

FORTY-SECOND

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM



COVERING OPERATIONS FOR
THE YEAR

1955

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, April 5, 1956.

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 Forty-second Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1955.

Yours respectfully,

WM. MCC. MARTIN, JR., *Chairman.*

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

High levels of output and employment, with demands pressing on resources, characterized the year 1955. At the beginning of the year, industrial capacity and manpower in the United States were ample for further expansion, and during the year resources and productivity grew further. By the year-end, however, many important industries were operating at or close to capacity, employment and weekly hours of work were at advanced levels, while a number of key materials were in short supply. Economic resources were being intensively utilized both here and abroad.

As the year progressed, growth in demand arising from consumption and investment pressed against available supplies in almost all areas except agriculture. These pressures were reflected in wage advances and in rising prices for industrial materials and products. At the same time, there were price weaknesses in agriculture. Growing over-all demands for goods and services generated expansion of credit here and abroad. Accordingly, additional measures of restraint were adopted by the monetary and fiscal authorities of many countries. These measures were designed to keep demands within the limits of capacity to produce, to restrain price advances and, in some countries, to prevent or moderate drains on monetary reserves.

In conformance with the broad objective of fostering growth and stability in the economy, Federal Reserve policy during 1955 responded to changes in the economic climate. As recovery turned into vigorous expansion, emphasis shifted gradually from facilitating recovery to restraining inflationary developments. The additional reserves needed to support monetary expansion during the year were obtained by member banks through borrowing at the Federal Reserve Banks. Federal Reserve open market operations were used in the main to adjust the supply of bank reserves to the ebb and flow of seasonal requirements. This had the effect of restraining the over-all growth of bank credit and induced banks to sell Govern-

ment securities from their portfolios to nonbank buyers in order to provide themselves with the funds to meet the exceptionally heavy loan demands. Federal Reserve Bank discount rates were advanced four times during the year, from $1\frac{1}{2}$ per cent to $2\frac{1}{2}$ per cent. Margin requirements on stock market credit were raised twice in the first half of the year, from 50 per cent to 70 per cent.

CREDIT AND ECONOMIC REVIEW

Total growth in private debt and equity financing was larger in 1955 than in any previous year, with strong demands in nearly all sectors of the financial markets. The bulk of the funds came from nonbank sources through direct investment or indirectly through the purchase of Government securities sold by banks. The impact of increased demand was particularly marked in the short-term area, not only in business borrowing for working capital and in consumer credit but also in temporary financing of long-term needs, as exemplified by borrowing at banks by mortgage lenders and utilities.

Notwithstanding unprecedented expansion in bank loans, growth in the total of loans and investments at banks was less than half as large as in 1954. The active money supply, measured by the volume of demand deposits and currency held by individuals and businesses, increased slightly less than in 1954. Turnover of demand deposits was at a more rapid rate.

With credit demands strong, interest rates rose during the year, particularly in the short-term area. Short-term rates rose above 1953 peaks to the highest levels since 1933. Long-term rates increased, but more moderately, and remained below the peaks reached in the spring of 1953. The interplay of various forces in the credit markets reduced the spread between short- and long-term interest rates to the narrowest margin since 1930.

Gross national product in the United States totaled \$387 billion in 1955, a rise of \$27 billion or 7 per cent from 1954. By the fourth quarter of 1955 total product, at an annual rate of \$397 billion, was up 11 per cent from the low second quarter of 1954 and 8 per cent from the peak of mid-1953. For the most part these increases represented gains in physical output, although after mid-1955 price advances became a factor.

The initial impulse to economic recovery in 1954 came largely from expansion in consumer demands for automobiles, household

durable equipment, and new houses, together with a shift from liquidation to accumulation of business inventories. Beginning early in 1955 outlays for business capital expansion became an influence of growing importance, as did consumer outlays for nondurable goods and services. Federal Government outlays changed little during 1955 while State and local spending continued to rise.

Levels of output in the United States were at new highs during 1955 in all major sectors of the economy. Industrial production in December, at 144 per cent of the 1947-49 average, was 11 per cent above the level of a year earlier and 5 per cent above the earlier high of mid-1953. Increases were most striking for durable goods, but output of nondurables and minerals also rose to record levels. Output of electric power expanded at a rapid pace. Construction activity, although showing some decline in the residential sector from the exceedingly high level reached in the spring and summer of 1955, was at a record total for the year. Despite acreage restrictions, crop production almost equaled the 1948 peak and output of livestock products was in record volume.

Expansion in demand and output was accompanied by increases in prices of industrial materials and finished products, particularly in the second half of the year. Meanwhile, with increased output of farm products and lower Federal support levels for some crops, there were further declines in prices of many of these commodities. The general indexes of wholesale and consumer prices were slightly higher at the end of 1955 than at the beginning of the year. Under the influence of active business and consumer demands in the United States and abroad, industrial prices were strong as the year closed.

The growing volume of private spending in 1955 was financed from rising incomes and increased use of credit. In the fourth quarter, personal disposable income was at an annual rate of \$277 billion, 7 per cent higher than a year earlier. This increase reflected sharp advances in wage rates, as well as a larger volume of employment and more hours of work in some industries. There were also increases in other major income components, except income from farming. Consumer spending for goods and services rose even more rapidly than personal income for the year as a whole. A major factor in the increase of consumer spending relative to income was a growing use of credit on easy terms. Outstanding

consumer instalment credit and home mortgage credit increased by record amounts.

Corporate profits after taxes rose about \$4.5 billion and dividends \$1.2 billion. Total internal funds of corporations, including both retained earnings and depreciation allowances, were higher by almost \$5 billion and at a new peak level. This large volume of corporate internal funds helped to finance increased business outlays for both fixed and working capital. In addition, businesses had temporary use of large amounts set aside for future tax payments, and borrowed heavily from banks and in the long-term capital markets.

The aggregate volume of security issues for new capital by corporations during 1955 was about one-fifth larger than in 1954, reflecting in part a sharp increase in flotations by sales finance companies. The volume of new common stock issues showed a substantial increase during the year both in dollar amount and as a percentage of total corporate issues, as a continued rise in stock market prices made the market more favorable for raising equity capital. The volume of new securities issued by State and local governments was about one-eighth below the 1954 total, reflecting a substantial reduction in toll-road financing.

Abroad, activity continued to increase, and new records of production were achieved. In Western Europe, industrial production in the fourth quarter showed increases from a year earlier ranging from 3 per cent in the United Kingdom to 14 per cent in West Germany. Levels of national income and of imports and exports exceeded previous records. Western Europe's pace of advance—which had exerted a pervasive influence on the world economy in 1954—slowed after the spring of 1955 as domestic resources became more fully utilized.

In order to prevent or limit drains on reserves of gold and foreign exchange and to maintain stability in their general price levels, credit policies directed toward restraint were pursued in many European countries—in Great Britain throughout the year and later in Germany also—and in a number of countries outside Europe. In some countries fiscal and other governmental measures were also employed to exert a stabilizing influence. British reserves of gold and dollars declined during most of the year. Germany, France, and Italy gained reserves on a considerable scale.

In consequence of the continuing growth in foreign demand and rapid rise in United States purchases abroad, world trade reached a record level. By the fourth quarter, United States imports were more than a fifth larger than a year earlier. The expansion of imports was especially great for finished manufactures and for certain materials, particularly metals. Further enlargement of United States exports accompanied the expansion in imports.

FEDERAL RESERVE CREDIT POLICY

In 1955 Federal Reserve policy shifted from maintaining ease in the money market to restraint of inflationary developments. During January, System policy continued to be directed toward fostering recovery, while maintaining conditions in credit markets that would avoid unsustainable expansion. Beginning in February, however, and for the remainder of the year, as over-all demands mounted, as industrial output approached capacity and inflationary pressures appeared, measures were adopted to moderate the pace of credit expansion. Federal Reserve action sought to keep growth in bank credit consistent with growth in employment and production. Increased credit demands exerted increasing pressure on bank reserve positions, borrowed funds became less readily available, and interest rates rose.

In pursuance of this policy of restraint on bank credit expansion, the Reserve System reduced its portfolio of United States Government securities slightly over the year. Commercial banks, in order to meet growing loan demands from their customers, had to sell a large amount of Government securities to nonbank holders. These banks also increased both the frequency and magnitude of their borrowing from the Reserve Banks. The fact that the banks found it necessary to borrow to meet loan demands in itself imposed some restraint on their lending activity. This restraint was reinforced by successive increases in the discount rates charged by Federal Reserve Banks on member bank borrowing.

For the year 1955 as a whole, the rise in total loans and investments of commercial banks amounted to approximately \$4.5 billion or about 3 per cent—a smaller expansion than in 1954. Loans and investments, excluding United States Government securities, rose by \$12 billion or 15 per cent—the largest growth in any year since 1950. Through sales and run-offs at maturity, bank holdings of

Government securities were reduced by \$7 billion, mainly in short-term issues. This shift from Government securities to business and consumer loans caused a decline in bank liquidity, which in turn worked to restrain bank lending.

Like the increase in total bank credit, the rise in the active money supply, namely, the demand deposit and currency holdings of consumers and businesses, was moderate. For the year, the money supply rose about \$3.2 billion or 2.5 per cent. The turnover of demand deposits outside leading financial centers, however, rose from 19.2 times a year in 1954 to 20.4 times, or by 6 per cent, reflecting more active use of existing money. Deposit turnover in financial centers was also faster than in 1954. As compared with 1954, the increase in time deposits in 1955 was much less at commercial banks and slightly less at mutual savings banks. Growth in savings and loan shares was somewhat greater than in the preceding year.

Nonbank sectors of the community, particularly business corporations, State and local governments, Federal pension and trust funds, and individuals, added substantially to their holdings of United States Government securities, including the short-term issues sold by banks. This shift in ownership of Government securities represented a reversal of developments in 1954 when commercial banks added appreciably to their holdings of Government securities by market purchases from nonbank holders while increasing loans only moderately. Nonbank lenders also extended more credit to private borrowers in 1955 than in previous years. Especially sharp was the rise in mortgage and consumer credit.

Although policy actions of the Federal Reserve in 1955 tended to produce a gradually increasing degree of restraint over much of the year, most of the System's open market operations, including occasional repurchase agreements with dealers in Government securities, sought to moderate the impact of seasonal factors on the money market. In January and February the System sold, or allowed to mature without replacement, \$1.3 billion of United States Government securities. This was mainly for the purpose of absorbing reserves made available by the seasonal return of currency from circulation and the reduction in required reserves associated with the seasonal deposit decline. Because of the strong credit demand, some additional member bank borrowing from the Reserve Banks

resulted. Borrowings, which averaged about \$300 million in December 1954 and January 1955, increased to \$500 million in March and April 1955. This change reflected a shift in the emphasis of Federal Reserve operations from ease toward moderate restraint.

During the second quarter of the year Federal Reserve operations in the Government securities market had little net effect on reserves, and there was little net change in commercial bank reserve positions. In recognition of the rise in market rates of interest that had been occurring since the summer of 1954, the Federal Reserve Banks raised their discount rates in April from $1\frac{1}{2}$ to $1\frac{3}{4}$ per cent.

In late March the Federal Reserve Bank of New York began to purchase bankers' acceptances on a small scale for its portfolio. These purchases, the first since 1951 for Federal Reserve account, were made in recognition of the increasing use of bankers' acceptances by banks and businesses and their potential importance to financing international trade.

The Board of Governors raised margin requirements for purchasing and carrying listed securities from 50 to 60 per cent in early January and to 70 per cent in late April. The volume of stock market credit, which had risen sharply from early 1954 through the spring of 1955, thereafter expanded but little.

In the early part of July, the System purchased Government securities to supply banks with reserves to meet temporary seasonal needs, including Treasury borrowing in the market. From late July to late September, the System's holdings of securities declined and member bank borrowing from the Reserve Banks rose in September to a daily average level of about \$850 million, as compared with an average of \$400 million in June. In the first half of August, discount rates were raised from $1\frac{3}{4}$ to 2 per cent at 11 Reserve Banks and to $2\frac{1}{4}$ per cent at the Federal Reserve Bank of Cleveland. The $2\frac{1}{4}$ per cent rate was established at all the Reserve Banks by mid-September. Thus in this period restraint on bank credit expansion was firmed.

In late September, the System resumed purchases of Government securities. Between that time and the year-end more than \$1 billion had been added to the Federal Reserve portfolio of securities, of which about \$400 million were securities acquired under repurchase agreements. These operations offset seasonal drains on bank re-

serves and did not ease the money market. In mid-November, restraint on bank credit expansion was again strengthened by a further increase in discount rates to $2\frac{1}{2}$ per cent at all Federal Reserve Banks.

During the year, outright purchases of Government securities by the Federal Reserve were confined almost entirely to Treasury bills. At the end of November, however, the System entered into commitments to purchase \$167 million of new Treasury certificates when issued on December 8. The specific occasion for an acquisition of certificates rather than Treasury bills was to facilitate a large-scale Treasury refunding operation at a time of stringent money market conditions not foreseen when the terms of the Treasury refunding were decided upon. Another unforeseen circumstance was the need of many holders of the maturing issues for cash which made them indifferent to the terms of the exchange offering.

Toward the close of the year, as is usual, additions to the System's portfolio consisted of temporary purchases of securities under repurchase agreements with dealers in Government securities. The purpose of these purchases was to moderate the effect on the money market of the exceptionally heavy volume of business and financial payments at the year-end. Reserves also became available about this time through an unusually large and sustained seasonal increase in Federal Reserve float—that is, through credits to the depositing banks' reserve accounts for checks still in process of collection through the Reserve Banks.

At the year-end, the money market continued firm in tone because of the large demands for liquidity, the temporary nature of some of the reserve funds available to the market, and the effect of higher discount rates in keeping down member bank borrowings. Thus, the System's policy of restraint remained in effect.

ECONOMIC CONDITIONS

The expansion in economic activity that got under way after mid-1954 continued throughout 1955. At the year-end, output and employment were at new record levels. Operations in some key industries were up against capacity limitations and some materials were in short supply. Strong demands in the United States, and also abroad, led to increased prices of industrial materials and finished products, particularly after midyear. Prices of farm products,

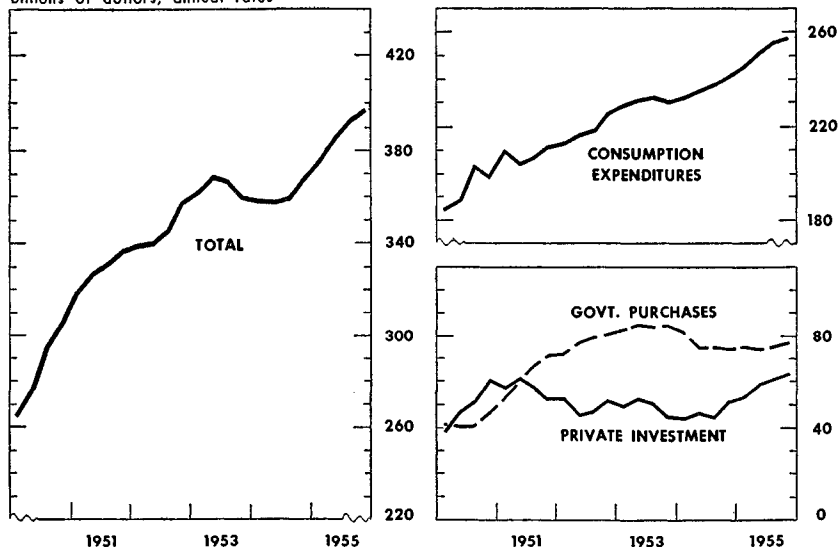
however, declined further under the pressure of record supplies. Average consumer prices at the year-end were only slightly higher than a year earlier.

Demand and production. The value of total output of goods and services in the United States was \$387 billion in 1955 as compared with \$360 billion in 1954 and a previous high of \$365 billion in 1953. Most of the increase represented a gain in physical volume.

In the fourth quarter of 1955 the gross national product was at an annual rate of \$397 billion, \$30 billion or 8 per cent larger than a year earlier and \$40 billion or 11 per cent larger than in mid-1954. The advance mainly reflected expansion in consumer and business demands as total government spending changed little.

GROSS NATIONAL PRODUCT

Billions of dollars, annual rates



NOTE.—Department of Commerce quarterly estimates, adjusted for seasonal variation. Private investment includes expenditures for residential and other construction, producers' durable equipment, inventory change, and net foreign investment. Government purchases include Federal and State and local purchases of goods and services, but exclude government interest and transfer payments.

Initially, the major stimuli to recovery after mid-1954 were sharp expansion in consumer outlays for automobiles and other durable goods, continued advances in purchases of new homes, and a shift from liquidation to moderate accumulation in business inventories.

These accounted for \$13 billion of a total rise of \$16 billion in gross national product from the third quarter of 1954 to the first quarter of 1955.

After early 1955 the upward impetus came principally from a turnaround in business spending for fixed capital and from a rise in consumer spending for nondurable goods and services. State and local outlays for goods and services continued to rise. Inventory accumulation increased. Spending for consumer durable goods and new houses continued to rise through the third quarter and then declined. On the whole, the types of spending that were responsible for most of the initial expansion in gross national product accounted for only a small part of the subsequent gains.

For the year, consumer expenditures were up 7 per cent from 1954, with outlays for durable goods, nondurable goods, and services all at record levels. Population increased by 2.8 million persons or 1.7 per cent, about the same rapid rate as in most postwar years. With average consumer prices little changed, growth in per capita real takings of goods and services in 1955 was large. Dramatic features of the year's developments were the increase in outlays for consumer durable goods, particularly automobiles, and the associated record expansion in outstanding consumer instalment credit.

Markets for residential real estate were active throughout 1955. The number of private nonfarm dwelling units started was slightly in excess of 1.3 million, as compared with 1.2 million in 1954 and a record 1.4 million in 1950. After allowance for seasonal influences, the number of units started fell off after midyear, and at the year-end was at an annual rate of 1.2 million. The value of residential construction activity, after rising by almost 50 per cent from early 1954 to the summer of 1955, subsequently declined. With residential and other construction activity in record volume and important materials in short supply, prices of building materials rose further in 1955.

The rapid expansion in home building that began early in 1954 was stimulated in part by relaxation in mortgage terms. After the spring of 1955, the availability and terms of mortgage credit, particularly for new commitments, became somewhat less easy. Also, permissible terms on Federally underwritten loans were made less easy in the spring and summer and shortly thereafter some limita-

tion was placed on borrowing by savings and loan associations from Federal home loan banks. Although the rate of mortgage extensions leveled off late in the year, mortgage lending on new and old homes was in unprecedented volume for the year as a whole. Outstanding mortgage debt on 1- to 4-family housing units increased by \$13 billion as against \$9.6 billion in 1954.

Accumulation of nonfarm business inventories amounted to about \$3 billion in 1955, after a liquidation of like amount in 1954. A greater rise in book value of inventories represented in large part the effects of rising prices. The bulk of both the expansion and the earlier contraction was in durable goods lines. Business sales advanced more rapidly than book value of inventories, and ratios of inventories to sales during most of the year were around the lowest levels since early 1951. In the fourth quarter, accumulation of inventories increased to a seasonally adjusted annual rate of \$5 billion, partly reflecting a more than seasonal build-up in dealers' stocks of 1956 model automobiles. New orders received by manufacturers in the closing months of 1955 were maintained on an unusually high plateau and unfilled orders continued to increase.

Business expenditures for fixed investment were an important expansive factor after early 1955. For the year, such outlays were 8 per cent larger than in the preceding year and 2 per cent larger than the record amount of 1953. All major nonfarm industry groups spent more on plant and equipment in 1955 than in 1954, with outlays by commercial enterprises showing an exceptionally great increase. Late in the year, expanded investment programs were announced in a number of important industries.

In contrast with private expenditures, Federal purchases of goods and services were relatively stable in 1955. Federal outlays for national security programs were close to an annual rate of \$41 billion as compared with a peak rate of \$53 billion in mid-1953. At the end of 1955, the proportion of total output taken by national security programs was about 10 per cent as compared with 14.5 per cent in mid-1953. State and local outlays continued their steady postwar growth, with increases in both construction expenditures and compensation of employees.

Industrial production. Output at factories and mines for the year 1955 exceeded the earlier high of 1953. By spring industrial output had recovered to the mid-1953 high of 137 per cent of the

1947-49 average—a rise of 11 per cent from the mid-1954 recession low. With output in a number of lines approaching capacity and with some materials in short supply, expansion in industrial production after the spring was more moderate. In December the Board's seasonally adjusted production index, at 144, was at a record high.

Expanding production of autos and household appliances in late 1954 and early 1955 was a major factor in the rise in total output. Following the fall changeover to 1956 models, auto output recovered to earlier record rates, and dealers' stocks were built up rapidly. After mid-December, curtailment of auto assemblies brought output somewhat below the level at the beginning of the year. Auto output for the year totaled almost 8 million—1.2 million above the previous high in 1950—and domestic sales amounted to 7.4 million units. Production of household durable goods advanced to a peak in September and subsequently declined. Altogether, seasonally adjusted production of consumer durable goods in December was 147 per cent of the 1947-49 average as compared with an autumn high of 154 and a 1954 monthly low of 110.

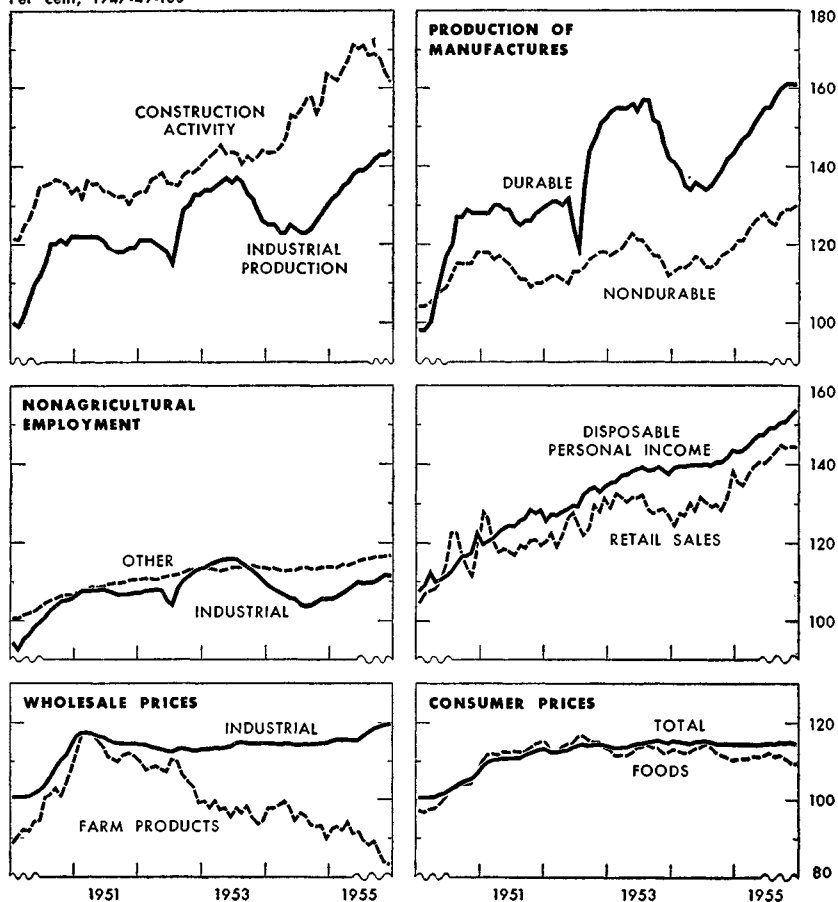
Pressure on supplies of metals and some other materials developed when business outlays for new plant and equipment turned up sharply in the spring of 1955, after a period of decline, and production of building materials reached capacity levels. Output of steel and some nonferrous metals was limited in the summer by work stoppages and other factors. It rose to new highs in the autumn, and steel ingot output for the year totaled 117 million tons, 5 per cent above the previous record of 1953.

Activity in producers' equipment industries was generally rising through the summer and autumn. At the year-end, despite marked recovery in output, order backlogs were substantial for freight cars, machine tools, generating equipment, and other business equipment. Total durable goods production was at a new high of 161 per cent of the 1947-49 average toward the end of 1955. Despite sharply reduced defense production, this was somewhat above the mid-1953 level.

Strength in consumer markets and rising business demands led to further expansion in nondurable goods production in 1955. Increases were sharp for paper, chemicals, and rubber products until capacity limitations were approached. Increases in textiles, apparel,

SELECTED BUSINESS INDEXES

Per cent, 1947-49=100



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. Index for construction activity in constant prices based on Commerce and Labor data. Index for industrial production is Federal Reserve series.

and leather products were more moderate. At year-end, over-all output of nondurable goods was at a new high of 130 per cent of the 1947-49 average.

Output of minerals also reached a new peak, partly in response to strong demands from manufacturers of metal products and building materials. Fuels were also in strong demand during the year, with severe weather at the year-end further heightening demands and stimulating output of coal and petroleum.

Agriculture. Agricultural developments in 1955 continued to be dominated by large supplies and downward pressures on prices and income. Prices of farm products declined 7 per cent from December 1954 to December 1955 and, with farm costs at advanced levels, net income from farming for the year was off 10 per cent from 1954. Farm land values, however, rose somewhat to a new high. Commodity Credit Corporation holdings of commodities under the price-support program increased further in 1955. Agricultural exports were a little larger than in 1954.

Total farm output was in record volume in 1955. Production of livestock products was 3 per cent larger than in 1954 and crop output was up 4 per cent, notwithstanding acreage limitations and large carryovers of major crops. Increases in marketings were pronounced for meat animals, feed crops (where acreages were expanded), and cotton (where further restrictions in acreage were more than offset by sharply higher yields). Production of wheat and rice was reduced somewhat. Price-support levels for a number of crops were reduced in 1955.

In the last quarter of the year, meat production was about 10 per cent above the corresponding quarter of 1954. Output of dairy products and eggs increased little during the year, although prices were up somewhat and feed costs much lower.

A moderate increase in farm land values, reflecting in part purchases by established farmers to enlarge their operations, was accompanied by a 10 per cent rise in farm mortgage debt. Production loans to farmers also rose by about 10 per cent. Price-support loans declined.

Labor market. The labor market strengthened during 1955. Nonfarm employment rose to a new high, unemployment was reduced, and overtime work was widespread in manufacturing industries. Growth in the labor force was large.

Nonfarm employment rose sharply in the first half of the year and less rapidly thereafter. It exceeded 50 million in December, a new high and 1.8 million more than a year earlier. In most non-manufacturing activities employment was at record levels, but manufacturing employment had not reattained its mid-1953 peak. The workweek in manufacturing tended to lengthen throughout the year and in December, at more than 41 hours, was about as long as at any time in the postwar period. Employment on farms

averaged 6.7 million in 1955, slightly more than in either of the preceding two years.

Unemployment, after allowance for seasonal influences, declined during the first half of 1955 and then remained relatively stable. The number unemployed in December, 2.4 million, was 400,000 below a year earlier. For the year, unemployment averaged 2.7 million persons or 4 per cent of the civilian labor force, and was moderately below the 1954 average. The labor force (including the armed forces), however, was 1 million larger than in 1954.

Wage rates rose throughout the year, but more rapidly after mid-year following collective bargaining agreements in major industries. Gains were largest in the manufacturing industries, particularly in the metal producing sectors, but substantial wage increases also were granted to Federal Government workers, bituminous coal miners, railroad workers, and others. Average weekly earnings in manufacturing in December amounted to almost \$80, a record sum and 8 per cent higher than a year earlier, while hourly earnings were up 5 per cent. In addition to wage increases, many workers gained liberalized health, welfare, and pension programs. Supplementary unemployment benefits were negotiated for the first time in the automobile and some other industries.

Prices. Reflecting strong demands and a high degree of resource utilization, upward price pressures predominated in industrial markets; in contrast, large supplies resulted in further price declines in agricultural markets. Consumer prices, reflecting both of these major influences, were slightly higher after midyear.

Average prices of industrial commodities, including finished products, changed little in the first half of 1955 and advanced considerably in the second. Industrial materials as a group rose 4 per cent in the last six months of the year. Steel mill products were raised 7 per cent at midyear and some further advance occurred toward the year-end. Prices of lumber, other building materials, paper products, and fuels increased during the year, while prices of textiles and chemicals changed little.

With the increase in prices of materials and other costs, further expansion of demands in the second half of 1955 was accompanied by a rise of 3 per cent in average wholesale prices of finished industrial products. Advances were general for business equipment, which rose 5 per cent.

Prices of farm commodities declined further after the spring and at the year-end were 7 per cent below a year earlier. With marketings of livestock, particularly hogs, considerably expanded, average farm prices of meat animals declined about one-fourth during the year.

Consumer prices were stable in the first half of 1955 and rose slightly in the second half of the year. Retail meat prices declined but other foods generally changed little. Retail prices of many other commodities tended higher after midyear, but competitive pressures remained strong and effective prices of some durable goods declined. Prices of consumer services rose further.

Income and saving. Expansion in 1955 was supported by further growth in consumers' spendable income. In the fourth quarter, disposable income was at an annual rate of \$277 billion, an increase of 7 per cent from late 1954. Real disposable income per capita also rose to a new high.

Consumer spending increased even more than incomes and outstanding consumer debt expanded rapidly. Net personal saving, both in dollar amount and as a percentage of disposable income, declined further in 1955 and was lower than for any year since 1950. In the fourth quarter, however, personal saving increased.

Personal income advanced without interruption in 1955 and in the fourth quarter was at a seasonally adjusted annual rate of \$312 billion, 7 per cent higher than a year earlier. All major types of income participated in the advance, except for farm proprietors' income, which declined for the fourth successive year. Total wage and salary income rose substantially, reflecting increases in employment, average weekly hours, and wage rates. Government transfer payments changed little during the year as payments under the old-age and survivors insurance program continued to rise while unemployment compensation benefits fell off.

Dividend and interest income rose considerably further in 1955. Extra dividends at the year-end were large. Rental income leveled off. Reflecting recovery in retail trade and continued growth in services, income of nonfarm proprietors advanced appreciably. Corporate profits before tax increased sharply to a new high, and after-tax profits also rose.

Debt and equity financing. Consumer and business demands for credit pressed on the supply of available funds in 1955. Record volume

of expenditures for home construction and automobiles was accompanied by sharp increases in demands for mortgages and instalment loans, while rising business activity and plant and equipment outlays resulted in greater business needs for bank credit and in a larger volume of corporate security offerings.

With the flow of new savings into major financial institutions increasing at a slower rate than in 1954, and with monetary restraint limiting the expansion of bank reserves, lenders were under pressure to allocate available funds among competing demands. Most financing institutions found it necessary to borrow or reduce liquid asset holdings in order to meet commitments to customers.

Insurance companies, heavily committed to mortgage lending throughout the year, met their obligations in part through curtailment of other lending activities and to some extent through temporary financing arrangements with commercial banks. Savings and loan associations expanded the volume of their real estate lending by more than the net inflow of new share purchases; the excess was financed through advances from Federal home loan banks and through drawing down of deposits at these banks by member associations. Mutual savings banks, with a somewhat smaller deposit increase than in 1954, reduced their holdings of other types of investments in order to increase their mortgage portfolios.

Financing of real estate activity, which absorbed such a large part of institutional funds in 1955, added \$16.7 billion to private debt, as compared with an expansion of \$12.5 billion in 1954. Most of the increase was in mortgages on smaller residential properties, but there was also a substantial rise in loans on commercial properties, apartment houses, and similar structures. About half of the housing units started in 1955 were financed through Federally underwritten loans, which rose more rapidly than conventional loans for most of the year. The less easy terms applied to Government guarantee of home mortgage debt were followed by some slackening in demand for Government aided financing. At year-end well over two-fifths of the home mortgage debt outstanding was guaranteed or insured by the Federal Government.

Consumer credit rose by more than \$6 billion for the year, as compared with an increase of less than \$1 billion in 1954 and an average of about \$3 billion in earlier postwar years. Instalment loans, particularly for automobile purchases, accounted for most

of the increase. Lengthening of maturities, smaller down payments, increased size of notes, and a growth in the proportion of sales involving credit all contributed to the rise in automobile credit. Most of the rise occurred before autumn; by then repayments began to approach the volume of new credit extensions. At the same time, increased lender caution was reflected in some stabilization of credit terms and more careful screening of loan applicants.

Some \$4 billion of the expansion in consumer credit came from lenders other than commercial banks, particularly sales finance companies that borrowed substantial amounts from banks as well as through capital markets.

Business requirements for short- and intermediate-term funds increased in 1955. Net borrowing from commercial banks by domestic businesses other than sales finance companies totaled \$4.6 billion as compared with net repayment of \$700 million in 1954.

Business needs for long-term funds to finance capital outlays also increased in 1955. Flotations of corporate securities for new capital by industrial corporations and public utilities were some 8 per cent greater than in 1954. However, retirement of securities was unusually large, and as a result the net change in outstanding corporate issues (other than those of sales finance and investment companies) was one-seventh less than in 1954.

For most industries, internal sources continued to provide the bulk of long-term funds. Corporate profits for the year were about a quarter larger than in 1954. Depreciation and related charges were at record levels in 1955. Dividend payments also rose but outlays for tax payments declined, and the amount paid out for these two purposes was about the same as in 1954. The increase in funds available from operations, together with new borrowing, exceeded the rise in outlays for fixed capital and inventories. There was a very large accumulation of corporate liquid assets, in part to provide for larger tax payments in 1956.

In some areas, private demands for credit were more moderate in 1955 than the year before. The expansion in stock market credit was limited by two Board actions early in the year raising margin requirements. Bank loans to finance the purchase or carrying of securities rose \$500 million for the year as compared with an increase of \$900 million in 1954. Bank loans to farmers declined in 1955. A reduction of \$1.3 billion in price-support loans held by

GROWTH IN MAJOR TYPES OF DEBT AND EQUITY FINANCING

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

Distribution of growth by—	1955 ^a	1954	1953	1952
Major types:				
Federal cash borrowing.....	0.2	0.9	4.6	3.4
State and local government issues (net).....	5.1	5.4	3.9	3.2
Real estate mortgages.....	16.7	12.5	9.8	9.0
Corporate bond and stock issues (net) ¹	4.8	5.6	5.4	7.1
Bank loans to business ²	4.6	-0.7	-0.1	1.5
Consumer credit by banks and other lenders.....	6.1	0.6	3.7	4.4
Bank loans not included above ²	1.7	2.4	1.3	1.6
Selected holders:				
Federal Reserve Banks.....	- .3	-0.9	1.2	0.9
Commercial banks.....	4.6	10.1	4.0	8.9
Nonbank holders—				
Mutual savings banks.....	2.0	2.0	1.8	1.7
Savings and loan associations.....	5.8	4.3	3.8	3.0
Life insurance companies.....	5.5	5.1	4.5	4.4

^a Preliminary.¹ Excludes funds obtained by consumer finance companies and investment companies.² Excludes funds obtained by sales finance companies.

NOTE.—Includes only selected types of loan extensions and of 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 financing 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. Holders exclude Federal, State, and local governments, individuals, corporations, foreign investors, nonlife insurance companies, and other investor groups not shown separately.

Owing to differences in coverage, most of which are indicated above, the figures for bank credit in this table differ from those used elsewhere in this report.

commercial banks more than offset a rise in bank holdings of farm mortgages and farm production loans.

Loan demands from Federal, State, and local governments did not add greatly to pressures in credit markets. Net borrowing by State and local governments was slightly less than in 1954. New security offerings declined, particularly for toll-road financing. Borrowing for school construction and other local needs continued in about the same large volume as in the previous year.

Treasury finance. Increasing tax revenues permitted the Federal Government to come within \$1 billion of balancing the cash budget

in the calendar year. Federal cash income from the public in 1955 was \$71.3 billion, and cash payments to the public \$72.1 billion. By drawing down deposits at commercial and Federal Reserve banks, net Treasury cash borrowing requirements were reduced from \$900 million in 1954 to only \$200 million in 1955.

Reduction of the cash deficit was accomplished despite an increase in cash expenditures of nearly \$3.2 billion. The higher level of expenditures resulted from substantial increases in certain non-defense expenditures over 1954, with the largest increases occurring in the farm price-support and the social security programs. These increases were partly offset by a further decline in national security outlays.

The increase in Federal tax receipts in 1955 was most pronounced in individual income taxes. There were also substantial increases in excise and social security taxes, the latter due in part to expanded coverage and a higher wage base under the 1954 law first effective in 1955. Corporate tax collections were lower, reflecting the lower level of profits the year before.

Federal receipts continued to be largely concentrated in the first half of the year, owing largely to the timing of corporate tax payments. A cash surplus of \$6.1 billion during the January-June period permitted \$5.0 billion of net cash debt repayment, while the second half-year cash deficit of \$6.9 billion led to \$5.2 billion of net cash borrowing.

During 1955 the Treasury refunded nearly \$40 billion of maturing securities, a total exceeded only by the 1954 record of more than \$50 billion. As in 1954, refundings were limited to one each quarter, with the two largest occurring in February and December. Total Treasury cash offerings in 1955 were \$14.5 billion, including a \$1.3 billion increase in Treasury bills. More than two-thirds of this new cash financing was in the form of tax-anticipation securities of which \$8 billion were outstanding at the year-end.

Cash borrowing was undertaken to cover the calendar-year deficit, to repay maturing tax anticipation securities, to meet attrition on refundings, and to provide for net redemptions of nonmarketable securities. Additional funds were also obtained by drawing down the Treasury's cash balance. Net redemptions of savings bonds remained small. About \$4.5 billion of savings notes matured and were redeemed in 1955; there has been no new issue of such notes

since 1953. Reflecting competing demands from other borrowers and restraint on the availability of bank reserves, the rate of attrition on total Treasury refundings increased to more than 10 per cent of maturing issues held outside the Federal Reserve System. In absolute terms attrition was more than \$1 billion larger than it had been on 1954's greater volume of maturities.

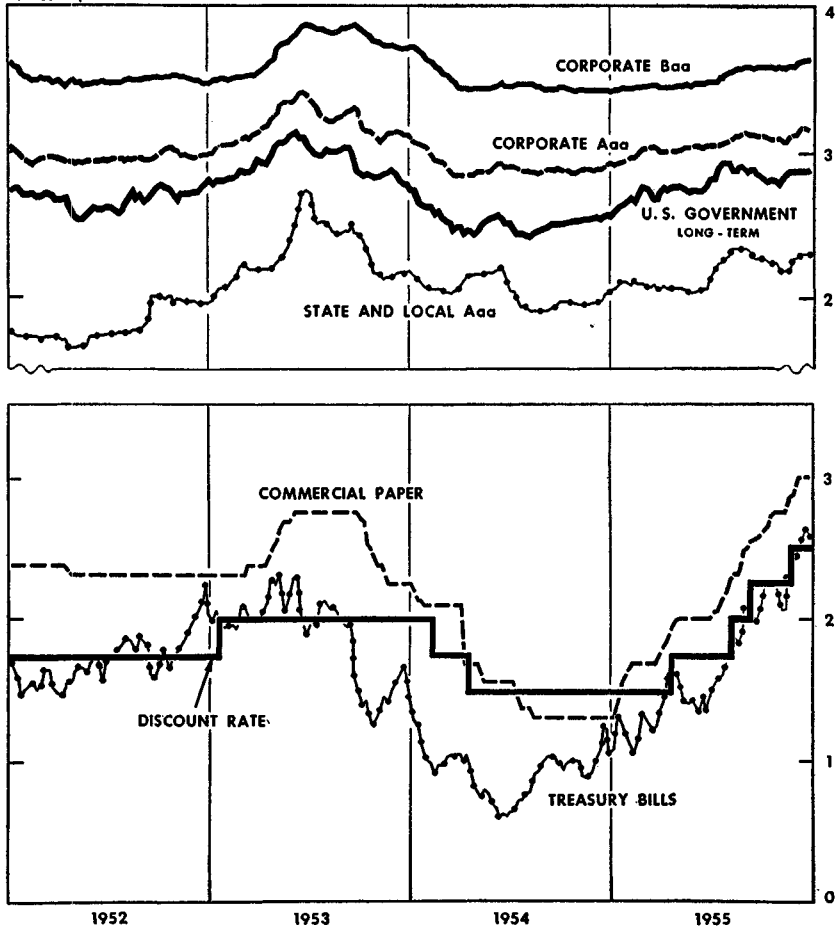
With business moving to new high levels in 1955, the Treasury again sought to extend the maturity structure of the Federal debt through the flotation of a new 40-year bond. In several refundings and cash offerings the Treasury offered securities with intermediate maturities. As a result of these actions, the volume of marketable debt maturing within one year continued to decline in 1955, reducing the proportion of such debt from 40 to 37 per cent; the share of maturities exceeding 20 years was raised from 1 to 3 per cent. In general, however, intermediate offerings were of shorter maturity than they had been in 1954. The proportion of debt in the 1- to 5-year maturity category rose, while that in the 5- to 20-year range declined.

Interest rates. Interest rates, which had risen somewhat late in 1954, continued to rise in 1955 in response to the strong demand for credit relative to the available supply of savings and the limited growth of bank reserves. The largest increase was in yields on short-term securities, which were particularly affected by the vigorous demand for short-term credit and the growing pressure on bank reserve positions. At the end of the year, most short-term rates were at the highest levels in more than 20 years. Yields on long-term securities were only slightly above short-term rates at the end of 1955, as shown by the chart on the following page.

Yields on short-term Treasury securities, after increasing about $\frac{1}{2}$ percentage point in the second half of 1954, increased about $1\frac{1}{2}$ percentage points during 1955. In the first half of the year the rise in the Treasury bill rate was moderated by strong demand on the part of nonbank investors, particularly nonfinancial corporations and State and local governments. The demand was intensified by maturities of nonmarketable savings notes and seasonal retirements of marketable tax anticipation securities. In the second half of the year, however, rates on Treasury bills advanced sharply, despite continued nonbank demand, as reserve pressure continued and the

INTEREST RATES

Per cent per annum



NOTE.—Discount rate is for Federal Reserve Bank of New York. Market yield data are weekly averages of daily figures. Treasury bill rates are market yields on longest bills. Long-term U. S. Government yields are on long-term 2½ per cent bonds. Commercial paper rate is on prime 4- to 6-month open market paper. Yields on corporate and State and local Aaa bonds are from Moody's Investors Service.

Treasury increased its issues of bills and tax anticipation securities.

At the end of 1955 market yields on both 3-month Treasury bills and 9- to 12-month certificates of indebtedness exceeded the Federal Reserve Bank discount rates. The average yield of 2.58 per cent on bills for the week ending December 31 compared with 1.08 per cent a year earlier and a low of 0.61 per cent in mid-1954. The peak in mid-1953 had been 2.29 per cent.

Yields on intermediate-term Treasury bonds and notes also rose sharply prior to mid-1955 in response to pressure on bank reserve positions, but after midyear they rose at a slower rate than yields on shorter term securities.

Rates on other short-term open market paper, which had remained unchanged or declined slightly in the second half of 1954, followed the increase in yields on Treasury securities closely during 1955. Rate increases totaled more than $1\frac{1}{2}$ percentage points on prime commercial paper and privately placed finance company paper, and somewhat less on bankers' acceptances. At the end of the year these rates were at new highs for recent years.

Yields on long-term securities generally increased about $\frac{1}{4}$ percentage point during 1955. Those on United States Government and State and local government bonds had increased somewhat late in 1954, while those on corporate bonds had changed little. After an increase in the first quarter of 1955, long-term yields were generally stable in the second quarter. They increased further after midyear and, after declining in September and October, rose at the year-end to levels near or above their summer peaks.

At the close of 1955 yields on long-term securities were close to those prevailing in late 1953 and early 1954, but were generally $\frac{1}{4}$ to $\frac{1}{2}$ percentage point below their mid-1953 highs. Over the year the differential between yields on Treasury bills and long-term United States Government bonds declined from more than $1\frac{1}{2}$ per cent to less than $\frac{1}{2}$ per cent, the smallest differential since 1930.

Interest rates charged customers by commercial banks and other lenders increased during 1955. The average rate charged by commercial banks on short-term business loans rose almost $\frac{1}{2}$ percentage point. Rates charged by lenders on conventional mortgages also increased and discounts deepened on Federally underwritten mortgages.

BANK CREDIT AND MONEY

A declining rate of growth in total bank credit and deposits in 1955 reflected growing pressure on bank reserve positions.

Bank loans and investments. Aggregate loans and investments of commercial banks increased \$4.5 billion or 3 per cent during 1955. A record loan expansion of \$11.6 billion was offset in large part by a decline in bank holdings of United States Government securities,

as the accompanying table shows. The rate of growth of total loans and investments was about equal to that in 1953 but less than half as high as in 1954. In 1954 loans had increased only \$3 billion but holdings of United States Government and other securities had increased more than \$7 billion.

LOANS AND INVESTMENTS OF COMMERCIAL BANKS

[In billions of dollars]

Type of loan or investment	Out-standing, Dec. 31, 1955 ^a	Increase, or decrease (—)		
		1955 ^a	1954	1953
Loans and investments, total.....	160.2	4.5	10.2	4.1
U. S. Government securities.....	61.7	— 7.3	5.6	0.1
Other securities.....	16.5	0.2	1.6	0.5
Loans, total.....	82.0	11.6	2.9	3.4
Business.....	33.1	6.2	— 0.3	— 0.7
Real estate.....	20.8	2.4	1.7	1.0
Agricultural.....	4.4	— 0.8	0.2	1.0
Security.....	5.0	0.5	0.9	0.4
Consumer.....	12.7	2.0	— 0.2	1.5
Other.....	7.2	1.4	0.7	0.2

^a Preliminary.

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. Details may not add to totals because of rounding.

An expansion of more than 20 per cent or \$6 billion in business loans accounted for about half of the growth in total bank loans in 1955. This expansion, the largest percentagewise since 1950, contrasted with declines in 1953 and 1954. About \$1.3 billion of the growth during 1955 was in loans by city banks to sales finance companies, which were borrowing mainly to finance consumers and dealers in consumer durable goods. Banks also increased their loans to most other business groups, including the petroleum and chemical industries, public utilities, and the metal, textile, trade, and construction groups.

Business loans of commercial banks increased \$2 billion in the first half of 1955, compared with declines in the corresponding period of the preceding three years. Seasonal repayments of bank loans by food processors and commodity dealers totaling \$1 billion

were more than offset by increases in loans to most other groups of businesses. In the second half of the year the increase in business loans totaled about \$4 billion as seasonal borrowers added their demands to the continued heavy demands of other groups.

Real estate loans of commercial banks expanded \$2.4 billion during 1955. The 13 per cent rate of growth for the year was about the same as in the second half of 1954 and the highest for a full year since 1950. Expansion in 1955 reflected the purchase of mortgages on a temporary basis from insurance companies and other nonbank investors as well as substantial direct lending by banks. Late in the year real estate loans at city banks decreased somewhat, probably in part as a result of the resale of some mortgages previously acquired from nonbank investors under repurchase agreements.

In addition to lending a large amount to sales finance companies, commercial banks increased their own holdings of consumer loans \$2 billion or almost 20 per cent. Such loans had changed little during 1954. A decline in agricultural loans of banks during 1955 reflected redemption of publicly issued Commodity Credit Corporation certificates of interest. Other agricultural loans increased. Security loans increased considerably less in 1955 than in the preceding year.

About two-thirds of the increase in commercial bank loans in 1955 was offset by sales of United States Government securities totaling \$7.3 billion. The 10 per cent decline in holdings was the largest for a calendar year since 1946. About \$5.7 billion of the reduction was in the first six months of the year, when the Treasury used a seasonal surplus to retire more than \$5 billion of publicly held debt. During this period the Federal Reserve Banks were also selling securities, while nonbank investors were increasing their portfolios. Commercial banks reduced their Government security portfolios further in the second half of the year despite the seasonal increase in the public debt. Bank holdings of Government securities had changed little in the first half of 1954 and increased \$5.5 billion in the second half.

Most of the reduction in bank holdings of United States Government securities was in short-term issues. Securities maturing within one year, which had been reduced from 45 to 25 per cent of bank portfolios during 1954 largely as the result of Treasury refunding

operations, had declined to about 15 per cent of their portfolios by the end of 1955. The decrease in holdings of short-term securities reduced bank liquidity and thus tended to discourage further bank sales of securities in order to expand loans.

Commercial bank holdings of corporate and State and local government securities changed little in 1955. During 1954 banks had made net purchases of tax-exempt State and local government securities totaling nearly \$2 billion.

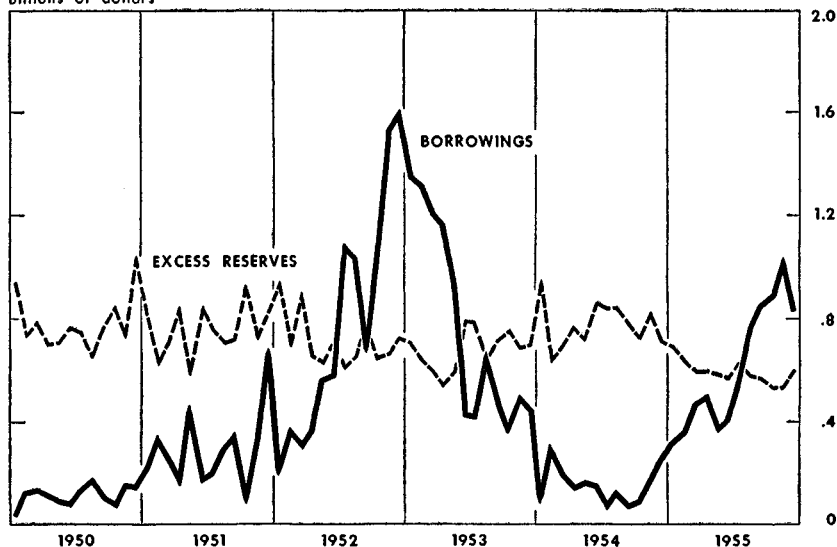
Although all classes of banks sold securities during the year, the reduction in holdings was particularly great on the part of New York City banks, which lost deposits to reserve city and country banks and also met a heavy loan demand. New York central reserve city banks reduced their holdings of United States Government securities almost 30 per cent during 1955, compared with an increase of 20 per cent in 1954. The reduction in holdings of Government securities by country banks was moderate. New York banks also reduced their holdings of securities other than United States Government securities, while country banks purchased such securities on balance.

Bank reserve positions. Sales of securities by commercial banks during 1955 were in response to the growing pressure on bank reserve positions associated with the change from ease to restraint in Federal Reserve policy. Reserve positions, which had become less easy late in 1954, were under gradually increasing pressure in the first quarter of 1955. They changed little in the second quarter. Free reserves of member banks—that is, excess reserves less indebtedness to the Federal Reserve Banks—declined from an average of \$600 million in the fourth quarter of 1954 to \$150 million in the second quarter of 1955. After midyear reserve positions came under further restraint, and in the fourth quarter borrowings exceeded excess reserves by about \$350 million.

The growing pressure on bank reserves was reflected primarily in an increase in member bank borrowing but also in some reduction in excess reserves, as shown in the accompanying chart. Member bank indebtedness to the Federal Reserve Banks, which had averaged somewhat more than \$150 million in the fourth quarter of 1954, exceeded \$400 million in the second quarter of 1955. The bulk of the borrowing at this time was on the part of reserve city and country banks. In November average indebtedness to the

EXCESS RESERVES AND BORROWINGS

Billions of dollars



NOTE.—Data are monthly averages of daily figures of reserve balances held in excess of requirements and of borrowings at Federal Reserve Banks by all member banks.

Federal Reserve Banks reached a total of more than \$1 billion, the largest volume since the spring of 1953. Although borrowing declined in December, the average for the fourth quarter exceeded \$900 million. Increases in aggregate indebtedness after midyear reflected mainly borrowing by central reserve city banks and reserve city banks. Excess reserves declined from \$750 million in the fourth quarter of 1954 to \$550 million in the corresponding period of 1955.

Changes in bank reserve positions reflected the effects of Federal Reserve open market operations in United States Government securities together with other factors affecting reserves, as shown in the table on page 28. In general, open market operations offset the effects of major seasonal changes in currency in circulation and in required reserves, although reserve positions were permitted to come under increasing pressure over the year. Federal Reserve security purchases at the year-end, largely under repurchase agreements with dealers and brokers, were primarily for the purpose of relieving money market pressures at that time.

The Federal Reserve portfolio of United States Government securities declined somewhat over the year, but the increase in cur-

CHANGES IN MEMBER BANK RESERVES WITH RELATED FACTORS

[Based on monthly averages of daily figures; in billions of dollars]

Item	6 months		Year	
	June 1955— Dec. 1955	Dec. 1954— June 1955	Dec. 1954— Dec. 1955	Dec. 1953— Dec. 1954
<i>Member bank reserves</i>				
Total reserves.....	+ 0.5	- 0.6	(¹)	- 0.6
Excess reserves.....	(¹)	- 0.1	- 0.1	(¹)
Required reserves.....	+ 0.5	- 0.4	+ 0.1	- 0.7
Effect of:				
Reduction in reserve requirement percentages.....				- 1.6
Change in deposits.....	+ 0.5	- 0.4	+ 0.1	+ 0.9
<i>Principal factors affecting reserves</i>	(Signs indicate effect on reserves)			
Currency in circulation.....	- 1.2	+ 0.7	- 0.5	+ 0.2
Treasury operations.....	- 0.1	+ 0.1	+ 0.1	+ 0.2
Gold stock and foreign accounts.....	(¹)	(¹)	(¹)	- 0.3
Federal Reserve float.....	+ 0.5	- 0.1	+ 0.4	(¹)
Other factors.....	- 0.1	(¹)	- 0.1	(¹)
Federal Reserve loans and investments:				
U. S. Govt. securities, total.....	+ 1.0	- 1.3	- 0.3	- 0.7
Bought outright.....	+ 0.7	- 1.3	- 0.6	- 0.3
Held under repurchase agreements.....	+ 0.3	(¹)	+ 0.3	- 0.4
Discounts and advances:				
To member banks.....	+ 0.4	+ 0.2	+ 0.6	- 0.2
To others.....	- 0.1	- 0.1	- 0.2	+ 0.2
Acceptances.....	(¹)	(¹)	(¹)	(²)

¹ Less than \$50 million.² No acceptances held.

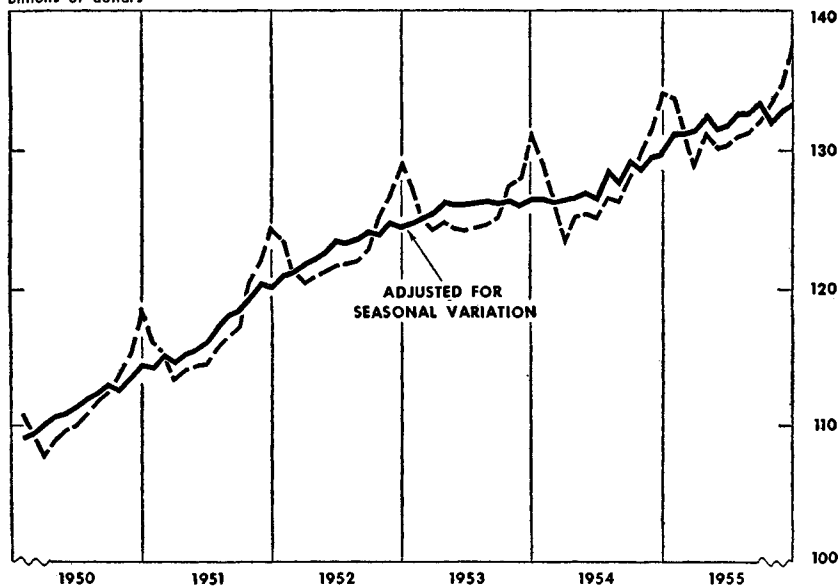
NOTE.—Details may not add to totals because of rounding.

rency in circulation was the largest drain on reserves. Required reserves increased only slightly, as the effect of an expansion of demand and time deposits held by consumers and businesses was offset in part by a decline in United States Government deposits and a shift of deposits from banks with higher reserve requirements to those with lower reserve requirements. Federal Reserve float was somewhat larger during 1955 than a year earlier, and an unusually large seasonal increase in December temporarily supplied a substantial volume of reserves near the year-end.

Deposits and currency. The growth of deposits and currency declined in 1955 from the rapid rate reached in the second half of 1954, when banks were using available reserve funds to expand holdings of securities. During 1955 demand deposits and currency held by consumers and businesses, which together constitute the active part of the money supply, increased \$3.2 billion or 2.5 per cent. The expansion was somewhat less than that for 1954 as a whole, and the rate of growth was only about half the annual rate reached in the second half of that year, after allowance for usual seasonal developments. The active money supply had also increased about 2.5 per cent in the period of strong credit demand from mid-1952 to mid-1953, as shown in the chart.

DEMAND DEPOSITS AND CURRENCY

Billions of dollars



NOTE.—Figures are for last Wednesday of month and are partly estimated. Demand deposits are for all banks in the United States and exclude U. S. Government and interbank deposits and items in process of collection. Currency excludes bank vault cash. Data for second half of 1955 are preliminary.

Demand deposits held by consumers and businesses increased \$2.6 billion and currency expanded \$0.6 billion during 1955. In 1954 the increase in demand deposits had been greater, but currency holdings of consumers and businesses had declined.

While expansion of the active money supply was moderate, an increase in its turnover contributed to the rising level of expenditures. The annual rate of turnover of demand deposits outside New York City rose from 21.1 in the last quarter of 1954 to 22.5 in the last quarter of 1955, an increase of almost 7 per cent. Most of the increase was in the first half of the year.

Expansion of time and savings deposits in commercial and mutual savings banks and the Postal Savings System in 1955 was \$3 billion,

CHANGES IN DEPOSITS AND CURRENCY WITH RELATED FACTORS

[In billions of dollars]

Item	1955	1954
<i>Deposits and currency</i>		
Demand deposits adjusted ¹	+ 2.6	+ 4.1
Currency outside banks ²	+ 0.6	- 0.2
Total.....	+ 3.2	+ 3.9
Time deposits adjusted ³	+ 3.0	+ 4.9
U. S. Govt. deposits.....	- 0.7	+ 0.3
Total.....	+ 5.5	+ 9.0
<i>Factors affecting deposits and currency</i>		
	(Signs indicate effect on deposits and currency)	
Bank loans and investments other than U. S. Govt. securities.....	+14.2	+ 7.3
Commercial.....	+11.8	+ 4.6
Mutual savings.....	+ 2.3	+ 2.5
Bank holdings of U. S. Govt. securities.....	- 7.9	+ 3.9
Federal Reserve.....	- 0.1	- 1.0
Commercial.....	- 7.3	+ 5.6
Mutual savings and other.....	- 0.6	- 0.7
Gold stock and foreign deposits at Federal Reserve Banks.....	+ 0.1	- 0.4
Foreign bank deposits, net, at commercial banks.....	(⁴)	- 0.6
Other factors ⁵	- 0.9	- 1.2

¹ Excludes interbank and U. S. Government deposits and items in process of collection.

² Excludes bank vault cash.

³ Commercial and mutual savings banks and the Postal Savings System. Excludes interbank and U. S. Government deposits.

⁴ Less than \$50 million.

⁵ Includes bank capital, miscellaneous bank assets and liabilities, and differences between deposits due to and from banks.

NOTE.—Changes are based on data for Dec. 31, 1953 and 1954, and on preliminary data for Dec. 31, 1955. Figures may not add to totals because of rounding.

only about three-fifths as much as a year earlier. Reduction in the rate of growth was associated in part with less personal saving and more security purchases by individuals. The reduction was concentrated at commercial banks, where savings deposits increased less than half as much as in 1954. Deposit growth at mutual savings banks was almost as large as in the preceding year, probably in part because of increases in interest rates paid by savings banks in some areas.

United States Government deposits declined \$700 million during 1955, compared with a small increase in 1954. These deposits fluctuated sharply over the year in accordance with the pattern of Treasury receipts and expenditures.

ECONOMIC AND FINANCIAL DEVELOPMENTS ABROAD

Worldwide increases in economic activity in 1955 brought world production to record levels. In the industrial countries heavy demands were made on manpower resources, and in many lines of manufacturing and mining the rate of output required virtually full use of existing plant capacity. Credit restraints were needed to keep the growth of demand within the limits of productive capacity, to restrain the rise of prices, and to protect monetary reserves.

Steady advances since 1953 in European employment and productivity, and in consumer income and demand, had led to rising expenditures for enlargement of European industrial capacity. Such expenditures were apparently still increasing in the second half of 1955, when capital expenditure plans and outlays in the United States were rapidly mounting. In response to enlarged investment demands, European production of steel and of capital goods continued to grow throughout 1955, within the limits set by the available productive resources.

Most European countries experienced an exceptional spillover of domestic demand into buying of imports for several months at the end of 1954 and the beginning of 1955. United States exports responded vigorously to this rise in trade activity, with especially large increases in sales of steel, steel scrap, and coal. Subsequently, world trade remained at a record level, but expanded little through the summer. By the autumn of 1955, broadened pressure of world demand led to a further expansion of United States exports and at the same time United States imports rose very strongly.

European prices of scrap steel, copper, and rubber reacted somewhat by April or May from earlier peaks. In June and July, however, and also toward the end of the year, world prices of various industrial materials increased sharply again.

Prices of industrial products as well as materials tended to rise in 1955, but further advances in prices of industrial products after midyear were smaller on the average in Europe than in the United States. On both sides of the Atlantic consumer prices tended to rise, though only slowly in most countries. Wage rates, however, continued to rise rapidly in many European countries, and in some countries appeared to be outrunning the gains in manhour productivity. In other parts of the world domestic price levels rose a little in many countries, but increases of more than a few per cent were uncommon.

Moderation in the expansion of business and consumer credit, especially of credit provided through bank loans and investments, was the object of central bank and government action in many countries. Strong restraints were being enforced in several leading countries in Europe and elsewhere by autumn.

Despite the difficulties that Great Britain and some other countries experienced with their external payment balances in 1955, the degree of freedom of international trade from direct controls was generally greater at the end of the year than at the beginning. In the course of the year a number of important steps toward convertibility of currencies were taken by the Organization for European Economic Cooperation and by individual countries in Western Europe. At the same time, the expansion of United States imports, which percentagewise was even more marked for manufactured goods than for most materials, demonstrated anew that the structure of international payments has remained favorable for further advances toward convertibility.

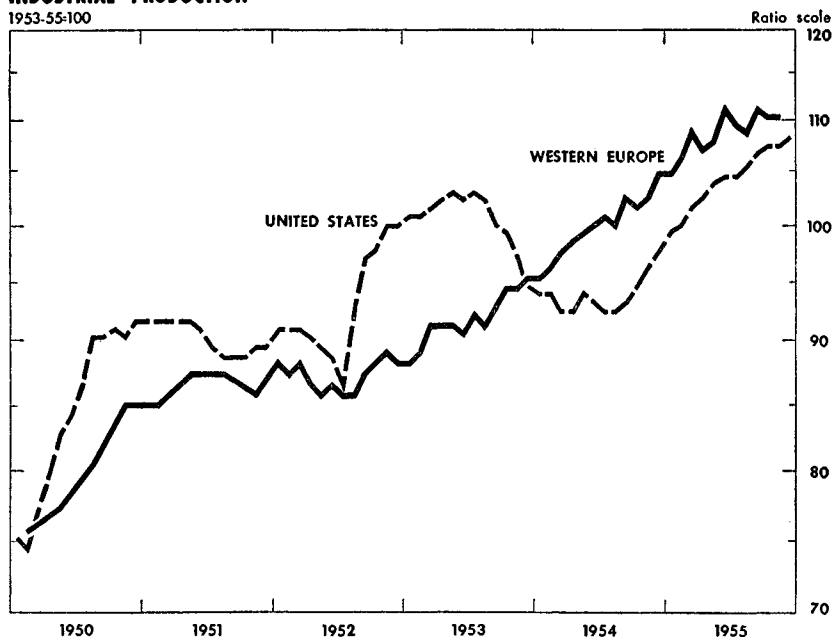
Western Europe. Total industrial production advanced continuously through the year, but as the margin of unutilized manpower and industrial capacity diminished, the rate of increase in output slowed. The year-to-year increase narrowed from 10 per cent in the first quarter of 1955 to 7 per cent in the fourth quarter. Seasonally adjusted indexes show that from May to the end of the year no significant enlargement of total industrial production occurred

in Great Britain, while Continental output advanced at a reduced average rate under 5 per cent per annum.

The most rapid gains in output, both of capital goods and of consumer goods, were those of West Germany. Production increased rapidly also in France and Italy.

INDUSTRIAL PRODUCTION

1953-55=100



NOTE.—Seasonally adjusted figures for physical volume of production. Federal Reserve data for United States, monthly. Organization for European Economic Co-operation index for Western Europe, covering member countries, quarterly through 1951 and monthly thereafter, shifted to 1953-55 base; October and November 1955 partly estimated by Federal Reserve.

Consumer prices increased 2 per cent over the year in Germany, 1 per cent in France, and 6 per cent in Britain. These increases were due less to advances in prices of nonfood manufactured goods than to rising prices of services and of domestically produced foods; in Britain upward adjustments of fuel prices were also significant.

An effective brake on internal price advances was provided by the relatively liberal exchange control policies of all leading European countries in 1955. Belgium, the Netherlands, Switzerland, and Greece had few direct restrictions on imports. Restrictions in other countries on imports from the dollar area and other sources were

further relaxed in a number of cases, including cuts in German restrictions on dollar imports and in British restrictions on imports from the rest of Europe.

Positive measures to resist inflationary pressures, and to obtain relief from balance-of-payments difficulties by restraining the growth of demand, were taken in a number of countries.

The Bank of England's discount rate was raised in January and February from 3 per cent to 4½ per cent. Loans of British commercial banks continued to rise until midyear. In July credit restrictions were intensified and banks were asked to reduce their loans. An extraordinary budget was adopted in the autumn; certain taxes were increased, more than offsetting the tax reductions made in the spring, and actions were taken to reduce Government subsidies for public housing and Government loans to local authorities. By the year-end, although industrial prices had risen about 5 per cent, bank loans including nonindustrial credit were reduced to about the end-of-1954 level.

In May the German central bank was enabled to undertake restrictive open market operations by obtaining a large issue of marketable Government securities in exchange for previously non-negotiable obligations. In August the discount rate was raised, and reserve requirements for commercial banks were increased as of the first of September. German tax revenues continued greatly to exceed governmental expenditures in 1955, despite tax reductions at the beginning of the year. In Austria, the discount rate was raised in May and again in November.

In Sweden and Norway, discount rates were raised early in the year and new Government bond issues at higher interest rates absorbed liquid funds of banks and other lenders; subsequently, the banks agreed to limit their loans. Taxes on investment were increased. In Denmark, where measures to reduce consumer demand and credit expansion had already been taken in 1954, consumption taxes were further increased in 1955 and the rediscount rate was raised again in May. Besides these financial measures, in each Scandinavian country the licensing of building was made more restrictive.

In France, Italy, and the Netherlands, it was not considered necessary to take formal measures to restrain credit expansion. The Netherlands, like Germany, reduced consumption taxes to hold

down the cost of living. In these countries, as in most other countries on the Continent, general stability of prices was maintained.

Important steps toward currency convertibility in 1955 included simplification of Belgian and Italian exchange controls affecting accounts of nonresidents. The Organization for European Economic Cooperation reached agreement on a European Fund to be brought into being when formal convertibility is established, meanwhile extending the European Payments Union for another year with a larger gold-payment requirement for monthly settlements.

Other areas. Canadian manufacturing activity, which had turned up near the end of 1954 after a mild recession in 1953-54 like that in the United States, increased 10 per cent in the course of the year. Canadian output of minerals continued its rapid growth, uninterrupted since 1949. In Japan, where a brief recession in 1954 had been reversed by rising exports before the end of that year, industrial production rose more than 10 per cent further during 1955. Japanese food prices were reduced toward the end of the year, after a harvest of exceptionally large crops. In both countries exports rose during 1955.

Central bank and budgetary policies in Canada were expansionary in the first half of the year, but shifted thereafter to restraint. Bank loans expanded rapidly and banks had to sell Government securities to nonbank holders. In Japan, on the other hand, commercial bank liquidity increased as a result of a large balance-of-payments surplus.

Developments in India followed a significantly different pattern from those in Canada and Japan. Following bumper crops in 1953, heavy Government importation of rice in 1954, and large gains in the 1954 crops of nonfood agricultural products, Indian wholesale prices of foods and raw materials fell sharply throughout 1954 and the first half of 1955. Industrial output, which had risen 14 per cent in the course of 1954, leveled off for several months in the first half of the year, when textile inventories were reduced. In consequence of growing Government expenditures for economic development and an increase in the budgetary deficit, the central bank enlarged its holdings of Government securities. Business activity and prices turned up again in the second half of the year.

In countries producing raw materials and foodstuffs for export,

developments depended partly on the degree of strength of world demand for the commodities produced.

Large increases in metal prices in 1955, reflecting strength in demand from many sources, stimulated plans for further enlargement of output in later years. Prices of natural rubber nearly doubled. On the other hand, coffee and tea prices declined in the first part of the year, and cocoa throughout the year. Export prices for wheat and sugar continued relatively stable, despite large world supplies. Export prices for rice in Southeast Asia, after declining sharply throughout 1954, tended to level off in the first half of 1955.

Cotton prices declined in some countries. While demand for United States price-supported cotton was depressed by anticipations of export sales at lower prices in 1956, there were increases in the cotton exports of some producers. For wool and for fats and oils, both supply and demand grew moderately and prices weakened partly in consequence of the competition of synthetic substitutes.

Internal inflationary pressures were present in many countries, even where export prices declined, but in many cases such pressures were successfully resisted. To help maintain price stability and check a rise in imports, New Zealand, for example, increased reserve requirements for commercial banks and raised the discount rate sharply in three steps from 4 to 7 per cent. Australia, however, faced with similar problems in its balance of payments, relied mainly on regulation of imports by quotas; despite some slackening in the expansion of bank credit, Australian prices rose several per cent.

In Latin America, increases in Governmental development expenditures occurred in many countries, including Mexico, Venezuela, Cuba, Colombia, and Peru. In the first two of these surplus revenues were anticipated, but many countries had Government deficits financed through the banking system. The extensive rise in Mexican prices following the 1954 devaluation of the peso appeared to be somewhat slower in 1955. In most other countries with convertible currencies a fair degree of price stability was maintained.

On the other hand, efforts to check inflation in Brazil, which had some degree of success in the first part of the year, later appeared to have been relaxed. Depreciation of the Argentine peso was recognized in an official adjustment of exchange rates. In Chile and Bolivia, virtually the only countries in the world experiencing

continuous rapid inflation over the past few years, internal and external depreciation in currency values continued.

International trade and the balance of payments. In world trade, as in production, expansion was most rapid in the latter part of 1954 and the first months of 1955, and more gradual thereafter. This change reflected mainly a tendency toward stabilization of European purchases of imports at a high level, while imports of the United States and Canada continued to rise rapidly. Similar mixed tendencies appeared in other areas. After a two-year rise, imports of Australia and New Zealand leveled off in 1955. In a number of other countries producing and exporting raw materials, imports turned gradually up after earlier declines.

In Europe several countries experienced steady gains in exports, and, after the summer, trade deficits shrank in Scandinavia while Germany's export surplus widened again. France's trade balance improved in 1955. Great Britain's trade deficit was larger throughout the year than in 1954; although exports increased, imports remained relatively high, except for a brief period in the spring.

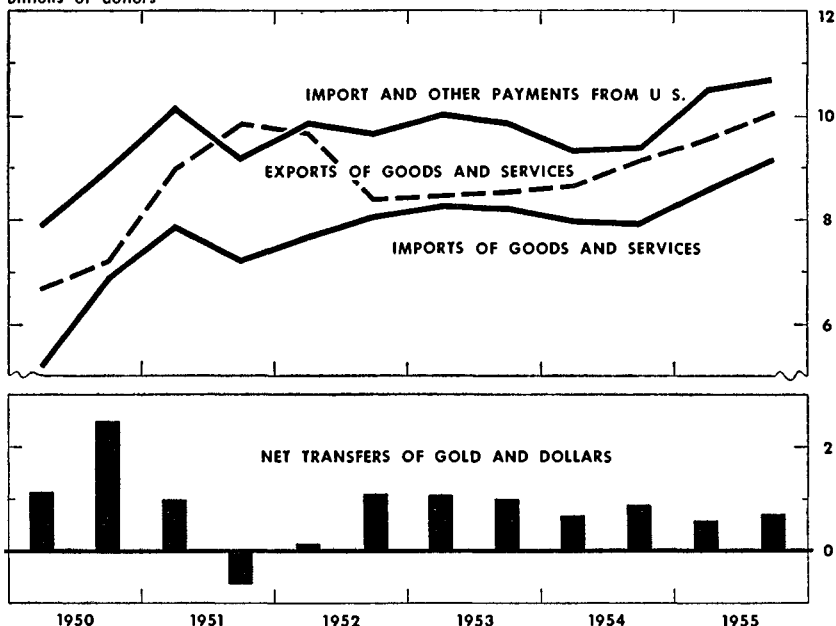
United States balance of payments. United States imports and exports both showed great strength in 1955. The current account surplus on transactions in goods and services was relatively steady. In the second half of the year, exports of goods and services (excluding military-aid transfers) were at a seasonally adjusted annual rate of about \$20 billion, while imports of goods and services exceeded a rate of \$18 billion.

For the whole year 1955, exports of goods and services totaled about \$19.5 billion and imports more than \$17.5 billion. The current account surplus, after deduction of \$600 million in payments for remittances and pensions, was about equal to the 1954 surplus of \$1.3 billion. Exports and imports each exceeded the 1954 totals by more than \$1.5 billion.

Payments for goods and services in 1955 included military expenditures abroad a little larger than the \$2.6 billion spent in 1954. Most types of United States military expenditures abroad continued roughly proportional to the strength of United States forces abroad. Expenditures in Europe for offshore procurement of military equipment for transfer to other countries under aid programs increased, and constituted about one-fourth of the total in 1955. At the year-

U. S. BALANCE OF PAYMENTS

Billions of dollars



NOTE.—Semi-annual aggregates; Department of Commerce data; second half 1955 partly estimated by Federal Reserve. Payments shown include civilian and military payments for goods and services, plus the net outflow of remittances, Government nonmilitary grants and loans, and private U. S. direct investment. Other capital movements are not included. Exports exclude military transfers under aid programs. Net transfers cover gold sales or purchases by United States and changes in foreign short-term assets in United States and in holdings of U. S. Government securities; positive figures represent transfers to foreigners.

end outstanding contracts for offshore procurement in Europe were due to be entirely fulfilled in about two more years.

United States Government grants and credits to other countries, other than aid given in the form of military supplies and services, exceeded \$2 billion in 1955, compared with \$1.5 billion in 1954. This outflow included moderate increases in the Government's holdings of foreign currencies arising from sales of surplus agricultural commodities. Payments on grants to Europe declined after the first quarter of the year.

The outflow of private American direct investment capital continued at close to the 1948-54 average rate of \$700 million. The net outward movement of private American portfolio and short-term capital was much smaller than in 1954. Interest rate differen-

tials until near the end of the year continued to encourage Canadian repayment of indebtedness in the United States.

Foreign reserves. Foreign holdings of United States Government securities and of short-term dollar balances again increased substantially. The rise, together with small purchases of gold from the United States, was approximately \$1.3 billion, compared with \$1.6 billion in 1954. Including gold from new production and from other sources, total gold reserves and dollar holdings of foreign countries (other than the U.S.S.R.) and of international institutions increased about \$1.9 billion in 1955.

Increases in gold reserves and foreign exchange holdings were especially large in France, Germany, Italy, Mexico, and Venezuela. In many countries changes either upward or downward were relatively small. A few South American countries, however, experienced heavy drains on their reserves, and large declines in holdings of sterling reserves occurred in Australia, South Africa, and New Zealand. In Europe the only large fall in gold and dollar holdings was that of Great Britain. This drain resulted partly from the deficit in British trade transactions and partly from adverse capital movements, which were halted in the autumn.

LOAN GUARANTEES FOR DEFENSE PRODUCTION

Under the provisions of the Defense Production Act of 1950 as amended and the implementing Executive Orders, certain designated procurement agencies of the Government are authorized to guarantee loans made by commercial banks and other private financing institutions to finance and expedite production for national defense, also to finance contractors and subcontractors in connection with or in contemplation of termination of their defense contracts. The guaranteeing agencies are the Departments of the Army, Navy, Air Force, Commerce, Interior, and Agriculture, the General Services Administration, and the Atomic Energy Commission.

The present program is a reactivation of the V-loan program utilized during World War II. The Federal Reserve Banks act as fiscal agents of the guaranteeing agencies in receiving applications and in the making of such contracts of guarantee.

During 1955 the guaranteeing agencies authorized the issuance of 44 guarantee agreements amounting to \$75 million. On December 31, 1955, guarantee agreements outstanding covered credits

totaling \$464 million, of which amount \$294 million represented loans actually outstanding and \$170 million was available to borrowers under guarantee agreements in force. During the year more than \$931 million was advanced on V-loans, most of which are revolving credits.

Of the total number of loans authorized more than 56 per cent were for amounts under \$500,000 and more than 72 per cent were for amounts under \$1 million. More than 72 per cent of the number of guarantees authorized are to concerns employing under 500 persons.

From the beginning of the program in September 1950 through December 31, 1955, 1,411 loans totaling \$2,575 million were authorized by the guaranteeing agencies.

The net income received by the guaranteeing agencies to the end of 1955 represented by guarantee fees, commitment fees, and interest on purchased loans amounted to approximately \$23 million after deducting the expenses of the Federal Reserve Banks as fiscal agents and providing reserves to cover estimated losses.

BANKING OPERATIONS AND STRUCTURE

Bank earnings and profits.¹ For the year 1955 member banks reported \$2,075 million of net current earnings before income taxes, \$247 million more than in 1954. Net profits after taxes, however, were \$112 million lower than in the previous year because of a substantial decline in profits on sales of securities. The ratio of net profits to average total capital accounts decreased from 9.3 to 7.9 per cent.

Gross current earnings were \$509 million larger than in 1954, and expenses were up \$262 million. Earnings on loans rose \$364 million and on United States Government securities \$51 million. The average rate of return on loans advanced from 4.71 to 4.76 per cent and on United States Government securities from 1.96 to 2.09 per cent. Average total holdings of loans increased \$7 billion, holdings of obligations of States and political subdivisions increased \$1 billion, and holdings of United States Government obligations declined about \$1 billion. Taxes on net income declined \$113 million. The accompanying table gives a summary of earnings, expenses, and profits of member banks for 1955 and 1954.

¹ Figures for 1955 are based on preliminary tabulations.

EARNINGS, EXPENSES, PROFITS, AND DIVIDENDS OF
ALL MEMBER BANKS, 1955 AND 1954

[In millions of dollars]

Item	1955 ^p	1954
Earnings.....	5,335	4,826
On U. S. Govt. securities.....	1,117	1,066
On loans.....	3,075	2,711
All other.....	1,143	1,048
Expenses.....	3,261	2,999
Net current earnings before income taxes.....	2,075	1,828
Net losses, charge-offs, and transfers to valuation reserves.	400	+73
Profits before income taxes.....	1,165	1,900
Taxes on net income.....	691	804
Net profits.....	984	1,096
Cash dividends declared.....	501	456

^p Preliminary; final figures will appear in the *Federal Reserve Bulletin*, probably in the May issue.

Approximately \$501 million or 51 per cent of 1955 net profits was paid out as dividends to stockholders; this amounted to a return on average total capital accounts of 4.0 per cent compared with 3.9 per cent in 1954. Earnings retained in capital accounts were \$483 million, in contrast with \$640 million in 1954 when unusually large profits on sales of securities contributed heavily to net profits.

Bank earning assets.² Earning assets of member banks at the year-end were \$135 billion, \$4 billion larger than the year before. An increase of \$11 billion in loans was partly offset by a decline of \$7 billion in holdings of United States Government securities; obligations of States and political subdivisions continued to increase but by a lesser amount than in 1954.³

Commercial and industrial loans, after declining for two consecutive years, increased \$6 billion and accounted for over half the total increase in loans by member banks. The next largest increase, \$2 billion, was in loans to individuals for household, family, and other personal expenditures, which had changed relatively little

² Figures for 1955 are partly estimated.

³ These year-end comparisons of holdings of earning assets differ considerably from the changes in average holdings during the year given under bank earnings and profits.

during 1954. According to sample data by industry groups, the large increase in commercial and industrial loans resulted from increased borrowing by all major classifications of business, but sales finance companies accounted for about one-quarter of the increase.

Capital accounts.³ Capital accounts of member banks amounted to \$12,700 million, an increase of \$500 million during the year. Retained earnings accounted for approximately \$483 million of the increased capital and proceeds from sales of common stock accounted for most of the balance; lesser factors were mergers and changes in Federal Reserve membership.

The ratio of average total capital accounts to average total assets for all member banks was 7.3 per cent, a slight increase from 1954.

The ratio of average total capital accounts to average total assets less cash assets and United States Government securities was 15.4 per cent as compared with 16.1 per cent for 1954; this decline reflected the increased holdings of loans and substantial decreases in holdings of United States Government securities during the year.

Number of banking offices. For the twelfth consecutive year the number of banking offices increased. The number of banks (head offices) continued the decline of recent years, reflecting bank consolidations and absorptions. The number of branches continued to increase, both by conversion of merged banks into branches and by establishment of de novo branches.

There was a net decline of 124 banks during the year. New banks opened for business numbered 117, but this increase was more than offset by consolidations or absorptions of 232 banks, 205 of which were converted into branches. Table 18 on page 79 gives a statistical analysis of the changes in the number of banks and branches.

The number of branches and additional banking offices increased by a net of 624; this was 105 more than the record increase reported in 1954. As in other recent years, most of the increase was in de novo branches, of which 462 were established in 1955. Approximately 70 per cent of the increase in branches occurred in places outside the cities in which the parent banks are located. California and Pennsylvania had the largest branch increases, with

³ Figures for 1955 are partly estimated.

89 and 78, respectively. (The figures for branches exclude 213 banking facilities at military and other Government establishments, an increase of 15 during the year.)

Federal Reserve membership. The 6,543 banks that were members of the Federal Reserve System at the end of 1955 accounted for 48 per cent of the number and held 85 per cent of the deposits of all commercial banks in the United States. State member banks accounted for 21 per cent of the number of all State commercial banks and held 68 per cent of the deposits of these banks.

The membership of 4,692 national banks and 1,851 State member banks reflected net declines for the year of 97 and 20, respectively. The continued decline in the number of member banks was largely the result of consolidations and absorptions; branch offices were opened in the former locations of most of these banks. Other declines included two State members that withdrew from membership and three national banks that converted into nonmember banks.

Newly established banks included 28 national and 4 State members. Sixteen nonmember banks were admitted to membership and 6 banks became members by conversion from nonmember to national banks.

Par and nonpar banks.⁴ During 1955, 124 banks were added to the Federal Reserve Par List, 3 withdrew from the Par List, and 219 par banks were consolidated with or absorbed by other par banks. Of the additions, 19 were formerly nonpar banks that chose to remit at par, 101 were newly organized banks, and 2 were formerly nonpar banks admitted to membership in the Federal Reserve System. The number of par-remitting and nonpar offices at the end of 1955 is shown below:

	On Par List	Not on Par List
Banks (head offices).....	11,855	1,770
Branches	6,375	325
Banking facilities at military and other Government establishments.....	212	1
Total.....	18,442	2,096

⁴ 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 such nonmember banks as have agreed to do so.

The par-remitting banks, representing 87 per cent of the banks on which checks are drawn, held about 98 per cent of the deposits of all commercial banks in the United States. 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. Table 19 on page 80 shows the number of par and nonpar banking offices 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 1955 program for the examination of State member banks was practically completed.

Bank holding companies. During 1955 the Board authorized the issuance of five voting permits for general purposes and eight permits for limited purposes to holding company affiliates of member banks.

To provide information with respect to such organizations, regular annual reports were obtained from holding company affiliates 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 1955, 46 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 28 banks which previously had been granted certain trust powers. One additional national bank acquired trust powers as a result of consolidation. Trust powers of 51 national banks were terminated by voluntary liquidation, consolidation, or merger. At the end of 1955, there were 1,727 national banks holding permits to exercise trust powers.

Foreign branches and banking corporations. Under the provisions of Section 25 of the Federal Reserve Act, the Board approved during 1955 seven applications made by member banks for permission to establish branches in foreign countries. One member bank opened a branch in Beirut, Lebanon; another opened branches in Beirut, Lebanon; Jeddah, Saudi Arabia; Cairo, Egypt; and Caracas, Venezuela. The latter two branches had been authorized by the Board in 1954.

At the end of 1955, seven member banks had in active operation a total of 111 branches in 26 foreign countries and overseas areas of the United States. Of the 111 branches, three national banks were operating 85 and four State member banks were operating 26. The foreign branches were distributed geographically as follows:

Latin America	56	Continental Europe	6
Argentina	10	Belgium	1
Brazil	10	France	3
Chile	2	Germany	2
Colombia	4		
Cuba	20	England	11
Mexico	2		
Panama	4	Near East	4
Peru	1	Egypt	1
Uruguay	1	Lebanon	2
Venezuela	2	Saudi Arabia	1

Far East	20	United States areas	14
Hong Kong	1	Canal Zone	4
India	2	Guam	1
Japan	10	Puerto Rico	9
Philippines	5		
Singapore	1		
Thailand	1	Total	111

There was no change in 1955 in the list of corporations organized under State laws which operate under agreements 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 France; one has an English fiduciary affiliate; and one operates an agency at the New York International Airport, has a branch in England, and during 1955, pursuant to authorization by the Board, acquired the stock of a bank which was organized under the laws of Liberia.

During 1955 one corporation was chartered by the Board, under the provisions of Section 25(a) of the Federal Reserve Act, to engage in international or foreign banking, making a total of three such corporations in active operation at the end of the year. The head offices of these corporations are located in New York City; two of them were examined during the year by the Board's Division of Examinations. One such institution has no subsidiaries or foreign branches; one has a branch in France and an English fiduciary affiliate; and one operates branches in Germany, France (authorized by the Board and opened in 1955), and Singapore (authorized by the Board in 1953 and opened in 1955). The Board approved during 1955 an application by one of the institutions for permission to establish a branch in Lebanon.

In 1955, examiners for the Board of Governors examined the two European branches of the foreign banking corporations operating under agreement with the Board of Governors pursuant to the provisions of Section 25, the two European branches of the foreign banking corporations organized and operating under the provisions of Section 25(a), and seven European branches of three State member banks.

Inter-Agency Bank Examination School. During 1955, three five-week sessions of the School for Assistant Examiners and one

four-week session of the School for Examiners were held. The Inter-Agency Bank Examination School is conducted by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. Since the Inter-Agency School was established in 1952, the various sessions have been attended by 465 men, representing the three Federal bank supervisory agencies, the State Banking Departments of Connecticut, Indiana, Louisiana, Maine, Michigan, Mississippi, Montana, New Hampshire, North Dakota, Ohio, Oklahoma, Oregon, and Virginia, the Treasury Department of the Commonwealth of Puerto Rico, and one foreign country.

CHANGES IN REGULATIONS OF THE BOARD OF GOVERNORS

Advances and discounts by Federal Reserve Banks. The Board's Regulation A, relating to advances and discounts by Federal Reserve Banks, was revised effective February 15, 1955. Although the revision made certain changes in the language of the Regulation itself, the most important change was a revision of the foreword to the Regulation, entitled "General Principles," so as to restate and clarify certain guiding principles which are observed by Federal Reserve Banks in making advances and discounts. The Board stated that the revision was not intended further to restrict or restrain access by member banks to the credit facilities of the Federal Reserve Banks.

Savings deposits. The Board's Regulation D, relating to reserves of member banks, and Regulation Q, relating to payment of interest on deposits, were amended effective May 16, 1955 so as to permit deposits to be classified as "savings deposits" in certain circumstances even though not evidenced by a passbook. A passbook continues to be necessary for all savings deposits except those covered by the amendments.

Collective investment of trust funds. Section 10(c) of the Board's Regulation F, relating to trust powers of national banks, was amended effective June 13, 1955 so as to permit the collective investment of funds of trusts which are established under employers' pension, profit-sharing, or stock bonus plans, without compliance with the provisions of Section 17 of the Regulation, provided each such trust is exempt from Federal income taxes and collective investment is specifically authorized by the trust instru-

ment or by court order. The funds of pensions and similar trusts may, as previously, be invested in participations in common trust funds operated pursuant to Section 17.

Margin requirements for purchasing securities. The Supplement to the Board's Regulation T, entitled "Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges," and the Supplement to Regulation U, entitled "Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange," were amended effective January 4, 1955 so as to increase margin requirements from 50 per cent to 60 per cent for credit extended by brokers and by banks to finance purchases of stock exchange securities. Effective April 23, 1955 the two Supplements were again amended so as to increase the margin requirements from 60 per cent to 70 per cent. The increased margins applied also to short sales.

CHANGES IN REGULATION OF THE FEDERAL OPEN MARKET COMMITTEE

Executive committee discontinued. The Federal Open Market Committee, comprising the seven members of the Board of Governors and five of the presidents of the Federal Reserve Banks, amended its regulation relating to open market operations of Federal Reserve Banks, effective June 22, 1955, so as to discontinue its executive committee, which was a standing committee consisting of three members of the Board and two Reserve Bank presidents. The executive committee, which was established following the Banking Act of 1935, was discontinued in view of the availability of more swift and certain travel facilities that facilitate the attendance of the members of the Federal Open Market Committee at regular meetings and make it possible to gather members for special meetings on short notice when necessary.

LEGISLATION

Defense Production Act of 1950. The Defense Production Act of 1950, which would have expired June 30, 1955, was extended one month by Joint Resolution, and was amended and continued in force until the close of June 30, 1956, by the Act of August 9, 1955. Section 301 of the Act is the basis for guarantees of loans for defense production.

Real estate loans by national banks. Section 24 of the Federal Reserve Act was amended by the Act of August 11, 1955 so as to permit national banks to make "conventional" real estate loans (not insured or guaranteed by the Federal Government) for periods up to a maximum of 20 years (instead of 10 years as previously) and so as to permit loans up to $66\frac{2}{3}$ per cent of the value of the real estate instead of 60 per cent as previously. The new law requires loans with maturities in excess of 10 years to be amortized at a rate which would be sufficient to pay off the entire loan in 20 years.

The new law also increased from six months to nine months the permissible maturity of "construction loans" by national banks (that is, loans to finance the construction of residential and farm buildings which are not subject to the limitations applicable to real estate loans).

RESERVE BANK OPERATIONS

Volume of operations. Table 5 on page 65 gives the volume of operations in the principal departments of the Federal Reserve Banks for the years 1951-55. Checks handled continued their upward trend, exceeding the all-time high reached the previous year; discounts and advances were also substantially greater than last year. On the other hand, the volume of currency received and counted was slightly smaller than in 1954.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1955 are shown in detail in Table 6 on pages 66-67, and a condensed historical statement is shown in Table 7 on pages 68-69. The table on page 50 summarizes the earnings and expenses and the distribution of net earnings for 1955 and 1954.

Current earnings of \$412 million in 1955 were 6 per cent less than in 1954, largely because of a lower average rate of interest and a smaller volume of holdings of United States Government securities. Earnings from discounts and advances were greater in 1955 than the year before, reflecting increases in the discount rate and a rise in the volume of discounts and advances. Current expenses of \$110 million were about the same as in 1954. Current net earnings amounted to \$302 million, a decrease of 8 per cent compared with 1954.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF
FEDERAL RESERVE BANKS, 1955 AND 1954

[In thousands of dollars]

Item	1955	1954
Current earnings.....	412,488	438,486
Current expenses.....	110,060	109,733
Current net earnings.....	302,428	328,753
Additions to current net earnings.....	178	1527
Deductions from current net earnings.....	1443	661
Net deductions.....	265	134
Net earnings before payments to U. S. Treasury.....	302,163	328,619
Paid U. S. Treasury (interest on F. R. notes).....	251,741	276,289
Dividends.....	17,712	16,442
Transferred to surplus (Sec. 7).....	32,710	35,888

¹ Includes \$482,000 of net profits in 1954 and \$506 of net losses in 1955 on sales of U. S. Government securities.

Profit and loss additions and deductions were relatively small, leaving net earnings before payments to the United States Treasury at \$302 million.

Statutory dividends to member banks amounted to \$18 million, a rise of about \$1 million over 1954 that reflected an increase in the capital and surplus of member banks and a consequent increase in the paid-in capital of the Federal Reserve Banks.

Payments to the United States Treasury as interest on Federal Reserve notes amounted to \$251 million in 1955. This was 90 per cent of net earnings after dividends and allowances for building up surplus to 100 per cent of subscribed capital of those Banks whose Section 7 surplus was below that amount. These allowances are consistent with the provisions of the franchise tax when it was in effect; for 1955 allowances for bringing surplus up to subscribed capital were \$4,739,000 for two Banks, and for 1954 they were \$5,187,000 for three Banks. Total payments to the Treasury as interest on Federal Reserve notes since the policy of making such payments was begun in 1947 have amounted to \$2,049 million.

The \$33 million of net earnings remaining after dividends and payments to the United States Treasury were added to surplus account.

Holdings of loans and securities. Average holdings of United States Government securities during 1955 amounted to \$23,891 million, \$758 million less than during 1954. The average rate of interest on these holdings decreased slightly from 1.76 to 1.67 per cent. Average holdings of discounts and advances during 1955 were \$666 million and approached the 1953 level; this was a reversal of the sharp decline in 1954. The average rate of interest on discounts and advances rose from 1.61 to 1.96 per cent, reflecting four increases in the discount rate to 2½ per cent. As mentioned elsewhere in this report, a change in System open market policy resulted in holdings of acceptances beginning March 31, 1955; these were the first acceptances purchased since 1951. The table below shows a comparison of average daily holdings and average interest rates on loans and securities held by the Federal Reserve Banks during the past three years.

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1953-55

[Dollar amounts in thousands]

Item and year	Total ¹	Dis- counts and advances	In- dus- trial loans	Accept- ances	U. S. Govern- ment securities
Average daily holdings: ¹					
1953.....	\$25,438,684	\$777,595	\$3,185	.....	\$24,657,904
1954.....	24,866,567	216,697	1,179	.....	24,648,691
1955.....	24,570,401	666,152	607	\$12,422	23,891,220
Earnings:					
1953.....	512,852	15,276	121	.....	497,455
1954.....	438,359	3,479	43	.....	434,837
1955.....	412,303	13,085	24	216	398,978
Average rate of interest (per cent):					
1953.....	2.02	1.96	3.80	.....	2.02
1954.....	1.76	1.61	3.65	.....	1.76
1955.....	1.68	1.96	3.95	1.74	1.67

* Revised.

¹ Based on holdings at opening of business.

Foreign and international accounts. A further rise of \$666 million occurred during the year in the Federal Reserve Banks' holdings of gold and dollar assets for foreign account. The rising tendency of recent years began early in 1952 and has continued since that time, with little interruption. Year-end holdings of \$9.8

billion consisted of \$5.7 billion of earmarked gold, \$3.5 billion of United States Government securities, largely Treasury bills, approximately \$400 million in dollar deposits, and about \$125 million of miscellaneous securities.

The gold and dollar assets of the International Monetary Fund and the International Bank for Reconstruction and Development, held at the Federal Reserve Bank of New York, registered a comparatively slight gain, \$66 million, to reach a total of \$3.8 billion.

Accounts were opened by the central banks of two of the new independent Indochinese states.

New advances against gold were of relatively minor importance, this type of accommodation having declined substantially in recent years. One loan of \$133 million outstanding at the beginning of the year was liquidated by October and new credit arrangements involved only a total of \$28 million, of which \$1 million was outstanding at the year-end. Loans on gold and commitments for such loans are ordinarily made to foreign monetary authorities to assist them in meeting seasonal dollar shortages or other shortages of a clearly temporary nature.

The Federal Reserve Bank of New York continued, in its capacity of depository and fiscal agent, to extend various services to the International Bank for Reconstruction and Development and the International Monetary Fund. Also, as fiscal agent of the United States, it operated the United States Stabilization Fund pursuant to authorization and instructions of the Treasury Department. On behalf of the Treasury Department it continued the administration of the foreign assets control regulations pertaining to assets in the United States of Communist China and North Korea and their nationals, including transactions with those countries.

Bank premises. During the year the Board authorized the construction of new buildings for the Buffalo and Louisville Branches; the construction of additions to the Bank buildings at Baltimore, Charlotte, Minneapolis, Pittsburgh, and San Francisco; and the construction of a parking garage and security court adjacent to the Bank building at Atlanta.

FEDERAL RESERVE MEETINGS

The Federal Open Market Committee met on January 11, March 2, May 10, June 22, July 12, August 2, August 23, September 14,

September 26, October 4, October 25, November 16, November 30, December 8, and December 13, 1955, and the executive committee of the full Committee met frequently until it was abolished by action of the full Committee on June 22, 1955. 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 89-111 of this report.

A meeting of the Conference of Chairmen of the Federal Reserve Banks was held on December 1-2, 1955, and was attended by members of the Board of Governors.

The Conference of Presidents of the Federal Reserve Banks held meetings on February 28-March 1, June 20-21, and October 3, 1955, and the Board of Governors met with the Presidents on March 3, June 22, and October 4, 1955.

Meetings of the Federal Advisory Council were held on February 13-15, May 15-17, September 18-20, and November 13-15, 1955. The Board of Governors met with the Council on February 15, May 17, September 20, and November 15, 1955. 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 accounts of the Board for the year 1955 were audited by the public accounting firm of Arthur Andersen & Co., whose certificate follows:

To the Board of Governors
of the Federal Reserve System:

We have examined the balance sheet of the Board of Governors of the Federal Reserve System as of December 31, 1955, and the related statement of income and expenses for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and expenses present fairly the financial position of the Board of Governors of the Federal Reserve System as of December 31, 1955, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Washington, D. C.,
January 30, 1956.

BALANCE SHEET—DECEMBER 31, 1955

ASSETS

Cash in Federal Reserve Bank of Richmond.....		\$	529,189.69	
Petty cash.....			800.00	
Miscellaneous receivables and travel advances.....			13,878.87	
Stockroom and cafeteria inventories, at cost.....			18,255.15	
Property and equipment:				
	At cost	Reserve for depreciation		
Land and improvements.....	\$ 792,852.42	\$ —		
Building.....	3,770,175.61	—		
Furniture and equipment.....	458,120.16	276,276.94		
Automobiles.....	15,388.36	15,220.59		
	<u>\$5,036,536.55</u>	<u>\$291,497.53</u>	4,745,039.02	
			<u><u>\$5,307,162.73</u></u>	

LIABILITIES AND FUND BALANCES

Accounts payable.....	\$	175,531.18	
Employee Federal income taxes withheld.....		110,270.87	
Accrued payroll.....		134,942.12	
Fund Balances:			
Balance, December 31, 1954.....	\$5,156,607.86		
Excess of expenses over income, per accompanying statement.....		(268,641.85)	
Fixed assets purchased, etc. (net).....		(1,547.45)	
Balance, December 31, 1955.....	<u>\$4,886,418.56</u>		
Represented by—			
Property and Equipment Fund.....		4,745,039.02	
Operating Fund.....		141,379.54	
		<u><u>\$5,307,162.73</u></u>	

NOTE—The Board provides for depreciation of furniture and equipment and automobiles, but depreciation of the building has not been recognized in the accounts inasmuch as the Board deems a provision for such depreciation as unnecessary since funds for replacement of the building will be obtained, when required, from outside sources.

STATEMENT OF INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1955

INCOME:

Assessments against Federal Reserve Banks.....	\$4,194,100.00
Bulletin sales.....	18,296.91
Other publications sales.....	16,368.34
Miscellaneous income.....	2,802.92
	<u>\$4,231,568.17</u>

EXPENSES:

Salaries.....	\$3,192,745.93
Retirement and insurance contributions.....	330,234.46
Traveling expenses.....	233,088.05
Postage and expressage.....	53,437.06
Telephone and telegraph, including leased wire operations (net) ..	64,749.90
Printing and binding.....	183,629.36
Stationery and supplies.....	31,511.68
Equipment rental.....	22,888.95
Provision for depreciation.....	26,394.92
Books and subscriptions.....	13,239.92
Heat, light, and power.....	38,956.25
Repairs, maintenance, and alterations.....	15,529.32
Insurance.....	6,283.15
Consumer Finances Surveys.....	135,560.78
Talle Subcommittee project.....	52,374.30
Other survey and research projects.....	15,132.00
Legal and consultant fees and expenses.....	14,710.17
Security clearance investigations for Board employees.....	5,374.40
Audit expenses applicable to Board's accounts.....	2,500.00
Loss from operation of cafeteria (net).....	46,829.88
Other.....	15,039.54
	<u>\$4,500,210.02</u>

EXCESS OF EXPENSES OVER INCOME..... \$ 268,641.85

NOTE—Salaries, and retirement and insurance contributions exclude approximately \$71,600 and \$7,600, respectively, which were charged direct to cafeteria operations.

In the foregoing statement of income and expenses, as reported on by Arthur Andersen & Co., "Other" expenses of \$15,039.54 include an expenditure of \$66.50 by the Board of Governors for cost of a luncheon at a meeting in connection with the Treasury Department's savings bond program.

The Board received the following reimbursements in 1955 for expenditures which it makes on a reimbursable basis:

Printing Federal Reserve notes.....	\$4,224,898.88
Currency Redemption Division (Office of the Treasurer of the United States).....	384,759.00
Federal Reserve Issue and Redemption Division (Office of the Comptroller of the Currency).....	150,940.86
Leased wire service (telegraph).....	276,786.44
Leased telephone lines.....	9,684.00
Miscellaneous.....	17,331.31

TABLES

**NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL)
DECEMBER 31, 1955**

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

ASSETS		
Gold certificates on hand:		
Held by Federal Reserve Banks	1,015,555	
Held by Federal Reserve Agents	1,800,000	
Gold certificates due from U. S. Treasury:		
Interdistrict Settlement Fund	7,412,798	
Federal Reserve Agents' Fund	9,913,000	20,141,353
Redemption fund for Federal Reserve notes		867,842
Total gold certificate reserves		21,009,195
Federal Reserve notes of other Federal Reserve Banks		344,535
Other cash:		
United States notes	29,942	
Silver certificates	262,545	
Standard silver dollars	4,260	
National bank notes and Federal Reserve Bank notes	1,508	
Subsidiary silver, nickels, and cents	42,643	
Total other cash		340,898
Discounts and advances secured by U. S. Govt. securities:		
Discounted for member banks	106,762	
Discounted for others		106,762
Other discounts and advances:		
Discounted for member banks		
Foreign loans on gold	1,000	1,000
Total discounts and advances		107,762
Industrial loans		702
Acceptances:		
Bought outright		23,802
Held under repurchase agreement		4,403
U. S. Government securities:		
Bought outright—		
Bills	1,502,696	
Certificates	5,920,699	
Notes	14,165,913	
Bonds	2,801,750	
Total bought outright	24,391,058	
Held under repurchase agreement	393,575	
Total U. S. Government securities		24,784,633
Total loans and securities		24,921,302
Due from foreign banks		22
Uncollected cash items:		
Transit items	5,034,610	
Exchanges for clearing house	313,956	
Other cash items	154,097	
Total uncollected cash items		5,502,663
Bank premises:		
Land		17,347
Buildings (including vaults)	69,213	
Fixed machinery and equipment	29,006	
Total buildings	98,219	
Less depreciation allowances	54,402	43,817
Total bank premises		61,164
Other assets:		
Miscellaneous assets acquired account industrial loans	79	
Less valuation allowances	25	
Net		54
Reimbursable expenses and other items receivable		4,639
Interest accrued		144,219
Premium on securities		3,713
Deferred charges		1,896
Real estate acquired for banking house purposes		4,580
Suspense account		567
All other		559
Total other assets		160,227
Total assets		52,340,006

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

—Continued

LIABILITIES

Federal Reserve notes:		
Outstanding (issued to Federal Reserve Banks).....	27,989,142	
Less: Held by issuing Federal Reserve Banks.....	988,208	
Forwarded for redemption.....	79,993	1,068,201
Federal Reserve notes, net (includes notes held by U. S. Treasury and by Federal Reserve Banks other than issuing Bank).....		26,920,941
Deposits:		
Member bank reserves.....	19,004,930	
U. S. Treasurer—general account.....	393,863	
Foreign.....	401,986	
Other deposits:		
Nonmember bank—clearing accounts.....	95,274	
Officers' and certified checks.....	10,106	
Federal Reserve exchange drafts.....	421	
International organizations ¹	67,382	
All other.....	381,089	
Total other deposits.....	554,272	
Total deposits.....		20,355,051
Deferred availability cash items.....		3,917,294
Other liabilities:		
Accrued dividends unpaid.....		
Unearned discount.....	106	
Discount on securities.....	11,112	
Sundry items payable.....	3,301	
Suspense account.....	84	
All other.....	84	
Total other liabilities.....		14,687
Total liabilities.....		51,207,973

CAPITAL ACCOUNTS

Capital paid in.....	302,739	
Surplus (Sec. 7).....	693,612	
Surplus (Sec. 13b).....	27,543	
Other capital accounts:		
Reserves for contingencies:		
Reserve for registered mail losses.....	10,139	
All other.....	98,000	
Total other capital accounts ²		108,139
Total liabilities and capital accounts.....		52,340,006
Contingent liability on acceptances purchased for foreign correspondents.....		33,461
Industrial loan commitments.....		2,294

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

² During the year this item includes the net of earnings, expenses, profits, etc., which are closed out on December 31; see Table No. 6 on pp. 66-67.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1955 AND 1954

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954
ASSETS												
Gold certificate account.....	20,141,353	20,165,102	962,856	1,030,159	5,189,433	5,322,811	1,105,726	1,220,496	1,702,371	1,717,478	1,275,460	1,156,033
Redemption fund for Federal Reserve notes.....	867,842	867,405	53,542	53,668	180,781	184,192	61,738	58,928	78,193	76,999	72,427	74,913
Total gold certificate reserves...	21,009,195	21,032,507	1,016,398	1,083,827	5,370,214	5,507,003	1,167,464	1,279,424	1,780,564	1,794,477	1,347,887	1,230,946
Federal Reserve notes of other Banks..	344,535	239,001	24,368	14,846	55,855	47,323	37,672	17,291	17,923	16,882	38,250	22,852
Other cash.....	340,898	374,660	23,567	24,277	65,444	80,491	16,770	16,199	27,270	37,499	23,788	24,156
Discounts and advances:												
Secured by U. S. Govt. securities..	106,762	9,970	1,300	550	18,950	450	26,855	3,900	525	2,370	4,125	750
Other.....	1,000	133,334	60	8,133	292	38,667	73	9,867	91	12,267	50	6,800
Industrial loans.....	702	708					642	612				
Acceptances:												
Bought outright.....	23,802				23,802							
Held under repurchase agreement..	4,403				4,403							
U. S. Government securities:												
Bought outright.....	24,391,058	24,888,362	1,346,972	1,373,290	6,198,865	6,357,284	1,484,488	1,514,656	2,096,241	2,133,107	1,436,975	1,465,875
Held under repurchase agreement..	393,575	44,000			393,575	44,000						
Total loans and securities.....	24,921,302	25,076,374	1,348,332	1,381,973	6,639,887	6,440,401	1,512,058	1,529,035	2,096,857	2,147,744	1,441,150	1,473,425
Due from foreign banks.....	22	22	1	1	16	16	2	2	2	2	1	1
Uncollected cash items.....	5,502,663	3,958,555	485,280	295,141	1,025,230	771,896	327,844	235,683	653,563	371,459	437,745	333,590
Bank premises.....	61,164	54,748	5,642	5,919	7,766	7,149	5,050	5,164	5,905	5,260	5,218	4,495
Other assets.....	160,227	136,268	8,412	7,165	39,165	33,268	9,264	7,915	13,551	11,328	9,161	7,854
Total assets.....	52,340,006	50,872,135	2,912,000	2,813,149	13,203,567	12,887,537	3,076,124	3,090,713	4,595,635	4,384,651	3,303,200	3,097,319

* After deducting \$16,000 participations of other Federal Reserve Banks.

LIABILITIES												
Federal Reserve notes.....	26,920,941	26,253,133	1,613,946	1,608,630	6,120,412	5,950,858	1,839,889	1,845,959	2,492,709	2,417,961	2,024,917	1,864,245
Deposits:												
Member bank reserves.....	19,004,930	18,876,128	861,914	795,449	5,552,721	5,482,319	868,455	884,622	1,492,811	1,467,287	833,907	829,940
U.S. Treasurer—general account..	393,863	563,137	29,377	47,253	68,614	95,808	22,008	39,713	26,036	42,858	17,777	44,619
Foreign.....	401,986	489,960	23,160	29,402	218,673	2147,721	28,178	35,668	35,126	44,344	19,300	24,582
Other.....	554,272	441,493	6,115	7,609	369,765	322,038	15,458	14,135	12,884	13,025	21,225	5,627
Total deposits.....	20,355,051	20,370,718	920,566	879,713	6,119,773	6,047,886	934,099	974,138	1,566,857	1,567,514	892,209	904,768
Deferred availability cash items.....	3,917,294	3,150,357	308,187	258,100	642,671	575,375	219,651	190,709	432,141	299,652	325,780	270,806
Other liabilities.....	14,687	13,945	658	619	5,414	5,456	751	684	1,185	1,121	612	556
Total liabilities.....	51,207,973	49,788,153	2,843,357	2,747,062	12,888,270	12,579,575	2,994,390	3,011,490	4,492,892	4,286,248	3,243,518	3,040,375
CAPITAL ACCOUNTS												
Capital paid in.....	302,739	287,754	16,161	14,998	89,473	89,949	19,757	18,982	29,296	27,318	13,772	12,618
Surplus (Sec. 7).....	693,612	660,901	41,667	40,309	195,827	188,070	49,491	47,773	62,563	60,222	35,012	33,480
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.....	108,139	107,784	7,804	7,769	22,678	22,624	7,997	7,979	9,878	9,857	7,549	7,497
Total liabilities and capital accounts.....	52,340,006	50,872,135	2,912,000	2,813,149	13,203,567	12,887,537	3,076,124	3,090,713	4,595,635	4,384,651	3,303,200	3,097,319
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined.....	44.4%	45.1%	40.1%	43.6%	43.9%	45.9%	42.1%	45.4%	43.9%	45.0%	46.2%	44.5%
Contingent liability on acceptances purchased for foreign correspondents.	33,461	19,052	2,010	1,171	39,743	35,420	2,445	1,421	3,048	1,766	1,675	979
Industrial loan commitments.....	2,294	1,149					41	128	322	598	11	39
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding.....	27,989,142	27,346,789	1,673,687	1,670,589	6,347,837	6,183,612	1,920,748	1,916,984	2,613,518	2,559,779	2,107,742	1,939,335
Held by Federal Reserve Bank and forwarded for redemption..	1,068,201	1,093,656	59,741	61,959	227,425	232,754	80,859	71,025	120,809	141,818	82,825	75,090
Federal Reserve notes, net ⁴	26,920,941	26,253,133	1,613,946	1,608,630	6,120,412	5,950,858	1,839,889	1,845,959	2,492,709	2,417,961	2,024,917	1,864,245
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account.....	11,713,000	11,208,000	640,000	640,000	2,870,000	2,670,000	725,000	800,000	1,070,000	1,050,000	845,000	675,000
Eligible paper.....	52,387	7,150	1,300	550			26,855	3,900			4,125	750
U. S. Government securities.....	17,185,000	17,140,000	1,200,000	1,200,000	3,600,000	3,600,000	1,200,000	1,200,000	1,600,000	1,550,000	1,300,000	1,300,000
Total collateral.....	28,950,387	28,355,150	1,841,300	1,840,550	6,470,000	6,270,000	1,951,855	2,003,900	2,670,000	2,600,000	2,149,125	1,975,750

² After deducting \$273,288,000 participations of other Federal Reserve Banks on Dec. 31, 1955, and \$342,220,000 on Dec. 31, 1954.

³ After deducting \$23,718,000 participations of other Federal Reserve Banks on Dec. 31, 1955, and \$13,632,000 on Dec. 31, 1954.

⁴ 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 1955 AND 1954—Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954
ASSETS														
Gold certificate account.....	889,111	904,578	3,657,307	3,581,139	895,248	782,928	339,279	421,328	832,999	838,886	785,592	807,406	2,505,971	2,381,860
Redemption fund for Federal Reserve notes.....	53,717	53,931	155,100	144,008	44,502	47,149	23,729	24,644	41,731	39,771	26,921	28,793	75,461	80,409
Total gold certificate reserves.....	942,828	958,509	3,812,407	3,725,147	939,750	830,077	363,008	445,972	874,730	878,657	812,513	836,199	2,581,432	2,462,269
Federal Reserve notes of other Banks.....	48,161	42,243	32,502	20,411	14,289	12,393	9,587	8,567	8,868	10,673	23,316	9,212	33,744	16,308
Other cash.....	27,113	33,004	50,521	62,994	20,063	24,837	7,908	8,848	15,129	14,929	16,879	14,234	46,446	33,192
Discounts and advances:														
Secured by U.S. Govt. securities.....	19,700		3,200		1,800		1,355	450	16,952	1,500	2,000		10,000	
Other.....	43	5,733	140	18,533	38	5,067	25	3,333	38	5,067	47	6,267	103	13,600
Industrial loans.....							60	96						
Acceptances:														
Bought outright.....														
Held under repurchase agreement.....														
U. S. Government securities:														
Bought outright.....	1,259,018	1,267,589	4,254,459	4,350,934	1,012,180	1,041,454	591,068	611,183	1,060,767	1,073,783	978,033	977,963	2,671,992	2,721,244
Held under repurchase agreement.....														
Total loans and securities.....	1,278,761	1,273,322	4,257,799	4,369,467	1,014,018	1,046,521	592,508	615,062	1,077,757	1,080,350	980,080	984,230	2,682,095	2,734,844
Due from foreign banks.....	1	1	3	3	1	1	1	1	1	1	1	1	2	2
Uncollected cash items.....	376,499	311,508	900,964	638,551	225,904	154,706	137,663	101,402	222,454	205,672	227,375	208,977	482,142	329,970
Bank premises.....	4,045	3,879	6,071	6,281	3,399	2,832	2,194	1,007	3,490	2,533	2,146	1,133	10,238	9,096
Other assets.....	9,001	7,609	29,088	25,246	6,455	5,962	3,805	3,238	6,816	6,082	7,767	5,877	17,742	14,724
Total assets.....	2,686,409	2,630,075	9,089,355	8,848,100	2,223,879	2,077,329	1,116,674	1,184,097	2,209,245	2,198,897	2,070,077	2,059,863	5,853,841	5,600,405

LIABILITIES														
Federal Reserve notes	1,398,443	1,387,728	5,190,330	5,064,809	1,248,229	1,177,567	531,709	583,511	1,051,429	1,028,614	720,021	739,472	2,688,907	2,583,779
Deposits:														
Member bank reserves	851,420	866,804	2,987,410	2,979,096	716,406	670,349	405,586	443,527	884,226	912,171	1,019,815	1,039,814	2,530,259	2,504,750
U.S. Treasurer—general account	39,760	38,350	40,009	97,481	7,888	28,356	25,108	27,339	34,666	31,581	47,589	23,692	35,031	46,087
Foreign	16,598	20,726	54,040	66,998	14,668	18,316	9,650	12,050	14,668	18,316	18,142	22,654	39,783	49,183
Other	5,766	3,613	16,540	15,350	26,322	8,885	5,693	2,316	4,835	4,837	2,590	2,355	67,079	41,703
Total deposits	913,544	929,493	3,097,999	3,158,925	765,284	725,906	446,037	485,232	938,395	966,905	1,088,136	1,088,515	2,672,152	2,641,723
Deferred availability cash items	322,119	263,481	640,401	471,408	164,959	130,210	108,768	86,438	174,184	160,467	204,329	180,275	374,104	263,436
Other liabilities	591	528	2,480	2,319	545	462	411	347	521	460	401	398	1,118	995
Total liabilities	2,634,697	2,581,230	8,931,210	8,697,461	2,179,017	2,034,145	1,086,925	1,155,528	2,164,529	2,156,446	2,012,887	2,008,660	5,736,281	5,489,933
CAPITAL ACCOUNTS														
Capital paid in	13,693	12,203	40,487	38,354	10,564	9,935	6,861	6,360	11,951	10,912	16,563	14,457	34,161	31,668
Surplus (Sec. 7)	30,841	29,480	101,894	96,566	27,649	26,619	17,586	16,918	25,960	24,755	33,847	29,985	71,275	66,724
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	6,416	6,400	14,335	14,290	6,128	6,109	4,229	4,218	5,668	5,647	5,473	5,454	9,984	9,940
Total liabilities and capital accounts	2,686,409	2,630,075	9,089,355	8,848,100	2,223,879	2,077,329	1,116,674	1,184,097	2,209,245	2,198,897	2,070,077	2,059,863	5,853,841	5,600,405
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	40.8%	41.4%	46.0%	45.3%	46.7%	43.6%	37.1%	41.7%	44.0%	44.0%	44.9%	45.7%	48.2%	47.1%
Contingent liability on acceptances purchased for foreign correspondents	1,440	826	4,690	2,669	1,273	730	838	480	1,273	730	1,575	902	3,451	1,958
Industrial loan commitments		104		17					1,920	263				
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	1,461,819	1,467,671	5,314,915	5,185,253	1,299,693	1,227,557	583,154	622,837	1,088,386	1,063,357	761,419	789,675	2,816,224	2,720,140
Held by Federal Reserve Bank and forwarded for redemption	63,376	79,943	124,585	120,444	51,464	49,990	51,445	39,326	36,957	34,743	41,398	50,203	127,317	136,361
Federal Reserve notes, net ⁴	1,398,443	1,387,728	5,190,330	5,064,809	1,248,229	1,177,567	531,709	583,511	1,051,429	1,028,614	720,021	739,472	2,688,907	2,583,779
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	500,000	500,000	2,400,000	2,400,000	450,000	355,000	150,000	175,000	280,000	280,000	283,000	283,000	1,500,000	1,380,000
Eligible paper					1,800		1,355	450	16,952	1,500				
U. S. Government securities	1,000,000	1,000,000	3,000,000	2,900,000	910,000	945,000	500,000	500,000	850,000	800,000	525,000	525,000	1,500,000	1,620,000
Total collateral	1,500,000	1,500,000	5,400,000	5,300,000	1,361,800	1,300,000	651,355	675,450	1,146,952	1,081,500	808,000	808,000	3,000,000	3,000,000

⁴ 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 1953, 1954, AND 1955**
[In thousands of dollars]

Type of issue	Rate of interest (Per cent)	December 31			Change during	
		1955	1954	1953	1955	1954
Treasury bonds:						
1952-54 June.....	2			476,900		-476,900
1952-54 Dec.....	2			283,100		-283,100
1952-55.....	2 1/4			96,700		-96,700
1951-55.....	2			8,200		-8,200
1956-58.....	2 1/2	12,493	12,493	12,493		
1958 June.....	2 1/2					
1958 Dec.....	2 1/2					
1957-59.....	2 1/2	339,096	339,096	339,096		
1956-59.....	2 1/2	21,690	21,690	21,690		
1956-59 ¹	2 1/2					
1960 Nov.....	2 1/2					
1961 Sept.....	2 1/2					
1961 Nov.....	2 1/2					
1959-62 June.....	2 1/2	319,849	319,849	319,849		
1959-62 Dec.....	2 1/2	693,765	693,765	693,765		
1958-63 ¹	2 1/2					
1963 Aug.....	2 1/2					
1960-65 ¹	2 1/2					
1962-67.....	2 1/2	56,610	56,610	56,610		
1963-68.....	2 1/2	122,585	122,585	122,585		
1964-69 June.....	2 1/2	203,890	203,890	203,890		
1964-69 Dec.....	2 1/2	266,999	266,999	266,999		
1965-70.....	2 1/2	521,490	521,490	521,490		
1966-71.....	2 1/2	132,707	132,707	132,707		
1967-72 June.....	2 1/2	49,266	49,266	49,266		
1967-72 Sept.....	2 1/2	2,552	2,552	2,552		
1967-72 Dec.....	2 1/2	58,758	58,758	58,758		
1978-83.....	3 1/4					
1995 Feb.....	3					
Total Treasury bonds.....		2,801,750	2,801,750	3,666,650		-864,900
Treasury notes:						
Mar. 15, 1954-A.....	1 1/2			257,450		-257,450
Dec. 15, 1954-B.....	1 1/2			6,994,050		-6,994,050
Mar. 15, 1955-A.....	1 1/2		95,300	89,800	-95,300	+5,500
Dec. 15, 1955-B.....	1 1/4		3,235,123	3,233,623	-3,235,123	+1,500
Mar. 15, 1956-A.....	1 1/2	4,066,900			+4,066,900	
Apr. 1, 1956-EA.....	1 1/2	1,000,000	1,000,000	1,000,000		
Aug. 15, 1956-B.....	2	7,451,415			+7,451,415	
Oct. 1, 1956-EO.....	1 1/2	500,000	500,000	500,000		
Mar. 15, 1957-A.....	2 1/2	26,600			+26,600	
Apr. 1, 1957-EA.....	1 1/2	500,000	500,000	500,000		
May 15, 1957-B.....	1 1/2					
Aug. 15, 1957-C.....	2					
Oct. 1, 1957-EO.....	1 1/2	713,848	713,848	713,848		
Apr. 1, 1958-EA.....	1 1/2					
June 1, 1958-A.....	2 1/2					
Oct. 1, 1958-EO.....	1 1/2					
Feb. 15, 1959-A.....	1 1/2					
Apr. 1, 1959-EA.....	1 1/2					
Oct. 1, 1959-EO.....	1 1/2					
Apr. 1, 1960-EA.....	1 1/2					
Oct. 1, 1960-EA.....	1 1/2					
Total Treasury notes.....		14,258,763	6,044,271	13,288,771	+8,214,492	-7,244,500
Certificates.....						
	1 1/2		7,440,065		-7,440,065	+7,440,065
	1 1/4		2,520,076		-2,520,076	+2,520,076
	1 1/2		3,922,200		-3,922,200	+3,922,200
	1 1/2					
	2	12,700			+12,700	
	2 1/4	26,200		3,704,750	+26,200	-3,704,750
	2 1/2			128,900		-128,900
	2 1/2	5,962,899		2,133,491	+5,962,899	-2,133,491
Total certificates.....		6,001,799	13,882,341	5,967,141	-7,880,542	+7,915,200
Treasury bills.....		1,722,321	2,204,000	2,993,012	-481,679	-789,012
Total holdings.....		24,784,633	24,932,362	25,915,574	-147,729	-983,212

¹Partly tax-exempt.

NO. 4—FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953-55¹

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount	Date	Amount
1953—Mar. 18	110	1953—June 8	374	1953—June 20	992	1954—Jan. 21	306
19	104	9	491	*21	992	22	283
20	189	10	451	22	908	23	283
21	189	11	358	23	608	*24	283
*22	189	12	506	24	296	25	203
23	333	13	506	1954—Jan. 14	22	26	3
24	186	*14	506	15	169	Mar. 15	134
25	63	15	999	16	169	16	190
26	49	16	1,172	*17	169		
June 5	196	17	823	18	323	1955—no transactions	
6	196	18	364	19	424		
*7	196	19	992	20	323		

*Sunday or holiday.

¹ On Nov. 9, 1953, the Reserve Banks sold direct to the U. S. Treasury \$500 million 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 $\frac{1}{4}$ 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, 1951-55

[Number in thousands; amounts in thousands of dollars]

	1955	1954	1953	1952	1951
NUMBER OF PIECES HANDLED¹					
Discounts and advances:					
Notes discounted and advances made.....	21	10	20	18	11
Industrial loans:					
Loans made.....	.1	.2	.6	1	1.4
Commitments to make industrial loans.....	(2)	(2)	(2)	(2)	(2)
Currency received and counted.	4,282,562	4,384,270	4,405,255	4,183,063	4,066,619
Coin received and counted....	7,008,777	7,064,082	5,889,238	5,716,379	5,889,223
Checks handled:					
U. S. Govt. checks.....	503,516	481,408	458,607	446,084	412,865
Postal money orders.....	347,351	354,368	366,807	371,318	.....
All other ²	2,644,525	2,513,966	2,415,164	2,293,061	2,122,147
Collection items handled:					
U. S. Govt. coupons paid..	12,301	12,753	13,703	13,599	14,510
All other.....	16,368	15,443	14,360	14,172	13,428
Issues, redemptions, and exchanges of U. S. Govt. securities.....	191,922	191,112	177,596	163,568	154,335
Transfers of funds.....	1,960	1,808	1,718	1,595	1,525
AMOUNTS HANDLED					
Discounts and advances.....	88,436,422	22,871,449	93,438,640	105,549,326	43,422,106
Industrial loans:					
Loans made.....	2,901	7,477	22,009	31,193	27,656
Commitments to make industrial loans.....	2,412	520	980	3,468	9,078
Currency received and counted.	27,461,048	28,482,428	29,514,663	27,001,076	26,175,324
Coin received and counted....	752,345	769,819	607,205	558,416	592,664
Checks handled:					
U. S. Govt. checks.....	123,215,681	141,037,495	140,739,438	119,423,270	89,648,061
Postal money orders.....	5,814,754	5,943,178	6,091,173	5,996,899	.....
All other ²	965,189,633	882,971,848	885,726,031	840,094,629	799,891,846
Collection items handled:					
U. S. Govt. coupons paid..	2,595,305	2,209,045	2,270,606	1,923,079	2,020,560
All other.....	5,354,604	5,085,695	4,615,970	5,103,262	5,121,274
Issues, redemptions, and exchanges of U. S. Govt. securities.....	429,701,960	469,247,400	381,877,330	355,234,532	344,771,945
Transfers of funds.....	1,091,608,891	1,038,100,606	876,838,475	767,974,539	656,771,175

¹ Revised.² Two or more checks, coupons, etc., handled as a single item are counted as one "piece."³ Less than 50.⁴ Exclusive of checks drawn on the Federal Reserve Banks.

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1955

Item	Total	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discount and advances.....	\$13,084,632	\$498,376	\$3,055,322	\$958,778	\$863,074	\$567,773	\$1,015,249	\$2,640,046	\$474,372	\$840,861	\$908,481	\$467,157	\$795,143
Industrial loans.....	24,199			20,202						3,997			
Commitments to make industrial loans.....	17,842			884	5,398	210	818	80			10,452		
Acceptances.....	215,641		215,641										
U. S. Government securities.....	398,977,919	21,965,707	102,368,356	24,212,406	34,169,783	23,436,369	20,474,183	69,427,125	16,540,000	9,669,412	17,270,913	15,880,780	43,562,885
All other.....	167,698	14,095	26,472	10,332	16,943	8,490	13,210	23,908	6,150	12,007	17,556	9,887	8,648
Total current earnings..	412,487,931	22,478,178	105,665,791	25,202,602	35,055,198	24,012,842	21,503,460	72,091,159	17,020,522	10,526,277	18,207,402	16,357,824	44,366,676
CURRENT EXPENSES													
Salaries:													
Officers.....	5,171,135	330,919	917,538	339,630	436,648	383,418	418,857	586,401	361,077	294,342	330,175	348,013	424,117
Employees.....	68,548,252	4,164,103	15,364,153	4,069,829	6,025,265	4,408,395	4,063,355	10,932,346	3,828,916	2,058,279	3,513,649	3,267,435	6,852,527
Directors' and other fees.....	265,015	15,370	38,874	21,744	16,023	18,910	33,925	16,136	24,362	16,066	16,157	19,709	27,739
Retirement contributions.....	6,782,212	420,815	1,445,476	396,657	594,286	451,018	423,366	1,086,488	380,116	203,437	363,893	345,219	671,441
Traveling expenses.....	1,335,055	86,205	197,592	65,788	129,664	113,259	98,794	162,752	90,219	69,270	82,931	94,657	143,924
Postage and expressage.....	15,179,071	1,203,292	2,253,381	819,797	1,241,272	1,395,090	1,290,106	2,165,054	822,955	492,849	863,713	779,745	1,851,817
Telephone and telegraph.....	981,293	52,172	205,494	50,642	74,515	68,590	90,644	114,380	59,814	36,630	56,814	65,728	105,870
Printing, stationery, and supplies.....	5,217,321	374,234	934,369	291,246	413,884	345,829	408,539	938,952	359,279	134,634	298,425	235,858	482,072
Insurance.....	1,041,464	75,687	182,520	52,750	102,317	90,657	71,007	142,954	74,518	28,691	73,839	49,941	96,583
Taxes on real estate.....	2,939,567	450,210	646,271	123,384	259,740	124,051	147,833	451,020	102,866	105,213	130,981	74,443	323,555
Depreciation (building).....	2,620,474	403,814	273,241	268,149	357,446	243,496	162,231	283,321	72,916	56,111	81,688	35,307	382,754
Light, heat, power, and water.....	1,187,842	101,577	206,729	86,107	118,644	94,033	59,493	161,340	88,628	38,156	93,503	47,328	92,304
Repairs and alterations.....	770,697	25,822	141,768	86,346	224,402	44,362	52,882	46,383	39,990	22,862	20,337	21,380	44,163
Rent.....	458,188	2,891	4,082	14,115	84,669	2,386	111,308	86,316	1,462	60,253	595	49,485	40,626
Furniture and equipment:													
Purchases.....	1,346,909	99,477	74,878	73,501	192,143	152,546	136,443	228,334	174,552	28,585	67,797	38,446	80,207
Rentals.....	4,316,821	370,326	629,793	310,145	389,761	297,036	271,167	701,938	243,320	161,263	258,521	227,148	456,403
Assessment for expenses of Board of Governors.....	4,194,100	251,100	1,218,800	306,000	380,500	213,100	183,800	585,600	159,500	105,000	158,800	198,000	433,900
Federal Reserve currency.....	4,707,002	343,777	1,250,134	309,484	252,424	369,113	281,381	810,535	238,654	62,047	201,580	149,728	438,145
All other.....	1,594,099	120,130	275,420	118,003	393,814	109,352	105,343	281,455	108,193	86,559	126,188	88,395	172,356
Total.....	128,656,517	8,891,921	26,260,513	7,803,317	11,687,417	8,924,641	8,410,474	19,781,705	7,231,337	4,060,247	6,739,586	6,135,965	13,120,503
Less reimbursement for certain fiscal agency and other expenses.....	118,596,494	965,649	3,546,921	962,242	1,734,062	1,082,467	1,323,144	3,381,061	1,158,036	541,484	1,288,118	1,079,300	1,925,119
Net expenses.....	110,060,023	7,926,272	22,713,592	6,841,075	9,953,355	7,842,174	7,087,330	16,400,644	6,073,301	3,518,763	5,451,468	5,056,665	11,195,384

PROFIT AND LOSS

Current net earnings.....	302,427,908	14,551,906	82,952,199	18,361,527	25,101,843	16,170,668	14,416,130	55,690,515	10,947,221	7,007,514	12,755,934	11,301,159	33,171,292
Additions to current net earnings.....	178,313	270	59,877	485	16,315	482	122	9,049	636	86,471	1,825	2,631	150
Deductions from current net earnings:													
Losses on sales of U. S. Government securities (net).....	506	83	34	50	74	55	40	+7	73	39	33	46	+14
Reserves for contingencies.....	356,669	35,397	54,159	18,266	20,806	51,955	16,181	44,972	18,662	11,536	21,333	18,945	44,457
All other.....	86,594	6,953	33,221	224	1,380	995	5,285	20,908	6,998	1,971	131	342	8,186
Total deductions.....	443,769	42,433	87,414	18,540	22,260	53,005	21,506	65,873	25,733	13,546	21,497	19,333	52,629
Net deductions.....	265,456	42,163	27,537	18,055	5,945	52,523	21,384	56,824	25,097	+72,925	19,672	16,702	52,479
Net earnings before payments to U. S. Treasury...	302,162,452	14,509,743	82,924,662	18,343,472	25,095,898	16,118,145	14,394,746	55,633,691	10,922,124	7,080,439	12,736,262	11,284,457	33,118,813
Paid U. S. Treasury (interest on F. R. notes).....	251,740,721	12,221,591	69,806,747	15,456,865	21,070,509	13,786,647	12,249,151	47,949,747	9,274,574	6,013,073	10,843,053	6,491,494	26,577,270
Dividends paid.....	17,711,937	930,218	5,361,648	1,169,206	1,684,251	799,651	784,588	2,356,233	617,044	399,257	688,430	931,086	1,990,325
Transferred to surplus (Sec. 7) Surplus (Sec. 7) January 1...	32,709,794	1,357,934	7,756,267	1,717,401	2,341,138	1,531,847	1,361,007	5,327,711	1,030,506	668,109	1,204,779	3,861,877	4,551,218
	660,901,518	40,308,695	188,070,589	47,773,113	60,222,040	33,480,005	29,480,095	96,565,887	26,618,987	16,918,046	24,755,181	29,985,195	66,723,685
Surplus (Sec. 7) December 31	693,611,312	41,666,629	195,826,856	49,490,514	62,563,178	35,011,852	30,841,102	101,893,598	27,649,493	17,586,155	25,959,960	33,847,072	71,274,903

¹ After deducting \$391,109 of prorated inter-Bank expenses to avoid duplication in combined totals.

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-55

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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	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	.....	18,322,518
1949.....	316,536,930	77,477,676	226,936,980	12,329,373	.....	.....	193,145,837	.....	21,461,770

ANNUAL REPORT OF BOARD OF GOVERNORS

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
1954.....	438,486,040	109,732,931	328,619,468	16,442,236	.....	.....	276,289,457	.....	35,887,775
1955.....	412,487,931	110,060,023	302,162,452	17,711,937	.....	.....	251,740,721	.....	32,709,794
Total—1914–55...	5,189,602,693	1,746,522,254	3,392,999,982	370,301,336	149,138,300	2,188,893	2,049,095,254	—3,658	2822,279,857
Aggregate for each Federal Reserve Bank, 1914–1955:									
Boston.....	338,206,137	125,405,795	210,553,345	24,154,626	7,111,395	280,843	126,974,202	+135,412	51,896,867
New York.....	1,330,828,717	399,110,434	929,064,515	124,410,562	68,006,262	369,116	504,061,973	—433,413	232,650,015
Philadelphia.....	356,873,020	121,771,006	234,796,966	31,191,813	5,558,901	722,406	132,921,787	+290,661	64,111,398
Cleveland.....	475,264,959	161,077,287	307,926,328	36,702,676	4,842,447	82,930	190,521,117	—9,907	75,787,065
Richmond.....	306,752,354	111,338,501	191,941,034	15,807,923	6,200,189	172,493	129,011,802	—71,516	40,820,143
Atlanta.....	267,232,585	92,999,667	168,656,196	13,912,772	8,950,561	79,264	109,594,975	+5,491	36,113,133
Chicago.....	772,057,715	243,093,007	518,588,242	44,557,311	25,313,526	151,045	331,320,644	+11,681	117,234,035
St. Louis.....	248,636,089	95,371,694	147,935,966	12,814,270	2,755,629	7,464	99,642,512	—26,514	32,742,605
Minneapolis.....	154,759,796	58,081,921	94,904,023	8,751,264	5,202,900	55,615	59,301,129	+64,875	21,528,240
Kansas City.....	241,178,486	95,733,486	141,995,946	12,849,322	6,939,100	64,213	92,060,747	—8,674	30,091,238
Dallas.....	212,892,452	78,540,610	130,990,286	13,635,159	560,049	102,083	78,457,773	+55,336	38,179,886
San Francisco.....	484,920,383	163,998,846	315,647,135	31,513,638	7,697,341	101,421	195,226,593	—17,090	81,125,232
Total.....	5,189,602,693	1,746,522,254	3,392,999,982	370,301,336	149,138,300	2,188,893	2,049,095,254	—3,658	822,279,857

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

² The \$822,279,857 transferred to surplus was reduced by direct charges of \$139,299,557 for contributions 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 \$693,611,312 on Dec. 31, 1955.

NO. 8—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918-55 AND END OF MONTH 1955
 [In millions of dollars]

End of year or month	Reserve Bank credit outstanding							Gold stock ²	Treas-ury cur-rency out-standing ³	Cur-rency in cir-culation	Treas-ury cash hold-ings ⁴	Deposits, other than member bank reserves, with F. R. Banks			Other Fed-eral Re-serve ac-counts ⁵	Member bank reserves		
	U. S. Government securities			Dis-counts and ad-vances	Float	All other ¹	Total					Treas-ury deposits	For-eign deposits	Other deposits		Total	Re-quired ⁶	Ex-cess ⁶
	Total	Bought out-right	Held under repur-chase agree-ment															
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.....	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
1954.....	24,932	24,888	44	143	808	1	25,885	21,713	4,985	30,509	796	563	490	441	907	18,876	18,618	258
1955—																		
January.....	23,885	23,882	3	475	600	1	24,960	21,714	4,989	29,789	837	360	441	419	899	18,918	18,337	581
February.....	23,605	23,605	.....	485	678	1	24,769	21,716	4,996	29,817	828	564	320	433	957	18,562	18,091	471
March.....	23,612	23,604	8	391	659	4	24,667	21,719	4,998	29,800	819	724	351	448	959	18,283	17,871	412
April.....	23,612	23,604	8	560	799	18	24,988	21,671	4,999	29,769	809	812	360	490	923	18,495	18,161	334
May.....	23,662	23,662	.....	460	643	15	24,780	21,678	5,002	30,009	828	649	402	413	936	18,221	18,029	192
June.....	23,607	23,554	53	128	850	16	24,601	21,678	5,002	30,229	812	380	374	448	972	18,066	18,139	-73
July.....	24,090	23,982	108	754	864	11	25,719	21,682	5,003	30,244	798	623	410	419	910	18,999	18,311	688
August.....	23,761	23,761	.....	470	665	15	24,911	21,682	5,005	30,317	804	393	387	383	945	18,368	18,151	217
September.....	23,834	23,729	105	603	792	22	25,250	21,684	5,006	30,422	787	554	385	379	990	18,423	18,212	211
October.....	24,024	24,024	.....	706	683	17	25,430	21,686	5,008	30,559	776	484	402	396	941	18,565	18,393	172
November.....	24,256	23,991	265	618	883	18	25,776	21,688	5,008	30,993	778	477	408	412	931	18,474	18,417	57
December.....	24,785	24,391	394	108	1,585	29	26,507	21,690	5,008	31,158	767	394	402	554	925	19,005	18,903	102

¹ Comprises acceptances and industrial loans; also 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 currency, 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 currency 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 currency 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 (in 1920 and 1922, the call dates were December 29).

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, 1955**

Federal Reserve Bank or branch	Cost				Net book value
	Land	Building (including vaults) ¹	Fixed machinery and equipment	Total	
Boston.....	\$ 1,628,132	\$ 6,039,077	\$ 2,866,643	\$10,533,852	\$ 5,641,951
New York.....	5,215,656	12,183,528	4,877,779	22,276,963	5,525,372
Annex.....	592,679	1,493,949	520,596	2,607,224	986,778
Buffalo.....	607,776	1,012,683	.....	1,620,459	1,253,883
Philadelphia.....	1,884,357	4,839,506	2,130,560	8,854,423	5,049,780
Cleveland.....	1,295,491	7,360,677	1,705,240	10,361,408	2,621,774
Cincinnati.....	380,744	1,170,116	934,352	2,485,212	1,584,529
Pittsburgh.....	1,189,941	1,314,065	689,889	3,193,895	1,699,070
Richmond.....	389,611	3,682,181	1,760,634	5,832,426	3,143,498
Annex.....	80,333	482,482	177,455	740,270	167,871
Baltimore.....	250,487	1,517,956	480,555	2,248,998	1,006,763
Charlotte.....	116,569	867,201	154,449	1,138,219	900,275
Atlanta.....	632,403	1,722,115	362,731	2,717,249	1,243,249
Birmingham.....	124,137	330,680	70,510	525,327	123,388
Jacksonville.....	164,004	1,686,118	629,539	2,479,661	2,169,097
Nashville.....	48,000	211,617	35,090	294,707	78,935
New Orleans.....	277,078	762,456	265,700	1,305,234	429,900
Chicago.....	2,963,548	6,543,261	2,752,827	12,259,636	2,009,784
Detroit.....	1,147,734	2,818,661	1,214,162	5,180,557	4,061,492
St. Louis.....	1,496,060	2,136,438	1,328,886	4,961,384	1,228,943
Annex.....	179,720	1,035,281	524,429	1,739,430	971,316
Little Rock.....	85,007	264,604	161,837	511,448	183,034
Louisville.....	590,095	405,922	72,464	1,068,481	786,200
Memphis.....	128,542	287,469	105,441	521,452	230,345
Minneapolis.....	600,521	3,542,852	629,944	4,773,317	2,114,275
Helena.....	15,709	126,401	44,142	186,252	80,070
Kansas City.....	545,764	3,539,111	1,229,845	5,314,720	1,386,710
Denver.....	592,021	479,592	86,910	1,158,523	744,286
Oklahoma City.....	65,021	421,252	97,589	583,862	186,829
Omaha.....	444,177	998,485	94,548	1,537,210	1,171,815
Dallas.....	189,831	1,362,220	466,692	2,018,743	287,693
El Paso.....	39,003	119,739	32,575	191,317	35,792
Houston.....	78,812	317,336	112,111	508,259	115,143
San Antonio.....	477,347	1,392,543	55,859	1,925,749	1,707,233
San Francisco.....	476,768	3,495,270	1,036,864	5,008,902	1,190,201
Los Angeles.....	736,867	4,900,170	325,782	5,962,819	4,553,481
Portland.....	161,239	1,678,511	630,920	2,470,670	2,019,580
Salt Lake City.....	114,075	341,449	84,814	540,338	176,236
Seattle.....	274,772	1,891,564	642,240	2,808,576	2,298,300
Total.....	26,280,031	84,774,538	29,392,603	140,447,172	61,164,871

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Richmond.....	146,550	.....	.....	146,550	146,550
Birmingham.....	203,215	.....	.....	203,215	203,215
Nashville.....	422,110	.....	.....	422,110	422,110
Chicago.....	1,040,000	1,192,196	132,466	2,364,662	2,323,931
Dallas.....	496,412	.....	.....	496,412	496,412
El Paso.....	250,000	.....	.....	250,000	250,000
Houston.....	630,068	.....	.....	630,068	630,068
Los Angeles.....	40,747	29,464	.....	70,211	70,211
Portland.....	37,000	.....	.....	37,000	37,000
Total.....	3,266,102	1,221,660	132,466	4,620,228	4,579,497

¹ Includes expenditures incident to construction programs carried in unallocated accounts pending completion of programs and subsequent allocation of costs to appropriate accounts.

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

[December 31, 1955]

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	23	\$279,500	1,214	\$ 4,169,997	1,238	\$ 4,479,497
New York.....	60,000	54	866,450	3,657	15,517,508	3,712	16,443,958
Philadelphia.....	30,000	24	310,000	1,090	3,932,906	1,115	4,272,906
Cleveland.....	30,000	32	409,250	1,692	5,981,196	1,725	6,420,446
Richmond.....	30,000	30	357,700	1,262	4,242,159	1,293	4,629,859
Atlanta.....	30,000	34	384,600	1,292	4,056,506	1,327	4,471,106
Chicago.....	40,000	38	518,200	2,864	10,760,032	2,903	11,318,232
St. Louis.....	30,000	32	347,500	1,158	3,638,212	1,191	4,015,712
Minneapolis.....	28,000	25	273,700	668	2,081,560	694	2,383,260
Kansas City.....	30,000	26	297,300	1,020	3,399,487	1,047	3,726,787
Dallas.....	30,000	29	327,300	945	3,246,208	975	3,603,508
San Francisco.....	35,000	32	385,000	1,881	6,740,347	1,914	7,160,347
Total.....	\$403,000	379	\$4,756,500	18,743	\$67,766,118	19,134	\$72,925,618

¹Includes 777 part-time employees.

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

In effect December 31, 1955. For changes during the year, see Board "Record of Policy Actions."

[Per cent per annum]

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:												
Advances secured by Government obligations and discounts of and advances secured by eligible paper (Secs. 13 and 13a of the Federal Reserve Act).....	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½
Other secured advances (Sec. 10b of the Federal Reserve Act).....	3	3	3	3	3	3	3	3	3	3	3	3
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).....	3½	3¼	3¼	3½	3½	3½	3½	3¼	3¼	3½	3½	3½
Loans to industrial or commercial businesses under Sec. 13b of the Federal Reserve Act, direct or in participation with financing institutions.....	3-5½	3½-5½	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	2½-3	(1)	(1)	(1)	(1)
On remaining portion.....	(8)	(8)	(8)	(8)	(8)	(8)	2½-5	(8)	(8)	(8)	(8)	(8)
Commitments to make loans under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses.....	½-1½	½-1½	½-1½	½-1½	½-1½	¾-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½
To financing institutions.....	½-1½	½-1½	½-1½	½-1½	½-1½	¾-1½	½-1½	½-1½	½-1½	½-1½	½-1½	½-1½

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 ¾ per cent per annum on undisbursed portion of loan.

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.....	22½	17½	12½	5¼	5¼
May 1.....	26	20	14	6	6
1938—Apr. 16.....	22½	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			
1954—June 16.....					5
June 24.....	21			5	
July 29.....	20	18			
Aug. 1.....			12		
In effect Jan. 1, 1956.....	20	18	12	5	5
Statutory requirements:					
Minimum.....	13	10	7	3	3
Maximum.....	26	20	14	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).

NO. 13—MAXIMUM INTEREST RATES PAYABLE ON TIME DEPOSITS¹

[Per cent per annum]

Type of deposit	Nov. 1, 1933— Jan. 31, 1935	Feb. 1, 1935— Dec. 31, 1935	Effective 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 REQUIREMENTS¹

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

[Per cent of market value]

	Jan. 21, 1946— Jan. 31, 1947	Feb. 1, 1947— Mar. 29, 1949	Mar. 30, 1949— Jan. 16, 1951	Jan. 17, 1951— Feb. 20, 1953	Feb. 20, 1953— Jan. 4, 1955	Jan. 4, 1955— Apr. 22, 1955	Effective Apr. 23, 1955
Regulation T:							
For extensions of credit by brokers and dealers on listed securities...	100	75	50	75	50	60	70
For short sales.....	100	75	50	75	50	60	70
Regulation U:							
For loans by banks on stocks.....	100	75	50	75	50	60	70

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. Changes on Feb. 20, 1953 and Jan. 4, 1955 were effective after the close of business on these dates.

NOTE.—For earlier data, see *Banking and Monetary Statistics*, Table 145, p. 504, and *Annual Report of the Board of Governors* for 1948, p. 77.

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

[In effect December 31, 1955]

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.....	$\frac{1}{2}$

NO. 16—PRINCIPAL ASSETS AND LIABILITIES, AND NUMBER OF ALL BANKS, BY CLASSES, DECEMBER 31, 1955 AND 1954¹

[In millions of dollars]

Item	All banks	Commercial banks						Mutual savings banks		
		Total ²	Member banks			Insured nonmember	Non- insured	Total	Insured	Non- insured
			Total	National	State					
December 31, 1955*										
Loans and investments, total.....	190,740	160,850	135,350	86,080	49,270	23,680	1,840	29,890	22,350	7,540
Loans.....	100,100	82,630	70,980	43,150	27,830	11,130	530	17,470	13,580	3,890
Investments.....	90,640	78,220	64,370	42,930	21,440	12,550	1,310	12,420	8,770	3,650
U. S. Govt. obligations.....	70,150	61,700	50,800	33,920	16,880	9,960	950	8,450	5,840	2,610
Other securities.....	20,490	16,520	13,570	9,010	4,560	2,590	360	3,970	2,930	1,040
Cash assets.....	46,140	45,170	39,860	25,260	14,600	4,930	380	970	800	170
Deposits, total.....	218,680	190,490	162,170	103,410	58,760	26,470	1,870	28,190	21,250	6,940
Interbank.....	16,720	16,720	15,810	9,290	6,520	440	470	50	50	.....
Other demand.....	125,280	125,230	107,290	67,480	39,810	16,880	1,060	50	50	.....
Other time.....	76,680	48,540	39,070	26,640	12,430	9,150	340	28,140	21,200	6,940
Total capital accounts.....	18,090	15,270	12,740	7,880	4,860	2,190	340	2,820	2,020	800
Number of banks.....	14,243	13,716	6,543	4,692	1,851	6,677	499	527	220	307
December 31, 1954										
Loans and investments, total.....	183,784	155,916	131,602	88,509	43,093	22,536	1,800	27,868	20,830	7,038
Loans.....	85,617	70,619	60,250	39,712	20,538	9,886	492	14,998	11,651	3,346
Investments.....	98,167	85,297	71,352	48,797	22,555	12,651	1,308	12,871	9,179	3,692
U. S. Govt. obligations.....	77,728	68,981	57,809	39,392	18,417	10,215	969	8,748	6,117	2,630
Other securities.....	20,439	16,316	13,543	9,405	4,138	2,436	339	4,123	3,062	1,061
Cash assets.....	44,585	43,559	38,076	25,662	12,414	5,088	397	1,026	832	194
Deposits, total.....	211,115	184,757	157,252	105,851	51,401	25,657	1,871	26,359	19,885	6,474
Interbank.....	16,811	16,809	15,983	10,714	5,269	393	433	3	3	.....
Other demand.....	120,793	120,739	103,319	68,934	34,384	16,318	1,103	54	51	3
Other time.....	73,511	47,209	37,950	26,202	11,748	8,947	335	26,302	19,831	6,471
Total capital accounts.....	17,270	14,576	12,210	8,085	4,125	2,044	324	2,694	1,920	774
Number of banks.....	14,367	13,840	6,660	4,789	1,871	6,647	536	527	218	309

* Figures for Dec. 31, 1955 are preliminary and based largely on data regularly collected or estimated as of the last Wednesday of the month, published 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, 1955 may be considerably different from reported figures; the latter will be published in the *Bulletin*, probably in the May issue.

¹ All banks in the United States and one in Alaska that became a member in 1954.

² Total for commercial banks excludes three member mutual savings banks.

NO. 17—MEMBER BANK EARNINGS, BY CLASS OF BANK, 1955 AND 1954

[Dollar amounts in millions]

Item	Total		Central reserve city banks				Reserve city banks		Country banks	
			New York		Chicago					
	1955 ^p	1954	1955 ^p	1954	1955 ^p	1954	1955 ^p	1954	1955 ^p	1954
Earnings	\$5,335	\$4,826	\$866	\$777	\$209	\$192	\$2,095	\$1,888	\$2,165	\$1,969
On U. S. Govt. securities.....	1,117	1,066	156	153	57	56	421	399	484	458
On other securities.....	273	273	49	49	13	13	103	103	108	108
On loans.....	3,075	2,711	484	417	105	93	1,228	1,082	1,257	1,119
All other.....	776	776	158	158	30	30	304	304	284	284
Expenses	3,261	2,999	471	428	111	106	1,275	1,169	1,404	1,295
Salaries and wages.....	1,463	1,463	232	232	52	52	567	567	611	611
Interest on deposits.....	494	494	41	41	16	16	207	207	230	230
All other.....	1,042	1,042	155	155	38	38	394	394	454	454
Net current earnings before income taxes	2,075	1,828	395	348	98	86	820	719	762	674
Recoveries and profits ¹	492	492	87	87	22	22	217	217	166	166
Losses and charge-offs ²	254	254	28	28	9	9	110	110	107	107
Net addition to valuation reserves.....	165	165	34	34	6	6	75	75	50	50
Profits before income taxes	1,675	1,900	319	374	83	92	671	751	602	683
Taxes on net income	691	804	132	161	34	39	279	348	245	257
Net profits	984	1,096	186	213	49	53	392	403	357	427
Cash dividends declared ³	501	456	124	113	21	20	202	181	155	143
Ratios (per cent):										
Net current earnings before income taxes to—										
Average total capital accounts.....	16.6	15.6	14.4	13.1	16.0	14.9	18.3	17.4	16.3	15.5
Average total assets.....	1.22	1.12	1.26	1.14	1.19	1.07	1.23	1.14	1.19	1.10
Net profits to—										
Average total capital accounts.....	7.9	9.3	6.8	8.0	8.1	9.2	8.7	9.8	7.6	9.8
Average total assets.....	0.58	0.67	0.60	0.70	0.60	0.66	0.59	0.64	0.56	0.70
Average return on U.S. Govt. securities.....	2.09	1.96	2.02	1.80	2.05	1.93	2.10	1.95	2.11	2.02
Average return on loans.....	4.76	4.71	3.66	3.54	3.71	3.60	4.75	4.77	5.54	5.47

^p Data for 1955 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 1955¹

	All banks	Commercial and stock savings banks and nondeposit trust companies				Mutual savings banks		
		Total	Member banks		Nonmember banks			
				National ¹	State member ²	In- sured	Non- insured ²	In- sured ²	Non- insured
Number of banks, Dec. 31, 1954	14,367	13,840	4,789	1,871	6,647	536	218	309
Changes during 1955								
New banks ³	+117	+116	+28	+4	+72	+12	.....	+1
Suspensions.....	-4	-4	-2	.....	-2	.....	.....	.....
Consolidations and absorptions:								
Banks converted to branches..	-205	-204	-115	-34	-51	-4	.....	-1
Other.....	-27	-27	-10	-4	-9	-4	.....	.....
Voluntary liquidations ⁴	-5	-5	-1	.....	-3	-1	.....	.....
Other changes ⁵.....	.....	.....	-1	+1	.....	.....	.....	.....
Conversions:								
National into State.....	.....	.....	-4	+1	+3	.....	.....	.....
State into National.....	.....	.....	+8	-2	-5	-1	.....	.....
Federal Reserve membership: ⁶								
Admissions of State banks.....	.....	.....	.....	+16	-15	-1	.....	.....
Withdrawals of State banks.....	.....	.....	.....	-2	+2	.....	.....	.....
Federal deposit insurance: ⁷								
Admissions of State banks.....	.....	.....	.....	.....	+38	-38	+2	-2
Net increase or decrease.....	-124	-124	-97	-20	+30	-37	+2	-2
Number of banks, Dec. 31, 1955	14,243	13,716	4,692	1,851	6,677	499	220	307
Number of branches and additional offices, Dec. 31, 1954⁸	6,416	6,108	2,900	1,710	1,462	36	221	87
Changes during 1955								
De novo branches.....	+462	+442	+231	+104	+105	+2	+12	+8
Banks converted into branches.....	+205	+203	+116	+62	+25	.....	+1	+1
Discontinued.....	-44	-44	-13	-17	-12	-2	.....	.....
Interclass changes—net ⁹.....	.....	.....	-39	+57	-17	-1	.....	.....
Other changes ¹⁰	+1	+1	+1	.....	.....	.....	.....	.....
Net increase or decrease.....	+624	+602	+296	+206	+101	-1	+13	+9
Number of branches and additional offices, Dec. 31, 1955⁸	7,040	6,710	3,196	1,916	1,563	35	234	96
Number of banking facilities, Dec. 31, 1954¹¹	198	198	156	21	21	.....	.....	.....
Changes during 1955								
Established.....	+20	+20	+16	+2	+2	.....	.....	.....
Discontinued.....	-5	-5	-5	.....	.....	.....	.....	.....
Interclass changes.....	.....	.....	+2	.....	-2	.....	.....	.....
Net increase or decrease.....	+15	+15	+13	+2	.....	.....	.....	.....
Number of banking facilities, Dec. 31, 1955¹¹	213	213	169	23	21	.....	.....	.....

¹Excludes banks in United States territories and possessions except one national bank in Alaska.
²State member bank figures and the insured mutual savings bank figures both include 3 member mutual savings banks, not included in the total for "commercial banks." State member bank figures also include one noninsured trust company without deposits.

³Exclusive of new banks organized to succeed operating banks.

⁴Exclusive of liquidations incident to the succession, conversion, and absorption of banks.

⁵Newly organized State member bank formed by consolidation of 4 banks, located at the former head office of one of the discontinued national banks.

⁶Exclusive of conversions of national banks into State member banks, and vice versa.

⁷Exclusive of insured nonmember banks converted into national banks or admitted to Federal Reserve membership, and vice versa.

⁸Except banking facilities which are shown separately; see footnote 11.

⁹For details of interclass branch changes, see *Federal Reserve Bulletin*, February 1956.

¹⁰Reflects restoration to series of a branch that had been eliminated.

¹¹Banking facilities (other than branches) that are provided at military and other Government establishments through arrangements made by the Treasury Department.

NO. 19—NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, BY FEDERAL RESERVE DISTRICTS AND STATES, DECEMBER 31, 1951¹

Federal Reserve district or State	Total ²		On par list						Not on par list (Nonmember)	
			Total		Member		Nonmember			
	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices	Banks	Branches & offices
DISTRICT										
Boston.....	444	508	444	508	303	407	141	101		
New York.....	728	1,275	728	1,275	625	1,180	103	95		
Philadelphia.....	743	386	743	386	563	307	180	79		
Cleveland.....	1,002	566	1,002	566	615	498	387	68		
Richmond.....	998	810	821	655	473	421	348	234	177	155
Atlanta.....	1,268	338	682	292	379	249	303	43	586	46
Chicago.....	2,484	801	2,484	801	1,022	431	1,462	370		
St. Louis.....	1,459	218	1,151	149	492	91	659	58	308	69
Minneapolis.....	1,285	119	684	76	473	30	211	46	601	43
Kansas City.....	1,759	30	1,752	30	749	20	1,003	10	7	
Dallas.....	1,060	91	969	78	634	55	335	23	91	13
San Francisco ¹	417	1,833	402	1,829	209	1,615	193	214	15	4
Total.....	13,647	6,975	11,862	6,645	6,537	5,304	5,325	1,341	1,785	330
STATE ¹										
Alabama.....	237	47	142	46	94	46	48		95	1
Arizona.....	10	93	10	93	4	67	6	26		
Arkansas.....	233	25	119	7	71	4	48	3	114	18
California.....	142	1,210	142	1,210	92	1,105	50	105		
Colorado.....	155	5	155	5	94	4	61	1		
Connecticut.....	91	103	91	103	53	85	38	18		
Delaware.....	30	38	30	38	11	16	19	22		
Dist. of Col.....	17	54	17	54	13	44	4	10		
Florida.....	230	12	183	11	93	10	90	1	47	1
Georgia.....	407	61	122	59	64	52	58	7	285	2
Idaho.....	36	67	36	67	20	62	16	5		
Illinois.....	916	4	914	4	518	4	396		2	
Indiana.....	472	166	472	166	235	103	237	63		
Iowa.....	666	162	666	162	166	4	500	158		
Kansas.....	601	2	599	2	212	2	387		2	
Kentucky.....	367	84	367	84	109	58	258	26		
Louisiana.....	175	117	69	89	51	77	18	12	106	28
Maine.....	58	94	58	94	37	58	21	36		
Maryland.....	152	168	152	168	70	96	82	72		
Mass.....	173	261	173	261	134	226	39	35		
Michigan.....	417	377	417	377	230	306	187	71		
Minnesota.....	679	6	272	6	206	6	66		407	
Mississippi.....	197	98	46	35	34	18	12	17	151	63
Missouri.....	599	3	540	3	175	3	365		59	
Montana.....	113		113		84		29			
Nebraska.....	414	1	414	1	139	1	275			
Nevada.....	6	29	6	29	5	25	1	4		
New Hamp.....	75	2	75	2	52	1	23	1		
New Jersey.....	294	261	294	261	252	231	42	30		
New Mexico.....	51	30	51	30	33	13	18	17		
New York.....	506	1,033	506	1,033	442	973	64	60		
N. Carolina.....	207	326	108	178	53	98	55	80	99	148
North Dakota.....	154	24	59	6	40		19	6	95	18
Ohio.....	623	369	623	369	401	327	222	42		
Oklahoma.....	384	3	377	3	223	3	154		7	
Oregon.....	48	145	48	145	20	135	28	10		
Pennsylvania.....	812	472	812	472	615	406	197	66		
Rhode Island.....	10	69	10	69	6	53	4	16		
S. Carolina.....	149	86	73	79	33	63	40	16	76	7
South Dakota.....	171	54	72	29	61	24	11	5	99	25
Tennessee.....	297	138	215	123	86	90	129	33	82	15
Texas.....	933	19	891	19	580	19	311		42	
Utah.....	51	45	51	45	26	40	25	5		
Vermont.....	61	15	61	15	35	6	26	9		
Virginia.....	316	176	315	176	205	120	110	56	1	
Washington.....	103	208	103	208	42	197	61	11		
West Virginia.....	181		180		111		69		1	
Wisconsin.....	552	150	552	150	166	22	386	128		
Wyoming.....	53	1	53	1	40	1	13			
Alaska.....	18	13	3	9	1		2	9	15	4
Hawaii.....	5	49	5	49			5	49		

¹Includes Alaska and Hawaii, assigned to the San Francisco District for check clearing and collection purposes.

²Comprises all commercial banking offices on which checks are drawn, including 213 banking facilities. Number of banks and branches differs from Table 18 because of banks and trust companies on which no checks are drawn, 3 mutual savings member banks, and banks in Alaska and Hawaii.

APPENDIX

RECORD OF POLICY ACTIONS BOARD OF GOVERNORS

January 4, 1955

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

Effective January 4, 1955, the supplements to Regulations T and U were amended to increase the margin requirements from 50 per cent to 60 per cent, these requirements to be applicable both to purchases of securities and to short sales.

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

During the latter part of 1954, the economy began a recovery from the recession that prevailed during the latter part of 1953 and the first part of 1954. The upturn was accompanied by a marked increase in stock market activity: information available to the Board when this action was under consideration showed that stock market credit had risen substantially from early 1954 to the end of November, and there were indications that the rate of increase had continued or become greater since the latest figures were available. This occurred during a period in which the volume of trading on securities exchanges had reached the highest levels in several years and evidences of substantial speculative activity were appearing.

The Board's action in increasing margin requirements was designed to prevent the recovery from being hampered by excessive speculative activity in the stock markets.

January 7, 1955

Revision of Regulation A, Advances and Discounts by Federal Reserve Banks.

Effective February 15, 1955, Regulation A was revised by expanding the foreword of general principles and by making certain changes in the language of the body of the regulation to bring it up to date. (The last previous revision of the regulation was effective October 1, 1937, under the title Discounts for and Advances to Member Banks by Federal Reserve Banks.)

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

In announcing the revision of the regulation, the Board stated:

While this revision of Regulation A makes certain changes in the language of the regulation itself, the most important change is the revision of the foreword (general principles) to Regulation A. The revised foreword is designed merely to restate and clarify certain guiding principles which are observed by the Federal Reserve Banks in making advances and discounts in accordance with the applicable provisions of the Federal Reserve Act and of Regulation A. The revision is not intended to further restrict or restrain access by member banks to the credit facilities of the Federal Reserve Banks.

April 13, 1955

Increase in Rates on Discounts and Advances by Federal Reserve Banks.

Effective April 14, 1955, the Board approved action by the board of directors of the Federal Reserve Bank of Kansas City establishing a rate of $1\frac{3}{4}$ per cent (an increase from $1\frac{1}{2}$ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

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

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

Boston	April 15, 1955
New York	April 15, 1955
Cleveland	April 15, 1955
Richmond	April 15, 1955
St. Louis	April 15, 1955
Minneapolis	April 15, 1955
Dallas	April 15, 1955
Philadelphia	April 22, 1955
Chicago	April 22, 1955
San Francisco	April 22, 1955
Atlanta	May 2, 1955

The Board also approved actions taken by the boards of directors of all the Federal Reserve Banks, except Kansas City, in establish-

ing a rate of $2\frac{1}{4}$ per cent on advances to member banks under Section 10(b) of the Federal Reserve Act. The effective dates of these approvals were the same as those shown above. In addition, the Board approved changes at some of the Federal Reserve Banks in rates on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 of the Act.

(In accordance with the provisions of the Federal Reserve Act, the Federal Reserve Banks establish, subject to review and determination of the Board of Governors, rates on discounts and advances to member banks at least every 14 days and submit such rates to the Board for consideration. No changes involving new policy had been made in these rates since those referred to on pages 86-88 of the Board's Annual Report for 1954.)

The demand for credit strengthened late in 1954, reflecting improved business activity, and continued strong throughout the first part of 1955. This demand, accompanied by a shift in Federal Reserve policy away from one characterized as "active ease," resulted in a moderate tightening of member bank reserve positions and increases in market rates of interest.

The change in the discount rate recognized current money market conditions, including the higher level of interest rates, and, by making borrowing somewhat more expensive, served to discourage undue reliance on the discount facilities of the Federal Reserve Banks.

April 22, 1955

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

Effective April 23, 1955, the supplements to Regulations T and U were amended to increase the margin requirements from 60 per cent to 70 per cent, these requirements to be applicable both to purchases of securities and to short sales.

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

The period following the increase in margin requirements in January 1955 was marked by further growth, although at a somewhat lesser rate, in the volume of credit extended by banks and brokers for the purchase and carrying of securities, and by further indications of expanding speculative activity. This second action to increase margin requirements was taken in the light of these evidences of continued speculative pressures in the stock markets and was designed as an additional step to prevent excessive use of credit from adding to such pressures.

May 9, 1955

Amendment to Regulation F, Trust Powers of National Banks.

Effective June 13, 1955, Section 10(c) of Regulation F was amended to permit the collective investment of funds of trusts which are established under employers' pension, profit-sharing, or stock bonus plans, without requiring compliance with the provisions of Section 17 of Regulation F, provided each such trust is exempt from Federal income taxes and collective investment is specifically authorized by the trust instrument or by court order.

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

Section 10(c) of Regulation F heretofore prohibited the collective investment of funds held by a national bank as fiduciary except through the medium of a common trust fund, as permitted in Section 17 of the regulation.

An increasing number of corporations had been creating pension, profit-sharing, and similar type trusts for the benefit of their employees; in numerous cases, national banks had been designated to administer such trusts and frequently the provisions of the instruments creating such trusts authorize or require the trustee to commingle the funds for investment purposes. Although on occasion the funds of such trusts were commingled with the funds of other trusts in a common trust fund maintained by a national bank in accordance with the provisions of Section 17 of the regulation, it was the Board's understanding that certain restrictions contained in that section (particularly the limitation of \$100,000 on the amount of funds of a single trust which may be placed in a common trust fund) posed difficult administrative problems. Also, pension and similar type trusts contain characteristics which set them apart from ordinary trusts and which necessitate investment considerations differing from those applicable to ordinary trusts. In addition, the Board was informed that pension and similar type trusts are excluded from Federal income taxation when they comply with certain conditions defined in the tax laws.

In view of these circumstances, the Board concluded that if the collective investment of such trusts is specifically authorized by the trust instrument or by court order, such commingling might appropriately be permitted by Regulation F without the necessity for complying with the provisions contained in Section 17 specifically relating to common trust funds.

May 11, 1955

Amendments to Regulation D, Reserves of Member Banks, and Regulation Q, Payment of Interest on Deposits.

Effective May 16, 1955, Regulations D and Q were amended so as to permit deposits to be classified as "savings deposits" in certain circumstances and subject to certain limitations although the deposit is not evidenced by a pass book.

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

The purpose of the amendments was to permit deposits in member banks to be classified as savings deposits even where not evidenced by a pass book, provided the bank reserved the right to require 30 days' written advance notice of intended withdrawal and provided withdrawals were permitted only through payments to the depositor himself.

The Board concluded that the amendments would be useful as a means of enabling member banks to perform in an economical manner services associated with the encouragement of thrift and at the same time would retain adequate safeguards for the preservation of essential distinctions between savings deposits and commercial or checking accounts.

(Effective the same date, the Federal Deposit Insurance Corporation adopted an identical amendment to its regulations.)

August 3, 1955

Increase in Rates on Discounts and Advances by Federal Reserve Banks.

Effective August 4, 1955, the Board approved actions by the boards of directors of the Federal Reserve Banks of Boston, Atlanta, and Chicago establishing a rate of 2 per cent (an increase from $1\frac{3}{4}$ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act; and action by the board of directors of the Federal Reserve Bank of Cleveland establishing a rate of $2\frac{1}{4}$ per cent (an increase from $1\frac{3}{4}$ per cent) on such discounts and advances.

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

Pursuant to the policy established by this action, the Board subsequently approved rates for Federal Reserve Banks on such discounts and advances as shown in the following tabulation, effective on the dates indicated:

	<i>2 per cent</i>	<i>2¼ per cent</i>
Boston		September 13, 1955
New York	August 5, 1955	September 9, 1955
Philadelphia	August 5, 1955	September 2, 1955
Richmond	August 12, 1955	September 9, 1955
Atlanta		August 26, 1955
Chicago		September 9, 1955
St. Louis	August 8, 1955	August 30, 1955
Minneapolis	August 6, 1955	September 12, 1955
Kansas City	August 5, 1955	September 9, 1955
Dallas	August 5, 1955	September 9, 1955
San Francisco	August 5, 1955	September 9, 1955

In connection with the foregoing actions, the Board also approved, effective as of the dates indicated above, rates on advances to member banks under Section 10(b) of the Federal Reserve Act which, as required by that section, were one-half of one per cent higher than the new rates in effect at the respective Banks on discounts for and advances to member banks under Sections 13 and 13a. In addition, the Board approved changes at some of the Federal Reserve Banks in other rates, including rates on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 of the Act and on industrial loans and commitments under Section 13b.

Evidences of expansion in the economy became increasingly apparent during the spring and summer of 1955 and the demand for credit continued to be heavy in nearly all credit areas. With business activity approaching capacity in some sectors and credit pressures becoming stronger, the Federal Reserve System had shifted its monetary and credit policy toward restraining potential inflationary developments in the interest of sustainable economic growth. The discount rate increase was intended to keep the rate in alignment with System open market policy and to bring it into a better relationship with short-term money market rates.

November 17, 1955

Increase in Rates on Discounts and Advances by Federal Reserve Banks.

Effective November 18, 1955, the Board approved actions by the boards of directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, Chicago, and San Francisco establishing a rate of $2\frac{1}{2}$ per cent (an increase from $2\frac{1}{4}$ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

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

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

Minneapolis	November 21, 1955
Kansas City	November 21, 1955
Boston	November 22, 1955
Richmond	November 22, 1955
St. Louis	November 22, 1955
Dallas	November 23, 1955

The Board also approved, for each of the Federal Reserve Banks, a rate of 3 per cent on advances to member banks under Section 10(b) of the Federal Reserve Act, the effective dates of these approvals being the same as those shown above. In addition, the Board approved changes at some of the Federal Reserve Banks in other rates, including rates on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 of the Act and on industrial loans and commitments under Section 13b.

The period since the previous increase in the discount rate was marked by further economic expansion and demand for credit, as well as further increases in the volume of member bank borrowing at the Federal Reserve Banks and in open market money rates. The current action, therefore, represented an additional step to increase the degree of credit restraint being exerted by Federal Reserve policy in the interest of preventing inflationary developments.

RECORD OF POLICY ACTIONS

FEDERAL OPEN MARKET COMMITTEE

January 11, 1955

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 fostering growth and stability in the economy by maintaining conditions in the money market that would encourage recovery and avoid the development of unsustainable expansion, (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.

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.

Votes for this action: Messrs. Martin, Chairman, Sproul,
Vice Chairman, Balderston, Leedy, Mills, Robertson, Szymczak,

Williams, and Young. Votes against this action: none. Not voting: Mr. Bryan.

Clause (b) of the directive was changed at this meeting to provide that transactions for the System open market account should be with a view, among other things, "to fostering growth and stability in the economy by maintaining conditions in the money market that would encourage recovery and avoid the development of unsustainable expansion." This superseded the clause in the directive that had been adopted by the Committee at its meeting on December 7, 1954 which read "to promoting growth and stability in the economy by maintaining a condition of ease in the money market."

The change to eliminate the word "ease" from the Committee's directive and to adopt the wording set forth above reflected the view of the Committee that, while the economic situation was developing satisfactorily, easy credit was no longer needed to foster recovery. There had been a rapid advance in most indicators of over-all economic activity since mid-1954 to levels only moderately below earlier peaks and, at the same time, there were some indications that further ease might contribute to the germination of unhealthy speculative activity which might endanger stability. The volume of credit used in security trading had been increasing rapidly, and the Board of Governors had increased margin requirements from 50 per cent to 60 per cent, effective January 4, 1955. The Committee's conclusion that, in order to avoid the development of unsound conditions, it should not continue to promote "ease" in credit availability, was a shift in emphasis, a further step away from the policy of "active ease" that had been pursued during the latter part of 1953 and most of 1954 and which had been modified in December of that year by elimination of the word "active" from the instruction to pursue a policy of ease. While the Committee did not believe that it was yet fighting inflation, it took the position that this shift in emphasis was desirable to avoid credit conditions that might encourage the development of an inflationary situation. This would contemplate a gradual contraction in the volume of free reserve funds of banks from the level that had prevailed, and some increase in the cost and decrease in the ready availability of credit. On the other hand, the change in directive at this meeting did not call for pursuit at this stage of a program of credit restraint or of firmness in the money market.

March 2, 1955

1. Authority to Effect Transactions in System Account.

The Federal Open Market Committee approved a renewal without change of the directive issued at its meeting on January 11, 1955 with respect to effecting transactions for the System open market account. Among other things, this directive provided that transactions for the System open market

account be conducted with a view "to fostering growth and stability in the economy by maintaining conditions in the money market that would encourage recovery and avoid the development of unsustainable expansion."

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Szymczak, and Vardaman. Votes against this action: none.

The Committee's review of the economic situation indicated that expansive forces had continued generally strong, both domestically and abroad, during the opening months of 1955. Recovery was well advanced from the recession low of mid-1954 but industrial activity was still slightly below the previous peak reached in mid-1953. While there had been scattered increases in prices of raw materials, there had been no spreading of such increases to the general price structure. Speculative inventory accumulation was not apparent. Unemployment was still relatively high, notwithstanding the degree of recovery that the country had experienced. Concern was indicated with respect to the relaxation of terms for and the volume of expansion in mortgage and consumer credit, and there were some fears that in a few industries, including building, activity was reaching levels that could not be sustained.

This situation did not appear to call for a generally restrictive credit policy but for a program that would continue to encourage sound economic growth and high employment, while discouraging speculative developments and financial over-commitments by business and consumers. Monetary policy had been taking some of the slack out of the money market since the turn of the year and money rates had risen. Thus, while policy had not become restrictive, it had recently resulted in some restraint on the rate of credit expansion. The Committee concluded that this policy was appropriate to the current needs of the economy, and it agreed that, although increased ease should be avoided, further measures toward restraint should be deferred until the effects of the shift in operations that had taken place since the beginning of the year were more apparent.

2. Authorization to Acquire Bankers' Acceptances When Consistent with the General Credit Policy of the Federal Open Market Committee.

The Committee authorized the Federal Reserve Banks (a) to purchase or sell, at market rates of discount, prime bankers' acceptances of the kinds designated in the regulation of the Federal Open Market Committee, at such times and in such amounts as the executive committee might deem advisable and consistent with the general credit policies and instructions of the Federal Open Market Committee; and (b) to enter into repurchase agreements with nonbank dealers in bankers' acceptances at such times, in such amounts, and at such rates or rate ranges as the executive committee should prescribe. Incident to this change in the procedure it had been

following with respect to acquisition of bankers' acceptances, the Committee discontinued the procedure approved on June 19, 1952 under which a minimum buying rate on prime bankers' acceptances was established by the Committee with authority for the Manager of the System Open Market Account to specify currently effective buying rates at which such purchases would be made.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Szymczak, and Vardaman. Vote against this action: Mr. Robertson.

The purpose of this action was to authorize modest participation by the Federal Reserve in the market for bankers' acceptances as a means of showing the interest of the central banking organization in this market, which was expanding and which it was felt might become, in time, a more important means for financing international trade transactions. It was understood that transactions in bankers' acceptances would be entered into only when consistent with the general credit policies of the Federal Open Market Committee, within limits to be determined by the executive committee. Approval of this procedure by the full Committee was with the understanding that the executive committee would prepare a specific authorization to carry out the intent of the full Committee, and such authorization was issued by the executive committee to the Federal Reserve Bank of New York, effective March 29, 1955.

In voting against this action, Mr. Robertson expressed the view that there appeared to be no adequate reason for the Reserve Banks' seeking actively to buy acceptances for their own accounts. He felt that the objective of supporting and encouraging the acceptance market could be achieved more effectively through a policy of standing ready to purchase all seasoned prime acceptances offered to Reserve Banks at published rates, the practice that he understood was followed by the Reserve Banks in the 1920's, the period of their most active participation in the acceptance market.

3. Review of Continuing Authorities or Statements of Policy.

The Committee reviewed and reaffirmed all continuing statements of operating policy and specific authorities for operations which were in effect immediately prior to this meeting. This included reaffirmation of the following statements, by the votes indicated below:

A. 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).

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Szymczak, and Vardaman. Votes against this action: none.

B. Operations for the System account in the open market, other than repurchase agreements, shall be confined to short-term securities (except in the correction of disorderly markets), and during a period of Treasury financing there shall be no purchases of (1) maturing issues for which an exchange is being offered, (2) when-issued securities, or (3) outstanding issues of comparable maturities to those being offered for exchange; these policies to be followed until such time as they may be superseded or modified by further action of the Federal Open Market Committee.

Votes for this action: Messrs. Martin, Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Szymczak, and Vardaman. Vote against this action: Mr. Sproul, Vice Chairman.

C. 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; such policy to be followed until such time as it may be superseded or modified by further action of the Federal Open Market Committee.

Votes for this action: Messrs. Martin, Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Szymczak, and Vardaman. Vote against this action: Mr. Sproul, Vice Chairman.

The only change made at this meeting in the wording of any of these statements was in the second, in which the words "other than repurchase agreements" were inserted. The purpose of this insertion was to make clear that the Committee did not intend to preclude repurchase agreements with nonbank dealers in Government securities covering Treasury securities that might have a maturity outside the short-term category, or that might be involved in a Treasury financing.¹ Because pricing of securities in such agree-

¹ The repurchase agreement is a means of putting funds into the market at the initiative of the System during periods of undue money market tightness or strain attributable to temporary factors, under a procedure whereby such funds automatically come out of the market within a very short time when the elements of excessive tightness or strain have subsided. Such agreements are made to meet purely temporary needs for reserves when the impact of these needs has in some measure been shifted

ments entails no element of price support, and because of the special nature of such agreements, the Committee felt that they ordinarily could appropriately cover Treasury securities which otherwise would not be bought or sold under the Committee's general policy of effecting transactions only in short-term securities and avoiding purchases of securities involved in a Treasury financing.

Mr. Sproul voted against the statements under "B" and "C" because he continued to be opposed to the assertion by the Committee that it has a responsibility solely with respect to the volume of bank reserves; because he continued to oppose the Committee's renunciation of all or any transactions directly related to security issues involved in Treasury financings, as he believed that such transactions might in some circumstances facilitate, rather than interfere with, the attainment of the System's policy objectives; and because he continued to be opposed to the prohibition against offsetting purchases and sales of Treasury securities for the purpose of altering the maturity pattern of the System's portfolio and the limiting of transactions to short-term securities in all circumstances. In voting against these actions, Mr. Sproul said that he had been encouraged by the public statement contained in Chairman Martin's replies to questions submitted by the Subcommittee on Economic Stabilization of the Joint Committee on the Economic Report in connection with subcommittee hearings on December 7, 1954, that these operating policies are experimental, and by the warning this should convey to the market that there is no promise, expressed or implied, that these policies will always be followed.

May 10, 1955

1. Authority to Effect Transactions in System Account.

The following directive by the Federal Open Market 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

to the Government securities dealers, through sales to them of additional securities or withholding by banks or other lenders of funds needed by the dealers to carry their positions. The technical arrangements consist of a purchase by the System at an agreed price, subject to a dealer's undertaking to repurchase the same securities at the same price, plus a stipulated rate of interest, on or before a maturity date set by the System. In general, the interest rate has been equivalent to the discount rate of the Federal Reserve Bank of New York, although at times there may be a temporary deviation above or below this rate; the maturity has in practice been limited to 15 days or less; and the price set in the contract is determined by the System in each instance at a nominal margin below the latest-prevailing price in the market for the securities involved.

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 fostering growth and stability in the economy by maintaining conditions in the money market that would avoid the development of unsustainable expansion, (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.

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.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardson, Szymczak, and Vardaman. Votes against this action: none.

This directive was modified from that approved at the meetings on January 11 and March 2, 1955 by changing clause (b) to delete the words "encourage recovery" and to make the clause read "to fostering growth and stability in the economy by maintaining conditions in the money market that would avoid the development of unsustainable expansion."

The Committee noted that during the current or second quarter gross national product was estimated at an annual rate of \$375 billion, nearly \$20 billion above the low of last year and \$5 billion above the mid-1953 peak; that strong expansion in activity was generally continuing abroad; and that in the United States a number of industries were operating at or close to capacity. Supply shortages had appeared in some industrial materials and prices of metals had advanced, although price averages were still generally steady. Business, financial, and consumer confidence was extraordinarily

high. On the other hand, manpower and industrial resources of the United States were generally ample for growth, and a substantial amount of unemployment still existed in some areas. Prices of farm products continued under pressure from surplus supplies and excess capacity. There had been no seasonal contraction of business loans, and rapid expansion of real estate and consumer loans had continued. This further expansion in the volume of credit and evidences of continued speculative pressures in the stock markets had been followed by action of the Board of Governors increasing margin requirements from 60 to 70 per cent, effective April 23, 1955.

In deleting the previous instruction to "encourage recovery" the Committee had in mind that recovery now was an accomplished fact and that credit policy need no longer be directed toward encouraging recovery. Its problem now was to conduct open market operations so as to foster stable growth in line with expanding manpower and industrial resources and at the same time to restrain financial over-commitments and dampen speculative excesses. The Committee noted that since its meeting on March 2, the Board of Governors of the Federal Reserve System had approved an increase of $\frac{1}{4}$ of 1 per cent in the discount rate at all Federal Reserve Banks, in recognition of current money market conditions and as a means of discouraging undue reliance on the discount facilities of the Reserve Banks. Like the change made in the directive of the Federal Open Market Committee in January, the change approved at this meeting was a further shift in emphasis toward a policy that would discourage undue credit expansion. It meant that the Committee was aiming at a lower level of free reserves of banks, and that consequently credit might cost more and be somewhat less readily available. The Committee was seeking to allow market forces to have their effect within some moderate limits, although it favored efforts to smooth temporary swings in money market conditions and to maintain stability in the market during a period of a Treasury financing.

June 22, 1955

1. Authority to Effect Transactions in System Account.

The following directive from the Federal Open Market Committee to the Federal Reserve Bank of New York was approved:

To make such purchases, sales, or exchanges (including replacement of maturing securities, and allowing maturities to run off without replacement) for the System open market account in the open market or, in the case of maturing securities, by direct exchange with the Treasury, 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 fostering growth and stability in the economy by maintaining conditions in the money market that would avoid the development of unsustainable expansion, and (c) 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 \$1 billion.

To purchase direct from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) 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 \$500 million;

To sell direct to the Treasury from the System account for gold certificates such amounts of Treasury securities maturing within one year as may be necessary from time to time for the accommodation of the Treasury; provided that the total amount of such securities so sold shall not exceed in the aggregate \$500 million face amount, and such sales shall be made as nearly as may be practicable at the prices currently quoted in the open market.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardson, and Vardaman. Votes against this action: none.

This directive was issued by the Committee to the Federal Reserve Bank of New York as the Bank selected by the Committee to execute transactions for the System open market account because earlier during this meeting the executive committee of the Federal Open Market Committee, to which the full Committee formerly issued its directives, was abolished.

In connection with the issuance of the directive running from the Committee to the Agent Bank, there was eliminated one of the provisions that the full Committee previously had included in its instruction to the executive committee, namely, that in arranging for transactions for the System account the executive committee should do so with a view, among other things, "to correcting a disorderly situation in the Government securities market." That provision had been included in the directive to the executive committee since March of 1953 with the understanding that intervention to correct a disorderly situation in the Government securities market would be initiated

only upon the affirmative vote of a majority of the executive committee after the existence of a situation seeming to require correction had come to its attention through notice from the Manager of the System Open Market Account or otherwise. Since an authorization for intervention in the future would require the affirmative vote of a majority of the Federal Open Market Committee, no similar provision was included in this directive to the Agent Bank.

No change of substance was made in the directive at this meeting in so far as it stated the policy of the Federal Open Market Committee with respect to current credit needs of the economy, and the clause which from time to time had been modified to reflect changes in policy or emphasis by the full Committee remained the same as that included in the directive issued at the meeting on May 10, 1955, that is, that operations for the System account should be with a view "to fostering growth and stability in the economy by maintaining conditions in the money market that would avoid the development of unsustainable expansion."

In its review of the economic situation at this meeting, the Committee noted that activity was continuing to rise to new record levels, with expansion activated by private spending. Industrial production in May had reached a new high and some further increase appeared to be occurring in June. Broad averages of commodity prices had been stable despite sharp expansion in output. Industrial capacity and manpower resources were being used fairly intensively and some materials were in tight supply. Use of the country's resources was not so intensive as in the spring of 1953, however, partly because the labor force, productivity, and capacity had grown since then. Some unemployment still existed and conditions in agriculture and coal mining were not satisfactory, but the general level of economic activity and prosperity was high. This feeling of satisfaction with over-all economic progress was tempered by the fact that the high levels of productivity and employment had been supported by rapid expansion in consumer and mortgage credit on easy terms, and by the likelihood that prices, after two years of stability, might break out on the up-side because of pressure from costs and anticipation of price rises by businessmen and consumers. There appeared to be little leeway for further increases in production, and it was doubtful that productivity could be increased rapidly enough to counteract cost-price influences.

While the Committee recognized that monetary policy was only one of the factors influencing the level of demand for goods and services, it felt that restraint from the credit side could be helpful at this time in preventing unsound developments. On the other hand, it noted that a period was approaching when, in addition to supplying funds for growth in the economy, substantial amounts of reserves would be required to meet normal seasonal needs. The Committee also took cognizance of Treasury financing require-

ments during the third quarter of the year which would add to the demand for reserves at least temporarily because of necessary bank participation in the initial absorption of the new issues. After considering all factors, the Committee concluded that for the immediate future it should not alter the course it had been following recently which had had a restraining influence on credit expansion, that reserves should be supplied to the market on the basis of current needs, and that operations for the System account should be directed toward maintaining about the existing degree of pressure on the reserve position of banks.

The directive included a paragraph authorizing the sale to the Treasury from the System account, against payment in gold certificates, of Treasury securities maturing within one year in an amount not to exceed \$500 million. The purpose of this authorization, as had been the case when a similar transaction was consummated in November 1953, was to enable the System account to make it possible for the Treasury to use some of its gold in repaying some Federal Reserve-held debt without affecting the reserve position of member banks, should the Treasury find it necessary to do so in order to avoid exceeding the statutory debt limit. A similar continuing authorization previously had been given by the executive committee to the Federal Reserve Bank of New York but, with the abolishment of the executive committee at this meeting, the Committee concluded that it would be desirable to include this authorization within its directive to the New York Bank.

July 12, 1955

1. Authority to Effect Transactions in System Account.

The Federal Open Market Committee renewed its directive to the Federal Reserve Bank of New York in the same form as the directive issued at the meeting on June 22, 1955, including the instruction that operations for the System open market account were to be with a view, among other things, "to fostering growth and stability in the economy by maintaining conditions in the money market that would avoid the development of unsustainable expansion."

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Fulton, Irons, Leach, Robertson, Shepardson, Vardaman, and Powell. Votes against this action: none.

The Committee's review of the over-all economic situation revealed underlying strength and further advance, domestically and abroad. Business and financial expectations as to sales and profits were decidedly optimistic. Industrial production continued at high levels. Manufacturers' orders were running ahead of sales, and unfilled orders were rising further largely because

of private as distinct from Government buying. Business inventories had risen sharply at both manufacturer and distributor levels in the spring months although they were substantially below peak 1953 levels. Unemployment had declined further. Credit demand continued active with business loans showing further substantial expansion and consumer credit and mortgage debt rising rapidly. Expansion in total bank credit was more moderate because banks were meeting a large part of the increased loan demand through sales of United States Government securities.

This situation suggested the need for increased restraint in order to avoid stimulating demands to the point of straining available productive capacity. However, general price indexes had continued stable, and as output had approached nearer to capacity the rate of expansion had slowed. The Committee was clear that there should be no easing of the situation, but it did not feel that a more restrictive credit policy was immediately necessary. Furthermore, such a policy might complicate Treasury financing operations later in July, which would add to the demand for bank reserves that would arise from seasonal factors and prospective growth in the economy.

In these circumstances, the Committee agreed that it should maintain substantially the degree of restraint that had existed and that during the period of the forthcoming Treasury financing open market operations should be so conducted as to maintain stability in the money market.

2. Repurchase Agreements Covering United States Government Securities.

The Federal Open Market Committee rejected a proposal that would have discontinued the procedure that had been followed previously under which Federal Reserve Banks were authorized to enter into repurchase agreements with nonbank dealers in United States Government securities covering such securities, and which would have substituted therefor a procedure under which there would have been established at the Federal Reserve Banks an open window for use in financing dealers at rates preferably above, but not lower than, the discount rate.

Votes against the proposal: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Fulton, Irons, Leach, Shepardson, Vardaman, and Powell. Vote for the proposal: Mr. Robertson.

Mr. Robertson made this proposal because he felt that the continuation of the existing procedure was likely to encourage unnecessarily frequent and extensive use of repurchase agreements in order to affect the level of short-term rates in the money market. Furthermore, at times when short-term rates in the money market were below the discount rate, dealers might be given access to Federal Reserve credit at rates lower than those available to member banks, which he believed to be undesirable. If Federal Reserve credit were

to be supplied at such times, he believed it preferable that this be done directly through purchases of bills by the Federal Reserve System. While he would prefer that the use of repurchase agreements be discontinued entirely, Mr. Robertson felt that if they were to be continued they should be used not as a supplementary technique in providing or absorbing reserves, but for the purpose of enabling dealers in Government securities to maintain broad and ready markets. He felt that this could be done through a procedure similar to rediscount operations by establishing an open window at the Reserve Banks for carrying dealers at rates preferably above but in no event below the discount rate. Under this arrangement, he suggested that dealers should feel assurance that the facility was always available to them within reasonable limits, in the same manner as the discount window is open to member banks.

Those who voted against Mr. Robertson's proposal did so in the belief that repurchase agreements had been useful as a supplementary means of making open market policy effective at the initiative of the Committee. They did not believe that repurchase agreements should be available at the initiative of Government securities dealers.

Following rejection by the Committee of the proposal stated above, the Committee authorized the Reserve Banks to continue to use repurchase agreements covering United States Government securities, pending further study by the Committee, with the understanding that the authority would be used sparingly in entering into agreements at rates below the discount rate.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Fulton, Irons, Leach, Robertson, Shepardson, Vardaman, and Powell. Votes against this action: none.

August 2, 1955

1. Authority to Effect Transactions in System Account.

At this meeting, the Federal Open Market Committee changed clause (b) of its directive to the Federal Reserve Bank of New York to provide that transactions for the System open market account be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth." This replaced the clause in the directive issued at the meetings in May, June, and July, which provided that operations be with a view, among other things, "to fostering growth and stability in the economy by maintaining conditions in the money market that would avoid the development of unsustainable expansion."

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Mills, Robertson, Shepardson, Szymczak, and Erickson. Votes against this action: none.

The shift to a policy of restraining inflationary developments resulted from the Committee's review of the economic situation and its conclusion that the supply of money and credit was a more stimulating force at the time than was desirable in the interest of sustainable economic growth. Information that had become available for June and July indicated that industrial production had increased to a new high level, with fairly general advances in durable and nondurable goods lines as well as in minerals. Unfilled orders had continued to rise. In addition, a renewed upsurge of consumer buying appeared to be developing. Buying of automobiles in July continued at record levels, and sales of appliances and other goods at department stores showed remarkable gains from the preceding month and a year ago. This upsurge in consumer demand reflected a further marked rise in consumer instalment credit and an increased willingness of consumers to draw on liquid asset accumulations. It also suggested consumer expectations of higher prices later on. Numerous industries appeared to be producing at near-capacity, and over-all productivity gains had virtually disappeared in recent months. The situation was one in which a given percentage gain in output called for about an equal percentage gain in manhours, and in which too easy access to bank credit was likely to result in increased prices rather than in increased production. There had been a substantial and contra-seasonal rise in bank loans during the first half of the year, and in July all banking reports confirmed a continuing strong demand for bank credit.

The Committee believed that, with increased costs pushing upward on industrial prices, the general price level might well move upward with accompanying speculative increases in inventories. It also took into account discussions relating to a probable increase in the discount rate at the Federal Reserve Banks early in August, based on observations of economic and financial developments in the respective Federal Reserve districts, and it agreed that the wording of its directive should be changed, as indicated above, to show that increased monetary restraint on credit expansion was now clearly appropriate.

2. Repurchase Agreements Covering United States Government Securities.

The Committee modified its authorization for repurchase agreements covering United States Government securities to provide that the Federal Reserve Bank of New York, rather than all Federal Reserve Banks, be authorized to enter into such agreements with nonbank dealers in Government securities, subject to the following conditions and to the understanding that the authority would be used sparingly in entering into repurchase agreements at rates below the discount rate:

1. Such agreements

- (a) In no event shall be at a rate below whichever is the lower of (1) the discount rate of the Federal Reserve

- Bank on eligible commercial paper, or (2) the average issuing rate on the most recent issue of three-month Treasury bills;
- (b) Shall be for periods of not to exceed 15 calendar days;
 - (c) Shall cover only Government securities maturing within 15 months; and
 - (d) Shall be used as a means of providing the money market with sufficient Federal Reserve funds to avoid undue strain on a day-to-day basis.
2. Reports of such transactions shall be included in the weekly report of open market operations which is sent to the members of the Federal Open Market Committee.
 3. In the event Government securities covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, the securities thus acquired by the Federal Reserve Bank of New York shall be sold in the market or transferred to the System open market account.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Mills, Robertson, Shepardson, Szymczak, and Erickson. Votes against this action: none.

The change to limit the authorization for repurchase agreements to the Federal Reserve Bank of New York was in recognition of the fact that, in practice, that was the only Bank that had been entering into repurchase agreements covering Government securities, and there was little or no likelihood that the authority would be used by Federal Reserve Banks other than New York.

In voting to approve this action, Mr. Robertson stated that he did so notwithstanding his expressed doubts about the use of repurchase agreements.

At subsequent meetings during 1955, the Committee considered the use to be made of repurchase agreements and reaffirmed its authorization for the Federal Reserve Bank of New York to enter into such agreements, subject to the conditions set forth above.

August 23, 1955

1. Authority to Effect Transactions in System Account.

The directive to the Federal Reserve Bank of New York was renewed at this meeting in the same form as the directive approved at the meeting of the Committee on August 2, 1955, at which time it was agreed that operations for the System open market account should be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth."

Votes for this action: Messrs. Martin, Chairman, Earhart, Irons, Mills, Leach, Shepardson, Szymczak, Vardaman, Treiber, and Young. Votes against this action: none.

Since the meeting on August 2, at which the Committee adopted a clear-cut policy of restraining inflationary developments, the reserve position of banks had changed markedly. During August, banks had been in the position of borrowing net amounts of reserves, whereas in July and most earlier months of the year the banking system had had a moderate to substantial volume of free reserves available for lending. Discount rates at all of the Federal Reserve Banks had been increased during the first half of August, one Bank having increased the rate from $1\frac{1}{4}$ per cent to $2\frac{1}{4}$ per cent, and the other Banks having increased their rates from $1\frac{1}{4}$ to 2 per cent. Other interest rates had also resumed an upward tendency after an interruption early in August. Bank credit had continued to rise, however, reflecting expansion in most types of loans in a period of usual seasonal slack. It appeared that the rate of growth in the money supply had increased.

The economic situation continued to be one of demand pressure in the industrial sector and supply pressure in the agricultural sector of the economy; there was apparent over-all price stability because price declines in the agricultural sector were offsetting price increases in the industrial sector. The wage-cost pressures toward higher prices appeared to be increasing, and the feeling of optimism on the part of business and the public did not appear to have lessened. Inventory accumulation seemed to be increasing. The Committee felt that a restrictive credit policy was called for in this situation and that one of the questions was how to conduct open market operations so as to make the increase that had taken place in discount rates at the Reserve Banks effective as a restraining force.

There was agreement that the Committee's policy should be one of gradually increasing pressure and that such a condition would result if the System continued its existing policy of not supplying reserves through open market operations except to relieve temporary stringencies in the money market. It was also thought that a further increase in discount rates at the Federal Reserve Banks might be needed as a part of a program of continuing restraint on credit expansion. The Committee's existing directive calling for operations for the System account that would restrain inflationary developments in the interest of sustainable economic growth seemed appropriate to the program agreed upon, and it was therefore renewed without change.

September 14, 1955

1. Authority to Effect Transactions in System Account.

The Committee renewed without change the directive to the Federal Reserve Bank of New York that had been approved at its meetings on August 2

and 23, 1955, providing that, among other things, transactions for the System open market account be with a view "to restraining inflationary developments in the interest of sustainable economic growth."

Votes for this action: Messrs. Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardson, Szymczak, and Vardaman. Votes against this action: none.

Review of the available data suggested that the economy had entered a phase of decelerating advance. Manufacturing employment in durable goods lines had been maintained on an overtime basis for several months; output in several important industries was close to capacity; the labor market had reached a state of tightness in many localities; and restrictive monetary developments with higher interest rates had been operating with mounting pressure to brake credit expansion. Since the preceding meeting, discount rates at the 11 Federal Reserve Banks that had fixed such rates at 2 per cent in August had been brought up to the $2\frac{1}{4}$ per cent level, to which the rate had been increased by one Reserve Bank early in August. Demand was still pressing the markets for industrial products, however, despite the prevailing high level of supply. Price advances were occurring in considerable numbers, with further widespread increases in prospect. Business, consumer, and mortgage loans at banks had continued to expand, a particularly sharp advance having appeared in business loans. It was the judgment of the Committee that this situation called at least for the maintenance of, and preferably for some slight increase in, the restraining pressure it had been exerting through open market operations. To carry this out, it renewed the directive calling for restraint on inflationary developments through maintaining pressure on the reserve position of banks, but with the additional understanding that doubts should be resolved on the side of increased pressure.

September 26, 1955

1. Authority to Effect Transactions in System Account.

At this meeting, which was held through telephone conference arrangement, the Committee agreed that no change be made in the existing general program of restraint on credit expansion, excepting the elimination of the understanding reached at the meeting on September 14, 1955, that, in conducting operations for the System open market account in pursuit of the policy of restraint, doubts should be resolved on the side of greater restraint.

Votes for this action: Messrs. Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardson, Szymczak, and Vardaman. Votes against this action: none.

This meeting was for the purpose of discussing the potential economic effects of the President's illness over the preceding week-end and what, if any, change should be made at this time in credit policy. The Committee concluded that since there had been no change in the fundamental economic situation it should aim at maintaining about the same degree of credit pressure that had existed, with the understanding, however, that doubts need not be resolved on the side of greater restraint. This change was made for the purpose of providing flexibility in order to counter adverse psychological developments that might appear.

October 4, 1955

1. Authority to Effect Transactions in System Account.

The Committee again renewed without change the directive to the Federal Reserve Bank of New York in the form approved at meetings held on August 2, August 23, and September 14, 1955, including the instruction that transactions for the System account be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth." In addition, the Committee restored the understanding that had been reached at the meeting on September 14, 1955, and which was suspended at the special meeting on September 26, 1955, that in carrying out open market operations, doubts should be resolved on the side of greater restraint rather than of ease.

Votes for this action: Messrs. Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardon, and Szymczak. Votes against this action: none.

At the time of this meeting the economic situation had advanced to a point where financial developments had become a more critical factor in the shaping of business trends. Consumer credit had been rising rapidly to new heights and so also had mortgage credit, supporting very active markets for automobiles and housing. It was at this stage of economic developments that announcement of the President's illness on September 24 had come as a shock to confidence and, while it was too early at the time of this meeting to assess the economic significance of that announcement, the immediate response had been a sharp setback in stock prices accompanied by a sharp rise in trading. It was suggested that there was at least the possibility of some postponement in business and consumer spending. Despite the psychological shock to the business community, the current and prospective momentum of economic activity was such that the Committee concluded the situation called for continuing the present policy of restraint without allowing the restraint to become so severe as to accentuate any tendency toward a downturn in the economy that might develop. While

there were various shades of opinion as to the effect of the President's illness on the economy, the apparent leveling off at a high level of production still seemed to be accompanied by increasing upward pressure on prices. The Committee approved the same general instruction with respect to open market operations that had been adopted at the meeting on September 14—restraint on credit expansion, with the understanding that doubts should be resolved on the side of increased restraint.

October 25, 1955

1. Authority to Effect Transactions in System Account.

The Committee renewed at this meeting the directive to the Federal Reserve Bank of New York that had been approved at the meeting of the Committee on August 2, 1955 and at each meeting since and which included the specific instruction that, among other things, operations for the System account be with a view "to restraining inflationary developments in the interest of sustainable economic growth." In addition, it was understood that while the Committee wished to maintain a restraining influence on the credit situation, it did not wish to increase pressure drastically.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: none.

The economic situation was still one of advance but with the pace of advance, in terms of physical output, necessarily slowing down as capacity operations were reached in basic industries. Most economic indicators were showing moderate fluctuations at advanced levels. Industrial prices had risen 3 per cent since midyear and consumer prices had risen slightly in September. Mortgage credit had become tight and was getting tighter, and residential building was falling off somewhat more than seasonally; but business and industrial construction was rising. It was still difficult to judge the economic effect of the President's illness, the Committee felt, and how that factor might have altered plans of businessmen and consumers. Inflationary pressures did not seem to be carrying through to speculative excesses in the accumulation of inventories or in rapidly spiraling prices. With the over-all business and credit outlook remaining exceedingly strong, however, it was not evident that the present policy of restraint had been too restrictive, and the Committee's judgment was that the situation did not call for action to ease credit policy. Monetary policy could not be expected to correct the disparity between industrial and agricultural prices, nor could general policy be expected to correct the imperfections that had been evident in the mortgage credit and consumer credit fields without causing difficulty in other

parts of the economy. Continuation of the policy of restraint on credit expansion seemed to be called for, with the understanding that doubts should be resolved on the side of dispelling any idea of an easing of System policy at this time. In renewing the existing directive to restrain inflationary developments in the interest of sustainable economic growth, the Committee did so with the understanding that pressure on the money market should not be increased drastically.

November 16, 1955

1. Authority to Effect Transactions in System Account.

The Committee approved another renewal of its directive to the Federal Reserve Bank of New York in the form that had been approved at several recent meetings providing that transactions for the System open market account be conducted with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth."

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardson, Szymczak, and Vardaman. Votes against this action: none.

Analysis of the situation at the time of this meeting in mid-November showed that businessmen and consumers had thrown off doubts about economic prospects that had been created by the President's illness. Consumer spending and borrowing continued extremely high. Plans for business spending for plant and equipment during 1956 were being announced in substantially higher volumes than for 1955. Production was approaching or had reached capacity levels in more and more industries, and the labor market was showing further tightening. Markets for industrial commodities were very strong, manufacturers' unfilled orders were continuing to rise, and industrial price rises were spreading.

These factors suggested the need for additional restraint but, at the same time, the Committee noted that normal seasonal developments would require additional reserves to assist banks in supplying essential credit needs between mid-November and the year-end. The Committee was also aware that the Treasury would be in the market to refund \$12 billion of maturing securities toward the end of November or early in December and that it probably would have to borrow around a billion dollars of new money by the middle of December. In addition, the Committee noted that consideration was currently being given to a further increase to $2\frac{1}{2}$ per cent in the discount rates of the Federal Reserve Banks, which had been increased to $2\frac{1}{4}$ per cent in August and September. In considering these several factors, the Committee agreed that, while the Federal Reserve should operate to restrain

excesses, it should avoid undue pressure on the supply of reserves through more restrictive open market operations at a time when the Treasury was getting ready to announce its financing and during a period in which the money market and banks might be adjusting to an increase in the discount rate. Under these circumstances, the Committee renewed the existing directive with the understanding that, while it was trying to move in the direction of maintaining tightness, it should not be concerned if operations in the open market during the immediate future did not achieve as great a degree of tightness as had existed recently.

November 30, 1955

1. Authority to Effect Transactions in System Account.

The Federal Open Market Committee authorized the Federal Reserve Bank of New York to purchase for the System open market account in the open market, on a when-issued basis, up to \$400 million of 2½ per cent Treasury certificates of indebtedness to be dated December 1, 1955, maturing December 1, 1956.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Shepardson, and Szymczak. Votes against this action: Messrs. Mills, Robertson, and Vardaman.

This meeting, which was held through telephone conference arrangement, was called for the purpose of considering what, if any, action the Committee should take in view of developments in the market which suggested that the current Treasury offering of approximately \$12 billion of refunding securities might be subject to unusually large requests for cash redemption. The Treasury offering had been announced on November 25 and books were open on Monday, Tuesday, and Wednesday, November 28, 29, and 30, 1955. The response to the announcement of the terms of the offering indicated that the market regarded the new issue as being properly priced. Shortly after the opening of the books, however, it became apparent that a large proportion of holders of the maturing issue had earmarked the proceeds of this maturity for other uses. This indicated that the volume of cash redemptions would be considerably larger than had been generally anticipated. Moreover, unexpectedly stringent money market conditions had developed during the latter part of November. Apparently this was in part a delayed response to an increase in mid-November to 2½ per cent in the discount rates of all Federal Reserve Banks.

In considering this situation, the Committee noted that on the basis of earlier projections of reserve needs to meet seasonal and other demands, it would probably find it necessary in any event to put into the market upwards of \$400 million of reserves within the next week. Further, addi-

tional reserves would have to be supplied to the market later during December to assist in meeting the seasonal increase in currency demand for holiday and other year-end needs.

The situation was considered in the light of the policy adopted by the Committee in March 1953 and last reaffirmed in March 1955, that, during a period of Treasury financing, the Committee would refrain from purchasing (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; such policy to be followed until such time as it might be superseded or modified by further action of the Federal Open Market Committee.

Those who voted for making an exception to the foregoing policy and authorizing the purchase on a when-issued basis of securities being offered in the current Treasury financing felt that the Committee could not ignore the position in which it had been placed by a request made by the Secretary of the Treasury for assistance directed toward preventing undue cash redemption of the maturing issue, and by the possibility of psychological deterioration of the whole securities market if the Treasury offering came to be regarded as a failure. They noted that the Treasury had tried to price the new securities correctly in relation to the market situation. They also emphasized that, in making an exception to the general policy that had been followed since March of 1953 against purchasing securities involved in a Treasury financing, the Committee would not be abandoning that policy but rather deviating from it only because of the unforeseen circumstances that had developed in connection with the current Treasury refunding operation.

The members of the Committee who voted against this action were of the opinion that the possibility that an abnormal proportion of the maturing securities would be turned in for cash, rather than exchanged for an equivalent amount of the new issue, was an insufficient reason to deviate from the existing policy. They felt that if heavy cash redemptions developed in the refunding, the difference could be made up subsequently through the conventional means of selling additional Treasury bills or tax anticipation certificates. In their opinion, reserves that would be needed in the market to meet seasonal and other needs should be provided in the usual manner by purchases of other short-term securities, preferably Treasury bills. In short, they did not believe that the circumstances were such at that time as to warrant an exception to the general policy against purchasing Treasury securities involved in a refunding.

December 13, 1955

1. Authority to Effect Transactions in System Account.

The Committee renewed its directive to the Federal Reserve Bank of New York in the form in which it had been approved in August and since,

calling for transactions in the System open market account with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth."

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Earhart, Fulton, Irons, Leach, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: none.

Economic activity in the countries of the free world generally had been at a high level and rising throughout 1955. Monetary and fiscal authorities everywhere had been faced with the problem of checking actual or potential inflationary developments. In recent months, pressures on labor and other resources had been spreading gradually, but measures of restraint had helped to limit price advances.

The rise in output within the United States recently had been less rapid than in the latter part of 1954 and the first half of 1955, reflecting in part capacity limitations in key industries and in part a leveling off in demand for new automobiles and houses. Because of seasonal influences, the number of unemployed had risen somewhat in November. Business was indicating plans for further expansion in plant and equipment during 1956, and a general feeling of optimism regarding the outlook prevailed.

It was in the light of this sustained high level of economic activity and of the generally favorable outlook that the Committee reviewed the policy of credit and monetary restraint that had been pursued during the fall months of the year. A sharp increase in pressure on the reserve position of banks had taken place during the four weeks ending November 23, but this had been followed by some easing after the System injected a substantial volume of reserve funds into the market during the last week of November and the first week of December, when market conditions were affected by a combination of seasonal reserve pressures, the increase in Reserve Bank discount rates in mid-November, and the Treasury's refunding and cash financing operations. With the passage of that difficult period, it seemed desirable to attempt to regain as far as possible the level of pressure that had existed around November 23, just prior to the announcement of the Treasury's refunding. The Committee recognized, however, that it might not be possible—or even desirable—to reestablish all of the pressure that had existed in November, partly because of the year-end needs that were developing. After considering these factors, it concluded that the general policy of restraint followed in recent months should be reaffirmed with a view to regaining, without causing sudden market disturbances, as much as possible of the level of pressure that had existed shortly before the announcement of the Treasury refunding operation near the end of November.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1955]

	<i>Term Expires</i>
WM. MCC. MARTIN, JR., of New York, <i>Chairman</i>	January 31, 1956
C. CANBY BALDERSTON of Pennsylvania, <i>Vice Chairman</i>	January 31, 1966
M. S. SZYMCAK of Illinois.....	January 31, 1962
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
CHAS. N. SHEPARDSON of Texas.....	January 31, 1968
ELLIOTT THURSTON, <i>Assistant to the Board</i>	
WINFIELD W. RIEFLER, <i>Assistant to the Chairman</i>	
WOODLIEF THOMAS, <i>Economic Adviser to the Board</i>	
ALFRED K. CHERRY, <i>Legislative Counsel</i>	
CHARLES MOLONY, <i>Special Assistant to the Board</i>	
S. R. CARPENTER, <i>Secretary</i>	
MERRITT SHERMAN, <i>Assistant Secretary</i>	
KENNETH A. KENYON, <i>Assistant Secretary</i>	
CLARKE L. FAUVER, <i>Assistant Secretary</i>	
GEORGE B. VEST, <i>General Counsel</i>	
FREDERIC SOLOMON, <i>Assistant General Counsel</i>	
HOWARD H. HACKLEY, <i>Assistant General Counsel</i>	
DAVID B. HEXTER, <i>Assistant General Counsel</i>	
G. HOWLAND CHASE, <i>Assistant General Counsel</i>	
RALPH A. YOUNG, <i>Director, Division of Research and Statistics</i>	
FRANK R. GARFIELD, <i>Adviser on Economic Research, Division of Research and Statistics</i>	
KENNETH B. WILLIAMS, <i>Assistant Director, Division of Research and Statistics</i>	
SUSAN S. BURR, <i>Assistant Director, Division of Research and Statistics</i>	
GUY E. NOYES, <i>Assistant Director, Division of Research and Statistics</i>	
ALBERT R. KOCH, <i>Assistant Director, Division of Research and Statistics</i>	
ARTHUR W. MARGET, <i>Director, Division of International Finance</i>	
LEWIS N. DEMBITZ, <i>Assistant Director, Division of International Finance</i>	
ROBERT F. LEONARD, <i>Director, Division of Bank Operations</i>	
J. E. HORBETT, <i>Associate Director, Division of Bank Operations</i>	
LOWELL MYRICK, <i>Assistant Director, Division of Bank Operations</i>	
GERALD M. CONKLING, <i>Assistant Director, Division of Bank Operations</i>	
JOHN R. FARRELL, <i>Assistant Director, Division of Bank Operations</i>	
GEORGE S. SLOAN, <i>Director, Division of Examinations</i>	
C. C. HOSTRUP, <i>Assistant Director, Division of Examinations</i>	
FRED A. NELSON, <i>Assistant Director, Division of Examinations</i>	
ARTHUR H. LANG, <i>Chief Federal Reserve Examiner, Division of Examinations</i>	
ROBERT C. MASTERS, <i>Assistant Director, Division of Examinations</i>	
GLENN M. GOODMAN, <i>Assistant Director, Division of Examinations</i>	
HENRY BENNER, <i>Assistant Director, Division of Examinations</i>	
EDWIN J. JOHNSON, <i>Director, Division of Personnel Administration</i>	
H. FRANKLIN SPRECHER, JR., <i>Assistant Director, Division of Personnel Administration</i>	
LISTON P. BETHEA, <i>Director, Division of Administrative Services</i>	
JOSEPH E. KELLEHER, <i>Assistant Director, Division of Administrative Services</i>	
GARDNER L. BOOTHE, II, <i>Administrator, Office of Defense Loans</i>	
EDWIN J. JOHNSON, <i>Controller, Office of the Controller</i>	
M. B. DANIELS, <i>Assistant Controller, Office of the Controller</i>	

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1955]

MEMBERS

WM. MCC. MARTIN, JR., *Chairman* (Board of Governors)
ALLAN SPROUL, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
C. CANBY BALDERSTON (Board of Governors)
C. E. EARHART (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
W. D. FULTON (Elected by Federal Reserve Banks of Cleveland and Chicago)
W. H. IRONS (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
HUGH LEACH (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)
A. L. MILLS, JR. (Board of Governors)
J. L. ROBERTSON (Board of Governors)
CHAS. N. SHEPARDSON (Board of Governors)
M. S. SZYMCAK (Board of Governors)
JAMES K. VARDAMAN, JR. (Board of Governors)

OFFICERS

WINFIELD W. RIEFLER, <i>Secretary</i>	J. DEWEY DAANE, <i>Associate Economist</i>
ELLIOTT THURSTON, <i>Assistant Secretary</i>	L. MERLE HOSTETTLER, <i>Associate Economist</i>
GEORGE B. VEST, <i>General Counsel</i>	MORGAN H. RICE, <i>Associate Economist</i>
FREDERIC SOLOMON, <i>Assistant General Counsel</i>	H. V. ROELSE, <i>Associate Economist</i>
	O. P. WHEELER, <i>Associate Economist</i>
WOODLIEF THOMAS, <i>Economist</i>	RALPH A. YOUNG, <i>Associate Economist</i>

AGENT

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

FEDERAL ADVISORY COUNCIL

[December 31, 1955]

MEMBERS

- District No. 1—WILLIAM D. IRELAND, President, The Second National Bank of Boston, Boston, Massachusetts.
- District No. 2—HENRY C. ALEXANDER, President, J. P. Morgan & Co., Inc., New York, New York.
- District No. 3—WILLIAM R. K. MITCHELL, Chairman of the Board, Provident Trust Company of Philadelphia, Philadelphia, Pennsylvania.
- District No. 4—FRANK R. DENTON, Vice Chairman, Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania.
- District No. 5—ROBERT V. FLEMING, Chairman of the Board, The Riggs National Bank, Washington, D. C.
- District No. 6—WALLACE M. DAVIS, President, Hibernia National Bank, New Orleans, Louisiana.
- District No. 7—EDWARD E. BROWN, Chairman of the Board, The First National Bank of Chicago, Chicago, Illinois.
- District No. 8—W. W. CAMPBELL, Chairman of the Board, National Bank of Eastern Arkansas, Forrest City, Arkansas.
- 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—GEORGE G. MATKIN, President, The State National Bank of El Paso, El Paso, 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

FRANK R. DENTON

WILLIAM D. IRELAND

OFFICERS

President, EDWARD E. BROWN

Vice President, ROBERT V. FLEMING

Acting Secretary, WILLIAM J. KORSVIK

FEDERAL RESERVE BANKS AND BRANCHES

[December 31, 1955]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston.....	Harold D. Hodgkinson....	Robert C. Sprague
New York.....	Jay E. Crane.....	Forrest F. Hill
Philadelphia.....	William J. Meinel.....	Henderson Supplee, Jr.
Cleveland.....	John C. Virden.....	Sidney A. Swensrud
Richmond.....	John B. Woodward, Jr....	Alonzo G. Decker, Jr.
Atlanta.....	Rufus C. Harris.....	Harlee Branch, Jr.
Chicago.....	John S. Coleman.....	Bert R. Prall
St. Louis.....	M. Moss Alexander.....	Caffey Robertson
Minneapolis.....	Leslie N. Perrin.....	O. B. Jesness
Kansas City.....	Raymond W. Hall.....	Joe W. Seacrest
Dallas.....	Robert J. Smith.....	Hal Bogle
San Francisco.....	A. H. Brawner.....	Y. Frank Freeman

CONFERENCE OF CHAIRMEN

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

Mr. Virden, Chairman of the Federal Reserve Bank of Cleveland, was elected Chairman of the Conference and of the Executive Committee in December 1954 and served as such through the meeting held in December 1955. Mr. Woodward, Chairman of the Federal Reserve Bank of Richmond, and Mr. Crane, Chairman of the Federal Reserve Bank of New York, served with Mr. Virden as members of the Executive Committee, Mr. Woodward also serving as Vice Chairman of the Conference.

At the meeting held in December 1955, Mr. Woodward was elected Chairman of the Conference and of the Executive Committee. Mr. Meinel, Chairman of the Federal Reserve Bank of Philadelphia, was elected Vice Chairman and a member of the Executive Committee, and Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, was elected as the other member of the Executive Committee.

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—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 1—Boston

		<i>Term Expires Dec. 31</i>
DIRECTORS		
<i>Class A:</i>		
Oliver B. Ellsworth.....	President, Riverside Trust Company, Hartford, Conn.	1955
Lloyd D. Brace.....	President, The First National Bank of Boston, Boston, Mass.	1956
Harold I. Chandler.....	President, The Keene National Bank, Keene, N. H.	1957
<i>Class B:</i>		
Harry E. Umphrey.....	President, Aroostook Potato Growers, Inc., Presque Isle, Me.	1955
Harvey P. Hood.....	President, H. P. Hood & Sons, Inc., Boston, Mass.	1956
Frederick S. Blackall, jr.....	President and Treasurer, The Taft-Peirce Manufacturing Company, Woonsocket, R. I.	1957
<i>Class C:</i>		
Harold D. Hodgkinson....	Vice President, General Manager and Chairman of Management Board, Wm. Filene's Sons Company, Boston, Mass.	1955
James R. Killian, Jr.....	President, Massachusetts Institute of Technology, Cambridge, Mass.	1956
Robert C. Sprague.....	Chairman and Treasurer, Sprague Electric Company, North Adams, Mass.	1957

District 2—New York

<i>Class A:</i>		
N. Baxter Jackson.....	Chairman of the Board, Chemical Corn Exchange Bank, New York, N. Y.	1955
John R. Evans.....	President, The First National Bank of Poughkeepsie, Poughkeepsie, N. Y.	1956
Ferd I. Collins.....	President and Trust Officer, Bound Brook Trust Company, Bound Brook, N. J.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

	<i>Term Expires Dec. 31</i>
DIRECTORS—Cont.	

Class B:

Clarence Francis	Director, General Foods Corporation, New York, N. Y.	1955
Lansing P. Shield.....	President, The Grand Union Company, East Paterson, N. J.	1956
John E. Bierwirth.....	President, National Distillers Products Corpora- tion, New York, N. Y.	1957

Class C:

Franz Schneider	Consultant to Newmont Mining Corporation, New York, N. Y.	1955
Jay E. Crane.....	Vice President, Standard Oil Company (New Jersey), New York, N. Y.	1956
Forrest F. Hill.....	Vice President, The Ford Foundation, New York, N. Y.	1957

Buffalo Branch*Appointed by Federal Reserve Bank:*

Bernard E. Finucane.....	President, Security Trust Company of Rochester, Rochester, N. Y.	1955
Edward P. Vreeland.....	President, Salamanca Trust Company, Salamanca, N. Y.	1955
Robert L. Davis.....	President, The First National Bank of Olean, Olean, N. Y.	1956
Charles H. Diefendorf....	President, The Marine Trust Company of Western New York, Buffalo, N. Y.	1957

Appointed by Board of Governors:

Edgar F. Wendt.....	President, Buffalo Forge Company, Buffalo, N. Y.	1955
Robert C. Tait.....	Senior Vice President, General Dynamics Corpo- ration, and President, Stromberg-Carlson Com- pany Division, Rochester, N. Y.	1956
Clayton G. White.....	Dairy farmer, Stow, N. Y.	1957

District 3—Philadelphia*Class A:*

Bernard C. Wolfe.....	President, The First National Bank of Towanda, Towanda, Pa.	1955
Wm. Fulton Kurtz.....	Chairman of the Executive Committee, The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.	1956
W. Elbridge Brown.....	President and Trust Officer, Clearfield Trust Company, Clearfield, Pa.	1957

Class B:

Charles E. Oakes.....	President, Pennsylvania Power and Light Com- pany, Allentown, Pa.	1955
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FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

	<i>Term Expires Dec. 31</i>
DIRECTORS—Cont.	
Warren C. Newton.....President, O. A. Newton and Son Company, Bridgeville, Del.	1956
Bayard L. England.....President, Atlantic City Electric Company, Atlantic City, N. J.	1957
<i>Class C:</i>	
Henderson Supplee, Jr....President, The Atlantic Refining Company, Phila- delphia, Pa.	1955
Lester V. Chandler.....Professor of Economics, Princeton University, Princeton, N. J.	1956
William J. Meinel.....Chairman of the Board, Heintz Manufacturing Company, Philadelphia, Pa.	1957

District 4—Cleveland

<i>Class A:</i>	
John D. Bainer.....President, The Merchants National Bank and Trust Company of Meadville, Meadville, Pa... ..	1955
J. Brenner Root.....President, The Harter Bank & Trust Company, Canton, Ohio	1956
Edison Hobstetter.....President, The Pomeroy National Bank, Pomeroy, Ohio	1957
<i>Class B:</i>	
Edward C. Doll.....President, Lovell Manufacturing Company, Erie, Pa.	1955
Alexander E. Walker.....Chairman of the Board, The National Supply Company, Pittsburgh, Pa.	1956
Joseph B. Hall.....President, The Kroger Company, Cincinnati, Ohio	1957
<i>Class C:</i>	
Sidney A. Swensrud.....Chairman of the Board, Gulf Oil Corporation, Pittsburgh, Pa.	1955
John C. Virden.....Chairman of the Board, John C. Virden Com- pany, Cleveland, Ohio	1956
Frank J. Welch.....Dean, College of Agriculture and Home Eco- nomics, University of Kentucky, Lexington, Ky.	1957

Cincinnati Branch*Appointed by Federal Reserve Bank:*

Fred A. Dowd.....President, The First National Bank of Cincinnati, Cincinnati, Ohio	1955
Leonard M. Campbell....President, The Second National Bank of Ashland, Ashland, Ky.	1956
Roger Drackett.....President, The Drackett Company, Cincinnati, Ohio	1957
Bernard H. Geyer.....President, The Second National Bank of Hamil- ton, Hamilton, Ohio	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

*Term
Expires
Dec. 31*

DIRECTORS—Cont.

Appointed by Board of Governors:

Henry C. Besuden.....	Farmer, Winchester, Ky.	1955
Anthony Haswell	President, The Dayton Malleable Iron Company, Dayton, Ohio	1956
W. Bay Irvine.....	President, Marietta College, Marietta, Ohio....	1957

Pittsburgh Branch*Appointed by Federal Reserve Bank:*

Paul Malone.....	President, Gallatin National Bank, Uniontown, Uniontown, Pa.	1955
Albert L. Rasmussen.....	President, The Warren National Bank, Warren, Pa.	1956
John H. Lucas.....	President, Peoples First National Bank & Trust Company, Pittsburgh, Pa.	1957
Irving W. Wilson.....	President, Aluminum Company of America, Pittsburgh, Pa.	1957

Appointed by Board of Governors:

Douglas M. Moorhead....	Farmer, North East, Pa.	1955
Henry A. Roemer, Jr....	President, Sharon Steel Corporation, Sharon, Pa.	1956
John C. Warner.....	President, Carnegie Institute of Technology, Pitts- burgh, Pa.	1957

District 5—Richmond*Class A:*

Warren S. Johnson.....	Investment Counselor, Peoples Savings Bank & Trust Company, Wilmington, N. C.	1955
Vacancy		1956
Daniel W. Bell.....	President and Chairman of the Board, American Security and Trust Company, Washington D. C.	1957

Class B:

H. L. Rust, Jr.....	President, H. L. Rust Company, Washington, D. C.	1955
W. A. L. Sibley.....	Vice President and Treasurer, Monarch Mills, Union, S. C.	1956
Robert O. Huffman.....	President, Drexel Furniture Company, Drexel, N. C.	1957

Class C:

John B. Woodward, Jr....	Chairman of the Board, Newport News Ship- building & Dry Dock Company, Newport News, Va.	1955
Alonzo G. Decker, Jr....	Vice President, The Black & Decker Manufac- turing Company, Towson, Md.	1956
D. W. Colvard.....	Dean of Agriculture, North Carolina State Col- lege of Agriculture and Engineering, Raleigh, N. C.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

*Term
Expires
Dec. 31*

DIRECTORS—Cont.**Baltimore Branch***Appointed by Federal Reserve Bank:*

Lacy I. Rice.....	President, The Old National Bank, Martinsburg, W. Va.	1955
Stanley B. Trott.....	President, Maryland Trust Company, Baltimore, Md.	1955
Charles W. Hoff.....	President, Union Trust Company of Maryland, Baltimore, Md.	1956
Charles A. Piper.....	President, The Liberty Trust Company, Cumber- land, Md.	1957

Appointed by Board of Governors:

Wm. Purnell Hall.....	Executive Vice President, Maryland Shipbuilding and Drydock Company, Inc., Baltimore, Md.	1955
Theodore E. Fletcher....	Agriculturist, Easton, Md.	1956
Clarence R. Zarfoss.....	Vice President, Western Maryland Railway Com- pany, Baltimore, Md.	1957

Charlotte Branch*Appointed by Federal Reserve Bank:*

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
Archie K. Davis.....	Chairman of the Board, Wachovia Bank and Trust Company, Winston-Salem, N. C.	1956
Ernest Patton	Chairman of the Board, The Peoples National Bank of Greenville, Greenville, S. C.	1957

Appointed by Board of Governors:

T. Henry Wilson.....	President & Treasurer, Henredon Furniture In- dustries, Inc., Morganton, N. C.	1955
William H. Grier.....	Executive Vice President, Rock Hill Printing & Finishing Company, Rock Hill, S. C.	1956
Paul T. Taylor.....	President, Taylor Warehouse Company, Winston- Salem, N. C.	1957

District 6—Atlanta*Class A:*

Leslie R. Driver.....	President, The First National Bank in Bristol, Bristol, Tenn.	1955
Roland L. Adams.....	President, Bank of York, York, Ala.	1956
W. C. Bowman.....	Chairman of the Board, The First National Bank of Montgomery, Montgomery, Ala.	1957

Class B:

Donald Comer.....	Chairman of the Board, Avondale Mills, Birming- ham, Ala.	1955
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FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

*Term
Expires
Dec. 31*

DIRECTORS—Cont.

A. B. Freeman.....	Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd., New Orleans, La....	1956
Pollard Turman.....	President, J. M. Tull Metal & Supply Company, Inc., Atlanta, Ga.	1957
<i>Class C:</i>		
Rufus C. Harris.....	President, The Tulane University of Louisiana, New Orleans, La.	1955
Harllee Branch, Jr.....	President, Georgia Power Company, Atlanta, Ga.	1956
Vacancy		1957

Birmingham Branch

Appointed by Federal Reserve Bank:

John B. Barnett, Jr.....	President, The Monroe County Bank, Monroe-ville, Ala.	1955
Frank M. Moody.....	Vice President, The First National Bank of Tuscaloosa, Tuscaloosa, Ala.	1955
John Will Gay.....	President, The First National Bank of Scottsboro, Scottsboro, Ala.	1956
Malcolm A. Smith.....	First Vice President, Birmingham Trust National Bank, Birmingham, Ala.	1957

Appointed by Board of Governors:

Thad Holt.....	Norton and Holt, Birmingham, Ala.....	1955
Adolf Weil, Sr.....	President, Weil Brothers-Cotton, Inc., Mont-gomery, Ala.	1956
Edwin C. Bottcher.....	Farmer, Cullman, Ala.	1957

Jacksonville Branch

Appointed by Federal Reserve Bank:

Frank W. Norris.....	President, The Barnett National Bank of Jackson-ville, Jacksonville, Fla.	1955
J. Carlisle Rogers.....	President, The First National Bank of Leesburg, Leesburg, Fla.	1955
James G. Garner.....	President, Little River Bank and Trust Com-pany, Miami, Fla.	1956
James L. Niblack.....	President, The First National Bank of Lake City, Lake City, Fla.	1957

Appointed by Board of Governors:

Harry M. Smith.....	President and Manager, Winter Garden Orna-mental Nursery, Inc., Winter Garden, Fla....	1955
McGregor Smith.....	Chairman of the Board and Director, Florida Power and Light Company, Miami, Fla.	1956
J. Wayne Reitz.....	President, University of Florida, Gainesville, Fla.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

*Term
Expires
Dec. 31*

DIRECTORS—Cont.**Nashville Branch***Appointed by Federal Reserve Bank:*

James V. Sprouse.....	President, The First National Bank of Springfield, Springfield, Tenn.	1955
T. R. Keys.....	President, Erwin National Bank, Erwin, Tenn...	1955
W. E. Tomlinson.....	President, The Hamilton National Bank of Johnson City, Johnson City, Tenn.	1956
J. R. Kellam, Jr.....	Executive Vice President, Commerce Union Bank, Nashville, Tenn.	1957

Appointed by Board of Governors:

Ernest J. Moench.....	President, Tennessee Tufting Company, Nashville, Tenn.	1955
Frank B. Ward.....	Dean, College of Business Administration, University of Tennessee, Knoxville, Tenn.	1956
A. Carter Myers.....	Treasurer, Knoxville Fertilizer Company, Knoxville, Tenn.	1957

New Orleans Branch*Appointed by Federal Reserve Bank:*

Keehn W. Berry.....	President, Whitney National Bank of New Orleans, New Orleans, La.	1955
James T. Brown.....	Chairman of the Board, First National Bank of Jackson, Jackson, Miss.	1955
Leon J. Minvielle.....	President, The Peoples National Bank of New Iberia, New Iberia, La.	1956
D. U. Maddox.....	President, The Commercial National Bank and Trust Company of Laurel, Laurel, Miss.	1957

Appointed by Board of Governors:

E. O. Batson.....	President, Batson-McGehee Company, Inc., Millard, Miss.	1955
E. E. Wild.....	Rice grower, Midland, La.	1956
Joel L. Fletcher, Jr.....	President, Southwestern Louisiana Institute, Lafayette, La.	1957

District 7—Chicago*Class A:*

Nugent R. Oberwortmann.....	President, The North Shore National Bank of Chicago, Chicago, Ill.	1955
Vivian W. Johnson.....	President, First National Bank, Cedar Falls, Iowa	1956
Walter J. Cummings.....	Chairman, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.	1957

Class B:

William J. Grede.....	President, Grede Foundries, Inc., Milwaukee, Wis.	1955
William A. Hanley.....	Director, Eli Lilly and Company, Indianapolis, Ind.	1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

	<i>Term Expires Dec. 31</i>
DIRECTORS—Cont.	
Walter E. Hawkinson.... Vice President in Charge of Finance, and Secretary, Allis-Chalmers Manufacturing Company, Milwaukee, Wis.	1957
<i>Class C:</i>	
John S. Coleman..... President, Burroughs Corporation, Detroit, Mich.	1955
J. Stuart Russell..... Farm Editor, The Des Moines Register & Tribune, Des Moines, Iowa	1956
Bert R. Prall..... President, Butler Bros., Chicago, Ill.	1957
Detroit Branch	
<i>Appointed by Federal Reserve Bank:</i>	
Raymond T. Perring..... President, The Detroit Bank, Detroit, Mich.	1955
Ira A. Moore..... President, Peoples National Bank of Grand Rapids, Grand Rapids, Mich.	1956
Howard P. Parshall..... President, Bank of the Commonwealth, Detroit, Mich.	1957
Ernest W. Potter..... President, Citizens Commercial & Savings Bank, Flint, Mich.	1957
<i>Appointed by Board of Governors:</i>	
William M. Day..... Vice President and General Manager, Michigan Bell Telephone Company, Detroit, Mich.	1955
Vacancy	1956
John A. Hannah..... President, Michigan State College, East Lansing, Mich.	1957
District 8—St. Louis	
<i>Class A:</i>	
J. E. Etherton..... President, The Carbondale National Bank, Carbondale, Ill.	1955
William A. McDonnell... President, First National Bank in St. Louis, St. Louis, Mo.	1956
Phil E. Chappell..... President, Planters Bank & Trust Company, Hopkinsville, Ky.	1957
<i>Class B:</i>	
S. J. Beauchamp, Jr..... President, Terminal Warehouse Company, Little Rock, Ark.	1955
Louis Ruthenburg..... Chairman of the Board, Serval, Inc., Evansville, Ind.	1956
Leo J. Wieck..... Vice President and Treasurer, The May Department Stores Company, St. Louis, Mo.	1957
<i>Class C:</i>	
Caffey Robertson..... President, Caffey Robertson Company, Memphis, Tenn.	1955
M. Moss Alexander..... President, Missouri Portland Cement Company, St. Louis, Mo.	1956
Joseph H. Moore..... Farmer, Charleston, Mo.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

*Term
Expires
Dec. 31*

DIRECTORS—Cont.

Little Rock Branch

Appointed by Federal Reserve Bank:

Harvey C. Couch, Jr.....	President, Union National Bank of Little Rock, Little Rock, Ark.	1955
Donald Barger.....	President, Peoples Exchange Bank, Russellville, Ark.	1956
H. C. McKinney, Jr.....	President, The First National Bank of El Dorado, El Dorado, Ark.	1957
E. C. Benton.....	President, Fordyce Bank and Trust Company, Fordyce, Ark.	1957

Appointed by Board of Governors:

A. Howard Stebbins, Jr....	President, Stebbins and Roberts, Inc., Little Rock, Ark.	1955
G. Ted Cameron.....	President, Cameron Feed Mills, North Little Rock, Ark.	1956
Shuford R. Nichols.....	Farmer, ginner, and cotton broker, Des Arc, Ark.	1957

Louisville Branch

Appointed by Federal Reserve Bank:

Magnus J. Kreisle.....	President, The Tell City National Bank, Tell City, Ind.	1955
Noel Rush.....	President, Lincoln Bank and Trust Company, Louisville, Ky.	1956
M. C. Minor.....	President, The Farmers National Bank of Dan- ville, Danville, Ky.	1957
W. Scott McIntosh.....	President, State Bank of Hardinsburg, Hardins- burg, Ind.	1957

Appointed by Board of Governors:

Smith Broadbent, Jr.....	Farmer, Cadiz, Ky.	1955
David F. Cocks.....	Vice President and Treasurer, Standard Oil Com- pany (Kentucky), Louisville, Ky.	1956
Pierre B. McBride.....	President, Porcelain Metals Corporation, Louis- ville, Ky.	1957

Memphis Branch

Appointed by Federal Reserve Bank:

Ben L. Ross.....	Chairman of the Board, Phillips National Bank, Helena, Ark.	1955
John K. Wilson.....	President, The First National Bank of West Point, West Point, Miss.	1956
John A. McCall.....	President, The First National Bank of Lexington, Lexington, Tenn.	1957
William B. Pollard.....	President, National Bank of Commerce in Mem- phis, Memphis, Tenn.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

	<i>Term Expires Dec. 31</i>
DIRECTORS—Cont.	
<i>Appointed by Board of Governors:</i>	
Henry Banks.....Farmer, Clarkedale, Ark.	1955
John D. Williams.....Chancellor, The University of Mississippi, Univer- sity, Miss.	1956
A. E. Hohenberg.....President, Hohenberg Bros. Company, Memphis, Tenn.	1957

District 9—Minneapolis*Class A:*

Edgar F. Zelle.....Chairman of the Board, First National Bank of Minneapolis, Minneapolis, Minn.	1955
Harold N. Thomson.....Vice President, Farmers & Merchants Bank, Presho, S. D.	1956
Harold C. Refling.....Cashier, First National Bank in Bottineau, Bottineau, N. D.	1957

Class B:

Homer P. Clark.....Honorary Chairman of the Board, West Publish- ing Company, St. Paul, Minn.	1955
John E. Corette.....President and General Manager, Montana Power Company, Butte, Mont.	1956
Ray C. Lange.....President, Chippewa Canning Company, Inc., Chippewa Falls, Wis.	1957

Class C:

F. Albee Flodin.....President and General Manager, Lake Shore, Inc., Iron Mountain, Mich.	1955
Leslie N. Perrin.....Director, General Mills, Inc., Minneapolis, Minn.	1956
O. B. Jesness.....Head, Department of Agricultural Economics, University of Minnesota, St. Paul, Minn.....	1957

Helena Branch*Appointed by Federal Reserve Bank:*

A. W. Heidel.....President, Powder River County Bank, Broadus, Mont.	1955
J. Willard Johnson.....Financial Vice President and Treasurer, Western Life Insurance Company, Helena, Mont.	1956
Geo. N. Lund.....Chairman of the Board and President, The First National Bank of Reserve, Reserve, Mont.	1956

Appointed by Board of Governors:

George R. Milburn.....Manager, N Bar Ranch, Grass Range, Mont.	1955
Carl McFarland.....President, Montana State University, Missoula, Mont.	1956

District 10—Kansas City*Class A:*

W. S. Kennedy.....President and Chairman of the Board, The First National Bank of Junction City, Junction City, Kan.	1955
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FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

		<i>Term Expires Dec. 31</i>
DIRECTORS—Cont.		
W. L. Buntin.....	President, Goodland State Bank, Goodland, Kan.	1956
Harold Kountze	Chairman of the Board, The Colorado National Bank of Denver, Denver, Colo.	1957
<i>Class B:</i>		
E. M. Dodds.....	Chairman of the Board, United States Cold Stor- age Corporation, Kansas City, Mo.	1955
K. S. Adams.....	Chairman of the Board, Phillips Petroleum Com- pany, Bartlesville, Okla.	1956
Max A. Miller.....	Livestock rancher, Omaha, Neb.	1957
<i>Class C:</i>		
Raymond W. Hall.....	Vice President and Director, Hallmark Cards, Inc., Kansas City, Mo.	1955
Oliver S. Willham.....	President, Oklahoma A. & M. College, Still- water, Okla.	1956
Joe W. Seacrest.....	President, State Journal Company, Lincoln, Neb.	1957

Denver Branch*Appointed by Federal Reserve Bank:*

Merriam B. Berger.....	Vice President, The Colorado National Bank of Denver, Denver, Colo.	1955
Ralph S. Newcomer.....	Executive Vice President, First National Bank in Boulder, Boulder, Colo.	1956
Arthur Johnson.....	President, First National Bank in Raton, Raton, N. Mex.	1956

Appointed by Board of Governors:

Aksel Nielsen.....	President, The Title Guaranty Company, Denver, Colo.	1955
Ray Reynolds.....	Cattle feeder and farmer, Longmont, Colo.	1956

Oklahoma City Branch*Appointed by Federal Reserve Bank:*

George R. Gear.....	President, The City National Bank of Guymon, Guymon, Okla.	1955
F. M. Overstreet.....	President, The First National Bank at Ponca City, Ponca City, Okla.	1956
R. Otis McClintock.....	Chairman of the Board, The First National Bank and Trust Company of Tulsa, Tulsa, Okla. ...	1956

Appointed by Board of Governors:

Davis D. Bovaird.....	President, The Bovaird Supply Company, Tulsa, Okla.	1955
Phil H. Lowery.....	Owner, Lowery Hereford Ranch, Loco, Okla. ..	1956

Omaha Branch*Appointed by Federal Reserve Bank:*

Ellsworth Moser.....	President, The United States National Bank of Omaha, Omaha, Neb.	1955
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FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

	<i>Term Expires Dec. 31</i>
DIRECTORS—Cont.	
George J. Forbes.....Executive Vice President, The First National Bank of Laramie, Laramie, Wyo.	1955
William N. Mitten.....Chairman of the Board, First National Bank of Fremont, Fremont, Neb.	1956
<i>Appointed by Board of Governors:</i>	
Gilbert C. Swanson.....Vice President, Campbell Soup Company, and General Manager of its C. A. Swanson & Sons Operations, Omaha, Neb.	1955
Manville Kendrick.....Rancher, Sheridan, Wyo.	1956

District 11—Dallas*Class A:*

J. Edd McLaughlin.....President, Security State Bank & Trust Company, Ralls, Tex.	1955
W. L. Peterson.....President, The State National Bank of Denison, Denison, Tex.	1956
Sam D. Young.....President, El Paso National Bank, El Paso, Tex.	1957

Class B:

J. B. Thomas.....President and General Manager and Director, Texas Electric Service Company, Fort Worth, Tex.	1955
John R. Alford.....Industrialist and farmer, Henderson, Tex.	1956
D. A. Hulcy.....Chairman of the Board and President, Lone Star Gas Company, Dallas, Tex.	1957

Class C:

Henry P. Drought.....Attorney at Law, San Antonio, Tex.	1955
Hal Bogle.....Rancher and feeder, Dexter, N. Mex.	1956
Robert J. Smith.....Chairman of the Board and President, Pioneer Aeronautical Services, Inc., Dallas, Tex.	1957

El Paso Branch*Appointed by Federal Reserve Bank:*

Thomas C. Patterson.....Vice President, El Paso National Bank, El Paso, Tex.	1955
F. W. Barton.....President, The Marfa National Bank, Marfa, Tex.	1956
John P. Butler.....President, The First National Bank of Midland, Midland, Tex.	1957
J. M. Sakrison.....President, Southern Arizona Bank & Trust Company, Tucson, Ariz.	1957

Appointed by Board of Governors:

E. J. Workman.....President, and Director of Research and Development Division, New Mexico Institute of Mining and Technology, Socorro, N. Mex.	1955
D. F. Stahmann.....President, Stahmann Farms, Inc., Las Cruces, N. Mex.	1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

*Term
Expires
Dec. 31*

DIRECTORS—Cont.

James A. Dick.....President, James A. Dick Investment Company,
El Paso, Tex. 1957

Houston Branch

Appointed by Federal Reserve Bank:

S. Marcus Greer.....Vice Chairman of the Board, The City National
Bank of Houston, Houston, Tex. 1955
I. F. Betts.....President, The American National Bank of Beau-
mont, Beaumont, Tex. 1956
W. B. Callan.....President, The Victoria National Bank, Victoria,
Tex. 1957
L. R. Bryan, Jr.....President, The Second National Bank of Houston,
Houston, Tex. 1957

Appointed by Board of Governors:

Tyrus R. Timm.....Head, Department of Agricultural Economics and
Sociology, A. & M. College of Texas, College
Station, Tex. 1955
Herbert G. Sutton.....T. O. Sutton and Sons, Colmesneil, Tex. 1956
John C. Flanagan.....Vice President and General Manager, Texas
Distribution Division, United Gas Corpora-
tion, Houston, Tex. 1957

San Antonio Branch

Appointed by Federal Reserve Bank:

Burton Dunn.....President, The Corpus Christi National Bank,
Corpus Christi, Tex. 1955
E. C. Breedlove.....President, The First National Bank of Harlingen,
Harlingen, Tex. 1956
V. S. Marett.....President, The Citizens National Bank of Gon-
zales, Gonzales, Tex. 1957
J. W. Beretta.....President, First National Bank of San Antonio,
San Antonio, Tex. 1957

Appointed by Board of Governors:

D. Hayden Perry.....Livestock farming, Robstown, Tex. 1955
Clarence E. Ayres.....Professor of Economics, The University of Texas,
Austin, Tex. 1956
Alex R. Thomas.....Vice President, Geo. C. Vaughan & Sons, San
Antonio, Tex. 1957

District 12—San Francisco

Class A:

John A. Schoonover.....President, The Idaho First National Bank, Boise,
Idaho 1955
M. Vilas Hubbard.....President and Chairman of the Board, Citizens
Commercial Trust and Savings Bank of Pasa-
dena, Pasadena, Calif. 1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

		<i>Term Expires Dec. 31</i>
DIRECTORS—Cont.		
Carroll F. Byrd.....	President, The First National Bank of Willows, Willows, Calif.	1957
<i>Class B:</i>		
Walter S. Johnson.....	President, American Forest Products Corporation, San Francisco, Calif.	1955
Alden G. Roach.....	President, Columbia-Geneva Steel Division, United States Steel Corporation, San Francisco, Calif.	1956
Reese H. Taylor.....	President, Union Oil Company of California, Los Angeles, Calif.	1957
<i>Class C:</i>		
Y. Frank Freeman.....	Vice President, Paramount Pictures Corporation, Hollywood, Calif.	1955
A. H. Brawner.....	Chairman of the Board, W. P. Fuller & Company, San Francisco, Calif.	1956
Philip I. Welk.....	President, Preston-Shaffer Milling Company, Walla Walla, Wash.	1957

Los Angeles Branch*Appointed by Federal Reserve Bank:*

Hugh C. Gruwell.....	Chairman of the Board, First National Bank of Arizona, Phoenix, Ariz.	1955
Anderson Borthwick.....	President, The First National Trust and Savings Bank of San Diego, San Diego, Calif.	1956
James E. Shelton.....	Chairman, Security-First National Bank of Los Angeles, Los Angeles, Calif.	1956

Appointed by Board of Governors:

Shannon Crandall, Jr.....	President, California Hardware Company, Los Angeles, Calif.	1955
Charles Detoy.....	Partner, Coldwell, Banker and Company, Los Angeles, Calif.	1956

Portland Branch*Appointed by Federal Reserve Bank:*

E. C. Sammons.....	President, The United States National Bank of Portland, Portland, Ore.	1955
John B. Rogers.....	President, The First National Bank of Baker, Baker, Ore.	1956
J. H. McNally.....	President, The First National Bank of Bonners Ferry, Bonners Ferry, Idaho	1956

Appointed by Board of Governors:

Warren W. Braley.....	Partner, Braley & Graham Buick, Portland, Ore.	1955
William H. Steiwer, Sr....	Livestock and farming, Fossil, Ore.	1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.

*Term
Expires
Dec. 31*

DIRECTORS—Cont.**Salt Lake City Branch***Appointed by Federal Reserve Bank:*

Harry Eaton.....	President, Twin Falls Bank and Trust Company, Twin Falls, Idaho	1955
Russell S. Hanson.....	Executive Vice President, The First National Bank of Logan, Logan, Utah	1956
George S. Eccles.....	President, First Security Bank of Utah, National Association, Salt Lake City, Utah	1956

Appointed by Board of Governors:

Joseph Rosenblatt.....	President, The Eimco Corporation, Salt Lake City, Utah	1955
Geo. W. Watkins.....	President, Snake River Equipment Company, Idaho Falls, Idaho	1956

Seattle Branch*Appointed by Federal Reserve Bank:*

Charles F. Frankland.....	President, The Pacific National Bank of Seattle, Seattle, Wash.	1955
S. B. Lafromboise.....	President, The First National Bank of Enumclaw, Enumclaw, Wash.	1956
James Brennan.....	President, First National Bank in Spokane, Spokane, Wash.	1956

Appointed by Board of Governors:

D. K. MacDonald.....	Chairman of the Board, D. K. MacDonald & Company, Inc., Seattle, Wash.	1955
Ralph Sundquist.....	President and General Manager, Sundquist Fruit and Cold Storage, Inc., Yakima, Wash.	1956

**FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.
PRESIDENTS AND VICE PRESIDENTS**

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston.....	J. A. Erickson Alfred C. Neal	D. H. Angney E. O. Latham	Carl B. Pitman O. A. Schlaikjer
New York.....	Allan Sproul William F. Treiber	H. A. Bilby John Exter H. H. Kimball 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
Cleveland.....	W. D. Fulton Donald S. Thompson	Dwight L. Allen Roger R. Clouse A. H. Laning	Martin Morrison H. E. J. Smith Paul C. Stetzelberger
Richmond.....	Hugh Leach Edw. A. Wayne	N. L. Armistead Aubrey N. Heflin Upton S. Martin	James M. Slay C. B. Strathy Chas. W. Williams
Atlanta.....	Malcolm Bryan Lewis M. Clark	V. K. Bowman J. E. Denmark John L. Liles, Jr. 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 L. G. Meyer	George W. Mitchell A. L. Olson W. W. Turner
St. Louis.....	Delos C. Johns Frederick L. Deming	Wm. J. Abbott, Jr. Dale M. Lewis Wm. E. Peterson	H. H. Weigel J. C. Wotawa
Minneapolis....	O. S. Powell A. W. Mills	C. W. Groth E. B. Larson H. G. McConnell	Otis R. Preston M. H. Strothman, Jr. Sigurd Ueland
Kansas City....	H. G. Leedy Henry O. Koppang	John T. Boysen Clarence W. Tow	E. D. Vanderhoof D. W. Woolley
Dallas.....	Watrous H. Irons W. D. Gentry	E. B. Austin Howard Carrithers W. H. Holloway T. W. Plant	L. G. Pondrom Morgan H. Rice Harry A. Shuford
San Francisco...	C. E. Earhart H. N. Mangels	E. R. Millard H. F. Slade	Eliot J. Swan O. P. Wheeler

**FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1955—Cont.
VICE PRESIDENTS IN CHARGE OF BRANCHES**

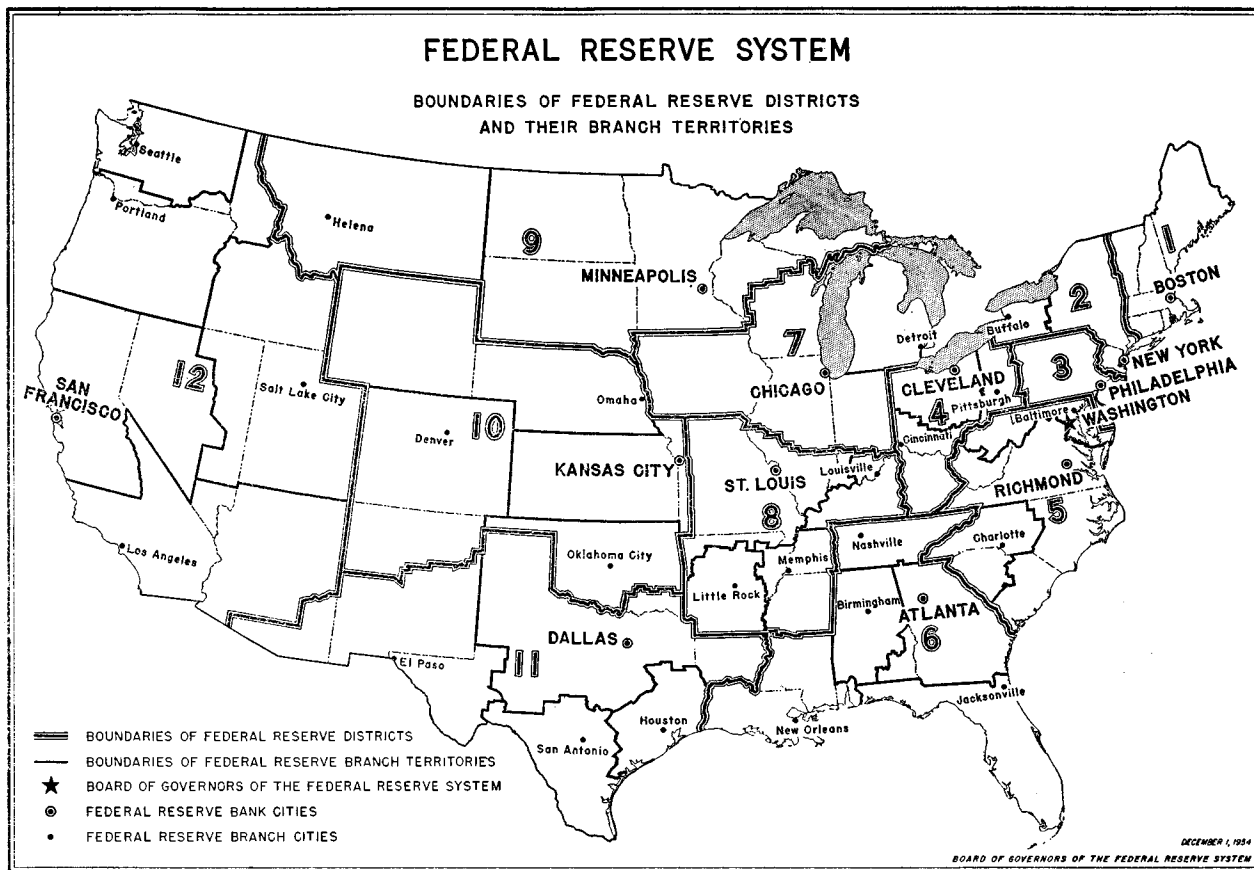
Federal Reserve Bank of—	Branch	Vice Presidents
New York.....	Buffalo	I. B. Smith
Cleveland.....	Cincinnati	R. G. Johnson
	Pittsburgh	J. W. Kossin
Richmond.....	Baltimore	D. F. Hagner
	Charlotte	R. L. Cherry
Atlanta.....	Birmingham	H. C. Frazer
	Jacksonville	T. A. Lanford
	Nashville	R. E. Moody, Jr.
	New Orleans	M. L. Shaw
Chicago.....	Detroit	R. A. Swaney
St. Louis.....	Little Rock	Fred Burton
	Louisville	V. M. Longstreet
	Memphis	Darryl R. Francis
Minneapolis.....	Helena	Kyle K. Fossum
Kansas City.....	Denver	Cecil Puckett
	Oklahoma City	R. L. Mathes
	Omaha	P. A. Debus
Dallas.....	El Paso	C. M. Rowland
	Houston	J. L. Cook
	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. Young, President of the Federal Reserve Bank of Chicago, and Mr. Earhart, President of the Federal Reserve Bank of San Francisco, who were elected Chairman of the Conference and Vice Chairman, respectively, at the meeting held in March 1954, were re-elected in March 1955 and continued to serve as such during 1955.

Mr. Robert C. Holland, an Economist at the Federal Reserve Bank of Chicago, who was elected Secretary of the Conference in March 1954, was re-elected in March 1955, and continued to serve as such during 1955.



NOTE.—For a description of the Federal Reserve districts and branch territories, see the *Annual Report of the Board of Governors* for 1953, pp. 124-34; for recent changes in branch territory lines, see p. 57 of the 1954 *Annual Report*.

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