of Arizona located in Federal Reserve District No. 12, and the following counties in the State of California:

Imperial	Los Angeles	Riverside	San Diego	Ventura
Inyo	Orange	San Bernardino	Santa Barbara	

[2] Except the town of Holland.
[3] Except the town of Loogootee.
[4] Except the town of Jonesboro.

FEDERAL RESERVE BRANCH TERRITORIES—Cont.

PORTLAND BRANCH (District No. 12).—The entire State of Oregon, and the town of Ilwaco and the following counties in the State of Washington:

Asotin	Columbia	Garfield	Skamania	Walla Walla
Clark	Cowlitz	Klickitat	Wahkiakum	

Also, the following counties in the State of Idaho:

Benewah	Boundary	Idaho	Latah	Nez Perce
Bonner	Clearwater	Kootenai	Lewis	Shoshone

SALT LAKE CITY BRANCH (District No. 12).—The entire State of Utah and the following counties in the States of Idaho and Nevada:

IDAHO

Ada	Bonneville	Custer	Jerome	Payette
Adams	Butte	Elmore	Lemhi	Power
Bannock	Camas	Franklin	Lincoln	Teton
Bear Lake	Canyon	Fremont	Madison	Twin Falls
Bingham	Caribou	Gem	Minidoka	Valley
Blaine	Cassia	Gooding	Oneida	Washington
Boise	Clark	Jefferson	Owyhee	

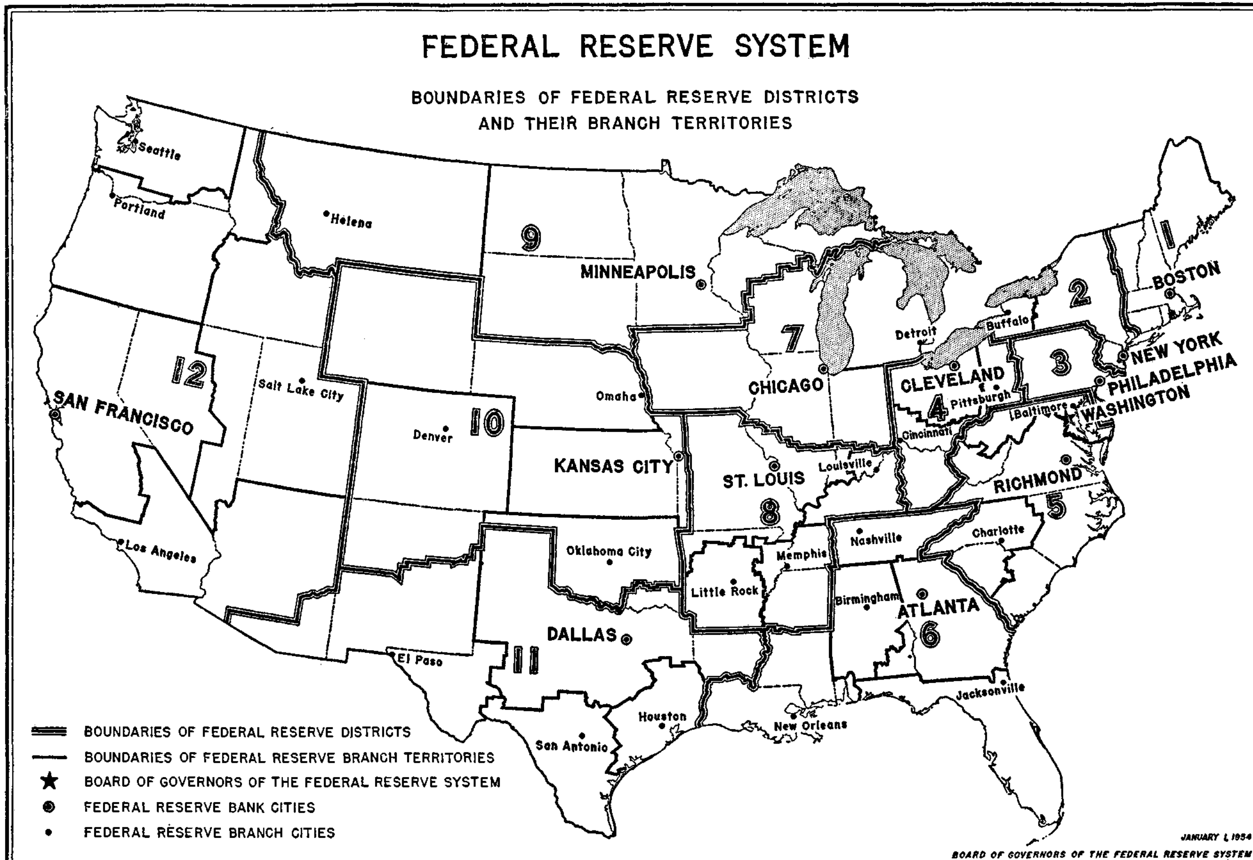
NEVADA

Clark	Elko	Lincoln	White Pine

SEATTLE BRANCH (District No. 12).—The entire State of Washington except the town of Ilwaco and the following counties which are affiliated with the Portland Branch:

Asotin	Columbia	Garfield	Skamania	Walla Walla
Clark	Cowlitz	Klickitat	Wahkiakum	

FEDERAL RESERVE SYSTEM



NOTE: For a description of the Federal Reserve districts and branch territories, see pp. 124-134 of this Report.

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