FORTY-FOURTH

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR THE YEAR

1957

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, April 14, 1958

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-fourth Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1957.

Yours respectfully,

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

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

Output, employment, consumption, and business investment in fixed capital established new records in 1957 in the United States and in other industrial countries. During much of the year, striking cross currents and mixed tendencies influenced economic conditions. At the year-end, economic activity was declining in the United States and Canada, but it was continuing at advanced levels in the industrial countries of Western Europe.

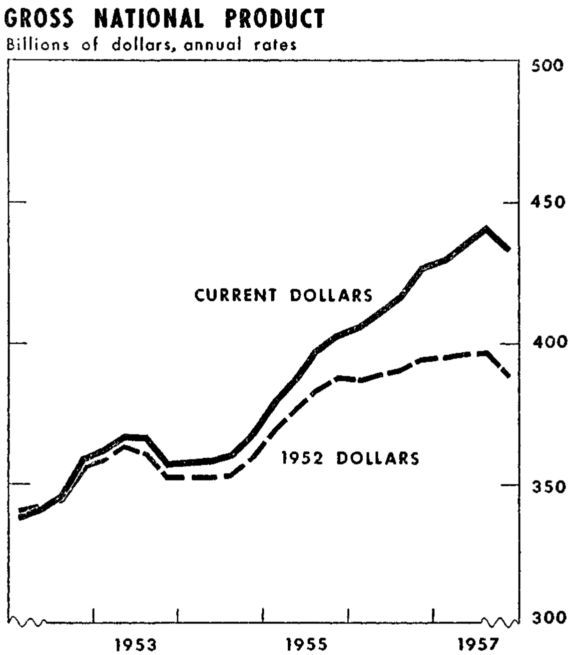
During the first three quarters of the year inflationary forces continued to push prices of goods and equities upward. The pressure of capital and credit demands on the supply of new savings and other loan funds, in the face of restrictive financial policies of governments and monetary authorities, led to the highest levels of interest rates in more than two decades.

In late summer and early autumn, financial tensions and uncertainties, domestic and international, became dominant forces. By mid-autumn, inflationary pressures were abating and there were indications, both in this country and abroad, of less intensive resource utilization.

Inflationary Pressures

In the United States, the year opened with output and activity close to capacity in key industries, with margins of unemployed manpower relatively low, foreign demands for American exports very active, and prices of goods and services generally under upward pressure. Uncertainties in late winter suggested the possibility of slackening in aggregate demand. These uncertainties were partly seasonal and partly associated with reductions in inventory demands, in new orders for durable goods, and in housing construction, as well as with declines in prices of basic materials as supplies became more ample.

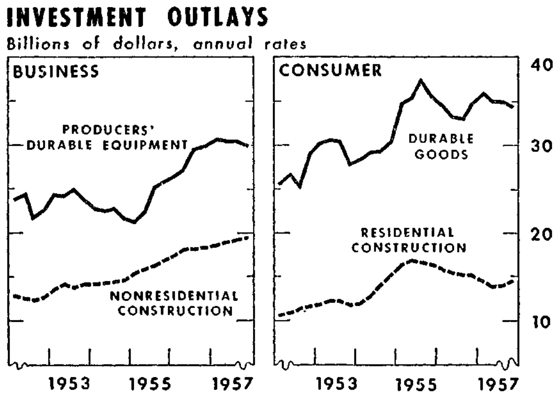
In the spring, however, consumer buying, particularly of nondurable goods and of services, showed renewed strength and imparted



NOTE.—Department of Commerce seasonally adjusted quarterly estimates, deflated by Federal Reserve on basis of Commerce annual data.

fresh impetus to over-all economic activity, encouraging expectations of further intensification of resource use and upward price pressure. Business spending for inventories rose and expenditures for plant and equipment advanced, although at a reduced rate and with some additional slowing of forward orders. Also, housing starts were rising again.

Until autumn, defense spending increased faster than had been expected. Beginning around midyear new procurement orders were sharply curtailed and expenditures began to taper off. Spending by State and local governments maintained a steady increase. United States exports remained strong, although petroleum exports, which had risen sharply during the Suez crisis, fell off after April. While total industrial production edged off in the second quarter from the high level reached late in 1956 and early 1957, it strengthened during the summer months.



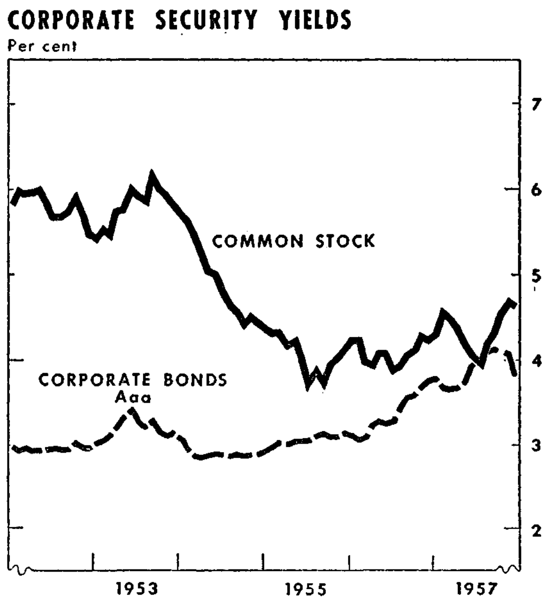
NOTE.—Department of Commerce quarterly estimates, adjusted for seasonal variation.

Total employment continued to expand into the third quarter of the year in spite of moderate decline in manufacturing employment. Industrial production was thus not the expanding demand force in labor markets that it had been in the preceding two years. The additional expansion in employment that occurred was primarily in service lines, trade, and State and local government activities.

Economic activity generally continued to rise into the third quarter with inflationary pressures dominant. In that quarter gross national product reached a peak 5½ per cent above a year earlier, reflecting higher prices as well as further expansion in the volume of output.

During the first three quarters of the year demand for bank credit remained strong and bank loans and investments continued to grow. This growth was paralleled by an increase in time deposits. The increase in demand deposits and currency was small and there was a marked lowering of these forms of money holdings in relation to gross national product. With an associated rise in the turnover of demand deposits, the liquidity position of business enterprises and of financial institutions declined further.

A disturbing feature of the economic climate in this country as well as abroad in 1957 was the notion that creeping inflation was an unavoidable and inevitable condition of modern economic life. Partly reflecting this view, common stocks, the most popular hedge against inflation, rose sharply in price while bond prices were falling. Similarly, farm and urban land values extended their rise. In July, for the first time in two decades, the average dividend yield on stocks fell below the average yield on high-grade corporate bonds.



NOTE.—Yields on common stocks are Standard and Poor's Corporation monthly averages of Wednesday data for 90 stocks: 50 industrials, 20 rails, and 20 utilities. Bond yields are from Moody's Investors Service: monthly averages of daily data on 20 bonds with average maturity of about 25 years.

Until autumn, total credit demands remained vigorous and pressed against the supply of available savings, and market interest rates rose to a postwar peak. In early August, in view of heavy current and prospective demands for bank credit, city banks raised their lending rate to prime business customers from 4 to 4½ per cent. Federal Reserve discount rates, which had remained below market rates for some months, were raised from 3 to 3½ per cent. This increase served to realign them with market rates and to restore their effectiveness as a cost deterrent to member bank borrowing.

Cyclical Turning Point

In late summer and early autumn, mixed trends and uncertainties in the United States and abroad began to dampen business and financial spending plans. In European financial markets, widespread expectations of changes in exchange rates fostered large speculative movements of funds between European centers and particularly toward Germany. These expectations in part reflected fears that inflationary developments would not be arrested in affected key countries, despite restraining actions taken during the summer. The crisis was not resolved until late September, after the Bank of England raised its discount rate from 5 to 7 per cent and the German Bundesbank, almost simultaneously, lowered its discount rate from 5 to 4½ per cent, thereby lessening the incentive for short-term funds to move from sterling into deutsche marks. It then became clear that inflationary trends would be strongly resisted and that key foreign currency values would be maintained.

Unexpected curtailment in defense payments and changes in procurement policies, inaugurated in the United States during the summer to avoid exceeding budget estimates and the debt ceiling, had an unsettling effect on business in early autumn. Also, retail trade, which had been at record levels in July and August, showed signs of sluggishness in September. Partly as a result of these developments, common stock prices, which had already reacted from the high points reached in July, broke further in late September and passed through the lower edge of the trading range that had prevailed during the past two years.

In this context, there was a change in attitudes of businessmen, investors, and the public generally toward spending and investing. Downward adjustments that had been occurring for some months in various individual lines of activity, including capital goods and ordnance lines, became a more widespread influence on spending plans. This change was reinforced by the realization that growth in industrial capacity had been large relative to current and prospective demands. In contrast to earlier indications of strong bank credit demands, bank loans to business during early autumn decreased contrary to usual seasonal tendencies.

Thus the business cycle upswing that began in the third quarter of 1954, nourished at first by outlays for consumer capital goods and later by a surge of business capital investment, culminated in a turning point in economic activity during the third quarter of 1957.

Decline in Activity

During the fourth quarter, economic recession set in. It was dominated by a sharp liquidation in business inventories and cutbacks in new orders for machinery and equipment. Industrial output declined rapidly, particularly in durable goods lines. Industrial employment as well as the length of the workweek was reduced substantially. Gross national product declined to an annual rate of $433 billion from the record $440 billion in the preceding quarter. Personal income also declined but at a slower rate, in part because increased unemployment benefits offset some of the loss in wage and salary incomes.

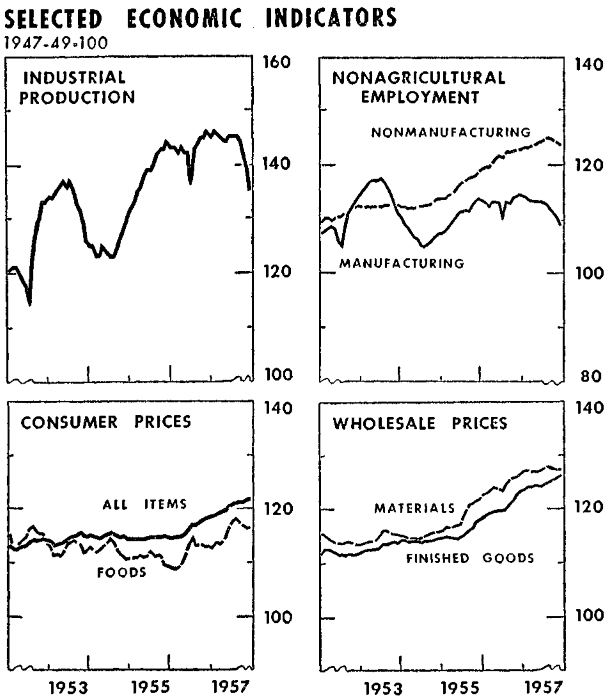
These reductions in incomes and expenditures were not reflected in price developments. The average for consumer prices rose further, while that for wholesale prices remained relatively steady at its advanced level.

The fourth quarter also witnessed rapid readjustment in financial markets. Credit demands, particularly for carrying business inventories, moderated. Business profits declined sharply. Monetary expansion slowed, and turnover of demand deposits fell.

In view of the indications of changing economic and financial trends, Federal Reserve open market operations in mid-October began to ease restraint on bank credit expansion. In mid-November as the various shifts in the business and financial climate gave evidence of general economic recession, the Federal Reserve Banks reduced their discount rates from 3½ to 3 per cent.

Following this discount rate action, market rates of interest fell abruptly as funds in the credit and capital markets also became more readily available. As the quarter drew to its close, a progressive easing of commercial bank reserve positions was fostered by open market operations. In these circumstances, bank loans and investments began to increase vigorously.

At the year-end, the nation's immediate economic objective was that of cushioning and moderating recession tendencies. The basic problem confronting monetary and fiscal policy was to promote resumed growth of aggregate demand and at the same time encourage those essential adjustments and shifts in resource utilization, prices, and costs that would contribute to sustainable economic expansion.

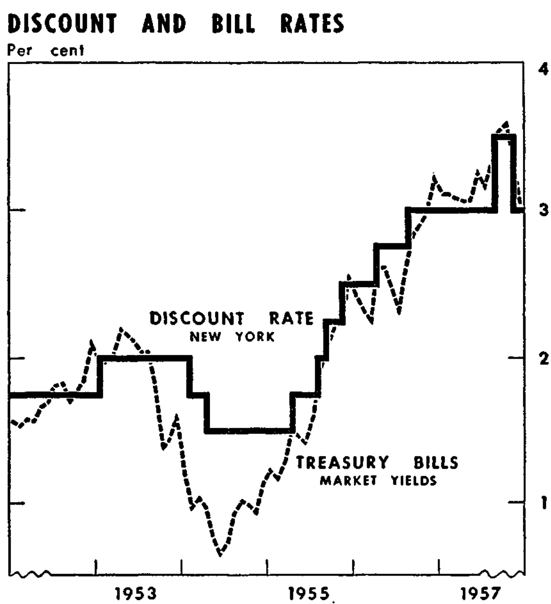


NOTE.—Seasonally adjusted series, except for prices. Bureau of Labor Statistics data for employment and prices, and Federal Reserve data for production.

FUNCTIONING OF THE DISCOUNT MECHANISM

The restraints on bank credit expansion in force from 1955 until the latter part of 1957 featured a considerably more active use of the discount rate than in the previous restrictive period of 1952-53. In the earlier period, discount rates were raised only once—in January 1953, by ¼ percentage point to 2 per cent. During the 1955-57 period in contrast, the Reserve Banks advanced their discount rates four times in 1955, twice in 1956, and once in 1957—altogether from 1½ per cent to 3½ per cent. In November 1957, they were lowered to 3 per cent, reversing the August increase.

The more frequent use of the discount rate is a further step in an evolving process, which began seven years ago when the Treasury-Federal Reserve Accord reactivated the flexibility of monetary policy. It is the purpose of this section of the Annual Report to outline the role of the discount function as an instrument of monetary policy under present-day conditions.



NOTE.—Treasury bill rates are monthly averages of daily market yields on 90-day bills. Discount rate is that charged by the Federal Reserve Bank of New York.

Federal Reserve Bank lending to member banks has taken the form chiefly of advances secured by United States Government securities rather than discounts of commercial paper as envisaged in the original Federal Reserve Act. Following active utilization of the discount mechanism in the early years of the System, this facility was little used from 1934 through 1952. During most of the 1930's, when member banks had large excess reserves, the discount mechanism had mainly a standby significance. During the war and until early 1951, member banks generally found it advantageous to replenish their reserves by disposing of United States Government securities rather than by borrowing at the Federal Reserve Banks. They held large amounts of such securities, the prices of which were supported by the Federal Reserve.

After the spring of 1951, however, when the support policy was discontinued, market prices of Government securities became responsive to supply and demand forces. Thenceforth, when banks, in order to replenish their reserves, sold Government securities, yields were free to rise. When yields on short-term Government securities rose above the discount rate, the discount window at the Federal Reserve Banks became in terms of cost an attractive alternative to security sales as a means of making reserve adjustments.

In 1952-53, as credit demands expanded and Federal Reserve policy limited the amount of reserves made available through open market operations, pressure on bank reserves increased, and member bank borrowing from the Reserve Banks rose rapidly. During this initial revival of the discount mechanism after a generation of disuse numerous problems arose, including uncertainty among many member banks about what was an appropriate use of the discount privilege. A special circumstance was that the then-existing excess profits tax made borrowing from the Reserve Banks profitable to banks subject to the tax. Nevertheless, revival of member bank borrowing demands served to refamiliarize member banks and the Federal Reserve System with the discount mechanism and its role in credit and monetary management.

As one result of these developments, the System re-examined historical experience, notably in the 1920's, with member bank borrowing under prevailing provisions of the law. In the light of practices shown by experience to be appropriate and sound and also in the light of statutory provisions now governing Reserve Bank discounts and advances to member banks, the Board of Governors revised its Regulation A. The revised regulation, effective in February 1955, set forth the following general guiding principles applicable to both the extension of advances and discounts by the Reserve Banks and the use by member banks of the discount privilege:

> Federal Reserve credit is generally extended on a short-term basis to a member bank in order to enable it to adjust its asset position when necessary because of developments such as a sudden withdrawal of deposits or seasonal

requirements for credit beyond those which can reasonably be met by use of the bank's own resources. Federal Reserve credit is also available for longer periods when necessary in order to assist member banks in meeting unusual situations, such as may result from national, regional, or local difficulties or from exceptional circumstances involving only particular member banks. Under ordinary conditions, the continuous use of Federal Reserve credit by a member bank over a considerable period of time is not regarded as appropriate.

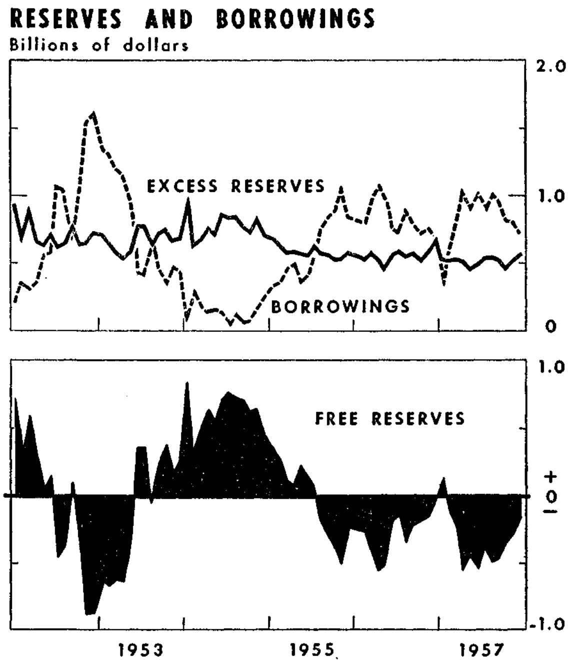
In considering a request for credit accommodation, each Federal Reserve Bank gives due regard to the purpose of the credit and to its probable effects upon the maintenance of sound credit conditions, both as to the individual institution and the economy generally. It keeps informed of and takes into account the general character and amount of the loans and investments of the member bank. It considers whether the bank is borrowing principally for the purpose of obtaining a tax advantage or profiting from rate differentials and whether the bank is extending an undue amount of credit for the speculative carrying of or trading in securities, real estate, or commodities, or otherwise.

Thus, when monetary restraint once again became appropriate in 1955, the stage was set for a more effective and more readily understood use of the discount mechanism as one element in the process of limiting monetary and credit expansion.

Nature of Discount Instrument

Monetary policy in the United States operates largely by regulating the volume of member bank reserves, which constitute the base for bank credit and the money supply. Apart from infrequent changes in reserve requirements, the reserve base is regulated from week to week and from month to month by open market operations at the initiative of the Federal Reserve System. In a period of monetary restraint, such as prevailed in the past three years, open market policy tends to provide a smaller amount of bank reserves than is called for by the demands for bank credit.

Limited provision of bank reserves on the System's initiative does not mean that additions to reserve funds are prevented, but rather that such further accretions as occur will reflect in part initiative taken by member banks in discounting with the Reserve Banks. Thus, in a period of monetary restraint, reserves for monetary expansion while continuously available, must be obtained to a greater extent through the discount window at Federal Reserve Banks than in other periods. The provision of the reserves thus supplied is subject to the principles of prudent discounting set forth in Regulation A and to an interest cost—the discount rate established by Federal Reserve action.



NOTE.—Monthly averages of daily figures for member banks. Free reserves are excess reserves less borrowings from Reserve Banks.

In view of the general reluctance of member banks to operate on reserves obtained through continued borrowing, the discount mechanism acts as a brake on bank credit and monetary expansion. Although individual banks may continue to expand their loans from the proceeds of security sales, this gradually reduces their liquidity positions and in time works as a check on their loan expansion. While such sales of securities provide additional reserves to individual banks, they do not add to over-all bank reserves unless they are purchased for Federal Reserve account. In other words, each bank's gain of reserves is another bank's loss. As a result, restrictive open market operations, by causing more frequent and widespread reserve drains among member banks, leads them to discount temporarily at the Federal Reserve Banks in order to maintain their legal reserve positions.

At times of a relatively large volume of member bank borrowing, many banks are in debt to their Federal Reserve Banks. For each bank, however, borrowing is temporary and the repayment by one bank tends to draw reserves from other banks, which in turn may have need to borrow. Consequently, a progressively larger number of member banks become subject to the restrictive functioning of the discount mechanism over time as the volume of discounts rises.

In a purely accounting sense, an increase in borrowing by member banks, by providing them with additional reserves, offsets, at least in part, the effect of open market operations designed to limit reserve availability. This observation calls for further comment on the role of discounting.

The discount mechanism acts as a safety valve, providing a temporary means of adjustment to the more frequent reserve deficiencies that occur at times of pressure on reserves. Use of the safety valve, however, does not provide an escape from monetary restraint. In the first place, a higher discount rate makes member bank borrowing more expensive. Secondly, indebted banks tend to restrict credit expansion at such times and to use reserve accretions that come into their possession to repay their debts to the Reserve Banks rather than to make additional loans and investments.

The attitude of member banks toward operating with borrowed resources varies from bank to bank. Many banks never borrow from the Federal Reserve Banks, preferring to make reserve adjustments by varying their holdings of liquid assets or by borrowing from other commercial banks. Many of the banks that do avail themselves of the discount privilege are reluctant to incur frequent indebtedness at the Federal Reserve Banks. This attitude is based on a long-standing tradition among commercial banks against assuming liabilities that take precedence over those to depositors. It is also based on Federal Reserve practice in administering the discount window, which ordinarily discourages reliance on discounting for extended periods. The function of the discount rate at times of restraint is to reinforce both the commercial banks' reluctance to borrow or remain in debt and the Reserve Banks' administration of the discount window.

In summary, open market policy and discount policy are complementary instruments of day-to-day monetary policy. In a period of monetary restriction, open market policy limits the availability of bank reserves at the System's initiative. In effect this action places initiative in obtaining additional reserves with the member banks, many of which are reluctant to operate for extended periods on the basis of borrowed reserves. As restrictive monetary policy continues or becomes more intense, there are increases in the frequency, average duration, and volume of discounts, as well as in the number of member banks engaging in such borrowing. At such times, the cost of borrowing reserves—that is, the discount rate—may also be raised. Commercial bank lending and investing policies thus come under increasing restraint.

At a time when a reversal of monetary restraint is called for by economic circumstances, open market and discount policy also operate in association. As reserves are supplied at the System's initiative, one result is that member banks are enabled to repay their indebtedness at Reserve Banks. As this happens and excess reserves accrue, banks seek active uses for them in loan and investment expansion.

Role of the Discount Rate

Because of the restraining effect of borrowing and the stimulating effect of excess reserves on member banks' extension of credit, there is a broad relationship between the amount of borrowings and excess reserves—or the net of these figures—and the level of short-term open market interest rates. When member bank borrowing is at a relatively high level, short-term market interest rates tend to remain close to and at times above the Reserve Bank discount rate.

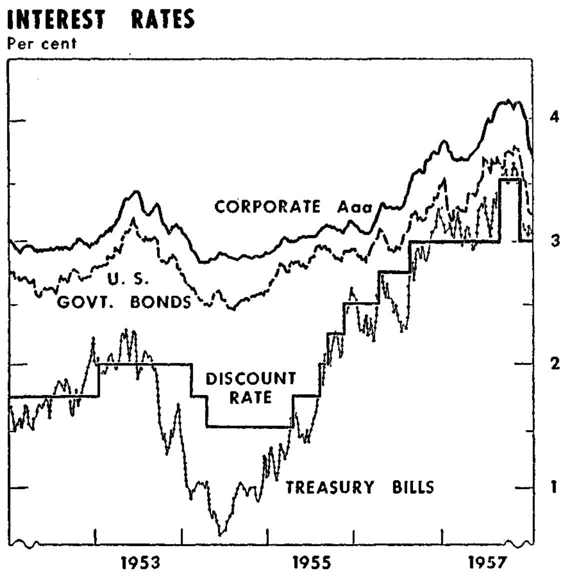
The effectiveness of the discount rate as an influence on member banks' attitudes toward indebtedness depends upon a number of factors, including the relationship of the discount rate to market rates of interest, especially rates on the market instruments that banks use as secondary reserves. The margin of preference as between one form of reserve adjustment and another is in part affected by the relative cost of the alternative methods.

As pressure on bank reserve positions leads to increasingly frequent reserve deficiencies, banks dispose of Treasury bills and other short-term securities, particularly if the market yield on bills is appreciably below the discount rate. Their actions, in view of the active credit demands that are likely to feature a period when credit restraint is in force, increase the market supply of short-term securities and this tends to raise their market yields. As these rise above the discount rate, there is some shift in the margin of preference of member banks as between borrowing and sale of short-term securities to meet reserve drains. If, from the point of view of the Federal Reserve, it is desirable to maintain or increase the pressure on banks to restrict loan expansion, an increase in discount rates may become appropriate.

Although effective discount policy requires that the discount rate remain in touch with market rates, there are no simple rules governing either the magnitude or timing of changes in discount rates. A given change in discount rates may in some circumstances express a shift in direction or intensity of policy. In other circumstances, however, a change may merely represent a technical adjustment designed to maintain the existing degree of restraint or ease, when variations in the strength of credit demands have caused market rates to move substantially above or below the prevailing discount rate.

The relationship between market rates and discount rates is one of interdependence. When market rates rise in periods of monetary restraint, it is desirable that discount rates rise concurrently in order to reinforce the influence of a relatively high level of indebtedness on member bank willingness to extend credit. On the other hand, however, discount rates in such periods are also focal rates in the credit market, and short-term rates tend to become closely related to them. For example, if discount rates are raised above yields on short-term securities, the margin of preference of many banks as between sales of securities and borrowing at Reserve Banks will shift toward sales of securities. This, in turn, will work to raise short-term market yields toward or above the discount rate.

It is evident, therefore, that discount policy can be used more or less actively depending upon the economic and financial situation with which monetary policy is attempting to cope. Discount rates can be raised fairly aggressively, leading the market to some extent, at times when it is desirable to impose a distinct increase in monetary restraint. In those circumstances member banks would find it desirable to sell securities in order to avoid or reduce indebtedness at the Reserve Banks. At the other extreme, even when there is no



NOTE.—Weekly averages. Corporate series is from Moody's Investors Service; U. S. Government bonds, old series through April 1953, then consolidated series based on bonds due or callable in 10 or more years; discount rate is that charged by Federal Reserve Bank of New York; and Treasury bill series represents market yield on 90-day issues. All Government yields are averages of daily closing bid quotations compiled by the Federal Reserve Bank of New York.

desire to increase the degree of restraint, a significant advance in market rates may require that discount rates be raised in order to avoid a diminished effectiveness of existing restraint.

The discount rate also plays a role at a time of recession, when monetary policy is endeavoring to increase the availability of bank credit to finance expenditures. In the first place, a reduction in discount rates at such times, like an increase in periods of monetary restraint, tends to be reflected in many market rates of interest. Secondly, it makes the direction of Federal Reserve policy perfectly clear to financial markets and to the public generally, as is true also of increases in discount rates in times of expansion. In addition, as open market operations provide reserves that enable member banks to reduce indebtedness at the Reserve Banks, a lowering of discount rates assures the banks that any temporary reserve drains can be offset by temporary borrowing without severe penalty. In these circumstances, individual banks will tend to be more willing to utilize such increments in reserves as they may experience in expanding their loans and investments. This role of the discount rate in relaxing restraint or in easing credit conditions, while psychological in its impact, may at times justify reductions in rates that lead the market.

Initiative in changing discount rates under the Federal Reserve Act rests with the individual Reserve Banks. The law requires that the Reserve Banks shall establish discount rates every 14 days, and recommend them to the Board for review and determination. Each Reserve Bank has an economic intelligence staff which keeps economic and credit conditions in its District under continuous observation in relation to developments in national markets as well as in relation to international developments. Officials of individual Reserve Banks are also in constant communication with officials of other Reserve Banks and with the Board of Governors, facilitating the exchange of information within the System. Thus, a continuous flow of information about regional, national, and international influences in the economic and credit situation is available to the Reserve Bank directors, who also are actively engaged in banking, business, or other pursuits and who, through these pursuits, have close knowledge of commerce, industry, and agriculture. Coordination of discount rate action among the Reserve Banks is ordinarily effected through this flow and exchange of economic information, although all Banks do not act at the same time or by the same amount.

Discount Policy 1955-57

As rapid recovery from the 1953-54 recession turned into vigorous economic expansion in 1955, Federal Reserve policy gradually changed from ease to restraint. The restrictive policy was designed mainly to limit the rate of bank credit and monetary expansion to a pace that would foster sustainable economic growth but also dampen inflationary pressures. The policy of restraint—which continued with varying intensity until the autumn of 1957—was implemented by a combination of open market operations and discount rate changes.

Open market policy during the period of restraint limited the growth of bank reserves in the face of rapid expansion in loan demands. This led, among other consequences, to a substantial reduction of bank holdings of United States Government securities and, at the same time, to a decline in excess reserves and an increase in member bank borrowing at the Federal Reserve Banks. Member bank indebtedness rose above $500 million in mid-1955, and, with few exceptions, fluctuated between this amount and $1 billion until late in 1957.

In the course of the entire period, strong demand for loanable funds in credit markets maintained upward pressure on interest rates. As market yields on short-term securities—notably Treasury bills—rose to or above the prevailing discount rates, these rates were increased in order to maintain pressure on member banks to repay their borrowings and thus to restrain their lending activity.

In most instances, the advance in discount rates represented an adjustment to changes that had occurred in market rates rather than an attempt to lead market rates. In contrast with 1952-53, however, such adjustments in discount rates were made quickly and readily. There were few occasions until late 1956 when the yield on Treasury bills remained above the discount rate for an appreciable period.

Discount rates were raised in April, August, September, and November 1955, for a total of one percentage point. In April 1956, 10 Reserve Banks raised discount rates one-fourth percentage point to 2¾ per cent and the Minneapolis and San Francisco Banks advanced rates to 3 per cent. In August 1956, the other 10 Banks went up to 3 per cent.

From August 1956 until August 1957, discount rates remained unchanged at 3 per cent. During most of this 12-month period, Treasury bill yields were above the discount rate. A factor delaying a further increase in discount rates in 1957 was the frequency of Treasury financing operations for both new borrowing and refunding purposes. Also, variation in economic developments was a factor, as appraisals of economic prospects shifted from exuberance to uncertainty and back to exuberance again.

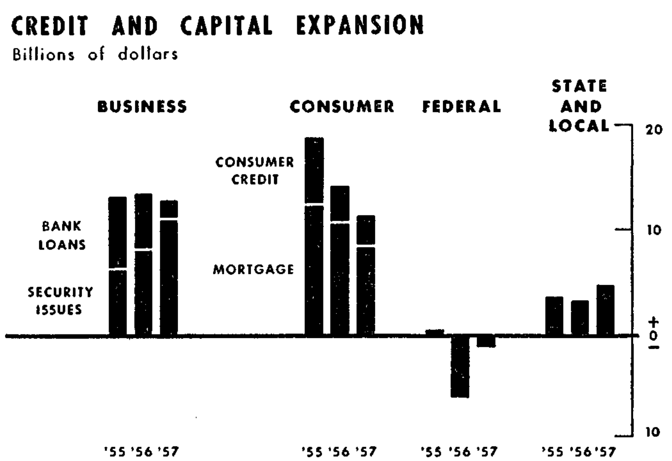
In August 1957, following several months of rise in market rates of interest, with Treasury bill yields above 3¼ per cent, and with leading banks raising their rate on loans to prime customers to 4½ per cent, discount rates were raised to 3½ per cent after the completion of a large financing by the Treasury. This action represented an effort to maintain the effectiveness of the discount mechanism as a component of restrictive policy in the face of the sharp increases in rates on loans and in market yields on securities.

By October, bank loans were being reduced contrary to usual seasonal trends and economic information becoming available suggested that inflationary pressures were abating. In these circumstances, open market operations were modified to lessen restraint on bank credit and monetary expansion. In mid-November, information indicated that general downward readjustment was setting in and Federal Reserve Bank discount rates were reduced from 3½ to 3 per cent. While short-term money rates had shown a declining tendency before this action, this discount rate reduction was intended not as an adjustment to the movement of market rates but rather as a clear signal to the business community and the public generally that Federal Reserve policy was being directed toward moderating pressures on bank reserves.

Postwar experience with flexible monetary policy embraces a relatively short period—in fact, less than a decade. While a pattern of complementary use of the discount and other policy instruments has emerged in this brief period, it would be premature to regard this pattern as established. The Federal Reserve System has had to proceed experimentally, evaluating the relative strength of forces in each developing situation and keeping constantly mindful of the lessons learned from experience and of the public interest as expressed in the Federal Reserve Act and in the Employment Act of 1946. Further development of the complementary use of policy instruments will necessarily have to evolve in this way.

DEMAND AND SUPPLY OF FUNDS IN 1957

Total public and private debt increased somewhat less in 1957 than in the preceding year. After rising by a record peacetime amount in 1955, total debt in the economy grew at a declining rate in the two subsequent years. With supplies of loanable funds from all sources less readily forthcoming as the capital goods boom extended itself, and with credit demands remaining strong, interest rates rose further until the autumn of 1957. When economic activity turned down in the latter part of the year, total demands for borrowed funds declined. With monetary policy also easing, interest rates fell sharply in the fourth quarter.



NOTE.—Calendar-year totals. *Business:* (1) Security issues—net change in outstanding corporate securities as estimated by Securities and Exchange Commission; (2) bank loans—net change in business loans at all commercial banks with figure for 1957 preliminary. *Consumer:* (1) Net change in mortgage debt outstanding on 1- to 4-family houses with figure for 1957 preliminary, and (2) net change in short- and intermediate-term consumer credit outstanding. *Federal:* Net cash borrowing as reported by the United States Treasury Department. *State and local government:* Net change in outstanding State and local government debt as estimated by Federal Reserve.

Credit Demands

Over-all credit demands remained strong in 1957, increasing in some areas and declining in others. As the business investment boom leveled off, business demands for new funds subsided slightly from the advanced level of the previous year. Net borrowing by consumers to finance purchases of both homes and durable goods declined further, after the extraordinary surge of such borrowing in 1955. The Federal Government, on the other hand, reduced its cash surplus markedly and Treasury debt repayment supplied a smaller volume of funds to financial markets. Borrowing by State and local governments continued to expand strongly. International transactions also brought increased pressures on credit markets in 1957.

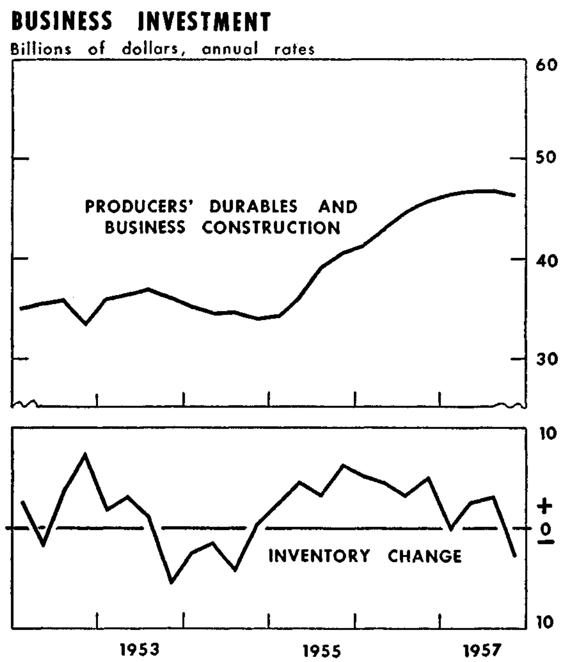
Business sector. The boom in fixed capital spending by business extended itself into the third quarter of 1957 after a record increase in 1956. These outlays were about 8 per cent larger than in the first three quarters of 1956. Business receivables continued to grow rapidly, but additions to nonfarm business inventories were much less than earlier. Consequently total investment outlays of business were about the same as in the first three quarters of 1956.

In the fourth quarter fixed investment expenditures declined while business receivables and inventories were reduced. In this quarter, too, capital commitments and plans for new expansion were being cut sharply.

In financing investment outlays, business corporations had available a somewhat greater volume of internal funds than in 1956, as the continued rise in depreciation allowances was offset only in part by a decline in retained earnings. Even so, they reduced further their holdings of cash and Government securities. The volume of external financing through securities markets and banks combined was thus slightly less than the extraordinary amounts in 1956. There was, however, a marked shift in the external sources of business financing. Security issues for new capital were one-fifth larger than in the previous year. On the other hand, business loans outstanding at commercial banks increased only one-third as much as in 1956.

In the first nine months of 1957, business loans at commercial banks expanded at a slower pace than in the previous year, as loan repayments rose more rapidly than new lending. The amount of new loans made, however, continued to exceed the 1956 volume month by month. In the fourth quarter, there was little net growth in loans outstanding as seasonal borrowings were offset by net repayments on the part of other users of bank credit. Contrary to usual seasonal trends, business loans at commercial banks were actually reduced in October and November.

The shift in business financing from banks to securities markets in 1957 was in part a reflection of the changing pattern of business



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

spending. Inventories were accumulated at a reduced rate as industrial capacity increased and supplies of most materials and products became readily available on short notice. Accordingly, bank financing of inventory expansion was held down and even discouraged. Furthermore, an increasing proportion of the growing total of fixed capital outlays was accounted for by public utility firms, which typically rely more heavily than other industries on borrowing in the capital markets.

The shift by businesses from banks to securities markets also was a result of rapid growth of bank loans in 1955-56, when bank financing was frequently used in anticipation of long-term borrowings. Finally, the reduction in liquidity of businesses and banks that had already occurred tended to discourage, on both the demand and supply sides, further expansion of business loans at banks.

Among other forms of business finance, the expansion of mortgage credit other than on 1- to 4-family homes, part of which represents business borrowing, was about one-third less than in 1956. In addition, corporations raised a smaller volume of funds through the sale of United States Government securities. The reduction in holdings of Government securities by nonfinancial corporations was about $2.5 billion, compared with $4.7 billion in 1956.

Although smaller than in 1956, the total amount of funds absorbed by the business sector was large relative to other years. Following as it did two years of rapid debt expansion, the volume of business borrowing in the first nine months of 1957 gave rise, especially in the corporate bond market, to sharply advancing interest rates and to other loan provisions more attractive to lenders. In the last quarter of the year, these tendencies were reversed.

Consumer sector. Consumer indebtedness increased less than in 1956 but the rate of expansion, about 6 per cent, exceeded the growth in consumer incomes. The growth of debt in the form of residential mortgages and consumer credit, at $11.3 billion, was one-fifth less than in 1956 and two-fifths less than the unusual expansion of 1955.

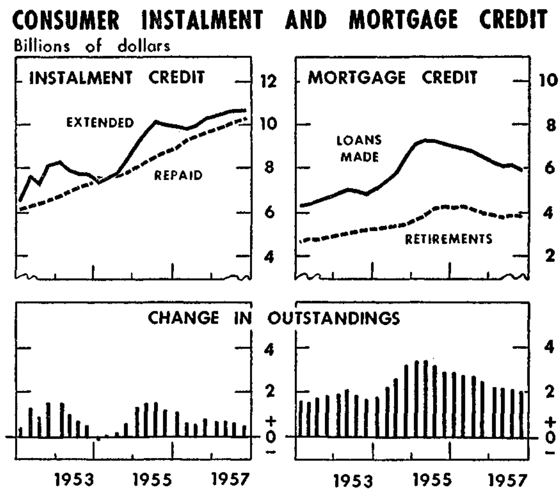
Residential construction, after a two-year decline, leveled out in the spring of 1957. For the year as a whole outlays for residential construction were less than in 1956, as was the volume of sales of existing houses. The slower expansion of residential mortgage debt was related to these developments as both cause and effect.

The slower growth of home mortgage debt in 1957 was reflected mainly in continued sharp reduction of Federally underwritten loans, as market interest yields rose relative to the fixed rates on FHA and VA mortgages. Rates on conventional mortgages rose more than one-half percentage point.

In the course of the year, terms on Federal Housing Administration mortgages were adjusted to improve their competitive position. Maximum permissible interest rates on FHA mortgages, which had been raised one-half percentage point to 5 per cent in December 1956, were increased to 5¼ per cent in August 1957. Although maximum discount schedules were also established, FHA mortgages apparently became more attractive instruments of housing finance, and applications rose markedly in the latter months of the year. Concurrently, with the rate on Veterans Administration mortgages fixed at

4½ per cent, applications in connection with this type of financing dwindled to low levels.

Consumer purchases of automobiles and other durable goods increased in dollar terms in 1957. Extensions of consumer instalment credit also rose, particularly for automobile purchases and personal



NOTE.—*Instalment credit:* Federal Reserve seasonally adjusted quarterly estimates. Repayments include amortization and interest, and changes in outstandings are differences between credit extended and repaid. *Mortgage credit:* Quarterly data, seasonally adjusted by Federal Reserve. Loans made are Federal Home Loan Bank Board's series on mortgage recordings of $20,000 or less. Changes in outstandings are derived from Federal Reserve estimates of mortgage debt outstanding on 1- to 4-family houses. Retirements include prepayments and scheduled amortization of principal and are differences between loans made and changes in outstandings.

loans. Repayments continued to increase rapidly, however, and the expansion in outstanding credit slackened toward the end of the year. Most of the slowdown was accounted for by credit for purchasing consumer goods other than automobiles.

Government sector. The Federal Government's cash operations in the calendar year 1957 resulted in a surplus of $1.5 billion compared with a surplus of $6.3 billion in the preceding year. While tax receipts rose $4 billion, Treasury cash expenditures increased more than twice that amount. Federal spending rose sharply from mid-1956 to mid-1957, with much of the increase in the national security category. After midyear 1957, outlays and new orders for military procurement were somewhat reduced.

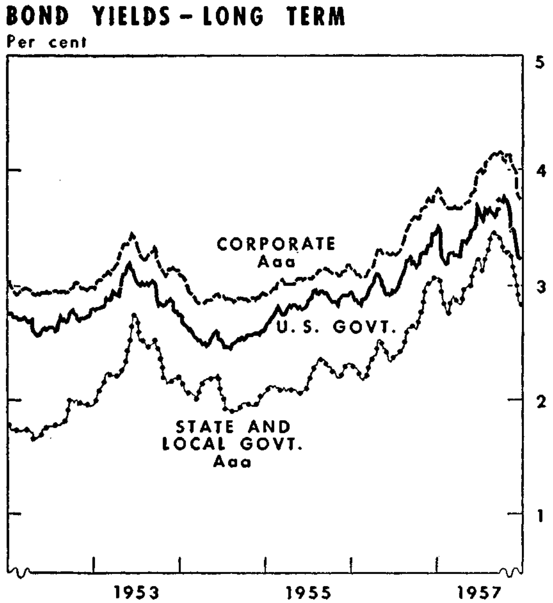
For the calendar year 1957 as a whole, Federal cash expenditures were nearly $9 billion above the level of the previous year. About one-third of the increase was accounted for by spending for goods and services and the rest by transfer payments including social security benefits, agricultural payments, and payments to the States from the highway trust fund.

As the Federal cash surplus declined, net Treasury debt repayment, which had amounted to $5.9 billion in 1956, fell to $1.5 billion in 1957. Aside from returning a smaller volume of funds to the securities markets in 1957, the Treasury found it necessary to sell securities more often and in larger amounts than in 1956. Unanticipated difficulties in managing the Treasury's balances in the early months of the year—associated with heavy redemptions of savings bonds and of maturing securities that were being refunded—led to sales of securities for new money in the amount of nearly $6 billion in the first half. Such financing is usually unnecessary during this period of the year when tax receipts are heavy. In the second half of 1957, new money borrowing also was greater than in the corresponding period of 1956.

In addition to direct Treasury borrowing, various Government agencies increased their sales of securities in the market. Some of the funds obtained financed expanding activities of these agencies; some repaid indebtedness to the Treasury, permitting it in turn to increase expenditures without increasing direct debt.

State and local government expenditures continued to grow steadily in 1957. Following the approval of a record volume of new construction projects at the November 1956 elections, the demand for long-term funds by State and local governments increased. Bonds issued for new capital amounted to $7.1 billion, about one-third more than in 1956. Issues to finance school construction were in record volume and accounted for about two-fifths of the total, compared with one-third in 1956. A large volume of authorized borrowing was still unused at the end of 1957.

Interest costs for both the United States Treasury and State and local governments rose to new high levels during the first three quarters of 1957 as the entire interest rate structure moved up. By



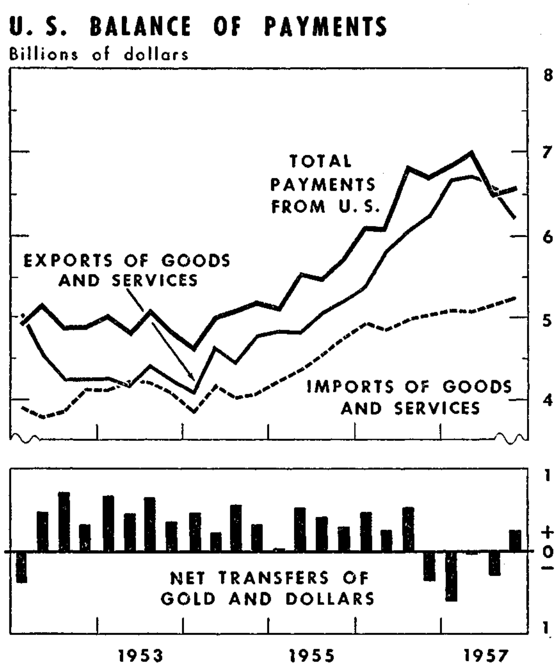
NOTE.—U. S. Government yields are old series through April 1953, then consolidated series based on bonds due or callable in 10 years or more. Yields on corporate and State and local government bonds are from Moody's Investors Service. U. S. Government and corporate yields are weekly averages of daily figures and State and local yields are based on Thursday data.

late summer, the spread between short- and long-term Treasury securities had almost disappeared, and long-term Treasury bonds were yielding nearly 3¾ per cent. Yields on the highest grade State and local obligations, which are tax-exempt, reached a peak of nearly 3½ per cent in late August and then turned down. In the last quarter of the year, all rates declined sharply in response to the downturn in economic activity and the relaxation of credit restraint.

International capital transactions. The financing of increased United States exports added to the credit demands of domestic and foreign business borrowers and of the Federal Government. Moreover, foreign holdings of money market assets such as Treasury bills increased much less than in preceding years.

Export of goods and services in the first half of 1957 were at an annual rate of about $27 billion, 20 per cent more than in the corresponding period of 1956. Capital transactions provided much larger sums for the financing of exports than at any time in the preceding four years. Net foreign investment—defined in financial accounts as the increase in United States assets abroad and in gold minus the increase in foreign assets in the United States—was at an annual rate of almost $4 billion in the first half of 1957, compared with about $500 million in the same period of 1956. In the second half of 1957, foreign purchases from the United States were reduced and net foreign investment fell off to about $2.5 billion. At the end of the year it was at a still lower rate.

Financing of the $3 billion excess of foreign purchases in this



NOTE.—*Upper section:* Quarterly data, adjusted for seasonal variation by the Department of Commerce. Total payments from the United States include imports of goods and services, private remittances, Government grants and loans, and net U. S. private capital outflow. Exports of goods and services and Government grants exclude military transfers under aid programs. *Lower section:* Increases in total foreign gold and dollar holdings through transactions with the United States, quarterly, unadjusted for seasonal variation. Dollar holdings include short-term U.S. liabilities to foreigners reported by banks in the United States and U. S. Government long-term securities.

country over United States imports and Government grants was accomplished through the interplay of several types of flows, affecting various segments of United States financial markets. Net outflows of United States private capital and Government credits amounted to about $3 billion and $1 billion, respectively. On the other hand, there was a net inflow of foreign private long-term capital and unidentified net inflows which together amounted to about $1 billion.

Gold sales to the United States by the International Monetary Fund and foreign countries were about $800 million; these, however, were partly offset by an increase, though a smaller one than in earlier years, in aggregate foreign holdings of liquid dollar assets, including Treasury bills and other Government securities, bankers' acceptances, and bank deposits.

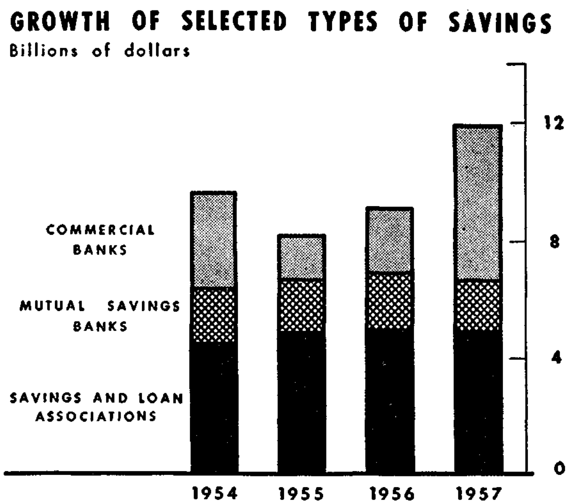
The $3 billion outflow of United States private capital had its counterpart in domestic credit markets and in flows of corporate internal funds. Net new investment abroad of $2 billion in subsidiaries of United States companies was supported in part by internal funds of the parent companies and in part by new corporate security issues and bank loans in the United States. Issues of new securities by foreign borrowers and by the International Bank for Reconstruction and Development amounted to about one-half billion dollars in the year 1957 as a whole. Other foreign borrowings net of repayments exceeded one-half billion.

Credit Supplies

The supply of loanable funds from all sources—savings plus bank credit—declined further in 1957, as it had in 1956 after the extraordinary volume of lending that had occurred in 1955. Activation of idle cash balances continued in 1957 but at a slower pace than in the two previous years. New funds available to savings institutions other than commercial banks were somewhat smaller in the aggregate than in 1956 but direct lending by individuals in capital markets increased. Commercial bank credit, reflected particularly in growth in time deposits, expanded by nearly $5 billion—somewhat more than in the two preceding years.

Personal saving. For the year as a whole, net personal saving was little changed from 1956. It declined slightly as a percentage of disposable personal income, reflecting a lower saving rate in the second half of the year.

Saving in financial form, however, increased markedly. The spurt in financial saving by individuals was the result of larger accumulation of financial assets as well as smaller incurrence of debt, and accompanied a rise in interest returns available on savings. Repayments on short- and intermediate-term consumer instalment credit rose from 13.0 per cent of disposable income in 1956 to 13.3 per cent in 1957.



NOTE.—Time deposits (excluding interbank deposits) at commercial and mutual savings banks. Share accounts for all savings and loan associations in the United States, from the Federal Savings and Loan Insurance Corporation. Figures are preliminary for 1957.

Among the financial assets acquired by individuals were exceptionally large amounts of corporate securities and savings deposits at commercial banks, the interest returns on which were rising during much of the year. Their holdings of United States Government securities rose less than in 1956 as substantial amounts of savings bonds were turned in for redemption. While a larger share of individuals' savings was invested directly in securities, a smaller share was invested through the financial intermediaries that channel these savings to capital market borrowers.

Institutional lenders. The growth in combined assets of insurance companies, savings and loan associations, and mutual savings banks was somewhat less than in 1956. While the assets of savings and loan associations increased a little more than in the previous years, those of life insurance companies and mutual savings banks expanded less. More striking than the small changes in the rate of asset growth of these institutions was the shift in the pattern of their investments. The flow of their funds into business securities increased while their new investment in mortgages declined sharply.

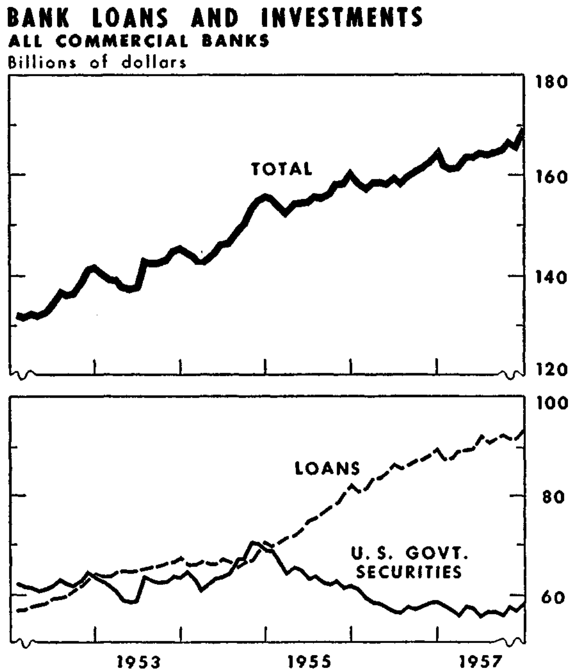
As yields on corporate securities rose more rapidly than those on residential mortgages, the allocation of investment funds by savings institutions shifted accordingly. The growth of net mortgage holdings by life insurance companies was $1.4 billion less than in 1956 while holdings of business securities rose half a billion more than in 1956. Mutual savings banks acquired $800 million of business securities in 1957, compared with $200 million in 1956; on the other hand, mortgage portfolios of these institutions rose $900 million less than in 1956. Savings and loan associations, which are more highly specialized in their lending activity, increased mortgage holdings slightly more than in 1956.

Bank credit. Loans and investments at all commercial banks increased $5 billion in 1957, or one-sixth more than in 1956. Most of the difference between the two years occurred in the fourth quarter, when monetary policy shifted and commercial bank credit expanded $500 million more than in the fourth quarter of 1956.

Bank loan expansion slowed considerably. After rising 16 per cent in 1955 and 9 per cent in 1956, loans outstanding at commercial banks grew 4 per cent in 1957. As noted earlier, business loan expansion slackened in the first nine months of the year and, contrary to seasonal expectations, practically ceased in the last quarter. Other bank loans, however, increased in the fourth quarter by as much as in the same period of 1956.

Bank holdings of securities rose in 1957 after declining substantially in 1955 and 1956. Although United States Government security holdings were reduced by a small amount, holdings of other securities, including those of Government agencies, State and local governments, and business corporations, increased $1.5 billion.

Commercial bank deposit liabilities increased more than in 1956.

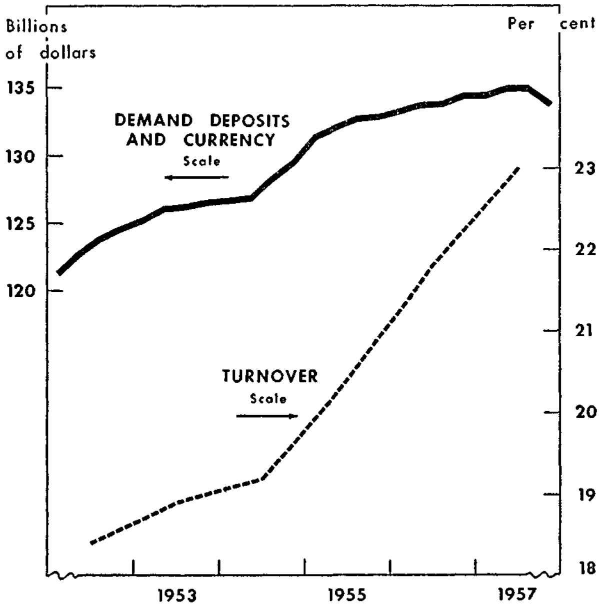


NOTE.—Figures are partly estimated. Data exclude interbank loans and are for last Wednesday of month, except for June and December call dates. Figures for last half of 1957 are preliminary.

Within the total, however, demand deposits declined slightly over the year while time deposits grew by a record peacetime amount. The large growth in savings and other time deposits at commercial banks in 1957—amounting to $5.3 billion or more than twice as much as in 1956—undoubtedly represented in part a shift of relatively inactive balances from demand deposits.

Demand deposits adjusted and currency outside banks, generally considered as the active money supply, had increased 3 per cent in 1955 and one per cent in 1956. The latter rate of growth continued in the first half of 1957 but was not maintained thereafter. At the end of the year, the active money supply was slightly below the end-of-1956 level. Turnover of demand deposits rose further in the first three quarters, but not so much as in the preceding two years. In the

MONEY SUPPLY AND RATE OF TURNOVER



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 United States and exclude U. S. Government and interbank deposits and items in process of collection. Currency excludes bank vault cash. Data for last half of 1957 are preliminary. Figures for turnover are annual averages for 337 leading centers outside New York and 6 other financial centers.

fourth quarter, with the downturn in economic activity, turnover declined.

Since bank deposit expansion during 1957 was in time deposits, which carry low reserve requirements, there was little change in required reserves of member banks during the year. Reserves were supplied early in the year from additions to the country's gold stock and at times by member bank borrowing. Federal Reserve holdings of securities declined on balance during 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, 1957

Period	Action	Purpose of action
January–June	Reduced holding of U. S. Government securities by about $1.8 billion. Member bank borrowings increased from an average of $400 million in January to $1 billion in June.	To offset the effect on reserves of seasonal factors and the sale of $600 million of gold to the United States Treasury by the International Monetary Fund, and to exert pressure on bank reserve positions by bringing about a higher level of member bank borrowings.
August	Raised discount rates from 3 to 3½ per cent at all Reserve Banks.	To bring discount rates into closer alignment with open market money rates and maintain the restrictive effect of member bank borrowing.
July–Mid-October	Bought and subsequently sold small amounts of U. S. Government securities at various times. Member bank borrowings remained at or near average of $1 billion.	To meet changing reserve needs and at the same time maintain continuing pressure on bank reserve positions.
Mid-October–December	System holdings of U. S. Government securities increased by $1 billion, including substantial amounts of securities held under repurchase agreement. Member bank borrowings declined to an average of less than $750 million.	To increase the availability of bank reserves and thereby cushion adjustments and mitigate recessionary tendencies in the economy.
November–December	Reduced discount rates from 3½ to 3 per cent at all Reserve Banks.	To reduce the cost of borrowing from the Reserve Banks and eliminate any undue restraint on bank borrowing in view of the decline in business activity and evidences of economic recession.

RECORD OF POLICY ACTIONS
FEDERAL OPEN MARKET COMMITTEE

The policy directive of the Federal Open Market Committee in effect at the beginning of 1957 was the directive that had been approved at the meetings on November 27 and December 10, 1956. This directive, which placed emphasis on restraining inflationary developments and which was issued to the Federal Reserve Bank of New York as the Bank selected by the Committee to execute transactions for the System open market account, read as follows:

(1) 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;

(2) 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;

(3) 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 Federal Open Market Committee met 18 times during 1957, and the policy actions taken at those meetings are reported on the following pages by date of meeting, together with the record of votes on each such action. In addition to these meetings, the Committee held a telephone conference of the available members on April 24, 1957 for the purpose of discussing informally the instructions that had been issued at the preceding meeting. No policy actions were proposed or taken during that discussion.

January 8, 1957

1. Authority to effect transactions in System account.

The Committee changed clause (b) of the first paragraph of its directive to provide for open market operations with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth while recognizing unsettled conditions in the money, credit, and capital markets and in the international situation." Since November 27, 1956 this clause had read "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."

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

The domestic economic situation, as of this meeting, was summarized as strong and still on the inflationary side; while abroad it was partly slackening and partly steady in Europe and inflationary outside Europe. Commodity prices were continuing to tend upward, industrial production had risen slightly in December from the November level and a further rise appeared possible for January, construction activity had been holding close to record levels, total employment was close to the highest levels reported for this season of the year, business inventories had shown a spurt in November (the latest month for which data were available), new orders in durable manufacturing in November exceeded slightly previous record levels, and personal income in November had been 6 per cent ahead of a year earlier. Department store sales in November and December had shown similar gains over the previous year. The full year 1956 represented close to capacity performance for the domestic economy, and this had taken place while the rate of increase in the privately held monetary stock had declined, the money supply having averaged only 1.3 per cent greater in the course of 1956 than in 1955. Although there had been a more active use of the existing money stock, the cumulative effects of the slower growth in the privately held money stock had operated to retard the further expansion of aggregate demand for goods and services in relation to output and to damp down inflationary pressures.

This business picture showed essentially no change since the December 10 meeting of the Committee, although there were intimations that the upward thrust of the economy might be losing some of its momentum. System open market operations during the closing weeks of 1956, as called for by the directive approved at the November 27 and December 10 meetings, had been designed to meet expected heavy liquidity needs of the period due to seasonal and special international factors. They had, in effect, been conducted so as to prevent any increase in restrictive pressures beyond those previously applied and had actually relaxed pressures somewhat. There had been continued pressures on the market, however, because of the very heavy credit demands, some of which reflected more than the usual business borrowing to meet end-of-year financial needs, owing in part to the reduced liquidity of business. These developments indicated that credit demands continued to be vigorous.

With the economy operating at close to capacity limits and with prices continuing to rise, the change in the policy directive to delete the reference to seasonal factors that brought additional pressures and which had called for some adjustment of policy in the last few weeks of 1956 seemed appropriate. At the same time, the revised wording registered an awareness by the Committee of the possibility of unduly severe restraint inherent in the current low level of corporate liquidity and in the financing program ahead. In other words, the directive issued at this first meeting of 1957 continued the policy of restraint upon credit expansion that had been in effect for approximately two years, but it represented an adjustment from the program followed in the last few weeks of 1956 when funds had been put into the market to help meet added seasonal pressures within the limits of the policy of restraint.

2. Resolution concerning International Monetary Fund transactions.

The Committee approved the following resolution: "Resolved, that the Federal Open Market Committee express no views with respect to the form in which the International Monetary Fund chooses to draw upon its dollar resources."

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

This resolution was a response to an inquiry by the United States Executive Director of the International Monetary Fund who had inquired whether the Federal Reserve System would see objection to use by the Fund of some of its gold holdings in meeting prospective drawings against the Fund. In concluding that it would express no views as to the form in which the Fund might choose to draw upon its dollar resources, the Committee sought to preserve the utmost freedom to the Fund in meeting its problems. It was not felt that the Federal Reserve System should tell the Fund or any other agency how it should carry out its responsibilities. The Committee wanted, however, to be kept informed by the Fund in advance of its operations in the American market and appreciated having had an opportunity to know of and consider the current proposal. In keeping with this approach, the Committee felt that the System should follow monetary policy that fitted the circumstances whenever external factors occurred. Thus, in approving the resolution it was understood that the Committee's operations would be used to offset the influence of the operations of the Fund in accordance with whatever the Committee's policy might be.

January 28, 1957

1. Authority to effect transactions in System account.

The Committee made no change at this meeting in the wording of its directive to the Federal Reserve Bank of New York, thus continuing in effect the policy decision that operations for the System open market account should be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth while recognizing unsettled conditions in the money, credit, and capital markets and in the international situation."

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

At the time of this meeting the economic situation domestically remained one of intensive utilization of manpower and other resources and of demand pressure on price levels. Abroad, output and employment generally continued at high levels with price trends most typically on the upside. Domestic industrial production for January was turning out to be at about the same level as in December.

There were at the same time developments that suggested that the economy might be losing some of its upward momentum. While these data were not sufficient to support a forecast of a downward turn as a clear, nearby prospect, they suggested that the economy might be entering a period of sidewise movement. For example, a tendency for total capital expeditures to level off was evidenced by recent figures for factory construction contracts, new machine tool orders, and freight car orders, together with scattered announcements of postponements of plant construction projects. There were cross currents in the area of prices with higher costs showing up in increased prices for finished goods, both at wholesale and at retail, in contrast with a softening trend in prices of a number of primary products. Business loans at all reporting member banks after a fourth quarter rise of $1.6 billion declined by more than $700 million in the three weeks to mid-January, a postwar record decline for the period that compared with a drop of $355 million a year earlier. A rapid decline in security loans had also occurred and about three-fourths of the total rise in loans during the fourth quarter of 1956 had been wiped out. December's sharp rise in interest rates had been followed by an equally sharp decline, the tight tone of the money market by a feeling of ease. The contraction in bank loans that had occurred since the latter part of December had taken place notwithstanding a continued state of relatively less restraint on bank reserve positions, reflected in a decrease in member bank borrowing to the lowest level since early 1955. This liquidation of bank loans since the Christmas season indicated that most of the unprecedented credit demands in December had been to cover temporary needs for cash.

These mixed developments suggested on balance that, while the situation still seemed to be one of pressures on the expansionary side requiring continued restraint on credit growth, care was needed to avoid becoming too restrictive. In reviewing operations during recent weeks, the Committee recognized that the furnishing of reserves in the latter part of 1956 to meet seasonal and other requirements had actually resulted in some reduction in the degree of restraint on credit expansion that had existed in mid-November. It also recognized that the current relative ease was unintended, since it reflected a larger than expected decline in loans and return flow of currency, as well as the relative immobility imposed on the System by the Treasury financing operation. It was believed that operations now should be designed toward restoring approximately the degree of restraint of the late November-early December period, but it was not believed that an increase in that level of restraint was called for at this particular time.

2. Increase in authority to effect transactions in System account.

The Committee ratified the action taken by the individual members of the Committee as of the close of business January 22, 1957 in increasing by $300 million the authorization to the Federal Reserve Bank of New York to make sales of securities from the System open market account under paragraph (1) of the directive approved January 8, 1957.

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

The directive approved at the meeting on January 8, 1957, provided a limitation of $1 billion on the aggregate amount of securities that might be purchased or sold for the System open market account in carrying out the policy approved at that meeting. By

January 22, the larger than expected contraction in bank loans, along with various other factors adding to the availability of reserves, made it desirable that the System account have greater leeway to makes sales of securities than had been authorized at the January 8 meeting in order to absorb more of the reserves coming into the market and thus to maintain the policy of restraint on inflationary developments. This January 22 increase of $300 million in the limitation was no longer believed necessary at the time of the meeting on January 28 and, in issuing the directive at that time, the Committee fixed the limitation at $1 billion, the same as that approved on January 8.

February 18, 1957

Authority to effect transactions in System account.

No change was made in the policy directive issued by the Committee, which again directed that open market operations be with a view to restraining inflationary developments in the interest of sustainable economic growth, while recognizing unsettled conditions in the money, credit, and capital markets and in the international situation.

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.

There was no clear evidence of serious weakness in the economy, although business and financial observers had been reappraising, with some doubts, their year-end expectations that 1957 would bring further advances in business activity and further creeping inflation. Industrial production had hesitated in January and slipped back one index point, but it remained close to record levels. While the general level of wholesale commodity prices had continued to rise from mid-December to mid-January and probably further to mid-February, advances in industrial commodities had slackened since late autumn. For some months industrial construction had been below a year ago and, since the spring of 1956, residential contract awards in millions of square feet had been falling. Nonresidential construction awards for business purposes also had been declining, and available evidence suggested that plant and equipment expenditures by manufacturing industries were in the process of leveling off. Unfilled orders in durable goods industries had changed little since August, in contrast to the earlier situation of a mounting order backlog. Business inventories had risen through 1956 at about the same rate as in 1955. This increase in inventories had been greater than the rise in sales, so that inventory-sales ratios in manufacturing were currently higher than a year earlier. The labor market was still strong. Government spending for goods and services had been rising steadily, and further steady rise seemed to be in prospect. Consumer incomes had risen further and spending at retail in January had been at about the record level relative to the season of December. Business optimism was running higher than in the third quarter of 1956—a feeling that appeared to be shared by most manufacturing and retail groups. Demand for long-term business funds continued very strong.

From the survey of economic data available, there was evidence of some slackening in the momentum of inflationary tendencies, but as yet there was no clear-cut evidence of a combination of forces that would halt the advance in the foreseeable future. The financial problem of the economy continued to be that of aggregate demand pressing against aggregate supply. Credit developments in recent weeks had continued to indicate a relaxation of pressures, with rapid bank loan liquidation, less strain on bank reserve positions, a sharp decline in money rates, and an improved tone in the bond market which had permitted sale of a large volume of new issues of securities at declining yields. This easing of inflationary pressures was the goal toward which monetary forces had been directed. It was too early to tell, however, whether this was but a temporary lull, the beginning of a downturn, or the attainment of high-level stability. While it seemed clear that it would be unnecessary and inappropriate to have more stringent restraint at this time, there appeared to be confidence in the vitality of the economy, and this suggested that credit policy should not help to promote a new bulge in activity. The Committee's conclusion was that this was a time calling for continuation of the status quo, and on that basis no change in the policy directive was deemed necessary or desirable.

March 5, 1957

1. Review of continuing authorities or statements of policy.

At this, 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, 1957 had assumed their duties, the Committee reviewed and reaffirmed all continuing statements of operating policy and specific authorities for operations which were in effect immediately prior to this meeting. Among the continuing statements of policy that were renewed were the following:

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).

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.

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.

The action renewing these three statements was taken by unanimous vote, pending further study of these and related matters.

> Votes for these actions: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, Vardaman, and Williams. Votes against these actions: None.

2. Authority to effect transactions in System account.

The policy directive of the Federal Open Market Committee was changed at this meeting for the first time since the meeting on January 8, 1957 by adopting wording for clause (b) of paragraph (1) to provide that, among other things, open market transactions would be with a view "to restraining inflationary developments in the interest of sustainable economic growth while recognizing uncertainties in the business outlook, the financial markets, and the international situation." This wording superseded that in effect since January 8, which had called for operations with a view "to restraining inflationary developments in the interest of sustainable economic growth, while recognizing unsettled conditions in the money, credit, and capital markets and in the international situation."

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, Vardaman, and Williams. Votes against this action: None.

This change in wording of clause (b) of the Committee's directive was not an indication of a shift in direction of policy but was designed to emphasize the factor of uncertainty in the current business outlook. The general direction of policy continued to be one of restraining inflationary developments.

In its review of conditions, the Committee found evidence of the slowing down of expansionary forces in many sectors of the private economy but no indication that a pronounced downturn had begun. Rather, there were many underlying forces tending to hold activity at a high level. In contrast to the indications of balance in the private economy, the governmental sectors were showing some signs of strain. State and local government expenditures continued to increase and those of the Federal Government also were rising. It was apparent that the Federal budget surplus would be considerably less during the current year than last, and in addition large cash drains on the Treasury were to be expected for non-budgetary payments such as savings bond redemptions, aid to the mortgage market, drawings by international agencies, and attrition on refundings of marketable securities. There had been some easing in credit markets during January, partly because of funds made available by the Treasury and because bank loans had declined as increased funds had become available for new capital issues. Increased financing strains had developed for the Treasury, and it had had to go to the short-term market for new funds at a time when a reduction in

Treasury debt had been expected. The apparent slackening in demand for private credit, if accompanied by increased Government borrowing, might not present an appropriate occasion for relaxation of restraints on credit in general, since it seemed essential that the Treasury borrow as much as possible from savings or that any Treasury borrowing from banks be largely offset by curtailment in bank credit supplied to private borrowing. It was suggested that the only way in which the economy would continue to have growth without inflation under existing conditions was by reducing spending and increasing saving.

While it was apparent that a sidewise movement was taking place in the economy, there was uncertainty as to which way the economy would go. In any event, however, since the economy's upward momentum had definitely slackened and since the rise in finished goods prices seemed likely to level off in the near future, it was not believed appropriate that overt action be taken toward increasing credit restraint, although maintenance of about the degree of restraint that had existed for some time seemed to be called for. Thus, the Committee sought to continue about the same pressure on credit expansion that had been intended by the actions taken at the last several meetings, and in modifying the wording of the policy clause of the directive it was simply bringing into the picture a specific reference to the business outlook which had not been mentioned in the previous wording.

March 26, 1957

Authority to effect transactions in System account.

The policy directive calling for a continuation of restraint on inflationary developments was renewed without change at this meeting of the Federal Open Market Committee.

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Robertson, Shepardson, Szymczak, and Williams. Votes against this action: None.

The Committee's review of the economic situation did not indicate a material change since the preceding meeting but rather showed a sidewise movement of activity at inflated price levels.

There had been evidence of slackened momentum in the cyclical advance after some 30 months of sustained rising activity, and the question was how monetary policy should react in this situation after a depreciation in the purchasing power of the wholesale dollar over these months of about 6 per cent and of the consumer dollar of over 3 per cent.

This cyclical rise in activity had gotten its first stimulus from consumer outlays for houses and durables purchased heavily on credit. This had been in direct response to the exceptionally easy credit conditions prevailing in 1954. The size of this stimulus had resulted in a large acceleration in business plant and equipment expenditures but there were other factors bringing about these capital expenditures, such as high wage costs and much technological obsolescence of plant and equipment. The large capital investment had meant a heavy total demand for credit and also that savings would have to increase substantially if monetary expansion were not to get out of control. It also had meant that interest rates would rise to higher levels. In addition, since supplies had to be diverted so largely to producers' goods, thus generating additional income without enlarging short-run supplies of products for current use, the rising investment had meant that commodity and service markets were under heavy demand pressures tending to advance prices. Against this background, the Open Market Committee had directed policy for more than a year before this meeting to resisting inflationary pressures as they intensified.

Although it appeared at this time that the boom had lost much of its buoyancy, it was not possible to tell whether the present sidewise movement would continue for some months, perhaps with a renewed upward movement, or whether the economy would decline. Consumer demand, industrial production, and employment remained at or near record levels, although they were no longer rising appreciably.

The Committee's conclusion that the policy directive should be continued with emphasis on restraint included the understanding that, in adjusting amounts of reserves supplied to the market by the Federal Reserve System, doubts should be resolved on the side of greater rather than less restraint than had existed in recent months.

April 16, 1957

Authority to effect transactions in System account.

The directive of the Committee was renewed without change, continuing the policy of restraint on inflationary developments.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, and Williams. Votes against this action: None.

Economic activity continued on a high plateau with divers surface irregularity. Wholesale prices appeared to be generally stable with consumer prices continuing to tend up. In the credit field, private loan demands were somewhat more moderate than they had been a year earlier, but they were still large and in addition the Government was becoming a new source of borrowing demand on banks. Additional reserves sought by member banks recently had been supplied largely through an increase in member bank borrowing, and the money market had become tighter than at the time of the preceding meeting.

The Committee considered that the increased degree of pressure that had resulted since the preceding meeting had been appropriate. In deciding to renew its policy directive without change, it felt that a stable situation should be maintained for the next few weeks.

May 7, 1957

Authority to effect transactions in System account.

Again the Committee's directive was renewed without change, providing for restraint on inflationary developments.

Votes for this action: Messrs. Martin, Chairman, Allen, Balderston, Bryan, Leedy, Mills, Robertson, Shepardson, Vardaman, Williams, and Treiber. Votes against this action: None.

The economy continued to move sidewise but with a slight upward tilt for both gross national product and prices. Credit markets had continued under pressure of large borrowing demands. New securities issues by corporations, though at a slower rate than in the first quarter of the year, had continued relatively heavy. Pressure of credit demand had resulted in a sharp run-up in bond yields although rates on Treasury bills had declined, reflecting an easing of member bank reserve positions as a result of funds supplied when the Treasury drew down its balances that had been built up during March. Business sentiment appeared to have become more optimistic. There were fewer products in short supply. At the same time, there was a shortage of savings, the country was operating at an inflated price level, and, although monetary policy could not appropriately be used to restore the price level that had been lost through the inflationary process, it was believed that it should be set to counter further inflationary developments. Renewal of the directive without change was on the basis that current developments made a continuation of substantially the existing degree of restraint appropriate and that no overt action to ease or to tighten the situation was called for.

May 28, 1957

Authority to effect transactions in System account.

The policy directive of the Committee calling for restraint on inflationary developments was renewed without change at this meeting.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, Vardaman, and Williams. Votes against this action: None.

The economic situation continued fundamentally strong and essentially unchanged since the preceding meeting. Business sentiment seemed to have improved perceptibly even though current indexes of production and distribution indicated a sidewise movement, at best, or perhaps a slight downward tilt. Wholesale prices had shown little change and retail prices had advanced somewhat further.

The degree of pressure in the money market had continued about unchanged for several weeks, and in renewing its directive without change the Committee sought to have the same situation continue for future weeks. The Committee also observed that the Federal Reserve System would be called upon to supply additional reserves to meet seasonal needs in the second half of the year and discussed whether the directors of the Federal Reserve Banks might consider an increase in the discount rate appropriate as a means of maintaining restraint under these circumstances.

June 18, 1957

Authority to effect transactions in System account.

Renewal of the directive without change at this meeting continued the policy of firm restraint on inflationary developments.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, Vardaman, and Williams. Votes against this action: None.

Over-all economic activity appeared to be showing great strength. The general level of wholesale prices had advanced slightly since mid-May. Consumer prices had been continuing their steady rise and were estimated to be about 4 per cent higher than a year earlier. Expansion of bank loans had unmistakably slowed down this year, but the turnover of demand deposits had risen substantially. Thus, while monetary growth had been moderate during the preceding 12 months, it appeared to have been adequate for the economic activity that could be had on the basis of existing resources. The tighter condition of the money market during the past three months, which had been brought about within the present wording of the Committee's directive, did not appear to have been too restrictive, and the Committee's conclusion was that a firm policy of restraint should be continued for the present.

July 9, 1957

Authority to effect transactions in System account.

Another renewal without change of the directive providing for restraint on inflationary developments resulted from the deliberations of the Federal Open Market Committee at this meeting.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, Vardaman, and Williams. Votes against this action: None.

At midyear, over-all economic activity was being maintained at about the high level of the past winter. Downward adjustments had been going on in a number of lines but the areas of weakness had not widened significantly and upward adjustments had been taking place in other areas. The general sidewise movement during the first half of 1957 had been similar to that of the first half of 1956. In the earlier year, easing tendencies through July had been followed by strong expansion later in the year. A like course of events was widely anticipated in business and financial circles at the time of this meeting. One of the strong factors at this time was in construction where outlays for residential building had increased in June—the first rise in seven months—following a sharp rise in total construction contracts in May. A disturbing element, however, was the renewed rise in construction costs after six months of relative stability. There also had been a rise in new orders of durable goods manufacturers in May, the first since November of 1956. Average hours worked in manufacturing had increased slightly in June, following several months of decline. Economic activity abroad remained buoyant and a number of countries recently had adopted additional measures to restrain the strong inflationary pressures. It seemed clear that the economy was in a period of prosperity as well as inflation.

Considerable feeling was expressed at this meeting of the Open Market Committee that an increase in the degree of pressure was called for, particularly since the Federal Reserve System would have to supply reserves during the remainder of 1957 to take care of seasonal borrowings and Treasury needs. One of the possibilities discussed was that of putting additional reserves into the market through the System account and at the same time increasing the discount rates of the Federal Reserve Banks as a signal that the System felt that credit policy should be tighter than it had been. It was concluded, however, that under present conditions it would not be wise simultaneously to increase the flow of reserves and to raise discount rates. The Treasury was about to make an offering of securities for which payment would be made when seasonal demand for reserves was increasing. The Committee's decision, therefore, was to renew the directive without change and to maintain but not to increase the existing degree of restraint for the immediate future.

July 30, 1957

Authority to effect transactions in System account.

This meeting of the Committee also resulted in a decision to continue without change the policy directive providing for restraint on inflationary developments.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Shepardson, Vardaman, and Williams. Votes against this action: None.

Data presented at this meeting showed little change in the picture of the economy that had been developed in recent meetings of the Committee. Such new data as had become available, while indicative of divergent trends in various areas, did not alter the over-all impression of the sidewise movement, and they provided no clue as to the direction and intensity of the next major change in economic activity. Prices were up at both wholesale and retail, however, apparently to new highs. During July there had been some moderation of the degree of tightness in money and securities markets. A large Treasury refunding operation was completed and a substantial reduction in bank loans and investments occurred following a sharp increase in June.

The Committee took cognizance at this meeting of a further rise in interest rates, including a sharp rise in bond yields. Although recent credit expansion had been moderate, the world-wide atmosphere of ebullience and the tendency to accept inflation as inevitable seemed to call for continued restraint through monetary and fiscal measures. Four of the European central banks had increased discount rates during the month, and the reports indicated that inflationary pressures existed in Asia, South America, and other parts of the world as well. Commodity prices had shown a disturbing degree of imperviousness to monetary restraint for more than a year.

The Committee's decision that there should be no change in its policy directive at this time but that efforts should be made to regain the degree of pressure that existed before the Treasury refunding operation in July reflected the view that it was appropriate to keep the banking system under substantial pressure. However, it was observed during the Committee discussion that the discount rates of the Federal Reserve Banks at 3 per cent were already lagging behind the rate structure generally and that if other rates continued to rise the directors of some of the Reserve Banks could be expected to give consideration to raising their discount rates.

August 20, 1957

Authority to effect transactions in System account.

No change was made at this meeting in the Committee's directive that policy should be with a view to restraining inflationary developments.

Votes for this action: Messrs. Martin, Chairman, Allen, Balderston, Bryan, Leedy, Mills, Robertson, Vardaman, Williams, and Treiber. Votes against this action: None.

In the period between the Open Market meeting on July 30 and that on August 20, the directors of nine Federal Reserve Banks acted to increase the discount rates of those banks from 3 per cent to 3½ per cent. These actions followed an increase from 4 per cent to 4½ per cent early in August in the rate charged by commercial banks on loans to prime borrowers, as well as further increases in other market rates. The increase of one-half percentage point in discount rates generally was regarded as primarily a technical move made at a time when market interest rates were considerably above discount rates. It was recognized that business activity was continuing to move sidewise and that the business outlook seemed to be a little less buoyant than a few weeks earlier. Money markets had tightened somewhat in August. Although a heavy repayment of business loans occurred in July and early August following record tax borrowings in June, demand for credit and capital continued strong.

No change in the directive of the Committee calling for restraint on credit expansion was made at this meeting, but in renewing the directive the Committee did so with the understanding that the System account would have latitude for flexibility in providing reserves during the next few weeks.

September 10, 1957

Authority to effect transactions in System account.

The Federal Open Market Committee's policy directive was again renewed at this meeting without change in the wording calling for restraint on inflationary developments.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Leedy, Mills, Robertson, Szymczak, Vardaman, Williams, and Irons. Votes against this action: None.

When the Committee met on September 10, it again found no material change in over-all business activity since the preceding meeting or, for that matter, for the past several months. Data were presented showing that bank credit had expanded somewhat less rapidly in the past five weeks than in the corresponding period of other recent years. It was also pointed out that banks continued to feel heavy pressure for loans and that the substantial reduction in bank liquidity since a year earlier had intensified that pressure. Monetary expansion had been virtually absent since spring, some slackening in the rise in money turnover had appeared, and normal seasonal pressures could be expected to reinforce the Committee's policy of restraint. Also, it was reported that banks currently were cautious and that since the increase of one-half percentage point in the Reserve Bank discount rates in August, there was recognition throughout the country of the Federal Reserve's policy of firm restraint. Thus, although the Committee made no change in the policy directive, it was renewed with the understanding that in carrying out the broad policy of restraint in the immediate future doubts would be resolved on the side of less rather than greater restraint.

October 1, 1957

Authority to effect transactions in System account.

The directive of the Federal Open Market Committee was renewed without change at this meeting and the policy of restraint on inflationary pressures was thus continued.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, Vardaman, and Williams. Votes against this action: None.

At the time of the October 1 Open Market Committee meeting, an increasing number of business observers were suggesting that the major expansive forces had been spent, that pressure of inflationary forces was in process of lessening and even of dispersing, and that the prospective movement in activity was a decline. Business sentiment, which had shown pronounced gyrations over the past two years, being at times more optimistic than the figures and portents, at other times less optimistic, appeared to be developing into a psychology of gloom in some places and was much more cautious about prospects than for some months. That was reflected in inventory policy which, after permitting some rise in the spring months, later was designed to hold inventories in close relationship with sales. On the other hand, the reports to the Committee at this meeting did not present a picture of a settling or declining economy. There was considerable feeling that while inflationary clouds might be breaking up, it would be premature to conclude that they had been scattered.

The most significant financial development reported to the Committee was that there had been a leveling out of interest rates at the advanced level of early August. This leveling out had occurred notwithstanding the increase in Reserve Bank discount rates, the unprecedented two-point rise in the rate of the Bank of England, continued large offerings of new security issues by corporations and State and local governments, and relatively heavy borrowing by the United States Treasury. A smaller than seasonal increase in business loans in the first half of September had been followed by an unusually large decline in the latest week. Required reserves of banks had increased less than anticipated, reflecting the smaller increase in credit and deposits. For the third quarter as a whole, growth in bank loans had fallen further behind the preceding year than had been the case in the second quarter, but bank investments had increased somewhat more than in the previous year. The money supply was less than one per cent higher than a year earlier. This picture suggested that banking developments had kept within the limits envisioned by recent policies of credit restraint and that capital market rates might have reached the level appropriate to the maintenance of equilibrium.

The views of the Open Market Committee at this meeting were that there should be no change in policy or in the Committee's directive at this time. In reaching this conclusion, the Committee did so with the understanding that, in carrying on transactions for the System open market account, an effort would be made to continue the same degree of restrictive pressure that had been sought during the preceding three weeks.

October 22, 1957

Authority to effect transactions in System account.

The Committee renewed its policy directive with the same wording that had been adopted at the meeting on March 5 and at each meeting since, namely, that open market operations were to be with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth while recognizing uncertainties in the business outlook, the financial markets, and the international situation."

> Votes for this action: Messrs. Hayes, Vice Chairman (presiding), Allen, Balderston, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, and Williams. Votes against this action: None.

The over-all situation at the time of the October 22 meeting was such as to suggest that the Committee should be especially alert to any sign of breakout from the sidewise movement that had been characteristic of business for some months. In a searching reexamination of the economic situation, the Committee found that the latest quarterly and monthly figures showed continuation through the third quarter of 1957 of many features prevailing earlier in the year, with production steady at a high level, price movements in wholesale markets mixed with the average up, and consumer prices generally continuing upward. September industrial production was at 144, down a point from August but within the narrow 143 to 146 range prevailing so far this year. The economy as a whole showed basic strength, but there was uncertainty as to what combination of demands would prevent recession in activity, or, on the other hand, make for an advance in total output and employment from present levels.

In analyzing the implications of recent business and credit developments for monetary and fiscal policy, it appeared that there had been short-run abatement in inflationary pressures, and questions were raised about potential declines in important sectors of activity. Business sentiment had turned more pessimistic than the current indicator picture, and attitudes of common stock investors appeared to reflect a growing disbelief in the extension of inflationary trends. Business loan expansion was continuing to run behind the preceding year. As a result of the increasing uncertainty as to the business situation, resulting particularly from psychological factors and from international developments including the Russian earth satellite launching, the environment for monetary policy was beginning to look quite different from the boom conditions that initially justified the current restrictive policy. It was suggested that the Federal Reserve System should meet seasonal reserve requirements freely and that, if readjustments then taking place were to gather momentum, some easing of member bank reserve positions and even a decrease in Reserve Bank discount rates might be appropriate. In sum, the economic data presented indicated that developments in business and economic conditions would have to be watched particularly closely in coming weeks in order to make policy adjustments that might be suitable.

The Committee concluded, after reviewing the data, that there was no immediate occasion to reverse its policy of restraint on credit expansion or to make a change in the policy directive. While it was clear that the Committee at this juncture did not wish to make any move which would signal a change in policy, it wished to supply seasonal needs reasonably freely. It did not wish to increase restraint from what it had been. There was some feeling that the Committee should actually diminish restraint a little, but more of the members believed that the Committee should resolve doubts on the side of ease. Thus, in renewing the directive without change, the Committee agreed that although general policy was not to be changed appreciably, it should tend on the easier side from where it had been in recent weeks.

November 12, 1957

Authority to effect transactions in System account.

The directive of the Federal Open Market Committee was changed at this meeting by deleting the clause that had been in effect since March 5, 1957 calling for operations with a view, among other things, "to restraining inflationary developments in the interest of sustainable economic growth while recognizing uncertainties in the business outlook, the financial markets, and the international situation," and by replacing that clause with wording that called for operations with a view, among other things, "to fostering sustainable growth in the economy without inflation, by moderating the pressures on bank reserves."

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Shepardson, Szymczak, and Williams. Vote against this action: Mr. Robertson.

Data presented to the Committee at this meeting showed that the economic climate domestically was in process of change, that expansive forces had eased, and that contractive forces had become more prominent. Declines were indicated by data for October covering industrial production, employment, and department store sales, and unemployment claims were running sharply above a year earlier. These changes had followed significant weakening in business sentiment as evidenced by sharp declines in stock market prices, in prices of sensitive commodities, and in new orders. There also had been a sizable number of professional forecasts of business decline. The spreading view that business outlays for fixed capital were heading downward had been given recent support by a survey of plans for capital spending in 1958, which showed a decline of a tenth or more. Private demands for bank credit had eased considerably in October, with business loans at city banks showing a substantial decrease in contrast to a marked increase customary during that month. Demands for long-term funds, however, continued strong. Yields on Government securities had declined steadily although moderately in recent weeks. Bank reserve positions had eased somewhat since early October, reflecting in part a decline in required reserves and in part Federal Reserve open market operations.

Among the latest specific data presented at this meeting, the Committee noted that after five months of little change, domestic output at factories and mines was expected to show a drop of as much as two index points from September to October. Declines in output were widespread although most conspicuous in durable goods lines. Both freight carloadings and electric power generation in October were off moderately, the decline in carloadings extending a decline that had begun in April and that for power generation a decline that commenced in August. While total new construction was holding at a high level, industrial construction had continued the decline that had set in in May of this year. Business inventory accumulation had slowed markedly in recent months. Nonfarm employment in October had receded further from the peak reached in August. Not only were the signs of domestic decline fairly general, but in Canada recession tendencies had become clear, and in Europe industrial activity which had ceased expanding in late spring of 1957 had tapered off moderately through the summer months.

Although the Committee's analysis showed that the domestic economy still was operating at high levels and that the downward adjustment thus far had been moderate, there no longer was much doubt that at least a mild downturn in business activity was under way, and there was widespread belief that it would probably continue well into 1958. The major question seemed to be not whether a further business decline would occur, but for how long and in what degree. In terms of credit policy, the question presented was how far the Committee should go at this time in recognizing the change in the economic situation and outlook, and by what means.

The Committee's decision at this meeting was that action should now be taken to recognize the change in the general economic situation away from the sidewise movement that had prevailed during most of 1957. This did not signify a shift that would entirely eliminate restraint on credit expansion, but it did reflect a decision that there should be a moderate relaxation of the degree of restrictive pressure. It was on the basis of this general view that the directive was changed to eliminate the previous clause (b) which had called for restraining inflationary pressures and to replace that clause with wording that provided for open market operations with a view, among other things, "to fostering sustainable growth in the economy without inflation, by moderating the pressures on bank reserves."

Mr. Robertson dissented from the foregoing action with respect to the insertion in clause (b) of the words "by moderating the pressures on bank reserves." His action was based on the belief that the prevailing condition of the economy was not such as to call for a lessening of restraint, that inflationary potentials were still strong, and that continued restraint was essential to their containment.

There was also a discussion at this Open Market Committee meeting, at which all of the Federal Reserve Bank Presidents were in attendance, of the relationship of open market policy to the discount rates of the Federal Reserve Banks and the appropriateness of those rates in view of the changed economic situation and the change in open market policy.

December 3, 1957

1. Authority to effect transactions in System account.

The Committee renewed its directive in the same form that had been adopted at the meeting on November 12, 1957, at which time the wording of clause (b) of the first paragraph had been changed so that it called for operations in the open market with a view, among other things, "to fostering sustainable growth in the economy without inflation, by moderating the pressures on bank reserves."

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Shepardson, Vardaman, and Williams. Vote against this action: Mr. Robertson.

The economic report at this meeting was consistent with that presented at the meeting on November 12 showing a moderate downsettling of the economy. Industrial production had continued to sag, especially in the areas of steel and other metals, equipment and ordnance, household durables, apparel and textiles, and mining, but higher automobile output had tended in the direction of maintaining the level of the index of industrial production. On the other hand, new construction was being well maintained, with residential and public utility construction up, industrial construction down, and commercial and public construction about even.

The further sag in equipment production and industrial construction was closely related to cutbacks in spending decisions for business, plant, and equipment. Information that had just become available on third quarter capital appropriations of large manufacturing companies showed a decline of almost a third from a year earlier. This was the second successive quarter showing a substantial decline. Labor market data showed a further rise in unemployment claims, with increases fairly widespread geographically. The mid-November unemployment survey showed substantially more than the usual seasonal rise in number of unemployed to a seasonally adjusted level of about 5.2 per cent of the labor force. Gross national product for the fourth quarter of the year according to preliminary estimates would probably show little change or moderate decline from the third quarter of the year. Personal income in October had declined for the second successive month due to reduced wage and salary disbursements. The general average of wholesale prices had shown little change in November, while the consumer price index which was unchanged in October was expected to show a rise in November, reflecting higher new automobile prices and additional advances in rents and service costs.

In the credit field, cross currents in economic forces in recent weeks had precipitated sharp and often paradoxical developments in financial markets. Through action reducing the discount rates of the Federal Reserve Banks from a 3½ per cent level to a 3 per cent level in mid-November, there had been public recognition by the Federal Reserve System that economic adjustment had lessened and perhaps removed the threat of inflation for the time being. Prices of securities in the stock market had increased sharply in this period, and prices of bonds had risen substantially with corresponding decreases in yields. Bank credit had continued to decline, contrary to the usual seasonal tendency at this time of year.

As a result of the slackened growth in bank credit and deposits, required reserves of member banks had failed to show the customary seasonal increase in November. In addition, reserves had been supplied by a reduction in Treasury balances at the Federal Reserve Banks and by substantial System purchases of bills. The cumulative results of these measures were being reflected in member bank reserve positions at the time of this meeting, and it was expected that if the Treasury continued to keep its balances in the Federal Reserve Banks at a low level, no strain on member bank positions would occur during December despite customary seasonal demands for additional funds.

In the Committee's review of the economic situation, the view was advanced that while it had become more evident than at earlier meetings that business was declining, there were basic uncertainties that made it difficult to assume either a prompt resumption of the upward movement in business or much further continuation of the decline. In these circumstances, the general view of the Committee was that there should be further moderating of the restrictive pressures on credit expansion and, for this reason, the directive was renewed with the same terms that had been approved at the meeting on November 12 calling for "fostering sustainable growth in the economy without inflation, by moderating the pressures on bank reserves."

Mr. Robertson dissented from this action for the same reasons as those stated previously for dissenting from the wording adopted at the meeting on November 12.

2. Rate of interest on special certificates.

The Committee authorized that the rate to be charged on special short-term certificates of indebtedness purchased direct from the Treasury pursuant to paragraph (2) of the Committee's directive to the Federal Reserve Bank of New York be fixed at one-fourth of one per cent below the discount rate of the Federal Reserve Bank of New York at the time of such purchase.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Bryan, Leedy, Mills, Shepardson, and Vardaman. Votes against this action: Messrs. Robertson and Williams.

Section 14(b) of the Federal Reserve Act authorizes purchases or sales of securities by the Federal Reserve Banks direct from the United States Treasury under certain conditions and with a proviso that the aggregate amount held by the Reserve Banks at one time shall not exceed $5 billion. Paragraph (2) of the Committee's directive, which authorized purchases for the account of the Federal Reserve Bank of New York of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury, had been used infrequently over the years and had not been used at any time since March 1954. The rate charged for the facility when it had been used had been one-fourth of one per cent, a rate that had prevailed since the early 1940's when the discount rates at the Federal Reserve Banks were at the one-half per cent level.

The purpose of the Committee in taking the action was to adopt a procedure which would provide for a rate that was flexible and closer to the current market.

In voting against this action, Messrs. Robertson and Williams indicated that they felt the matter was of little importance and that on the whole it would be preferable to let the existing rate of one-fourth of one per cent stand.

December 17, 1957

Authority to effect transactions in System account.

The policy directive of the Federal Open Market Committee was changed at this meeting to provide that transactions for the System open market account were to be with a view, among other things, "to cushioning adjustments and mitigating recessionary tendencies in the economy." This wording replaced that adopted at the meeting on November 12 and reaffirmed at the meeting on December 3 calling for transactions that would foster sustainable growth in the economy without inflation, by moderating the pressures on bank reserves.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Bryan, Leedy, Mills, Robertson, Shepardson, Szymczak, and Williams. Votes against this action: None.

General economic recession appeared to be the most appropriate description for the drift in over-all activity that had characterized developments for some weeks prior to this meeting. The industrial production index for October had been placed at 141 and a preliminary estimate of the index for November was 139, or 5 index points below the September level of 144. The decline, which had been greater than was indicated previously, had been widespread despite the strong factor of new automobile assemblies during November. December production schedules for the automobile industry had been reduced because of a resistant sales market in November, steel output had slipped further, and it appeared that average hours worked might decline further in December. The latest data on business plant and equipment expenditures also justified the characterization of general recession in that these figures pointed to a faster and a greater downward adjustment than had been indicated earlier. Another item was the liquidation of business inventories at a rate of $4.5 billion annually during the month of October—a movement which appeared to have continued during November, with the contraction concentrated in durable goods lines. The labor market also pointed to general recession, with unemployment at the highest rate, on a seasonally adjusted basis, since late 1954. Accompanying these changes, personal income was down during November and this had been reflected in slower retail trade in recent weeks.

The average of wholesale prices had shown little change during the past two months.

In the financial area, a significant development in November had been a decline in the seasonally adjusted annual rate of turnover of demand deposits at banks outside New York City, along with a less than seasonal increase in the volume of demand deposits. With turnover about the same as a year earlier, it could no longer be said that increased turnover had offset the effect of a decrease in the supply of money. Federal Reserve operations in late November and early December had supplied a substantial volume of reserves to meet seasonal needs, but even so considerable tightness in the money market had developed in mid-December, partly reflecting the usual seasonal increase in currency needs along with a sharp expansion in credit demands to meet heavy liquidity requirements of the public usual at that time of the year. In addition, the Treasury was raising new money in the market at that time.

The economic and financial data presented at this meeting confirmed rather clearly the developing recession that had been indicated by reports at earlier meetings at which the Committee acted to moderate the pressures on bank reserves. The recession was still of moderate intensity, and inasmuch as the Committee actions taken since mid-November to lessen pressures on reserves, together with the reduction in Reserve Bank discount rates, had signaled an effective change in policy toward less severe credit restraint, it did not appear to the Committee that additional major actions were necessary at the moment. The change at this meeting in wording of the Committee's policy directive was adopted with the understanding that reserves would continue to be made somewhat more available, but the particular reason for this change was to recognize that the economy had encountered a recession and that the Federal Open Market Committee's policies were being molded accordingly.

* * *

Four changes in the wording of the directive of the Open Market Committee were made during 1957, the changes being those reported in this record for the meetings held on January 8, March 5, November 12, and December 17. The January 8 and March 5 changes continued policy within the framework of that in effect at the beginning of the year which placed emphasis on restraint of inflationary developments. The change made on November 12 represented a significant shift in policy away from the emphasis on restraint of inflationary developments, to a program for fostering sustainable growth in the economy without inflation, by moderating the pressures on bank reserves. This shift in policy was further emphasized at the meeting on December 17 with the inclusion in the directive of words that gave frank recognition to recessionary tendencies that were present and to the need for mitigating such tendencies and for cushioning adjustments in the economy. The directive in effect at the conclusion of 1957 read as follows:

(1) 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 cushioning adjustments and mitigating recessionary tendencies in the economy, 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;

(2) 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;

(3) 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

May 15, 1957

Amendment to rule for classification of central reserve and reserve cities.

Effective March 1, 1957, the Board amended its rule adopted on December 19, 1947, for the classification of central reserve and reserve cities, so as to provide that the designation of a city as an additional reserve city, because that city qualifies for designation as such under the average-aggregate-deposit standard set forth in paragraph (2) of subsection (b) of the rule, shall not become effective until after one year, or such longer period as the Board may determine, from the date as of which such designation would be effective under paragraph (4) of subsection (b) of the rule in the absence of this amendment.

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

Provisions of the Federal Reserve Act, including particularly Section 11(e), confer upon the Board authority to classify and designate central reserve and reserve cities and to terminate the designation of cities as such. In 1947, after careful consideration of all relevant information, the Board concluded that a logical, fair, and appropriate standard for determining the designation and termination of reserve cities would be one determined by the ratio of interbank demand deposits held by member banks in each city to the aggregate amount of interbank demand deposits held by all member banks of the Federal Reserve System, or by such a ratio considered in connection with the ratio of interbank demand deposits held by member banks in each city to the aggregate amount of all demand deposits held by the member banks in such city. The Board also concluded that such a standard for the designation and termination of reserve cities should be reapplied at three-year intervals. Accordingly, a rule based on these conclusions was adopted effective March 1, 1948.

Pursuant to this rule, the Board gave consideration in December 1956 to the classification of central reserve and reserve cities effective March 1, 1957. It then appeared, among other things, that the city of Miami, Florida, qualified for designation as a reserve city under the prescribed standard, and the Federal Reserve Bank of Atlanta was requested to so advise all member banks located in Miami. At the request of such banks, and in order that full consideration might be given to the Miami situation, the Board on January 22, 1957, decided to defer until not later than June 1, 1957, a decision on the designation of that city as a reserve city.

The Board thereafter gave thorough study to all relevant data and views, including views presented in writing and orally by the member banks in Miami. As the result of this study, the Board on May 15, 1957, concluded that there was justification for giving the member banks in Miami, and in any other city that might be similarly affected in the future, an adequate period in which to make the adjustments required by designation of the city as a reserve city. Accordingly, the Board adopted, effective March 1, 1957, and published in the Federal Register, the amendment to its 1947 rule which is described above. At the same time, pursuant to the amended rule, the city of Miami was designated as a reserve city effective May 15, 1958.[1]

May 15, 1957

Increase in maximum permissible interest rate on loans made pursuant to Regulation V, Loan Guarantees for Defense Production.

Effective immediately, the Board raised from 5 per cent to 6 per cent the maximum permissible rate of interest on V-loans, with no change in the existing maximum commitment fee of ½ of one per cent or in the existing schedule of guarantee fees.

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

Under the provisions of the Defense Production Act of 1950 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 contempla-

[1] Acting pursuant to the 1947 rule, the Board took action, effective March 1, 1957, for the continuance of the classification of all existing reserve cities except Cedar Rapids and Sioux City, Iowa, which ceased to be reserve cities on that date. A full statement on the Board's action is set forth in the March 1957 issue of the *Federal Reserve Bulletin,* p. 276.

tion of, the termination of their defense contracts. The Federal Reserve Banks act as fiscal agents of the guaranteeing agencies in receiving applications and in the making of such contracts of guarantee. The Board's Regulation V, issued pursuant to the aforementioned statutory authority, 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 pursuant to 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.

In view of the higher prevailing structure of interest rates generally, and indications that under the existing 5 per cent maximum rate of interest the net yield to lending institutions on guaranteed loans was not sufficiently high in some cases to make such loans attractive in preference to alternative uses of available funds, thus hampering the effectiveness of the program, the Board and the guaranteeing agencies gave consideration, beginning in 1956, to the possibility of an increase in the maximum permissible rate of interest. The Board had received advice from the Department of Defense that the Secretary of that Department agreed with and concurred in the view that the maximum rate should be increased to 6 per cent, with no change in the schedule of guarantee fees. Advice likewise had been received from the guaranteeing agencies outside the Defense Department that they would regard such an increase favorably. In these circumstances, and in the interest of maintaining the effectiveness of the V-loan program, the Board decided to increase the maximum permissible rate of interest to 6 per cent, effective immediately.

May 20, 1957

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

Effective May 27, 1957, the Board amended Section 4(f)(2) of Regulation T to exempt certain additional types of loans for capital purposes, particularly certain such loans between a member firm or member corporation of a national securities exchange and its corporate affiliate.

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

Section 4(f)(2) of Regulation T has the effect of exempting from the usual margin requirements certain loans made for capital purposes to a member or member firm of a national securities exchange. The principal effect of the minor technical amendment adopted by the Board at this time was to give recognition to the fact that corporations are now permitted to be members of a securities exchange.

May 24, 1957

Increase in maximum rate on advances under Section 13b of the Federal Reserve Act.

Effective May 27, 1957, the Board approved establishment by the Board of Directors of the Federal Reserve Bank of Philadelphia of a maximum rate of 6 per cent (an increase from 5 per cent) on advances direct to industrial or commercial businesses, including advances made in participation with other financing institutions, under Section 13b of the Federal Reserve Act.

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

Pursuant to the policy established by this action, the Board subsequently approved the same maximum rate for the Federal Reserve Bank of Boston, effective June 5, 1957, and for the Federal Reserve Banks of Cleveland and Kansas City, effective June 17, 1957, the increase being from 5½ per cent in each instance. For the Kansas City Bank the Board also approved a minimum rate of 4 per cent, rather than 3½ per cent.

(In accordance with the provisions of the Federal Reserve Act, the Federal Reserve Banks establish, subject to review and determination of the Board of Governors, rates on discounts and advances to member banks at least every 14 days and submit such rates to the Board for consideration. No changes involving new policy had been made in these rates since those referred to on pages 50-52 of the Board's Annual Report for 1956.)

Section 13b of the Federal Reserve Act provides that in exceptional circumstances, when it appears to the satisfaction of a Federal Reserve Bank that an established industrial or commercial business located in its district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, the Federal Reserve

Bank, pursuant to authority granted by the Board of Governors of the Federal Reserve System, may make loans to or purchase obligations of such business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with working capital. No obligation may be acquired or commitment made under this authority with a maturity exceeding five years.

The increase to 6 per cent in the maximum rate for the Reserve Banks named above was approved by the Board of Governors in recognition of the increased prevailing structure of rates generally, including the increased maximum permissible rate of interest on V-loans which was approved by the Board effective May 15, 1957.

August 8, 1957

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

Effective August 9, 1957, the Board approved actions by the boards of directors of the Federal Reserve Banks of Philadelphia, Chicago, Minneapolis, and Kansas City establishing a rate of 3½ per cent (an increase from 3 per cent) on discounts and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

Votes for this action: Messrs. Martin, Balderston, Vardaman, Mills, and Shepardson. Votes against this action: None.

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

Boston	August 13, 1957
Atlanta	August 13, 1957
Dallas	August 13, 1957
San Francisco	August 15, 1957
Richmond	August 19, 1957
St. Louis	August 21, 1957
New York	August 23, 1957
Cleveland	August 23, 1957

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 4 per cent on advances to member banks under Section 10(b) of the Federal Reserve Act, together with increased rates on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 of the Act. In addition, the Board approved, for most of the Banks, increased rates on industrial loans and commitments under Section 13b.

For a period of several months the economy had exhibited in general a sidewise movement at a high level of activity. The index of industrial production, seasonally adjusted, moved within a narrow range just under the peak reached in December 1956, employment had been growing further and was at a very high level, and there was almost full utilization of resources. Prices of goods and services, after showing some tendency to stabilize during the spring of the year, resumed an upward trend during the summer which carried them to new peak levels, an important factor being the persistent increase in wages and other costs of production.

Demands for credit, stimulated by the need for financing a large volume of business plant and equipment expansion, continued to be vigorous, while the rate of bank credit expansion slackened somewhat after midyear due to Federal Reserve policies limiting the availability of reserves and also to a reduction of liquidity resulting from the steady growth of loans relative to deposits. With the upward movement of interest rates, the discount rate of the Federal Reserve Banks, which had stood at 3 per cent since the fall of 1956, fell further behind the rate structure generally. The disparity became even more pronounced in early August when the commercial banks increased from 4 to 4½ per cent the rate charged on loans to prime business borrowers.

The increase in the Federal Reserve Bank discount rates, which brought them into better alignment with money market rates, raised the cost to member banks of operating on borrowed reserves and thus diminished incentive on the part of the member banks to borrow from the Reserve Banks.

November 14, 1957

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

Effective November 15, 1957, the Board approved actions by the boards of directors of the Federal Reserve Banks of New York, Richmond, Atlanta, and St. Louis establishing a rate of 3 per cent (a reduction from 3½ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

Votes for this action: Messrs. Martin, Balderston, Szymczak, and Vardaman. Vote against this action: Mr. Robertson.

(While the Board was in session on November 14 advice was received from the Federal Reserve Bank of New York that the directors of the Bank had fixed a discount rate of 3¼ per cent. The Board voted unanimously to take no action on this rate and the Federal Reserve Bank of New York was so informed. Shortly thereafter the Board was advised that the directors of the New York Bank had fixed a rate of 3 per cent. This rate was approved by the Board with the votes as stated above.)

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

Boston	November 19, 1957
Philadelphia	November 22, 1957
Minneapolis	November 22, 1957
Kansas City	November 22, 1957
Cleveland	November 29, 1957
Chicago	November 29, 1957
San Francisco	November 29, 1957
Dallas	December 2, 1957

Effective the same dates, the Board approved for the respective 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.

By the middle of November available economic information suggested an abatement of inflationary pressures, some change in the economic environment, and a deterioration in the tone of business psychology. While the economy continued to operate at a high level, it seemed clear that the sidewise movement evident during earlier months of 1957 was no longer continuing and that a rather widespread downward adjustment had begun. From a level of 145 for August, the index of industrial production slipped a point in September and in mid-November it appeared from preliminary estimates that the index for October had dropped further. Declines in output were quite general, the rate of business inventory accumulation had slowed down markedly in recent months, and employment had receded from the August peak.

While the demand for long-term funds continued strong, the demand for bank credit eased considerably and bank loans to business decreased during the autumn contrary to the usual seasonal pattern. The greater ease in the money market was reflected in a moderate but steady decline in the yields on Government securities.

The reduction of the discount rate reflected a judgment that the prevailing economic situation, and in particular its financial aspects, indicated a downward trend was developing. The action constituted a public signal of that judgment and, as a stabilizing step, provided a relaxation of the restraint of credit that had prevailed.

Governor Robertson voted against approving the discount rate reduction because in his opinion the prevailing economic situation did not call for an overt act that could be interpreted as a drastic move toward monetary ease. It appeared to him that the downtrends noticeable in the economy might be generally in the nature of readjustments from unsustainable upward movements and that the dangers of continuing inflation remained as great as the dangers of deflation. In such a situation, he felt that an indication of changed monetary policy might encourage the belief that the System would validate all price and wage increases by supplying enough credit base to support the higher levels; he was concerned about the possible effect of such a belief on people administering prices and negotiating wages. He was also apprehensive that a discount rate reduction would create the erroneous impression that the System saw greater danger in current economic movements than it actually considered to exist. This might cause unjustified fears to feed upon themselves and become exaggerated, with unfortunate results. On balance, therefore, he felt that prevailing conditions did not justify the risks involved in reducing the rate at this time.

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 1957 program for the examination of State member banks was practically completed, since only 10 out of 1,773 banks were not examined during the calendar year.

Bank holding companies. Pursuant to the provisions of Section 5 of the Bank Holding Company Act of 1956, the Board extended to January 15, 1957, the time within which bank holding companies were required to register. During 1956 and 1957, 69 bank holding companies registered with the Board; 19 of those organizations have since ceased to be bank holding companies. During 1957, pursuant to Section 3(a)(2) of the Act, the Board approved the acquisition by six bank holding companies of voting shares of seven banks and denied two applications for such acquisitions with respect to two banks. Under Section 4(c)(6) of the Act, the Board, after a hearing, denied a request for a determination that an insurance subsidiary of a bank holding company was so closely related to the banking activities of the holding company system as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act. During the year the Board issued three certifications in accordance with the tax provisions of the Act (Internal Revenue Code, Sections 1101 and 1103). To provide necessary current information, annual reports for the year 1956 were obtained from registered bank holding companies.

During 1957, pursuant to the Banking Act of 1933, the Board authorized the issuance of four voting permits for general purposes and 13 permits for limited purposes to holding company affiliates of member banks. 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 denied one application for such a determination.

Trust powers of national banks. During 1957, 30 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 7 banks which previously had been granted certain trust powers. Trust powers of 30 national banks were terminated by voluntary liquidation, consolidation, merger, or conversion. At the end of 1957, there were 1,715 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 1957 two applications made by member banks for permission to establish branches in foreign countries and overseas areas of the United States. One member bank closed one branch and contemporaneously opened another in London, England, and opened an additional branch in Havana, Cuba (the latter two authorized by the Board in 1956); and also opened an additional branch in Mexico City, Mexico (authorized by the Board in 1955).

At the end of 1957, seven member banks had in active operation a total of 117 branches in 26 foreign countries and overseas areas of the United States. Of the 117 branches, three national banks were operating 91 and four State member banks were operating 26. The branches were distributed geographically as follows:

Latin America	**60**
Argentina	10
Brazil	10
Chile	2
Colombia	4
Cuba	21
Mexico	3
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	**117**

There were in operation at the beginning of 1957 four banking 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. Three of these "agreement" corporations were examined in 1957 by examiners for the Board of Governors. During the year, one of these corporations converted into a foreign banking corporation organized and operating under the provisions of Section 25(a) of the Federal Reserve Act. Of the three corporations now in operation, one operates a branch in France; one has an English fiduciary affiliate; and one has a branch in England, owns all the stock of a bank organized under the laws of, and operating in, Liberia, and operates two agencies at the New York International Airport (the second agency having been authorized by the Board and opened in 1957).

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. Of these corporations, during 1957 the Board granted permission to one to be a Financing Corporation subject to the provisions of Regulation K as revised effective January 15, 1957 and approved the organization of a new Section 25(a) corporation for the purpose of acquiring substantially all the assets and substantially all the liabilities of another such corporation which was placed in liquidation. As indicated above, in December 1957, one State chartered corporation operating under agreement with the Board converted into a new Section 25(a) corporation with the permission of the Board of Governors. The home offices of these four corporations, two of which are regarded as "Banking Corporations" and two as "Financing Corporations," are located in New York City. Three were examined during the year by examiners for the Board of Governors. Two such institutions have no subsidiaries or foreign branches; one has a branch in France and an English fiduciary affiliate; and one operates branches in Germany, France, Singapore, Lebanon, and Guatemala (authorized by the Board in 1956 and opened in 1957) and owns substantially all of the stock of a bank organized under the laws of, and operating in, Italy.

Inter-Agency Bank Examination School. During 1957, four sessions of the School for Assistant Examiners and two sessions 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 839 men, representing the three Federal bank supervisory agencies, the State Banking Departments of California, Connecticut, Indiana, Louisiana, Maine, Michigan, Mississippi, Montana, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, and Virginia, the Treasury Department of the Commonwealth of Puerto Rico, and one foreign country.

Federal Reserve membership. Member banks account for 47 per cent of the number, and hold approximately 85 per cent of the deposits of all commercial banks in the United States. The 6,393 member banks of the Federal Reserve System at the end of 1957 included 4,620 national and 1,773 State member banks, reflecting net declines of 31 and 38, respectively, from the previous year-end.

The total number of member bank offices increased, however, as a result of both the conversion of merged banks into branches and the establishment of de novo branches. At the end of the year member banks were operating 6,166 branches, 484 more than at the close of 1956.

The continued decline in the number of member banks was largely due to consolidations and mergers. Other reductions included 13 State member banks that withdrew from membership and 3 national banks that converted into nonmember banks. The decrease was partly offset by 20 newly established national banks, 3 newly established State members, the admission of 7 nonmember banks to membership, and the conversion of two nonmember banks into national banks.

State member banks accounted for 20 per cent of the number, 30 per cent of the banking offices, and about 67 per cent of the deposits of all State commercial banks.

Detailed figures on banking structure changes for the year 1957 are shown in Table 18 on page 105.

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. In the making of guarantees, the Federal Reserve Banks are authorized to act, on behalf of the guaranteeing agencies, as fiscal agents of the United States, subject to the supervision of the Board of Governors of the Federal Reserve System; and the Board is authorized, after consultation with the guaranteeing agencies, to prescribe rates and fees and forms and procedures.

During 1957, the guaranteeing agencies authorized the issuance of 35 guarantee agreements amounting to $151 million. On December 31, 1957, guarantee agreements outstanding covered credits totaling $530 million of which amount $395 million represented actual loans outstanding and $135 million was available to borrowers under guarantee agreements in force. Of the actual loans outstanding, 76 per cent on the average was guaranteed. This compares with total guarantee agreements outstanding December 31, 1956 of $514 million. During the year, approximately $1,085 million was advanced on V-loans, most of which are revolving credits.

From the beginning of the program in September 1950 through December 31, 1957, 1,503 V-loans totaling $2,912 million were authorized by the procurement agencies which may guarantee such loans under the Defense Production Act of 1950. Of the total loans authorized, 56 per cent of the number and 6 per cent of the amount were 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 loans authorized 42 per cent of the number and 8 per cent of the amount were to borrowers having assets of less than $500,000; 58 per cent of the number and 12 per cent of the amount were to borrowers having assets of less than $1 million.

Seventy-two 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.

In May 1957, the Board of Governors, after consultation with the guaranteeing agencies, authorized an increase from 5 per cent to 6 per cent in the maximum permissible rate of interest a lending bank may charge a borrower.

Volume of operations. Table 5 on page 91 shows the volume of operations in the principal departments of the Federal Reserve Banks for the years 1953-57. In general, activities were somewhat greater in 1957 than in 1956. All-time peaks were reached in the number and amount of currency and coin received and counted, checks handled, and transfers of funds.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1957 are shown in detail in Table 6 on pages 92-93, and a condensed historical statement is shown in Table 7 on pages 94-95. The table on page 77 summarizes the earnings and expenses and the distribution of net earnings for 1957 and 1956.

Current earnings of $763 million in 1957 were 28 per cent more than in 1956, reflecting mainly a higher average rate of interest on United States Government securities which more than offset a slight decline in average holdings. Earnings of $27 million from discounts and advances also were somewhat 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 $131 million were about 9 per cent above 1956. Current net earnings amounted to $632 million, an increase of 33 per cent from 1956.

After allowing for profit and loss additions and deductions from current net earnings, net earnings before payments to the United States Treasury amounted to $624 million, an increase of 32 per cent over 1956.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1957 AND 1956

[In thousands of dollars]

Item	1957	1956
Current earnings	763,348	595,649
Current expenses	131,814	121,182
Current net earnings	631,534	474,467
Additions to current net earnings[1]	1,580	359
Deductions from current net earnings	[2] 8,721	383
Net deductions	7,141	24
Net earnings before payments to U. S. Treasury	624,393	474,443
Paid U. S. Treasury (interest on F. R. notes)	542,708	401,555
Dividends paid	20,081	18,905
Transferred to surplus (Sec. 7)	61,604	53,983

[1] Includes net profits of $167,000 in 1957 and $268,000 in 1956 on sales of U. S. Government securities.

[2] Includes a payment of $8,335,000 to Federal Reserve retirement system representing adjustment for revised benefits.

Statutory dividends to member banks amounted to $20 million, a rise of about $1 million over 1956 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 $543 million in 1957. This was 90 per cent of net earnings after dividends and allowance for building up surplus to 100 per cent of subscribed capital where Section 7 surplus was below that amount. This allowance is consistent with the provisions of the franchise tax when it was in effect; for 1957 the allowance for bringing surplus up to subscribed capital was $1,303,000 for one Bank, and for 1956 the total was $9,366,000 for four 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 $2,993 million.

Net earnings of $61 million 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 1957 amounted to $24,222 million, $341 million less than during 1956; holdings of discounts and advances increased $17 million and holdings of United States Government securities decreased $362 million. The average rate of interest earned on discounts and advances rose from 2.76 to 3.15 per cent, reflecting an increase in the discount rate to 3½ per cent for a portion of the year; and the average rate on Government securities rose from 2.41 to 3.15 per cent. 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, 1955–57

[Dollar amounts in thousands]

Item and year	Total	Discounts and advances	Industrial loans	Acceptances	U. S. Government securities
Average daily holdings:[1]					
1955	$24,570,401	$666,152	$607	$12,422	$23,891,220
1956	24,563,390	833,297	837	20,662	23,708,594
1957	24,222,331	850,097	686	25,142	23,346,406
Earnings:					
1955	412,303	13,085	24	216	398,978
1956	595,396	23,025	36	547	571,788
1957	763,041	26,792	30	848	735,371
Average rate of interest (per cent):					
1955	1.68	1.96	3.99	1.74	1.67
1956	2.42	2.76	4.26	2.65	2.41
1957	3.15	3.15	4.37	3.37	3.15

[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 rose $65 million in 1957, almost the same as the increase for 1956. At the end of the year holdings amounted to $9,926 million, consisting of $5,488 million of earmarked gold, $3,729 million of United States Government securities (largely Treasury bills), $356 million in dollar deposits, $76 million of bankers' acceptances purchased through Federal Reserve Banks, and $277 million of miscellaneous assets. The latter item includes mainly dollar bonds issued by foreign countries and international institutions.

The aggregate gold and dollar assets held for the International Bank for Reconstruction and Development, the International Finance Corporation, and the International Monetary Fund declined $670 million in 1957, reflecting principally drawings on the Fund by member countries.

Accounts were opened for three central banks, two in Asia and one in Latin America.

Loans on gold were again of relatively minor importance. A loan of $25 million outstanding at the beginning of 1957 was repaid by June. New credit arrangements amounted to a total of $16.5 million, of which $5 million was outstanding at the end of the year. Loans on gold are ordinarily made to foreign monetary authorities to assist them in meeting their dollar requirements for temporary needs.

The Federal Reserve Bank of New York, as depositary and fiscal agent, continued to perform various services for the international institutions mentioned above. As fiscal agent of the United States, the Bank continued to operate the United States Exchange Stabilization Fund pursuant to authorization and instructions of the Treasury Department. Also on behalf of the Treasury Department it continued the administration of foreign assets control regulations pertaining to assets in the United States of, and transactions with, Communist China and North Korea and their nationals, and regulations involving certain assets of the Egyptian Government and the Suez Canal Company.

Retirement System. During the year a number of important changes were made in the Retirement System of the Federal Reserve Banks. The provisions of the Retirement System had been under study for many months. Initially Industrial Relations Counselors Service, Inc., of New York was engaged by the Federal Reserve System to examine and evaluate the Retirement System in the light of other retirement programs in the cities where Federal Reserve Banks and Branches are located. On the basis of this study and a review by a special subcommittee of the Conference of Presidents, recommendations of this latter group were put into effect, after approval by the Board, on September 1, 1957.

The principal changes resulted in an over-all increase in total retirement benefit allowances of about 25 per cent and provided a somewhat more liberal disability pension. The accrued liability for these benefits resulted in an 8.3 million dollar expenditure by the Federal Reserve Banks.

Bank premises. During the year the Board authorized the construction of a new building for the Salt Lake City Branch, and the construction of an addition to and alteration of the Federal Reserve Bank building in Chicago. The Chicago construction program is planned to extend over several years.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The accounts of the Board for the year 1957 were audited by the public accounting firm of Price Waterhouse & Co., whose certificate follows:

To the Board of Governors
of the Federal Reserve System

In our opinion the accompanying financial statements present fairly the assets, liabilities and fund balances of the operating fund and the property and equipment fund of the Board of Governors of the Federal Reserve System as at December 31, 1957, and the related assessments and expenditures for the year then ended, in conformity with generally accepted accounting principles. Our examination of the financial statements 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.

Price Waterhouse & Co.

Washington, D. C.,
February 12, 1958.

ASSETS, LIABILITIES AND FUND BALANCES
DECEMBER 31, 1957

ASSETS

Cash, exclusive of $149,399 representing withheld taxes		$ 456,975
Miscellaneous receivables and travel advances		91,898
Stockroom and cafeteria inventories, at cost		21,192
Total assets of operating fund		570,065
Property and equipment, at cost:		
Land and improvements		792,852
Building		3,831,976
Furniture and equipment		524,747
Total assets of property and equipment fund		5,149,575
Total assets		$5,719,640

LIABILITIES AND FUND BALANCES

Accounts payable and accrued expenses		$ 240,562
Fund balances:		
Operating fund—December 31, 1956	$299,578	
Excess of assessments over expenditures for the year	29,925	
Operating fund—December 31, 1957		329,503
Property and equipment fund, including 1957 additions of $29,603 (Note)		5,149,575
Total liabilities and fund balances		$5,719,640

NOTE—During 1957 the Board concluded that it was not necessary or meaningful to account for depreciation of furniture and equipment in its case and it therefore decided to discontinue the practice. The accumulated allowance for depreciation of $331,453 was restored to the property and equipment fund.

Assessments and Expenditures For the Year Ended December 31, 1957

Assessments Levied on Federal Reserve Banks:		
For Board expenses and purchases of property and equipment		$ 7,507,900
For expenditures made on behalf of the Federal Reserve Banks		5,363,711
Total assessments		$12,871,611
Expenditures:		
Printing, issue and redemption of Federal Reserve Notes paid on behalf of the Federal Reserve Banks		$ 5,363,711
Expenses of the Board:		
Salaries	$3,541,885	
Retirement and insurance contributions:		
Special payment for increased benefits—prior years	2,233,178	
Contributions for current year	356,506	
Traveling expenses	310,966	
Postage and expressage	55,901	
Telephone and telegraph	81,976	
Printing and binding, net	210,305	
Stationery and supplies	38,181	
Equipment and other rentals	29,319	
Books and subscriptions	15,382	
Heat, light and power	46,678	
Repairs, maintenance and alterations	16,075	
Insurance	5,631	
Operation of cafeteria, net	44,222	
Miscellaneous, net	16,790	
Professional and contractual services:		
Legal, consultant and audit fees and expenses	204,252	
Consumer Finances Surveys	160,724	
Small Business Financing Study	30,200	
Retail Trade Survey	25,000	
Other	25,201	7,448,372
Furniture and equipment purchases		29,603
Total expenditures		$12,841,686
Excess of assessments over expenditures for the year		$ 29,925

The Board's expenses in 1957 include survey costs of $30,200 and other costs of $3,331, a total of $33,531, incurred on the Small Business Financing Study, which was undertaken during the year by the Federal Reserve System to provide information for the use of Congress in its 1958 session, and also to initiate a longer run survey of the financial structure and experience of small business as viewed by the businessmen themselves. Also included are expenditures of $2,369.25 contributed by the Board of Governors for three luncheons at meetings of Treasury Department Savings Bond Program voluntary workers and costs of $20,521 for emergency planning programs under Defense Mobilization Order No. 1-20.

TABLES

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1957

[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		7,926,837		
Federal Reserve Agents' Fund		10,473,000	**21,215,392**	
Redemption fund for Federal Reserve notes			**869,249**	
Total gold certificate reserves				**22,084,641**
Federal Reserve notes of other Federal Reserve Banks				**443,288**
Other cash:				
United States notes			28,055	
Silver certificates			251,281	
Standard silver dollars			6,383	
National bank notes and Federal Reserve Bank notes			1,272	
Subsidiary silver, nickels, and cents			51,631	
Total other cash				**338,622**
Discounts and advances secured by U. S. Govt. securities:				
Discounted for member banks		50,364		
Discounted for others		....	50,364	
Other discounts and advances:				
Discounted for member banks		....		
Foreign loans on gold		5,000	5,000	
Total discounts and advances			**55,364**	
Industrial loans			**482**	
Acceptances:				
Bought outright			**42,337**	
Held under repurchase agreement			**23,351**	
U. S. Government securities:				
Bought outright—				
Bills	**983,573**			
Certificates	**19,933,612**			
Notes	....			
Bonds	**2,801,750**			
Total bought outright		**23,718,935**		
Held under repurchase agreement		**519,350**		
Total U. S. Government securities			**24,238,285**	
Total loans and securities				**24,359,819**
Due from foreign banks				**15**
Uncollected cash items:				
Transit items			5,055,147	
Exchanges for clearing house			228,679	
Other cash items			210,909	
Total uncollected cash items				**5,494,735**
Bank premises:				
Land			20,164	
Buildings (including vaults)		88,123		
Fixed machinery and equipment		34,193		
Total buildings		122,316		
Less depreciation allowances		58,717	63,599	
Total bank premises:				**83,763**
Other assets:				
Miscellaneous assets acquired account industrial loans		25		
Less valuation allowances		25		
Net			....	
Reimbursable expenses and other items receivable			3,689	
Interest accrued			212,263	
Premium on securities			1,553	
Deferred charges			1,742	
Real estate acquired for banking house purposes			3,154	
Suspense account			556	
All other			627	
Total other assets				**223,584**
Total assets				**53,028,467**

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

LIABILITIES

Federal Reserve notes:			
Outstanding (issued to Federal Reserve Banks)		28,643,286	
Less: Held by issuing Federal Reserve Banks	1,010,898		
Forwarded for redemption	97,597	1,108,495	
Federal Reserve notes, net (includes notes held by U. S. Treasury and by Federal Reserve Banks other than issuing Bank)			**27,534,791**
Deposits:			
Member bank reserves		**19,033,795**	
U. S. Treasurer—general account		**480,810**	
Foreign		**356,342**	
Other deposits:			
Nonmember bank—clearing accounts	75,101		
Officers' and certified checks	8,585		
Federal Reserve exchange drafts	328		
Reserves of corporations doing foreign banking or financing	21,765		
International organizations[1]	38,356		
All other	102,149		
Total other deposits		**246,284**	
Total deposits			**20,117,231**
Deferred availability cash items			**4,070,844**
Other liabilities:			
Accrued dividends unpaid		....	
Unearned discount		149	
Discount on securities		9,893	
Sundry items payable		4,555	
Suspense account		96	
All other		255	
Total other liabilities			**14,948**
Total liabilities			**51,737,814**

CAPITAL ACCOUNTS

Capital paid in			**345,106**
Surplus (Sec. 7)			**809,198**
Surplus (Sec. 13b)			**27,543**
Other capital accounts:			
Reserves for contingencies:			
Reserves for registered mail losses		10,806	
All other		98,000	
Total other capital accounts[2]			**108,806**
Total liabilities and capital accounts			**53,028,467**
Contingent liability on acceptances purchased for foreign correspondents			**76,114**
Industrial loan commitments			**1,109**

[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 December 31; see Table No. 6 on pp. 92–93.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1957 AND 1956

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956
ASSETS												
Gold certificate account	21,215,392	20,374,393	1,010,595	871,773	5,522,298	5,402,485	1,182,730	1,051,273	1,943,736	1,934,799	1,347,887	1,315,476
Redemption fund for Federal Reserve notes	869,249	894,951	56,043	57,026	182,497	198,738	60,901	63,053	79,558	77,869	73,569	71,140
Total gold certificate reserves	22,084,641	21,269,344	1,066,638	928,799	5,704,795	5,601,223	1,243,631	1,114,326	2,023,294	2,012,668	1,421,456	1,386,616
Federal Reserve notes of other Banks	443,288	350,598	31,701	29,465	95,949	53,311	38,556	35,132	28,480	19,697	45,902	31,349
Other cash	338,622	306,196	19,863	22,291	66,417	61,624	15,056	13,116	22,701	21,212	25,618	18,749
Discounts and advances:												
Secured by U. S. Govt. securities	50,364	25,027	450	325	3,290	1,400	5,140	6,175	3,750	1,250	4,010	3,250
Other	5,000	25,000	290	1,475	1,405	7,150	350	1,800	450	2,275	255	1,275
Industrial loans	482	794	285	312			173	440				
Acceptances:												
Bought outright	42,337	33,541			42,337	33,541						
Held under repurchase agreement	23,351	35,222			23,351	35,222						
U. S. Government securities:												
Bought outright	23,718,935	24,609,632	1,293,773	1,352,693	5,931,655	6,193,703	1,384,545	1,478,817	2,083,424	2,128,561	1,515,474	1,515,191
Held under repurchase agreement	519,350	305,100			519,350	305,100						
Total loans and securities	24,359,819	25,034,316	1,294,798	1,354,805	6,521,388	6,576,116	1,390,208	1,487,232	2,087,624	2,132,086	1,519,739	1,519,716
Due from foreign banks	15	22	1	1	[1] 4	[1] 6	1	2	1	2	1	1
Uncollected cash items	5,494,735	5,623,921	467,096	525,927	1,173,568	1,039,318	345,425	405,812	490,271	540,172	421,538	417,564
Bank premises	83,763	73,361	5,010	5,361	10,664	9,397	4,514	4,782	9,678	7,805	6,996	7,220
Other assets	223,584	252,054	11,971	13,445	55,349	62,069	12,740	14,884	19,340	21,489	14,058	15,336
Total assets	53,028,467	52,909,812	2,897,078	2,880,094	13,628,134	13,403,064	3,050,131	3,075,286	4,681,389	4,755,131	3,455,308	3,396,551

[1] After deducting $11,000 participations of other Federal Reserve Banks on Dec. 31, 1957, and $16,000 on Dec. 31, 1956.

LIABILITIES												
Federal Reserve notes	27,534,791	27,475,657	1,638,156	1,623,169	6,500,863	6,414,299	1,738,756	1,756,490	2,624,653	2,592,654	2,188,221	2,181,224
Deposits:												
Member bank reserves	19,033,795	19,058,790	777,422	778,900	5,716,993	5,540,767	874,741	859,677	1,486,691	1,470,223	801,083	814,961
U. S. Treasurer—general account	480,810	441,243	38,077	33,984	68,734	56,548	30,221	27,841	45,778	31,313	47,161	28,484
Foreign	356,342	322,294	19,778	17,464	[2] 111,163	[2] 110,925	23,870	21,312	30,690	26,936	17,391	15,096
Other	246,284	426,325	3,106	6,197	150,963	269,748	12,954	16,865	5,483	10,971	5,156	8,820
Total deposits	20,117,231	20,248,652	838,383	836,545	6,047,853	5,977,988	941,786	925,695	1,568,642	1,539,443	870,791	867,361
Deferred availability cash items	4,070,844	3,959,006	344,347	348,117	717,766	672,671	279,334	306,868	371,626	513,240	327,773	283,634
Other liabilities	14,948	17,279	549	662	5,367	6,060	623	800	1,484	1,454	587	970
Total liabilities	51,737,814	51,700,594	2,821,435	2,808,493	13,271,849	13,071,018	2,960,499	2,989,853	4,566,405	4,646,791	3,387,372	3,333,189
CAPITAL ACCOUNTS												
Capital paid in	345,106	325,602	17,742	16,801	102,215	93,991	21,192	20,629	32,514	31,046	15,695	14,817
Surplus (Sec. 7)	809,198	747,593	47,013	43,948	223,963	208,002	55,923	52,301	71,550	66,393	41,236	37,594
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	108,806	108,480	7,877	7,841	22,788	22,734	8,028	8,014	9,914	9,895	7,656	7,602
Total liabilities and capital accounts	53,028,467	52,909,812	2,897,078	2,880,094	13,628,134	13,403,064	3,050,131	3,075,286	4,681,389	4,755,131	3,455,308	3,396,551
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	46.3%	44.6%	43.1%	37.8%	45.5%	45.2%	46.4%	41.5%	48.3%	48.7%	46.5%	45.5%
Contingent liability on acceptances purchased for foreign correspondents	76,114	50,055	4,414	2,938	[3] 21,398	[3] 14,498	5,327	3,586	6,849	4,532	3,881	2,540
Industrial loan commitments	1,109	2,365	....	....	....	....	26	15	77	121	....	....
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	28,643,286	28,532,527	1,702,333	1,676,884	6,795,945	6,655,515	1,800,791	1,855,738	2,700,128	2,665,145	2,266,546	2,251,832
Held by Federal Reserve Bank and forwarded for redemption	1,108,495	1,056,870	64,177	53,715	295,082	241,216	62,035	99,248	75,475	72,491	78,325	70,608
Federal Reserve notes, net[4]	27,534,791	27,475,657	1,638,156	1,623,169	6,500,863	6,414,299	1,738,756	1,756,490	2,624,653	2,592,654	2,188,221	2,181,224
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account	12,273,000	11,618,000	700,000	580,000	3,270,000	2,870,000	640,000	660,000	1,130,000	1,130,000	945,000	945,000
Eligible paper	12,299	7,722	....	....	....	....	5,140	6,175	....	....	....	....
U. S. Government securities	17,165,000	17,605,000	1,150,000	1,200,000	3,600,000	3,900,000	1,200,000	1,200,000	1,600,000	1,550,000	1,350,000	1,350,000
Total collateral	29,450,299	29,230,722	1,850,000	1,780,000	6,870,000	6,770,000	1,845,140	1,866,175	2,730,000	2,680,000	2,295,000	2,295,000

[2] After deducting $245,179,000 participations of other Federal Reserve Banks on Dec. 31, 1957, and $211,344,000 on Dec. 31, 1956.
[3] After deducting $54,716,000 participations of other Federal Reserve Banks on Dec. 31, 1957, and $35,557,000 on Dec. 31, 1956.
[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 1957 AND 1956—Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956
ASSETS														
Gold certificate account	830,921	832,066	3,805,144	3,606,373	908,740	821,262	390,876	351,393	843,470	798,610	808,001	727,344	2,620,994	2,661,539
Redemption fund for Federal Reserve notes	48,919	51,173	157,090	161,000	43,349	43,812	22,171	22,952	41,597	41,614	28,495	26,197	75,060	80,377
Total gold certificate reserves	879,840	883,239	3,962,234	3,767,373	952,089	865,074	413,047	374,345	885,067	840,224	836,496	753,541	2,696,054	2,741,916
Federal Reserve notes of other Banks	56,404	54,054	37,731	29,609	17,588	13,676	23,008	14,377	10,162	9,327	21,148	28,288	36,659	32,313
Other cash	24,744	23,034	56,959	48,569	25,649	23,357	8,359	9,319	12,492	12,462	12,829	14,956	47,935	37,507
Discounts and advances:														
Secured by U. S. Govt. securities	3,050	1,850	8,750	5,500	250	150	....	3,530	6,909	1,397	14,565	....	200	200
Other	225	1,100	710	3,500	185	950	120	625	190	950	260	1,275	560	2,625
Industrial loans	....	....	....	....	....	....	24	42	....	....	....	....	....	....
Acceptances:														
Bought outright	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U. S. Government securities:														
Bought outright	1,228,570	1,265,403	4,140,164	4,293,692	980,896	1,027,452	511,855	555,858	1,018,325	1,066,335	929,521	978,085	2,700,733	2,753,842
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,231,845	1,268,353	4,149,624	4,302,692	981,331	1,028,552	511,999	560,055	1,025,424	1,068,682	944,346	979,360	2,701,493	2,756,667
Due from foreign banks	1	1	2	3	1	1	[5]	1	1	1	1	1	1	2
Uncollected cash items	466,237	411,223	887,537	951,921	188,651	208,733	136,191	135,945	238,904	254,312	223,368	250,706	455,949	482,288
Bank premises	6,497	4,687	6,823	5,882	6,138	4,443	5,307	4,719	4,903	4,346	6,260	3,970	10,973	10,749
Other assets	11,657	13,382	40,656	45,720	9,041	10,354	4,779	5,686	9,493	10,820	9,345	10,584	25,155	28,285
Total assets	2,677,225	2,657,973	9,141,566	9,151,769	2,180,488	2,154,190	1,102,690	1,104,447	2,186,446	2,200,174	2,053,793	2,041,406	5,974,219	6,089,727

[5] Less than $500.

LIABILITIES														
Federal Reserve notes	1,305,420	1,371,607	5,334,243	5,273,439	1,226,564	1,211,029	494,826	498,236	1,077,385	1,075,190	748,184	726,041	2,657,520	2,752,279
Deposits:														
Member bank reserves	851,881	905,111	2,905,986	3,063,567	699,440	699,664	433,491	398,117	804,111	860,424	996,223	1,013,277	2,685,733	2,654,102
U. S. Treasurer—general account	41,231	24,258	62,021	69,236	25,982	31,063	18,515	22,652	41,690	37,771	30,868	39,654	30,532	38,439
Foreign	15,345	13,024	48,422	41,440	12,617	11,248	8,184	7,400	12,958	11,248	17,732	15,096	38,192	31,105
Other	3,974	7,233	10,423	22,804	2,560	7,248	1,336	3,835	3,436	6,157	2,167	6,884	44,726	59,563
Total deposits	912,431	949,626	3,026,852	3,197,047	740,599	749,223	461,526	432,004	862,195	915,600	1,046,990	1,074,911	2,799,183	2,783,209
Deferred availability cash items	398,917	280,190	594,080	507,453	163,043	146,317	113,263	142,597	195,229	161,017	190,958	177,690	374,508	419,212
Other liabilities	492	684	2,475	3,196	439	540	628	595	480	534	572	440	1,252	1,344
Total liabilities	2,617,260	2,602,107	8,957,650	8,981,135	2,130,645	2,107,109	1,070,243	1,073,432	2,135,289	2,152,341	1,986,704	1,979,082	5,832,463	5,956,044
CAPITAL ACCOUNTS														
Capital paid in	16,562	15,493	46,570	44,408	11,577	11,084	7,426	7,182	13,781	13,025	19,405	18,019	40,427	39,107
Surplus (Sec. 7)	36,192	33,179	121,504	110,421	31,586	29,331	19,697	18,520	30,533	27,983	40,871	37,508	89,130	82,413
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	6,449	6,432	14,413	14,376	6,159	6,145	4,251	4,240	5,706	5,688	5,506	5,490	10,059	10,023
Total liabilities and capital accounts	2,677,225	2,657,973	9,141,566	9,151,769	2,180,488	2,154,190	1,102,690	1,104,447	2,186,446	2,200,174	2,053,793	2,041,406	5,974,219	6,089,727
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	39.7%	38.1%	47.4%	44.5%	48.4%	44.1%	43.2%	40.2%	45.6%	42.2%	46.6%	41.8%	49.4%	49.5%
Contingent liability on acceptances purchased for foreign correspondents	3,425	2,191	10,806	6,972	2,816	1,892	1,826	1,245	2,892	1,892	3,957	2,540	8,523	5,229
Industrial loan commitments	....	....	66	101	....	....	....	....	940	2,128	....	....	....	....
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	1,374,708	1,437,728	5,472,919	5,404,795	1,280,689	1,265,818	534,419	552,463	1,109,605	1,106,161	792,868	771,479	2,812,335	2,888,969
Held by Federal Reserve Bank and forwarded for redemption	69,288	66,121	138,676	131,356	54,125	54,789	39,593	54,227	32,220	30,971	44,684	45,438	154,815	136,690
Federal Reserve notes, net [4]	1,305,420	1,371,607	5,334,243	5,273,439	1,226,564	1,211,029	494,826	498,236	1,077,385	1,075,190	748,184	726,041	2,657,520	2,752,279
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	425,000	450,000	2,500,000	2,300,000	450,000	450,000	130,000	150,000	300,000	300,000	283,000	283,000	1,500,000	1,500,000
Eligible paper	....	....	....	....	250	150	....	....	6,909	1,397	....	....	....	....
U. S. Government securities	1,000,000	1,000,000	3,100,000	3,200,000	895,000	900,000	425,000	460,000	820,000	820,000	525,000	525,000	1,500,000	1,500,000
Total collateral	1,425,000	1,450,000	5,600,000	5,500,000	1,345,250	1,350,150	555,000	610,000	1,126,909	1,121,397	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 1955, 1956, AND 1957

[In thousands of dollars]

Type of issue	Rate of interest (per cent)	December 31			Change during	
		1957	1956	1955	1957	1956
Treasury bonds:						
1956–58	2½	21,793	12,493	12,493	+9,300	...
1958 June	2⅜	12,000	...	...	+12,000	...
1958 Dec.	2½	4,250	...	...	+4,250	...
1957–59	2⅜	339,096	339,096	339,096	...	...
1956–59	2¼	21,690	21,690	21,690	...	...
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	...	...
1969 Oct.	4	...	...	...	...	...
1974 Nov.	3⅞	...	...	...	...	...
1978–83	3¼	...	...	...	...	...
1995 Feb.	3	...	...	...	...	...
Total Treasury bonds	...	2,827,300	2,801,750	2,801,750	+25,550	...
Treasury notes:						
Mar. 15, 1956–A	1⅝	...	...	4,066,900	...	−4,066,900
Apr. 1, 1956–EA	1½	...	...	1,000,000	...	−1,000,000
Aug. 15, 1956–B	2	...	...	7,451,415	...	−7,451,415
Oct. 1, 1956–EO	1½	...	...	500,000	...	−500,000
Mar. 15, 1957–A	2⅞	...	8,000	26,600	−8,000	−18,600
Apr. 1, 1957–EA	1½	...	500,000	500,000	−500,000	...
May 15, 1957–B	1⅝	...	29,000	...	−29,000	+29,000
Aug. 1, 1957–D	2¾	...	7,945,065	...	−7,945,065	+7,945,065
Aug. 15, 1957–C	2	...	23,400	...	−23,400	+23,400
Oct. 1, 1957–EO	1½	...	713,848	713,848	−713,848	...
Apr. 1, 1958–EA	1½	9,000	...	...	+9,000	...
June 1, 1958–A	2⅞	55,500	...	...	+55,500	...
Oct. 1, 1958–EO	1½	...	...	...	...	...
Feb. 15, 1959–A	1⅞	22,500	...	...	+22,500	...
Apr. 1, 1959–EA	1½	...	...	...	...	...
Oct. 1, 1959–EO	1½	...	...	...	...	...
Apr. 1, 1960–EA	1½	...	...	...	...	...
May 15, 1960–A	3½	...	...	...	...	...
Oct. 1, 1960–EO	1½	...	...	...	...	...
Apr. 1, 1961–EA	1½	...	...	...	...	...
Aug. 1, 1961–A	4	...	...	...	...	...
Oct. 1, 1961–EO	1½	...	...	...	...	...
Feb. 15, 1962–A	3⅝	...	...	...	...	...
Apr. 1, 1962–EA	1½	...	...	...	...	...
Aug. 15, 1962–B	4	...	...	...	...	...
Oct. 1, 1962–EO	1½	...	...	...	...	...
Nov. 15, 1962–C	3¾	...	...	...	...	...
Total Treasury notes	...	87,000	9,219,313	14,258,763	−9,132,313	−5,039,450
Certificates	2	...	...	12,700	...	−12,700
	2¼	...	...	26,200	...	−26,200
	2⅝	...	5,025,500	5,962,899	−5,025,500	−937,399
	2¾	...	6,500	...	−6,500	+6,500
	3¼	...	5,943,499	...	−5,943,499	+5,943,499
	3⅜	5,599,100	...	...	+5,599,100	...
	3½	18,600	...	...	+18,600	...
	3¾	7,872,065	...	...	+7,872,065	...
	4	6,614,547	...	...	+6,614,547	...
Total certificates	...	20,104,312	10,975,499	6,001,799	+9,128,813	+4,973,700
Treasury bills	...	1,219,673	1,918,170	1,722,321	−698,497	+195,849
Total holdings	...	24,238,285	24,914,732	24,784,633	−676,447	+130 099

[1] Partly tax-exempt.

NO. 4—FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953–57[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	1956	no transactions
*7	196	19	992	20	323	1957	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, 1953–57

[Number in thousands; amounts in thousands of dollars]

	1957	1956	1955	1954	1953
NUMBER OF PIECES HANDLED[1]					
Discounts and advances:[2]					
Notes discounted and advances made	25	23	21	10	20
Currency received and counted	4,631,676	4,466,739	4,282,562	4,384,270	4,405,255
Coin received and counted[3]	9,089,460	8,610,821	8,430,796	8,382,024	7,856,216
Checks handled:					
U. S. Govt. checks	469,158	539,359	503,516	481,408	458,607
Postal money orders	324,161	342,313	347,351	354,368	366,807
All other[4]	2,974,940	2,822,589	2,643,549	2,512,985	2,414,150
Collection items handled:					
U. S. Govt. coupons paid	12,546	11,997	12,301	12,753	13,703
All other	19,308	17,813	16,368	15,443	14,360
Issues, redemptions, and exchanges of U. S. Govt. securities	207,246	198,519	191,922	191,112	177,596
Transfers of funds	2,302	2,123	1,960	1,808	1,718
AMOUNTS HANDLED					
Discounts and advances[2]	114,469,820	109,665,475	88,436,422	22,871,449	93,438,640
Currency received and counted	29,926,319	29,104,496	27,461,048	28,482,428	29,514,663
Coin received and counted[3]	922,742	887,418	862,022	810,278	775,029
Checks handled:					
U. S. Govt. checks	102,062,972	114,173,132	123,215,681	141,037,495	140,739,438
Postal money orders	5,796,279	5,941,097	5,814,754	5,943,178	6,091,173
All other[4]	1,044,553,457	1,003,202,371	927,648,399	845,365,275	850,673,084
Collection items handled:					
U. S. Govt. coupons paid	3,032,805	2,563,075	2,595,305	2,209,045	2,270,606
All other	5,758,976	5,495,317	5,354,604	5,085,695	4,615,970
Issues, redemptions, and exchanges of U. S. Govt. securities	493,391,267	421,612,394	429,701,960	469,247,400	381,877,330
Transfers of funds	1,345,185,037	1,233,509,550	1,091,608,891	1,038,100,606	876,838,475

[1] Two or more checks, coupons, etc., handled as a single item are counted as one "piece."
[2] Exclusive of industrial loans. [3] Data for 1953–56 revised.
[4] Revised to exclude checks drawn on the Federal Reserve Banks.

NO.6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1957

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	$26,791,945	$1,228,807	$6,735,194	$2,141,016	$2,365,599	$1,180,778	$1,902,719	$5,656,908	$570,184	$1,228,440	$1,854,824	$791,239	$1,136,237
Industrial loans	30,091	14,770	....	13,703	....	....	....	....	....	1,618	....	....	....
Commitments to make industrial loans	9,854	....	....	92	645	....	....	422	....	....	8,695	....	....
Acceptances	848,296	....	848,296	....	....	....	....	....	....	....	....	....	....
U.S. Government securities	735,371,329	40,016,934	186,431,449	43,035,887	64,104,414	46,405,111	37,870,750	127,819,903	30,352,291	15,971,951	31,508,276	28,792,667	83,061,696
All other	296,015	17,981	55,130	17,242	23,933	14,483	31,337	53,047	11,151	14,520	27,290	13,842	16,059
Total current earnings	763,347,530	41,278,492	194,070,069	45,207,940	66,494,591	47,600,372	39,804,806	133,530,280	30,933,626	17,216,529	33,399,085	29,597,748	84,213,992
CURRENT EXPENSES													
Salaries:													
Officers	5,860,196	321,444	1,069,310	401,781	512,141	447,688	470,503	636,445	406,965	313,616	399,751	401,666	478,886
Employees	77,454,122	4,727,541	17,072,051	4,194,542	7,079,664	5,009,373	4,741,083	12,287,883	4,326,074	2,367,213	3,968,173	3,607,258	8,073,267
Directors and other fees	599,105	38,766	140,351	24,545	43,922	34,862	57,469	39,097	51,833	33,626	47,919	40,544	46,171
Retirement contributions	8,165,460	488,527	1,702,811	443,255	743,670	536,385	521,065	1,277,823	461,100	288,442	438,971	418,368	845,043
Traveling expenses	1,627,455	107,945	265,910	67,572	145,699	131,981	122,266	206,829	103,709	89,862	107,545	103,610	174,527
Postage and expressage	15,338,253	1,251,165	2,230,209	830,234	1,288,067	1,503,123	1,350,521	2,102,495	808,294	528,411	887,756	784,832	1,773,146
Telephone and telegraph	1,217,008	67,164	254,209	60,747	100,659	88,900	120,091	138,583	69,442	42,412	71,893	77,685	125,223
Printing, stationery, and supplies	6,147,513	481,685	1,095,077	302,680	532,015	431,795	449,137	1,022,683	398,319	183,974	340,692	275,057	634,399
Insurance	1,185,055	76,968	226,405	49,523	122,287	90,126	84,416	138,194	87,853	48,008	83,747	68,572	108,956
Taxes on real estate	3,462,408	554,700	681,175	138,067	293,945	170,352	159,733	434,326	108,599	274,367	142,689	112,436	392,019
Depreciation (building)	3,590,427	413,484	277,262	268,149	590,935	470,756	157,624	310,084	225,676	29,554	89,829	115,820	641,254
Light, heat, power, and water	1,448,510	115,410	260,231	95,495	141,959	146,791	74,820	176,834	91,055	70,658	103,497	59,808	111,952
Repairs and alterations	1,195,314	28,815	27,585	69,492	128,905	72,460	50,347	35,333	224,068	399,728	23,968	12,550	122,063
Rent	283,654	8,354	5,145	12,072	69,205	2,507	23,229	93,438	2,698	3,130	729	50,372	12,775
Furniture and equipment:													
Purchases	2,663,296	135,775	248,344	72,759	395,806	195,597	247,527	179,257	256,092	181,072	226,925	313,192	210,950
Rentals	5,186,502	409,059	709,958	333,177	442,613	352,629	329,543	844,950	288,485	187,313	293,809	281,286	713,680
All other	1,813,081	93,615	331,874	85,780	374,856	92,991	107,732	224,022	83,368	87,251	117,662	87,401	126,529
Interbank expenses	....	37,011	−431,244	44,336	58,143	−4,340	31,238	91,017	25,092	15,712	25,935	34,311	72,790
Subtotal	137,237,360	9,357,428	26,166,663	7,494,206	13,064,491	9,773,976	9,098,344	20,239,293	8,018,722	5,144,349	7,371,490	6,844,768	14,663,630
Federal Reserve currency	6,374,195	393,877	1,599,884	211,329	548,964	660,459	439,168	1,057,111	222,949	59,698	365,185	166,363	649,208
Assessment for expenses of Board of Governors	7,507,900	434,600	2,107,100	527,900	672,400	380,800	338,200	1,066,200	279,300	182,500	288,200	388,700	842,000
Total	151,119,455	10,185,905	29,873,647	8,233,435	14,285,855	10,815,235	9,875,712	22,362,604	8,520,971	5,386,547	8,024,875	7,399,831	16,154,838
Less reimbursement for certain fiscal agency and other expenses	19,305,452	1,062,242	3,206,655	1,000,760	1,923,694	1,055,332	1,394,733	3,389,348	1,201,632	582,776	1,341,845	1,107,327	2,039,108
Net expenses	131,814,003	9,123,663	26,666,992	7,232,675	12,362,161	9,759,903	8,480,979	18,973,256	7,319,339	4,803,771	6,683,030	6,292,504	14,115,730

Current net earnings	631,533,527	32,154,829	167,403,077	37,975,265	54,132,429	37,840,469	31,323,827	114,557,025	23,614,288	12,412,759	26,716,055	23,305,244	70,098,262
Additions to current net earnings:													
Profits on sales of U. S. Government securities (net)	166,900	9,848	41,083	10,180	14,874	10,406	8,972	27,882	7,489	4,302	7,177	6,941	17,747
Reimbursement for fiscal agency expenses incurred in prior years	1,298,381	94,314	128,582	112,853	114,553	116,135	201,541	123,875	83,015	54,077	52,223	84,379	132,834
All other	114,003	982	44,511	38	4,625	1,886	361	5,436	1,438	2,421	998	50,971	335
Total additions	1,579,284	105,144	214,176	123,071	134,052	128,427	210,873	157,193	91,943	60,800	60,398	142,290	150,917
Deductions from current net earnings:													
Reserves for contingencies	327,829	37,011	54,582	13,998	18,614	53,038	17,674	37,505	14,259	11,108	18,221	15,707	36,112
Retirement System (adjustment for revised benefits)	8,335,008	543,884	2,114,932	604,360	752,928	571,926	410,380	1,118,809	455,325	259,276	452,488	388,652	662,048
All other	57,361	1,307	515	687	2,510	533	13,251	1,155	3,204	1,351	694	14,734	17,418
Total deductions	8,720,198	582,202	2,170,029	619,045	774,052	625,497	441,305	1,157,469	472,789	271,735	471,403	419,093	715,578
Net deductons	7,140,914	477,058	1,955,853	495,974	640,000	497,070	230,432	1,000,277	380,846	210,935	411,005	276,803	564,661
Net earnings before payments to U. S. Treasury	624,392,613	31,677,771	165,447,224	37,479,291	53,492,428	37,343,399	31,093,395	113,556,748	23,233,442	12,201,823	26,305,051	23,028,441	69,533,600
Paid U. S. Treasury (interest on F. R. notes)	542,708,405	27,583,697	143,648,153	32,594,736	46,416,660	32,783,688	27,114,696	99,743,254	20,296,234	10,587,139	22,947,784	18,545,292	60,447,071
Dividends paid	20,080,527	1,029,223	5,838,197	1,262,925	1,918,377	917,082	965,959	2,730,921	682,073	438,340	807,520	1,119,715	2,370,195
Transferred to surplus (Sec. 7)	61,603,682	3,064,850	15,960,873	3,621,631	5,157,392	3,642,628	3,012,739	11,082,573	2,255,135	1,176,345	2,549,747	3,363,435	6,716,334
Surplus (Sec. 7) Jan. 1	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
Surplus (Sec. 7) Dec. 31	809,197,680	47,012,677	223,963,199	55,922,772	71,550,353	41,236,411	36,192,075	121,503,625	31,586,344	19,696,549	30,532,901	40,871,083	89,129,690

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

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914–57

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
1957	763,347,530	131,814,003	624,392,613	20,080,527	...	...	542,708,405	...	61,603,682
Total 1914–57	6,548,599,315	1,999,518,753	4,491,835,764	409,286,760	149,138,300	2,188,893	2,993,359,242	−3,658	[2] 937,866,224
Aggregate for each Federal Reserve Bank, 1914–57:									
Boston	411,663,465	142,898,090	266,024,370	26,164,877	7,111,395	280,843	175,088,928	+135,412	57,242,913
New York	1,676,668,371	450,321,575	1,221,756,779	135,738,385	68,006,262	369,116	757,290,070	−433,413	260,786,357
Philadelphia	438,372,098	135,973,785	301,597,323	33,669,342	5,558,901	722,406	190,812,357	+290,661	70,543,656
Cleveland	592,916,755	184,483,226	401,523,674	40,427,807	4,842,447	82,930	271,406,157	−9,907	84,774,240
Richmond	390,013,327	130,042,031	255,968,052	17,589,159	6,200,189	172,493	185,033,025	−71,516	47,044,702
Atlanta	337,774,815	109,268,642	222,698,632	15,757,608	8,950,561	79,264	156,441,600	+5,491	41,464,107
Chicago	1,011,006,072	279,715,267	719,959,037	49,827,401	25,313,526	151,045	507,811,321	+11,681	136,844,061
St. Louis	303,971,808	109,622,313	188,637,244	14,146,823	2,755,629	7,464	135,074,385	−26,514	36,679,457
Minneapolis	186,089,601	67,232,277	116,868,390	9,611,650	5,202,900	55,615	78,294,717	+64,875	23,638,637
Kansas City	300,692,906	108,331,166	188,494,432	14,417,836	6,939,100	64,213	132,417,780	−8,674	34,664,177
Dallas	266,033,265	90,446,044	171,941,904	15,794,212	560,049	102,083	110,226,325	+55,336	45,203,898
San Francisco	633,396,833	191,184,337	436,365,926	36,141,659	7,697,341	101,421	293,462,576	−17,090	98,980,018
Total	6,548,599,315	1,999,518,753	4,491,835,764	409,286,760	149,138,300	2,188,893	2,993,359,242	−3,658	937,866,224

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

[2] The $937,866,224 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 $809,197,680 on Dec. 31, 1957.

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

NO. 8—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918–57 AND END OF MONTH 1957

[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
																	18,903	102
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		
1956...	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
1957—																		
Jan..	23,421	23,421	......	668	1,076	31	25,195	22,252	5,071	30,614	809	715	344	263	891	18,882	18,517	365
Feb..	22,887	22,854	33	595	1,196	25	24,704	22,304	5,076	30,575	809	458	327	206	1,133	18,576	18,294	282
Mar..	23,149	23,040	109	994	803	24	24,970	22,306	5,086	30,585	804	591	311	304	1,137	18,629	18,512	117
Apr..	23,169	23,169	......	829	936	25	24,960	22,318	5,094	30,519	791	509	316	294	1,079	18,864	18,588	276
May.	23,108	22,950	158	1,170	926	21	25,224	22,620	5,104	30,836	788	568	360	274	1,072	19,049	18,351	698
June.	23,035	22,994	41	558	1,199	23	24,816	22,623	5,107	31,082	758	498	449	308	1,075	18,376	18,543	−167
July..	23,355	23,079	276	420	896	20	24,691	22,627	5,111	30,933	759	504	364	296	942	18,630	18,520	110
Aug..	23,539	23,475	64	986	865	28	25,418	22,626	5,118	31,133	752	477	342	285	1,198	18,975	18,305	670
Sep..	23,312	23,312	......	396	898	17	24,622	22,635	5,125	31,073	773	429	337	261	1,111	18,399	18,694	−295
Oct..	23,338	23,218	120	789	1,062	17	25,206	22,691	5,135	31,090	784	552	378	256	1,056	18,917	18,541	376
Nov..	23,733	23,448	285	819	942	21	25,515	22,763	5,139	31,661	761	243	283	196	1,000	19,274	18,578	696
Dec..	24,238	23,719	519	55	1,424	66	25,784	22,781	5,146	31,834	761	481	356	246	998	19,034	19,091	−57

[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, 1957

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	$2,977,084	$10,534,385	$5,010,067
New York	5,215,656	12,183,528	4,886,521	22,285,705	5,143,118
Annex	592,679	1,464,815	562,181	2,619,675	899,339
Buffalo	607,779	4,394,369	....	5,002,148	4,621,772
Philadelphia	1,884,357	4,839,506	2,130,561	8,854,424	4,513,482
Cleveland	1,295,490	6,568,878	2,976,173	10,840,541	3,008,634
Cincinnati	400,891	1,288,501	968,093	2,657,485	1,450,155
Pittsburgh	1,189,941	4,982,108	689,889	6,861,938	5,219,568
Richmond	469,944	4,164,663	2,082,952	6,717,559	3,024,369
Baltimore	250,487	2,009,381	1,062,747	3,322,615	2,445,444
Charlotte	116,569	1,052,360	607,294	1,776,223	1,526,446
Atlanta	633,387	1,722,115	362,731	2,718,233	1,175,848
Annex	93,931	137,100	103,867	334,898	325,117
Birmingham	327,352	1,031,851	70,511	1,429,714	1,018,342
Jacksonville	164,004	1,686,250	694,291	2,544,545	2,038,458
Nashville	470,113	1,248,326	35,091	1,753,530	1,531,954
New Orleans	277,078	762,456	265,700	1,305,234	406,845
Chicago	3,641,447	7,054,984	2,736,080	13,432,511	3,096,422
Detroit	1,147,734	2,831,755	1,214,162	5,193,651	3,726,943
St. Louis	1,675,780	3,171,719	1,994,738	6,842,237	2,094,915
Little Rock	85,007	264,604	194,115	543,726	204,709
Louisville	644,515	3,118,776	72,464	3,835,755	3,547,450
Memphis	128,542	287,469	152,606	568,617	291,340
Minneapolis	600,521	6,693,528	646,249	7,940,298	5,213,620
Helena	15,709	126,401	62,977	205,087	92,997
Kansas City	545,764	3,521,181	1,312,190	5,379,135	1,472,407
Denver	592,271	523,041	86,910	1,202,222	773,006
Oklahoma City	65,021	421,252	97,589	583,862	173,139
Omaha	444,176	2,324,006	94,548	2,862,730	2,484,197
Dallas	189,831	1,362,220	466,692	2,018,743	241,930
El Paso	250,000	1,042,845	....	1,292,845	1,292,845
Houston	708,581	1,979,635	112,111	2,800,327	2,395,009
San Antonio	448,451	1,395,498	570,846	2,414,795	2,329,920
San Francisco	476,768	3,783,530	1,440,643	5,700,941	1,558,185
Los Angeles	736,867	4,074,380	1,491,100	6,302,347	4,534,918
Portland	207,380	1,678,512	630,920	2,516,812	1,872,397
Salt Lake City	555,723	649,515	84,814	1,290,052	912,292
Seattle	274,772	1,891,564	642,240	2,808,576	2,094,189
Total	29,052,650	103,661,791	34,579,680	167,294,121	83,761,788

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Richmond	146,550	....	....	146,550	146,550
Chicago	855,000	1,536,912	124,601	2,516,513	2,408,941
Dallas	496,412	....	....	496,412	496,412
El Paso	39,003	119,739	32,575	191,317	31,869
Los Angeles	40,747	29,464	....	70,211	70,211
Total	1,577,712	1,686,115	157,176	3,421,003	3,153,983

[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, 1957]

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	$288,500	1,367	$4,875,510	1,389	$5,199,010
New York	60,000	58	1,012,450	3,757	17,204,064	3,816	18,276,514
Philadelphia	35,000	26	358,000	1,059	4,122,119	1,086	4,515,119
Cleveland	35,000	36	476,550	1,723	7,041,411	1,760	7,552,961
Richmond	35,000	33	411,200	1,363	4,787,851	1,397	5,234,051
Atlanta	35,000	36	442,100	1,357	4,729,620	1,394	5,206,720
Chicago	50,000	40	570,100	3,018	12,059,416	3,059	12,679,516
St. Louis	35,000	32	382,400	1,099	4,140,154	1,132	4,557,554
Minneapolis	30,000	23	274,200	661	2,349,210	685	2,653,410
Kansas City	35,000	29	363,000	1,029	3,786,168	1,059	4,184,168
Dallas	35,000	30	365,600	989	3,602,794	1,020	4,003,394
San Francisco	35,000	36	444,000	1,983	7,887,924	2,020	8,366,924
Total	$455,000	400	$5,388,100	19,405	$76,586,241	19,817	$82,429,341

[1] Includes 1,041 part-time employees.

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

In effect December 31, 1957. 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	4	4	4½	4½	4½	4	4½	4	4½	4½
Loans to industrial or commercial businesses under Sec. 13b of the Federal Reserve Act, direct or in participation with financing institutions	4–6	3¾–5½	3½–6	4–6	4–6	3¾–6	3½–6	3½–5½	4–6	4–6	4–6	4–6
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]	3½–6	3–3½	4–6	[1]	[1]	[1]
On remaining portion	[3]	[3]	[3]	[3]	[3]	[3]	3½–6	[3]	4–6	[3]	[3]	[3]
Commitments to make loans under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses	½–1½	½–1⅜	½–1½	½–1½	½–1½	1–1½	½–1½	½–1⅜	½–1½	½–1½	½–1½	½–1½
To financing institutions	½–1½	½–1⅜	½–1½	½–1½	½–1½	[4]	½–1½	½–1⅜	½–1½	½–1½	[5] ½–1½	[5] ½–1½

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

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

[3] Rate charged borrower.

[4] 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, 1958	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, 1957]

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	6
Commitment rate	½

NO. 16—PRINCIPAL ASSETS AND LIABILITIES, AND NUMBER OF ALL BANKS, BY CLASSES, DECEMBER 31, 1957 AND 1956[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, 1957[3]										
Loans and investments, total	203,980	170,150	142,440	91,160	51,280	26,190	1,550	33,830	25,900	7,930
Loans	115,310	94,050	80,960	50,110	30,850	12,640	470	21,260	16,840	4,420
Investments	88,670	76,100	61,480	41,050	20,430	13,550	1,080	12,570	9,060	3,510
U. S. Govt. obligations	65,880	58,330	47,240	31,450	15,790	10,410	690	7,550	5,260	2,290
Other securities	22,790	17,770	14,240	9,600	4,640	3,140	390	5,020	3,800	1,220
Cash assets	49,940	49,000	43,200	27,630	15,570	5,450	350	940	750	190
Deposits, total	233,630	201,870	171,130	109,840	61,290	29,200	1,570	31,760	24,450	7,310
Interbank	17,290	17,290	16,440	9,540	6,900	470	380	....	....	....
Other demand	128,420	128,390	109,530	69,550	39,980	17,980	880	30	30	....
Other time	87,920	56,190	45,160	30,750	14,410	10,750	310	31,730	24,420	7,310
Total capital accounts	20,620	17,540	14,660	9,160	5,500	2,560	320	3,080	2,270	810
Number of banks	14,088	13,566	6,393	4,620	1,773	6,753	423	522	239	283
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

[1] All banks in the United States, and one in Alaska and one in the Virgin Islands that became national members in 1954 and 1957 respectively.
[2] Total for commercial banks excludes three member mutual savings banks.
[3] Preliminary figures based largely on data collected regularly or estimated as of last Wednesday of month. Some items, particularly cash assets and demand deposits, are subject to large daily changes and may differ from reported figures that will be published in the *Federal Reserve Bulletin*, probably in the May issue.

NO. 17—MEMBER BANK EARNINGS, BY CLASS OF BANK, 1957 AND 1956[1]

[Dollar amounts in millions]

Item	Total		Central reserve city banks				Reserve city banks		Country banks	
			New York		Chicago					
	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956
Earnings	**$6,756**	**$6,078**	**$1,137**	**$1,014**	**$ 274**	**$ 243**	**$2,660**	**$2,402**	**$2,685**	**$2,419**
On U. S. Govt. securities	1,162	1,101	137	133	46	49	426	404	553	514
On other securities	......	308	......	47	......	16	......	116	......	129
On loans	4,190	3,725	725	633	172	143	1,689	1,511	1,605	1,438
All other	......	945	......	201	......	35	......	371	......	338
Expenses	**4,214**	**3,680**	**594**	**536**	**136**	**123**	**1,664**	**1,441**	**1,820**	**1,579**
Salaries and wages	......	1,735	......	275	......	60	......	677	......	724
Interest on deposits	......	650	......	59	......	19	......	266	......	305
All other	......	1,295	......	202	......	44	......	497	......	551
Net current earnings before income taxes	**2,542**	**2,398**	**544**	**478**	**137**	**119**	**996**	**961**	**865**	**840**
Recoveries and profits[2]	......	151	......	44	......	9	......	47	......	51
Losses and charge-offs[3]	......	577	......	109	......	40	......	222	......	206
Net addition to valuation reserves	......	229	......	67	......	7	......	63	......	91
Profits before income taxes	**2,063**	**1,744**	**442**	**346**	**93**	**82**	**850**	**723**	**677**	**593**
Taxes on net income	**894**	**718**	**209**	**157**	**41**	**30**	**385**	**302**	**259**	**229**
Net profits	**1,169**	**1,027**	**234**	**189**	**53**	**52**	**464**	**421**	**418**	**364**
Cash dividends declared[4]	**604**	**547**	**152**	**133**	**24**	**23**	**242**	**223**	**186**	**168**
(Per cent)										
Ratios:										
Net current earnings before income taxes to—										
Average total capital accounts	18.0	18.1	18.2	17.0	20.6	18.7	19.2	19.7	16.4	17.0
Average total assets	1.42	1.37	1.71	1.52	1.66	1.43	1.42	1.40	1.25	1.26
Net profits to—										
Average total capital accounts	8.3	7.7	7.8	6.7	7.9	8.2	8.9	8.6	7.9	7.4
Average total assets	.65	.59	.73	.60	.64	.63	.66	.61	.61	.55
Average return on U. S. Govt. securities	2.52	2.31	2.47	2.22	2.36	2.19	2.53	2.31	2.55	2.36
Average return on loans	5.30	5.02	4.52	4.15	4.56	4.14	5.29	5.02	5.88	5.64

[1] Data for 1957 are preliminary, and some items are not available; final figures will appear in the *Federal Reserve Bulletin*, probably in the May or June issue.

[2] Includes recoveries credited to valuation reserves.

[3] Includes losses charged to valuation reserves.

[4] Includes interest on capital notes and debentures.

NO. 18—ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES DURING 1957[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, 1956	**14,167**	**13,640**	**4,651**	**1,811**	**6,737**	**444**	**223**	**304**
Changes during 1957								
New banks[3]	+87	+87	+20	+3	+51	+13	......	......
Suspensions	−3	−3	−1	−1	......	−1	......	......
Reopening	+1	+1	+1	......	......	......	......	......
Consolidations and absorptions:								
Banks converted into branches	−138	−134	−45	−26	−57	−6	−2	−2
Other	−24	−23	−8	−6	−6	−3	−1	......
Voluntary liquidations[4]	−3	−3	......	......	......	−3	......	......
Conversions:								
National into State	......	......	−3	......	+3	......	......	......
State into national	......	......	+4	−2	−2	......	......	......
Federal Reserve Membership:[5]								
Admission of national bank in Virgin Islands	+1	+1	+1	......	......	......	......	......
Admissions of State banks	......	......	......	+7	−7	......	......	......
Withdrawals of State banks	......	......	......	−13	+13	......	......	......
Federal Deposit insurance:[6]								
Admissions of State banks	......	......	......	......	+21	−21	+19	−19
Net increase or decrease	−79	−74	−31	−38	+16	−21	+16	−21
Number of banks, Dec. 31, 1957	**14,088**	**13,566**	**4,620**	**1,773**	**6,753**	**423**	**239**	**283**
Number of branches and additional offices, Dec. 31, 1956[7]	**7,728**	**7,362**	**3,629**	**2,053**	**1,643**	**37**	**257**	**109**
Changes during 1957								
De novo branches	+537	+501	+278	+109	+112	+2	+22	+14
Banks converted into branches	+138	+134	+71	+35	+27	+1	+2	+2
Discontinued	−31	−30	−13	−10	−6	−1	......	−1
Interclass changes—Net[8]	......	......	+27	−14	−11	−2	+15	−15
Other (Virgin Islands member)	+1	+1	+1	......	......	......	......	......
Net increase or decrease	+645	+606	+364	+120	+122	......	+39	......
Number of branches and additional offices, Dec. 31, 1957[7]	**8,373**	**7,968**	**3,993**	**2,173**	**1,765**	**37**	**296**	**109**
Number of banking facilities, Dec. 31, 1956[9]	**227**	**227**	**180**	**24**	**23**	......	......	......
Changes during 1957								
Established	+17	+17	+13	+2	+2	......	......	......
Discontinued	−8	−8	−8	......	......	......	......	......
Interclass change	......	......	......	+1	−1	......	......	......
Net increase or decrease	+9	+9	+5	+3	+1	......	......	......
Number of banking facilities, Dec. 31, 1957[9]	**236**	**236**	**185**	**27**	**24**	......	......	......

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

[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 1958.

[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, DECEMBER 31, 1957[1]

Federal Reserve District, State, or other area	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	430	594	430	594	293	477	137	117	...	...
New York[2]	655	1,481	655	1,481	559	1,363	96	118	...	...
Philadelphia	698	496	698	496	533	405	165	91	...	...
Cleveland	976	740	976	740	599	645	377	95	...	...
Richmond	978	963	816	814	465	532	351	282	162	149
Atlanta	1,312	408	737	357	397	299	340	58	575	51
Chicago	2,473	918	2,473	918	1,019	534	1,454	384	...	...
St. Louis	1,467	256	1,167	183	491	119	676	64	300	73
Minneapolis	1,290	123	691	80	474	34	217	46	599	43
Kansas City	1,761	41	1,755	41	749	30	1,006	11	6	...
Dallas	1,085	121	1,001	108	634	78	367	30	84	13
San Francisco[2]	375	2,127	360	2,122	174	1,862	186	260	15	5
Total	**13,500**	**8,268**	**11,759**	**7,934**	**6,387**	**6,378**	**5,372**	**1,556**	**1,741**	**334**
STATE										
Alabama	239	60	147	59	94	57	53	2	92	1
Arizona	6	126	6	126	4	104	2	22	...	...
Arkansas	237	29	126	9	75	6	51	3	111	20
California	122	1,384	122	1,384	74	1,247	48	137	...	...
Colorado	158	5	158	5	94	4	64	1	...	...
Connecticut	82	140	82	140	45	107	37	33	...	...
Delaware	27	42	27	42	9	18	18	24	...	...
Dist. of Col.	16	57	16	57	12	47	4	10	...	...
Florida	261	13	216	12	111	10	105	2	45	1
Georgia	412	69	133	67	65	57	68	10	279	2
Idaho	28	78	28	78	17	73	11	5	...	...
Illinois	936	4	934	4	523	4	411	...	2	...
Indiana	463	223	463	223	233	147	230	76	...	...
Iowa	669	161	669	161	167	4	502	157	...	...
Kansas	595	5	593	5	212	5	381	...	2	...
Kentucky	364	108	364	108	108	73	256	35	...	...
Louisiana	182	141	76	114	52	93	24	21	106	27
Maine	56	110	56	110	36	70	20	40	...	...
Maryland	148	192	148	192	67	115	81	77	...	...
Mass.	170	296	170	296	132	253	38	43	...	...
Michigan	397	446	397	446	226	371	171	75	...	...
Minnesota	682	6	281	6	207	6	74	...	401	...
Mississippi	195	115	50	46	34	26	16	20	145	69
Missouri	604	4	547	4	173	4	374	...	57	...
Montana	114	1	114	1	85	1	29	...	...	...
Nebraska	415	2	415	2	140	2	275	...	...	...
Nevada	6	32	6	32	5	28	1	4	...	...
N. Hampshire	73	3	73	3	51	2	22	1	...	...
New Jersey	268	334	268	334	227	293	41	41	...	...
New Mexico	52	39	52	39	34	20	18	19	...	...
New York	457	1,172	457	1,172	398	1,110	59	62	...	...
N. Carolina	198	387	109	244	51	136	58	108	89	143
North Dakota	154	26	57	7	40	1	17	6	97	19
Ohio	611	491	611	491	391	433	220	58	...	...
Oklahoma	386	6	380	6	223	5	157	1	6	...
Oregon	54	157	54	157	19	143	35	14	...	...
Pennsylvania	765	596	765	596	586	519	179	77	...	...
Rhode Island	10	78	10	78	6	61	4	17	...	...
S. Carolina	144	110	73	104	32	81	41	23	71	6
South Dakota	172	53	71	29	60	24	11	5	101	24
Tennessee	296	168	213	151	83	113	130	38	83	17
Texas	957	24	920	24	579	24	341	...	37	...
Utah	49	66	49	66	20	58	29	8	...	...
Vermont	58	18	58	18	34	8	24	10	...	...
Virginia	313	217	312	217	202	153	110	64	1	...
Washington	88	244	88	244	35	237	53	7	...	...
West Virginia	183	...	182	...	113	...	69	...	1	...
Wisconsin	550	151	550	151	161	23	389	128	...	...
Wyoming	53	1	53	1	40	1	13	...	...	...
Alaska[2]	18	15	3	10	1	...	2	10	15	5
Hawaii[2]	5	61	5	61	...	...	5	61	...	...
V. I.[2]	2	2	2	2	1	1	1	1	...	...

[1] Comprises all commercial banking offices on which checks are drawn, including 236 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, Hawaii, and the Virgin Islands.

[2] Alaska and Hawaii, assigned to the San Francisco District for check clearing and collection purposes; Virgin Islands assigned to the New York District.

NO. 20—OPEN MARKET TRANSACTIONS OF THE FEDERAL RESERVE SYSTEM DURING 1957

[In millions of dollars]

Month	Net change in holdings		U. S. Government securities					Bankers' acceptances	
	U. S. Government securities and acceptances	U. S. Government securities	Outright transactions			Repurchase agreements		Out-right	Net repur-chases
			Gross market purchases	Gross market sales	Cash redemp-tions	Gross pur-chases	Gross sales		
January	−1,533	−1,494	....	791	398	....	305	−3	−35
February	−540	−534	....	455	112	117	84	−6	......
March	+261	+262	263	71	5	364	288	−1	......
April	+21	+20	129	....	....	725	834	+1	......
May	−65	−62	70	154	135	405	247	−3	......
June	−71	−73	124	75	5	419	535	(1)	+2
July	+317	+320	371	157	130	822	587	−2	−2
August	+192	+184	452	15	42	178	390	+6	+2
September	−237	−227	168	287	44	330	394	−9	−2
October	+26	+26	88	182	....	894	774	(1)	......
November	+399	+395	443	99	114	1,071	906	+4	......
December	+550	+505	299	28	....	1,552	1,318	+22	+23
Total, 1957	−680	−676	2,407	2,314	984	6,875	6,661	+9	−12

[1] Less than $500,000.

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

FEDERAL RESERVE DIRECTORIES AND MEETINGS

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1957]

	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*
HOWARD H. HACKLEY, *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*
ROBERT C. MASTERS, *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*
M. B. DANIELS, *Assistant Controller, Office of the Controller*

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1957]

MEMBERS

WM. McC. MARTIN, JR., *Chairman* (Board of Governors)
ALFRED HAYES, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
CARL E. ALLEN (Elected by Federal Reserve Banks of Cleveland and Chicago)
C. CANBY BALDERSTON (Board of Governors)
MALCOLM BRYAN (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
H. G. LEEDY (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
A. L. MILLS, JR. (Board of Governors)
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)
ALFRED H. WILLIAMS (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)

OFFICERS

WINFIELD W. RIEFLER, *Secretary*
ELLIOTT THURSTON, *Assistant Secretary*
MERRITT SHERMAN, *Assistant Secretary*
HOWARD H. HACKLEY, *General Counsel*
FREDERIC SOLOMON, *Assistant General Counsel*
WOODLIEF THOMAS, *Economist*
THOMAS R. ATKINSON, *Associate Economist*
KARL R. BOPP, *Associate Economist*
ARTHUR W. MARGET, *Associate Economist*
GEORGE W. MITCHELL, *Associate Economist*
H. V. ROELSE, *Associate Economist*
CLARENCE W. TOW, *Associate Economist*
RALPH A. YOUNG, *Associate Economist*

AGENT

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

During 1957 the Federal Open Market Committee met every two or three weeks, as indicated in the Record of Policy Actions taken by the Committee (see pages 33-62 of this report).

FEDERAL ADVISORY COUNCIL

[December 31, 1957]

MEMBERS

District No. 1—LLOYD D. BRACE, President, The First National Bank of Boston, 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, Vice Chairman of the Board and Chairman of the Executive Committee, Provident Tradesmens Bank and Trust Company, 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—GORDON MURRAY, President, First National Bank of Minneapolis, Minneapolis, 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—WALTER B. JACOBS, President, The First National Bank of Shreveport, Shreveport, Louisiana.

District No. 12—FRANK L. KING, President, California Bank, Los Angeles, California.

EXECUTIVE COMMITTEE

ROBERT V. FLEMING, *ex officio*
FRANK R. DENTON, *ex officio*
HOMER J. LIVINGSTON
ADRIAN M. MASSIE
WILLIAM R. K. MITCHELL

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 17-19, May 12-14, September 15-17, and November 17-19, 1957. The Board of Governors met with the Council on February 19, May 14, September 17, and November 19. 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, 1957]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Robert C. Sprague	(Vacancy)
New York	John E. Bierwirth	Forrest F. Hill
Philadelphia	William J. Meinel	Henderson Supplee, Jr.
Cleveland	Arthur B. Van Buskirk	Joseph H. Thompson
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	Pierre B. McBride	Joseph H. Moore
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, 1957, and was attended by members of the Board of Governors, and also by the Deputy Chairmen of the Federal Reserve Banks.

Mr. Meinel, Chairman of the Federal Reserve Bank of Philadelphia, was elected Chairman of the Conference and of the Executive Committee in December 1956. Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Smith, Chairman of the Federal Reserve Bank of Dallas, served with Mr. Meinel as members of the Executive Committee, Mr. Hall also serving as Vice Chairman of the Conference.

At the meeting held in December 1957, Mr. Hall was elected Chairman of the Conference and of the Executive Committee. Mr. Smith was elected Vice Chairman and a member of the Executive Committee, and Mr. Mitchell, Chairman of the Federal Reserve Bank of Atlanta, was elected as the other member of the Executive Committee.

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS

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

The Class A directors are chosen as representatives of member banks and, as a matter of practice, are active officers of member banks. The Class B directors may not, under the law, be officers, directors, or employees of banks. At the time of their election they must be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

The Class C directors may not, under the law, be officers, directors, employees, or stockholders of banks. They are appointed by the Board of Governors as representatives not of any particular group or interest, but of the public interest as a whole.

Federal Reserve Bank branches have either five or seven directors, of whom a majority are appointed by the Board of Directors of the parent Federal Reserve Bank and the others are appointed by the Board of Governors of the Federal Reserve System.

District 1—Boston

DIRECTORS		*Term Expires Dec. 31*
Class A:		
Harold I. Chandler	President, The Keene National Bank, Keene, N. H.	1957
Oliver B. Ellsworth	President, Riverside Trust Company, Hartford, Conn.	1958
William D. Ireland	President, Second Bank-State Street Trust Company, Boston, Mass.	1959
Class B:		
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, Maine	1958
Milton P. Higgins	President, Norton Company, Worcester, Mass.	1959
Class C:		
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
Nils Y. Wessell	President, Tufts University Medford, Mass.	1959

District 2—New York

Class A:		
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
Charles W. Bitzer	President, City Trust Company, Bridgeport, Conn.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.

		Term Expires Dec. 31
Class B:		
Augustus C. Long	Chairman of the Board, The Texas Company, New York, N. Y.	1957
Clarence Francis	Director, General Foods Corporation, New York, N. Y.	1958
Lansing P. Shield	President, The Grand Union Company, East Paterson, N. J.	1959
Class C:		
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
John E. Bierwirth	President, National Distillers and Chemical Corporation, New York, N. Y.	1959

Buffalo Branch

Appointed by Federal Reserve Bank:		
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
Vernon Alexander	President, National Bank of Geneva, Geneva, N. Y.	1959
Appointed by Board of Governors:		
Clayton G. White	Dairy Farmer, Stow, N. Y.	1957
Ralph F. Peo	Chairman and President, Houdaille Industries, Inc., Buffalo, N. Y.	1958
Raymond E. Olson	President, Taylor Instrument Companies, Rochester, N. Y.	1959

District 3—Philadelphia

Class A:		
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
Geoffrey S. Smith	President, Girard Trust Corn Exchange Bank, Philadelphia, Pa.	1959
Class B:		
Bayard L. England	President, Atlantic City Electric Company, Atlantic City, N. J.	1957
Charles E. Oakes	Chairman of the Board, Pennsylvania Power and Light Company, Allentown, Pa.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
R. Russell Pippin	Treasurer, E. I. du Pont de Nemours & Company, Inc., Wilmington, Del.	1959
Class C:		
William J. Meinel	Chairman of the Board, Heintz Manufacturing Company, Philadelphia, Pa.	1957
Henderson Supplee, Jr.	President, The Atlantic Refining Company, Philadelphia, Pa.	1958
Lester V. Chandler	Professor of Economics, Princeton University, Princeton, N. J.	1959

District 4—Cleveland

Class A:		
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
John A. Byerly	President, Fidelity Trust Company, Pittsburgh, Pa.	1959
Class B:		
Joseph B. Hall	President, The Kroger Company, Cincinnati, Ohio	1957
Charles Z. Hardwick	Executive Vice President, The Ohio Oil Company, Findlay, Ohio	1958
George P. MacNichol, Jr.	President, Libbey-Owens-Ford Glass Company, Toledo, Ohio	1959
Class C:		
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
Joseph H. Thompson	President, The M. A. Hanna Company, Cleveland, Ohio	1959

Cincinnati Branch

Appointed by Federal Reserve Bank:		
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
Franklin A. McCracken	Executive Vice President and Trust Officer, The Newport National Bank, Newport, Ky.	1959
Appointed by Board of Governors:		
W. Bay Irvine	President, Marietta College, Marietta, Ohio	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.

		Term Expires Dec. 31
Ivan Jett	Farmer, Georgetown National Bank Building, Georgetown, Ky.	1958
Anthony Haswell	President, The Dayton Malleable Iron Company, Dayton, Ohio	1959

Pittsburgh Branch

Appointed by Federal Reserve Bank:

John H. Lucas	Chairman of the Board, Peoples First National Bank and Trust Company, Pittsburgh, Pa.	1957
Irving W. Wilson	Chairman of the Board, Aluminum Company of America, Pittsburgh, Pa.	1957
Sumner E. Nichols	President, Security-Peoples Trust Company, Erie, Pa.	1958
Frank C. Irvine	President, First National Bank in Tarentum, Tarentum, Pa.	1959

Appointed by Board of Governors:

John C. Warner	President, Carnegie Institute of Technology, Pittsburgh, Pa.	1957
Douglas M. Moorhead	Farmer, North East, Pa.	1958
Ben Moreell	Chairman of the Board, Jones & Laughlin Steel Corporation, Pittsburgh, Pa.	1959

District 5—Richmond

Class A:

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
Robert Gage	President, The Commercial Bank, Chester, S. C.	1959

Class B:

Robert O. Huffman	President, Drexel Furniture Company, Drexel, N. C.	1957
L. Vinton Hershey	President, Hagerstown Shoe Company, Hagerstown, Md.	1958
W. A. L. Sibley	Vice President and Treasurer, Monarch Mills, Union, S. C.	1959

Class C:

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
Alonzo G. Decker, Jr.	Executive Vice President, The Black & Decker Manufacturing Company, Towson, Md.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.

Baltimore Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
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
James W. McElroy	President, First National Bank, Baltimore, Md.	1959
Appointed by Board of Governors:		
Clarence R. Zarfoss	Vice President, Western Maryland Railway Company, Baltimore, Md.	1957
Wm. Purnell Hall	President, Maryland Shipbuilding and Drydock Company, Inc., Baltimore, Md.	1958
Gordon M. Cairns	Dean of Agriculture, University of Maryland, College Park, Md.	1959

Charlotte Branch

Appointed by Federal Reserve Bank:		
Ernest Patton	Chairman of the Board, The Peoples National Bank of Greenville, Greenville, S. C.	1957
I. W. Stewart	Chairman of the Board, American Commercial Bank, Charlotte, N. C.	1958
G. G. Watts	President, The Merchants & Planters National Bank, Gaffney, S. C.	1958
Charles D. Parker	President, First National Bank & Trust Co., Asheville, N. C.	1959
Appointed by Board of Governors:		
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
William H. Grier	Executive Vice President, Rock Hill Printing & Finishing Company, Rock Hill, S. C.	1959

District 6—Atlanta

Class A:		
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
Roland L. Adams	President, Bank of York, York, Ala.	1959
Class B:		
Pollard Turman	President, J. M. Tull Metal & Supply Company, Inc., Atlanta, Ga.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1958
Joseph T. Lykes	Chairman and Director, Lykes Bros. Steamship Company, Inc., Tampa, Fla.	1959
Class C:		
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
Harllee Branch, Jr.	President, The Southern Company, Atlanta, Ga.	1959

Birmingham Branch

Appointed by Federal Reserve Bank:		
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.	1959
John R. Downing	Executive Vice President, Citizens-Farmers & Merchants Bank, Brewton, Ala.	1959
Appointed by Board of Governors:		
Edwin C. Bottcher	Farmer, Cullman, Ala.	1957
John E. Urquhart	President, Woodward Iron Company, Woodward, Ala.	1958
Adolph Weil, Sr.	President, Weil Brothers-Cotton, Inc., Montgomery, Ala.	1959

Jacksonville Branch

Appointed by Federal Reserve Bank:		
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
James G. Garner	President and Chairman, Little River Bank and Trust Company, Miami, Fla.	1959
Appointed by Board of Governors:		
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
McGregor Smith	Chairman of the Board and Director, Florida Power and Light Company, Miami, Fla.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.

Nashville Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
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
Jo H. Anderson	President, Park National Bank of Knoxville, Knoxville, Tenn.	1959
Appointed by Board of Governors:		
A. Carter Myers	Treasurer, Knoxville Fertilizer Company, Knoxville, Tenn.	1957
(Vacancy)		
Frank B. Ward	Dean, College of Business Administration, University of Tennessee, Knoxville, Tenn.	1959

New Orleans Branch

Appointed by Federal Reserve Bank:		
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	Chairman, Progressive Bank and Trust Company, New Orleans, La.	1958
J. Spencer Jones	President, The Citizens National Bank in Hammond, Hammond, La.	1959
Appointed by Board of Governors:		
Joel L. Fletcher, Jr.	President, Southwestern Louisiana Institute, Lafayette, La.	1957
G. H. King, Jr.	Executive Vice President, King Lumber Industries, Canton, Miss.	1958
E. E. Wild	Rice grower, Midland, La.	1959

District 7—Chicago

Class A:		
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
Vivian W. Johnson	President, First National Bank, Cedar Falls, Iowa	1959
Class B:		
Walter E. Hawkinson	Vice President in Charge of Finance, and Secretary, Allis-Chalmers Manufacturing Company, Milwaukee, Wis.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
William J. Grede	President, Grede Foundries, Inc., Milwaukee Wis.	1958
William A. Hanley	Director, Eli Lilly and Company, Indianapolis, Ind.	1959
Class C:		
Bert R. Prall	Winnetka, Ill.	1957
Robert P. Briggs	Executive Vice President, Consumers Power Company, Jackson, Mich.	1958
J. Stuart Russell	Farm Editor, The Des Moines Register & Tribune, Des Moines, Iowa	1959

Detroit Branch

Appointed by Federal Reserve Bank:		
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
Ira A. Moore	Chairman of the Board, Peoples National Bank of Grand Rapids, Grand Rapids, Mich.	1959
Appointed by Board of Governors:		
John A. Hannah	President, Michigan State University, East Lansing, Mich.	1957
C. V. Patterson	Executive Vice President, The Upjohn Company, Kalamazoo, Mich.	1958
J. Thomas Smith	President, Detroit Harvester Company, Detroit, Mich.	1959

District 8—St. Louis

Class A:		
Phil E. Chappell	President, Planters Bank & Trust Company, Hopkinsville, Ky.	1957
J. E. Etherton	President, The Carbondale National Bank, Carbondale, Ill.	1958
Kenton R. Cravens	President, Mercantile Trust Company, St. Louis, Mo.	1959
Class B:		
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
Harold O. McCutchan	Executive Vice President, Mead Johnson & Company, Evansville, Ind.	1959
Class C:		
Joseph H. Moore	Farmer, Charleston, Mo.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
J. H. Longwell	Director, Division of Agricultural Sciences, University of Missouri, Columbia, Mo.	1958
Pierre B. McBride	President, Porcelain Metals Corporation, Louisville, Ky.	1959

Little Rock Branch

Appointed by Federal Reserve Bank:		
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
Donald Barger	President, Peoples Exchange Bank, Russellville, Ark.	1959
Appointed by Board of Governors:		
Shuford R. Nichols	Farmer, ginner, and cotton broker, Des Arc, Ark.	1957
A. Howard Stebbins, Jr.	P. O. Box 1413, Little Rock, Ark.	1958
T. Winfred Bell	President, Bush-Caldwell Company, Little Rock, Ark.	1959

Louisville Branch

Appointed by Federal Reserve Bank:		
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
Merle E. Robertson	Chairman of the Board and President, Liberty National Bank and Trust Company of Louisville, Louisville, Ky.	1959
Appointed by Board of Governors:		
Philip Davidson	President, University of Louisville, Louisville, Ky.	1957
J. D. Monin, Jr.	Farmer, Oakland, Ky.	1958
David F. Cocks	Vice President and Treasurer, Standard Oil Company (Kentucky), Louisville, Ky.	1959

Memphis Branch

Appointed by Federal Reserve Bank:		
John A. McCall	President, The First National Bank of Lexington, Lexington, Tenn.	1957
John E. Brown	President, Union Planters National Bank, Memphis, Tenn.	1957
J. H. Harris	President, The First National Bank of Wynne, Wynne, Ark.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
John K. Wilson	President, The First National Bank of West Point, West Point, Miss.	1959
Appointed by Board of Governors:		
A. E. Hohenberg	President, Hohenberg Bros. Company, Memphis, Tenn.	1957
Frank Lee Wesson	President, Wesson Farms, Inc., Victoria, Ark.	1958
John D. Williams	Chancellor, The University of Mississippi, University, Miss.	1959

District 9—Minneapolis

Class A:		
Harold C. Refling	Cashier, First National Bank in Bottineau, Bottineau, N. Dak.	1957
(Vacancy)		
Harold N. Thomson	Vice President, Farmers & Merchants Bank, Presho, S. Dak.	1959
Class B:		
Ray C. Lange	President, Chippewa Canning Company, Inc., Chippewa Falls, Wis.	1957
Thomas G. Harrison	President, Super Valu Stores, Inc., Hopkins, Minn.	1958
John E. Corette	President and General Manager, Montana Power Company, Butte, Mont.	1959
Class C:		
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
Leslie N. Perrin	Director, General Mills, Inc., Minneapolis, Minn.	1959

Helena Branch

Appointed by Federal Reserve Bank:		
A. W. Heidel	President, Powder River County Bank, Broadus, Mont.	1957
J. Willard Johnson	Financial Vice President and Treasurer, Western Life Insurance Company, Helena, Mont.	1958
Geo. N. Lund	Chairman of the Board and President, The First National Bank of Reserve, Reserve, Mont.	1958
Appointed by Board of Governors:		
George R. Milburn	Manager, N Bar Ranch, Grass Range, Mont.	1957
Carl McFarland	President, Montana State University, Missoula, Mont.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.

District 10—Kansas City

		Term Expires Dec. 31
Class A:		
Harold Kountze	President and 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, Kans.	1958
W. L. Bunten	President, Goodland State Bank, Goodland, Kans.	1959
Class B:		
Max A. Miller	Livestock rancher, Omaha, Nebr.	1957
E. M. Dodds	Chairman of the Board, United States Cold Storage Corporation, Kansas City, Mo.	1958
K. S. Adams	Chairman of the Board, Phillips Petroleum Company, Bartlesville, Okla.	1959
Class C:		
Joe W. Seacrest	President, State Journal Company, Lincoln, Nebr.	1957
Raymond W. Hall	Vice President and Director, Hallmark Cards, Inc., Kansas City, Mo.	1958
Oliver S. Willham	President, Oklahoma State University, Stillwater, Okla.	1959

Denver Branch

Appointed by Federal Reserve Bank:		
Merriam B. Berger	Vice President, The Colorado National Bank of Denver, Denver, Colo.	1957
Ralph S. Newcomer	Executive Vice President, First National Bank in Boulder, Boulder, Colo.	1958
Arthur Johnson	President, First National Bank in Raton, Raton, N. Mex.	1958
Appointed by Board of Governors:		
Aksel Nielsen	President, The Title Guaranty Company, Denver, Colo.	1957
Ray Reynolds	Cattle feeder and farmer, Longmont, Colo.	1958

Oklahoma City Branch

Appointed by Federal Reserve Bank:		
George R. Gear	President, The City National Bank of Guymon, Guymon, Okla.	1957
R. Otis McClintock	Chairman of the Board, The First National Bank and Trust Company of Tulsa, Tulsa, Okla.	1958
C. L. Priddy	President, The National Bank of McAlester, McAlester, Okla.	1958
Appointed by Board of Governors:		
Davis D. Bovaird	President, The Bovaird Supply Company, Tulsa, Okla.	1957
Phil H. Lowery	Owner, Lowery Hereford Ranch, Loco, Okla.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.		Term Expires Dec. 31
Omaha Branch		
Appointed by Federal Reserve Bank:		
George J. Forbes	President, Bank of Laramie, Laramie, Wyo.	1957
C. Wheaton Battey	President, The Continental National Bank of Lincoln, Lincoln, Nebr.	1957
William N. Mitten	Chairman of the Board, First National Bank of Fremont, Fremont, Nebr.	1958
Appointed by Board of Governors:		
James L. Paxton, Jr.	President, Paxton-Mitchell Company, Omaha, Nebr.	1957
Manville Kendrick	Rancher, Sheridan, Wyo.	1958

District 11—Dallas

Class A:		
Sam D. Young	President, El Paso National Bank, El Paso, Tex.	1957
J. Edd McLaughlin	President, Security State Bank & Trust Company, Ralls, Tex.	1958
John M. Griffith	President, The City National Bank of Taylor, Taylor, Tex.	1959
Class B:		
D. A. Hulcy	Chairman of the Board, Lone Star Gas Company, Dallas, Tex.	1957
J. B. Thomas	President and General Manager and Director, Texas Electric Service Company, Fort Worth, Tex.	1958
John R. Alford	Industrialist and farmer, Henderson, Tex.	1959
Class C:		
Robert J. Smith	President, Pioneer Aeronautical Services, Inc., Dallas, Tex.	1957
Lamar Fleming, Jr.	Chairman of the Board, Anderson, Clayton & Co., Inc., Houston, Tex.	1958
Hal Bogle	Rancher and feeder, Dexter, N. Mex.	1959
El Paso Branch		
Appointed by Federal Reserve Bank:		
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
F. W. Barton	President, The Marfa National Bank, Marfa, Tex.	1959
Appointed by Board of Governors:		
James A. Dick	President, James A. Dick Investment Company, El Paso, Tex.	1957

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
E. J. Workman	President, and Director of Research and Development Division, New Mexico Institute of Mining and Technology, Socorro, N. Mex.	1958
D. F. Stahmann	Treasurer, Stahmann Farms, Inc., Las Cruces, N. Mex.	1959

Houston Branch

Appointed by Federal Reserve Bank:		
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
I. F. Betts	President, The American National Bank of Beaumont, Beaumont, Tex.	1959
Appointed by Board of Governors:		
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
A. E. Cudlipp	Vice President and Director, Lufkin Foundry and Machine Corp., Lufkin, Tex.	1959

San Antonio Branch

Appointed by Federal Reserve Bank:		
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
E. C. Breedlove	President, The First National Bank of Harlingen, Harlingen, Tex.	1959
Appointed by Board of Governors:		
Alex R. Thomas	Vice President, Geo. C. Vaughan & Sons, San Antonio, Tex.	1957
Harold Vagtborg	President, Southwest Research Institute, San Antonio, Tex.	1958
Clarence E. Ayres	Professor of Economics, The University of Texas, Austin, Tex.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.

District 12—San Francisco

		Term Expires Dec. 31
Class A:		
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
M. Vilas Hubbard	President and Chairman of the Board, Citizens Commercial Trust and Savings Bank of Pasadena, Pasadena, Calif.	1959
Class B:		
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
N. Loyall McLaren	Partner, Haskins & Sells, San Francisco, Calif.	1959
Class C:		
Philip I. Welk	Vice President, Centennial Mills, Inc., Portland, Oreg.	1957
Y. Frank Freeman	Vice President, Paramount Pictures Corporation, Hollywood, Calif.	1958
A. H. Brawner	Chairman of the Board, W. P. Fuller & Company, San Francisco, Calif.	1959

Los Angeles Branch

Appointed by Federal Reserve Bank:		
Joe D. Paxton	Chairman of the Board, County National Bank and Trust Company of Santa Barbara, Santa Barbara, Calif.	1957
Anderson Borthwick	President, The First National Trust and Savings Bank of San Diego, San Diego, Calif.	1958
James E. Shelton	Chairman, Security-First National Bank of Los Angeles, Los Angeles, Calif.	1958
Appointed by Board of Governors:		
Robert J. Cannon	President, Cannon Electric Company, Los Angeles, Calif.	1957
Leonard K. Firestone	President, Firestone Tire and Rubber Company of California, Los Angeles, Calif.	1958

Portland Branch

Appointed by Federal Reserve Bank:		
E. C. Sammons	President, The United States National Bank of Portland, Portland Oreg.	1957
John B. Rogers	President, The First National Bank of Baker, Baker, Oreg.	1958
J. H. McNally	President, The First National Bank of Bonners Ferry, Bonners Ferry, Idaho	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Appointed by Board of Governors:		
Warren W. Braley	Partner, Braley & Graham Buick, Portland, Oreg.	1957
William H. Steiwer, Sr.	Livestock and farming, Fossil, Oreg.	1958
Salt Lake City Branch		
Appointed by Federal Reserve Bank:		
Harry Eaton	President, Twin Falls Bank and Trust Company, Twin Falls, Idaho	1957
Russell S. Hanson	Executive Vice President, The First National Bank of Logan, Logan, Utah	1958
George S. Eccles	President, First Security Bank of Utah, National Association, Salt Lake City, Utah	1958
Appointed by Board of Governors:		
Joseph Rosenblatt	President, The Eimco Corporation, Salt Lake City, Utah	1957
Geo. W. Watkins	President, Snake River Equipment Company, Idaho Falls, Idaho	1958
Seattle Branch		
Appointed by Federal Reserve Bank:		
Charles F. Frankland	President, The Pacific National Bank of Seattle, Seattle, Wash.	1957
S. B. Lafromboise	President, The First National Bank of Enumclaw, Enumclaw, Wash.	1958
James Brennan	President, First National Bank in Spokane, Spokane, Wash.	1958
Appointed by Board of Governors:		
D. K. MacDonald	Chairman of the Board, D. K. MacDonald & Company, Inc., Seattle, Wash.	1957
Lyman J. Bunting	President, Rainier Fruit Company, Yakima, Wash.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1957—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 George H. Ellis	Benjamin F. Groot Dana D. Sawyer O. A. Schlaikjer
New York	Alfred Hayes William F. Treiber	H. A. Bilby John Exter M. A. Harris H. H. Kimball H. V. Roelse Robert V. Roosa	Robert G. Rouse Walter H. Rozell, Jr. 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 C. Harrell L. Merle Hostetler	A. H. Laning Martin Morrison H. E. J. Smith Paul C. Stetzelberger
Richmond	Hugh Leach Edw. A. Wayne	N. L. Armistead J. Dewey Daane Aubrey N. Heflin Upton S. Martin	J. M. Nowlan James M. Slay Thomas I. Storrs C. B. Strathy
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 E. C. Harris	Neil B. Dawes W. R. Diercks A. M. Gustavson Paul C. Hodge C. T. Laibly	George W. Mitchell H. J. Newman A. L. Olson W. W. Turner
St. Louis	Delos C. Johns Guy S. Freutel	Wm. J. Abbott, Jr. Geo. E. Kroner Dale M. Lewis	H. H. Weigel J. C. Wotawa
Minneapolis	Frederick L. Deming A. W. Mills	C. W. Groth M. B. Holmgren A. W. Johnson	H. G. McConnell M. H. Strothman, Jr. Sigurd Ueland
Kansas City	H. G. Leedy Henry O. Koppang	John T. Boysen Joseph S. Handford	Clarence W. Tow 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 John A. O'Kane	H. F. Slade O. P. Wheeler

VICE PRESIDENTS IN CHARGE OF BRANCHES

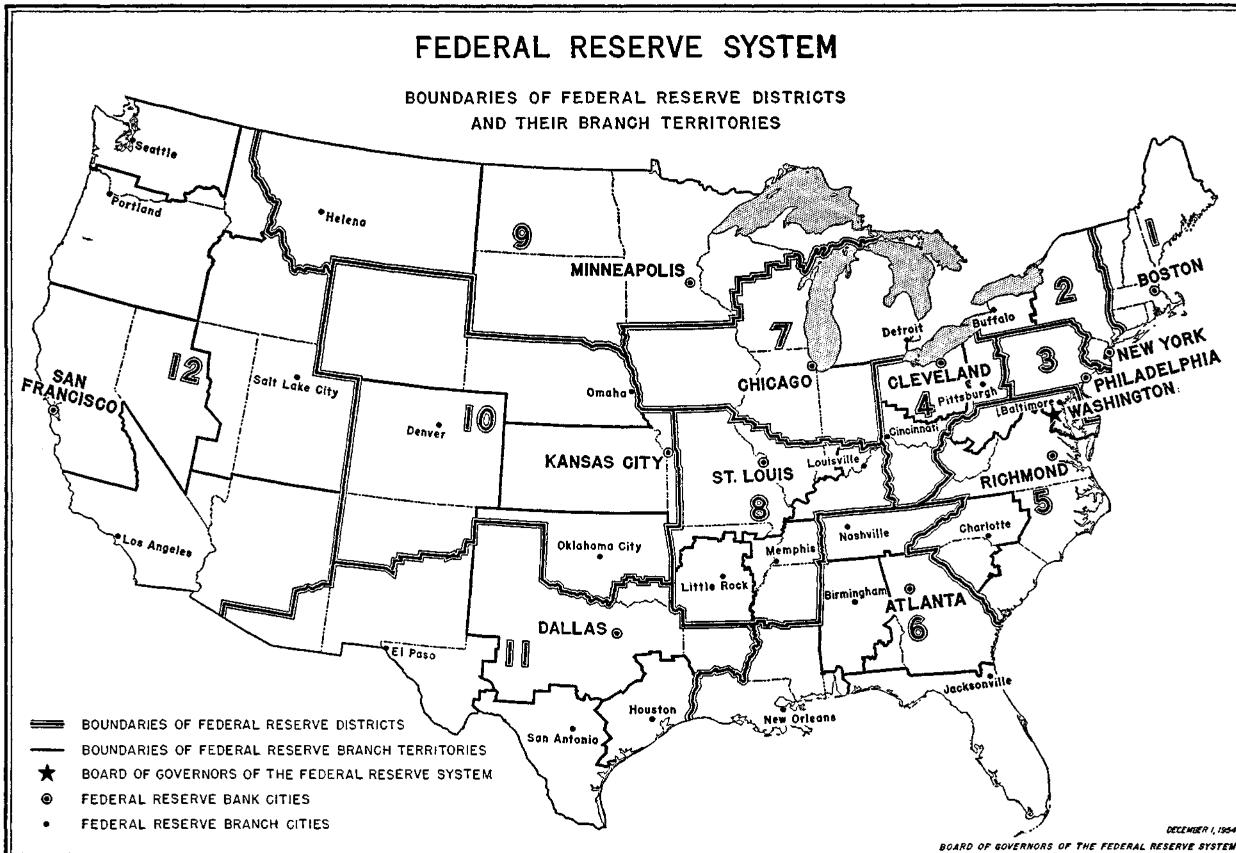
Federal Reserve Bank of—	Branch	Chief Officer
New York	Buffalo	I. B. Smith
Cleveland	Cincinnati	R. G. Johnson
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	D. F. Hagner
	Charlotte	R. L. Cherry
Atlanta	Birmingham	H. C. Frazer
	Jacksonville	T. A. Lanford
	Nashville	R. E. Moody, Jr.
	New Orleans	M. L. Shaw
Chicago	Detroit	R. A. Swaney
St. Louis	Little Rock	Fred Burton
	Louisville	Donald L. Henry
	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 28-29, March 26, June 17-18, and September 30-October 1, 1957, and the Board of Governors met with the Presidents on January 29, June 18, and October 1, 1957.

Mr. Leedy, President of the Federal Reserve Bank of Kansas City, and Mr. Erickson, President of the Federal Reserve Bank of Boston, were re-elected Chairman of the Conference and Vice Chairman, respectively, at the meeting held on March 26 and served as such during 1957.

Mr. John T. Boysen, Vice President and Cashier of the Federal Reserve Bank of Kansas City, continued to serve as Secretary of the Conference during 1957.



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 later changes in branch territory lines, see p. 57 of the 1954 *Annual Report.*

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