FORTY-THIRD

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR THE YEAR

1956

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, June 3, 1957

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-third Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1956.

Yours respectfully,

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

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

In 1956 economic activity in the United States and abroad continued to expand and to generate upward pressures on prices as growing demands pressed against productive capacity in key industries. In this country consumer outlays for automobiles and homes gave way to business spending for plant and equipment as the principal expansive force in the economy. With output near capacity in industries producing basic materials and aggregate demands for goods and services mounting, prices at wholesale and retail rose throughout the year.

In view of these output limitations, rising prices, and the strength of demands, there was need for a close rein on the pace of credit and monetary expansion. Federal Reserve policy, therefore, continued to exert restraint while providing for seasonal bank credit requirements and for some increase in the monetary base. The degree of restraint was altered from time to time during the year in response to changes in the economic climate. Reserve Bank discount rates were raised in April and in August, advancing from 2½ to 3 per cent, and member bank borrowing from Reserve Banks showed a declining tendency during the year. The growth of the money supply amounted to $1.5 billion, or about 1 per cent. Deposit turnover rose sharply further.

Total debt increased less than in 1955, but demands for credit continued to be large relative to the supply of loanable funds and relative to demands in most earlier years. As a result, interest rates advanced considerably—to the highest levels, in fact, since the early 1930's. Business demands for funds were especially heavy. The increase in debt of consumers was less than in the previous year, and Federal Government debt was reduced.

In the latter part of the year there was some slackening in the growth of bank loans except for a temporary spurt in business loans toward the year-end. In securities and mortgage markets, however, demands for funds remained strong.

ECONOMIC BACKGROUND OF FEDERAL RESERVE POLICY

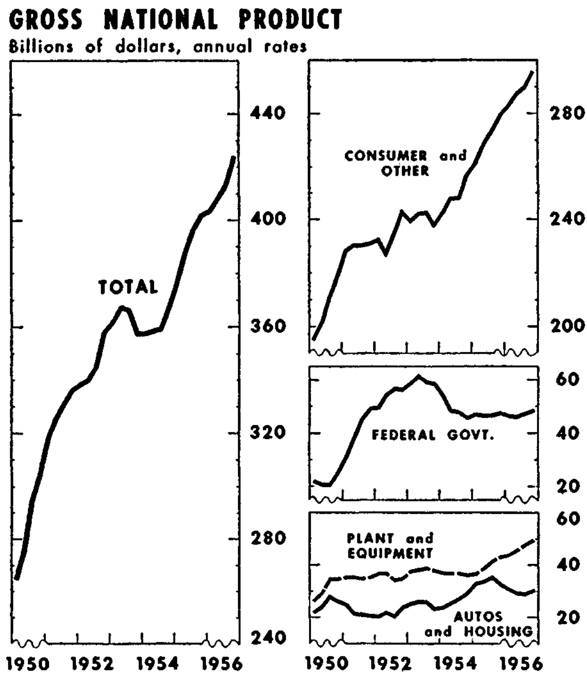
Growth in output and expenditures. The year began with resources of labor and materials intensively utilized and a limited potential for additional economic growth over the near term. Hence, expansion in total output of goods and services was not so great as in 1955, and pressure on prices continued.

Gross national product in 1956, at $412 billion, was 5.5 per cent above 1955. Higher prices accounted for about half of the increase. The physical volume of agricultural output was up about 1 per cent and other output, including services, about 3 per cent. Employment rose further and unemployment remained at low levels. The average working week at factories exceeded 40 hours throughout the year.

The moderate expansion in total output and expenditures reflected offsetting changes in major components. Outlays for new housing and automobiles, which together had accounted for one-fourth of the 1955 growth of gross national product, fell $4 billion in 1956. This decline was more than offset by an increase in business plant and equipment expenditures of $6.5 billion, or one-fifth, which provided the major expansive force in the economy in 1956. Business inventories were accumulated at about the same rate as in 1955. Expenditures by consumers for services and nondurable goods and by State and local governments continued to expand.

Demands from abroad also contributed to domestic expansion in 1956. Exports of goods and services (excluding military grants) rose by one-sixth, and exceeded $23 billion. Rising exports reflected not only higher economic activity abroad but also larger foreign investments by United States business and Government programs to stimulate agricultural exports. Imports, which leveled off after the first quarter, were one-tenth greater than in 1955.

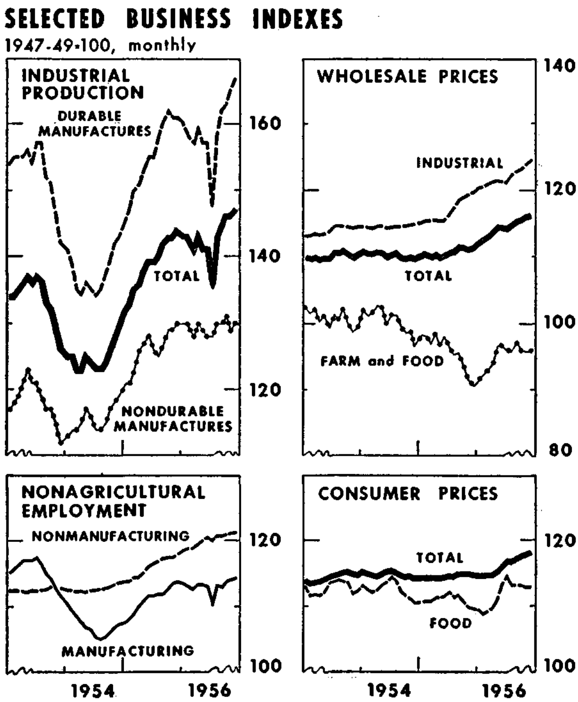
Although there were important shifts in the composition of total output, basic materials industries operated near capacity throughout the year and employment remained at high levels. In the case of steel, for example, output was at capacity levels during the entire year (except for strike interruptions) despite a decline of more than one-fourth in automobile production, which usually absorbs about one-fifth of steel output. In construction, employment rose further in 1956, despite a reduced level of home building, as other forms of construction increased sharply. While productive capacity was not fully utilized in some areas, the intensive employment of materials and labor meant that still greater growth of total output, to the extent possible, could have been achieved only with larger increases in prices and costs than were actually experienced.



NOTE.—Department of Commerce quarterly estimates, adjusted for seasonal variation. Consumer and other includes consumer purchases of goods and services other than autos and parts; State and local government purchases of goods and services; net foreign investment; and business inventory change. Plant and equipment includes producers' durable equipment and private nonresidential construction. Autos relate only to consumer expenditures for automobiles and parts.

Price and wage movements. The upward movement in prices that began in mid-1955 accelerated in 1956. Industrial commodity prices, which had increased 4 per cent in 1955, rose 4 per cent further. Agricultural prices, which had declined in 1955 as industrial prices advanced, rose in the first half of 1956 and in December were about 7 per cent above the level of a year earlier. Consumer prices, which had shown little change until the spring of 1956, increased almost 3 per cent in the last nine months of the year.

The sharp expansion in demands for producers' equipment and nonresidential construction resulted in large increases in wholesale prices of metal products. Metals and metal products advanced 6 per cent and machinery and equipment prices increased 8 per



NOTE.—Seasonally adjusted series, except for prices. Bureau of Labor Statistics data for employment and prices, and Federal Reserve data for production. Industrial prices include those other than farm products and foods.

cent in the course of the year. Prices of steel mill products, which had been raised sharply in mid-1955, were increased again in mid-1956. At the end of the year they were nearly one-fifth higher than in the first half of 1955. Copper prices, however, turned down around midyear, after rising more than 50 per cent from early 1955.

The upward movement in prices reflected the immediate strength of demands for finished goods and for services, which in turn was translated into active demands for manpower and other resources that enter into production costs. In these circumstances, wage increases were widespread. An increasing number of wage agreements covered periods of more than one year and incorporated cost-of-living escalator clauses and automatic annual wage increases. The increase in average hourly earnings in manufacturing, amounting to 6 per cent in 1956, exceeded the rise in output per man hour. About half of the gain in hourly earnings was matched by the rise in consumer prices.

Credit demands. Developments in financial markets in 1956 reflected the shifts noted above in expansive forces in the economy. Nonfinancial businesses absorbed considerably more funds from credit markets than in 1955. Consumers and State and local governments borrowed somewhat less. The Federal Government became a net supplier of funds, as a cash surplus permitted reduction in Treasury debt held by the public.

Business finance. Business demands for external financing were strong throughout the year as investment outlays increased sharply. Corporate profits rose little. With dividend payments higher, retained earnings declined, offsetting a major part of the increase in depreciation allowances. The gap between capital outlays and funds from current operations widened, and businesses drew heavily on internal cash resources, bank credit, and the securities markets.

In the first half of 1956 corporate income tax payments, due in March and June, enlarged demands for funds that were already heavy. Loans to metal fabricating companies accounted for a substantial portion of business loan growth at banks in this period, when new orders for machinery and equipment were rising rapidly and steel stocks were being accumulated in anticipation of a midyear strike in the steel industry. The expansion of business loans at banks appeared to reflect not only enlarged short-term needs for funds but also some temporary financing of longer term outlays that ordinarily would be financed through security issues.

Corporate security issues outstanding increased substantially in the first half of 1956. In addition, nonfinancial corporations obtained $6 billion of funds by liquidating United States Government securities. This was in contrast to the first half of 1955 when there was a reduction of only $500 million in such holdings.

In the second half of 1956, the growth of bank loans to businesses other than sales finance companies slackened somewhat, but net corporate security issues were even larger than in the preceding six months. Although tax liabilities were accumulating in this period, corporations added only $1.2 billion to their holdings of Government securities, whereas in the second half of 1955 such holdings had been increased $4.7 billion. Over the entire year 1956 the liquidity position of nonfinancial corporations declined considerably. The ratio of cash and Government security holdings to total current liabilities fell from 54 per cent at the end of 1955 to 47 per cent at the end of 1956, the lowest level since before World War II.

Sales finance companies were the only major group that appreciably reduced indebtedness to banks in 1956. At the same time, however, they continued to borrow on long-term securities and on short-term paper placed directly with investors. Credit extended by these companies to consumers and businesses increased only about one-sixth as much as in 1955, reflecting primarily developments in automobile sales and inventories.

Consumer finance. The increase in indebtedness of consumers fell short of the record amounts of the previous year. Residential mortgage debt outstanding on 1- to 4-family houses rose $11.1 billion in 1956, compared with $12.4 billion in 1955. Nevertheless, the increase in 1956 was the second largest on record. The slowdown in rate of expansion of residential mortgage debt was accounted for entirely by the FHA and VA components. These Government-underwritten mortgages, with interest rate ceilings, became less attractive to investors as the general level of interest rates rose. Conventional mortgage debt outstanding on 1- to 4-family properties increased more than in 1955.

Consumer short- and intermediate-term debt expanded $3.2 billion, about half as much as in 1955. Repayments on previously incurred instalment debt rose about one-tenth, and a decline in extensions of automobile credit offset most of the increase in extensions of other types of instalment credit.

Treasury finance. Total outlays of the Federal Government rose in 1956 by about the same amount as in the previous year. Receipts increased considerably more than expenditures and the resulting surplus in the cash budget for the calendar year amounted to $5.5 billion, compared with a deficit of $700 million in 1955.

Individual and corporate income taxes accounted for more than nine-tenths of the increase in Federal revenues. Most of the increase in Government spending was for national security outlays, which moved up in the second half of the year.

The emergence of a surplus in the cash budget contributed to the restraint of inflationary pressures. The surplus enabled the Treasury to return $6 billion to the private economy through reduction in Federal debt held by the public. This represented Government savings that helped to finance the increase in private investment outlays, moderating upward pressures on interest rates. As Treasury debt was reduced, nonfinancial corporations and the banking system together liquidated more than $8 billion of Government securities in 1956, compared with about $3 billion in the previous year. All other investors taken together acquired about $2 billion of additional Government securities, compared with more than $3 billion in the previous year.

State and local governments. Total outlays for goods and services by State and local governments rose about 9 per cent in 1956. Long-term security issues amounted to $5.4 billion, about one-tenth less than in 1955. Most of the reduction was accounted for by issues to finance toll highway construction. The amount of securities issued for school construction was about the same as in 1955, while expenditures for this purpose increased about 10 per cent.

Supplies of credit. Cash balances that could be loaned in credit markets were less readily forthcoming in 1956 than a year earlier, while demands for loanable funds remained strong. As a result, interest rates rose more in 1956 than in 1955, even though total indebtedness in the economy rose less. In part, this reflected a cumulative decline in liquidity accompanying sustained economic expansion under conditions of credit restraint. Furthermore, in the case of businesses, funds that accrued in the course of 1956 were used more extensively to finance physical investment than to acquire financial assets. Savings institutions and commercial banks supplied a smaller volume of loan funds, but individuals added somewhat more to their security holdings than in 1955.

Personal saving. Net personal saving, including the saving of unincorporated business, rose to 7.3 per cent of disposable personal income in 1956, from 6.1 per cent in 1955. An important feature of this increase in the rate of personal saving was increased debt repayment along with a reduction in new borrowing by consumers. Another feature was a rise in holdings of financial assets by individuals.

Institutional lenders. There was little change in 1956 in the aggregate flow of savings to life insurance companies, savings and loan associations, and mutual savings banks. However, supplementary sources of loanable funds that had been used by these institutions in 1955 were not drawn upon in 1956.

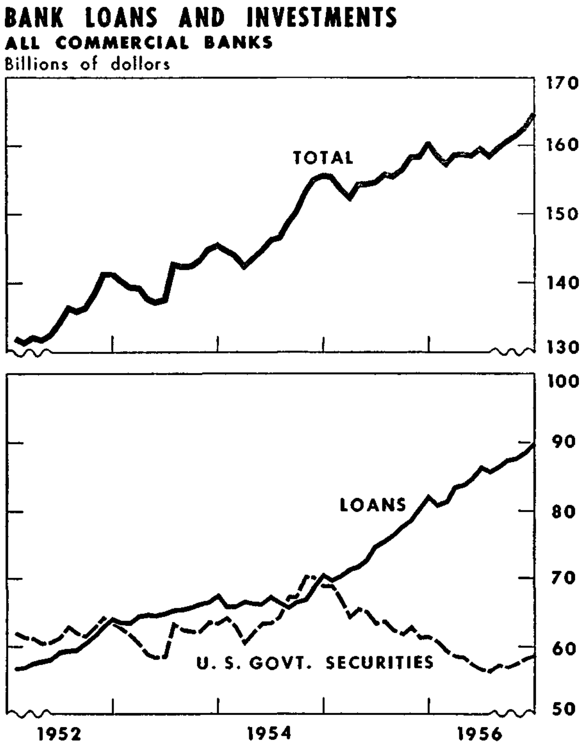
The inflow of savings to savings and loan associations was about 5 per cent greater in 1956 than in the previous year, but these institutions repaid about $200 million of debt to the Federal home loan banks, whereas they had increased such debt by more than $500 million in 1955. Life insurance companies, whose assets rose less than in 1955, also reduced dependence on other sources of funds; in the previous year they had temporarily lodged mortgages with commercial banks in meeting heavy commitments to acquire new mortgages. The deposits and loans and investments of mutual savings banks increased about as much as in 1955.

The growth of loan and investment portfolios of commercial and mutual savings banks, life insurance companies, and savings and loan associations, taken together, was less than in 1955. Nevertheless, the proportion of total public and private financing accounted for by these institutions increased in 1956, as the absorption of securities by other investor groups declined from the high levels of 1955. With liquidity drawn down as a result of developments in 1955, loanable funds were less readily available in 1956, and some sources reduced the amounts they supplied.

Bank credit. Total loans and investments of commercial banks increased $4.2 billion in 1956, slightly less than in 1955. The growth of loans, amounting to $7.6 billion, was about one-third less than in 1955, but larger than in most other years. As in the previous year, commercial banks reduced United States Government security portfolios in order to expand loans.

While total bank loans expanded at a slower pace in 1956, bank loans to businesses other than consumer and mortgage lenders increased more than in 1955. The expansion was strongest in the first half of the year.

Bank loans outstanding to consumers increased about one-third less than in 1955, reflecting the general slowdown in total consumer credit expansion. The slower growth of real estate loans at commercial banks in 1956 was a reflection partly of the reversal in bank



NOTE.—Figures are partly estimated. Data exclude interbank loans, and are for last Wednesday of month except for June and December call dates.

lending to other financial institutions. In 1955, as mortgage lenders experienced difficulty in meeting commitments to acquire mortgages, banks had purchased from them a substantial amount of such mortgages under resale agreements. Banks had also extended loans to mortgage lenders and total bank credit to these lenders had increased about $1 billion in 1955. In 1956 the indebtedness of mortgage lenders to banks was reduced more than $100 million.

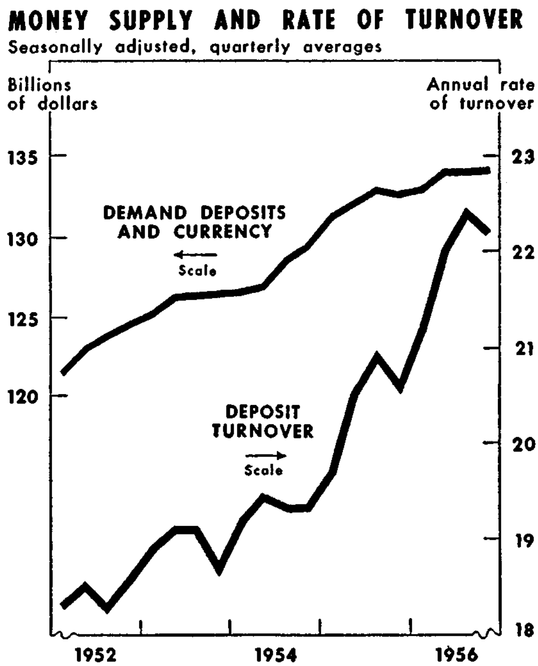
Reflecting strong loan demands and Treasury debt retirement, banks reduced their Government security holdings $5 billion in the first half of the year. In the second half, as loan growth slackened somewhat and the Treasury offered new issues of bills and certificates, commercial banks added $1.9 billion to holdings of Government securities, reversing an almost steady decline that had begun in late 1954. A substantial part of the net increase in bank holdings of Government securities was at country member and nonmember banks, which also experienced much of the slowdown in loan growth in the second half of the year.

While bank portfolios of Government securities declined $3 billion in 1956, their holdings of Government securities maturing in one year or less increased nearly $5 billion, as a result of acquisitions of newly issued bills and certificates and of the approach of maturities due to the passage of time. Consequently, the ratio of short-term Government securities to deposits rose during the year, and this tended to offset part of the decline in liquidity that commercial banks have experienced since late 1954.

Monetary growth. Demand deposits adjusted and currency outside banks—the active money supply—rose $1.5 billion in 1956 compared with $3.8 billion in the previous year. The growth of time and savings deposits at commercial banks, at $2.2 billion, was the source of funds for one-half of the increase in bank loans and investments in 1956 as compared with only one-third in 1955.

The $1.5 billion growth in the money supply during the year ending December 1956 represents an increase of about 1 per cent. From the fourth quarter of 1955 to the fourth quarter of 1956, gross national product increased 5.5 per cent, of which about half was accounted for by rising prices. The velocity of circulation of money thus increased considerably. This is evidenced by the growth in the rate of turnover of demand deposits; that is, the ratio of debits against deposit accounts to the amount of deposits. In reporting centers outside New York City, the rate of turnover rose 8 per cent in the year ending with the fourth quarter of 1956, after increasing 7 per cent in the previous year.

A rising velocity of circulation of money—or a more active use of cash balances—is typical of periods of increasing economic activity. At such times incentives to economize the holding of cash balances become greater as interest rates rise and investment opportunities become more attractive. An increase in velocity is also likely to

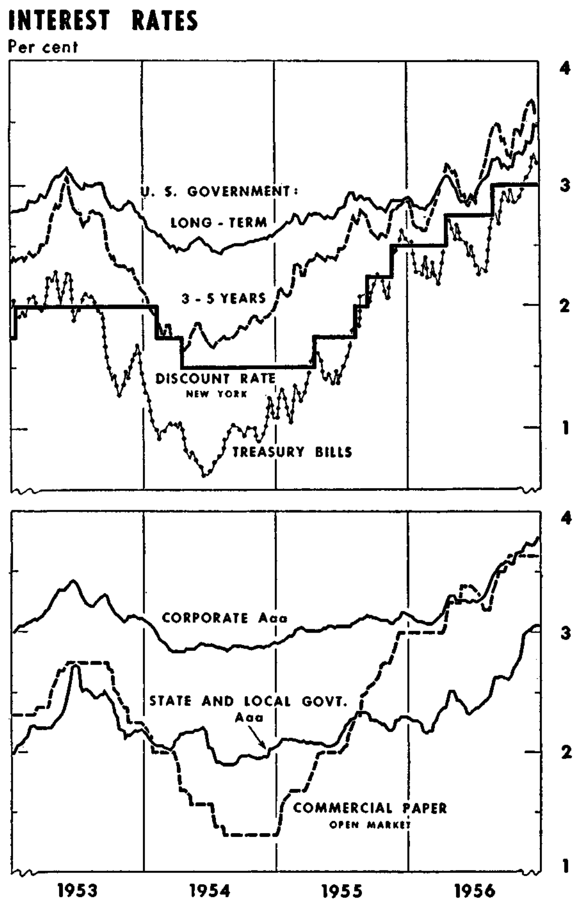


NOTE.—Figures for deposits and currency are quarterly averages of seasonally adjusted data for last Wednesday of month and are partly estimated. Demand deposits are for all banks in the U. S. and exclude U. S. Govt. and interbank deposits and items in process of collection. Currency excludes bank vault cash. Figures for turnover of demand deposits are quarterly averages of seasonally adjusted monthly data for 337 leading centers outside New York and 6 other financial centers.

occur in an inflationary period when expectations of rising prices provide an additional incentive to minimize the holding of cash balances.

Interest rates. With over-all demands for credit strong and the supply of loanable funds limited, interest rates continued to rise in 1956, reaching the highest levels since the early 1930's. The increase was especially marked in the long-term area where private debt expansion remained almost as large as in 1955. Differentials among yields on obligations of different maturities were smaller than in most other recent years.

Market rates on corporate and State and local government bonds rose more than twice as much as in 1955. Yields on long-term Treasury issues rose less than those on corporate and municipal



NOTE.—Market yield data are weekly averages of daily figures. Treasury bill rates are market yields on longest bills. Long-term U. S. Govt. yields are on 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.

bonds, while those on intermediate-term Government securities remained above long-term Treasury yields during most of the year.

Treasury bill yields fluctuated with pressures on bank reserves but rose sharply in the second half of the year as credit market pressures increased. A special factor in the fourth quarter was the sale by the Treasury of three new issues of bills in addition to the regular weekly offerings, increasing Treasury bills outstanding from $20.8 to $25.2 billion. Other short-term market rates moved in general with yields on Treasury bills.

FEDERAL RESERVE POLICIES AND BANK RESERVES

While maintaining a general condition of restraint on credit expansion in 1956, Federal Reserve operations were adjusted from time to time in accordance with changes in the climate of economic activity as well as with seasonal variations in the demand for bank credit. Furthermore, in recognition of the cumulative effects of a sustained period of credit restraint and of some reduction in bank liquidity positions, a moderate decline in member bank indebtedness to the Reserve Banks was not resisted.

On balance, the reserves of member banks increased about $300 million in 1956. Required reserves increased about $240 million, and member bank indebtedness to Federal Reserve Banks declined about $150 million. About $500 million of reserves were supplied by an increase in the gold stock and by declines in foreign and other deposits at Federal Reserve Banks, while a corresponding amount of reserves was absorbed by an expansion of currency in circulation. Federal Reserve holdings of United States Government securities

CHANGES IN MEMBER BANK RESERVES

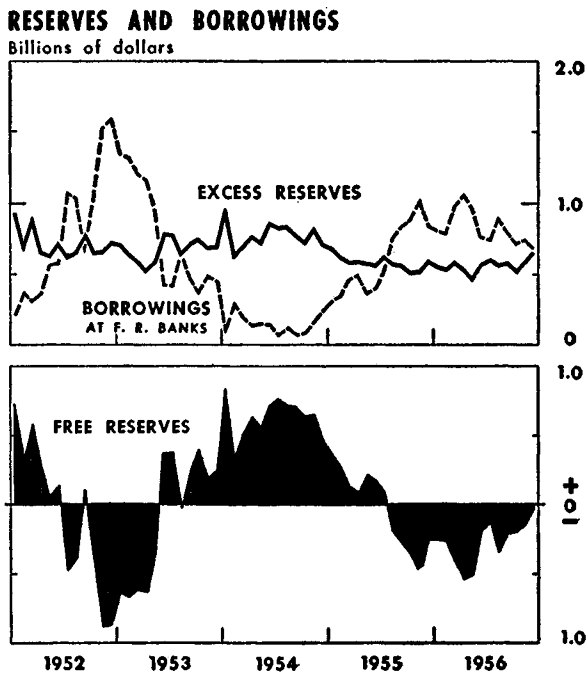
[Based on averages of daily figures for December; in millions of dollars]

Item	1956	1955
Member bank reserves		
Total reserves	+295	−39
Required reserves	+237	+70
Excess reserves	+58	−109
Principal factors affecting reserves	(sign indicates effect on reserves)	
Federal Reserve credit:		
Discounts and advances to member banks	−151	+593
Federal Reserve holdings of U. S. Govt. securities and acceptances	+194	−296
Float	+244	+397
Currency in circulation	−510	−516
Gold stock and foreign accounts	+340	−42
Other factors	+181	−180

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

and bankers' acceptances expanded over the year by about $200 million, and an increase in Federal Reserve float—or checks awaiting collection—also supplied reserves.

Member bank borrowing at the Reserve Banks, which had increased rapidly in 1955 to $900 million in the fourth quarter of that year, reached $1.1 billion in April 1956 as bank loans expanded and Federal Reserve holdings of Government securities were reduced.



NOTE.—Monthly averages of daily figures for member banks. Free reserves are excess reserves less borowings.

In April borrowings exceeded excess reserves by $500 million. Member bank indebtedness declined after April, except for a temporary rise in August, as bank loan expansion moderated and conformed more closely to the usual seasonal pattern. In the fourth quarter of 1956 member bank borrowing at the Reserve Banks averaged $700 million, compared with excess reserves of $550 million.

The cost of member bank borrowing at Reserve Banks was raised in April—by ¼ percentage point to 2¾ per cent at 10 Reserve Banks and by ½ percentage point to 3 per cent at the Minneapolis and San Francisco Banks. In August the other 10 Banks advanced discount rates to 3 per cent.

Although the reserve position of member banks was somewhat easier at the end of 1956 than a year earlier, the cost to banks of acquiring additional reserves was higher. Reserve Bank discount rates at 3 per cent were up ½ percentage point and the prices at which Government securities could be sold were lower. Furthermore, with reduced Government security portfolios, banks had become less willing to dispose of such securities in order to expand loans further. Banks also showed a tendency in the latter part of the year to repay borrowings at Reserve Banks more quickly. Thus, banks had become more sensitive to Federal Reserve policies and a given level of member bank borrowings represented a greater degree of restraint.

As the year ended, Federal Reserve policies were continuing to limit bank credit expansion. Over the second half of the year the wholesale prices of industrial commodities had risen at an annual rate of nearly 6 per cent and consumer prices at a rate of 3 per cent a year. Average hourly earnings in manufacturing had risen at an annual rate of 8 per cent. In these circumstances and in the light of developments since mid-1955, the threat of an inflationary spiral, with price and wage increases feeding upon each other, was a matter of concern in the formation of Federal Reserve policy in the latter months of the year.

The principal changes in Federal Reserve policy during the year are summarized on the following page.

Digest of Principal Federal Reserve Policy Actions, 1956

Period	Action	Purpose of action
January	Reduced System holdings of U. S. Government securities by over $1.4 billion through sales in the market, redemption of maturing bills, and termination of repurchase agreements. Member bank borrowings increased to weekly averages of $900 million in late January.	To offset seasonal return flow of currency and reduction in reserve needs and restore degree of restraint prevailing before December action to moderate restraint temporarily.
February and March	Bought small amounts of Government securities at times. Member bank borrowings declined somewhat in February but increased substantially in March as result of sharp increase in required reserves.	To meet changing reserve needs and avoid an increasing degree of credit restraint in view of growing tone of uncertainty as to economic prospects.
April and May	Discount rates raised from 2½ per cent to 2¾ per cent at 10 Reserve Banks and to 3 per cent at 2 Banks around middle of April; System holdings of U. S. Government securities reduced by $350 million. Member bank borrowings at Reserve Banks rose to over $1 billion.	To increase restraint on credit expansion, in view of sharp increase in bank credit in March and indications of broad increase in spending, growing demands for credit, and upward pressures on prices and costs.
Late May–early August	Increased System holdings of U. S. Government securities around end of May and end of June and maintained holdings at higher level than in previous period.	To meet currency needs around holidays, to cover added demands for reserves around tax payment and midyear settlement periods, and to avoid increasing the degree of restraint in view of uncertainties in economic situation.
August–November	Discount rates raised late in August to 3 per cent at the 10 Reserve Banks with rates of 2¾ per cent. System holdings of U. S. Government securities increased by nearly $1 billion; member bank borrowings at Reserve Banks rose to average of $900 million in August and averaged between $700 and $800 million in other months.	Discount rates increased in conformity with rise in market rates resulting from vigorous credit demands. Policies designed to increase and maintain restraint on undue credit expansion while covering seasonal and other temporary variations in reserve needs, including effects of frequent Treasury financing operations.
December	System holdings of U. S. Government securities and bankers' acceptances increased by over $550 million, including substantial repurchase agreements with dealers. Member bank borrowings declined to weekly averages of around $600 million, except in last week of year, and at times were less than excess reserves.	To supply reserve funds in recognition of additional pressures in money, credit, and capital markets resulting from seasonal factors and international conditions, at a time when lower liquidity ratios of banks were themselves exerting restraint on bank lending.

RECORD OF POLICY ACTIONS

FEDERAL OPEN MARKET COMMITTEE

At the beginning of the year 1956, the policy directive of the Federal Open Market Committee, issued to the Federal Reserve Bank of New York as Agent selected by the Committee to execute transactions for the System open market account, was the one that had been approved at the meeting on December 13, 1955, reading as follows:

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 restraining inflationary developments in the interest of sustainable economic growth, 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.

The policy actions listed on the following pages were taken by the votes indicated at the nineteen meetings of the Federal Open Market Committee held during 1956.

January 10, 1956

Authority to effect transactions in System account.

The Federal Open Market Committee renewed without change the directive that was in effect at the beginning of 1956, set forth above, which called for a policy of restraint on credit expansion.

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

This action continued the policy of restraint on credit expansion in the same terms that had been used in each directive issued by the Committee since August 1955; that is, transactions in the System open market account were to be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth." During the first four months of 1955, the directive had been in terms of "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;" and from May to August of 1955, the directive had likewise been in terms of fostering growth and stability, although the instruction to "encourage recovery" had been deleted in May. Restraints on credit expansion had been exercised by making it necessary for member banks to borrow to obtain additional reserves needed and by raising discount rates, and these restraints had become increasingly restrictive as banks reduced their liquidity in order to expand loans.

In reviewing the domestic situation at the beginning of 1956, the Committee found that economic activity was still advancing with industrial output and industrial prices penetrating new high ground, and with many industries operating near existing capacities. Aggregate domestic demands were continuing to expand and pressing upward on prices. Data for other industrial countries similarly showed further advances in activity with manpower and productive facilities being utilized intensively and with prices tending to advance. At the same time, the Committee noted signs of slowing in the rate of expansion in key domestic areas such as automobile production and residential building, and it also took note of an apparent leveling off in consumer demand and of views expressed by some observers that a downturn in activity might occur during 1956. These factors were weighed against the indications that plant and equipment expenditures by business would establish new records during the year and that, if credit were too readily available at this stage, there could be an upward spiraling of prices based on increasing costs and shortages of some materials. The Committee reached the conclusion that the over-all situation was still inflationary in character, at least on the industrial side, and that a continuation of restraint on credit expansion was required. Until the economic outlook and the demand for credit had become clearer, however, and in view of the increased severity of restraints on banks, the Committee did not feel that the general level of restraint should be increased beyond that which had existed in the autumn of 1955.

In considering the implementation of this general policy of restraint, the Committee observed that the usual year-end strains in the money market had been moderated by certain unusual factors as well as by System operations that had permitted some easing of member bank reserve positions in the last two weeks of 1955. The Committee believed it desirable to absorb some of the reserves that had been supplied at that period and thus to move toward recapturing the degree of restraint that had existed in November and early December.

January 24, 1956

Authority to effect transactions in System account.

The Committee modified its directive to the Federal Reserve Bank of New York at this meeting by adding to clause (b) an instruction that transactions for the System account, in addition "to restraining inflationary developments in the interest of sustainable economic growth," should take "into account any deflationary tendencies in the economy."

> 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.

The decision at this meeting to continue the directive calling basically for restraint on inflationary developments was made in the light of the evidences that the current year had begun with activity and employment sharply above a year ago and, in many countries, close to capacity. It was recognized that further increases in over-all output in the United States could be achieved only slowly and that in such circumstances relatively small increases in demand might bring heavy upward pressure on prices. At the same time the Committee noted the currently reduced levels of farm prices and uncertainties in the housing and automobile markets; and it gave consideration to the view that the domestic economy after a year and a half of expansion might be nearing a cyclical peak and that a reaction might be in prospect before long. It observed likewise that some seasonal contraction in the volume of credit was then taking place and, although a rise during February and March might be anticipated, some of the rise would be to meet seasonal needs.

The net of the Committee's review was that there had been a slight—perhaps almost imperceptible—change in the state of the economy in recent weeks, which might make some relaxation of restraint appropriate in the near future. It concluded that the situation at the moment did not call for a policy directive which gave sole emphasis to restraining inflationary forces. This did not mean that a reversal of the existing policy was called for, but a shift in emphasis seemed desirable as a means of indicating the intent to make credit available to permit the economy to work, to produce, and to consume at near-capacity levels. Thus, for the purpose of emphasizing flexibility, the Committee added the instruction to take into account any deflationary tendencies in the economy while carrying out operations directed toward restraining inflationary developments.

February 15, 1956

Authority to effect transactions in System account.

The Committee renewed its directive to the Federal Reserve Bank of New York with no change in the wording approved at the meeting on January 24, 1956.

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

In its review of the economic situation at this time the Committee observed some continued diversity in tendencies with necessary realignment taking place in a number of important activities. However, industries generally were operating at very advanced levels and, even where this was not the case, evidence was not available to indicate an economic downturn. Some easing in the labor market had appeared, particularly in automobile manufacturing centers where reductions in both employment and working hours had been greater than had been previously expected. Markets for consumer durable goods were showing a mixed picture, but over-all retail trade continued at high levels. The rise in industrial prices persisted.

The leveling off in economic activity noted at this time had been reflected in the credit situation with bank credit and the money supply having shown about the customary seasonal declines, compared with less than the usual seasonal reductions in early 1955. However, this did not indicate a general slackening in the demand for credit. Business plans for capital expenditures were still impressively strong. Member bank borrowing had increased somewhat in late January and member bank reserve positions had been relatively tight. On balance, the Committee concluded that the signs of economic strength continued to outweigh signs of weakness and that a relaxation of pressure on bank reserves was not indicated, although no increase in restraint appeared to be called for at the moment.

March 6, 1956

This was the first meeting of the Federal Open Market Committee after the new members elected by the Federal Reserve Banks for the year beginning March 1, 1956 assumed their duties.

1. Authority to effect transactions in System account.

The Committee again renewed its directive to the Federal Reserve Bank of New York in the same form that had been adopted at the meeting on January 24, 1956 calling for transactions in the System open market account to be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth while taking into account any deflationary tendencies in the economy."

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

Domestic industrial production and gross national product had shown little change over the three months preceding this meeting, following uninterrupted and marked advances from mid-1954 to late 1955. Some selective reductions in demand had appeared recently, however, and at this meeting the Committee gave thorough consideration to their possible significance for economic prospects and credit policy. There were indications of diminishing expansionary forces in the consumer credit field, and mortgage lending and housing starts had declined somewhat from the high levels that had prevailed a few months earlier. Pressures on productive capacity seemed to be less than they had been three months earlier, and it appeared that the tremendous upsurge in over-all economic activity over the preceding year and a half was slowing down.

Notwithstanding the foregoing elements, output of steel continued at capacity with reduced demand from the automobile industry being offset by takings of other industries. Evidence of still further rise in plans for capital expenditures by business had appeared, accompanied by widespread expressions of optimism regarding the future. Wholesale prices of industrial commodities and finished goods were continuing to advance, and some recovery in prices of farm products seemed to be getting under way.

Judging from the current high level of activity in most parts of the economy, the Committee saw no evidence that the policy of credit restraint that had been followed for some months had been too restrictive. Even though some divergent tendencies were apparent at the time, a continuation of that policy appeared to be called for and there were indications that increased restraint might become necessary shortly. However, at the time of this meeting a Treasury financing was under way and the Committee desired to avoid action that might disturb the stability in the money market during the period of that financing. It also felt that the adjustments taking place in the automobile and residential building industries and some other areas might slow the growth of credit and help reduce rising price pressures. Its conclusion, therefore, was to continue the existing policy without any overt action toward either increasing or lessening the degree of restraint that then existed.

2. Authorization to acquire bankers' acceptances and to enter into repurchase agreements.

The Committee renewed the authorization that had been approved in March 1955 under which the Federal Reserve Bank of New York was authorized (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 may be advisable and consistent with the general credit policy and instructions of the Federal Open Market Committee; and (b) to enter into repurchase agreements with nonbank dealers in bankers' acceptances covering prime bankers' acceptances, subject to certain conditions.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Balderston, Erickson, Johns, Mills, Powell, Shepardson, Szymczak, Vardaman, and Fulton. Vote against this action: Mr. Roberston.

The Committee voted to continue the authority for purchases of bankers' acceptances and repurchase agreements covering such instruments in substantially the form approved at the meeting in March 1955. This was on the grounds that the System should assist in the further development of an acceptance market in the United States with a view to improving this country's means of financing foreign trade and the functioning of an international money market, and with the understanding that purchases of bankers' acceptances would be effected only at such times and in such amounts as might be advisable and consistent with the general credit policy and instructions of the Federal Open Market Committee.

Mr. Robertson voted against the renewal of this authority because he felt that the Federal Reserve System should withdraw from active participation in the acceptance market unless it was clear that such participation would yield specific benefits. He did not believe that this had been the case since the authorization was granted in 1955. Further, he believed that if the Federal Reserve System desired to support and encourage the acceptance market, it could accomplish that objective more effectively by standing ready to purchase acceptances at published rates that ordinarily would represent a fractionally higher rate of discount than market rates.

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 (including authority for repurchase agreements with nonbank dealers in United States Government securities) which were in effect immediately prior to this meeting. Among these were the following statements:

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, Erickson, Johns, Mills, Powell, Robertson, Shepardson, Szymczak, Vardaman, and Fulton. 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, Erickson, Johns, Mills, Powell, Robertson, Shepardson, Szymczak, Vardaman, and Fulton. 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, Erickson, Johns, Mills, Powell, Robertson, Shepardson, Szymczak, Vardaman, and Fulton. Vote against this action: Mr. Sproul, Vice Chairman.

Renewal of these three continuing authorities or statements of policy was in the same form as that approved in March of 1954 and 1955.

In voting against the continuation of statements B and C set forth above, Mr. Sproul, who had voted against their renewal a year earlier, stated that he was still opposed in principle and in practice to these operating rules. The other members of the Committee believed the continuation of the rules to be desirable.

March 27, 1956

Authority to effect transactions in System account.

The Committee modified its directive to the Federal Reserve Bank of New York by deleting from clause (b) of the first paragraph the instruction to take "into account any deflationary tendencies in the economy" while effecting transactions in pursuit of the general policy of "restraining inflationary developments in the interest of sustainable growth."

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

The economic review at this time confirmed the Committee's observations at the past few meetings that economic activity had ceased to advance toward the end of 1955 and had moved on a plateau during the first quarter of 1956. Industrial production had shown little change from the high level reached in the fall months of 1955, nonfarm employment had been steady, and gross national product was estimated to have been only slightly higher during the first quarter of 1956 than in the last quarter of 1955, although it continued at a record high, well above year-ago levels.

The slight increase in total product during the quarter under review reflected mainly further growth in business fixed capital and inventory outlays, in State and local government purchases, and in consumer expenditures for services. Consumer goods purchases at retail had been about stable. Construction activity had been only moderately below the record rate of mid-1955, the decrease reflecting solely reduced residential building. Prices, which had shown signs of weakening early in 1956, had strengthened in March, and key prices were firm to rising, with agricultural prices displaying more than seasonal strength. In other industrial countries, consumer and business demands were continuing to grow, although at a slower pace.

The question before the Committee was whether the economy would resume its advance, remain on the recent plateau, or decline; and the Committee's judgment was that available information pointed toward a further advance. Among the general factors leading to this conclusion were the much greater than expected plans of business concerns in all major lines for plant and equipment expenditures, the widespread optimism of consumers as to the economic outlook and their own financial position and income prospects, and evidence of an exceptionally heavy demand for bank credit in the current month. The Committee also noted that common stock prices had risen sharply further. Growing pressures for increases in prices and wages were evident, and there was danger that if supported by further credit expansion pressures would engender an inflationary spiral.

The Committee discussed the extent to which monetary policy might be used to combat an inflationary cost-price spiral and the risk of incurring temporary unemployment on the one hand, as against the risk of undermining the basis of sustained employment on the other. It was suggested that while monetary policy could not be expected to achieve all of the task of combating inflationary pressures, the System would be derelict in its duty if it did not exercise additional restraint in this situation. In the circumstances, the Committee concluded that its instruction to take into account deflationary tendencies in the economy in effecting transactions for the System account was not consistent with the existing situation or the prospective renewal of growth in the economy. Accordingly, it deleted the qualification as to deflationary tendencies that had been added to clause (b) of the directive at the meeting on January 24, 1956, leaving an instruction to effect transactions for the System account with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth."

In reviewing credit measures at this meeting, the Committee also discussed the relation to open market policy of possible action by the directors of the Federal Reserve Banks to increase discount rates from the 2½ per cent level that had been in effect at all Reserve Banks since November 1955. It was noted that there was some feeling in the System that an increase might be necessary at an early date to prevent undue credit expansion for financing capital outlays through the banking system. On the other hand, there was some feeling that, with increasing credit demand, additional restraint would result from the Committee's policy of limiting additions to the supply of reserves to such amounts as were needed for sustainable growth in the economy.

April 17, 1956

Authority to effect transactions in System account.

The Federal Open Market Committee renewed without change the directive that had been approved at the meeting on March 27, 1956, which called for transactions in the System 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, Erickson, Johns, Mills, Powell, Robertson, Shepardson, Szymczak, Vardaman, and Fulton. Votes against this action: none.

Since the preceding meeting eleven of the Federal Reserve Banks had increased their rates of discount effective April 13, 1956. Nine of the increases were from 2½ to 2¾ per cent and two were from 2½ to 3 per cent. (The remaining Reserve Bank increased its rate to 2¾ per cent effective April 20.)

At the time of this meeting, credit markets were in process of adjusting to the increase in discount rates that had just been announced. This added factor followed a period of several weeks during which the markets had been adjusting to the impact of corporate income tax payments in March, the Treasury refunding operation that had come at the same time as the tax payments, and the heavy loan demand both in capital markets and at banks. The interest rate structure had risen sharply during this three-week period. In considering policy for the period ahead, it was necessary for the Committee to judge the reactions of lenders and borrowers to the current restrictive policy: whether the actions taken thus far would effectively limit credit growth without serious disruption of the credit markets, or whether credit demands remained so strong as to cause further rises in interest rates and a weakening in securities markets that might threaten a money market crisis.

As to economic developments, the Committee found activity continuing to move sidewise on the high plateau that had been maintained since late fall of 1955. The over-all picture was still somewhat mixed, but indications were that pressures growing out of expanding private investment were beginning to tilt activity upward. The automobile and housing markets appeared to have stabilized over the past few weeks, and other consumer markets had been on the firm to rising side. Business and investor psychology continued optimistic, and the picture was generally one of continuing business investment boom, not only in the United States but in other industrial countries as well. The Committee therefore agreed that there should be no relaxation of pressures. However, the restrictive policy should not be pressed too strongly pending more opportunity to observe reactions to the mid-April increase in discount rates, increased pressure on bank reserve positions, and clarification of the economic outlook.

May 9, 1956

Authority to effect transactions in System account.

The Committee renewed without change the directive issued to the Federal Reserve Bank of New York on March 27 and April 17, 1956 for effecting transactions in the System open market account.

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

Since the meeting on April 17, 1956 no important change had become apparent in the state of the economy. Output of goods had continued at the high level that had prevailed for several months. Upward pressures on prices of industrial commodities had continued and new increases in steel prices were anticipated following negotiations of a new wage contract later in the spring or summer. Business demands for goods and services had risen over the months and aggregate consumer demand, including demand for automobiles and housing, had about held its own. Money markets at the time of this meeting were not under quite as much pressure as they had been at the time of the meeting on April 17, which had followed by only a few days the increase in discount rates at the Federal Reserve Banks at a time when the credit markets were still adjusting to the unusual pressures of March.

The Committee saw no evidence of a change in the economy that called for lessening restraint on credit expansion at this time. Demand for credit including demand in the capital markets suggested a further bulge, although there was some feeling that the actions already taken by the Federal Reserve System to restrain undue credit expansion might have a cumulative effect that would hold down the expansionary tendencies. Furthermore, there had been a decline in the liquidity position of business and of banks over a period of months which could have important effects. The Committee's decision to make no change in the existing policy reflected its belief that credit restraint continued suitable to the situation and that no change either toward increased pressure or toward relaxation would be justified at this time.

May 23, 1956

Authority to effect transactions in System account.

At this meeting the Committee restored to clause (b) of its directive to the Federal Reserve Bank of New York an instruction to take into account deflationary tendencies in the economy while pursuing a general policy of restraining inflationary developments. With this change, the clause read as it had from January 24, 1956 to March 27, 1956, that transactions be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth while taking into account any deflationary tendencies in the economy."

Votes for this action: Messrs. Martin, Chairman, Balderston, Erickson, Johns, Mills, Powell, Shepardson, Szymczak, Fulton, and Treiber. Votes against this action: none.

The Committee found less exuberance in the economic situation at the time of this meeting than had been observed at either of the two preceding meetings. Although a sidewise movement on a high plateau still seemed to be continuing, divergent tendencies had been noteworthy during the past few weeks. In particular, sales of new automobiles had been weak at the consumer level and dealer inventories of new cars had risen to around 900,000 units with the result that output was being cut back sharply. Use of consumer instalment credit had slowed down further. The Committee recognized the possibility that future developments could be affected by weaknesses in some parts of the economy and by a pessimistic business and investor psychology. Another factor was the less ready reception accorded new capital issues as large offerings came to the market seeking funds to carry out the large business spending programs. Stock prices had declined sharply. Bank reserves had been under greater pressure during the past three weeks than had been anticipated by the Committee, and member bank borrowing at the Federal Reserve Banks had risen to the highest level since early 1953 and held there for several weeks. Bankers and businessmen were expressing fears, at least privately, as to whether credit for needed purposes would be available even at higher interest rates during the months ahead.

The Committee still believed that the basic economic factors were expansionary. Under the circumstances, however, it determined to restore to its directive the qualifying clause that would require the Management of the System Open Market Account, in carrying out transactions in pursuit of a generally restrictive credit policy, to take into account any deflationary tendencies that might be appearing in the economy. To implement this policy, the Committee agreed that during the immediate future additional reserves should be supplied to take care of seasonal and growth needs; it did not wish to permit a further tightening to develop as pressures for increased credit bore against the existing supply of reserves.

June 5, 1956

Authority to effect transactions in System account.

The Committee made no change in the directive to the Federal Reserve Bank of New York that had been approved at the preceding meeting held on May 23, 1956, stating a policy of restraining inflationary developments while taking into account any deflationary tendencies in the economy.

> Votes for this action: Messrs. Martin, Chairman, Balderston, Erickson, Johns, Mills, Shepardson, Szymczak, Vardaman, Fulton, Leedy, and Treiber. Votes against this action: none.

Economic data presented at this meeting confirmed that a sidewise movement in activity was continuing. May automobile sales had proved generally disappointing but sharp cutbacks in production had started to reduce the heavy dealer stocks of new cars. Some reduction in output of household appliances had been reported and production of textiles, particularly synthetics, had been reduced. Common stock prices had declined further during this period.

In contrast to these indications of weakening in parts of the economy, little change in total employment and over-all output was evident and credit demand continued vigorous. A particularly significant development was indicated by the latest figures of business plans for plant expansion which showed a still further rise in such programs. It appeared that the continuation of the boom in business investments would largely offset the readjustment currently taking place in the automobile industry. On the financial side, a somewhat better tone had appeared in markets for new capital issues and additional offerings had been reported. Interest rates had steadied after the decline in long-term rates earlier in May. Bank reserve positions had been eased as a result of the System's action in putting nearly $300 million of reserves into the market during the preceding two weeks, in addition to making repurchase agreements available. Estimates indicated that additional reserves would have to be supplied in order to take care of seasonal and other temporary needs for credit and currency during the June tax payment and midyear settlement period and over the July 4 holiday.

In view of the atmosphere of uncertainty that still existed in some quarters, it appeared desirable for the Committee to continue a program that would dispel any doubts as to its readiness to meet seasonal and other temporary reserve needs. It was recognized that the past momentum that had been evident in the economy did not necessarily indicate prospective economic conditions. The Committee did not wish policy to become more restrictive at this stage of the sidewise movement in the economy, although it was satisfied that no material change from the general policy of restraining inflationary developments was called for. The decision to renew its directive without change thus contemplated a continuation of operations that would limit credit expansion but which would supply additional reserves during the next few weeks as a means of avoiding an increase in pressure.

June 26, 1956

Authority to effect transactions in System account.

The Committee again renewed its directive to the Federal Reserve Bank of New York without change from the instruction approved at the meeting on May 23, 1956.

> Votes for this action: Messrs. Martin, Chairman, Balderston, Erickson, Johns, Mills, Powell, Shepardson, Szymczak, Vardaman, Fulton, and Treiber. Votes against this action: none.

The economic situation looked considerably stronger at the time of this meeting than at either of the two preceding meetings of the Federal Open Market Committee. While evidence of summer doldrums was beginning to appear and the imminent steel strike was creating uncertainties, total industrial production was holding steady within the narrow range maintained for some months. Retail sales of new automobiles had picked up noticeably during June, common stock prices had rebounded a little, business sentiment had a much more confident tone than during the second half of May, and demand for credit was showing exceptional strength. Average wholesale prices had shown little further advance in recent weeks although industrial commodities continued to rise.

In the financial picture, Treasury operations had exerted less of a drain on reserves of commercial banks than had been expected. Reserve System operations had added to bank reserves, which on the whole had been more freely available during the past month than earlier in the spring, although the money market had not eased significantly.

The Committee's decision to continue without change the existing directive calling for restraint on inflationary developments was taken on the basis that the composite picture at midyear, as judged from data on production, trade, employment, and prices, was one of a basically strong and expanding economy. It believed, however, that in carrying forward its policy, it should for the present continue to take into account any deflationary tendencies and maintain as nearly as possible stability in the money market. It noted that immediate seasonal demands would require several hundreds of millions of reserves over the July 4 holiday period, and it also gave consideration to the prospective needs of the economy for perhaps $1.5 billion of additional reserves during the second half of 1956 in order to meet seasonal and growth needs, including needs connected with Treasury financing operations to be announced shortly. The Committee agreed that, within the framework of the restrictive policy it had been following, doubts should be resolved on the side of ease during the next few weeks, rather than on the side of actions that might be construed as additional restraint, even though there was the possibility that the System would find it desirable to move toward substantially greater restraint in the fall.

July 17, 1956

Authority to effect transactions in System account.

The Committee continued without change the directive to the Federal Reserve Bank of New York that had been approved on May 23, 1956 and at each meeting since. The policy stated in that directive was one of restraining inflationary developments while taking into account any deflationary tendencies in the economy.

Votes for this action: Messrs. Martin, Chairman, Balderston, Johns, Mills, Powell, Shepardson, Treiber, Vardaman, Fulton, and Williams. Votes against this action: none.

Economic data presented at this meeting showed continued broad strength in the economy with a further upward tilt to activity. Wholesale prices had been fairly steady for several weeks, but consumer prices had been rising. Credit demand continued active and business and financial sentiment optimistic. The impact of the steel strike had been limited mainly to that industry and closely related activities; it did not appear to have had a marked effect generally in the economy, partly because of the large inventories of steel that had been built up prior to the beginning of the strike. Gross national product had risen further during the second quarter of the year, and personal income also was above any previous level. Although farm income was still lower than a year ago, some recovery in prices of farm products appeared to be taking place. Retail trade had been at a near-record level during June despite reduced sales of automobiles. Industrial construction had increased sharply further during June and the number of housing starts, though reduced, was still running at a high annual rate.

The strength indicated in the domestic and foreign economies was reflected in recent credit developments. Total bank credit had shown a net increase during the past six weeks. Banks were continuing to liquidate holdings of Government securities as their loans increased. New corporate issues for plant expansion and improvement continued in large volume and, reflecting the active demand for such financing, yields on the securities offered were relatively high. Even so, some accumulation of unsold securities had been reported in dealers' inventories. All evidence indicated that businesses were using available funds more actively than they had been earlier in the year.

The increase in discount rates in April had been followed by a period of severe pressure in the money market, which the Committee had relieved somewhat by open market operations in late May and June. At the moment, continuation of firm restraint seemed necessary not only because most current indicators were tending upward but also because it was felt that whatever settlement of the steel strike was arrived at would create additional inflationary pressures. The Committee did not believe, however, that this was the time for clearly increased restraint. It recognized that if a settlement of the steel strike was delayed for a considerable period, action of an easing nature might become necessary. Another reason for the conclusion that no significant change in credit policy should be made at this time was the fact that the meeting was held in the midst of a Treasury refunding operation and at a time when it was expected that the Treasury very shortly would announce a substantial offering of securities for cash. In these circumstances, the Committee decided that continuation of firm restraint was appropriate for the time being. Such a program would permit it to move either toward greater restraint or toward easing, depending upon developments during the next few weeks.

August 7, 1956

Authority to effect transactions in System account.

At this meeting, the Committee deleted from its directive the qualification that had been inserted on May 23 to take into account any deflationary tendencies in the economy, leaving the policy as one of "restraining inflationary developments in the interest of sustainable economic growth." With this change, the instruction returned to the wording that had been used from March 27 to May 23 of this year.

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Erickson, Johns, Mills, Powell, Robertson, Shepardson, Vardaman, and Fulton. Votes against this action: none.

Aggregate industrial output had dropped fairly sharply during July as a result of the work stoppages in the steel and related industries and some reduction in such nondurable goods industries as textiles and paperboard. Nevertheless, the composite of information confirmed the view presented at the preceding meeting that economic activity had resumed an upward slant. Wage and other costs were tending upward. Demand pressures continued strong. With settlement of the steel strike, business psychology was clearly on the buoyant side and prices of commodities were generally firm to rising. Some prices had reflected the Suez Canal crisis, but increases in numerous commodities were not directly related to that situation. In contrast to the general tendencies, prices of lumber and textile fibers continued on the soft side.

Credit developments since the preceding meeting had not been particularly striking. Commercial loans had declined moderately during July, and loans on securities and holdings of securities also declined. Demands on the capital markets continued large, and a further rise in corporate bond yields on both outstanding securities and new issues had been recorded. Yields on long-term bonds, which had declined in May and June, had again risen to or above the previous highs for this year as well as the highs for 1953. All indications pointed to continued strong credit demands, although it was believed that credit growth during the remainder of the year might not be so strong as in the second half of 1955.

The Committee gave especial attention to the rate at which economic resources of the country were being used and to the tendencies of prices to rise in numerous markets. These price tendencies appeared to result from the competitive spending, investing, and borrowing propensities of a highly optimistic business and consumer public, rather than from fiscal and monetary policies, which had been anti-inflationary. It appeared that there was danger in misdirected use of resources, unwise judgment as to business and investment opportunity, over-optimism as to management's ability to pass along higher wages and other costs into higher prices, over-commitment of credit based on a discounting of the future, and a cumulative deterioration in the quality of credit. The Committee felt that at this stage monetary policy should minimize the dangers referred to by fostering as efficient an allocation of scarce resources, including savings, as could reasonably be effected by market processes. The Committee believed it should do what it could toward discouraging the financing of plant and equipment expenditures out of bank credit when such demands should be satisfied in the long-term capital market. At the same time, it wished to take care of normal growth and reasonable credit needs of the economy as such needs arose.

In concluding that it was no longer appropriate to retain in the directive the instruction to take into account deflationary factors, the Committee also discussed other measures that might be taken to strengthen credit restraint, including the possible desirability of action by the Federal Reserve Banks to increase discount rates. It was felt that operations should not be modified materially until the current Treasury financing had been completed, but it was suggested that additional actions toward restraining credit expansion would more than likely be needed shortly.

August 21, 1956

Authority to effect transactions in System account.

The Committee made no change at this meeting in the directive to the Federal Reserve Bank of New York calling for continuation of operations with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth."

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

Most of the measures of production, consumption, and prices presented at this meeting seemed to confirm that the economy was still definitely in an expanding phase. During the two weeks since the preceding meeting, there had been numerous and sizable price advances in industrial commodities, especially in metals and metal products. Industrial output had rebounded sharply from the July steel strike. In the central money markets, interest rates had risen appreciably.

The tendency toward price increases was spreading in both raw materials and finished goods in response to recent wage increases. Heavy demand for capital funds, with business and personal savings insufficient to match the demand, was putting pressure on banks. This tendency was being accentuated by the reluctance of borrowers to accept sharply higher long-term interest rates, as indicated by the fact that several long-term capital issues had been deferred or withdrawn from the market recently. Bank loans had shown moderate seasonal increases for several weeks preceding this meeting, but banks appeared to be increasingly reluctant to reduce their liquidity ratios further by selling Government securities to procure funds for loan expansion. System operations had been directed toward supplying reserve funds to meet seasonal needs but the reserve position of banks had tightened since June and July.

The Committee felt that credit policy should be made somewhat more restrictive, but in view of the fact that individual Federal Reserve Banks were known to be considering discount rate increases at a time when the market for Government securities was showing strain, the directive was renewed with no change in the general open market policy of restraint on credit expansion.

September 11, 1956

Authority to effect transactions in System account.

The directive of the Federal Open Market Committee was renewed without change at this meeting, providing for continuation of a policy having as its objective the restraint of inflationary developments in the interest of sustainable economic growth.

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

Reports at this meeting showed that aggregate demand and supply were continuing to rise, that there was sustained vigor in the demands for credit and capital, and that business and financial psychology was confident. Prices of a number of raw materials had leveled off in recent weeks, but the general tendency of prices for fabricated industrial products continued upward as did prices of consumer goods. Capital expenditure programs were still pressing on supplies of materials, on manpower, and on the capital goods industries, and late information regarding business plans for plant and equipment expenditures during the fourth quarter of 1956 indicated a further rise to an annual rate of about $38 billion, compared with an expected total for the year of $35.5 billion, an amount about 25 per cent higher than for the year 1955.

Industrial output for August had recovered sharply and in September appeared to be running at a rate in excess of the level before the steel strike in July. Employment for August showed a record high and unemployment showed more than the usual seasonal decline. Retail markets except for automobiles had been showing considerable strength. Construction activity in August had been at about the July record rate, a decline from the preceding year of about 12 per cent in residential construction having been offset by higher levels of industrial and commercial construction. Farm price developments, combined with larger marketings and soil bank payments, indicated that net income of farm operators in 1956 probably would exceed that of the preceding year.

Increases in discount rates during the latter part of August to a uniform level of 3 per cent at all Federal Reserve Banks had produced little reaction in money markets. Total loans and investments of banks had increased during August. The money supply, which was barely 1 per cent higher than a year earlier, had shown relatively little change in recent months, but turnover had been at a faster rate. It did not appear that credit restraints thus far adopted had been too severe; additional reserves had been supplied in substantial amounts during the past three weeks to help meet seasonal needs, and credit demands were generally being met although there were indications that expansion of credit was being limited.

Figures presented to the Committee at this meeting suggested prospective growth in bank credit during the autumn at least equal to normal seasonal expectations. In addition, there was some tendency for long-term borrowers to shift from capital markets to the commercial banks even though bankers were reported to be resisting the trend toward use of bank credit for capital purposes. Another factor was the prospect that the Treasury would have to borrow substantial additional amounts of new funds in October aside from refunding maturing certificates later in the year. Still another influence on the Treasury's need for funds was the high rate of redemption of savings bonds.

The Committee's broad objective continued to be to restrain inflationary developments but, as always, it recognized that monetary and credit policy alone could not be successful in halting inflationary pressures. It believed it necessary to assist in meeting seasonal and growth demands for credit as well as the needs of the Treasury in its financing operations, even though the buoyant state of the economy clearly required a continuation of at least the existing degree of restraint. In renewing its directive without change, the Committee did so with an instruction to the Management of the System Account to maintain substantially the existing degree of stability in the market, with doubts being resolved on the side of tightness rather than of ease, but with the understanding that the Account Management would not initiate action toward more tightness.

September 25, 1956

Authority to effect transactions in System account.

At this meeting, the Committee again renewed without change its directive calling for a policy of restraining inflationary developments in the interest of sustainable economic growth.

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Erickson, Johns, Mills, Powell, Robertson, Shepardson, Szymczak, Vardaman, and Fulton. Votes against this action: none.

Economic reports to the Committee at this meeting showed essentially a continuation of the trends reported at the meeting held two weeks earlier. There was general strength in expansive forces throughout the economy, with demands pressing against supplies in many sectors and with some further rise in wholesale prices.

The rebound in economic activity since the end of the steel strike early in August had been even more rapid than was expected earlier. To a large extent the great strength of the business picture reflected a record level of capital formation, but consumer spending also had been well maintained. While residential building was at levels moderately below those of a year earlier, actual developments did not indicate that a substantial further decline was likely to be precipitated by lack of adequate mortgage credit. Continued expansion in employment and production to the extent permitted by capacity limits and further upward pressures on prices seemed likely during the immediate future. Wholesale prices had risen almost without interruption since the end of June, and the vigor of the current economic expansion pointed to some danger of renewed speculative building of inventories although there was not much evidence that this had actually taken place.

Heavy demands had continued in capital markets and bank loans had risen considerably in the six weeks preceding this meeting, with business loans accounting for all of the increase. It seemed clear that credit restraints had not resulted in undue curtailment of either business or consumer spending, although they had no doubt kept banks from supplying some of the demands for credit, which continued strong.

One of the factors given particular attention by the Committee at this meeting was the prospective borrowing by the United States Treasury of a substantial volume of new funds. The money market had been consistently tight recently and it appeared that the Treasury might have some difficulty in coming to the market at this time. The Committee considered on the one hand its responsibility for contributing to economic stability and minimizing inflationary pressures, and on the other hand the responsibility that it had in connection with the Treasury's financing problem. It directed its discussion toward how the System might take appropriate account of that situation while pursuing a policy that would restrain undue credit expansion in the economy as a whole. Its conclusion was that the general policy directive should not be changed, that operations for the System account should limit additions to reserves to meet seasonal needs so as to maintain pressures of about the same degree that had existed recently, but that in case of doubt operations should be resolved on the side of ease rather than restraint during the period immediately ahead.

October 16, 1956

Authority to effect transactions in System account.

Again the Committee renewed without change its directive stating a policy to restrain inflationary developments in the interest of sustainable economic growth.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Mills, Powell, Robertson, Shepardson, Szymczak, Bryan, and Fulton. Votes against this action: none.

Domestically, the over-all economic picture at the time of this meeting continued to be one of general expansion of activity, rising average prices for industrial commodities, and high confidence in both near-term and longer term business prospects. Consumer demand was well sustained while unemployment had reached the lowest levels since 1953. There were, however, some indications that the inflationary pressures in the economy had become a little less intense than they were in the weeks immediately following the steel strike settlement. Sentiment while still buoyant seemed to be a little more cautious. Many price increases were still being reported, especially among finished and semi-finished goods, but there had been recent easing of several important raw material prices. Consumers appeared to be increasingly concerned over the price outlook.

Growth in total bank loans during the third quarter of the year had been substantial but slower than in the first half of 1956 or the third quarter of 1955. Business loans had increased more over the past three months than total loans; real estate loans also had increased, while loans on securities had declined and all other loans (including consumer loans) had shown little change. The Treasury had successfully raised approximately $1.6 billion in new money. Notwithstanding a large volume of new corporate offerings, the bond market had had a better tone and yields on outstanding issues had been relatively stable in recent weeks. The calendar of prospective new capital issues continued large. Short-term money rates had tended to rise further, despite a somewhat easier bank reserve position than had existed a few weeks earlier.

The consensus of the Committee was that no change should be made at this time in the policy of restraint on inflationary developments. This did not imply a greater degree of restraint, for the Committee wished to avoid a tightening that might seriously unsettle the capital markets and intensify the demand for short-term credit. It observed that seasonal demands for credit could be expected automatically to cause some tightening during the next several weeks, besides which additional Treasury financings for cash and refunding would exert further pressure. The Committee also observed that banks could use the Federal Reserve discount facilities as pressure increased. In addition, it contemplated that, if undue tightening developed, reserves should be supplied through the open market with a view to maintaining substantially the present degree of restraint.

November 13, 1956

Authority to effect transactions in System account.

No change was made at this meeting in the wording of the Committee's directive that System operations in the open market 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, Hayes, Vice Chairman, Balderston, Erickson, Fulton, Johns, Mills, Powell, Robertson, Shepardson, Szymczak, and Vardaman. Votes against this action: none.

The over-all economic situation still appeared to be inflationary. Since the preceding meeting the Middle East war crisis had caused major uncertainties, however, and cumulative pressures from restrictive monetary and fiscal policies were showing up at the same time that there were indications that the upward momentum of the boom might be losing some of its force.

Industrial output during October had increased slightly further from the September level and during the current month appeared to be at least equal to the October rate. Employment continued at a high level and upward drift in industrial prices persisted. On the other hand, information on industrial construction showed some decrease in recent weeks and residential construction, although still high, continued below the record 1955 levels. Department store sales in October were only 1 per cent higher than a year earlier despite higher retail prices.

Bank credit growth had slackened perceptibly during recent weeks. This slowing reflected in part restraint on bank lending because of the continued tight reserve position as well as the lowered liquidity position of the banks; it appeared that demand for funds was still strong. Capital markets continued under pressure from the large volume of new issues offered and awaiting offering, and bond yields had risen to postwar highs. Corporate profits were showing signs of leveling off or declining.

The prospect for further seasonal expansion in demand for credit and for additional Treasury financing before the end of the year, with their possible effects on the money market, led the Committee to the conclusion that the degree of restraint should not be intensified at this time. Also, while there was no real indication that the boom had leveled off, there were a number of uncertainties growing out of the international situation, the profit squeeze that had been in evidence for almost a year, the somewhat reduced level of total construction, and the lack of factors pointing definitely to higher levels of economic activity in the future.

Accordingly, in continuing its policy of credit restraint, the Committee did so with the thought that another meeting should be held within two weeks, that in the meantime the degree of pressure in the money market should remain substantially unchanged, and that the members of the Committee should be alert to the possible need for a modification of policy that might develop as a result of the divergent influences noted at this time.

November 27, 1956

Authority to effect transactions in System account.

The Committee continued its directive calling for a policy of restraining inflationary developments in the interest of sustainable economic growth, but it added a qualifying instruction to clause (b) that in carrying on such a program recognition should be given to additional pressures in the money, credit, and capital markets resulting from seasonal factors and international conditions.

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

Since the meeting held two weeks previously, information becoming available had made it clearer that the economic effects of the Middle East crisis were serious and would not soon be overcome. Domestically, business advance was general, although housing was an important exception. At the same time, there were some "straws in the wind" suggesting possible slackening of activity later on.

Industrial prices had continued upward because of advances in fabricated items and industrial materials, some of which reflected the Middle East situation. Wholesale prices had remained stable on the average reflecting the offsetting effects of lower farm products prices, mainly seasonal reductions in livestock prices. Consumer prices had continued to rise. Industrial output had increased somewhat further in November, and department store sales had rebounded from the reduced October level.

The straws in the wind included October declines in the principal segments of construction—residential, industrial, and public utility. Preliminary data suggested that plant and equipment expenditures for 1957 would rise only slightly from the current rate. Inventories of most goods seemed abundant relative to sales, considerably higher than a year earlier. Business failures had risen to a new postwar high in October. Third quarter corporate earnings data showed that the cost-profit squeeze was continuing to increase with more than two-fifths of the large firms for which data were available showing earnings below the third quarter totals of 1955.

Among financial developments, there had been a sharp decline in Treasury bond prices just before this meeting, accompanied by a rise in the Treasury bill rate to a new high level even though the reserve position of banks outside New York and Chicago had been relatively easy. Expansion in bank loans during the past four weeks had been smaller than in the comparable period of 1955 and banks had made further reductions in their investments. All in all, credit restraint seemed to have taken hold more effectively in the autumn of 1956 than at any time in the past two years.

While the immediate situation impressed the Committee as continuing to be inflationary, it took cognizance of the suggestion that a fundamental change in the foreign and domestic outlook could be in the making. It did not wish the disturbed conditions in the securities market to become worse and bring on a disorderly situation which might require that more reserves be put into the market than would be necessary to meet the seasonal and growth demands. However, in adding to the directive the qualifying instruction to recognize "additional pressures in the money, credit, and capital markets resulting from seasonal factors and international conditions" the Committee did not intend an overt change away from a policy of restraint; it desired to indicate that the Committee was alert to the kind of pressures that developed toward each year-end as well as to the uncertainties implicit in the international situation and in financial markets.

December 10, 1956

Authority to effect transactions in System account.

The Committee made no change in credit policy at this meeting, and the directive to the Federal Reserve Bank of New York was renewed in the same form as at the meeting held two weeks earlier. This directive called for continued restraint on inflationary developments in the interest of sustainable economic growth, while recognizing additional pressures in the money, credit, and capital markets resulting from seasonal factors and international conditions.

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Erickson, Fulton, Johns, Mills, Powell, Roberston, Shepardson, and Szymczak. Votes against this action: none.

Recent international developments had had important economic effects abroad including a substantial drain on British monetary reserves, curtailment of the flow of petroleum to Western Europe, and sharp increases in shipping rates. One result of the Middle East developments and the current British sterling crisis had been the announcement by the United States Treasury of an additional financing for cash in the amount of $1 billion. This announcement, which came just prior to this meeting, surprised the money market because it had been generally assumed that the Treasury's financing needs had been taken care of for the remainder of the calendar year.

The review of the domestic business and financial situation indicated need for continued restraint on credit expansion in the near future, although it did not appear that additional restraining measures were necessary. Industrial production and industrial prices had continued to advance over recent months, reaching new high levels. Increases in both production and prices had been widespread. Unemployment was low, gross national product had continued to rise, and expansion in capital equipment expenditures had been greater than anticipated early in the year.

Along with these indications of sustained or expanded activity, there were some evidences that the upward pressure of the boom might be diminishing. The previously noted reduction in housing construction persisted although volume was still at a high level; production of automobiles had not been up to 1955 volume; and outputs of lumber, synthetic fibers, and some paper items were well below capacity. Surveys of private capital expenditures for the coming year were indicating a flattening out of the current high level rather than any new sharp gains.

Open market purchases had been fairly heavy during the past several weeks and had been designed to alleviate potential strains attributable to seasonal factors, Treasury financings, and the international situation. However, the market had continued under rather severe pressure. Loan expansion during the fall months had been less rapid than had been expected three months earlier or than had taken place in 1955. It was clear that the normal year-end needs would require additional funds of a temporary nature and that these demands would exert an increased restraining effect unless reserves were made available. The Committee issued its policy directive in the belief that additional restraint should not be applied over the year-end period and that, while the existing policy should not be changed, reserves should be supplied to assist in meeting the seasonal and other temporary needs for reserves that would arise during this period.

* * *

At the beginning of the year 1956, the policy directive of the Federal Open Market Committee was, as set forth on page 17, one which provided for "restraining inflationary developments in the interest of sustainable economic growth." During the year, five changes were made in the wording of clause (b) of the directive.

On January 24, there was added a qualifying instruction to take "into account any deflationary tendencies in the economy." On March 27, this qualifying instruction was deleted. On May 23, the Committee reinserted the instruction to take "into account any deflationary tendencies in the economy," and on August 7, the Committee again deleted the phrase. On November 27, the Committee added to the policy statement calling for restraint on inflationary developments the instruction that recognition be given to "additional pressures in the money, credit, and capital markets resulting from seasonal factors and international conditions." With these changes, the directive that was in effect at the close of 1956, as approved at the last meeting of the year on December 10, read as follows:

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 restraining inflationary developments in the interest of sustainable economic growth while recognizing additional pressures in the money, credit, and capital markets resulting from seasonal factors and international conditions, 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.

RECORD OF POLICY ACTIONS

BOARD OF GOVERNORS

April 12, 1956

Increase in rates on discounts and advances by Federal Reserve Banks.

Effective April 13, 1956, the Board approved actions by the boards of directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, and Dallas establishing a rate of 2¾ per cent (an increase from 2½ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act; and actions by the Federal Reserve Banks of Minneapolis and San Francisco establishing a rate of 3 per cent (an increase from 2½ per cent) on such discounts and advances.

> 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 also approved, effective April 20, 1956, a rate of 2¾ per cent (an increase from 2½ per cent) for the Federal Reserve Bank of Chicago.

Effective the same dates, the Board approved for the respective Federal Reserve Banks rates on advances to member banks under Section 10(b) of the Federal Reserve Act, which, as required by that section, were ½ of 1 per cent per annum higher than the new rates in effect at the Banks on discounts and advances under Sections 13 and 13a. 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 and on industrial loans and commitments under Section 13b.

(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 page 88 of the Board's Annual Report for 1955.)

Economic activity in the early part of 1956 continued at approximately the level attained during the latter half of 1955, with principal indices substantially higher than for the comparable period of the preceding year. As the first quarter progressed, increasing optimism regarding the business outlook was reflected in surveys which showed a marked upward revision in plans for plant and equipment expenditures during the remainder of the year. The market for producers' durable goods was particularly strong, there was a tendency toward inventory accumulation, and price pressures became more evident as output in some lines of production approached capacity limitations. Interest rates rose in March and April in response to increasingly heavy credit demands and the resulting pressure on commercial bank reserves. In the latter part of March, yields on Government securities advanced rapidly under the stimulus of these credit pressures and the large prospective volume of new corporate and municipal financing.

The increase in the discount rates again brought these rates into better alignment with short-term market rates and represented a further step to strengthen the degree of credit restraint being exerted by Federal Reserve policy in the interest of preventing inflationary developments. It also served as a signal to those businesses planning to finance plant and equipment expansion through the capital markets that higher borrowing costs might be anticipated if the supply of savings was taxed further by demands for capital.

April 23, 1956

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

Effective May 1, 1956, the Board amended Regulation T (1) by striking out the words "three full business days" in subsection (b) of section 3 and substituting therefor the words "four full business days"; (2) by striking out the words "three-day period" wherever they appeared in subsections (e) and (f) of section 3 and substituting therefor the words "four-day period"; and (3) by striking out the words "or 'three-day riding'" in the footnote to subsection (e) of section 3.

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

This technical amendment changed from three full business days to four full business days the maximum period allowed for a broker to obtain margin in a margin account. It recognized mechanical operating problems of brokers in the light of reduced daily deliveries of mail and brokers' machine bookkeeping methods. Regulation T continued to require that the broker in all cases obtain the necessary deposit of margin "as promptly as possible" and the new maximum period merely stated an outside limit to be used by the broker only to the extent that it is not possible for him to obtain the margin in less time.

July 19, 1956

Adoption of Regulation Y, Bank Holding Companies.

Effective September 1, 1956, the Board issued Regulation Y pursuant to the provisions of the Bank Holding Company Act of 1956.

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

The Bank Holding Company Act of 1956, "To define bank holding companies, control their future expansion, and require divestment of their nonbanking interests", was approved May 9, 1956. A draft of Regulation Y, prepared pursuant to the provisions of that Act, was published in the Federal Register on May 29, 1956, and the Regulation was adopted by the Board of Governors following consideration of views and comments received from interested parties upon such publication. It was the decision of the Board that a Regulation in the form approved would best carry out the purposes of the Bank Holding Company Act and the responsibilities placed on the Board by that Act.

The Bank Holding Company Act and the Board's Regulation Y were in addition to, and did not take the place of, provisions of other laws such as Section 5144 of the Revised Statutes, and the Board's Regulation P thereunder, which relate to "holding company affiliates" as distinguished from "bank holding companies".

August 23, 1956

Increase in rates on discounts and advances by Federal Reserve Banks.

Effective August 24, 1956, the Board approved actions by the boards of directors of the Federal Reserve Banks of New York, Philadelphia, Richmond, and Chicago establishing a rate of 3 per cent (an increase from 2¾ 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, Szymczak, Mills, Robertson, and Shepardson. Votes against this action: none. Governor Vardaman, who was not present when this action was taken, stated previously that he concurred in it.

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

Cleveland	August 27, 1956
Boston	August 28, 1956
Atlanta	August 28, 1956
St. Louis	August 28, 1956
Dallas	August 28, 1956
Kansas City	August 31, 1956

Effective the same dates, the Board approved for the respective 10 Federal Reserve Banks a rate of 3½ per cent on advances to member banks under Section 10(b) of the Federal Reserve Act. In addition, the Board approved changes at some of the Banks in 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.

During the period since April, when the discount rates of the Federal Reserve Banks were previously increased, there was continued heavy demand for goods, services, and credit. With output in many lines of production pressing against capacity, the price structure continued to be subject to persistent upward pressures. The strongest expansive force in the economy was provided by business expenditures for plant and equipment, which ran at a record high, considerably above the 1955 level. Since external funds were needed to finance a large part of the investment outlays by businesses and the demand for long-term funds strained the capacity of the capital markets, businesses were resorting in some measure to commercial bank loans to meet their financing requirements for these purposes. The resulting expansion in bank credit, together with increased use of existing funds, added to the demand for goods faster than output could be increased and thus contributed to upward pressures on prices.

The current discount rate increases, which brought the rates at all Federal Reserve Banks to the level prevailing at the Minneapolis and San Francisco Banks since April, recognized the continued upward trend in money market rates and served to indicate to the financial and business community, and the public generally, the need for credit restraint and for resistance to inflationary developments.

December 3, 1956

Amendment to Regulation Q, Payment of Interest on Deposits.

Effective January 1, 1957, the Board made changes as follows in the maximum permissible rates of interest payable by member banks of the Federal Reserve System on savings deposits and time deposits pursuant to the provisions of Regulation Q:

	From (per cent)	*To (per cent)*
Any savings deposit	2½	3
Any time deposit having a maturity date six months or more after the date of deposit or payable upon written notice of six months or more; and any postal savings deposit which constitutes a time deposit	2½	3
Any time deposit having a maturity date less than six months and not less than 90 days after the date of deposit or payable upon written notice of less than six months and not less than 90 days	2	2½

No change was made in the maximum permissible rate of one per cent on any time deposit having a maturity date less than 90 days after the date of deposit or payable upon written notice of less than 90 days.

Votes for this action: Messrs. Martin, Balderston, Szymczak, Mills, and Shepardson. Votes against this action: Mr. Robertson. Mr. Vardaman, who was not present when this action was taken, stated previously that he concurred in it.

Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933 and the Banking Act of 1935, requires the Board of Governors to limit by regulation the rates of interest which may be paid by member banks of the Federal Reserve System, while the Federal Deposit Insurance Act requires that the Federal Deposit Insurance Corporation prescribe limitations on the maximum rates payable on such deposits by insured nonmember banks. The legislative history suggests that a primary purpose of these provisions was to prevent unsound practices in competition for time and savings deposits.

Prior to the above action, the maximum permissible rates of interest prescribed by the Board on time and savings deposits had remained unchanged for more than 20 years. During nearly all of that period, however, the maxima were well above the rates actually paid, and only recently did the pressure of demand for credit begin to bring rates up to the ceilings.

After extended consideration of this matter, during which the views of the Federal Reserve Banks and the Federal Advisory Council were obtained, the Board concluded that in a period of heavy demands for funds and a relatively high structure of interest rates generally, it would be desirable to permit individual member banks greater flexibility to encourage the accumulation of savings than was available under the existing maximum permissible rates. It also appeared to the Board that there was insufficient reason to prevent banks, in the exercise of management discretion, from competing actively for time and savings balances by offering rates more nearly in line with other market rates. By increasing the rate limitations only on savings deposits and on time deposits with maturities longer than 90 days, the Board continued to recognize the special thrift character of savings accounts and to preserve a differential between longer term time deposits and short-term time deposits representing essentially liquid balances.[1]

Effective the same date, the Federal Deposit Insurance Corporation made similar changes in its regulation prescribing the maximum interest rates permitted to be paid on time and savings deposits by insured nonmember banks.

Governor Robertson voted against this action for the reasons set forth in the statement beginning on the following page.

[1] Under the Supplement to the Board's Regulation Q, Payment of Interest on Deposits, a member bank may pay interest on time and savings deposits at the maximum rate prescribed by the Supplement regardless of the basis upon which interest is computed, provided the aggregate amount of interest paid does not exceed the amount which would be paid at the maximum rate when compounded quarterly. In view of a suggestion which had been made, the Board published in the Federal Register for February 25, 1956, a notice inviting comments with respect to a proposed amendment to Regulation Q which would have permitted member banks to compute interest at the maximum rate, provided the aggregate amount of interest paid did not exceed the amount which would be paid at the maximum rate when compounded monthly. However, in the light of comments received and after further consideration of the matter, the Board decided not to adopt the amendment.

A. An increase to 3 per cent in the maximum interest rates that member banks may pay on (1) savings deposits and (2) time deposits not payable within six months would make it possible, it is alleged, for commercial banks to compete more effectively against other savings institutions for time deposits. Payment of such higher rates of interest might have these undesirable results:

1. It would increase bank operating costs and make it more difficult for banks to raise additional capital that they need. Since any bank offering higher rates would have to pay them on existing as well as new deposits, net profits after taxes of some member banks could be reduced by as much as 25 per cent—or more in the case of country banks—and this would lower net profits to below 6 per cent of capital accounts, compared with an average of around 8 per cent for many years.
2. To offset such additional costs, banks would be under pressure to seek higher yielding assets, which would probably be less liquid and more risky, and thus impair the liquidity and solvency of the commercial banking system. Probably the principal purpose of the legislation authorizing regulation of interest rates on time deposits was to prevent such a development, which was to some extent responsible for the banking difficulties of the 1930's.

Furthermore, I have some doubts as to the effectiveness of such a raising of the interest ceiling in attracting savings to banks, because competing institutions could always pay higher rates. Their ability to pay more is due not to this limitation on banks but to other advantages with respect to such matters as taxation and restrictions as to the nature of assets that can be acquired. In addition, it is questionable whether generally higher rates on savings deposits would bring about a material increase in aggregate savings or would merely influence the form in which savings are held. It is plausibly argued that banks should be permitted to distribute to their customers as much of their earnings as they think they can afford, and that, since bank earnings are higher than they have been at times in the past, banks should be permitted to pay higher rates of interest on savings deposits. My answer is that Congress imposed on the Board the duty of preventing that very thing to the extent that it might jeopardize the soundness of the whole banking system. If the ceiling should be raised whenever a few banks feel they can afford to pay higher rates, there is no point in having a ceiling.

In view of these possible undesirable consequences to the commercial banking system, and my doubts concerning the effectiveness of such an increase, I would question the wisdom of raising the ceiling at this time and would vote to retain the present maximum rates. The number of banks which are now paying ceiling rates is small and only a fractional percentage of these banks actively seeks the privilege of paying higher rates. I would not accede to the wishes of those few banks and thereby, perhaps, adversely affect the whole banking system.

B. An increase in the maximum rate which can be paid by banks on time deposits payable in less than six months is questionable for a number of reasons:

1. Many of the funds thus held are not genuine savings but are liquid balances subject to withdrawal either to meet cash needs or to invest in other liquid assets whenever a rise in short-term market rates of interest makes such a shift profitable.
2. Banks would tend to treat such deposits the same as savings and determine their asset structure accordingly. This tendency is illustrated by the present situation in New York City banks which have substantial time deposits consisting of foreign central banks' balances and other liquid funds, such as trust department deposits, but have permitted their holdings of liquid assets to fall to exceptionally low levels. They now want to raise interest rates payable on such deposits to keep from losing them because they are so ill-prepared to meet the withdrawals.
3. Payment of high rates of interest on short-term time deposits would encourage evasion of the prohibition against the payment of interest on demand deposits.
4. Any resulting tendency to shift from demand to time deposits would reduce required reserves and thus release reserves for lending. This would not be in harmony with existing Federal Reserve credit restraint policies.
5. Liquid funds of this nature should be invested in open market paper, so that holders would have to bear the burden and risks of fluctuating rates and not shift that risk to the banking system.

Finally, it should be noted that if the ceilings are raised sufficiently to be effective, they will enable commercial banks to attract funds now invested in Government securities—short-term and long-term. This may have a detrimental effect on the Government securities market and even lead to higher levels of interest rates generally, as applied to the borrowing public. I doubt the need for, and prospective benefits of, a present change in the ceiling rates on time and savings deposits are such as to warrant risking this possible consequence.

December 4, 1956

Revision of Regulation K, Corporations Doing Foreign Banking or Other Foreign Financing under the Federal Reserve Act.

Effective January 15, 1957, the Board revised Regulation K, which relates to corporations doing foreign banking or other foreign financing under Section 25 or 25(a) of the Federal Reserve Act, in order to clarify and make more specific the rules applicable to such corporations, particularly the rules relating to their activities in the United States. (Prior to this revision, Regulation K was issued under the title "Banking Corporations Authorized to do Foreign Banking Business under the Terms of Section 25(a) of the Federal Reserve Act.")

Votes for this action: Messrs. Martin, Balderston, Szymczak, and Shepardson. Votes against this action: Messrs. Mills and Robertson.

Adoption of the revised Regulation K followed a lengthy review, prompted by numerous questions arising under the Board's supervisory responsibility, as to what activities were appropriate and inappropriate for an Edge Act corporation, particularly in the United States, in the light of the provisions of Section 25(a) of the Federal Reserve Act. A primary objective of the study was to enable the Board to determine what changes should be made in existing regulations, agreements, and policies in order to deal with such questions on a general basis rather than on an *ad hoc* basis.

For purposes of the study a special committee was set up, composed of personnel from the Board's staff and the Federal Reserve Banks, which functioned under relatively broad terms of reference, being requested among other things to consider the activities of various types of institutions engaged in international or foreign banking and to appraise the operations of United States financial institutions in the financing of foreign trade and commerce. Following receipt of the special committee's report, the Board created a legal committee, composed of counsel from the Board's staff and the Federal Reserve Banks, and directed such committee to prepare a draft revision of Regulation K reflecting the special committee's conclusions. When the draft revision was available, the Board gave extended consideration to it, received the views of affected corporations, published a proposed regulation in the Federal Register, and considered comments received from interested parties as the result of such publication.

Regulation K, in the revised form adopted by the Board, applies both to Federal corporations organized under Section 25(a) of the Federal Reserve Act for the purpose of engaging in international or foreign banking or other international or foreign financing operations and, to the extent specified in Section 11 of the Regulation, to State-chartered corporations having agreements or undertakings with the Board under Section 25 of the Act.

The chief purposes of the revision were to bring the Regulation up to date, to reaffirm and clarify the separation of deposit banking and other foreign financing functions, as carried on by corporations subject to the Regulation, and to prescribe the activities that may and may not be carried on by such corporations in the United States incidental to their international or foreign business.

A corporation engaged in foreign *banking* under the Regulation may conduct deposit business, accept drafts or bills of exchange, make loans related to foreign business, and, subject to the permission of the Board, invest in stock of other corporations engaged in foreign banking activities. It may not issue, underwrite, sell, or distribute securities or issue its own obligations, except within certain narrow limitations. On the other hand, a corporation engaged in foreign *financing* under the Regulation may finance itself by the issuance of debentures, bonds, and similar obligations and, with the advance permission of the Board, may make certain kinds of investments in other foreign corporations not engaged in banking business. Like the foreign banking corporation, a foreign financing corporation may make loans related to foreign business, but it may not receive deposits or accept drafts or bills of exchange.

Governors Mills and Robertson voted against this action because in their opinion the revised Regulation K contained provisions relating to banking and financing activities of affected corporations which were unduly liberal, were inconsistent with the intent of the controlling statutes, and could tend to encourage undesirable practices.

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 1956 program for the examination of State member banks was practically completed.

Bank holding companies. The Bank Holding Company Act of 1956 became effective on May 9, 1956. During the remainder of the year the Board approved the acquisition of voting shares of one bank by a bank holding company pursuant to Section 3(a)(2) of the Act, and issued one tax certification in accordance with the tax provisions of the Act.

During 1956, pursuant to the Banking Act of 1933, as amended, the Board authorized the issuance of four voting permits for general purposes and 10 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 six organizations and rescinded one determination previously made.

Trust powers of national banks. During 1956, 31 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 8 banks which previously had been granted certain trust powers. Trust powers of 28 national banks were terminated, 26 by voluntary liquidation, consolidation, or merger, and 2 by voluntary surrender.

At the end of 1956, there were 1,722 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 1956 five applications made by member banks for permission to establish branches in foreign countries and overseas areas of the United States. One member bank opened a branch in Rio Piedras (San Juan), Puerto Rico. Another opened branches in Hato Rey (San Juan), Puerto Rico; Mayaguez, Puerto Rico; Panama, Republic of Panama; and Maracaibo, Venezuela. The latter two branches had been authorized by the Board in 1955. One office in Germany, heretofore shown as a branch, was removed from the list of foreign branches of member banks and is now regarded as a military banking facility.

At the end of 1956, seven member banks had in active operation a total of 115 branches in 26 foreign countries and overseas areas of the United States. Of the 115 branches, three national banks were operating 89 and four State member banks were operating 26. The foreign branches were distributed geographically as follows:

Latin America	**58**
Argentina	10
Brazil	10
Chile	2
Colombia	4
Cuba	20
Mexico	2
Panama	5
Peru	1
Uruguay	1
Venezuela	3
Continental Europe	**5**
Belgium	1
France	3
Germany	1
England	**11**
Near East	**4**
Egypt	1
Lebanon	2
Saudi Arabia	1
Far East	**20**
Hong Kong	1
India	2
Japan	10
Philippines	5
Singapore	1
Thailand	1
United States Overseas Areas	**17**
Canal Zone	4
Guam	1
Puerto Rico	12
Total	**115**

There was no change in 1956 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. One of these "agreement" corporations was examined in 1956 by an examiner for the

Board of Governors. 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 owns all the stock of a bank organized under the laws of, and operating in, Liberia.

At the end of 1956 there were in operation three banking corporations organized under the provisions of Section 25(a) of the Federal Reserve Act to engage in international or foreign banking. The home offices of these corporations are located in New York City and all were examined during the year by examiners for the Board of Governors. 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, Singapore, and Lebanon (authorized by the Board in 1955 and opened in 1956). The Board approved during 1956 an application by one of the institutions for permission to establish a branch in Guatemala.

In 1956, examiners for the Board of Governors, jointly and in cooperation with examiners for the Banking Department of the State of New York, examined the 12 Caribbean area branches of a State member bank.

Inter-Agency Bank Examination School. During 1956, four sessions of the School for Assistant Examiners and one 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 626 men, representing the three Federal bank supervisory agencies, the State Banking Departments of Connecticut, Indiana, Louisiana, Maine, Michigan, Mississippi, Montana, New Hampshire, New Jersey, North Dakota, Ohio, Oklahoma, Oregon, and Virginia, the Treasury Department of the Commonwealth of Puerto Rico, and one foreign country.

Federal Reserve membership. The 6,462 banks that were members of the Federal Reserve System at the end of 1956 accounted for 47 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 20 per cent of the number of all State commercial banks and held 70 per cent of the deposits of these banks.

The membership of 4,651 national banks and 1,811 State member banks reflected net declines for the year of 41 and 40 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 14 State member banks that withdrew from membership and 3 national banks that converted into nonmember banks.

Newly established banks included 30 national and 6 State members. Ten nonmember banks were admitted to membership and seven banks became members by conversion from nonmember to national banks.

LEGISLATION

Bank Holding Company Act of 1956. The Bank Holding Company Act of 1956, approved May 9, 1956, makes it unlawful for any bank holding company, as defined in that Act, to acquire bank stocks or take certain other actions without the prior approval of the Board of Governors of the Federal Reserve System. It further requires every bank holding company to divest itself of its interests in nonbanking organizations, with certain enumerated exceptions, by May 9, 1958. The Act also prohibits loans by subsidiary banks of a bank holding company to that bank holding company or to other subsidiaries of that company. Amendments to the Internal Revenue Code provide certain tax benefits with respect to distributions by bank holding companies of their interests in either banking or nonbanking organizations as required by the new Act.

Purchase of Government obligations by Federal Reserve Banks. The authority of the Federal Reserve Banks under Section 14(b) of the Federal Reserve Act to purchase and sell direct or fully guaranteed obligations of the United States directly from or to the United States, which would have expired on June 30, 1956, was extended until June 30, 1958, by Act of June 25, 1956.

Defense Production Act of 1950. The Defense Production Act of 1950, Section 301 of which is the basis for guarantees of loans for defense production, which would have expired on June 30, 1956, was amended and continued in force until the close of June 30, 1958, by Act of June 29, 1956.

Salary of Federal Reserve Board members. By Act of July 31, 1956, adjusting the compensation of certain officials of the Federal Government, the rate of basic compensation of the Chairman of the Board of Governors of the Federal Reserve System was increased from $16,000 to $20,500 per annum, and the rate of basic compensation for other members of the Board was increased from $16,000 to $20,000 per annum. This Act, in effect, amended Section 10 of the Federal Reserve Act.

RESERVE BANK OPERATIONS

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 and 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 1956, the guaranteeing agencies authorized the issuance of 57 guarantee agreements amounting to $186 million.[2] During 1955, there were 44 guarantee agreements authorized amounting to $75 million. On December 31, 1956, guarantee agreements outstanding covered credits totaling $514 million, of which $389 million represented actual loans outstanding and $125 million was

[2] Regulation V, Loan Guarantees for Defense Production, provides that rates of interest, guarantee fees, commitment fees, and other charges which may be made with respect to guaranteed loans and guarantees executed through the agency of any Federal Reserve Bank under the Regulation will from time to time be prescribed, either specifically or by maximum limits or otherwise, by the Board of Governors after consultation with the guaranteeing agencies designated in the Defense Production Act of 1950, as amended, and pertinent Executive Orders. In view of the higher prevailing structure of interest rates generally, the Board during 1956 gave consideration to increasing the existing 5 per cent maximum rate of interest which lending institutions are permitted to charge on loans made pursuant to Regulation V, but no action was taken in the year.

available to borrowers under guarantee agreements in force. Of the actual loans outstanding, 74 per cent on the average was guaranteed. This compares with total guarantee agreements outstanding December 31, 1955, of $464 million. During the year, approximately $1,122 million was advanced on V-loans, most of which are revolving credits. This compares with total advances of about $931 million made during 1955.

From the beginning of the program in September 1950 through December 31, 1956, 1,468 V-loans totaling $2,761 million were authorized by the procurement agencies which may guarantee such loans under the Defense Production Act of 1950. Of the total number of loans authorized, 56 per cent of the number and 7 per cent of the amount were loans under $500,000 and 72 per cent of the number and 13 per cent of the amount were loans under $1 million.

Of the total number of loans authorized 42 per cent of the number and 8 per cent of the amount were to borrowers having assets of under $500,000; 58 per cent of the number and 13 per cent of the amount were to borrowers having assets of under $1 million. Seventy-three per cent of the number and 19 per cent of the amount of loans authorized were to borrowers having less than 500 employees.

Under the law as amended by the Defense Production Act amendments of 1956, authority for the V-loan program, unless further extended, will terminate on June 30, 1958.

Volume of operations. Table 5 on page 79 gives the volume of operations in the principal departments of the Federal Reserve Banks for the years 1952-56. Checks handled continued their upward trend, exceeding the all-time high reached the previous year. Discounts and advances and the volume of currency received and counted also showed increases over 1955; on the other hand, coin received and counted declined slightly.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1956 are shown in detail in Table 6 on pages 80-81, and a condensed historical statement is shown in Table 7 on pages 82-83. The table on page 64 summarizes the earnings and expenses and the distribution of net earnings for 1956 and 1955.

Current earnings of $595 million in 1956 were 44 per cent more than in 1955, reflecting a considerably higher average rate of interest on holdings of United States Government securities. Earnings from discounts and advances also were greater than in the year before, reflecting increases in the discount rate and a rise in the volume of discounts and advances. Current expenses of $121 million were about 10 per cent above 1955. Current net earnings amounted to $474 million, an increase of 57 per cent from 1955.

Profit and loss additions and deductions were relatively small, leaving net earnings before payments to the United States Treasury at $474 million.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1956 AND 1955

[In thousands of dollars]

Item	1956	1955
Current earnings	595,649	412,488
Current expenses	121,182	110,060
Current net earnings	474,467	302,428
Additions to current net earnings	[1] 359	178
Deductions from current net earnings	383	[1] 443
Net deductions	24	265
Net earnings before payments to U. S. Treasury	474,443	302,163
Paid U. S. Treasury (interest on F. R. notes)	401,555	251,741
Dividends paid	18,905	17,712
Transferred to surplus (Sec. 7)	53,983	32,710

[1] Includes $268,000 of net profits in 1956 and $506 of net losses in 1955 on sales of U. S. Government securities.

Statutory dividends to member banks amounted to $19 million, a rise of about $1 million over 1955 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 $401 million in 1956. 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 1956 allowances for bringing surplus up to subscribed capital were $9,366,000 for four Banks, and for 1955 they were $4,739,000 for two 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 $2,451 million.

The $54 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 daily holdings of loans and securities during 1956 were about the same as during 1955; holdings of discounts and advances increased $167 million and holdings of United States Government securities decreased $183 million. The average rate of interest earned on discounts and advances rose from 1.96 to 2.76 per cent, reflecting increases in the discount rate to 3 per cent; and the average rate on Government securities rose from 1.67 to 2.41 per cent. Total earnings on loans and securities amounted to $595 million, an increase of $183 million over 1955. The accompanying table shows holdings, earnings, and interest rates on loans and securities held by the Federal Reserve Banks during the past three years.

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1954–56

[Dollar amounts in thousands]

Item and year	Total	Discounts and advances	Industrial loans	Acceptances	U. S. Government securities
Average daily holdings:[1]					
1954	$24,866,567	$216,697	$1,179	....	$24,648,691
1955	$24,570,401	666,152	607	$12,422	23,891,220
1956	24,563,390	833,297	837	20,662	23,708,594
Earnings:					
1954	438,359	3,479	43	....	434,837
1955	412,303	13,085	24	216	398,978
1956	595,396	23,025	36	547	571,788
Average rate of interest (per cent):					
1954	1.76	1.61	r3.64	....	1.76
1955	1.68	1.96	r3.99	1.74	1.67
1956	2.42	2.76	4.26	2.65	2.41

r Revised.
[1] Based on holdings at opening of business.

Foreign and international accounts. Gold and dollar assets held for foreign account at the Federal Reserve Banks increased by $68 million in 1956, substantially less than the rise for the previous year. At the end of the year holdings amounted to $9.9 billion, representing $5.5 billion of earmarked gold, $3.9 billion of United States Government securities, largely Treasury bills, $322 million in dollar deposits, and $139 million of miscellaneous securities.

An account was opened for the newly established International Finance Corporation. The gold and dollar assets of the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Finance Corporation held at the Federal Reserve Bank of New York declined by $471 million. Total holdings of these international institutions amounted to $3.3 billion at the year-end.

Accounts were opened also for two central banks, one in Asia and the other in Africa.

As in 1955 loans secured by gold collateral were of relatively minor importance. A loan of $1 million outstanding at the beginning of the year was liquidated in January. New credit arrangements amounted to a total of $36.5 million, of which $25 million was outstanding at the year-end. Loans on gold are ordinarily made to foreign monetary authorities to assist them in meeting seasonal dollar shortages.

The Federal Reserve Bank of New York, as depositary and fiscal agent, continued to perform various services for the International Bank for Reconstruction and Development and the International Monetary Fund, and it also extended such services to the International Finance Corporation. As fiscal agent of the United States, the Bank operated the United States Exchange Stabilization Fund pursuant to authorization and instructions of the Treasury Department. On behalf of the Treasury Department it continued to administer the foreign assets control regulations pertaining to assets in the United States of, and transactions with, Communist China and North Korea and their nationals. Since the end of July 1956 it also has administered such regulations involving certain assets of the Egyptian Government and the Suez Canal Company.

Bank premises. During the year the Board authorized the construction of new buildings for the Nashville, El Paso, and Houston Branches, and the construction of an addition to the Branch building at Birmingham.

With the approval of the Board, the Federal Reserve Bank of Chicago completed the program for acquiring property adjacent to the head-office building for future expansion. The Federal Reserve Bank of Atlanta consummated the purchase of property adjacent to its head-office building which had been occupied for the last five years under a lease-purchase agreement previously approved by the Board.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The accounts of the Board for the year 1956 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, 1956, 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, 1956, 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.,
February 5, 1957.

Balance Sheet—December 31, 1956

Assets

Cash in Federal Reserve Bank of Richmond			$ 776,998.74
Petty cash			800.00
Due from Federal Reserve Banks and Treasury Department			84,497.17
Travel advances and miscellaneous receivables			7,907.60
Stockroom and cafeteria inventories, at cost			18,172.47
Property and equipment:	At cost	Reserve for depreciation	
Land and improvements	$ 792,852.42	$ —	
Building	3,832,774.61	—	
Furniture and equipment	486,519.36	297,711.97	
Automobiles	10,368.22	10,368.22	
	$5,122,514.61	$308,080.19	4,814,434.42
			$5,702,810.40

Liabilities and Fund Balances

Accounts payable		$ 298,682.95
Employee income taxes withheld		127,885.52
Accrued payroll		162,229.47
Fund Balances:		
Balance, December 31, 1955	$4,886,418.56	
Excess of income over expenses, per accompanying statement	225,447.17	
Property and equipment adjustments	2,146.73	
Balance, December 31, 1956	$5,114,012.46	
Represented by—		
Property and Equipment Fund		4,814,434.42
Operating Fund		299,578.04
		$5,702,810.40

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, 1956

Income:	
Assessments against Federal Reserve Banks	$5,339,800.00
Bulletin sales	35,903.14
Other publications sales	18,114.96
Miscellaneous income	2,239.74
	$5,396,057.84
Expenses:	
Salaries	$3,379,468.32
Retirement and insurance contributions	270,300.40
Traveling expenses	284,605.09
Postage and expressage	53,210.13
Telephone and telegraph, including leased wire operations (net)	80,623.25
Printing and binding	191,392.28
Stationery and supplies	36,277.16
Equipment and other rentals	26,050.59
Provision for depreciation	24,137.12
Books and subscriptions	13,985.60
Heat, light, and power	41,784.28
Repairs, maintenance, and alterations	34,881.55
Insurance	5,707.55
Consumer Finances Surveys	158,723.31
Consumer Instalment Credit Surveys	308,522.73
Business Loan Survey	28,667.14
Retail Trade Survey	25,000.00
Legal, consultant, and audit fees and expenses	70,499.94
Security clearance investigations	60,095.00
Loss from operation of cafeteria (net)	47,090.46
Other	29,588.77
	$5,170,610.67
Excess of income over expenses	$ 225,447.17

Notes—In 1956, the Civil Service Retirement Act was amended to increase retirement benefits. The Board approved amending its Plan to incorporate such increased benefits. The additional costs for 1956 and for past service have not been determined and will not be paid until 1957. The amount is expected to be substantial.

Salaries, and retirement and insurance contributions exclude approximately $70,500 and $7,400, respectively, which were charged direct to cafeteria operations.

The Board's expenses in 1956, as shown in the statement above, include $323,001 for Consumer Instalment Credit Surveys and other costs incurred during the year for a study of consumer instalment credit undertaken by the Board of Governors at the request of the President through the Chairman of the Council of Economic Advisers. Also included are costs of $61,411 for emergency planning programs under Defense Mobilization Order 1-20.

The Board received the following reimbursements in 1956 for expenditures which it makes on a reimbursable basis:

Printing Federal Reserve notes	$4,893,506.24
Currency Redemption Division (Office of the Treasurer of the United States)	406,708.00
Federal Reserve Issue and Redemption Division (Office of the Comptroller of the Currency)	186,894.63
Leased wire service (telegraph)	438,750.80
Leased telephone lines	8,728.00
Miscellaneous	22,097.81

TABLES

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1956

[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		7,740,838		
Federal Reserve Agents' Fund		9,818,000	**20,374,393**	
Redemption fund for Federal Reserve notes			**894,951**	
Total gold certificate reserves				**21,269,344**
Federal Reserve notes of other Federal Reserve Banks				**350,598**
Other cash:				
United States notes			27,423	
Silver certificates			238,381	
Standard silver dollars			4,879	
National bank notes and Federal Reserve Bank notes			1,564	
Subsidiary silver, nickels, and cents			33,949	
Total other cash				**306,196**
Discounts and advances secured by U. S. Govt. securities:				
Discounted for member banks		25,027		
Discounted for others		....	25,027	
Other discounts and advances:				
Discounted for member banks		....		
Foreign loans on gold		25,000	25,000	
Total discounts and advances			**50,027**	
Industrial loans			**794**	
Acceptances:				
Bought outright			**33,541**	
Held under repurchase agreement			**35,222**	
U. S. Government securities:				
Bought outright—				
Bills	**1,721,270**			
Certificates	**10,932,699**			
Notes	**9,153,913**			
Bonds	**2,801,750**			
Total bought outright		**24,609,632**		
Held under repurchase agreement		**305,100**		
Total U. S. Government securities			**24,914,732**	
Total loans and securities				**25,034,316**
Due from foreign banks				**22**
Uncollected cash items:				
Transit items			5,192,796	
Exchanges for clearing house			223,050	
Other cash items			208,075	
Total uncollected cash items				**5,623,921**
Bank premises:				
Land			18,547	
Buildings (including vaults)		79,029		
Fixed machinery and equipment		32,098		
Total buildings		111,127		
Less depreciation allowances		56,313	54,814	
Total bank premises				**73,361**
Other assets:				
Miscellaneous assets acquired account industrial loans		74		
Less valuation allowances		25		
Net			49	
Reimbursable expenses and other items receivable			4,139	
Interest accrued			238,193	
Premium on securities			2,012	
Deferred charges			1,745	
Real estate acquired for banking house purposes			4,669	
Suspense account			747	
All other			500	
Total other assets				**252,054**
Total assets				**52,909,812**

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

LIABILITIES

Federal Reserve notes:			
Outstanding (issued to Federal Reserve Banks)		28,532,527	
Less: Held by issuing Federal Reserve Banks	969,278		
Forwarded for redemption	87,592	1,056,870	
Federal Reserve notes, net (includes notes held by U. S. Treasury and by Federal Reserve Banks other than issuing Bank)			27,475,657
Deposits:			
Member bank reserves		19,058,790	
U. S. Treasurer—general account		44,243	
Foreign		322,294	
Other deposits:			
Nonmember bank—clearing accounts	98,951		
Officers' and certified checks	9,809		
Federal Reserve exchange drafts	329		
International organizations[1]	62,594		
All other	254,642		
Total other deposits		426,325	
Total deposits			20,248,652
Deferred availability cash items			3,959,006
Other liabilities:			
Accrued dividends unpaid		....	
Unearned discount		144	
Discount on securities		12,366	
Sundry items payable		4,360	
Suspense account		296	
All other		113	
Total other liabilities			17,279
Total liabilities			51,700,594

CAPITAL ACCOUNTS

Capital paid in		325,602
Surplus (Sec. 7)		747,593
Surplus (Sec. 13b)		27,543
Other capital accounts:		
Reserves for contingencies:		
Reserve for registered mail losses	10,480	
All other	98,000	
Total other capital accounts[2]		108,480
Total liabilities and capital accounts		52,909,812
Contingent liability on acceptances purchased for foreign correspondents		50,055
Industrial loan commitments		2,365

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

[2] During the year this item includes the net of earnings, expenses, profits, etc., which are closed out on Dec. 31; see Table No. 6 on pp. 80–81.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1956 AND 1955

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955
ASSETS												
Gold certificate account	20,374,393	20,141,353	871,773	962,856	5,402,485	5,189,433	1,051,273	1,105,726	1,934,799	1,702,371	1,315,476	1,275,460
Redemption fund for Federal Reserve notes	894,951	867,842	57,026	53,542	198,738	180,781	63,053	61,738	77,869	78,193	71,140	72,427
Total gold certificate reserves	21,269,344	21,009,195	928,799	1,016,398	5,601,223	5,370,214	1,114,326	1,167,464	2,012,668	1,780,564	1,386,616	1,347,887
Federal Reserve notes of other Banks	350,598	344,535	29,465	24,368	53,311	55,855	35,132	37,672	19,697	17,923	31,349	38,250
Other cash	306,196	340,898	22,291	23,567	61,624	65,444	13,116	16,770	21,212	27,270	18,749	23,788
Discounts and advances:												
Secured by U. S. Govt. securities	25,027	106,762	325	1,300	1,400	18,950	6,175	26,855	1,250	525	3,250	4,125
Other	25,000	1,000	1,475	60	7,150	292	1,800	73	2,275	91	1,275	50
Industrial loans	794	702	312	....	....	....	440	642	....	....	....	....
Acceptances:												
Bought outright	33,541	23,802	....	....	33,541	23,802	....	....	....	....	....	....
Held under repurchase agreement	35,222	4,403	....	....	35,222	4,403	....	....	....	....	....	....
U. S. Government securities:												
Bought outright	24,609,632	24,391,058	1,352,693	1,346,972	6,193,703	6,198,865	1,478,817	1,484,488	2,128,561	2,096,241	1,515,191	1,436,975
Held under repurchase agreement	305,100	393,575	....	....	305,100	393,575	....	....	....	....	....	....
Total loans and securities	25,034,316	24,921,302	1,354,805	1,348,332	6,576,116	6,639,887	1,487,232	1,512,058	2,132,086	2,096,857	1,519,716	1,441,150
Due from foreign banks	22	22	1	1	[1] 6	[1] 6	2	2	2	2	1	1
Uncollected cash items	5,623,921	5,502,663	525,927	485,280	1,039,318	1,025,230	405,812	327,844	540,172	653,563	417,564	437,745
Bank premises	73,361	61,164	5,361	5,642	9,397	7,766	4,782	5,050	7,805	5,905	7,220	5,218
Other assets	252,054	160,227	13,445	8,412	62,069	39,165	14,884	9,264	21,489	13,551	15,336	9,161
Total assets	52,909,812	52,340,006	2,880,094	2,912,000	13,403,064	13,203,567	3,075,286	3,076,124	4,755,131	4,595,635	3,396,551	3,303,200

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

LIABILITIES												
Federal Reserve notes	27,475,657	26,920,941	1,623,169	1,613,946	6,414,299	6,120,412	1,756,490	1,839,889	2,592,654	2,492,709	2,181,224	2,024,917
Deposits:												
Member bank reserves	19,058,790	19,004,930	778,900	861,914	5,540,767	5,552,721	859,677	868,455	1,470,223	1,492,811	814,961	833,907
U. S. Treasurer—general account	441,243	393,863	33,984	29,377	56,548	68,614	27,841	22,008	31,313	26,036	28,484	17,777
Foreign	322,294	401,986	17,464	23,160	[2] 110,925	[2] 128,673	21,312	28,178	26,936	35,126	15,096	19,300
Other	426,325	554,272	6,197	6,115	269,748	369,765	16,865	15,458	10,971	12,884	8,820	21,225
Total deposits	20,248,652	20,355,051	836,545	920,566	5,977,988	6,119,773	925,695	934,099	1,539,443	1,566,857	867,361	892,209
Deferred availability cash items	3,959,006	3,917,294	348,117	308,187	672,671	642,671	306,868	219,651	513,240	432,141	283,634	325,780
Other liabilities	17,279	14,687	662	658	6,060	5,414	800	751	1,454	1,185	970	612
Total liabilities	51,700,594	51,207,973	2,808,493	2,843,357	13,071,018	12,888,270	2,989,853	2,994,390	4,646,791	4,492,892	3,333,189	3,243,518
CAPITAL ACCOUNTS												
Capital paid in	325,602	302,739	16,801	16,161	93,991	89,473	20,629	19,757	31,046	29,296	14,817	13,772
Surplus (Sec. 7)	747,593	693,612	43,948	41,667	208,002	195,827	52,301	49,491	66,393	62,563	37,594	35,012
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	108,480	108,139	7,841	7,804	22,734	22,678	8,014	7,997	9,895	9,878	7,602	7,549
Total liabilities and capital accounts	52,909,812	52,340,006	2,880,094	2,912,000	13,403,064	13,203,567	3,075,286	3,076,124	4,755,131	4,595,635	3,396,551	3,303,200
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	44.6%	44.4%	37.8%	40.1%	45.2%	43.9%	41.5%	42.1%	48.7%	43.9%	45.5%	46.2%
Contingent liability on acceptances purchased for foreign correspondents	50,055	33,461	2,938	2,010	[3] 14,498	[3] 9,743	3,586	2,445	4,532	3,048	2,540	1,675
Industrial loan commitments	2,365	2,294	....	....	....	....	15	41	121	322	....	11
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	28,532,527	27,989,142	1,676,884	1,673,687	6,655,515	6,347,837	1,855,738	1,920,748	2,665,145	2,613,518	2,251,832	2,107,742
Held by Federal Reserve Bank and forwarded for redemption	1,056,870	1,068,201	53,715	59,741	241,216	227,425	99,248	80,859	72,491	120,809	70,608	82,825
Federal Reserve notes, net [4]	27,475,657	26,920,941	1,623,169	1,613,946	6,414,299	6,120,412	1,756,490	1,839,889	2,592,654	2,492,709	2,181,224	2,024,917
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account	11,618,000	11,713,000	580,000	640,000	2,870,000	2,870,000	660,000	725,000	1,130,000	1,070,000	945,000	845,000
Eligible paper	7,722	52,387	....	1,300	....	....	6,175	26,855	....	....	....	4,125
U. S. Government securities	17,605,000	17,185,000	1,200,000	1,200,000	3,900,000	3,600,000	1,200,000	1,200,000	1,550,000	1,600,000	1,350,000	1,300,000
Total collateral	29,230,722	28,950,387	1,780,000	1,841,300	6,770,000	6,470,000	1,866,175	1,951,855	2,680,000	2,670,000	2,295,000	2,149,125

[2] After deducting $211,344,000 participations of other Federal Reserve Banks on Dec. 31, 1956, and $273,288,000 on Dec. 31, 1955.
[3] After deducting $35,557,000 participations of other Federal Reserve Banks on Dec. 31, 1956, and $23,718,000 on Dec. 31, 1955.
[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 1956 AND 1955—Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955
ASSETS														
Gold certificate account	832,066	889,111	3,606,373	3,657,307	821,262	895,248	351,393	339,279	798,610	832,999	727,344	785,592	2,661,539	2,505,971
Redemption fund for Federal Reserve notes	51,173	53,717	161,000	155,100	43,812	44,502	22,952	23,729	41,614	41,731	26,197	26,921	80,377	75,461
Total gold certificate reserves	883,239	942,828	3,767,373	3,812,407	865,074	939,750	374,345	363,008	840,224	874,730	753,541	812,513	2,741,916	2,581,432
Federal Reserve notes of other Banks	54,054	48,161	29,609	32,502	13,676	14,289	14,377	9,587	9,327	8,868	28,288	23,316	32,313	33,744
Other cash	23,034	27,113	48,569	50,521	23,357	20,063	9,319	7,908	12,462	15,129	14,956	16,879	37,507	46,446
Discounts and advances:														
Secured by U. S. Govt. securities	1,850	19,700	5,500	3,200	150	1,800	3,530	1,355	1,397	16,952	....	2,000	200	10,000
Other	1,100	43	3,500	140	950	38	625	25	950	38	1,275	47	2,625	103
Industrial loans	....	....	....	....	....	....	42	60	....	....	....	....	....	....
Acceptances:														
Bought outright	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U. S. Government securities:														
Bought outright	1,265,403	1,259,018	4,293,692	4,254,459	1,027,452	1,012,180	555,858	591,068	1,066,335	1,060,767	978,085	978,033	2,753,842	2,671,992
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,268,353	1,278,761	4,302,692	4,257,799	1,028,552	1,014,018	560,055	592,508	1,068,682	1,077,757	979,360	980,080	2,756,667	2,682,095
Due from foreign banks	1	1	3	3	1	1	1	1	1	1	1	1	2	2
Uncollected cash items	411,223	376,499	951,921	900,964	208,733	225,904	135,945	137,663	254,312	222,454	250,706	227,375	482,288	482,142
Bank premises	4,687	4,045	5,882	6,071	4,443	3,399	4,719	2,194	4,346	3,490	3,970	2,146	10,749	10,238
Other assets	13,382	9,001	45,720	29,088	10,354	6,455	5,686	3,805	10,820	6,816	10,584	7,767	28,285	17,742
Total assets	2,657,973	2,686,409	9,151,769	9,089,355	2,154,190	2,223,879	1,104,447	1,116,674	2,200,174	2,209,245	2,041,406	2,070,077	6,089,727	5,853,841

LIABILITIES														
Federal Reserve notes	1,371,607	1,398,443	5,273,439	5,190,330	1,211,029	1,248,229	498,236	531,709	1,075,190	1,051,429	726,041	720,021	2,752,279	2,688,907
Deposits:														
Member bank reserves	905,111	851,420	3,063,567	2,987,410	699,664	716,406	398,117	405,586	860,424	884,226	1,013,277	1,019,815	2,654,102	2,530,259
U.S. Treasurer—general account	24,258	39,760	69,236	40,009	31,063	7,888	22,652	25,108	37,771	34,666	39,654	47,589	38,439	35,031
Foreign	13,024	16,598	41,440	54,040	11,248	14,668	7,400	9,650	11,248	14,668	15,096	18,142	31,105	39,783
Other	7,233	5,766	22,804	16,540	7,248	26,322	3,835	5,693	6,157	4,835	6,884	2,590	59,563	67,079
Total deposits	949,626	913,544	3,197,047	3,097,999	749,223	765,284	432,004	446,037	915,600	938,395	1,074,911	1,088,136	2,783,209	2,672,152
Deferred availability cash items	280,190	322,119	507,453	640,401	146,317	164,959	142,597	108,768	161,017	174,184	177,690	204,329	419,212	374,104
Other liabilities	684	591	3,196	2,480	540	545	595	411	534	521	440	401	1,344	1,118
Total liabilities	2,602,107	2,634,697	8,981,135	8,931,210	2,107,109	2,179,017	1,073,432	1,086,925	2,152,341	2,164,529	1,979,082	2,012,887	5,956,044	5,736,281
CAPITAL ACCOUNTS														
Capital paid in	15,493	13,693	44,408	40,487	11,084	10,564	7,182	6,861	13,025	11,951	18,019	16,563	39,107	34,161
Surplus (Sec. 7)	33,179	30,841	110,421	101,894	29,331	27,649	18,520	17,586	27,983	25,960	37,508	33,847	82,413	71,275
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	6,432	6,416	14,376	14,335	6,145	6,128	4,240	4,229	5,688	5,668	5,490	5,473	10,023	9,984
Total liabilities and capital accounts	2,657,973	2,686,409	9,151,769	9,089,355	2,154,190	2,223,879	1,104,447	1,116,674	2,200,174	2,209,245	2,041,406	2,070,077	6,089,727	5,853,841
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	38.1%	40.8%	44.5%	46.0%	44.1%	46.7%	40.2%	37.1%	42.2%	44.0%	41.8%	44.9%	49.5%	48.2%
Contingent liability on acceptances purchased for foreign correspondents	2,191	1,440	6,972	4,690	1,892	1,273	1,245	838	1,892	1,273	2,540	1,575	5,229	3,451
Industrial loan commitments	....	....	101	....	....	....	....	....	2,128	1,920	....	....	....	....
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	1,437,728	1,461,819	5,404,795	5,314,915	1,265,818	1,299,693	552,463	583,154	1,106,161	1,088,386	771,479	761,419	2,888,969	2,816,224
Held by Federal Reserve Bank and forwarded for redemption	66,121	63,376	131,356	124,585	54,789	51,464	54,227	51,445	30,971	36,957	45,438	41,398	136,690	127,317
Federal Reserve notes, net [4]	1,371,607	1,398,443	5,273,439	5,190,330	1,211,029	1,248,229	498,236	531,709	1,075,190	1,051,429	726,041	720,021	2,752,279	2,688,907
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	450,000	500,000	2,300,000	2,400,000	450,000	450,000	150,000	150,000	300,000	280,000	283,000	283,000	1,500,000	1,500,000
Eligible paper	....	....	....	....	150	1,800	....	1,355	1,397	16,952	....	....	....	....
U. S. Government securities	1,000,000	1,000,000	3,200,000	3,000,000	900,000	910,000	460,000	500,000	820,000	850,000	525,000	525,000	1,500,000	1,500,000
Total collateral	1,450,000	1,500,000	5,500,000	5,400,000	1,350,150	1,361,800	610,000	651,355	1,121,397	1,146,952	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 1954, 1955, AND 1956

[In thousands of dollars]

Type of issue	Rate of interest (per cent)	December 31			Change during	
		1956	1955	1954	1956	1955
Treasury bonds:						
1956–58	2½	12,493	12,493	12,493	...	...
1958 June	2⅜	...	...	...	...	...
1958 Dec.	2½	...	...	...	...	...
1957–59	2⅜	339,096	339,096	339,096	...	...
1956–59	2¼	21,690	21,690	21,690	...	...
1956–59 [1]	2¾	...	...	...	...	...
1960 Nov.	2⅛	...	...	...	...	...
1961 Sept.	2¾	...	...	...	...	...
1961 Nov.	2½	...	...	...	...	...
1959–62 June	2¼	319,849	319,849	319,849	...	...
1959–62 Dec.	2¼	693,765	693,765	693,765	...	...
1958–63 [1]	2¾	...	...	...	...	...
1963 Aug.	2½	...	...	...	...	...
1960–65 [1]	2¾	...	...	...	...	...
1962–67	2½	56,610	56,610	56,610	...	...
1963–68	2½	122,585	122,585	122,585	...	...
1964–69 June	2½	203,890	203,890	203,890	...	...
1964–69 Dec.	2½	266,999	266,999	266,999	...	...
1965–70	2½	521,490	521,490	521,490	...	...
1966–71	2½	132,707	132,707	132,707	...	...
1967–72 June	2½	49,266	49,266	49,266	...	...
1967–72 Sept.	2½	2,552	2,552	2,552	...	...
1967–72 Dec.	2½	58,758	58,758	58,758	...	...
1978–83	3¼	...	...	...	...	...
1995 Feb.	3	...	...	...	...	...
Total Treasury bonds	...	2,801,750	2,801,750	2,801,750	...	...
Treasury notes:						
Mar. 15, 1955–A	1½	...	...	95,300	...	−95,300
Dec. 15, 1955–B	1¾	...	...	3,235,123	...	−3,235,123
Mar. 15, 1956–A	1⅝	...	4,066,900	...	−4,066,900	+4,066,900
Apr. 1, 1956–EA	1½	...	1,000,000	1,000,000	−1,000,000	...
Aug. 15, 1956–B	2	...	7,451,415	...	−7,451,415	+7,451,415
Oct. 1, 1956–EO	1½	...	500,000	500,000	−500,000	...
Mar. 15, 1957–A	2⅞	8,000	26,600	...	−18,600	+26,600
Apr. 1, 1957–EA	1½	500,000	500,000	500,000	...	...
May 15, 1957–B	1⅝	29,000	...	...	+29,000	...
Aug. 1, 1957–D	2¾	7,945,065	...	...	+7,945,065	...
Aug. 15, 1957–C	2	23,400	...	...	+23,400	...
Oct. 1, 1957–EO	1½	713,848	713,848	713,848	...	...
Apr. 1, 1958–EA	1½	...	...	...	...	...
June 1, 1958–A	2⅞	...	...	...	...	...
Oct. 1, 1958–EO	1½	...	...	...	...	...
Feb. 15, 1959–A	1⅞	...	...	...	...	...
Apr. 1, 1959–EA	1½	...	...	...	...	...
Oct. 1, 1959–EO	1½	...	...	...	...	...
Apr. 1, 1960–EA	1½	...	...	...	...	...
Oct. 1, 1960–EO	1½	...	...	...	...	...
Apr. 1, 1961–EA	1½	...	...	...	...	...
Oct. 1, 1961–EO	1½	...	...	...	...	...
Total Treasury notes	...	9,219,313	14,258,763	6,044,271	−5,039,450	+8,214,492
Certificates	1⅛	...	...	7,440,065	...	−7,440,065
	1¼	...	...	2,520,076	...	−2,520,076
	1⅝	...	...	3,922,200	...	−3,922,200
	1⅞	...	...	...	...	...
	2	...	12,700	...	−12,700	+12,700
	2¼	...	26,200	...	−26,200	+26,200
	2½	...	...	...	...	...
	2⅝	5,025,500	5,962,899	...	−937,399	+5,962,899
	2¾	6,500	...	...	+6,500	...
	3¼	5,943,499	...	...	+5,943,499	...
Total certificates	...	10,975,499	6,001,799	13,882,341	+4,973,700	−7,880,542
Treasury bills	...	1,918,170	1,722,321	2,204,000	+195,849	−481,679
Total holdings	...	24,914,732	24,784,633	24,932,362	+130,099	−147,729

[1] Partly tax-exempt.

NO. 4—FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953-56[1]

[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	**1956—no transactions**	

* Sunday or holiday.

[1] Under authority of Section 14(b) of the Federal Reserve Act. On November 9, 1953, the Reserve Banks sold directly to the U. S. Treasury $500 million of Treasury notes; this is the only use that has been made under the same authority to sell U. S. Government securities directly to the United States.

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

NO. 5—VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1952-56

[Number in thousands; amounts in thousands of dollars]

	1956	1955	1954	1953	1952
NUMBER OF PIECES HANDLED[1]					
Discounts and advances:[2]					
Notes discounted and advances made	23	21	10	20	18
Currency received and counted	4,466,739	4,282,562	4,384,270	4,405,255	4,183,063
Coin received and counted	6,908,325	7,008,777	7,064,082	5,889,238	5,716,379
Checks handled:					
U. S. Govt. checks	539,359	503,516	481,408	458,607	446,084
Postal money orders	342,313	347,351	354,368	366,807	371,318
All other[3]	2,822,601	2,643,561	2,512,998	2,414,167	2,292,017
Collection items handled:					
U. S. Govt. coupons paid	11,997	12,301	12,753	13,703	13,599
All other	17,813	16,368	15,443	14,360	14,172
Issues, redemptions, and exchanges of U. S. Govt. securities	198,519	191,922	191,112	177,596	163,568
Transfers of funds	2,123	1,960	1,808	1,718	1,595
AMOUNTS HANDLED					
Discounts and advances[2]	109,811,042	88,436,422	22,871,449	93,438,640	105,549,326
Currency received and counted	29,104,496	27,461,048	28,482,428	29,514,663	27,001,076
Coin received and counted	739,896	752,345	698,819	607,205	558,416
Checks handled:					
U. S. Govt. checks	114,173,132	123,215,681	141,037,495	140,739,438	119,423,270
Postal money orders	5,941,097	5,814,754	5,943,178	6,091,173	5,996,899
All other[3]	1,005,448,966	929,846,430	847,345,372	852,836,627	808,521,799
Collection items handled:					
U. S. Govt. coupons paid	2,563,075	2,595,305	2,209,045	2,270,606	1,923,079
All other	5,495,317	5,354,604	5,085,695	4,615,970	5,103,262
Issues, redemptions, and exchanges of U. S. Govt. securities	421,612,394	429,701,960	469,247,400	381,877,330	355,234,532
Transfers of funds	1,233,509,550	1,091,608,891	1,038,100,606	876,838,475	767,974,539

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

[2] Exclusive of industrial loans.

[3] Revised to exclude checks drawn on the Federal Reserve Banks.

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1956

Item	Total	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounts and advances	$23,024,697	$788,287	$5,617,842	$1,903,609	$1,905,478	$893,227	$1,377,298	$5,942,710	$627,153	$1,010,077	$1,363,059	$830,142	$765,815
Industrial loans	35,621	9,770	....	23,260	....	....	....	....	....	2,591	....	....	....
Commitments to make industrial loans	14,972	....	....	190	2,115	26	....	274	....	....	12,367	....	....
Acceptances	547,170	....	547,170	....	....	....	....	....	....	....	....	....	....
U. S. Government securities	571,788,486	31,363,787	145,564,629	34,351,192	49,229,899	34,751,769	29,334,395	99,442,889	23,764,913	13,086,844	24,718,650	22,699,658	63,479,860
All other	238,146	16,992	39,944	12,888	19,713	15,579	25,731	32,204	10,026	13,764	21,258	13,264	16,783
Total current earnings	595,649,092	32,178,836	151,769,585	36,291,138	51,157,205	35,660,601	30,737,424	105,418,077	24,402,093	14,113,276	26,115,335	23,543,065	64,262,458
CURRENT EXPENSES													
Salaries:													
Officers	5,449,677	326,580	998,266	372,850	451,817	419,688	450,762	563,973	390,141	306,858	361,865	375,169	431,708
Employees	72,810,052	4,373,726	16,116,623	4,081,418	6,590,282	4,598,632	4,389,395	11,584,900	4,159,956	2,177,066	3,774,458	3,465,474	7,498,122
Directors and other fees	348,008	21,233	46,272	19,413	29,940	19,761	38,320	31,172	31,368	19,545	31,396	24,002	35,586
Retirement contributions	6,920,835	412,457	1,460,562	387,020	622,997	446,569	438,144	1,085,475	398,097	238,341	377,264	355,103	698,806
Traveling expenses	1,464,312	89,437	214,186	63,391	138,818	130,156	110,488	194,902	96,312	78,398	86,372	97,196	164,656
Postage and expressage	15,586,655	1,246,644	2,344,388	824,418	1,262,852	1,483,925	1,336,636	2,249,258	822,107	496,231	866,245	790,905	1,863,046
Telephone and telegraph	1,190,712	60,290	259,957	59,959	91,563	87,199	107,217	140,825	69,254	41,820	69,033	75,932	127,663
Printing, stationery, and supplies	5,574,919	423,458	1,000,137	278,776	486,611	372,880	394,003	964,650	363,037	159,928	335,045	270,818	525,576
Insurance	1,128,429	74,864	201,315	50,176	114,499	87,825	76,244	163,234	75,727	47,716	77,153	60,297	99,379
Taxes on real estate	3,138,279	507,615	684,919	123,384	262,139	140,385	151,397	413,408	107,448	165,196	136,911	81,769	363,708
Depreciation (building)	3,229,455	403,814	284,591	268,149	602,964	275,415	154,351	300,238	178,988	43,991	82,172	33,394	601,388
Light, heat, power, and water	1,278,129	108,414	224,855	87,838	130,584	109,405	61,931	166,330	89,447	44,276	95,386	50,501	109,162
Repairs and alterations	1,380,489	30,916	65,381	94,084	157,318	138,650	50,696	45,379	179,936	383,976	29,960	49,855	154,338
Rent	458,354	9,991	5,060	15,679	78,391	4,467	121,476	88,874	2,889	61,468	678	50,914	18,467
Furniture and equipment:													
Purchases	2,343,523	53,328	136,276	76,354	254,742	460,617	149,563	262,540	329,798	184,450	67,774	214,801	153,280
Rentals	4,582,017	389,863	643,067	313,735	403,231	302,571	285,648	708,545	273,948	175,882	265,133	239,648	580,746
Assessment for expenses of Board of Governors	5,339,800	315,700	1,521,200	382,800	483,000	272,100	237,200	749,600	201,500	132,600	204,300	269,900	569,900
Federal Reserve currency	5,603,176	349,827	1,520,639	261,649	236,766	516,920	411,347	961,660	245,642	25,614	223,298	84,406	765,408
All other	[1]1,712,081	124,472	301,644	127,448	430,753	110,026	119,440	293,802	106,449	87,627	136,612	95,945	193,189
Total	[1]139,538,902	9,322,629	28,029,337	7,888,541	12,829,269	9,977,191	9,084,258	20,968,765	8,122,044	4,870,983	7,221,055	6,686,029	14,954,128
Less reimbursement for certain fiscal agency and other expenses	[1]18,356,406	953,996	3,485,188	918,438	1,785,491	1,033,564	1,296,262	3,319,761	1,190,764	524,399	1,306,406	1,073,099	1,884,366
Net expenses	121,182,496	8,368,632	24,544,149	6,970,104	11,043,778	8,943,627	7,787,996	17,649,004	6,931,280	4,346,585	5,914,650	5,612,930	13,069,761

PROFIT AND LOSS

Current net earnings	474,466,596	23,810,203	127,225,436	29,321,035	40,113,427	26,716,974	22,949,428	87,769,073	17,470,813	9,766,691	20,200,686	17,930,135	51,192,697
Additions to current net earnings:													
Profits on sales of U. S. Government securities (net)	268,090	16,548	64,613	16,492	24,350	16,960	14,623	43,529	12,665	7,371	11,702	11,537	27,700
All other	91,025	5,350	13,898	441	5,926	4,039	131	44,821	4,541	377	1,388	37	10,076
Total additions	359,115	21,898	78,511	16,933	30,276	20,999	14,753	88,350	17,206	7,748	13,090	11,574	37,776
Deductions from current net earnings:													
Charge-offs on bank premises	20,147	....	....	....	20,147	....	....	....	....	....	....	....	....
Reserves for contingencies	340,270	37,017	56,055	16,475	16,896	52,928	14,591	41,017	17,370	11,458	19,999	17,892	38,572
All other	22,135	1,831	2,852	428	1,742	1,426	551	2,360	2,812	438	343	641	6,711
Total deductions	382,551	38,848	58,907	16,903	38,785	54,354	15,141	43,377	20,182	11,896	20,341	18,533	45,282
Net deductions	23,436	16,950	+19,604	+31	8,510	33,355	388	+44,973	2,976	4,148	7,251	6,959	7,507
Net earnings before payments to U. S. Treasury	474,443,160	23,793,253	127,245,040	29,321,066	40,104,917	26,683,619	22,949,039	87,814,045	17,467,836	9,762,543	20,193,435	17,923,176	51,185,190
Paid U. S. Treasury (interest on F. R. notes)	401,555,581	20,531,028	109,579,944	25,295,834	34,468,380	23,237,535	19,731,928	76,747,423	15,135,639	8,406,449	17,409,249	13,223,260	37,788,912
Dividends paid	18,904,897	981,028	5,489,626	1,214,605	1,806,754	864,154	878,877	2,539,170	650,481	422,045	760,994	1,039,339	2,257,825
Transferred to surplus (Sec. 7)	53,982,682	2,281,197	12,175,470	2,810,627	3,829,784	2,581,930	2,338,235	8,527,453	1,681,716	934,049	2,023,192	3,660,577	11,138,453
Surplus (Sec. 7) January 1	693,611,316	41,666,629	195,826,856	49,490,515	62,563,178	35,011,853	30,841,102	101,893,599	27,649,493	17,586,155	25,959,962	33,847,072	71,274,903
Surplus (Sec. 7) December 31	747,593,998	43,947,826	208,002,326	52,301,142	66,392,961	37,593,783	33,179,336	110,421,051	29,331,210	18,520,204	27,983,154	37,507,649	82,413,356

[1] After deducting $415,326 of prorated inter-Bank expenses to avoid duplication in combined totals.

NOTE.—Details may not add to totals because of rounding. In some instances, the last digit of the amount shown as "Surplus (Sec. 7) January 1" differs from the corresponding figure in previously published tables because of a change in treatment of rounded figures.

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-56

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	...	18,522,518
1949	316,536,930	77,477,676	226,936,980	12,329,373	...	...	193,145,837	...	21,461,770

1950	275,838,994	80,571,771	231,561,340	13,082,992	....	....	196,628,858	....	21,849,490
1951	394,656,072	95,469,086	297,059,097	13,864,750	....	....	254,873,588	....	28,320,759
1952	456,060,260	104,694,091	352,950,157	14,681,788	....	....	291,934,634	....	46,333,735
1953	513,037,237	113,515,020	398,463,224	15,558,377	....	....	342,567,985	....	40,336,862
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
1956	595,649,092	121,182,496	474,443,160	18,904,897	....	....	401,555,581	....	53,982,682
Total—1914–56	5,785,251,785	1,867,704,750	3,867,443,151	389,206,233	149,138,300	2,188,893	2,450,650,837	−3,658	[2] 876,262,542
Aggregate for each Federal Reserve Bank, 1914–56:									
Boston	370,384,973	133,774,427	234,346,599	25,135,654	7,111,395	280,843	147,505,231	+135,412	54,178,063
New York	1,482,598,302	423,654,583	1,056,309,555	129,900,188	68,006,262	369,116	613,641,917	−433,413	244,825,484
Philadelphia	393,164,158	128,741,110	264,118,032	32,406,417	5,558,901	722,406	158,217,621	+290,661	66,922,025
Cleveland	526,422,164	172,121,065	348,031,246	38,509,430	4,842,447	82,930	224,989,497	−9,907	79,616,848
Richmond	342,412,955	120,282,128	218,624,653	16,672,077	6,200,189	172,493	152,249,337	−71,516	43,402,074
Atlanta	297,970,009	100,787,663	191,605,237	14,791,649	8,950,561	79,264	129,326,904	+5,491	38,451,368
Chicago	877,475,792	260,742,011	606,402,289	47,096,480	25,313,526	151,045	408,068,067	+11,681	125,761,488
St. Louis	273,038,182	102,302,974	165,403,802	13,464,750	2,755,629	7,464	114,778,151	−26,514	34,424,322
Minneapolis	168,873,072	62,428,506	104,666,567	9,173,310	5,202,900	55,615	67,707,578	+64,875	22,462,292
Kansas City	267,293,821	101,648,136	162,189,381	13,610,316	6,939,100	64,213	109,469,996	−8,674	32,114,430
Dallas	236,435,517	84,153,540	148,913,463	14,674,497	560,049	102,083	91,681,033	+55,336	41,840,463
San Francisco	549,182,841	177,068,607	366,832,326	33,771,464	7,697,341	101,421	233,015,505	−17,090	92,263,684
Total	5,785,251,785	1,867,704,750	3,867,443,151	389,206,233	149,138,300	2,188,893	2,450,650,837	−3,658	876,262,542

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

[2] The $876,262,542 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 $11,131,013 transferred from reserves for contingencies, leaving a balance of $747,593,998 on Dec. 31, 1956.

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

NO. 8—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918-56 AND END OF MONTH 1956

[In millions of dollars]

End of year or month	Reserve Bank credit outstanding: U. S. Government securities: Total	Reserve Bank credit outstanding: U. S. Government securities: Bought outright	Reserve Bank credit outstanding: U. S. Government securities: Held under repurchase agreement	Reserve Bank credit outstanding: Discounts and advances	Reserve Bank credit outstanding: Float	Reserve Bank credit outstanding: All other[1]	Reserve Bank credit outstanding: Total	Gold stock[2]	Treasury currency outstanding[3]	Currency in circulation	Treasury cash holdings[4]	Deposits, other than member bank reserves, with F. R. Banks: Treasury deposits	Deposits, other than member bank reserves, with F. R. Banks: Foreign deposits	Deposits, other than member bank reserves, with F. R. Banks: Other deposits	Other Federal Reserve accounts[5]	Member bank reserves: Total	Member bank reserves: Required[6]	Member bank reserves: Excess[6]
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	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
1956—																		
January	23,466	23,466	....	852	786	18	25,122	21,693	5,009	30,228	797	428	355	349	919	18,750	18,311	439
February	23,482	23,426	56	632	791	15	24,920	21,695	5,012	30,163	789	554	363	305	1,025	18,428	18,162	266
March	23,636	23,587	49	872	1,238	15	25,761	21,716	5,020	30,339	777	534	354	623	1,069	18,799	18,276	523
April	23,345	23,245	100	1,204	744	14	25,307	21,743	5,025	30,210	783	578	330	404	984	18,784	18,325	459
May	23,474	23,360	114	1,160	726	17	25,377	21,772	5,030	30,513	779	515	307	309	983	18,773	18,204	569
June	23,758	23,712	46	232	1,210	19	25,219	21,799	5,032	30,715	768	522	297	313	992	18,443	18,449	−6
July	23,438	23,438	....	452	959	19	24,868	21,830	5,035	30,604	761	513	308	288	950	18,308	18,104	204
August	23,854	23,828	26	832	771	23	25,480	21,858	5,041	30,757	768	422	350	252	943	18,888	18,377	511
September	23,680	23,590	90	664	1,125	18	25,487	21,884	5,046	30,768	771	535	334	227	950	18,831	18,450	381
October	23,767	23,688	79	538	910	21	25,236	21,910	5,054	30,839	778	495	275	297	848	18,668	18,459	209
November	24,385	24,255	130	518	1,330	34	26,267	21,910	5,061	31,424	763	463	356	182	843	19,208	18,719	489
December	24,915	24,610	305	50	1,665	70	26,699	21,949	5,066	31,790	775	441	322	426	901	19,059	19,089	−30

[1] Comprises acceptances and industrial loans.

[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, 1956

Federal Reserve Bank or branch	Cost				Net book value
	Land	Building (including vault)[1]	Fixed machinery and equipment	Total	
Boston	$ 1,628,132	$ 5,929,169	$ 2,956,474	$10,513,775	$ 5,361,085
New York	5,215,656	12,183,528	4,886,521	22,285,705	5,334,245
Annex	592,679	1,451,569	562,181	2,606,429	933,337
Buffalo	607,779	2,894,931	....	3,502,710	3,129,233
Philadelphia	1,884,357	4,839,506	2,130,561	8,854,424	4,781,631
Cleveland	1,295,490	6,652,253	2,749,409	10,697,152	3,172,238
Cincinnati	400,891	1,200,943	968,093	2,569,927	1,506,049
Pittsburgh	1,189,941	2,833,106	689,889	4,712,936	3,126,963
Richmond	469,944	4,165,217	2,066,765	6,701,926	3,277,742
Baltimore	250,487	2,878,049	480,555	3,609,091	2,341,834
Charlotte	116,569	1,052,360	599,369	1,768,298	1,600,041
Atlanta	633,387	1,722,115	362,731	2,718,233	1,205,705
Annex	93,649	137,100	70,200	300,949	300,949
Birmingham	327,352	574,430	70,511	972,293	565,638
Jacksonville	164,004	1,734,071	629,574	2,527,649	2,120,401
Nashville	48,000	211,617	35,090	294,707	76,033
New Orleans	277,078	762,456	265,700	1,305,234	418,373
Chicago	2,963,548	6,566,970	2,704,902	12,235,420	1,992,817
Detroit	1,147,734	2,820,131	1,214,162	5,182,027	3,889,161
St. Louis	1,496,060	2,136,438	1,391,137	5,023,635	1,243,547
Annex	179,720	1,035,281	524,429	1,739,430	952,751
Little Rock	85,007	264,604	161,837	511,448	178,646
Louisville	642,135	1,413,269	72,464	2,127,868	1,842,576
Memphis	128,542	287,468	105,442	521,452	225,061
Minneapolis	600,521	6,095,690	646,249	7,342,460	4,641,447
Helena	15,709	126,401	44,143	186,253	78,050
Kansas City	545,764	3,547,370	1,249,534	5,342,668	1,353,390
Denver	592,271	522,663	86,910	1,201,844	780,117
Oklahoma City	65,021	421,252	97,588	583,861	179,984
Omaha	444,176	1,865,954	94,548	2,404,678	2,032,715
Dallas	189,831	1,362,220	466,692	2,018,743	264,812
El Paso	289,003	119,739	32,575	441,317	283,830
Houston	708,581	622,539	112,111	1,443,231	1,044,014
San Antonio	402,345	1,974,819	....	2,377,164	2,377,164
San Francisco	476,768	4,157,105	1,036,864	5,670,737	1,694,591
Los Angeles	736,867	4,115,783	1,560,794	6,413,444	4,765,710
Portland	161,239	1,678,512	630,919	2,470,670	1,922,918
Salt Lake City	114,075	341,449	84,814	540,338	169,407
Seattle	274,772	1,891,564	642,240	2,808,576	2,196,245
Total	27,455,084	94,589,641	32,483,977	154,528,702	73,360,450

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Richmond	146,550	....	....	146,550	146,550
Nashville	422,110	....	....	422,110	422,110
Chicago	1,340,000	1,607,697	132,466	3,080,163	3,002,340
Dallas	496,412	....	....	496,412	496,412
San Antonio	75,002	163,360	55,859	294,221	73,255
Los Angeles	40,747	29,464	....	70,211	70,211
Portland	37,000	....	....	37,000	37,000
Salt Lake City	421,598	....	....	421,598	421,598
Total	2,979,419	1,800,521	188,325	4,968,265	4,669,476

[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, 1956]

Federal Reserve Bank (including branches)	President	Other officers		Employees[1]		Total	
	Annual salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston	$35,000	21	$264,000	1,241	$4,425,717	1,263	$4,724,717
New York	60,000	56	945,400	3,678	16,160,928	3,735	17,166,328
Philadelphia	35,000	27	355,000	1,035	4,039,804	1,063	4,429,804
Cleveland	30,000	32	421,550	1,692	6,466,492	1,725	6,918,042
Richmond	35,000	30	373,900	1,300	4,412,981	1,331	4,821,881
Atlanta	35,000	34	416,400	1,298	4,314,695	1,333	4,766,095
Chicago	50,000	39	542,100	2,895	11,413,056	2,935	12,005,156
St. Louis	35,000	30	340,000	1,133	3,920,232	1,164	4,295,232
Minneapolis	30,000	25	273,400	661	2,180,110	687	2,483,510
Kansas City	35,000	27	326,700	1,036	3,615,904	1,064	3,977,604
Dallas	30,000	30	353,200	1,003	3,536,940	1,034	3,920,140
San Francisco	30,000	36	428,000	1,936	7,406,734	1,973	7,864,734
Total	$440,000	387	$5,039,650	18,908	$71,893,593	19,307	$77,373,243

[1] Includes 897 part-time employees.

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

In effect December 31, 1956. For changes during the year, see "Record of Policy Actions of Board of Governors."

[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)	3	3	3	3	3	3	3	3	3	3	3	3
Other secured advances (Sec. 10b of the Federal Reserve Act)	3½	3½	3½	3½	3½	3½	3½	3½	3½	3½	3½	3½
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)	4	3¾	3½	4	4	4	4	4	4¼	4	4	4
Loans to industrial or commercial businesses under Sec. 13b of the Federal Reserve Act, direct or in participation with financing institutions	4-5½	3¾-5½	2½-5	3½-5½	2½-5	3¾-5½	3-5½	3½-5½	3-5½	3½-5½	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]	3-5½	3-3½	[1]	[1]	[1]	[1]
On remaining portion	[3]	[3]	[3]	[3]	[3]	[3]	3-5½	[3]	[3]	[3]	[3]	[3]
Commitments to make loans under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses	½-1½	½-1⅜	½-1¼	½-1⅜	½-1¼	1-1⅜	¼-1⅜	½-1⅜	½-1⅜	½-1⅜	½-1⅜	½-1⅜
To financing institutions	½-1½	½-1⅜	½-1¼	½-1⅜	½-1¼	[4]	¼-1⅜	¼-1⅜	½-1⅜	½-1⅜	[5] ½-1⅜	[5] ½-1⅜

[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] Twenty-five per cent of loan rate on disbursed portion; ½ per cent per annum on undisbursed portion.

[5] Rate on disbursed portion; ¼ 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	22¾	17½	12¼	5¼	5¼
May 1	26	20	14	6	6
1938—Apr. 16	22¾	17½	12	5	5
1941—Nov. 1	26	20	14	6	6
1942—Aug. 20	24				
Sept. 14	22				
Oct. 3	20				
1948—Feb. 27	22				
June 11	24				
Sept. 16			16		7½
Sept. 24	26	22		7½	
1949—May 1			15		7
May 5	24	21		7	
June 30		20		6	
July 1			14		6
Aug. 1			13		
Aug. 11	23½	19½		5	
Aug. 16			12		5
Aug. 18	23	19			
Aug. 25	22½	18½			
Sept. 1	22	18			
1951—Jan. 11	23	19		6	
Jan. 16			13		6
Jan. 25	24	20			
Feb. 1			14		
1953—July 1			13		
July 9	22	19			
1954—June 16					5
June 24	21			5	
July 29	20	18			
Aug. 1			12		
In effect Jan. 1, 1957	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 DEPOSITS[1]

[Per cent per annum]

Type of deposit	Nov. 1, 1933—Jan. 31, 1935	Feb. 1, 1935—Dec. 31, 1935	Jan. 1, 1936—Dec. 31, 1956	Effective Jan. 1, 1957
Savings deposits	3	2½	2½	3
Postal Savings deposits	3	2½	2½	3
Other time deposits payable:				
In 6 months or more	3	2½	2½	3
In 90 days to 6 months	3	2½	2	2½
In less than 90 days	3	2½	1	1

[1] Maximum permissible rates for member banks established by Board of Governors in Regulation Q, which provides that rate paid by a member bank may not exceed maximum rate payable by State banks or trust companies on like deposits under laws of State in which member bank is located. Since Feb. 1, 1936, maximum rates established by Federal Deposit Insurance Corporation for insured nonmember banks, under authority of the Banking Act of 1935, have been the same as those in effect for member banks.

NO. 14—MARGIN REQUIREMENTS[1]

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

[Per cent of market value]

	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 extension 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, 1956]

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

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

Maximum Rates Financing Institution May Charge Borrower

[Per cent per annum]

Interest rate	5
Commitment rate	½

NO. 16—PRINCIPAL ASSETS AND LIABILITIES, AND NUMBER OF ALL BANKS, BY CLASSES, DECEMBER 31, 1956 AND 1955[1]

[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, 1956										
Loans and investments, total	197,063	165,123	138,768	88,477	50,291	24,859	1,521	31,940	24,170	7,770
Loans	110,079	90,302	78,034	48,109	29,924	11,808	471	19,777	15,542	4,235
Investments	86,985	74,821	60,734	40,367	20,366	13,051	1,051	12,163	8,628	3,535
U. S. Govt. obligations	66,523	58,552	47,575	31,568	16,007	10,274	714	7,971	5,518	2,453
Other securities	20,461	16,269	13,159	8,800	4,359	2,777	336	4,192	3,110	1,082
Cash assets	49,641	48,720	42,906	27,006	15,900	5,448	369	920	739	182
Deposits, total	227,546	197,515	167,906	107,161	60,744	28,073	1,562	30,032	22,886	7,146
Interbank	17,595	17,593	16,855	9,844	7,012	427	310	2	2	....
Other demand	129,044	129,015	110,142	69,507	40,634	17,922	952	29	26	3
Other time	80,908	50,908	40,909	27,810	13,098	9,724	300	30,001	22,857	7,143
Total capital accounts	19,249	16,302	13,655	8,450	5,205	2,336	313	2,947	2,130	817
Number of banks	14,167	13,640	6,462	4,651	1,811	6,737	444	527	223	304
December 31, 1955										
Loans and investments, total	190,780	160,881	135,360	86,152	49,208	23,829	1,716	29,898	22,331	7,567
Loans	100,057	82,601	70,982	43,428	27,554	11,108	520	17,456	13,563	3,893
Investments	90,722	78,280	64,377	42,723	21,654	12,721	1,197	12,442	8,768	3,674
U. S. Govt. obligations	70,052	61,592	50,697	33,579	17,118	10,081	827	8,460	5,858	2,601
Other securities	20,670	16,688	13,680	9,144	4,536	2,640	370	3,982	2,910	1,072
Cash assets	47,803	46,838	41,416	25,697	15,719	5,067	357	965	785	180
Deposits, total	220,441	192,254	163,757	103,903	59,854	26,779	1,742	28,187	21,237	6,950
Interbank	16,646	16,643	15,865	9,317	6,549	408	370	3	3	....
Other demand	126,951	126,896	108,726	67,903	40,823	17,119	1,051	55	52	3
Other time	76,844	48,715	39,165	26,683	12,482	9,252	322	28,129	21,182	6,947
Total capital accounts	18,112	15,300	12,783	7,915	4,868	2,199	320	2,812	2,006	806
Number of banks	14,243	13,716	6,543	4,692	1,851	6,677	499	527	220	307

[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, 1956 AND 1955

[Dollar amounts in millions]

Item	Total		Central reserve city banks: New York		Central reserve city banks: Chicago		Reserve city banks		Country banks	
	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955
Earnings	**$6,078**	**$5,343**	**$1,014**	**$867**	**$243**	**$209**	**$2,402**	**$2,095**	**$2,419**	**$2,173**
On U. S. Govt. securities	1,101	1,118	133	156	49	57	404	420	514	485
On other securities	308	296	47	51	16	15	116	112	129	117
On loans	3,725	3,083	633	484	143	105	1,511	1,232	1,438	1,263
All other	945	846	201	176	35	32	371	331	338	308
Expenses	**3,680**	**3,265**	**536**	**472**	**123**	**111**	**1,441**	**1,274**	**1,579**	**1,408**
Salaries and wages	1,735	1,571	275	253	60	56	677	605	724	658
Interest on deposits	650	543	59	43	19	17	266	230	305	254
All other	1,295	1,151	202	176	44	39	497	440	551	496
Net current earnings before income taxes	**2,398**	**2,077**	**478**	**395**	**119**	**98**	**961**	**821**	**840**	**764**
Recoveries and profits[1]	151	164	44	26	9	12	47	67	51	58
Losses and charge-offs[2]	577	426	109	77	40	19	222	174	206	157
Net addition to valuation reserves	229	139	67	25	7	8	63	43	91	63
Profits before income taxes	**1,744**	**1,676**	**346**	**319**	**82**	**83**	**723**	**671**	**593**	**603**
Taxes on net income	**718**	**691**	**157**	**133**	**30**	**34**	**302**	**278**	**229**	**246**
Net profits	**1,027**	**985**	**189**	**187**	**52**	**49**	**421**	**393**	**364**	**357**
Cash dividends declared[3]	**547**	**501**	**133**	**124**	**23**	**21**	**223**	**202**	**168**	**154**
(Per cent)										
Ratios:										
Net current earnings before income taxes to—										
Average total capital accounts	18.1	16.6	17.0	14.4	18.7	16.0	19.7	18.3	17.0	16.4
Average total assets	1.37	1.22	1.52	1.26	1.43	1.19	1.40	1.23	1.26	1.19
Net profits to—										
Average total capital accounts	7.7	7.9	6.7	6.8	8.2	8.1	8.6	8.8	7.4	7.7
Average total assets	0.59	0.58	0.60	0.59	0.63	0.60	0.61	0.59	0.55	0.56
Average return on U. S. Govt. securities	2.31	2.09	2.22	2.02	2.19	2.05	2.31	2.09	2.36	2.12
Average return on loans	5.02	4.77	4.15	3.66	4.14	3.68	5.02	4.76	5.64	5.56

[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 1956 [1]

	All banks	Commercial and stock savings banks and nondeposit trust companies					Mutual savings banks	
		Total	Member banks		Nonmember banks			
			National [1]	State member [2]	Insured	Noninsured [2]	Insured [2]	Noninsured
Number of banks, Dec. 31, 1955	**14,243**	**13,716**	**4,692**	**1,851**	**6,677**	**499**	**220**	**307**
Changes during 1956								
New banks [3]	+123	+123	+30	+6	+72	+15	......	......
Suspensions	−3	−3	−1	......	−1	−1	......	......
Consolidations and absorptions:								
Banks converted into branches	−166	−166	−65	−36	−61	−4	......	......
Other	−23	−23	−10	−3	−8	−2	......	......
Voluntary liquidations [4]	−7	−7	−1	−1	−4	−1	......	......
Conversions:								
National into State	......	......	−3	......	+3	......	......	......
State into national	......	......	+9	−2	−6	−1	......	......
Federal Reserve Membership: [5]								
Admissions of State banks	......	......	......	+10	−8	−2	......	......
Withdrawals of State banks	......	......	......	−14	+14	......	......	......
Federal Deposit insurance: [6]								
Admissions of State banks	......	......	......	......	+59	−59	+3	−3
Net increase or decrease	−76	−76	−41	−40	+60	−55	+3	−3
Number of banks, Dec. 31, 1956	**14,167**	**13,640**	**4,651**	**1,811**	**6,737**	**444**	**223**	**304**
Number of branches and additional offices, Dec. 31, 1955 [7]	**7,040**	**6,710**	**3,196**	**1,916**	**1,563**	**35**	**234**	**96**
Changes during 1956								
De novo branches	+560	+522	+307	+112	+100	+3	+17	+21
Banks converted into branches	+166	+166	+94	+50	+22	......	......	......
Discontinued	−38	−36	−12	−16	−8	......	−1	−1
Interclass changes—Net [8]	......	......	+44	−9	−34	−1	+7	−7
Net increase or decrease	+688	+652	+433	+137	+80	+2	+23	+13
Number of branches and additional offices, Dec. 31, 1956 [7]	**7,728**	**7,362**	**3,629**	**2,053**	**1,643**	**37**	**257**	**109**
Number of banking facilities, Dec. 31, 1955 [9]	**213**	**213**	**169**	**23**	**21**	......	......	......
Changes during 1956								
Established	+20	+20	+16	+1	+3	......	......	......
Discontinued	−6	−6	−6	......	......	......	......	......
Interclass change	......	......	+1	......	−1	......	......	......
Net increase or decrease	+14	+14	+11	+1	+2	......	......	......
Number of banking facilities, Dec. 31, 1956 [9]	**227**	**227**	**180**	**24**	**23**	......	......	......

[1] Excludes banks in United States territories and possessions except one national bank in Alaska.

[2] State member bank figures and 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.

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

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

[5] Exclusive of conversions of State member banks into national banks.

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

[7] Except banking facilities which are shown separately; see note 9.

[8] For details of interclass branch changes, see *Federal Reserve Bulletin*, February 1957.

[9] Banking 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, 1956 [1]

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	435	550	435	550	298	441	137	109	......	....
New York	685	1,382	685	1,382	586	1,282	99	100	......	....
Philadelphia	717	444	717	444	547	361	170	83	......	....
Cleveland	986	664	986	664	606	586	380	78	......	....
Richmond	987	885	819	735	470	479	349	256	168	150
Atlanta	1,298	370	721	324	391	274	330	50	577	46
Chicago	2,477	863	2,477	863	1,020	491	1,457	372	......	....
St. Louis	1,465	233	1,165	163	492	98	673	65	300	70
Minneapolis	1,287	122	688	78	473	32	215	46	599	44
Kansas City	1,764	37	1,758	37	752	26	1,006	11	6	....
Dallas	1,075	110	986	97	634	71	352	26	89	13
San Francisco[1]	393	1,981	378	1,977	187	1,745	191	232	15	4
Total	**13,569**	**7,641**	**11,815**	**7,314**	**6,456**	**5,886**	**5,359**	**1,428**	**1,754**	**327**
STATE [1]										
Alabama	237	53	145	52	94	52	51	....	92	1
Arizona	9	111	9	111	4	88	5	23	......	....
Arkansas	236	27	125	7	73	4	52	3	111	20
California	132	1,302	132	1,302	82	1,180	50	122	......	....
Colorado	157	5	157	5	95	4	62	1	......	....
Connecticut	89	119	89	119	51	97	38	22	......	....
Delaware	28	40	28	40	10	17	18	23	......	....
Dist. of Col.	17	54	17	54	13	44	4	10	......	....
Florida	252	12	205	11	106	10	99	1	47	1
Georgia	412	67	133	65	65	57	68	8	279	2
Idaho	33	72	33	72	18	67	15	5	......	....
Illinois	925	4	923	4	521	4	402	....	2	....
Indiana	469	193	469	193	234	121	235	72	......	....
Iowa	667	161	667	161	165	4	502	157	......	....
Kansas	598	3	596	3	214	3	382	....	2	....
Kentucky	365	96	365	96	109	66	256	30	......	....
Louisiana	180	129	73	104	52	84	21	20	107	25
Maine	57	101	57	101	36	63	21	38	......	....
Maryland	150	180	150	180	68	105	82	75	......	....
Mass.	170	278	170	278	133	238	37	40	......	....
Michigan	405	416	405	416	228	350	177	66	......	....
Minnesota	681	6	278	6	207	6	71	....	403	....
Mississippi	196	103	49	38	34	19	15	19	147	65
Missouri	606	4	549	4	175	4	374	....	57	....
Montana	113	....	113	....	84	....	29	....	......	....
Nebraska	415	2	415	2	140	2	275	....	......	....
Nevada	6	29	6	29	5	25	1	4	......	....
N. Hampshire	73	2	73	2	51	1	22	1	......	....
New Jersey	273	308	273	308	233	271	40	37	......	....
New Mexico	52	35	52	35	34	19	18	16	......	....
New York	480	1,106	480	1,106	418	1,048	62	58	......	....
N. Carolina	202	357	111	213	53	118	58	95	91	144
North Dakota	154	26	57	7	40	1	17	6	97	19
Ohio	617	435	617	435	395	387	222	48	......	....
Oklahoma	385	6	379	6	222	4	157	2	6	....
Oregon	50	151	50	151	19	140	31	11	......	....
Pennsylvania	786	538	786	538	601	470	185	68	......	....
Rhode Island	10	73	10	73	6	57	4	16	......	....
S. Carolina	148	95	73	89	33	72	40	17	75	6
South Dakota	171	54	72	29	60	24	12	5	99	25
Tennessee	295	152	213	137	82	98	131	39	82	15
Texas	947	22	907	22	579	22	328	....	40	....
Utah	48	54	48	54	21	48	27	6	......	....
Vermont	60	16	60	16	35	7	25	9	......	....
Virginia	312	199	311	199	203	140	108	59	1	....
Washington	93	229	93	229	38	222	55	7	......	....
West Virginia	182	....	181	....	112	....	69	....	1	....
Wisconsin	550	150	550	150	164	22	386	128	......	....
Wyoming	53	1	53	1	40	1	13	....	......	....
Alaska	18	13	3	9	1	....	2	9	15	4
Hawaii	5	52	5	52	......	....	5	52	......	....

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

[2] Comprises all commercial banking offices on which checks are drawn, including 227 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.

NO. 20—OPEN MARKET TRANSACTIONS OF THE FEDERAL RESERVE SYSTEM DURING 1956

[In millions of dollars]

Month	Net change in holdings: U. S. Government securities and acceptances	Net change in holdings: U. S. Government securities	U. S. Government securities: Outright transactions: Gross market purchases	U. S. Government securities: Outright transactions: Gross market sales	U. S. Government securities: Outright transactions: Cash redemptions	U. S. Government securities: Repurchase agreements: Gross purchases	U. S. Government securities: Repurchase agreements: Gross sales	Bankers' acceptances: Outright	Bankers' acceptances: Net repurchases
January	−1,329	−1,319	74	439	560	53	446	− 6	− 4
February	+ 14	+ 17	143	109	73	280	225	− 3	......
March	+ 153	+ 153	182	....	21	549	556	(1)	......
April	− 292	− 291	9	344	7	210	158	− 1	......
May	+ 132	+ 129	167	27	25	613	599	+ 3	......
June	+ 286	+ 284	403	....	51	333	401	+ 1	+ 1
July	− 321	− 320	289	518	45	27	72	(1)	− 1
August	+ 421	+ 416	411	20	....	303	277	+ 2	+ 3
September	− 179	− 174	37	257	19	297	232	− 2	− 3
October	+ 90	+ 88	311	149	64	221	232	+ 2	+ 1
November	+ 631	+ 618	613	23	24	420	369	+ 4	+ 9
December	+ 566	+ 530	487	132	....	1,253	1,078	+11	+25
Total, 1956	+ 171	+ 130	3,125	2,018	888	4,556	4,645	+10	+31

[1] Less than $500,000.

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

FEDERAL RESERVE DIRECTORIES AND MEETINGS

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1956]

MEMBERS

WM. McC. MARTIN, JR., *Chairman* (Board of Governors)
ALFRED HAYES, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
C. CANBY BALDERSTON (Board of Governors)
J. A. ERICKSON (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)
W. D. FULTON (Elected by Federal Reserve Banks of Cleveland and Chicago)
D. C. JOHNS (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
A. L. MILLS, JR. (Board of Governors)
O. S. POWELL (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
J. L. ROBERTSON (Board of Governors)
CHAS. N. SHEPARDSON (Board of Governors)
M. S. SZYMCZAK (Board of Governors)
JAMES K. VARDAMAN, JR. (Board of Governors)

OFFICERS

WINFIELD W. RIEFLER, *Secretary*
ELLIOTT THURSTON, *Assistant Secretary*
GEORGE B. VEST, *General Counsel*
FREDERIC SOLOMON, *Assistant General Counsel*
WOODLIEF THOMAS, *Economist*

WM. J. ABBOTT, JR., *Associate Economist*
L. MERLE HOSTETLER, *Associate Economist*
FRANKLIN L. PARSONS, *Associate Economist*
H. V. ROELSE, *Associate Economist*
PARKER B. WILLIS, *Associate Economist*
RALPH A. YOUNG, *Associate Economist*

AGENT

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

The Federal Open Market Committee met at least once each month during 1956 and held two meetings in the months of January, March, May, June, August, September, and November.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1956]

	Term Expires
WM. McC. MARTIN, JR., of New York, *Chairman*	January 31, 1970
C. CANBY BALDERSTON of Pennsylvania, *Vice Chairman*	January 31, 1966
M. S. SZYMCZAK 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, *Assistant to the Board*
WINFIELD W. RIEFLER, *Assistant to the Chairman*
WOODLIEF THOMAS, *Economic Adviser to the Board*
ALFRED K. CHERRY, *Legislative Counsel*
CHARLES MOLONY, *Special Assistant to the Board*
S. R. CARPENTER, *Secretary*
MERRITT SHERMAN, *Assistant Secretary*
KENNETH A. KENYON, *Assistant Secretary*
CLARKE L. FAUVER, *Assistant Secretary*
GEORGE B. VEST, *General Counsel*
HOWARD H. HACKLEY, *Associate General Counsel*
FREDERIC SOLOMON, *Assistant General Counsel*
DAVID B. HEXTER, *Assistant General Counsel*
G. HOWLAND CHASE, *Assistant General Counsel*
JEROME W. SHAY, *Assistant General Counsel*
THOMAS J. O'CONNELL, *Assistant General Counsel*
RALPH A. YOUNG, DIRECTOR, *Division of Research and Statistics*
FRANK R. GARFIELD, *Adviser, Division of Research and Statistics*
GUY E. NOYES, *Adviser, Division of Research and Statistics*
ROLAND I. ROBINSON, *Adviser, Division of Research and Statistics*
KENNETH B. WILLIAMS, *Assistant Director, Division of Research and Statistics*
SUSAN S. BURR, *Assistant Director, Division of Research and Statistics*
ALBERT R. KOCH, *Assistant Director, Division of Research and Statistics*
LEWIS N. DEMBITZ, *Assistant Director, Division of Research and Statistics*
ARTHUR W. MARGET, *Director, Division of International Finance*
ROBERT F. LEONARD, *Director, Division of Bank Operations*
J. E. HORBETT, *Associate Director, Division of Bank Operations*
GERALD M. CONKLING, *Assistant Director, Division of Bank Operations*
JOHN R. FARRELL, *Assistant Director, Division of Bank Operations*
GEORGE S. SLOAN, *Director, Division of Examinations*
ROBERT C. MASTERS, *Associate Director, Division of Examinations*
C. C. HOSTRUP, *Assistant Director, Division of Examinations*
FRED A. NELSON, *Assistant Director, Division of Examinations*
ARTHUR H. LANG, *Chief Federal Reserve Examiner, Division of Examinations*
GLENN M. GOODMAN, *Assistant Director, Division of Examinations*
HENRY BENNER, *Assistant Director, Division of Examinations*
EDWIN J. JOHNSON, *Director, Division of Personnel Administration*
H. FRANKLIN SPRECHER, JR., *Assistant Director, Division of Personnel Administration*
LISTON P. BETHEA, *Director, Division of Administrative Services*
JOSEPH E. KELLEHER, *Assistant Director, Division of Administrative Services*
GARDNER L. BOOTHE, II, *Administrator, Office of Defense Loans*
EDWIN J. JOHNSON, *Controller, Office of the Controller*
M. B. DANIELS, *Assistant Controller, Office of the Controller*

FEDERAL ADVISORY COUNCIL

[December 31, 1956]

MEMBERS

District No. 1—William D. Ireland, President, Second Bank—State Street Trust Company, Boston, Massachusetts.

District No. 2—Adrian M. Massie, Chairman of the Board, The New York Trust Company, 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—Comer J. Kimball, Chairman of the Board, The First National Bank of Miami, Miami, Florida.

District No. 7—Homer J. Livingston, President, The First National Bank of Chicago, Chicago, Illinois.

District No. 8—Lee P. Miller, President, Citizens Fidelity Bank and Trust Company, Louisville, Kentucky.

District No. 9—Julian B. Baird, Chairman of the Board, The First National Bank of St. Paul, St. Paul, Minnesota.

District No. 10—R. Crosby Kemper, Chairman of the Board and President, The City National Bank and Trust Company of Kansas City, Kansas City, Missouri.

District No. 11—Geo. G. Matkin, President, The State National Bank of El Paso, El Paso, Texas.

District No. 12—Frank L. King, President, California Bank, Los Angeles, California.

EXECUTIVE COMMITTEE

Robert V. Fleming, *ex officio*
William D. Ireland

Frank R. Denton, *ex officio*
Homer J. Livingston

Adrian M. Massie

OFFICERS

President, Robert V. Fleming

Vice President, Frank R. Denton

Secretary, Herbert V. Prochnow
Assistant Secretary, William J. Korsvik

Meetings of the Federal Advisory Council were held on February 19-21, May 20-22, September 16-18, and November 18-20, 1956. The Board of Governors met with the Council on February 21, May 22, September 18, and November 20. 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.

FEDERAL RESERVE BANKS AND BRANCHES

[December 31, 1956]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Robert C. Sprague	James R. Killian, Jr.
New York	Jay E. Crane	Forrest F. Hill
Philadelphia	William J. Meinel	Henderson Supplee, Jr.
Cleveland	John C. Virden	Arthur B. Van Buskirk
Richmond	John B. Woodward, Jr.	Alonzo G. Decker, Jr.
Atlanta	Walter M. Mitchell	Harllee Branch, Jr.
Chicago	Bert R. Prall	J. Stuart Russell
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. A meeting of the Conference of Chairmen was held on December 5–6, 1956, and was attended by members of the Board of Governors.

Mr. Woodward, Chairman of the Federal Reserve Bank of Richmond, was elected Chairman of the Conference and of the Executive Committee in December 1955. Mr. Meinel, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, served with Mr. Woodward as members of the Executive Committee, Mr. Meinel also serving as Vice Chairman of the Conference.

At the meeting held in December 1956, Mr. Meinel was elected Chairman of the Conference and of the Executive Committee. Mr. Hall was elected Vice Chairman and a member of the Executive Committee and Mr. Smith, Chairman of the Federal Reserve Bank of Dallas, was elected as the other member of the Executive Committee.

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—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 general rule, 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

DIRECTORS		Term Expires Dec. 31
Class A:		
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
Oliver B. Ellsworth	President, Riverside Trust Company, Hartford, Conn.	1958
Class B:		
Milton P. Higgins	President, Norton Company, Worcester, Mass.	1956
Frederick S. Blackall, jr.	President and Treasurer, The Taft-Peirce Manufacturing Company, Woonsocket, R. I.	1957
Harry E. Umphrey	President, Aroostook Potato Growers, Inc., Presque Isle, Me.	1958
Class C:		
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
Harvey P. Hood	President, H. P. Hood & Sons, Inc., Boston, Mass.	1958

District 2—New York

Class A:		
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
Howard C. Sheperd	Chairman of the Board, The First National City Bank of New York, New York, N. Y.	1958
Class B:		
Lansing P. Shield	President, The Grand Union Company, East Paterson, N. J.	1956
John E. Bierwirth	President, National Distillers Products Corporation, New York, N. Y.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Clarence Francis	Director, General Foods Corporation, New York, N. Y.	1958
Class C:		
Jay E. Crane	Director, Standard Oil Company (New Jersey), New York, N. Y.	1956
Forrest F. Hill	Vice President, The Ford Foundation, New York, N. Y.	1957
Franz Schneider	Consultant to Newmont Mining Corporation, New York, N. Y.	1958

Buffalo Branch

Appointed by Federal Reserve Bank:		
Robert L. Davis	President, The First National Bank of Olean, Olean, N. Y.	1956
Charles H. Diefendorf	Chairman of the Executive Committee, The Marine Trust Company of Western New York, Buffalo, N. Y.	1957
John W. Remington	President, Lincoln Rochester Trust Company, Rochester, N. Y.	1958
Leland B. Bryan	President, First National Bank and Trust Company, Corning, N. Y.	1958
Appointed by Board of Governors:		
Robert C. Tait	Senior Vice President, General Dynamics Corporation, and President of its Stromberg-Carlson Company Division, Rochester, N. Y.	1956
Clayton G. White	Dairy farmer, Stow, N. Y.	1957
Ralph F. Peo	Chairman and President, Houdaille Industries, Inc., Buffalo, N. Y.	1958

District 3—Philadelphia

Class A:		
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
Lindley S. Hurff	President and Trust Officer, The First National Bank of Milton, Milton, Pa.	1958
Class B:		
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
Charles E. Oakes	President, Pennsylvania Power and Light Company, Allentown, Pa.	1958
Class C:		
Lester V. Chandler	Professor of Economics, Princeton University, Princeton, N. J.	1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
William J. Meinel	Chairman of the Board, Heintz Manufacturing Company, Philadelphia, Pa.	1957
Henderson Supplee, Jr.	President, The Atlantic Refining Company, Philadelphia, Pa.	1958

District 4—Cleveland

Class A:		
J. Brenner Root	President, The Harter Bank & Trust Company, Canton, Ohio	1956
Edison Hobstetter	President and Chairman of the Board, The Pomeroy National Bank, Pomeroy, Ohio	1957
King E. Fauver	Director, The Savings Deposit Bank and Trust Company, Elyria, Ohio	1958
Class B:		
Alexander E. Walker	Chairman of the Board, The National Supply Company, Pittsburgh, Pa.	1956
Joseph B. Hall	President, The Kroger Company, Cincinnati, Ohio.	1957
Charles Z. Hardwick	Executive Vice President, The Ohio Oil Company, Findlay, Ohio	1958
Class C:		
John C. Virden	Chairman of the Board, John C. Virden Company, Cleveland, Ohio	1956
Frank J. Welch	Dean, College of Agriculture and Home Economics, University of Kentucky, Lexington, Ky.	1957
Arthur B. Van Buskirk	Vice President and Governor, T. Mellon & Sons, Pittsburgh, Pa.	1958

Cincinnati Branch

Appointed by Federal Reserve Bank:		
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 Hamilton, Hamilton, Ohio	1957
William A. Mitchell	President, The Central Trust Company, Cincinnati, Ohio	1958
Appointed by Board of Governors:		
Anthony Haswell	President, The Dayton Malleable Iron Company, Dayton, Ohio	1956
W. Bay Irvine	President, Marietta College, Marietta, Ohio	1957
Ivan Jett	Farmer, Georgetown, Ky.	1958

Pittsburgh Branch

Appointed by Federal Reserve Bank:		
Albert L. Rasmussen	President, The Warren National Bank, Warren, Pa.	1956
John H. Lucas	Chairman of the Board, Peoples First National Bank & Trust Company, Pittsburgh, Pa.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Irving W. Wilson	President, Aluminum Company of America, Pittsburgh, Pa.	1957
Sumner E. Nichols	President, Security-Peoples Trust Company, Erie, Pa.	1958
Appointed by Board of Governors:		
Henry A. Roemer, Jr.	President, Forbes Steel Corporation, Canonsburg, Pa.	1956
John C. Warner	President, Carnegie Institute of Technology, Pittsburgh, Pa.	1957
Douglas M. Moorhead	Farmer, North East, Pa.	1958

District 5—Richmond

Class A:		
J. K. Palmer	Executive Vice President and Cashier, Greenbrier Valley Bank, Lewisburg, W. Va.	1956
Daniel W. Bell	President and Chairman of the Board, American Security and Trust Company, Washington, D. C.	1957
Joseph E. Healy	President, The Citizens National Bank of Hampton, Hampton, Va.	1958
Class B:		
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
L. Vinton Hershey	President, Hagerstown Shoe Company, Hagerstown, Md.	1958
Class C:		
Alonzo G. Decker, Jr.	Executive Vice President, The Black & Decker Manufacturing Company, Towson, Md.	1956
D. W. Colvard	Dean of Agriculture, North Carolina State College of Agriculture and Engineering, Raleigh, N. C.	1957
John B. Woodward, Jr.	Chairman of the Board, Newport News Shipbuilding & Dry Dock Company, Newport News, Va.	1958

Baltimore Branch

Appointed by Federal Reserve Bank:		
Charles W. Hoff	President, Union Trust Company of Maryland, Baltimore, Md.	1956
Charles A. Piper	President, The Liberty Trust Company, Cumberland, Md.	1957
Stanley B. Trott	President, Maryland Trust Company, Baltimore, Md.	1958
John W. Stout	President, The Parkersburg National Bank, Parkersburg, W. Va.	1958
Appointed by Board of Governors:		
Theodore E. Fletcher	Agriculturist, Easton, Md.	1956
Clarence R. Zarfoss	Vice President, Western Maryland Railway Company, Baltimore, Md.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		Term Expires Dec. 31
Wm. Purnell Hall	Executive Vice President, Maryland Shipbuilding and Drydock Company, Inc., Baltimore, Md.	1958

Charlotte Branch

Appointed by Federal Reserve Bank:		
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
I. W. Stewart	President, The Commercial National Bank, Charlotte, N. C.	1958
G. G. Watts	President, The Merchants & Planters National Bank, Gaffney, S. C.	1958
Appointed by Board of Governors:		
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
T. Henry Wilson	President and Treasurer, Henredon Furniture Industries, Inc., Morganton, N. C.	1958

District 6—Atlanta

Class A:		
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
William C. Carter	Chairman and President, Gulf National Bank, Gulfport, Miss.	1958
Class B:		
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
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1958
Class C:		
Harllee Branch, Jr.	President, Georgia Power Company, Atlanta, Ga.	1956
Henry G. Chalkley, Jr.	President, The Sweet Lake Land & Oil Company, Lake Charles, La.	1957
Walter M. Mitchell	Vice President, The Draper Corporation, Atlanta, Ga.	1958

Birmingham Branch

Appointed by Federal Reserve Bank:		
John Will Gay	President, The First National Bank of Scottsboro, Scottsboro, Ala.	1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Malcolm A. Smith	First Vice President, Birmingham Trust National Bank, Birmingham, Ala.	1957
Robert M. Cleckler	President, First National Bank of Childersburg, Childersburg, Ala.	1958
E. W. McLeod	President, The Morgan County National Bank, Decatur, Ala.	1958
Appointed by Board of Governors:		
Adolph Weil, Sr.	President, Weil Brothers-Cotton, Inc., Montgomery, Ala.	1956
Edwin C. Bottcher	Farmer, Cullman, Ala.	1957
John E. Urquhart	President, Woodward Iron Company, Woodward, Ala.	1958

Jacksonville Branch

Appointed by Federal Reserve Bank:		
James G. Garner	President and Chairman, Little River Bank and Trust Company, Miami, Fla.	1956
James L. Niblack	President, The First National Bank of Lake City, Lake City, Fla.	1957
Linton E. Allen	Chairman, The First National Bank at Orlando, Orlando, Fla.	1958
W. E. Ellis	Chairman and President, The Commercial Bank and Trust Company, Ocala, Fla.	1958
Appointed by Board of Governors:		
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
Harry M. Smith	President and Manager, Winter Garden Ornamental Nursery, Inc., Winter Garden, Fla.	1958

Nashville Branch

Appointed by Federal Reserve Bank:		
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
Stewart Campbell	President, The Harpeth National Bank of Franklin, Franklin, Tenn.	1958
C. L. Wilson	Chairman and President, The Cleveland National Bank, Cleveland, Tenn.	1958
Appointed by Board of Governors:		
Frank B. Ward	Dean, College of Business Administration, University of Tennessee, Knoxville, Tenn.	1956
A. Carter Myers	Treasurer, Knoxville Fertilizer Company, Knoxville, Tenn.	1957
Ernest J. Moench	President, Tennessee Tufting Company, Nashville, Tenn.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.

New Orleans Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
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
H. A. Pharr	President, The First National Bank of Mobile, Mobile, Ala.	1958
William J. Fischer	President, Progressive Bank and Trust Company, New Orleans, La.	1958
Appointed by Board of Governors:		
E. E. Wild	Rice grower, Midland, La.	1956
Joel L. Fletcher, Jr.	President, Southwestern Louisiana Institute, Lafayette, La.	1957
G. H. King, Jr.	Executive Vice President, King Lumber Industries, Canton, Miss.	1958

District 7—Chicago

Class A:		
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
Nugent R. Oberwortmann	President, The North Shore National Bank of Chicago, Chicago, Ill.	1958
Class B:		
William A. Hanley	Director, Eli Lilly and Company, Indianapolis, Ind.	1956
Walter E. Hawkinson	Vice President in Charge of Finance, and Secretary, Allis-Chalmers Manufacturing Company, Milwaukee, Wis.	1957
William J. Grede	President, Grede Foundries, Inc., Milwaukee, Wis.	1958
Class C:		
J. Stuart Russell	Farm Editor, The Des Moines Register & Tribune, Des Moines, Iowa	1956
Bert R. Prall	Winnetka, Ill.	1957
Robert P. Briggs	Executive Vice President, Consumers Power Company, Jackson, Mich.	1958

Detroit Branch

Appointed by Federal Reserve Bank:		
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
Raymond T. Perring	President, The Detroit Bank and Trust Company, Detroit, Mich.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Appointed by Board of Governors:		
J. Thomas Smith	President, Detroit Harvester Company, Detroit, Mich.	1956
John A. Hannah	President, Michigan State University, East Lansing, Mich.	1957
C. V. Patterson	Executive Vice President, The Upjohn Company, Kalamazoo, Mich.	1958

District 8—St. Louis

Class A:		
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
J. E. Etherton	President, The Carbondale National Bank, Carbondale, Ill.	1958
Class B:		
Louis Ruthenburg	Chairman of the Board, Servel, Inc., Evansville, Ind.	1956
Leo J. Wieck	Vice President and Treasurer, The May Department Stores Company, St. Louis, Mo.	1957
S. J. Beauchamp, Jr.	President, Terminal Warehouse Company, Little Rock, Ark.	1958
Class C:		
M. Moss Alexander	President, Missouri Portland Cement Company, St. Louis, Mo.	1956
Joseph H. Moore	Farmer, Charleston, Mo.	1957
Caffey Robertson	President, Caffey Robertson Company, Memphis, Tenn.	1958

Little Rock Branch

Appointed by Federal Reserve Bank:		
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
J. V. Satterfield, Jr.	President, The First National Bank in Little Rock, Little Rock, Ark.	1958
Appointed by Board of Governors:		
T. Winfred Bell	President, Bush-Caldwell Company, Little Rock, Ark.	1956
Shuford R. Nichols	Farmer, ginner, and cotton broker, Des Arc, Ark.	1957
A. Howard Stebbins, Jr.	President, Stebbins and Roberts, Inc., Little Rock, Ark.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont. *Term Expires Dec. 31*

Louisville Branch

Appointed by Federal Reserve Bank:

		Term Expires Dec. 31
(Vacancy)		
M. C. Minor	President, The Farmers National Bank of Danville, Danville, Ky.	1957
W. Scott McIntosh	President, State Bank of Hardinsburg, Hardinsburg, Ind.	1957
Magnus J. Kreisle	President, The Tell City National Bank, Tell City, Ind.	1958

Appointed by Board of Governors:

		Term Expires Dec. 31
David F. Cocks	Vice President and Treasurer, Standard Oil Company (Kentucky), Louisville, Ky.	1956
Pierre B. McBride	President, Porcelain Metals Corporation, Louisville, Ky.	1957
J. D. Monin, Jr.	Farmer, Oakland, Ky.	1958

Memphis Branch

Appointed by Federal Reserve Bank:

		Term Expires Dec. 31
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 Memphis, Memphis, Tenn.	1957
J. H. Harris	President, The First National Bank of Wynne, Wynne, Ark.	1958

Appointed by Board of Governors:

		Term Expires Dec. 31
John D. Williams	Chancellor, The University of Mississippi, University, Miss.	1956
A. E. Hohenberg	President, Hohenberg Bros. Company, Memphis, Tenn.	1957
Henry Banks	Farmer, Clarkedale, Ark.	1958

District 9—Minneapolis

Class A:

		Term Expires Dec. 31
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
Joseph F. Ringland	President, Northwestern National Bank of Minneapolis, Minneapolis, Minn.	1958

Class B:

		Term Expires Dec. 31
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
Thomas G. Harrison	President, Super Valu Stores, Inc., Hopkins, Minn.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Class C:		
Leslie N. Perrin	Director, General Mills, Inc., Minneapolis, Minn.	1956
O. B. Jesness	Head, Department of Agricultural Economics, University of Minnesota Institute of Agriculture, St. Paul. Minn	1957
F. Albee Flodin	President and General Manager, Lake Shore, Inc., Iron Mountain, Mich	1958

Helena Branch

Appointed by Federal Reserve Bank:		
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
A. W. Heidel	President, Powder River County Bank, Broadus, Mont	1957
Appointed by Board of Governors:		
Carl McFarland	President, Montana State University, Missoula, Mont	1956
George R. Milburn	Manager, N Bar Ranch, Grass Range, Mont	1957

District 10—Kansas City

Class A:		
W. L. Bunten	President, Goodland State Bank, Goodland, Kansas	1956
Harold Kountze	Chairman of the Board, The Colorado National Bank of Denver, Denver, Colo	1957
W. S. Kennedy	President and Chairman of the Board, The First National Bank of Junction City, Junction City, Kansas	1958
Class B:		
K. S. Adams	Chairman of the Board, Phillips Petroleum Company, Bartlesville, Okla	1956
Max A. Miller	Livestock rancher, Omaha, Neb	1957
E. M. Dodds	Chairman of the Board, United States Cold Storage Corporation, Kansas City, Mo	1958
Class C:		
Oliver S. Willham	President, Oklahoma A. & M. College, Stillwater, Okla	1956
Joe W. Seacrest	President, State Journal Company, Lincoln, Neb	1957
Raymond W. Hall	Vice President and Director, Hallmark Cards, Inc., Kansas City, Mo	1958

Denver Branch

Appointed by Federal Reserve Bank:		
Ralph S. Newcomer	Executive Vice President, First National Bank in Boulder, Boulder, Colo	1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Arthur Johnson	President, First National Bank in Raton, Raton, N. Mex.	1956
Merriam B. Berger	Vice President, The Colorado National Bank of Denver, Denver, Colo.	1957
Appointed by Board of Governors:		
Ray Reynolds	Cattle feeder and farmer, Longmont, Colo.	1956
Aksel Nielsen	President, The Title Guaranty Company, Denver, Colo.	1957

Oklahoma City Branch

Appointed by Federal Reserve Bank:		
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
George R. Gear	President, The City National Bank of Guymon, Guymon, Okla.	1957
Appointed by Board of Governors:		
Phil H. Lowery	Owner, Lowery Hereford Ranch, Loco, Okla.	1956
Davis D. Bovaird	President, The Bovaird Supply Company, Tulsa, Okla.	1957

Omaha Branch

Appointed by Federal Reserve Bank:		
William N. Mitten	Chairman of the Board, First National Bank of Fremont, Fremont, Neb.	1956
George J. Forbes	President, The First National Bank of Laramie, Laramie, Wyo.	1957
C. Wheaton Battey	President, The Continental National Bank of Lincoln, Lincoln, Neb.	1957
Appointed by Board of Governors:		
Manville Kendrick	Rancher, Sheridan, Wyo.	1956
James L. Paxton, Jr.	President, Paxton-Mitchell Company, Omaha, Neb.	1957

District 11—Dallas

Class A:		
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
J. Edd McLaughlin	President, Security State Bank & Trust Company, Ralls, Tex.	1958
Class B:		
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
J. B. Thomas	President and General Manager and Director, Texas Electric Service Company, Fort Worth, Tex.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Class C:		
Hal Bogle	Rancher and feeder, Dexter, N. Mex.	1956
Robert J. Smith	President, Slick Airways, Inc., Dallas, Tex.	1957
Henry P. Drought	Attorney at Law, San Antonio, Tex.	1958

El Paso Branch

Appointed by Federal Reserve Bank:		
F. W. Barton	President, The Marfa National Bank, Marfa, Tex.	1956
John P. Butler	President, The First National Bank of Midland, Midland, Tex.	1957
Floyd Childress	Vice President, The First National Bank of Roswell, Roswell, N. Mex.	1957
Thomas C. Patterson	Vice President, El Paso National Bank, El Paso, Tex.	1958
Appointed by Board of Governors:		
D. F. Stahmann	President, Stahmann Farms, Inc., Las Cruces, N. Mex.	1956
James A. Dick	President, James A. Dick Investment Company, El Paso, Tex.	1957
E. J. Workman	President and Director of Research and Development Division, New Mexico Institute of Mining and Technology, Socorro, N. Mex.	1958

Houston Branch

Appointed by Federal Reserve Bank:		
I. F. Betts	President, The American National Bank of Beaumont, Beaumont, Tex.	1956
W. B. Callan	President, The Victoria National Bank, Victoria, Tex.	1957
L. R. Bryan, Jr.	Vice Chairman of the Board and Chairman of the Executive Committee, Bank of the Southwest National Association, Houston, Houston, Tex.	1957
S. Marcus Greer	Vice Chairman of the Board, First City National Bank of Houston, Houston, Tex.	1958
Appointed by Board of Governors:		
Herbert G. Sutton	T. O. Sutton and Sons, Colmesneil, Tex.	1956
John C. Flanagan	Vice President and General Manager, Texas Distribution Division, United Gas Corporation, Houston, Tex.	1957
Tyrus R. Timm	Head, Department of Agricultural Economics and Sociology, A. & M. College of Texas, College Station, Tex.	1958

San Antonio Branch

Appointed by Federal Reserve Bank:		
E. C. Breedlove	President, The First National Bank of Harlingen, Harlingen, Tex.	1956

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
V. S. Marett	President, The Citizens National Bank of Gonzales, Gonzales, Tex.	1957
J. W. Beretta	President, First National Bank of San Antonio, San Antonio, Tex.	1957
Burton Dunn	Chairman of the Executive Committee, Corpus Christi State National Bank, Corpus Christi, Tex.	1958
Appointed by Board of Governors:		
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
Harold Vagtborg	President, Southwest Research Institute, San Antonio, Tex.	1958

District 12—San Francisco

Class A:		
M. Vilas Hubbard	President and Chairman of the Board, Citizens Commercial Trust and Savings Bank of Pasadena, Pasadena, Calif.	1956
Carroll F. Byrd	President, The First National Bank of Willows, Willows, Calif.	1957
John A. Schoonover	President, The Idaho First National Bank, Boise, Idaho	1958
Class B:		
(Vacancy)		
Reese H. Taylor	Chairman of the Board, Union Oil Company of California, Los Angeles, Calif.	1957
Walter S. Johnson	Chairman of the Board, American Forest Products Corporation, San Francisco, Calif.	1958
Class C:		
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
Y. Frank Freeman	Vice President, Paramount Pictures Corporation, Hollywood, Calif.	1958

Los Angeles Branch

Appointed by Federal Reserve Bank:		
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
Joe D. Paxton	Chairman of the Board, County National Bank and Trust Company of Santa Barbara, Santa Barbara, Calif.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Appointed by Board of Governors:		
Charles Detoy	Partner, Coldwell, Banker and Company, Los Angeles, Calif.	1956
Shannon Crandall, Jr.	President, California Hardware Company, Los Angeles, Calif.	1957
Portland Branch		
Appointed by Federal Reserve Bank:		
John B. Rogers	President, The First National Bank of Baker, Baker, Oreg.	1956
J. H. McNally	President, The First National Bank of Bonners Ferry, Bonners Ferry, Idaho	1956
E. C. Sammons	President, The United States National Bank of Portland, Portland, Oreg.	1957
Appointed by Board of Governors:		
William H. Steiwer, Sr.	Livestock and farming, Fossil, Oreg.	1956
Warren W. Braley	Partner, Braley & Graham Buick, Portland, Oreg.	1957
Salt Lake City Branch		
Appointed by Federal Reserve Bank:		
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
Harry Eaton	President, Twin Falls Bank and Trust Company, Twin Falls, Idaho	1957
Appointed by Board of Governors:		
Geo. W. Watkins	President, Snake River Equipment Company, Idaho Falls, Idaho	1956
Joseph Rosenblatt	President, The Eimco Corporation, Salt Lake City, Utah	1957
Seattle Branch		
Appointed by Federal Reserve Bank:		
S. B. Lafromboise	President, The First National Bank of Enumclaw, Enumclaw, Wash.	1956
James Brennan	President, First National Bank in Spokane, Spokane, Wash.	1956
Charles F. Frankland	President, The Pacific National Bank of Seattle, Seattle, Wash.	1957
Appointed by Board of Governors:		
Ralph Sundquist	President and General Manager, Sundquist Fruit and Cold Storage, Inc., Yakima, Wash.	1956
D. K. MacDonald	Chairman of the Board, D. K. MacDonald & Company, Inc., Seattle, Wash.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

PRESIDENTS AND VICE PRESIDENTS

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston	J. A. Erickson E. O. Latham	D. H. Angney Ansgar R. Berge	Dana D. Sawyer O. A. Schlaikjer
New York	Alfred Hayes William F. Treiber	H. A. Bilby John Exter M. A. Harris H. H. Kimball A. Phelan H. V. Roelse	Robert V. Roosa Robert G. Rouse T. G. Tiebout V. Willis R. B. Wiltse
Philadelphia	Alfred H. Williams W. J. Davis	Karl R. Bopp Robert N. Hilkert E. C. Hill	Wm. G. McCreedy P. M. Poorman 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	Carl E. Allen, Jr. E. C. Harris	Neil B. Dawes W. R. Diercks A. M. Gustavson C. T. Laibly	George W. Mitchell H. J. Newman A. L. Olson W. W. Turner
St. Louis	Delos C. Johns Frederick L. Deming	Wm. J. Abbott, Jr. Geo. E. Kroner Dale M. Lewis	H. H. Weigel J. C. Wotawa
Minneapolis	O. S. Powell A. W. Mills	C. W. Groth E. B. Larson H. G. McConnell	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 W. H. Holloway T. W. Plant	L. G. Pondrom Morgan H. Rice Harry A. Shuford
San Francisco	H. N. Mangels Eliot J. Swan	E. R. Millard R. H. Morrill	H. F. Slade O. P. Wheeler

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1956—Cont.

VICE PRESIDENTS IN CHARGE OF BRANCHES

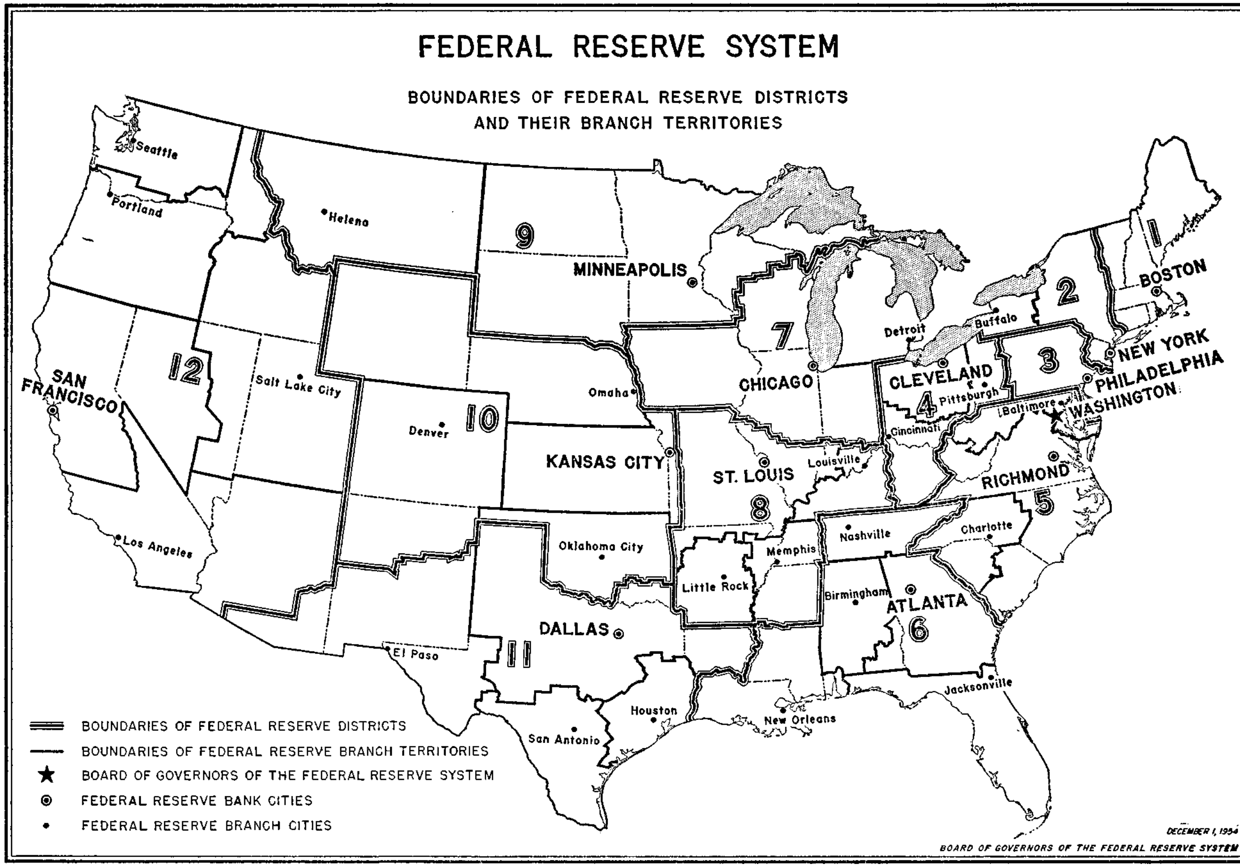
Federal Reserve Bank of—	Branch	Chief Officer
New York	Buffalo	I. B. Smith
Cleveland	Cincinnati	R. G. Johnson
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	D. F. Hagner
	Charlotte	R. L. Cherry
Atlanta	Birmingham	H. C. Frazer
	Jacksonville	T. A. Lanford
	Nashville	R. E. Moody, Jr.
	New Orleans	M. L. Shaw
Chicago	Detroit	R. A. Swaney
St. Louis	Little Rock	Fred Burton
	Louisville	Victor 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	Howard Carrithers
	Houston	J. L. Cook
	San Antonio	W. E. Eagle
San Francisco	Los Angeles	W. F. Volberg
	Portland	J. A. Randall
	Salt Lake City	E. R. Barglebaugh
	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. The Conference of Presidents held meetings on January 24–25, May 7–8, and September 26, 1956, and the Board of Governors met with the Presidents on January 25, May 9, and September 27, 1956.

Mr. Leedy, President of the Federal Reserve Bank of Kansas City, and Mr. Erickson, President of the Federal Reserve Bank of Boston, were elected Chairman of the Conference and Vice Chairman, respectively, at the meeting held in January 1956 and served as such during 1956.

Mr. John T. Boysen, Vice President and Cashier of the Federal Reserve Bank of Kansas City, was elected Secretary of the Conference and served as such during 1956.



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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