FORTY-FIFTH

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR THE YEAR

1958

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, June 24, 1959

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-fifth Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1958.

Yours respectfully,

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

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

The year 1958 brought vigorous recovery from a brief but sharp recession in economic activity in the United States. From a low point in early spring, output of goods and services rose rapidly and, by year-end, gross national product in current dollars exceeded and in real terms was close to earlier peaks. As is characteristic of early phases of recovery movements, employment rose less rapidly than output, and unemployment remained relatively high. Abroad, economic expansion was resumed at the end of 1958 after temporary interruptions in many countries.

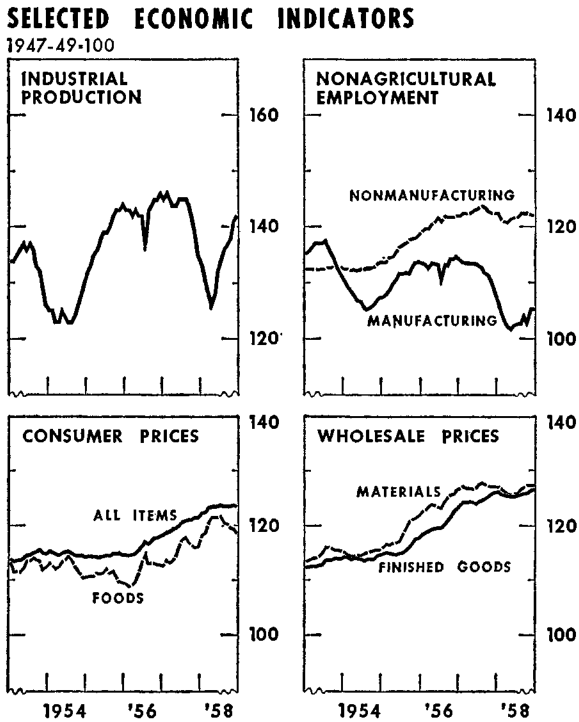
The Federal Reserve adapted its policies to the changing economic environment by fostering bank credit expansion during the recession early in the year and by moderating the availability of funds in the last five months as economic activity gained momentum. Demands for credit remained slack early in 1958 and interest rates continued to decline. In the last half of the year, when private and public demands for credit were rising, particularly those of the Federal Government to finance the large current deficit, interest rates rose sharply.

Consumer and wholesale prices, after rising somewhat early in the year, were fairly stable during most of 1958. Stock prices, however, rose rapidly throughout the year.

RECESSION AND RECOVERY

At the beginning of 1958, economic activity in this country was receding. Contraction in output and employment was general, and unemployment was rising at a disturbing pace. No one could be sure how far the downward adjustment would go, or how long it would last.

Even at that time, however, some were beginning to view the outlook more optimistically. In January, corporations, taking advantage of easier conditions and lower interest costs in financial markets, were offering an appreciable volume of new issues in anticipation of future needs for funds, and to refund shorter term debt. State and local governments were bringing to market bond issues that had been deferred earlier, and were stepping up the pace of bond offerings to provide for public works.



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

Farmers continued to foresee favorable output and price conditions in agriculture and were bidding up further the prices of farm land. Bankers, with slackened customer demand for credit and strengthened reserve positions, were bidding more aggressively for investments. By February, bankers were accelerating expansion of the assets and deposits of their institutions, thus increasing more rapidly the economy's stock of cash balances and raising its over-all liquidity.

By the early part of the second quarter, personal income and consumer spending had ceased to decline and, in fact, were rising slightly. Production and employment turned upward soon after. Whether these developments, though encouraging, foreshadowed wide revival in activity was not known at the time; not until summer did the current flow of information and reports provide substantial confirmation that general economic recovery was under way.

From that stage on, currently available data reflecting market trends, production, and employment showed that recovery was both broadly based and vigorous. At year-end, eight months after recovery had set in, total output approximated the peak of 1957 and it was growing with increasing momentum.

Federal Reserve Action to Combat Recession

Federal Reserve policy began to move in a counter-recession direction in late October of 1957. At that time, the System began to shift its open market operations toward supplying reserves more liberally to the banking system. In November, it reduced the discount rates on member bank borrowings from the Reserve Banks. As the stream of factual information verified the emergence of recessionary trends, Federal Reserve actions and policies became more aggressive, and discount rate, open market, and reserve requirement instruments were actively applied in complementary fashion to foster ease in credit markets and encourage bank credit and monetary expansion.

From late fall 1957 through April 1958, there were four reductions in Federal Reserve Bank discount rates, from 3½ per cent to 1¾ per cent. Through continuing open market operations from late fall of 1957 to early summer of 1958, the Reserve System supplied the commercial banks with some $2 billion of reserve funds. Through three successive reserve requirement reductions in late winter and early spring of 1958, the System released for the use of member banks about $1.5 billion of their required reserves.

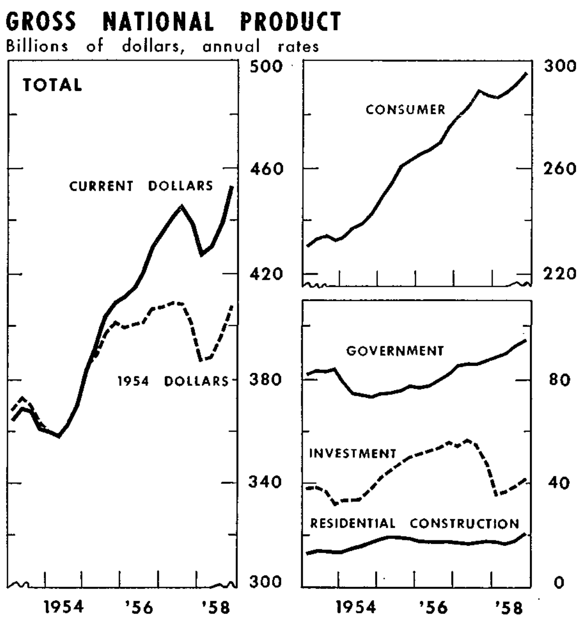
The total amount of reserve funds supplied by the Federal Reserve System over the nine months November 1957-July 1958 was enough to enable member banks to reduce their discounts at the Reserve Banks from $800 million to about $100 million, to offset sales of gold to foreign countries amounting to about $1.5 billion, and to finance a commercial bank credit expansion of almost $8 billion. Monetary expansion from February through July stimulated by this Federal Reserve action was at an exceptionally rapid rate—at an annual rate of 13 per cent for all deposits, including time and demand deposits. For the active money supply, that is, demand deposits and currency, the rise was at an annual rate of 8 per cent. After the shift in Federal Reserve policy in the summer, expansion in the active money supply slackened, and for the year as a whole it amounted to about 4 per cent.

Broader Effects of Monetary Action

Although the immediate impact of Federal Reserve policy was on commercial banks, it clearly had broader effects upon the economy generally. For one thing, since commercial banks are direct participants in some degree in all important credit markets, expansion in bank lending and investing activities intensified competition among all lenders for the acquisition of the available supply of creditworthy loans and securities. This widened access of all potential borrowers to credit funds. It also worked to reduce the cost of financing to borrowers generally—businesses, farmers, consumers and home buyers, and all levels of government.

Another effect of the credit ease was a greater willingness on the part of banks and other lenders to make new loans to business customers and to renew outstanding credits. This permitted the orderly run-off of excess business inventories accumulated in the preceding boom. It also facilitated the completion of business programs of plant and equipment expansion begun in that period. With a $6 billion reduction in business inventory holdings and a significant cutback in fixed investment programs during the recession, business loans outstanding declined only $1.5 billion in the year ending September 1958. The ability of businesses to maintain their bank borrowing and also to borrow more readily in capital markets not only cushioned downward pressures on investment spending but helped many companies to minimize cutbacks in their working force and payrolls, to maintain dividends, and to strengthen liquidity positions.

In housing markets, the easier conditions broadened the availability of mortgage funds. Discounts were reduced on FHA and VA mortgages subject to ceiling interest rates, and interest rates on new conventional mortgages fell. As bank credit expansion gained in momentum, banks participated in mortgage investment more actively than at any time since the boom housing year of 1955. The increased availability of mortgage funds at lower cost, together with the maintenance of personal income, was promptly reflected in a step-up of builder activity in constructing new houses.



NOTE.—Department of Commerce quarterly estimates, adjusted for seasonal variation. "Investment" includes producers' durable equipment, private construction other than nonfarm residential, change in business inventories, and net exports of goods and services.

In the consumer instalment credit area, the increased availability of funds made it possible for lenders to meet sound demands for credit more readily, thus bolstering lagging demand for consumer durable goods. On some transactions, terms were eased and, in addition, new credit plans were developed and extended. Easier credit conditions permitted lenders to be more liberal in granting renewals and extensions of time for repayment of outstanding credit. Thus, the volume of repossessions and credit losses was less than would otherwise have been the case, with benefits to both borrowers and lenders.

Increased availability of funds also had an impact on State and local government financing. In some cases, the lower cost of financing encouraged States and municipalities to borrow in order to finance capital projects. Lower market rates also enabled certain State and local governments that had a ceiling on interest rates to return to the market. The increase in annual rate of spending by State and local governments from the summer of 1957 to the summer of 1958 was a billion dollars more than in the preceding year.

These observable effects of easier monetary conditions which developed from efforts to combat recession were, of course, important and salutary. They are not to be overly stressed, however, for monetary action is always only one element in Government counter-recession policy. In turn, Government policy is always only one element in the total economic scene. Businesses, individuals, and State and local governments, in the light of their own circumstances, were taking actions to adjust and adapt their situations and to redirect their energies. Their actions undoubtedly shaped the recovery and gave it momentum. Restraint of inflationary pressures during the preceding boom undoubtedly contributed to an underlying economic situation favorable to recovery and made the economy responsive to these monetary and other anti-recession actions.

Changing Expectations

Achievement of monetary ease to combat recession so promptly and amply was not without its problems. One of the most acute was the build-up of prices in the bond market as speculators counted on continuing business recession, credit ease, and still higher bond prices. Psychological reactions and expectations always play a role in swings in economic and financial developments, but they were of particular importance in financial markets in the summer of 1958 as the economic outlook rapidly changed from one of a continuing recession to one of early, vigorous recovery.

At that time, the improved economic outlook led to a sharp change in expectations in regard to renewed inflationary pressures and a turnabout in the trend of interest rates. A much larger Federal deficit loomed up than had been estimated, as well as the crisis and threat of military action in the Middle East. Concern about the drain of gold from the nation's monetary reserves through sales of gold to the industrial nations of Europe was a further cause of uncertainty. The fact that the Canadian Government announced a major refunding operation at sharply higher interest rates was also a complicating factor.

In these circumstances, heavy market sales by holders of United States Government securities in anticipation of higher interest rates sharply depressed bond prices. Initially, this selling stemmed from temporary holders who had bought in anticipation of a continued rise in Government securities prices. Some of these holdings had been acquired with funds borrowed on thin margins in connection with the Treasury's June financing operations. In this financing, investors had exchanged the major portion of maturing issues for $6\frac{2}{3}$-year bonds rather than for the 11-month certificates also included in the exchange offering. In many cases, selling was forced because the margins vanished as securities prices declined.

Prices of Government securities continued to decline under pressure of steady liquidation and the reluctance of investors to purchase market offerings in view of changed prospects for credit demands and inflationary threats. During the period from June 19 through July 9, the Treasury purchased nearly $600 million of the bonds previously taken in the exchange, retiring about three-fourths of these and placing the remainder in Treasury investment funds. On July 18, the Federal Open Market Committee concluded that the market situation had become disorderly and decided to intervene temporarily in the medium- and long-term sectors of the Government securities market. This action was within the framework of the Committee's established operating rules. From July 18 to July 23 the System purchased $1.2 billion of securities involved in a Treasury refinancing, largely "when issued" securities, and a small amount of other notes and bonds.

Thereafter, as market conditions became more orderly, no further Federal Reserve open market transactions were effected outside the usual area of short-term Government securities. During late July and early August, sales of Treasury bills by the System together with other factors affecting reserves more than absorbed the redundancy of reserves that threatened to result from Federal Reserve intervention in the Government bond market.

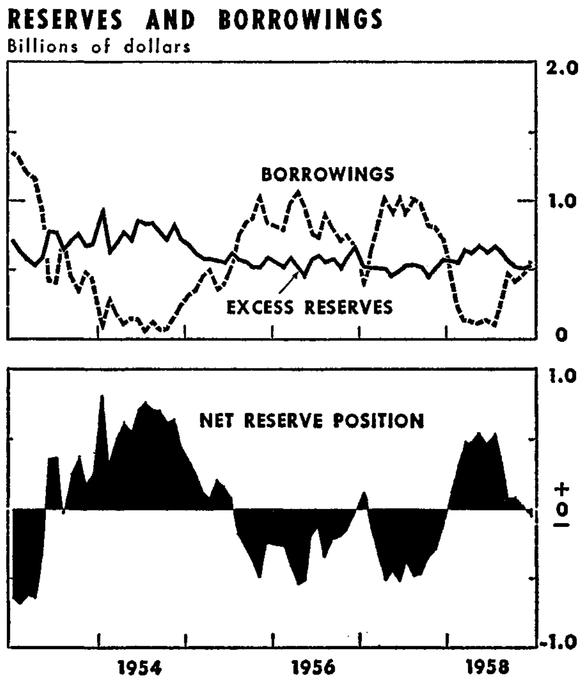
Moderation of Federal Reserve Policy

By August, there was clear evidence in current statistics that recovery in economic activity and production had gained considerable momentum and was likely to go forward without serious setback. Moreover, in view of the strength of consumer demand, appreciable further decline in business inventory holdings and capital outlays was no longer likely.

About this time, inflationary expectations began to spread. The abrupt upward shift of interest rate levels in central money markets, while precipitated by liquidation of speculative positions in Government securities, reflected in part investor demand for an interest premium to cover the risk of a depreciating purchasing power of invested funds. There was a large shift by investors, including institutional investors such as pension funds, in the allocation of newly available funds to common stocks instead of fixed interest obligations, with hedging against inflation a frequent explanation of the change in investor policy. Large current and prospective demands for credit by the Federal Government, State and local governments, and home purchasers also influenced the rising cost of borrowed funds. In the stock market, the volume of trading was expanding rapidly and the rise in stock prices reduced the yields on common stocks below the yields on high-grade corporate bonds.

In the light of the rapidly changing economic situation, in most respects highly encouraging but with inflationary and speculative psychology spreading, the Federal Reserve, during the summer, began to move away from its anti-recession policy of low discount rates, high excess reserves, and reductions in reserve requirements.

System open market operations after midsummer supplied only a portion of the reserves needed to meet rising credit demands and to offset the reserve drain of a continued gold outflow. As a result, member banks drew down their excess reserves somewhat and at the same time increased their borrowings from the Federal Reserve Banks. Such borrowing was made much more costly when Reserve



NOTE.—Monthly averages of daily figures for member banks. Net reserve position indicates excess reserves minus borrowings.

Bank discount rates were raised in the late summer from 1¾ per cent to 2 per cent, and in midautumn to a level of 2½ per cent.

From late summer through the end of the year, bank credit and the money supply continued to expand but at a rate much reduced from earlier in the year. Some seasonal expansion in business loans was supplemented by a rapid growth of real estate loans. On the other hand, bank holdings of short-term United States Government securities rose only moderately despite a substantial increase in the supply of such securities to finance the Treasury's deficit. With business sales and liquidity showing rapid rise, the higher interest rates that developed in the market helped to attract a substantial volume of funds of nonbank investors, especially business corporations, into the purchase of the new short-term Treasury issues. As a consequence, the Treasury was able to finance most of its deficit outside the banking system, and at the same time banks were able to meet private credit demands accompanying economic recovery, with only a moderate further growth in total bank credit and money.

Regulation of Margin Requirements

In addition to its broader monetary responsibilities, the Federal Reserve is directed by law to prescribe margin requirements to guard against excessive use of credit for purchasing or carrying stock market securities. By providing a means of dealing directly with this volatile type of credit, margin requirements serve as a special-purpose supplement to the general instruments of Federal Reserve action. Since the flow of credit into the stock market tends to fluctuate with general business conditions, changes in margin requirements are usually correlated with policy actions that affect general credit availability.

Following the stock market decline in the early fall of 1957, total credit to customers for purchasing and carrying stock market securities declined by about 5 per cent and was back to about the level outstanding in mid-1955. With this indication of abatement of credit use in the stock market, the Board of Governors, early in January 1958, reduced the required margin from 70 to 50 per cent.

With the increasing activity and rise in stock prices accompanying economic recovery, stock market credit rose sharply, reaching by July a level about 20 per cent above the volume at the beginning of the year. In view of the rapid rise in credit to finance trading in or temporary ownership of stocks, and the emerging investment psychology favoring purchase of stocks as an inflation hedge, the Board, early in August, restored the required margin to 70 per cent. As outstanding stock market credit continued to rise following this action, the Board, in mid-October, raised the required margin to 90 per cent.

Situation at Close of 1958

Monetary policy during the autumn aligned monetary conditions more closely with developments in the economy. Consumer spending on durable goods and housing continued to expand and was reflected in high levels of output of household durable goods, in a more than seasonal pickup in auto production, and in a rise in housing starts to the highest level in recent years. Business inventory policies were switching from liquidation toward accumulation, and there was a widespread, though small, upturn in capital expenditures. At the same time, Federal, as well as State and local government spending, was expanding rapidly in accordance with budgetary authorizations adopted earlier.

In financial markets moderate curtailment of credit availability and higher interest rates helped to dampen speculative excesses then developing, to restrain and spread out the volume of new corporate and municipal securities financing, and to facilitate the financing of the large Federal deficit outside the banking system. The reduction of corporate and municipal securities financing followed some anticipatory borrowing by these issuers earlier in the year when long-term interest rates were lower. At the turn of the year, there was a large calendar of authorized but unissued State and local government securities.

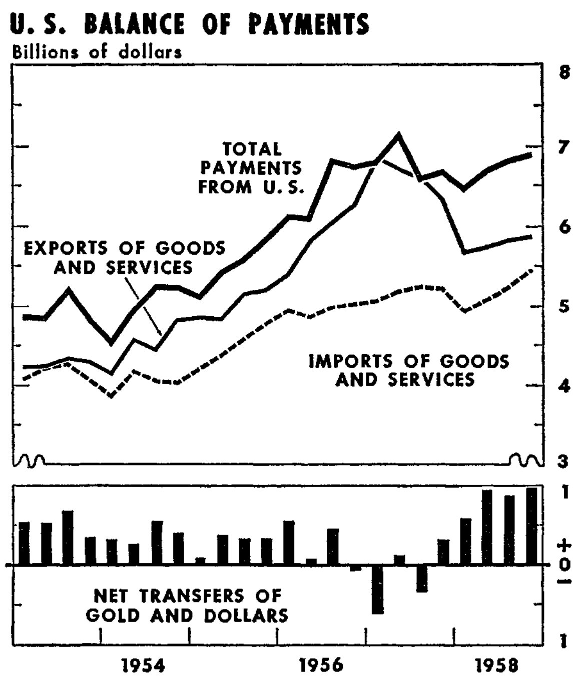
Total economic activity, measured in real terms, had nearly regained its earlier peak. The active money supply had risen about 3½ per cent above its pre-recession level, and holdings of other liquid assets, including time deposits, were up sharply. The financial basis for further growth was established.

CHANGES IN GOLD RESERVES

Developments in international trade and finance in 1958, and especially the decline in United States gold reserves, brought to public attention the interdependence of events in free market economies here and abroad. At the end of the year, announcement by a dozen European countries of the restoration of external convertibility for their currencies testified to the postwar renewal of Europe's economic and financial strength.

Unlike most components of domestic demand, external demand for United States exports failed to turn up during 1958. Exports of goods and services, which in the previous cyclical expansion had increased from $18 billion in 1954 to an annual rate of $27 billion in the first half of 1957, remained throughout 1958 at the level of $23 billion to which they had fallen early in the year.

The position of the United States in world trade is unique, in that it is the leading exporter of manufactured products and at the same time the most important exporter of crude and semi-finished materials and fuels. Like other exporters of primary products, the United States was affected by worldwide recessions in steel and textile industries, which checked its previously swollen exports of coal, scrap metal, steel, and raw cotton. Like other exporters of manufactures, this country was affected by cyclical adjustments of demand, not only in other industrial countries, but also in the less industrialized countries whose international earnings had fallen.



NOTE.—Department of Commerce seasonally adjusted quarterly data. Total payments from the United States include imports of goods and services, remittances, Government nonmilitary grants and loans, and net U. S. private capital outflow. Exports of goods and services exclude military transfers under aid programs. Net transfers of gold and dollars include gold purchases from the United States and net increases in foreign holdings of short-term assets in the United States and of U. S. Government long-term securities. Exports in first quarter of 1954 adjusted to include, and exports in second quarter to exclude, shipments delayed by port strike in March 1954.

Moreover, United States export trade in manufactures became subject to increasingly effective competition from Europe and Japan, areas whose capacity for exporting had greatly increased. And while United States demand for imported raw materials was relatively low in 1958, demand for imported consumer goods continued to increase.

One consequence of developments such as these was that the surplus of exports over imports of goods and services was much smaller than in 1957, and fell far short of matching the large continuing outflow of private loans and investments and of Government loans and grants. The export surplus was only moderately larger than in the years immediately preceding the 1956-57 upsurge, but the capital outflow was much larger. In its total balance of international payments—on current and capital account—the United States thus had an unusually large deficit in 1958. It is the purpose of this section of the Annual Report to indicate how gold movements were related, on the one hand, to this deficit, and, on the other hand, to the functioning of the United States monetary system.

Gold and the Balance of International Payments

A deficit in a country's balance of international payments (an excess of payments to foreigners over receipts from foreigners) involves the transfer of international means of payment from domestic to foreign holders. In relations between the United States and foreign countries or international institutions, two kinds of international means of payments are used: gold and liquid dollar assets. The United States Treasury sells gold to, and purchases gold from, foreign monetary authorities for the settlement of international transactions at the fixed price of $35 an ounce, plus or minus a commission charge of one-fourth of one per cent. Dollar assets are freely transferred between United States holders and foreign monetary authorities or (as far as foreign countries' exchange regulations permit) private persons. Liquid dollar assets held by foreigners include deposits with the Federal Reserve Banks and other banking institutions, holdings of Treasury bills and other United States Government securities, and, to a smaller extent, holdings of bankers' acceptances and other short-term dollar claims.

In 1958, a major part of the $3.4 billion deficit in the United

States balance of international payments was settled in the form of gold. The amount of net gold sales to foreigners during the year, $2.3 billion, was larger than in any other 12-month period with the exception of the period immediately following the outbreak of the Korean war in 1950.

Some of the factors accounting for the large deficit in the United States balance of international payments have already been discussed. The reason why a large fraction of that deficit was settled in gold lies primarily in the regional distribution of the balance-of-payments surpluses of foreign countries.

The practices of foreign monetary authorities vary widely in regard to the proportion of their reserves held in the form of gold on the one hand, or dollars or other foreign exchange on the other. Some countries, such as the United Kingdom, Belgium, the Netherlands, and Switzerland, have for many years held most of their official reserves in the form of gold, and have held liquid dollar assets only insofar as they were needed for working balances. Most other European nations also have held a substantial part of their reserves in gold.

In 1958 the countries that experienced the greatest gain in reserves were highly industrialized countries, including many European countries. This development was the consequence of the slowdown in economic expansion throughout most of the free world and of the relatively greater decline in export earnings for raw-material producing countries than for industrial countries other than the United States.

Sales of gold to the four countries that generally take practically all of their reserve gains in the form of gold (the United Kingdom, Belgium, the Netherlands, and Switzerland) accounted for three-fourths of United States net gold sales in 1958; sales to three other industrial countries (Austria, Italy, and Japan) accounted for virtually all the rest.

Within the year 1958, net gold sales were largest in the second quarter, and gradually declined during the third and fourth quarters. This decline in the gold component of balance-of-payments settlements did not reflect a decline in the balance-of-payments deficit itself.

Gold and the United States Monetary System

A balance-of-payments deficit for the United States means, in the first instance, a transfer of liquid assets from domestic to foreign residents or monetary authorities. This transfer need not affect total bank assets or liabilities in the United States as long as the deficit is settled exclusively by transfers of dollar assets. For example, if a United States deficit is settled by the transfer of dollar deposits to residents of foreign countries and then to their monetary authorities, no change in total deposits with United States banks occurs. If foreign monetary authorities receiving dollars then invest in money market paper, such as United States Treasury bills, unless the bills are purchased from banks the effect generally will be simply a decrease in domestic nonbank holdings of bills accompanying the increase in foreign holdings, with the volume of bank deposits remaining unchanged.

If transfers of dollar assets to foreign monetary authorities are followed by sales of gold to them, further monetary effects of a somewhat more complicated kind occur. Under the monetary system of the United States, gold is both a means of international payments and the ultimate reserve basis of the United States money supply. Movements of gold directly affect the money supply, the reserves of commercial banks, and the reserves of the Federal Reserve Banks.

The great bulk of the gold holdings of the United States (at the end of 1958, $20.0 billion out of a total of $20.6 billion) is held in the Treasury as security against a corresponding amount of gold certificates issued to the Federal Reserve Banks. These gold certificates owned by the Reserve Banks, together with their holdings of United States Government securities, advances to member banks, and other assets, serve as backing for Reserve Bank liabilities. Under the Federal Reserve Act, holdings of gold certificates must be not less than 25 per cent of Federal Reserve note and deposit liabilities; actually the amounts held greatly exceed this minimum. Federal Reserve deposit liabilities represent primarily reserves that the member banks are required to hold against their own deposits. Member bank deposits in turn are a major component of the country's money supply.

The way in which the money supply, member bank reserves, and

Federal Reserve Bank reserves are affected by international transfers of gold may be explained by describing the consequences of a gold sale by the United States to a foreign monetary authority. (A sale of gold by a foreign monetary authority to the United States Treasury would have exactly the opposite effects on bank deposits, member bank reserves, and gold certificate holdings of the Federal Reserve Banks.) In preparing to buy gold, the foreign authority usually accumulates funds in its account with the Federal Reserve Bank of New York, either by selling money market paper or by transferring funds from deposits with commercial banks. In either case, the immediate effect is a reduction in commercial bank deposits, generally those of member banks, and along with this a reduction in member bank reserves.

When the foreign authority purchases gold from the Treasury, it transfers funds from its foreign account with the Federal Reserve Bank of New York to the Treasury's account with the Federal Reserve Bank. (This is usually done through the intermediation of the Stabilization Fund of the Treasury, which handles these transactions through its fiscal agent, the Federal Reserve Bank of New York.) The Treasury in turn uses the proceeds in most cases to redeem a corresponding amount of gold certificates owned by the Reserve Banks. The effects of the transaction thus include, first, a reduction in money in the form of bank deposits; second, a drain on member bank reserves; and, third, a reduction in the gold certificate reserves of the Federal Reserve Banks.

Gold and Federal Reserve Policy

Gold movements and the underlying developments in international trade and payments are among the elements of the economic situation constantly under review in the determination of monetary policy.

In the administration of policy, the effects of gold movements upon member bank reserves are of immediate importance, since changes in member bank reserves usually have further multiple effects upon the money supply through bank credit contraction or expansion. The Federal Reserve takes into account the impact upon member bank reserves of gold transactions and of all other factors that affect those reserves, including changes in currency in circulation, movements in Treasury deposits at the Reserve Banks, and fluctuations in Federal Reserve float. When, as in early 1958, the combined effect of such factors on member bank reserves would be in a direction contrary to policy objectives, the Federal Reserve takes offsetting action.

In the first seven months of the year, Federal Reserve policy was aimed at adding substantially to member bank reserves. Gold sales, however, were draining about $1.5 billion of reserves, and this drain was offset only in small part by other factors affecting reserves. In order to complete the offset, and in addition to ease reserve positions and provide for monetary expansion, member bank reserve requirement percentages were lowered, releasing $1.5 billion of reserves, and additional reserve funds were supplied through open market operations.

In the latter part of the year, continued although reduced sales of gold further drained bank reserves. Also, the rise in currency in circulation drained more reserves than were supplied by the rise in Federal Reserve float. Since in this period the Federal Reserve was moderating the availability of reserves, only part of the contractive impact of these and other factors upon the reserves of member banks was offset through open market operations. Member banks provided the rest of the reserves needed for deposit expansion through borrowing from the Federal Reserve Banks.

Over the year as a whole, the ratio of gold certificate reserves of the Federal Reserve Banks to their note and deposit liabilities dropped from 46.3 per cent to 42.1 per cent, but it remained well above the statutory minimum of 25 per cent. There was a moderate increase in liabilities for Federal Reserve notes in circulation. Deposit liabilities of the Reserve Banks declined; the increase in required reserves of member banks brought about by growth in their deposits was more than offset by the lowering of member bank reserve requirement percentages.

DEMAND AND SUPPLY OF FUNDS IN 1958

Total public and private debt rose more in 1958 than in 1957, although much less than the record postwar growth in 1955. Record postwar expansion of commercial bank credit provided a large part of the funds to absorb this rise in debt, but funds available for investment from nonbank sources also rose.

Availability of funds in relation to demand changed considerably over the year, mainly in response to shifts in the business outlook and in Federal Reserve policy. In the first half of 1958, when business and consumer demands for credit were slack and the availability of bank reserves increased, funds seeking outlets pressed against demand and interest rates declined. Total bank credit rose contraseasonally as banks increased their holdings of securities. In the last half, when the availability of bank reserves was more restricted, vigorous economic recovery, together with a large Federal Government deficit, generated additions to demands for financing and interest rates rose sharply. Expectations of still more active credit demands and of possible creeping inflation tended to make lenders reluctant to invest in fixed interest obligations, especially on longer term, and accentuated the rise in interest rates. The channeling of an increased volume of available funds into stocks, also in response to expectations of inflation, was a further factor of upward pressure on interest rates.

Credit Demands

Credit growth in 1958 reflected mainly increased borrowing by all levels of government. Rising Federal expenditures and reduced tax revenues resulted in a large cash deficit, in contrast with a small surplus in the previous year. State and local governments increased their outstanding debt more than in 1957.

Private debt expanded further, but the annual rate of growth continued the downtrend that had prevailed since 1955. Business borrowing fell off substantially, reflecting reduced plant and equipment outlays and heavy inventory liquidation. Consumer indebtedness for the purchase of goods and services declined during the year, reflecting principally a decrease in automobile purchases. Mortgage financing of residential properties, however, showed an accelerated increase. Outstanding farm mortgage debt also continued to rise and other loans to farmers by banks went up nearly one-fourth.

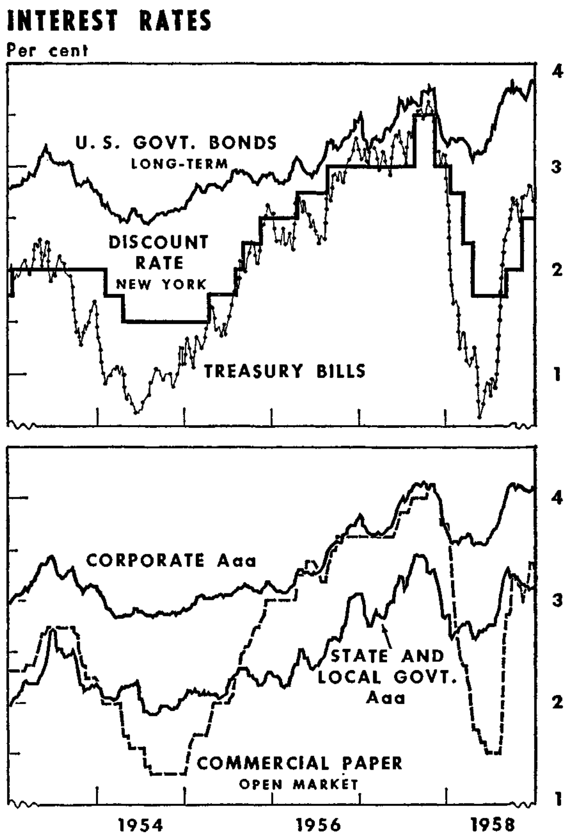
Government. The Federal Government had a cash deficit of $7.3 billion in calendar year 1958, a sharp change from the surplus of $1.2 billion in 1957 and of $5.5 billion in the preceding year. Federal expenditures were about $6 billion higher in 1958 than in 1957 and cash receipts nearly $3 billion lower. The decline in revenue, mainly in corporate and individual income taxes, reflected the impact of recession on corporate profits and personal incomes.

Increased Federal spending was concentrated in the second half of the year when outlays rose substantially. About $4 billion of the 1958 increase was in unemployment benefits and other social security payments, but military, highway, and agricultural expenditures also rose.

As a result of Treasury borrowing to cover the deficit, outstanding public debt rose $8 billion in 1958, the largest calendar year increase since World War II. A small part of this increase occurred in the first half of 1958, when the Treasury used the proceeds of this borrowing, together with its seasonal cash surplus, to build up its cash balance in anticipation of a larger than seasonal deficit later in the year. In the last half of 1958, the Treasury financed its $12.6 billion cash deficit through net cash borrowing of $7.7 billion and a reduction in the Treasury balance of $4.9 billion.

Marketable debt rose $11.4 billion, or $3.4 billion more than total public debt, offsetting a decline of that amount in nonmarketable issues. About two-thirds of the marketable debt increase was in issues maturing in five years or more. A $14.5 billion increase in these issues in the first half of the year, mainly in connection with refunding operations, was offset in part by a $7.2 billion decline in the last half as the passage of time carried some issues into shorter maturity ranges. Net redemptions of savings bonds continued, but were in much smaller volume than in 1957. The volume of special issues to Government funds and other nonmarketable debt also declined in large part because of payments in excess of receipts in the old-age and survivors insurance and unemployment trust funds.

State and local governments continued to increase their expenditures, as in previous years. Their needs for long-term funds, primarily to finance schools, highways, and other public works, were increasing, and these governments sold a record volume of bonds to obtain new capital. The volume of financing was heaviest during the first half of the year when State and local governments responded to the lower level of interest rates by accelerating the financing of construction programs, funding shorter term debts, and undertaking some financing deferred in 1957. Despite a record volume of bond sales, amounting to $7.7 billion, the backlog of authorized but unsold bond issues increased during the year.



NOTE.—Market yields, weekly averages of daily figures. Treasury bills, market yields on 90-day bills. Long-term U. S. Government, yields on bonds maturing or callable in 10 years or more. Commercial paper, rate on prime 4- to 6-month open market paper. Yields on corporate and State and local government bonds, from Moody's Investors Service.

Market rates of interest on United States Government and State and local securities declined further in the early months of 1958 following a sharp drop in the fall of 1957. Rates on Treasury bills and intermediate-term issues fell much more than rates on bonds, and the spread between short- and long-term Treasury issues reached a postwar record around midyear. The smaller drop in long-term rates resulted in part from the continuation of a substantial volume of bond issues by corporations and State and local governments, as well as by the Federal Government.

During the summer, rates rose sharply from their spring lows, reflecting the rapid economic turnaround and the growing realization that the Federal cash deficit would be large, together with a mounting fear of inflation. After early October, rates on Treasury issues were relatively stable despite substantial Federal net cash borrowing. Rates on State and local securities fell off somewhat in late 1958, owing in large part to the small volume of new issues, and at year-end were about one-third of a percentage point below their 1957 peaks.

Business. The decline in business investment that began late in 1957 continued through the first three quarters of 1958. Outlays for new plant and equipment fell one-fifth over this period and inventory liquidation was substantial. In the fourth quarter of the year, spending for fixed capital edged upward and liquidation of business inventories ceased. For 1958 as a whole, total business investment was one-fourth smaller than in 1957.

Funds available to business corporations from current operations took a sharp drop in the first half of 1958. While depreciation allowances continued to rise, retained earnings fell almost two-thirds. In the last half of the year, corporate profits rose sharply and in the fourth quarter the volume of funds available from retained earnings and depreciation allowances reached a new peak. For the year as a whole, these internal funds were only 7 per cent smaller than in 1957.

The volume of external financing by business was considerably smaller in 1958 than in any of the previous three years of business expansion although much larger than in the recession year 1954. Growth in outstanding securities of corporations was one-tenth less than in 1957 but more than in any previous year. Business loans at commercial banks, however, declined slightly in contrast with increases of roughly $2 billion in the previous year and $6 billion in 1956 and 1955.

The pronounced shift in external financing from banks to securities markets evident in 1957 continued in 1958, induced in part by the somewhat reduced level of long-term interest rates that prevailed in the first half of the year. In the last quarter, following the onset of vigorous recovery and a sharp rise in interest rates, securities market financing fell off and demands for bank loans strengthened.

Most of the decline in new securities financing was in issues of manufacturing and sales finance companies. Capital outlays of manufacturing corporations were at greatly reduced levels, and sales finance companies had less need for new funds in view of the decline in borrowing on automobiles by consumers and dealers. Public utility and communication companies reduced their expenditures for plant and equipment and their securities financing only moderately. A sizable increase in new issues by investment companies reflected in part the establishment of new investment companies.

Business loans at commercial banks fell off more than usual during the first seven months of the year, mainly in response to inventory liquidation and the funding of some short-term loans through sale of long-term securities in the capital market. Business loans rose over the remainder of the year, mainly because of seasonal borrowing and renewed borrowing by public utilities, which had reduced bank indebtedness over most of the first three quarters.

Outstanding mortgage debt on multi-family and commercial construction, part of which represents borrowing for business purposes, rose more in 1958 than in any other recent year. A large part of this increase, however, was for construction of apartment buildings.

With funds from current operations and external financing reduced less than total spending for fixed capital and inventories in 1958, corporations added to their holdings of cash and United States Government securities. Most of the additions were in the last quarter, when a sharp rise in corporate profits brought them close to pre-recession highs. At year-end, corporate liquidity, as measured by the ratio of these liquid assets to total current liabilities, was higher than at any time since the end of 1955.

Consumers. The pace of growth in consumer indebtedness slackened in 1958. The increase for the year in residential mortgage and consumer credit totaled $10.7 billion, about the same as in 1954 but much below the $18.9 billion rise in 1955. Almost all the 1958 increase was in residential mortgages, which expanded one-fifth more than in 1957. Outstanding consumer credit for the purchase of goods and services changed little in 1958, as liquidation of debt early in the year was about offset by later expansion.

Housing starts, which were at a reduced level in the first quarter of 1958, rose at a rapid rate over the remainder of the year, reaching a seasonally adjusted annual rate of 1.4 million in the last quarter. Of the 1.2 million starts for the year, privately financed units totaled more than 1.1 million, 15 per cent more than in 1957 and the largest number since 1955. Apartment units accounted for a larger proportion of the starts in 1958 than in other recent years.

Reflecting the large number of sales of existing houses as well as of new houses, mortgage debt outstanding on nonfarm 1- to 4-family houses rose about $10.2 billion to almost $118 billion in 1958 compared with an increase of $8.6 billion in 1957. Nearly three-fourths of the increase was in conventional mortgages and the remainder in FHA-insured mortgages; both types rose much more than in any previous year. VA-guaranteed mortgage debt declined for the first time on record, reflecting for the most part a further drop in volume of new loans to the lowest level since 1949.

Yields on home mortgages declined along with other market rates of interest in the first half of 1958. In late 1957, when yields on competitive capital market investments were declining sharply, mortgage yields had shown little change. These mortgages continued to be attractive to investors. The emergency housing legislation enacted in the spring of 1958 provided additional stimulus to home mortgage financing by authorizing the Federal National Mortgage Association to buy $1 billion of FHA-insured and VA-guaranteed mortgages on new low-cost housing, by eliminating discount controls on Government underwritten mortgages, and by raising the interest rate ceiling on VA-guaranteed mortgages from 4½ to 4¾ per cent. After mid-year, when other market rates of interest rose sharply, mortgage yields rose only moderately.

Reflecting these and other developments, seasonally adjusted applications for FHA insurance and requests for VA appraisals on new homes began to mount in April, reached a peak in September, and then fell off. FHA applications for the year were the highest since 1950, and VA appraisal requests were up nearly 50 per cent from the low level of 1957.

Outstanding short- and intermediate-term consumer debt changed little in 1958, after increasing in every earlier postwar year. A marked decline in instalment debt on automobiles in 1958 was offset by increases in other types of instalment debt and in non-instalment debt. Extensions of credit on sales of new cars were far below the levels of other recent years. Extensions of personal loans and other consumer goods credit, after a downturn early in the year, increased gradually to levels above those prevailing at the end of 1957. Extensions of automobile credit also rose in the last quarter of 1958 but remained below 1957 levels. Repayments of instalment debt were stable throughout the year. Instalment credit terms on some transactions were eased and new credit plans were developed and extended.

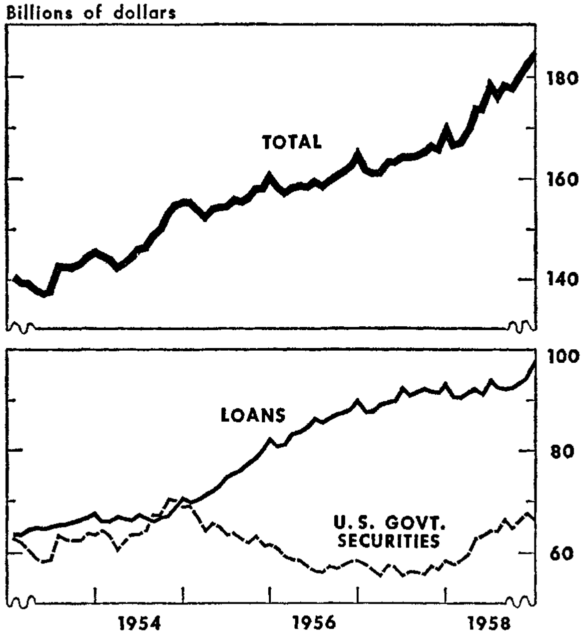
International capital transactions. The net outflow of United States private capital in all forms was about $300 million less in 1958 than in 1957, but this moderate decline was accompanied by substantial shifts in composition of the flows of investments and loans. The outflow for direct investment in affiliates abroad was about half the 1957 amount, a decline of more than $900 million, reflecting in part the completion of certain large capital expenditure programs. Net new security issues in the United States by foreign and international borrowers, however, reached a postwar record level of $900 million in 1958, twice as much as in 1957. Offerings by Canadian corporations and local governments and by the International Bank for Reconstruction and Development were unusually large, particularly in the first half of the year when interest rates in the United States were relatively low, and the volume of other foreign issues also was at a record level. The net outflow of bank loans and commercial credits was little changed; persistence of foreign credit demands was associated in part with balance-of-payments difficulties in some of the less industrialized countries.

These and other capital transactions, together with current transactions between the United States and the rest of the world, enabled foreign monetary authorities to acquire $2.3 billion of gold from the United States while foreign holdings of liquid dollar assets increased by $1 billion. Most of this increase was in time deposits of foreign banks at United States commercial banks. Foreign holdings of Treasury securities showed no net change. They declined during the first half of the year, when bill yields fell below the time deposit interest rate, but rose in the last half when the trend of interest rates was reversed.

Credit Supplies

The flow of loanable funds rose in 1958 following declines in 1956 and 1957. The bulk of the increase was in commercial bank credit, which expanded in response to increased availability of bank reserves by the postwar record amount of $15 billion. A major component of the growth in loanable funds was a postwar record rise in commercial bank time deposits. Individuals also continued to accumulate savings in other financial forms at a high rate. Activation of idle cash balances, which had occurred in other recent years, when interest rates were rising, apparently did not continue in 1958.

BANK LOANS AND INVESTMENTS
ALL COMMERCIAL BANKS
Billions of dollars



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

Consumer saving. Saving by consumers in financial form—the increase in their financial assets less the increase in their indebtedness—continued at a high level during 1958 after rising substantially in the previous two years. Consumer accumulation of funds through savings institutions and banks was at record rates, while saving through the acquisition of marketable securities was at a much lower rate than in 1957. Indebtedness of individuals to purchase securities, however, rose sharply in 1958, while that for the purchase of residential real estate and goods and services, discussed earlier in this report, rose by a moderate amount.

Deposits in mutual savings banks and shares in savings and loan associations, which had been increasing by relatively stable amounts in the past few years, grew at a more rapid pace in 1958. The total of savings and time deposits at commercial banks also rose more than in other recent years, although growth in the last half of the year was much below the rapid rate of the first half. This change in rate of growth was due in large part to a shift of business and State and local government funds out of Treasury bills and other liquid assets into time deposits in the first half and a reversal of that flow in the second half in response to movements in market rates of interest on these alternative investments.

Growth in savings deposits at commercial banks is estimated to have remained above the high 1957 rate over most of the year, though dropping off toward the year-end. Individuals supplied funds to other financial intermediaries, such as life insurance companies and pension funds, at a somewhat higher rate in 1958 than in the previous year.

Individuals accumulated securities at a much lower rate in 1958 than in the previous two years. They made smaller net purchases of State and local government securities and corporate bonds, and they also reduced their holdings of United States Government securities. Net redemptions of United States savings bonds were at a much slower pace than in the previous year, but the decline in holdings of other Treasury issues offset the previous year's rise.

Consumer net borrowing to purchase securities showed a marked rise of about $1 billion in 1958 in contrast with a decline of about $500 million in the previous year. Most of the increase was in customer debit balances with New York Stock Exchange member firms covering the purchase of corporate stocks. There was also considerable borrowing for speculative purchases of United States Government securities in connection with the June Treasury financing, but these loans were rapidly liquidated following the sharp decline in bond prices in midsummer.

Institutional lenders. The flow of funds to institutional lenders increased in 1958. Growth in assets of life insurance companies was nearly one-sixth more than in 1957, but savings capital of savings and loan associations rose one-fourth more and deposits at mutual savings banks two-fifths more than in 1957.

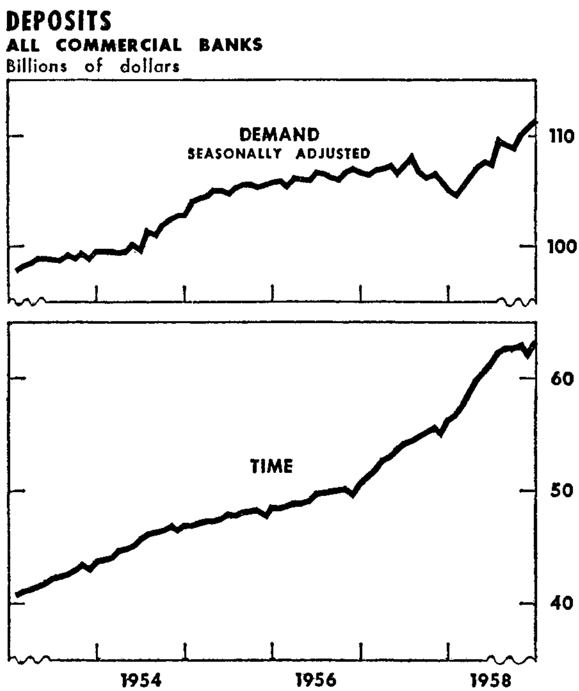
Reflecting the increased demand for mortgage loans and the relatively high yield on mortgages in relation to other investments over much of 1958, institutions increased their holdings of mortgages substantially more in 1958 than in 1957, while their holdings of business securities rose less. The growth in mortgage holdings of mutual savings banks in 1958 was $670 million larger than in 1957, while the rise in business securities was $200 million less. Savings and loan associations, which invest primarily in mortgages, increased their holdings over $1.3 billion more in 1958 than in 1957. Life insurance companies, whose new investments largely reflect previous forward commitments, increased their commitments for mortgages sharply during the year, but their acquisitions of mortgages did not rise until late in the year. Mortgage portfolios of these companies expanded $400 million less than in 1957. Their holdings of business securities rose about as much as a year earlier, and, for the first time since 1946, their holdings of United States Government securities rose, contrasting with substantial reductions in other recent years.

Bank credit. Loans and investments at commercial banks rose $15 billion in 1958, about half again as much as the previous postwar record growth in 1954. In response to a continued policy of credit ease, almost three-fifths of the increase occurred during the first half of the year, a period when bank credit usually declines. About $1.5 billion of the increase in this period was a direct offset to reductions in reserve requirements. In the latter part of the year, as economic recovery gained momentum and reserve availability was restricted, bank credit expanded at little more than the usual seasonal rate.

With loan demands generally slack throughout the year, most of the credit growth was in holdings of United States Government securities, which rose by a postwar record amount of $8 billion. Investments in other securities, mainly State and local government issues, also rose by a record $2.5 billion.

Loan growth in 1958 totaled only $4.3 billion, slightly more than in 1957 but much less than in most other postwar years. Real estate loans, which rose in record volume in the last half of the year, accounted for about half of the total loan growth. Agricultural loans also showed a large increase. As already indicated, business loans declined a little over the year, although growth in the last quarter was about in line with seasonal expectations.

Deposits at commercial banks rose by a postwar record amount



NOTE.—Last-Wednesday-of-month figures partly estimated by Federal Reserve, except for time deposits in June and December, which are call report data. Demand deposits exclude collection items, and both series exclude interbank and U. S. Government deposits. Demand deposits are for all banks in the United States.

of $12.6 billion, more than twice as much as in 1957. Time deposits accounted for almost three-fifths of this total, with a record growth of $7.0 billion. Demand deposits adjusted, which went down by a small amount in the previous year, also rose substantially. Treasury deposits, however, rose only slightly.

The active money supply—demand deposits and currency held by the public—rose about 4 per cent in 1958, the largest increase since 1951. On a seasonally adjusted basis, most of the increase occurred between the end of January and the end of July, when bank credit was expanding at a rapid rate. Turnover of demand deposits declined in the first half of 1958 and rose in the last half to a level approaching the postwar peak reached in the third quarter of 1957.

Reserve positions of member banks over the year reflected the course of Federal Reserve policy, easing in the first half and tightening in the last half, but changed little on balance. There were, however, substantial changes in several major factors affecting reserves. Required reserves declined about $500 million, as deposit growth absorbed about $1 billion of the $1.5 billion of funds released through reductions in reserve requirements early in the year. System acquisitions of United States Government securities also supplied about $2.1 billion of reserves. Reserves were absorbed over the year mainly by a $2.2 billion gold outflow and a $500 million increase in currency in circulation.

The principal Federal Reserve policy actions during the year are summarized on the following pages, and are described more fully in the records of policy actions of the Board of Governors and of the Federal Open Market Committee appearing elsewhere in this report.

Digest of Principal Federal Reserve Policy Actions, 1958

Period	Action	Purpose of action
January	Limited net reduction in holdings of U. S. Government securities to $900 million, more than half of which represented securities held under repurchase agreement at end of year. Member bank borrowings declined to an average of $450 million.	To ease reserve positions by absorbing only part of the reserves made available by seasonal factors affecting bank reserve positions.
January	Reduced margin requirements on loans for purchasing or carrying listed securities from 70 to 50 per cent of market value of securities.	To recognize that dangers of excessive use of credit for stock market speculation had subsided, since stock prices and the volume of credit in the stock market had declined to levels near or below those prevailing at the time of the previous increase in requirements.
January–February	Reduced discount rates from 3 to 2¾ per cent at 11 Reserve Banks.	To reduce further the cost of borrowing from the Reserve Banks and increase further the availability of bank reserves in order to encourage bank credit and monetary expansion conducive to resumed growth in economic activity.
February	Reduced reserve requirements on demand deposits from 20 to 19½ per cent at central reserve city banks; from 18 to 17½ per cent at reserve city banks; and from 12 to 11½ per cent at country banks, thus freeing an estimated $500 million of reserves.	
March	Reduced discount rates from 2¾ to 2¼ per cent at 11 Reserve Banks and from 3 to 2¼ per cent at one Reserve Bank.	
March	Reduced reserve requirements on demand deposits from 19½ to 19 per cent at central reserve city banks; from 17½ to 17 per cent at reserve city banks; and from 11½ to 11 per cent at country banks, thus freeing an additional $500 million of reserves.	
February–Mid-April	Purchased about $450 million of U. S. Government securities. Member bank borrowings declined further to an average of about $180 million.	To supplement reserve requirement actions in further increasing the availability of bank reserves.
April	Reduced reserve requirements on demand deposits from 19 to 18 per cent (in two stages) at central reserve city banks and from 17 to 16½ per cent at reserve city banks, thus freeing a total of about $450 million of reserves.	To supplement previous actions to encourage bank credit and monetary expansion and resumed growth in economic activity and to offset current gold outflow.
April–May	Reduced discount rates from 2¼ to 1¾ per cent at all Reserve Banks.	
Mid-April–June	Purchased outright about $1.7 billion net of U. S. Government securities. Member bank borrowings declined further to an average of $100 million at the end of June.	

Period	Action	Purpose of action
July–early August	Bought a small volume of U. S. Government securities other than short-term issues and a large amount of securities involved in a Treasury refinancing. Promptly thereafter reduced Treasury bill holdings substantially.	To correct disorderly conditions in the Government securities market, to facilitate the Treasury refinancing, and then to recapture the bank reserves created by the earlier securities purchases.
August	Raised margin requirements on loans for purchasing or carrying listed securities from 50 to 70 per cent of market value of securities.	To help prevent an excessive use of credit for purchasing or carrying securities. The volume of credit in the stock market and stock prices were advancing sharply and were at or near the highest levels since World War II.
August–early September	Made little change in holdings of U. S. Government securities. Member bank borrowings increased to an average of more than $400 million in early September.	Open market action not taken to offset drains on reserve funds reflecting bank credit and monetary expansion resulting from seasonal factors and the sharp upturn in economic activity.
August–September	Raised discount rates from 1¾ to 2 per cent at all Reserve Banks.	To keep discount rates in an appropriate relationship with market rates and to increase the cost of borrowing by individual banks from the Reserve Banks in case of increasing demands for bank credit.
October	Raised margin requirements on loans for purchasing or carrying listed securities from 70 to 90 per cent of market value of securities.	To help prevent an excessive use of credit for purchasing or carrying securities.
Late October–early November	Raised discount rates from 2 to 2½ per cent at all Reserve Banks.	To bring discount rates into closer alignment with open market rates.
Mid-November–December	Increased system holdings of U. S. Government securities about $900 million, including securities held under repurchase agreement. Member bank borrowings rose to average of $560 million in December.	To meet part of reserve needs associated with seasonal factors and a further moderate outflow of gold.

RECORD OF POLICY ACTIONS
FEDERAL OPEN MARKET COMMITTEE

The record of policy actions of the Federal Open Market Committee is presented in this report pursuant to the requirements of Section 10 of the Federal Reserve Act. That section provides that the Board of Governors of the Federal Reserve System shall keep a complete record of the actions taken by the Board and by the Federal Open Market Committee upon all questions of policy relating to open market operations and shall record therein the votes taken in connection with the determination of open market policies and the reasons underlying the actions of the Board and the Committee in each instance. Section 10 also provides that the Board shall include in its Annual Report to the Congress a full account of the actions taken during the preceding year, both by the Board and by the Federal Open Market Committee, with respect to open market policies and operations and with respect to the policies determined by the Board.

The record of policy actions of the Federal Open Market Committee is prepared on the basis of the minutes of the meetings of that Committee, as approved by the Committee, and sets forth the policy decisions reached together with a résumé of the reasons therefor. Many policy decisions are by unanimous vote of the Committee members, but the emphasis on specific reasons for preferring a particular line of policy may vary from individual to individual. There are times when individual members of the Committee may concur in a concept of policy action formed by a majority because it moves generally in the direction that they believe to be called for, even though their views may differ considerably from those of other members of the Committee as to the degree of movement that is desirable. When a member records a dissent from an action of the majority of the Committee, the dissent may reflect a variety of factors, such as a fundamental disagreement with the direction of policy action as indicated in the directive, or a fundamental disagreement with the emphasis attached to a particular objective as indicated in the directive.

It should be noted that the policy directive adopted at a meeting of the Federal Open Market Committee is usually in general terms and that, without changing the wording of the directive, the Committee may from time to time modify considerably the emphasis to be placed on operations designed to implement the general policy. The shadings of opinion that enter into the formation of a policy decision provide the Manager of the System Open Market Account (who attends the meetings of the Committee) with a guide to be used in the conduct of open market operations within the framework of the policy directive adopted at that meeting.

* * *

The policy directive of the Federal Open Market Committee that was in effect at the beginning of 1958 was the one that had been approved at the meeting on December 17, 1957. This directive called for open market operations with a view, among other things, to cushioning adjustments and mitigating recessionary tendencies in the economy. It 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 and directed that Bank:

(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.

The Federal Open Market Committee met 31 times during 1958. Of these meetings, 19 were held in Washington and 12 were held by means of telephone conference arrangements in which some members were located outside Washington. In five of the meetings held by telephone conference, policy decisions were reached, while the other seven telephone conference meetings did not involve proposals for new policy actions but were for the purpose of discussing operations being conducted within the limits of policy actions previously taken. The policy actions taken by the Committee during the year are set forth in the following pages by date of meeting.

January 7, 1958

Authority to effect transactions in System Account.

No change was made in the Committee's policy directive that specified that operations should be with a view, among other things, "to cushioning adjustments and mitigating recessionary tendencies in the economy."

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

Domestic economic activity continued to be characterized by general cyclical recession, with contraction in output at a pace comparable to that experienced in the 1948-49 and 1953-54 recessions. Gross national product in the fourth quarter of 1957 had decreased about $6 billion, annual rate, largely associated with inventory liquidation, while industrial production for December was estimated at 137, seasonally adjusted, compared with 147 a year earlier and with the narrow range of 143-146 that prevailed during the period from January through September 1957. The market for new automobiles had been disappointing to producers, with sales off significantly from a year earlier, while repossessions on instalment sales had reached high ground and still seemed to be edging upward. However, other sales at retail picked up sharply in the latter half of December, after having started the month slowly, and department store sales, seasonally adjusted, reached a new high in that month. Construction activity in December continued at record levels, with increases in residential construction again offsetting declines in the industrial area, but unemployment rose further in that month to around 5 per cent of the total labor force. Wholesale prices showed little change in December, remaining at about the average that had prevailed since midyear, while consumer prices were reflecting advances in services and meat prices.

In the financial area, two developments had occurred since the reduction in Federal Reserve Bank discount rates in November. One of these was a sharp decline in interest rates and the other was some seasonal increase in bank loans and investments, which represented a turnaround from the contra-seasonal decreases shown for October and November. The Federal Reserve System had supplied over $1 billion of reserves to the banking system during the six weeks prior to the end of the calendar year, and those reserves had contributed to credit expansion as well as currency expansion a little in excess of seasonal estimates. In brief, recent policies designed to cushion adjustments and mitigate recessionary tendencies in the economy had established the basis for maintaining the privately owned money supply.

Analysis of the data on economic activity indicated that the current recession was attributable largely to a decline in business plant and equipment expenditures, aggravated by an inventory cycle. It was not apparent, however, whether those influences were likely to spread to consumer spending and thus produce a cumulative recession. There was uncertainty as to the probable speed of inventory adjustment, particularly by manufacturers, and there was also uncertainty as to the amount and timing of the expected increase in defense spending, although it did not seem probable that this would be a significant factor for several months. In view of the wide range of possible ways in which the recession might develop, it seemed prudent to assume that the next upturn might be a fairly long way off, to be preceded either by a continuing gradual decline or perhaps by a sideways movement after the current decline had run its course. The shift in System credit policy in the fall of 1957 had made it clear that open market operations were being directed toward assuring an adequate volume of credit for all potential borrowers with economically sound credit needs, but on the other hand System policy had not gone to the point of trying to bring about an excessive volume of free reserves.

In concluding that no change should be made in the policy directive, the Committee agreed that a slight easing in the reserve positions of banks would be desirable and that operations in the System Open Market Account should be conducted with sufficient latitude to permit this development to take place within the limits of the directive.

January 28, 1958

Authority to effect transactions in System Account.

The Committee made no change at this meeting in the wording of the directive to the Federal Reserve Bank of New York, which called for operations in the System Open Market Account directed toward cushioning adjustments and mitigating recessionary tendencies in the economy.

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

Economic decline had acquired a definite momentum at the time of this meeting, and further decreases in production, employment, and other measures of activity were in prospect. It appeared that the industrial production index for January would show a decline of 2 or 3 percentage points from December, which would put it about 8 per cent below the early 1957 level, and unemployment claims were continuing to increase.

The declines in activity during recent months had been traceable primarily to adjustments in the capital goods area, and it was pointed out that readjustments in this particular area might take considerable time. Installation of much new capacity during the past few years had eased the supply situation enough so that for some time there had been less incentive for buyers to maintain inventories and, at this time, they were being reduced. While inventory adjustments could occur fairly quickly, the rapidity of adjustment in both the inventory and capital goods areas would partly depend on changes in other demands, including consumer demands, State and local government demands, defense demands, and foreign demands.

The free reserve position attained thus far by member banks had been of moderate size, and monetary expansion, which had paused in the latter part of 1957, had not yet been resumed. Demand for bank loans now appeared to be showing a slackening drift, reflecting a larger than seasonal decline in business loans and also liquidation of dealers' positions in Government securities financed with bank credit in December. A large Treasury financing operation was expected shortly, and, although there were prospects that reserve availability would expand in coming weeks owing to further seasonal decline in deposits and to a reduction in Treasury cash balances, it was suggested that it would be desirable to continue through open market operations at least the present degree of reserve availability until indications of monetary expansion appeared. Some members suggested a more aggressive easing immediately, believing that could be done without disturbance to the forthcoming Treasury financing. Such a policy would be consistent with the reduction in discount rates to the 2¾ per cent level that had been made at several of the Federal Reserve Banks just prior to this meeting.

In all the circumstances, the Committee concluded that, even though the level of economic activity was continuing to decline, there should be no change at this meeting in the policy of supplying reserve funds in a manner that would cushion adjustments and mitigate recessionary tendencies in the economy and that, in view of the desirability of having an "even keel" during the period of the Treasury financing, open market operations should be directed toward maintaining approximately the same condition in the money market that had existed immediately prior to this meeting.

February 11, 1958

Authority to effect transactions in System Account.

The Committee again renewed without change the policy directive that placed emphasis upon operations in the System Account with a view to cushioning adjustments and mitigating recessionary tendencies in the economy.

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

Recession in general activity had continued during the month of January and signs of leveling out were not yet at hand. The declines were again general, but they were greatest in durable goods and related industries. The length of the work week had fallen to the lowest level of the postwar period, and by mid-January unemployment had risen close to the postwar peak of 4.7 million that prevailed in February 1950. Manufacturers' new orders for December showed a 2 per cent drop from November and were down 7½ per cent over the year, with new orders for durable goods running a fifth below the previous year. Business inventory liquidation had continued in December, mainly concentrated in durable goods manufacturing, but despite such liquidation the stock-sales ratio rose further to the highest level in a decade. January retail deliveries of new automobiles were some 20 per cent lower than deliveries in the previous month or in January 1957. Preliminary estimates suggested a further decline in gross national product for the first quarter of 1958 of from $4 to $5 billion, annual rate, putting total product back to the level of the first quarter of 1957. Exports in December were down sharply after two months of stability. Favorable factors included total construction activity, which continued at close to record levels in January, and total retail sales including those at department stores.

While business loans at city banks were liquidated in a record-breaking amount during January, the banks had increased their holdings of securities since the end of November. As a result, total loans and investments rose more in December and decreased less after the turn of the year than they did in 1957 or 1956. Time deposits at city banks advanced even more sharply in January 1958 than in the same month of the previous year. New security issues by State and local governments were proceeding in record-breaking volume, with some issues which were deferred in 1957 now being brought to the market. Short-term interest rates had declined to the lowest levels since early 1955, while long-term rates had been somewhat firmer during the past two or three weeks. Reserves to cover credit demands had been abundantly supplied through market factors and System operations. Additions to System holdings of Government securities had been much larger in December than usual, while the January decline was smaller than usual. The result was that the reserve position of member banks had shifted from net borrowed reserves of over $300 million during the last week of November to free reserves of over $200 million in the past two weeks. Projections indicated that free reserves might fluctuate around this level during February and increase sharply, though temporarily, in the first half of March unless offset by System operations.

It was the view of the Committee that the policy that it had been following had resulted in placing the System in a quite appropriate posture. If later on there were clear indications that the recession was spiraling, more drastic action might be required. Accordingly, for the present it was felt that the Committee should continue to follow an "even keel policy tipped on the side of ease." In these circumstances, no change was made in the existing policy directive.

March 4, 1958

1. Review of continuing authorities or statements of policy.

This being 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, 1958 had assumed their duties, the Committee reviewed and reaffirmed all continuing statements of policy and authorities for operations. These included 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).

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

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

Votes for this action: Messrs. Martin, Chairman, Balderston, Fulton, Irons, Leach, Mangels, Mills, Shepardson, Szymczak, and Vardaman. Vote against this action: Mr. Hayes, Vice Chairman.

Mr. Hayes stated that he would vote to approve the statement if the qualifying phrase, "as a general rule," were inserted after "shall" in the second and fourth lines.

c. Transactions for the System Account in the open market shall be entered into solely for the purpose of providing or absorbing reserves (except in the correction of disorderly markets), and shall not include offsetting purchases and sales of securities for the purpose of altering the maturity pattern of the System's portfolio; such policy to be followed until such time as it may be superseded or modified by further action of the Federal Open Market Committee.

Votes for this action: Messrs. Martin, Chairman, Balderston, Fulton, Irons, Leach, Mangels, Mills, Shepardson, Szymczak, and Vardaman. Vote against this action: Mr. Hayes, Vice Chairman.

Mr. Hayes stated that he would vote to approve the action if the word "solely" were deleted from the second line and "primarily" substituted therefor, and if the phrase "as a general rule" were inserted after "shall" in line three.

2. Authority to effect transactions in System Account.

Clause (b) of paragraph (1) of the directive was changed at this meeting to provide that, among other things, open market transactions would be with a view "to contributing further by monetary ease to resumption of stable growth of the economy." The Committee also deleted from the directive the paragraph authorizing the sale direct to the Treasury from the System Open Market Account for gold certificates of such amounts of Treasury securities maturing within one year as might be necessary from time to time for the accommodation of the Treasury up to an aggregate amount of $500 million face amount.

> Votes for these actions: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Fulton, Irons, Leach, Mangels, Mills, Shepardson, Szymczak, and Vardaman. Votes against these actions: none.

During recent weeks, business activity had shown indications of deepening recession. A further decline during February indicated that the Board's index of industrial production for that month would be about 10 per cent under the mid-1957 high. Employment had continued to decline and unemployment to rise. Preliminary data from a survey of plans for plant and equipment expenditures during 1958 pointed to a decrease for the year of 10 per cent, whereas a similar survey made in the fall of 1957 indicated a decline of 7 per cent. Although the housing market appeared to be holding fairly strong, the over-all summary of economic conditions at the time of this meeting was described as one of little cheer.

The volume of free reserves had increased during late February, reflecting among other factors a reduction in reserve requirements ordered by the Board of Governors of the Federal Reserve System. At the same time the Committee authorized by telegram the maintenance of a somewhat higher level of free reserves than had been contemplated at the February 11 meeting.

In the market, an expansion in the total volume of bank credit had taken place during February. Business borrowing had been sharply reduced in the past 90 days, but the banks, supplied with ample reserves, had expanded holdings of securities and loans on securities, particularly in February, in contrast with the customary seasonal reduction at that time.

The Committee's discussion of the situation disclosed considerable feeling that the policy directive should reflect a more positive approach to recovery than was embodied in the wording calling for "cushioning adjustments and mitigating recessionary tendencies in the economy." Agreement was reached on the change indicated, namely, that during the period following this meeting open market operations should be with a view to "contributing further by monetary ease to resumption of stable growth of the economy."

The Committee also discussed whether the discount rates at the Federal Reserve Banks should be reduced further from the prevailing level of 2¾ per cent, concluding that the matter should take its course at the respective Federal Reserve Banks.

Elimination from the directive of the third paragraph authorizing the sale direct to the Treasury from the System Open Market Account for gold certificates of Treasury securities up to an aggregate of $500 million resulted from the belief that under current circumstances, including the action taken by the Congress to increase the national debt limit from $275 to $280 billion, such an authorization was not likely to be used.

March 25, 1958

Authority to effect transactions in System Account.

The Committee renewed without change the directive approved at the meeting on March 4, 1958, which called for transactions in the System Open Market Account with a view, among other things, to contributing further by monetary ease to resumption of stable growth of the economy.

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

Economic information presented to the Committee indicated a likelihood that industrial production during March would fall below the rate for February, which was 130 per cent of the 1947-49 average. The February figure represented a decline from 135 in December 1957 and 145 last August, which meant that in the six months from August to February industrial production had declined a little more rapidly than in the corresponding periods of early recession in 1948-

49 and 1953-54. Employment had continued to decline in both manufacturing and nonmanufacturing lines, with the decrease particularly marked in durable goods industries. Unemployment had risen sharply to 5.2 million in February, the number of workers on part time had increased further, and the number working overtime had continued to decline. Meanwhile, however, both consumer and wholesale prices were appreciably higher in February than in December, reflecting principally higher prices of food products and higher charges for services. Inventory liquidation was proceeding at a rather rapid pace, while business outlays for plant and equipment were continuing downward, with no turning point yet in sight. Although consumer buying had been well sustained, the February figures on retail sales were below the same month last year and it appeared that this trend might be continuing in March.

In the securities markets, stock prices had moved up irregularly and high-grade corporate bond prices had declined slightly since late January. A more than seasonal reduction in bank loans to business had accompanied declines in economic activity and business inventories, but the banks had been increasing their investments since late in the fall of 1957 and total bank credit outstanding had increased at a season when a decrease is usual. Corporations had obtained large amounts of new capital, and borrowing by the Treasury and other Government entities had been large.

There had been a fair degree of stability in activity abroad. Although the leveling off in activity overseas had had a disproportionate impact on exports from this country, the major part of the downward adjustment in exports appeared to have been completed. Thus far, the recession in the United States had had only a limited impact on the industrialized European countries.

The record of free reserves and short-term interest rates since the last Committee meeting suggested that the degree of ease desired by the Committee had been achieved. However, there was at the same time an occasional tendency for a feeling of relative tightness to develop temporarily in the money centers. The commercial banks, generally speaking, seemed to have adequate reserves at their disposal for the expansion of credit, but it appeared that the reduced level of liquidity which came about in the late stages of the 1955-57 boom might still be exerting some dulling effect on their attitudes toward lending. Accordingly, it was regarded by some as questionable whether the commercial banking system would be an active instrument in fostering recovery until it had attained substantially greater liquidity.

In the last 130 days the System had moved on a broad front to establish a condition of credit ease. Aside from open market operations making reserves more readily available, the discount rates of the Federal Reserve Banks had been reduced in several steps from 3½ per cent to 2¼ per cent, the latest reduction having been effected in the period since the last meeting of the Committee. In addition, there had been two reductions totaling one percentage point in member bank reserve requirements against demand deposits, the more recent of which became effective for central reserve and reserve city banks on March 20, 1958, and would become effective for other member banks on April 1, 1958. The present posture of Federal Reserve policy was one of ease and it was the view of the Committee that it should continue to be such. Discussion brought out the comment that, although further discount rate reductions might possibly seem logical in view of the level of the Treasury bill and other money market rates, a change on the eve of a Treasury financing might incite undesirable speculation in the Government securities market.

While making no change in the existing policy directive, the Committee concluded that operations in the System Account should be directed toward maintaining a slightly larger volume of free reserves and money market conditions slightly easier than had been achieved since the last meeting of the Committee.

April 15, 1958

Authority to effect transactions in System Account.

This meeting of the Committee resulted in a decision to continue without change the policy directive calling for operations designed to contribute further by monetary ease to resumption of stable growth of the economy.

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

Data available to the Committee indicated some slowing down in the pace of decline for total output and employment, some leveling out in trade, and maintenance of construction activity at close to record levels in value terms. In contrast, there were some developments of an expansive character in finance. While the picture domestically therefore appeared as one of more diversity or crosscurrents than earlier in the year, the over-all drift of the economy nevertheless was still plainly downward. Current statistics offered only slight basis for the hope that the saucering-out phase of the recession was at hand. After allowances for seasonal influences, the labor market continued to show further weakening, while surveys of business plans for plant and equipment expenditures reflected a further substantial projected cutback for 1958 as compared with 1957. The industrial production index for March was estimated to have declined two points further to 128, and preliminary April information indicated further output curtailment, much along the lines of the March pattern but with the possibility of some slowing. Retail trade, seasonally adjusted, was estimated to have been off another one per cent in March, manufacturers' sales and orders continued to show declines, with the fall-off much sharper in durable goods than in nondurable goods lines, and business inventory liquidation was believed to have continued in March at quite a sharp rate. At the same time, prices at wholesale and in consumer markets had risen further to late March, putting the indices a full one per cent above the December 1957 level.

In the financial area, total credit extended by commercial banks had apparently continued to expand during recent weeks, mostly in the form of short-term liquid assets. Savings of consumers held in financial form seemed to be increasing, while consumer debt had been decreasing. Business loans at banks had increased less than at this time in other recent years but corporate issues for new capital continued at a high level, as did new issues of State and local governments, and the Federal Government had become a net borrower. Deposits at banks had increased, on a seasonally adjusted basis. Short- and medium-term interest rates had shown further declines with wide variations, reflecting changes in liquidity, while long-term rates, under the influence of continued heavy borrowing in capital markets, remained firm.

Nearly $1 billion of reserves had been released by reductions in reserve requirements of member banks since February 26 and an additional \$250 million had been supplied by System open market operations through April 9. Reserves had been absorbed by an increase in required reserves of about \$200 million resulting from growth in deposits, a rise in currency in circulation, foreign operations, consisting principally of gold withdrawals amounting to about \$400 million, and changes in float and other factors. Free reserves in the aggregate had averaged somewhat in excess of \$500 million. Although country banks appeared to be well supplied with reserves, banks in New York and Chicago, and probably in some other cities, had experienced wide fluctuations in their reserve positions and had borrowed heavily in the Federal funds market. It appeared that a substantial amount of additional reserves might need to be supplied by the Federal Reserve System in the next few weeks in order to maintain a condition of ease conducive to further credit and monetary expansion.

Reports at this meeting indicated that the directors of some of the Federal Reserve Banks had been giving serious consideration to the establishment of a discount rate lower than the existing 2¼ per cent rate. With the recent Treasury financing now completed, it appeared that those Reserve Banks might act to establish a lower rate rather quickly. A further reduction in the reserve requirements of member banks was seen as a possible means of providing the additional reserves that would otherwise have to be supplied by open market operations during the next few weeks in order to maintain the present level of free reserves. If the reduction were concentrated at central reserve and reserve city banks, it would also have a tendency to relieve pressure that occasionally developed in the money centers. Taken together, it was suggested that such actions on the discount rate and reserve requirements would clearly confirm the current easing posture of monetary policy and reinforce the policy objective of assisting the recovery of the economy.

The Committee was of the view that there was no reason to change its policy directive at this time. Free reserves had averaged slightly higher during the period since the last meeting of the Committee than during the preceding three-week period, and it was agreed that this general level should be maintained. It was noted, however, that if action should be taken in the near future on both the discount rate and reserve requirements, the level of free reserves would tend to become relatively incidental, as long as the free reserve position did not decrease to an extent that might make it appear as though the System was reversing policy.

May 6, 1958

Authority to effect transactions in System Account.

The policy directive calling for operations to contribute further by monetary ease to resumption of stable growth of the economy was again renewed at this meeting.

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

Although some statistical evidence suggestive of a slowing of economic decline had been accumulating, most of the information available to the Committee at the time of this meeting indicated that the recession was still deepening and that a bottom was yet to be established. Among other things, the index of industrial production was estimated to have dropped another two points to 126 in April, manufacturers' sales and new orders were off again in March to about the same extent as in February, business inventory liquidation in March was found to have amounted to a further $700 or $800 million, seasonally adjusted, and estimates of new construction outlays had recently been revised downward due to lower private expenditures. Unemployment in April decreased less than seasonally, initial claims for unemployment insurance were still running at quite high levels, and the number of continued claims of those unemployed for 15 weeks or more was double that recorded in earlier postwar recessions. At the same time, the average of wholesale prices was holding stable and the average of consumer prices was still rising.

Since the preceding meeting of the Committee, there had been a further reduction to 1¾ per cent in the discount rates of most of the Federal Reserve Banks along with a further reduction of one-half percentage point in reserve requirements against demand deposits at central reserve and reserve city banks, while open market operations had been such as to maintain free reserves generally exceeding $500 million. Financial developments during this period were influenced by the additional availability of bank reserves and by the activities of banks in endeavoring to put their available funds to use. Demands on capital markets continued heavy. In the five weeks ended April 30, banks in leading cities showed a further increase of over $2.5 billion in total loans and investments, and it appeared that during the five months since the end of November, a period in which bank credit usually declines, total loans and investments of all commercial banks may have increased by $7 billion or more. The increase in April reflected almost wholly additions to holdings of United States Government securities, particularly the new Treasury five-year notes. Demand deposits adjusted at city banks increased during the five weeks prior to April 30 by about $1,200 million, compared with a growth of $750 million in the same period of 1957, while time deposits continued to increase at a much faster pace than the previous year.

The pattern of economic and financial developments caused the Committee to conclude that the prevailing policy of ease should be continued and that no change should be made in the outstanding policy directive.

May 27, 1958

Authority to effect transactions in System Account.

The Committee again continued without change the policy directive providing for operations in the System Account with a view to contributing further by monetary ease to resumption of stable growth of the economy.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Fulton, Irons, Leach, Robertson, Shepardson, Szymczak, Vardaman, and Deming. Votes against this action: none.

The composite of current economic indicators reported at this meeting suggested that the recession in economic activity had been leveling off and that a bottom to the decline might be in the making. The decline in industrial production, over all, seemed to have been checked in May, and a number of other indicators, including retail sales, personal income, residential building, and new orders received by durable goods manufacturers, likewise appeared to have stopped receding or to have risen slightly. While inventory liquidation had probably been continuing in the aggregate, some key material markets suggested a lessening in such liquidation. Also, although initial and continued unemployment compensation claims were still very high, the trend was indicative of a little firmer labor market. March figures for exports had risen from February, while imports continued to be well maintained at the moderately reduced level of the first two months of the year. In agriculture, the income outlook was quite favorable. Capital market activity had been well sustained and banking developments were in the direction of a strengthening of business and individual liquidity positions. As to prices, a degree of flexibility in the area of industrial commodities seemed to be emerging gradually, especially at the wholesale level.

The Committee recognized that each of the favorable factors needed qualification and that a number of other factors in the current situation raised questions about the imminence of recovery. Furthermore, there were reports of a substantial speculative interest in the Treasury issues maturing in June, a factor that suggested the need for close attention in view of the forthcoming Treasury refunding operation. On balance, therefore, it seemed prudent to view the forthcoming period as one of gradual testing, with the realization that on the basis of past cyclical patterns the period of testing might last for some time.

Short-term interest rates recently had declined to new low levels while long-term rates, after declining somewhat in April, rose slightly in early May. New security financing by corporations and by State and local governments continued in large volume. Recent figures showed that total loans and investments of all commercial banks increased by about $4 billion in April—a larger growth than had previously been estimated—thus bringing the total increase since the end of November 1957 to above $8 billion. Marked increases occurred during April in both loans and investments at country banks and in holdings of investments by city banks, where declines in business loans were offset by increases in loans on securities. In May, the decline in total loans and investments at city banks had been smaller than usual at that time. Demand deposits adjusted and currency outside banks showed a seasonally adjusted increase of $900 million in April following similar increases in February and March, with the result that the total at the end of April was the largest since July 1957 and was equal to the total at the end of April 1957. Time deposits, other than interbank, were about $7 billion larger than at the same time in 1957, while interbank and United States Government deposits had also risen to higher levels than a year earlier. In addition to the growth in the volume of deposits, the rate of turnover of demand deposits had increased in April, contrary to the usual seasonal trend, and was about the same as in April 1957. Free reserves held close to $500 million during May, substantial drains on reserves attributable to the continued gold outflow and to a larger than seasonal increase in currency in circulation having been largely offset by additional reserves supplied through open market operations and other factors.

Estimates presented to the Committee indicated that reserve needs would be rather large in June and the first half of July, arising in part from seasonal factors and from a larger than usual increase in Treasury deposits at banks. Therefore, in the absence of System action free reserves might generally average much less than the levels that had prevailed recently.

In the light of these estimates and related factors, including the imminent and sizable Treasury financing operation, the Committee considered how best to implement and maintain the current posture of monetary ease without further depressing Treasury bill rates. It was the consensus that no change should be made in the language of the policy directive and that operations in the System Account should be directed toward maintaining an even keel over the ensuing period. In terms of approach, this contemplated that the Account Management would place emphasis on the tone and action of the market and the course of credit developments.

June 17, 1958

Authority to effect transactions in System Account.

The directive was renewed without change, continuing the policy of contributing further by monetary ease to resumption of stable growth of the economy.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Fulton, Irons, Leach, Mangels, Mills, Robertson, and Szymczak. Votes against this action: none.

Economic information available for this meeting was generally on the encouraging side and was confirmatory of the report at the May 27 meeting that bottoming out of recession was in fact occurring. However, analysis of the data suggested that the haze obscuring the outlook had not suddenly lifted, and that it was the better part of wisdom not to conclude as yet that a recovery pattern had definitely taken form. On the other hand, it could not be denied that there was a possibility that an accelerating recovery movement was now shaping up.

High levels of consumer and Government demands seemed to be roughly offsetting recessionary forces generated in the investment area of the economy. Heavy demands on capital markets, including a Treasury bond offering for cash, had been met in part by substantial expansion in bank holdings of securities and loans on securities. Additional reserves had been supplied by System purchases of securities, but on balance free reserves had been somewhat lower than in May. The money market had continued relatively easy until the week of this meeting, but with the mid-June needs for funds for taxes, dividends, and other payments, and with settlement for the recent Treasury offering of securities, it seemed clear that substantial financing needs would have to be met by the banking system during the next two or three weeks which would include the July 4 holiday demand for currency.

Despite the encouragement expressed by most Committee members regarding the business outlook, it did not appear that the time had arrived for backing away from the Committee policy of outright monetary ease or for creating a public impression that the Committee might be backing away from it. There was general agreement that over-all Federal Reserve credit policy should not be changed at this time and that, during the next three weeks, the System should stay about where it was. However, a minority suggested that, apart from open market operations, it might be desirable for some of the need for additional reserves during the immediate future to be met by a further reduction in reserve requirements for member banks. Another and contrasting variation from the general view was that reserves had been supplied in over-generous amounts during the past two months and that further injections to maintain the recent level of around

$500 million of free reserves would abet speculation in the Government securities market and create excessive liquidity.

Consideration of the foregoing factors resulted in a decision that at this meeting the Committee should make no change in Federal Reserve credit policy and that for the next three weeks no action should be taken to cause the tone of the market to get materially easier or tighter.

July 8, 1958

Authority to effect transactions in System Account.

No change was made at this meeting in the Committee's directive calling for open market operations with a view, among other things, to contributing further by monetary ease to resumption of stable growth of the economy.

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

A summary of the economic data presented at this meeting was that performance of the economy in May and June had been better than had been anticipated. The index of industrial production over those two months had risen two points, and final data might show the rise to be three points. Gross national product for the second quarter was currently estimated to be at least moderately higher than in the first quarter. Whether an abrupt turnabout of activity was taking place or whether the extended improvement merely reflected a temporary rebound of production that had been far below consumption was yet to be determined. However, the odds seemed to favor more than a rebound improvement.

An important feature of the recent strengthening was that it represented a composite of small improvements over a wide range of activities, rather than dominant activity in one or two areas. One big uncertainty in the situation was the possibility of cyclical downturn in European business activity and of a new surge in inflationary forces in the Latin American and Far Eastern countries. However, the evidence at this time did not warrant the inference that European recession was likely to become a force affecting adversely United

States and world trade developments, although it was apparent that developments in those markets would require close observation in the months ahead.

On the financial side, the most striking development since the June 17 meeting had been severe pressure on the Treasury bond market. The underlying feature had been the large commitments in Treasury bonds made by temporary holders, many for pure speculation, induced by expectations of further declines in interest rates, and the attempt to close out those commitments at a time when the money market was under adverse pressure because of exceptionally heavy seasonal liquidity demands. This had called for exceptional amounts of Federal Reserve credit, and the increase in required reserves in the five weeks ending July 2 had been one of the largest on record for a period of that length. System open market operations had supplied $1.4 billion of additional reserve funds, and purchases of Government securities for Treasury investment accounts had been made, notwithstanding which interest rates rose. The Treasury bond market had been notably weak under the influence of the closing out of speculative commitments, and yields on such securities had risen sharply. In addition to the present disturbed atmosphere of the Government bond market, it was noted that important Treasury financing operations were in prospect between this and the next meeting of the Committee.

While some members of the Committee felt that the likelihood of a rapid upturn in economic activity argued for less ease, the Committee reached the conclusion that, on balance, there should be no change in policy at this time and that the directive should be renewed in its existing form calling for continued monetary ease.

July 18, 1958

Authority to effect transactions in System Account.

The Federal Open Market Committee authorized the Federal Reserve Bank of New York to purchase for the System Open Market Account in the open market this afternoon $50 million or less of Government securities at the discretion of the Manager of the System Open Market Account on scale wherever the Manager deemed it appropriate in order to steady the market.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Fulton, Irons, Leach, Shepardson, and Szymczak. Mr. Vardaman, who was not present at the meeting, when informed of the action stated that he concurred. Votes against this action: Messrs. Mills and Robertson.

Authority was granted to the Federal Reserve Bank of New York to purchase for the System Open Market Account in the open market, without limitation, Government securities in addition to short-term Government securities.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Fulton, Irons, Leach, Mills, Robertson, Shepardson and Szymczak. Mr. Vardaman, who was not present at the meeting, when informed of the action stated that he concurred. Votes against this action: none.

The action set forth in the first paragraph of this entry was taken at a meeting of the Federal Open Market Committee, held by telephone conference in the early afternoon of July 18, and was based on a report by the Manager of the System Open Market Account that a condition was developing in the Government securities market which, in his judgment, was close to a disorderly condition although it had not yet actually reached that point. His recommendation was that purchases of securities during the afternoon of $50 million or less be authorized for the purpose of steadying the market. After considering the recommendation in the light of the existing conditions in the market and of the Committee's continuing operating policy providing that open market operations shall be "solely to effectuate the objectives of monetary and credit policy (including correction of disorderly markets)," the Committee authorized the purchase of Government securities as indicated.

Messrs. Mills and Robertson voted against this authorization on the ground that at this time no one contended the market was disorderly and therefore there was no basis for intervention. In addition, they felt that the proposal to enter the market on a limited basis (as distinguished from action sufficiently massive to do the job) was unwise and would do very little to restore confidence in the market. Furthermore, they felt that if later there should be a disorderly market, the correction of it would have been seriously handicapped by temporizing and fluttering around the edges of the market with minor purchases at this time.

As the System Account was starting to put this authorization into effect, further developments in the market caused the Manager of the Account to report (again by telephone conference) that he would now have to call the market disorderly. After consideration of the Manager's detailed report covering these developments, the Committee approved by unanimous vote the action set forth in the second paragraph of this entry, which authorized the purchase of Government securities in the open market, without limitation. It was understood that the authorization was made for the purpose of correcting a disorderly market and included the purchase of "rights" and when-issued securities, purchase of which was precluded during a period of Treasury financing under one of the Committee's continuing policies, last renewed at the meeting on March 4, 1958. In taking this action, the Committee also authorized the immediate release of an announcement reading as follows:

In view of conditions in the United States Government securities market, the Federal Open Market Committee has instructed the Manager of the Open Market Account to purchase Government securities in addition to short-term Government securities.

July 23, 1958

Authority to effect transactions in System Account.

The Committee authorized the Federal Reserve Bank of New York to engage in a transaction that would include an offsetting purchase and sale of securities in the amount of $30 million for the purpose of altering the maturity pattern of the System's portfolio.

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

The purpose of this action, taken during a telephone conference meeting, was to permit the System Account to complete a specific transaction for a foreign account in a manner that would result in adding to the amount of System Account holdings of Treasury bills that would mature on July 31, 1959. Thus, the Committee would be in position to let these bills run off at that time and to help absorb the large volume of reserves that would be released to the market on August 1 because of purchases for System Account on a when-issued basis of new Treasury certificates due to be issued on that date. These purchases had been made under authorization by the Committee on July 18 of purchases for the purpose of correcting a disorderly market.

The foregoing action was recognized as a departure from the Committee rule, in effect since December 1953, prohibiting "swap" transactions. It was authorized only because of the unusual circumstances of the past few days and because it was deemed desirable to have as large a runoff of bills as possible within the next few days when large amounts of reserves would be released to the market.

July 24, 1958

Authority to effect transactions in System Account.

The Committee terminated the authority given to the Federal Reserve Bank of New York on July 18, 1958 to purchase for the System Open Market Account in the open market, without limitation, Government securities in addition to short-term Government securities.

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

The Government securities market had steadied in the period since July 18, when, because of disorderly conditions then existing in the market, the Committee had authorized the purchase of Government securities in addition to short-term securities. Accordingly, at this telephone conference meeting, the July 18 authorization was terminated with the understanding that, if conditions in the market should seem to require it, another meeting of the Federal Open Market Committee would be called to consider what, if any, further action should be taken.

July 29, 1958

Authority to effect transactions in System Account.

The wording of the Committee's directive was changed at this meeting to delete the clause that had been in effect since March 4, 1958, and which called for operations that would contribute further by monetary ease to resumption of stable growth of the economy, and to replace that clause with an instruction to the Federal Reserve Bank of New York that operations for the System Account were to be with a view, among other things, to recapturing redundant reserves.

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

At this meeting reports of economic developments made it reasonably clear that April had marked the recession trough and May the first month of revival in economic activity. Evidences accumulating for June and July confirmed the broad range of increased industrial output that had been reported at the July 8 meeting of the Committee. In addition to the statistical data, indications of improvement in business sentiment suggested that an uptrend in economic activity might now be under way. The growing evidences of business improvement, together with the possibility that the degree of monetary ease prevailing in recent months might produce a very rapid expansion in bank credit and the money supply, raised the question whether the Committee should consider some modification of the degree of ease that had developed in recent months.

During the two weeks preceding this meeting, System operations had been largely concerned with correcting disorderly developments in the Government securities market, rather than with current economic and credit needs. This was in accordance with the authorization given by the Committee at a special meeting on July 18 to purchase Government securities without limitation for the purpose of correcting a disorderly market.

In the five-day period from July 18 to July 23, the System Account had purchased $1.2 billion of securities, largely when-issued securities involved in the Treasury financing, but also a small volume of other notes and bonds. These purchases had been made under the specific authorization given on July 18 and within the general framework of the Committee's continuing operating policies that had been in effect since 1953, and which were last reaffirmed on March 4, 1958. Payment for the securities involved in the Treasury financing would result in a substantial rise in the volume of member bank reserves on August 1, over and above the level that had been maintained during the past seven or eight months, and the Committee gave consideration to what would be the effect of such a substantial increase in the availability of reserves. In light of the evidence of improvement in the economic situation, which suggested that the directive that had been in effect since March 4 was no longer appropriate, and in view of the decision of July 24 that the need for action to correct a disorderly condition in the Government securities market had passed, the conclusion was reached that for the next three weeks the problem for the Committee would be one of absorbing the redundant reserves that would be entering the market, in so far as that could be done consistently with an orderly market in Government securities. Thus, the Committee modified its directive in the manner indicated to require that operations be conducted with a view to recapturing redundant reserves that were expected to be released to the market on August 1.

August 4, 1959

Authority to effect transactions in System Account.

The Committee agreed that for the present, having recaptured redundant reserves, the policy to be followed with respect to operations for the System Open Market Account should be one of keeping from having redundant reserves.

Votes for this action: Messrs. Martin, Chairman, Balderston, Irons, Leach, Mangels, Mills, Shepardson, Vardaman, Allen, and Treiber. Votes against this action: none.

The recapture of redundant reserves having been effected, pursuant to the policy directive issued at the meeting on July 29, 1958, this action (taken in a meeting held by telephone conference) was for the purpose of giving the Federal Reserve Bank of New York and the Manager of the System Open Market Account an indication as to general policy to be followed until the next meeting of the Committee.

August 19, 1958

Authority to effect transactions in System Account.

The policy directive of the Federal Open Market Committee was changed at this meeting by adopting wording for clause (b) of paragraph (1) to provide that, among other things, transactions be with a view "to fostering conditions in the money market conducive to balanced economic recovery." This wording superseded that adopted at the meeting on July 29, which called for operations with a view "to recapturing redundant reserves" and which was supplemented by the action taken on August 4 designed to keep from having redundant reserves return.

Votes for this action: Messrs. Martin, Chairman, Balderston, Fulton, Irons, Leach, Mangels, Shepardson, Vardaman, and Treiber. Votes against this action: none.

Information presented at this meeting showed that vigorous revival in domestic economic activity was taking place. Similarly, in Canada revival appeared to be under way. In Europe, production trends had been mixed, with contractions, where occurring, apparently associated with inventory adjustment.

In the United States the Board's index of industrial production through July had risen at least seven points or 6 per cent, from April, and it seemed possible that late data might raise the amount of advance. Regional reports bore out the national trend, although some important areas of the country were still not experiencing much recovery and the total number of unemployed persons nationally remained disturbingly large.

Domestic financial developments since late July included further expansion in bank credit, which had risen by $7 billion in the first seven months of the year. Financial markets had been influenced by the stream of economic data and corporation reports indicating that vigorous recovery was under way; by indications and rumors that Federal Reserve policy might be shifting away from ease (the Board of Governors of the Federal Reserve System had increased margin requirements for purchasing and carrying listed securities from 50 per cent to 70 per cent, effective August 5, 1958); and by a flow of banking, monetary, and Treasury deficit data pointing to a sharp increase in the cash balance position of the economy.

In considering policy, the Committee was faced with the fact that the large Federal Government deficit would have to be financed during a period characterized by broadly spread revival of productive activity and incomes and an abnormal expansion in privately held cash balances, and by the emergence of an inflationary psychology in the stock market and other financial markets that could easily spill over into commodity and real estate markets. Notwithstanding the substantial numbers of unemployed persons, the data presented indicated that the rate of expansion in the money supply in the immediate future should be tempered and that operations for the System Open Market Account should move in the direction of lower free reserves without seriously disrupting the Government securities market. The fact that seasonal influences would be working in this direction through the Labor Day week end suggested that, without too much pressure, the System Account might be able to move in the direction of the elimination of free reserves by the time of the next meeting.

In terms of the policy directive, the objectives sought by the Federal Open Market Committee were encompassed in the amended wording of clause (b) to provide that operations should be with a view, among other things, "to fostering conditions in the money market conducive to balanced economic recovery." This wording of the directive may be compared with that in effect from the March 4, 1958 meeting until July 29, which called for open market operations "contributing further by monetary ease to resumption of stable growth of the economy," and which had been temporarily inoperative from July 18 to July 24 in view of the special authority to make purchases for the purpose of correcting a disorderly condition in the Government securities market.

In its discussions of the policy directive the Committee also considered the market structure of interest rates, noting that the discount rate of the Federal Reserve Bank of San Francisco had been increased from 1¾ per cent to 2 per cent effective August 15, 1958. The reasons for this rate increase, which are presented in the section of this report dealing with policy actions of the Board of Governors of the Federal Reserve System, were reviewed at this meeting, and the rate increase was considered to be consistent with the action taken by the Open Market Committee in deciding to move toward reduced reserve availability.

September 9, 1958

Authority to effect transactions in System Account.

The directive of the Committee was renewed without change, continuing the policy of fostering conditions in the money market conducive to balanced economic recovery.

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

Since the August 19 meeting of the Committee, reserve availability had declined steadily with a minimum of disturbances in the Government securities market. Despite the reduction in reserve availability, the market had been more calm during the past few days than at any time since June. A better tone also had developed in the market for corporate and municipal bonds.

Economic data presented showed that domestic recovery in output, income, and consumption had been vigorous and that it held promise of continuing to be vigorous over the period ahead. The August index of industrial production was estimated to have moved up two points further, with the widespread gains in output extending through durable goods and nondurable goods lines.

Financial developments of recent weeks had included those associated with an upward adjustment of interest rates—long-term, medium-term, and short-term. Several Federal Reserve Banks had brought their discount rates up to the 2 per cent level made effective at the Federal Reserve Bank of San Francisco on August 15. It was difficult to judge the extent to which the rise in interest rate levels reflected a basic shift in credit demands relative to supply of savings, and the extent to which they reflected the influence of the recent shift in System policy to less availability of reserves, but each had exerted an influence. The aggregate amount of credit supplied during the year had been large and prospects pointed to an increase in private borrowing along with the heavy Treasury deficit.

Discussion of recent developments showed differences of views as to the certainty of continued economic recovery and as to the degree to which credit policy should move toward further limitation of reserve availability over the next several weeks. There was general agreement, however, that for the immediate future, during which another Treasury financing operation would occur, operations for the System Account should aim at maintaining substantially the same tone in the money market as prevailed at the time of this meeting. This objective could be sought within the wording of the directive that had been adopted at the meeting on August 19, which called for operations fostering conditions in the money market conducive to balanced economic recovery, and the directive was thus renewed without change.

September 30, 1958

Authority to effect transactions in System Account.

At this meeting, the directive was again renewed without change, thus continuing the policy adopted on August 19, 1958, of fostering conditions in the money market conducive to balanced economic recovery.

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

Since the preceding meeting of the Committee, discount rates at additional Federal Reserve Banks had been raised to a uniform level of 2 per cent. An even situation had been maintained in the money market, which had been generally firm. At the same time, financial markets appeared to be discounting possible inflationary developments. Thus, with re-emergence of inflationary expectations, stock and bond yields developed a relationship similar to that which prevailed for a brief period in mid-1957, when a psychology of creeping inflation was also dominant in financial markets.

At this meeting, the Committee considered in detail the currently developing economic situation, with its rapid expansion in industrial production while unemployment figures remained relatively high. In the face of uncertainties as to whether the recovery would be sustainable, monetary policy was discussed in terms of the recent sharp rise in interest rates, which some considered to be excessive in view of the basic supply and demand factors in the credit market. Considering the importance of curbing inflationary and speculative developments before they gained headway, attention was focused on the extent to which expansion of the money supply should be limited at this time as a means of carrying out the Federal Reserve's responsibility for maintaining in a growing economy reasonable stability of the value of the dollar as well as in employment. One suggestion was that the appropriate course would be to permit further expansion of credit and the money supply only on terms that would indicate the System's continuing awareness of potential inflationary risks and its determination to prevent them from stimulating speculative excesses in the use of credit. The conclusion reached by the Committee was that operations in the immediate future should try to maintain an even keel in the market and that no change in the policy directive was necessary. This was based on the view that no further increase at this time in the degree of restraint was favored, nor on the other hand was there a desire to ease the market from its present position.

October 21, 1958

Authority to effect transactions in System Account.

No change was made at this meeting in the Committee's directive that policy should be directed toward fostering conditions in the money market conducive to balanced economic recovery.

> Votes for this action: Messrs. Balderston, Chairman pro tem, Fulton, Irons, Leach, Mangels, Mills, Shepardson, Szymczak, and Treiber. Votes against this action: none.

Continuing economic recovery was reported at this meeting. Gross national product for the third quarter was estimated at $440 billion, up $11 billion from the second quarter. Industrial production into October was rising further and broadly, new construction activity in September had been close to record levels, employment was rising and unemployment declining, and personal incomes were rising. Wholesale price averages had been stable for several months with easing of farm product prices offsetting strengthening tendencies in industrial materials and rises in some fabricated items. Latest news from abroad indicated some extension of recession in the principal industrial countries with, however, activity still fairly high in most such areas.

Bank credit expansion in recent weeks had been larger than in the corresponding period of 1957 but less than in some other years. In capital markets, a shift from fixed return assets to equities seemed to be continuing. Margin requirements on listed securities had been increased effective October 16, 1958. Slackened monetary expansion along with Treasury deficit financing and general economic recovery had been possible because of previously accumulated liquidity. Further monetary expansion other than seasonal had not been needed to finance economic recovery. However, the total of economic events and the prospective borrowing needs of the Federal Government indicated a likelihood of growing credit demands in the near future. In addition, an outflow of gold was persisting. It was estimated on the basis of customary seasonal currency and deposit growth, and with some allowance for a further gold outflow, that from the time of this meeting to the end of 1958 there would be a need for additional bank reserves totaling about $1.3 billion, a need that could be met mainly through open market operations without varying the degree of restraint on credit expansion.

At this meeting, the Committee reviewed in detail the level and structure of interest rates and considered the credit actions that would help keep investment and saving in balance. The discount rates of the Federal Reserve Banks currently were out of line with market rates, and the suggestion was made that an increase in discount rates would be desirable in order to remove the incentive for member banks to obtain reserves by borrowing at the Reserve Banks instead of by selling securities in the market.

The conclusion of the Committee was that in present circumstances it would be undesirable to aim toward a greater degree of restraint on reserve availability through open market operations, especially if an increase in discount rates at the Federal Reserve Banks were to be made at the same time. The directive was, accordingly, again renewed with its provision for open market operations that would foster conditions in the money market conducive to balanced economic recovery.

November 10, 1958

Authority to effect transactions in System Account.

The Committee again reaffirmed its policy of fostering conditions in the money market conducive to balanced economic recovery.

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

During the three weeks preceding this meeting, in which seasonal demands for credit were present, the System Open Market Account had been fairly active in supplying reserve funds to the market with a view to achieving the objectives agreed upon by the Committee at the meeting on October 21, namely, the maintenance of about the same degree of restrictive pressure in the market that had existed at the time of that meeting. Free reserves had averaged somewhat less than $100 million, and the money market atmosphere had been generally firm. During this period, the discount rates of all Federal Reserve Banks had been increased from the 2 per cent level to 2½ per cent—a rise that conformed to the prevailing money market rate structure and appeared to have caused no further adjustment in the market.

Economic indicators at the time of this meeting were still rising, although there was more diversity than had been shown in late summer and early autumn and the over-all rate of rise seemed to have slowed somewhat. The October industrial production index was estimated to have risen one index point, a smaller rise than had been projected earlier. On the other hand, construction activity had gone up in October to an all-time high, with advances shown in all major categories of private construction as well as public construction. Data for United States exports during September had shown a sharp fall, but imports had risen. Stability to modest recession in activity in Europe was reported, along with a leveling out in Canadian recovery. The unevenness shown by economic indicators in recent weeks was occasioning in various quarters re-appraisals of the outlook, with some toning down of optimistic projections because of inability to foresee forces that would convert recovery into a period of expansionary boom. However, the more moderate rate of rise was believed by some to provide a better basis for expansion than if the rapid autumn rise had continued.

Sharp increases that had occurred in productivity during the past three months were being reflected in corporate profits and not in lowered industrial prices, and they thus provided support to demands for wage increases. There appeared to be little prospect for abatement of the persistent upward pressures on industrial prices notwithstanding the existence of unused resources, including considerable plant capacity not being utilized and substantial numbers of unemployed persons. Under these circumstances, a monetary policy on the side of restraint appeared to be appropriate and it did not appear that such restraint would retard sound recovery and growth in the economy.

The conclusion of the Committee was that the System Account should seek during the period immediately ahead to maintain conditions in the market about as they were at present, believing that the moderate degree of restraint that had existed for the past several weeks was appropriate under the circumstances and that it could be applied within the terms of the directive to the Federal Reserve Bank of New York that had been in effect since August 19.

December 2, 1958

Authority to effect transactions in System Account.

The Committee made no change at this meeting in the directive that had been in effect since August 19, 1958, which contemplated a policy directed toward fostering conditions in the money market conducive to balanced economic recovery.

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Fulton, Irons, Leach, Mangels, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: none.

During the three weeks preceding this meeting, the System Account had provided additional reserves to the market and member bank borrowing from the Federal Reserve Banks had risen on some days in the past week to more than $1 billion. These supplies of reserve funds had been sufficient to meet seasonal growth in currency and an increase in required reserves, although free reserves had declined to a nominal level.

Recovery in domestic economic activity was continuing on a broad basis although, as indicated at the November 10 meeting, there recently had been indication of a slowing in the rate of expansion. The weight of statistical evidence continued on the side of fairly well sustained momentum upward. More recently, some indication of improvement in the unemployment situation had been evident, and the number of labor market areas classified as substantial surplus areas had been reduced during November. Over all, it was apparent that the domestic recovery that had shown up during the summer months had now gone far enough to be on the verge of a new expansion period, with the possibility that the rise in activity would carry major indexes of activity into new high ground.

Developments in the financial area had shown no particularly striking features during the past month, although gyrations in the stock market had continued. Bond yields had declined somewhat in November, while short-term money rates had continued to rise. Although expansionary forces in the credit area had not been vigorous during recent weeks, the basis for renewed expansion continued to exist in the broadening economic recovery and the continuing Government deficit.

The policy discussion by the Committee pointed to some increase in the degree of restraint that should be exerted, with the proviso that due consideration must be given to the financing problems of the Treasury. It was suggested that there was enough flexibility within the Committee's general policy to allow seasonal forces to exert an influence in the direction of some further reduction in reserve availability, perhaps moving in the direction of net borrowed reserves. The Committee's conclusion contemplated letting market developments tend to increase restraint within limits consistent with the policy directive which, as renewed at this meeting, continued to provide for open market operations "fostering conditions in the money market conducive to balanced economic recovery."

December 16, 1958

Authority to effect transactions in System Account.

The Federal Open Market Committee changed its policy directive at this meeting by adopting wording for clause (b) of paragraph

(1) to provide that, among other things, transactions be with a view "to fostering conditions in the money market conducive to sustainable economic growth and stability." It was the Committee's view that at this time the emphasis should be on preventing expansion at an unsustainable rate.

Votes for this action: Messrs. Martin, Chairman, Fulton, Irons, Leach, Mangels, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: Mr. Hayes, Vice Chairman.

Since the recession's low in April 1958, recovery in economic activity had been remarkably good. Gross national product, personal income, retail trade, residential construction activity, manufacturers' new orders, industrial production, freight carloadings, and various other economic indicators had increased about as much in that seven-month period as in the corresponding seven-month periods of cyclical recoveries following earlier postwar contractions. The decline had been somewhat deeper during the recent recession than in the preceding two recessions, but it had been briefer and the subsequent recovery more rapid than in other postwar and prewar cycles. Even though peak activity levels had not been re-attained at the time of this meeting, they were sufficiently close at hand to direct attention to the problems to be considered in a period of renewed economic expansion.

Money and credit markets had been calm during the month preceding this meeting in the face of the vigorous economic recovery, the rather heavy financing operations of the Treasury, the liquidity demands customary at this season of the year, and a moderate tightening of bank reserve positions. Interest rates had fluctuated moderately, close to the increased levels reached earlier in the autumn. Firming of rates during the two weeks immediately preceding this meeting had not been as great as customary in December. In the first half of 1958, when reserves were freely available, total loans and investments of member banks had expanded sharply. Since midyear, a period in which availability of reserves had been reduced, loans and investments of New York City banks had declined, those of reserve city banks had increased only slightly, and those of country banks had expanded by much larger amounts than in the corresponding period of either of the two preceding years. In total, bank credit since midyear had shown further expansion and by a greater than seasonal amount. Reserves to provide the basis for this credit had been largely supplied through System open market operations since August, when the volume of free reserves had been reduced sharply.

The discussion at this meeting of economic and financial developments indicated a consensus favoring a move in open market operations towards somewhat greater restraint, but a very moderate move in that direction. A majority of the Committee also felt that the policy directive that had been adopted at the meeting on August 19, and which had continued in effect since that time without modification, should be changed to delete the word "recovery" and to put emphasis on preventing expansion at an unsustainable rate. Specifically, it was felt by a majority of the Committee that the instruction to conduct System Account operations "conducive to balanced economic recovery" was somewhat out of date, and there was agreement on a modification in clause (b) of the first paragraph of the directive to provide for operations with a view "to fostering conditions in the money market conducive to sustainable economic growth and stability." Within this wording, it was believed that a move toward somewhat greater restraint on the availability of reserves would be appropriate.

In voting against the change in wording of the directive, Mr. Hayes expressed himself as feeling that a move toward further restraint was premature at this stage of the recovery and might suggest to the public a policy of progressive tightening and set off an exaggerated market reaction. Apart from questioning the desirability of further restraint at this time, Mr. Hayes suggested that, if the Committee believed that policy should be more concerned with a developing threat of inflation than with recovery and that it should make a major effort to prevent such inflation by credit restraint, the directive should be made clear on that particular point.

* * *

The Open Market Committee's directive in effect at the beginning of 1958 called for operations with a view to cushioning adjustments and mitigating recessionary tendencies in the economy. This was changed at the March 4 meeting to provide that transactions should be with a view to contributing further by monetary ease to resumption of stable growth of the economy. The next change in the directive was made on July 29, but during the period July 18 to July 24 the terms of the instruction adopted March 4 were temporarily superseded when the Committee gave a special authorization for the System Account to purchase Government securities, without limitation as to amount or maturity, for the purpose of correcting a disorderly condition in the Government securities market. That special authority having been terminated on July 24, the directive was modified at the meeting on July 29 to specify that operations should be with a view to recapturing redundant reserves that were expected to be released to the market August 1. A further instruction adopted on August 4, by which time the redundant reserves had been recaptured, called for keeping from having redundant reserves return. At the August 19 meeting, the directive was changed to provide for operations fostering conditions in the money market conducive to balanced economic recovery. This wording remained unchanged until the meeting on December 16, when it was modified to an instruction that operations be with a view to fostering conditions in the money market conducive to sustainable economic growth and stability. The form in which the directive was in effect at the end of 1958 provided an instruction to the Federal Reserve Bank of New York, until otherwise directed by the Committee;

(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 fostering conditions in the money market conducive to sustainable economic growth and stability, 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 de-

sirable, 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.

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

January 15, 1958

Reduction in margin requirements.

Effective January 16, 1958, the supplements to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, were amended to reduce the margin requirements from 70 per cent to 50 per cent, these requirements to be applicable both to purchases of securities and to short sales.

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

For several months prior to this date common stock prices had been moving within a narrow range at a level approximately one-sixth below the peak reached in July 1957, and at this lower range the yields on stocks were restored to a point below those available on high-grade corporate bonds. The price movement was accompanied by a substantial reduction in stock market credit outstanding which, at the end of 1957, was estimated at about $3.6 billion, 10 per cent less than in mid-1957 and 5 per cent less than in April 1955 when the margin requirements were raised to 70 per cent. With the downward trend of general economic developments resulting in a series of rather discouraging business and financial reports, stock market behavior reflected a psychology of caution.

Although the historical record suggested the probability of some increase in customer debit balances following a margin reduction, it did not appear that such action at this time would be any great stimulant to stock market activity. Instead, the reaction of investors seemed likely to depend largely on their appraisal of the over-all economic situation.

In these circumstances, a 70 per cent margin requirement could no longer be justified on the grounds given when that level was placed in effect, namely, potential excessive speculative activity and potential undue use of credit to finance such activity.

January 21, 1958

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

Effective January 22, 1958, the Board approved action by the Board of Directors of the Federal Reserve Bank of Philadelphia establishing a rate of 2¾ per cent (a reduction from 3 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, Mills, and Shepardson. Votes against this action: Messrs. Szymczak and Robertson.

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:

New York	January 24, 1958
Cleveland	January 24, 1958
Richmond	January 24, 1958
Chicago	January 24, 1958
St. Louis	January 24, 1958
Kansas City	January 24, 1958
Boston	January 28, 1958
Atlanta	January 28, 1958
Minneapolis	February 7, 1958
Dallas	February 14, 1958

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 3¼ 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.

(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. Prior to this date, no changes involving new policy had been made in these rates since those referred to on pages 68-70 of the Board's Annual Report for 1957.)

Factual information available to the System by mid-January verified the emergence and progression of recessionary trends. Industrial production and employment continued to decline, while unemployment was rising at a disturbing pace. Declining gross national product was associated closely with a reduction in business plant and equipment expenditures aggravated by inventory liquidation, despite which manufacturers' stock-sales ratios were rising significantly.

Federal Reserve policy had started to shift in a counter-recessionary direction in late October and early November 1957 when open market operations began to supply reserves more liberally to the banking system. In mid-November the discount rate was reduced from 3½ to 3 per cent. The response of the financial area to the shift in policy was reflected in a sharp decline in interest rates and a substantial increase in bank credit. The interest rate decline, which extended to yields on securities and open market paper but was not yet pronounced in bank loan or mortgage rates, occurred most markedly in yields on securities issues that previously had risen most, particularly medium-term Treasury issues and State and local government issues.

With the accumulating evidence of recessionary tendencies, a further decrease in the discount rate was deemed an appropriate step in the execution of System policy designed to encourage credit and monetary expansion. In addition to placing the rate in closer alignment with rates on short-term market instruments, including the Treasury bill, the move had the effect of encouraging member banks to make any temporary reserve adjustments through borrowing rather than through credit liquidation.

Governor Szymczak's negative vote reflected administrative rather than economic or financial considerations. With the discount rate reduction in November 1957 having been announced just before the announcement of a Treasury refunding operation, he was apprehensive that a second such occurrence might create the impression of a pattern likely to be followed. Accordingly, he would have preferred to relax through the medium of open market operations for the time being and to defer a discount rate change until after completion of the forthcoming Treasury financing operation.

Governor Robertson's negative vote reflected his view that, with the country having passed only recently through a period of strong inflationary pressures which resulted in a substantial increase in wholesale and consumer prices from which there had as yet been no general downward readjustment, a move to ease too rapidly might place a floor under existing price levels. As he saw it, a reduction of the discount rate at this time would have no advantage by way of creating more employment or a higher volume of production through the utilization of more bank credit. Instead, it might tend to accentuate fears of a serious recession, or even depression, and thereby actually contribute to bringing about such a situation. While the lower discount rate would affect interest rates, he noted that it would not necessarily make additional reserves available.

February 19, 1958

Reduction in reserve requirements of member banks.

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

Effective	*For*	*Per cent*
February 27, 1958	Central reserve city banks	From 20 to 19½
February 27, 1958	Reserve city banks	From 18 to 17½
March 1, 1958	Banks not in central reserve or reserve cities	From 12 to 11½

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

This action released to member banks about $500 million from required reserves. For central reserve city banks, about $125 million of reserves were released, while for reserve city and country banks the amounts were in the neighborhood of $195 million and $180 million, respectively.

At the time this action was under consideration, industrial production, employment, income, and retail sales were continuing on a downward trend, while unemployment, on a seasonally adjusted basis, had risen further. Although total bank loans and investments had increased, this reflected principally larger holdings of Government securities. Business loans had continued to decline.

The reduction of reserve requirements was complementary to steps being taken actively by the Federal Reserve System through the use of other policy instruments to foster conditions of credit ease during a period of deepening recession and thus to increase the willingness and ability of the banking system to expand credit. The freeing of reserves tended in the direction of reducing the cost of financing to borrowers and widened the access of potential borrowers to credit funds.

March 6, 1958

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

Effective March 7, 1958, the Board approved action by the Boards of Directors of the Federal Reserve Banks of New York, Philadelphia, and Chicago establishing a rate of 2¼ per cent (a reduction from 2¾ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

> Votes for this action: Messrs. Martin, Balderston, Szymczak, 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:

Atlanta	March 10, 1958
Boston	March 11, 1958
San Francisco	March 13, 1958[1]
Cleveland	March 14, 1958
Richmond	March 14, 1958
St. Louis	March 14, 1958
Kansas City	March 14, 1958
Dallas	March 14, 1958
Minneapolis	March 21, 1958

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 2¾ 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.

[1]Reduction from 3 per cent.

In early March economic activity was continuing to recede. The decline in industrial production had by this time carried to a point 10 per cent below the peak reached in the summer of 1957, inventory liquidation continued to be substantial, particularly in durable goods lines, and retail trade had worsened perceptibly. With substantial cancellations of previously approved appropriations reported, the prospective level of business plant and equipment expenditures for 1958 was around 10 per cent lower than expenditures during 1957. Unemployment on a seasonally adjusted basis was estimated to be running at about 6.7 per cent of the labor force, a rate comparable to that reached in 1949. The composite of available economic information suggested the possibility that the current recession might develop to be less moderate in extent or duration than either the 1948-49 or the 1953-54 recessions.

Reflecting to a large extent Federal Reserve policy of providing a generous supply of reserves, member banks had been able not only to get substantially out of debt at the Reserve Banks but also to expand credit contrary to usual seasonal trends. In the face of a net liquidation of business loans, this expansion was being accomplished by placement of funds in securities and in loans on securities. Bank purchases of securities were providing funds directly or indirectly to the United States Treasury to meet the growing deficit incidental to the recession, as well as to State and local governments and corporations borrowing in capital markets and to borrowers on home mortgages. Due to the easier reserve position of banks and the resulting increase in the availability of lendable funds relative to current demands, there was a sharp further decline in short-term interest rates and the rate on Treasury bills had fallen to around 1¼ per cent.

In these circumstances, the action to reduce the discount rate to 2¼ per cent was not of particular immediate significance from the standpoint of member bank borrowing. However, it brought the discount rate into better alignment with short-term interest rates, reflected the general attitude of System policy at this stage of the recession, and tended toward a position that would afford the System greater flexibility of adjustment to future developments.

March 18, 1958

Reduction in reserve requirements of member banks.

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

Effective	*For*	*Per cent*
March 20, 1958	Central reserve city banks	From 19½ to 19
March 20, 1958	Reserve city banks	From 17½ to 17
April 1, 1958	Banks not in central reserve or reserve cities	From 11½ to 11

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

This action released about $490 million from required reserves, with the pattern of distribution approximately as follows: central reserve city banks $125 million; reserve city banks $190 million; and country banks $175 million.

This second reduction of reserve requirements, viewed in association with earlier discount rate changes and the provision of reserves through open market operations, reflected furtherance of a System policy designed in its over-all aspects to foster ease in credit markets as the course of recession carried major business indices to lower levels. Taken together, the succeeding steps of Federal Reserve policy enabled member banks further to reduce their discounts at the Reserve Banks, served to offset the reserve drain involved in a continuing outflow of gold from the United States, and offered the means of financing a substantial commercial bank credit expansion. With the release of required reserves, member banks were able not only to meet seasonal loan demands but at the same time to continue adding to their holdings of United States Government securities.

April 17, 1958

Reduction in reserve requirements of member banks.

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

Effective	*For*	*Per cent*
April 17, 1958	Central reserve city banks	From 19 to 18½
April 24, 1958	Central reserve city banks	From 18½ to 18
April 24, 1958	Reserve city banks	From 17 to 16½

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

The effect of this action, the third in a series of reductions in reserve requirements, was to release about $450 million from required reserves. For central reserve city banks the reduction which became effective April 17 released about $130 million of reserves, and the reduction effective April 24 released approximately the same amount. For reserve city banks, the effect was to free about $190 million of required reserves.

Nearly $1 billion of reserves had been released by the two preceding reductions in reserve requirements, and additional reserves had been supplied by System open market operations during the past several weeks. However, a substantial part of the reserves thus provided had been absorbed by increased requirements resulting from a contra-seasonal growth in bank deposits, a larger than seasonal increase in currency in circulation, foreign operations (principally gold withdrawals), and float and other factors. In addition, free reserves of member banks had increased to a level deemed consistent with Federal Reserve policy objectives at this particular stage and depth of the recession. In view of the likelihood of a further gold drain, a prospective increase in required reserves resulting from payment by banks for a new Treasury issue, and an indicated increase in demand deposits of at least seasonal magnitude, it was estimated that some $300 million additional reserves would have to be supplied within the near future to maintain a condition of ease conducive to further credit and monetary expansion.

This action was taken in recognition of the prospective need for additional reserves and to relieve pressures that were appearing on the reserve positions of central reserve and, to a somewhat lesser extent, reserve city banks. Some members felt that the existing situation afforded an opportunity to reduce the level of reserve requirements at a time when such action was consistent with credit policy and at the same time further to enlarge the area of flexibility for System action should it become necessary at some future date to institute a policy of credit restraint in the light of changed economic conditions.

April 17, 1958

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

Effective April 18, 1958, the Board approved actions by the Boards of Directors of the Federal Reserve Banks of New York, Philadelphia, Chicago, St. Louis, and Minneapolis establishing a rate of 1¾ per cent (a reduction from 2¼ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

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

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	April 22, 1958
Atlanta	April 22, 1958
Cleveland	April 25, 1958
Richmond	April 25, 1958
Kansas City	April 25, 1958
San Francisco	May 1, 1958
Dallas	May 9, 1958

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 2¼ 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 mid-April, data becoming available to the System suggested some slowing in the pace of decline of output and employment. There were, in fact, developments in certain segments of the economy such as to create the impression of more diversity of trends than had been the case earlier. Nevertheless, the sum of statistical evidence indicated that the general movement continued to be one of downward drift. In reflection of a System policy of ease, there had been a rapid expansion of bank credit while short- and medium-term interest rates had declined further and reached their lowest levels since early 1955.

This further action served to narrow the discrepancy between the discount rate and money market rates, including the Treasury bill rate, and provided assurance to member banks of a ready availability of funds at the lower rate in the event of need. The concurrent actions on the discount rate and on reserve requirements placed monetary policy clearly in the posture of doing everything possible to assist in the turnaround and recovery of the economy.

August 4, 1958

Increase in margin requirements.

Effective August 5, 1958, the supplements to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, were amended to increase the margin requirements from 50 per cent to 70 per cent, these requirements to be applicable both to purchases of securities and to short sales.

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

By this date there was clear statistical evidence that recovery in economic activity and production had gained considerable momentum and was likely to go forward. The recovery was accompanied by a rise in stock prices sufficient to carry common stock yields below yields on bonds of the same companies, and by a sharp increase in the volume of stock market credit which by July had reached a level some 20 per cent higher than at the beginning of the year. In view of this rapid rise in credit and the re-emergence of an investment psychology favoring the purchase of stocks as a hedge against potential inflation, which would be a particular inducement to borrowing for the purpose, the margin requirements were restored to the 70 per cent level that had prevailed prior to the middle of January.

August 14, 1958

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

Effective August 15, 1958, the Board approved action by the Board of Directors of the Federal Reserve Bank of San Francisco establishing a rate of 2 per cent (an increase from 1¾ 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, Vardaman, 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:

Dallas	August 22, 1958
Atlanta	August 26, 1958
Kansas City	August 29, 1958
Chicago	September 5, 1958
Minneapolis	September 5, 1958
New York	September 12, 1958
Cleveland	September 12, 1958
Richmond	September 12, 1958
St. Louis	September 12, 1958
Philadelphia	September 19, 1958
Boston	September 23, 1958

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 2½ 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.

Increasing evidence of vigorous economic recovery on a broad front was visible by the early part of August. By July, the seasonally adjusted index of industrial production had risen six points from the low of 128 reached in April, with the improvement in output diffused through durable and nondurable goods industries. Construction activity, already quite strong, increased further in July as private housing starts rose for the fifth successive month and attained a seasonally adjusted rate close to 1.2 million units, almost 15 per cent higher than the rate a year earlier. Personal income in June was back nearly to the level of August 1957, and it was estimated to have reached further ahead in July. In the first six months of the year, farm income had attained its highest level since 1953, and on the basis of crop and marketing prospects it seemed likely to rise further in the months ahead. Wholesale prices, advancing since mid-June, had by August exceeded the peak reached in March 1958, and consumer demand was strong.

The improved economic outlook and the prospect of a large Federal deficit for the current fiscal year led to a sharpening of expectations with regard to a renewal of inflationary pressures and to a reversal in the trend of interest rates. The yield on Treasury bills rebounded strongly from the low point reached in June and by the first part of August was in the neighborhood of 1½ per cent.

In view of these developments, System open market operations had been modified so as to supply only a portion of the reserves needed to meet rising credit demands and offset the reserve drain of a continued gold outflow. As a result, member banks were obliged to draw down their excess reserves and to begin to increase their borrowings at the Federal Reserve Banks. The discount rate adjustment made such borrowings more costly.

October 15, 1958

Increase in margin requirements.

Effective October 16, 1958, the supplements to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, were amended to increase the margin requirements from 70 per cent to 90 per cent, these requirements to be applicable to both purchases and short sales.

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

Following the increase in margin requirements from 50 per cent to 70 per cent early in August, common stock prices continued their upward climb in a heavy volume of trading activity and had now registered a further advance of about 8 per cent. By October this price movement had carried common stock yields to a level more than half a percentage point below the average yield on high-grade corporate bonds. After a pause in August, stock market credit likewise resumed its upward thrust and latest estimates placed the volume of total customer credit at above $4.3 billion. In addition, the number of open margin accounts was reported to have increased considerably from June to September.

Prevalent psychology, favoring equities, including those of a speculative character, as a medium of investment in preference to fixed-income obligations, appeared to reflect not only growing public confidence in continued business improvement but apprehension as to an intensification of inflationary pressures. In light of the developments in the market, the margin requirements were increased to 90 per cent at this time pursuant to the Board's statutory responsibility for administering those requirements with a view to preventing the excessive use of credit for purchasing or carrying registered stocks.

Governor Robertson voted against this action for the following reasons:

(1) Under withdrawal and substitution rules in effect at that time, a customer selling securities in a margin account was free to purchase an equal market value of securities or to withdraw the margin *currently* required on such a purchase. Thus, if he sold $1,000 of securities, he could replace them with a $1,000 purchase of securities, or he could withdraw $700 in cash under a 70 per cent margin requirement or $900 under a 90 per cent margin requirement. Consequently, Governor Robertson felt, the increased margin requirements would apply in practice only to new extensions of credit and not to the turnover of credit already in the market. It would fail, he believed, to reach the most important aspect at that time of the "excessive *use* of credit" and would therefore be a relatively futile and ineffective action, the psychological effect of which might be the reverse of that intended.

(2) Also because of the then existing withdrawal and substitution rules, the increased margin requirements would unjustifiably enlarge the inequity as between customers who could continue to trade on lower margins and new customers subject to higher margins.

(3) The higher margin requirements, coupled with the existing withdrawal and substitution rules, would tend to encourage a weakening of margin accounts and create dangers of cumulative forced selling in undermargined accounts if stock prices should fall.

October 23, 1958

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

Effective October 24, 1958, the Board approved action by the Boards of Directors of the Federal Reserve Banks of Philadelphia, Richmond, St. Louis, Minneapolis, and Dallas establishing a rate of 2½ per cent (an increase from 2 per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

Votes for this action: Messrs. Balderston, Szymczak, Robertson, 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:

Atlanta	October 28, 1958
Cleveland	October 30, 1958
Chicago	October 31, 1958
Boston	November 4, 1958
Kansas City	November 4, 1958
San Francisco	November 6, 1958
New York	November 7, 1958

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 3 per cent on advances to member banks under Section 10(b) of the Federal Reserve Act. In addition, the Board approved changes at some of the Banks in rates on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 of the Act and on industrial loans and commitments under Section 13b.

During the period since the previous discount rate increase in August, the economy had continued its trend toward recovery, with further advances in industrial production, construction activity, retail sales, and personal income. Although average wholesale prices showed stability, prices of basic industrial materials were moving upward. Currency in circulation, bank credit, and deposits each reflected a seasonal rise. Short-term interest rates, which began to advance rapidly after midyear, continued that trend, reflecting in part substantial cash borrowing on the part of the Treasury in the form of short-term securities and also anticipation of further growth in credit demands. By the middle of October, the yield on three-month

Treasury bills had risen to a level around $2\frac{5}{8}$ per cent. Seasonal monetary needs were estimated to require a further growth of over \$4 billion in total bank credit by the end of the calendar year, while the Treasury was scheduled to undertake shortly a series of financing operations that would involve, through the end of the year, borrowing additional cash of around \$4 billion and refunding some \$12 billion of outstanding securities. Other pressures also tending to influence the trend toward a higher structure of interest rates included growing apprehension concerning potential inflationary developments and a continued tendency to shift from fixed-return assets to equities.

With the discount rate having fallen substantially out of line with short-term money market rates, and with influences present such as to suggest the probability of a further distortion of the normal relationship, the increase in the rate served to produce a better alignment and at the same time recognized existing trends in the money market and the economy generally.

November 12, 1958

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

Effective November 12, 1958, Regulation K was amended by deleting Section 10(c)(2) and the reference thereto contained in Section 3(b).

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

Section 10(c) of Regulation K, as revised January 15, 1957, contained a provision that "no Financing Corporation hereafter organized shall have a name which is similar to the name of, or identifies the Corporation with, any bank in the United States with which such Financing Corporation is affiliated." Section 3(b), relating to names of corporations organized under Section 25(a) of the Federal Reserve Act, contained a reference to the aforementioned provision of Section 10(c).

In the light of experience with the administration of the revised Regulation K, the Board concluded that the provision in question was unduly restrictive and unnecessary in the public interest. Pursuant to Section 3(b), the name of any corporation organized under Section

25(a) continued to be subject to the approval of the Board of Governors. Further, the same section also provides that in no case shall the name of such a corporation resemble the name of any other corporation to an extent that might result in misleading or deceiving the public as to the corporation's identity, purpose, connections, or affiliations. In addition, the name of any corporation organized under Section 25(a) shall, so far as practicable, indicate the nature of the business contemplated and shall include the word "international," "foreign," "overseas," or some similar word. No financing corporation is permitted to have the word "bank" or "banking," or any similar word, as part of its name.

December 18, 1958

Actions incident to admission of Alaska to Statehood.

Effective upon issuance by the President of the United States of a proclamation admitting Alaska to Statehood, which proclamation subsequently was issued on January 3, 1959, the Board readjusted the Federal Reserve districts so as to include the State of Alaska in the Twelfth District, and within that District included Alaska in the Territory of the Seattle Branch of the Federal Reserve Bank of San Francisco. Effective the same date, certain amendments were made to several regulations of the Board to correct language rendered inappropriate by the admission of Alaska to Statehood.

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

Section 2 of the Federal Reserve Act provides that the Federal Reserve districts, as created originally by the Reserve Bank Organization Committee, may be readjusted from time to time by the Board of Governors of the Federal Reserve System, not to exceed 12 in all. Section 19 of the Alaska Statehood Act amended the aforesaid Section 2 to provide that "when the State of Alaska is hereafter admitted to the Union the Federal Reserve districts shall be readjusted by the Board of Governors of the Federal Reserve System in such manner as to include such State." In anticipation of a Presidential proclamation admitting Alaska to Statehood, the Board therefore took action to include Alaska in the Twelfth Federal Reserve District coincident with the date of the proclamation.

Regulations relating to branches of Federal Reserve Banks, which are prescribed under the authority of Section 3 of the Federal Reserve Act, provide that no change shall be made by any Federal Reserve Bank in the territory included within the district served by any of its branches except with the prior approval or upon the direction of the Board of Governors. Pursuant to these regulations, the Board provided that the State of Alaska, upon admission to the Union, be included in the territory of the Seattle Branch of the Federal Reserve Bank of San Francisco.

Certain technical changes in a number of Board regulations were made, effective the same date, because the admission of Alaska to Statehood rendered the existing language inappropriate. The regulations affected included G, Collection of Noncash Items; H, Membership of State Banking Institutions in the Federal Reserve System; J, Check Clearing and Collection; and U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange.

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. In conjunction with their annual examination of the Federal Reserve Bank of New York, the Board's examiners also made a detailed audit of the accounts and holdings of the System Open Market Account maintained at that Bank, and rendered a report thereon to the Federal Open Market Committee. The techniques and procedures employed by the Board's examiners were surveyed and appraised by a private firm of certified public accountants during the course of the examination of a Federal Reserve Bank of its selection.

Examination of member banks. Although authorized to examine all member banks, both State and national, as a matter of practice neither the Federal Reserve Banks nor the Board of Governors examines national banks since the Comptroller of the Currency is directly charged with that responsibility by law. Reports of examinations made by the Comptroller are furnished the respective Federal Reserve Banks and made available to the Board of Governors. Likewise, because all member banks are insured, the Federal Deposit Insurance Corporation is empowered to make special examinations of national banks and State member banks. However, such examinations have been rare and have been made only in anticipation of financial assistance by the Corporation in a rehabilitation program or where a member bank desired to continue as an insured bank after withdrawal from membership in the System. Reports of examination of both national banks and State member banks are made available to the Federal Deposit Insurance Corporation.

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. Here again, 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 1958 program for the examination of State member banks was practically completed, since only 9 of the 1,734 banks were not examined during the calendar year.

Federal Reserve membership. The 6,312 banks that were members of the Federal Reserve System at the end of 1958 accounted for 47 per cent of the number and held 85 per cent of the deposits of all commercial banks in the United States. State member banks accounted for 20 per cent of the number of all State commercial banks and held 66 per cent of the deposits of these banks.

The 4,578 national and 1,734 State member banks comprising Federal Reserve membership reflected declines of 42 and 39, respectively, from the previous year-end. This continuing decline was largely due to consolidations and mergers; other reductions include 15 State member banks that withdrew from membership, and one national bank that became a nonmember bank. The decrease was partly offset by 19 newly established national and two newly established State member banks, the admission of seven nonmember banks to membership, and the conversion of three nonmember banks into national banks.

The total number of member bank offices increased 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 6,700 branches, 535 more than at the close of 1957.

Detailed figures on changes in the banking structure for the year 1958 are shown in Table 18 on page 127.

Bank holding companies. During 1958, pursuant to Section 3(a)(1) of the Bank Holding Company Act of 1956, the Board approved one application for prior approval of action to become a bank holding company, and denied three such applications, the latter three being involved in a proposal that would have resulted in one continuing bank holding company. Pursuant to Section 3(a)(2) of the Act, the Board approved the acquisition by three bank holding companies of voting shares of four banks and denied one application for such acquisition with respect to one bank. Under Section 4(c)(6) of the Act, the Board, after a hearing, denied a request for a determination that certain subsidiaries of a bank holding company were 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; one such request was approved. During the year the Board issued four 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 1957 were obtained from registered bank holding companies.

During 1958, pursuant to the Banking Act of 1933, the Board authorized the issuance of five 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 seven organizations.

Trust powers of national banks. During 1958, 42 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 five banks which previously had been granted certain trust powers. One additional national bank acquired trust powers as a result of consolidation. Trust powers of 31 national banks were terminated by voluntary liquidation, consolidation, merger, or conversion. At the end of 1958, there were 1,722 national banks holding permits to exercise trust powers.

Acceptance powers of member banks. During the year the Board approved applications of two member banks, pursuant to the provisions of Section 13 of the Federal Reserve Act, for increased acceptance powers. One member bank was granted permission to accept commercial drafts or bills of exchange to an amount not exceeding at any time, in the aggregate, 100 per cent of its paid-up and unimpaired capital stock and surplus, and the application of one member bank was approved for limited permission to accept drafts or bills of exchange drawn for the purpose of furnishing dollar exchange as required by the usages of trade in Brazil.

Foreign branches and foreign banking and financing corporations. Under the provisions of Section 25 of the Federal Reserve Act, the Board approved during 1958 seven applications made by member banks for permission to establish branches in foreign countries and overseas areas of the United States. One member bank opened a branch in Bayamon, Puerto Rico; and another opened branches in Asuncion, Paraguay, and Valencia, Venezuela. The Valencia branch had been authorized by the Board in 1957. One member bank closed one of its branches in London.

At the end of 1958, seven member banks had in active operation a total of 119 branches in 27 foreign countries and overseas areas of the United States. Of the 119 branches, three national banks were operating 93 and four State member banks were operating 26. The branches were distributed geographically as follows:

Latin America	**62**
Argentina	10
Brazil	10
Chile	2
Colombia	4
Cuba	21
Mexico	3
Panama	5
Paraguay	1
Peru	1
Uruguay	1
Venezuela	4
Continental Europe	**5**
Belgium	1
France	3
Germany	1
England	**10**
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	**18**
Canal Zone	4
Guam	1
Puerto Rico	13
Total	**119**

There was no change in 1958 in the list of corporations organized under State laws which operate under agreements with the Board pursuant to Section 25 of the Federal Reserve Act relating to investment by member banks in the stock of corporations engaged principally in international or foreign banking. The head offices in New York of the three "agreement" corporations were examined in 1958 by examiners for the Board of Governors. One corporation operates a branch in France; one has an English fiduciary affiliate; and one operates two agencies at the New York International Airport, has a branch in England, owns all the stock of a bank organized under the laws of, and operating in, Liberia, and owns all the stock of a bank organized under the laws of, and operating in, the Union of South Africa. The investment in the latter bank was authorized by the Board and the bank opened in Johannesburg in 1958.

During 1958 one corporation was chartered by the Board under the provisions of Section 25(a) of the Federal Reserve Act to engage in international or foreign financing, making a total of five corporations engaged in international or foreign banking or financing in active operation at the end of the year, two of which are regarded as "Banking Corporations" and three as "Financing Corporations." The home offices of these five corporations are located in New York City, and four were examined during the year by examiners for the Board of Governors. Three corporations have no subsidiaries or foreign branches; one has a branch in France and an English fiduciary affiliate which has a branch in Canada; and one operates branches in France, Germany, Guatemala, Lebanon, and Singapore (with branches in Hong Kong and the Federation of Malaya authorized by the Board in 1958 but not opened by the end of the year), and owns substantially all of the stock of a bank organized under the laws of, and operating in, Italy.

In 1958, examiners for the Board of Governors examined the Singapore, Colony of Singapore, and Beirut, Lebanon, branches of a foreign banking corporation, and the Japanese and Beirut, Lebanon, branches of a State member bank. The London branches of another State member bank were surveyed at the head office of the bank in New York by examiners for the Board of Governors.

Inter-Agency Bank Examination School. During 1958, two sessions of the School for Examiners and four sessions of the School for Assistant Examiners were held. The Inter-Agency Bank Examination School is conducted in Washington 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 1,064 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.

LEGISLATION

Defense Production Act. The Defense Production Act of 1950, Section 301 of which is the basis for guarantees of loans for defense production, which would have expired June 30, 1958, was amended and continued in force until the close of June 30, 1960, by the Act of June 28, 1958.

Purchase of Government obligations by Federal Reserve Banks. The authority of the Federal Reserve Banks under Section 14(b) of the Federal Reserve Act to purchase and sell direct or fully guaranteed obligations of the United States directly from or to the United States, which would have expired on June 30, 1958, was extended until June 30, 1960, by the Act of June 30, 1958.

Alaskan Statehood. The Alaskan Statehood Act of July 7, 1958 amended Section 2 of the Federal Reserve Act to provide that upon admission of Alaska to Statehood the Federal Reserve districts should be readjusted so as to include such State, and to require national banks in any new State to become members of the Federal Reserve System within 90 days after admission of such State into the Union. Pursuant to the requirements of this amendment, the Board subsequently readjusted the Federal Reserve districts so as to include the State of Alaska in the Twelfth Federal Reserve District effective January 3, 1959.

Real estate loans by national banks. Section 24 of the Federal Reserve Act was amended by the Act of July 18, 1958 so as to make the limitations and restrictions of that section on real estate loans by national banks inapplicable to loans made to established industrial or commercial businesses in which the Small Business Administration cooperates through agreements to participate on an immediate or deferred basis.

Small Business Investment Act. Section 13b of the Federal Reserve Act, authorizing working capital loans and commitments by the Federal Reserve Banks for industrial or commercial businesses, was repealed by the Small Business Investment Act of 1958, approved August 21, 1958, to become effective one year after the date of enactment of that Act. The same Act provided for payment by the Federal Reserve Banks to the United States within 60 days after the date of its enactment of amounts previously paid by the Secretary of the Treasury to the Federal Reserve Banks under the provisions of Section 13b of the Federal Reserve Act. In addition, the Act of August 21, 1958 made stock of small business investment companies organized under that Act eligible for purchase by national banks and by other member banks and nonmember insured banks to the extent permitted by State law, subject to certain limitations.

Bank Holding Company Act. The Board is required by Section 5(d) of the Bank Holding Company Act of 1956 to include in its annual report to Congress any recommendations for changes in that Act which, in the opinion of the Board, would be desirable. In a special report submitted to Congress on May 7, 1958 the Board recommended a number of amendments to the Bank Holding Company Act which would tend to clarify ambiguities in the law and facilitate its administration. The Board continues to urge favorable consideration of those amendments.

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. The schedule of rates and fees was reviewed from time to time by the Board and guaranteeing agencies but developments during 1958 did not indicate the need for any changes.

During 1958, the guaranteeing agencies authorized the issuance of 40 guarantee agreements amounting to $193 million. On December 31, 1958, guarantee agreements outstanding covered credits totaling $478 million, of which amount $310 million represented actual loans outstanding and $168 million was available to borrowers under guarantee agreements in force. Of the total credit available to borrowers, including loans outstanding, 74 per cent on the average was guaranteed. During the year, approximately $728 million was advanced on V-loans, most of which are revolving credits.

From the beginning of the program in September 1950 through December 31, 1958, 1,543 V-loans totaling $3,105 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 less than $500,000 and 72 per cent of the number and 12 per cent of the amount were less than $1 million.

Forty-two per cent of the number and 7 per cent of the amount of loans authorized were to borrowers having assets of less than $500,000; 57 per cent of the number and 12 per cent of the amount were to borrowers having assets of less than $1 million.

Seventy-three per cent of the number and 19 per cent of the amount of loans authorized were to borrowers having less than 500 employees.

Under the law as amended by the Defense Production Act amendments of 1958, authority for the V-loan program, unless further extended, will terminate on June 30, 1960.

Volume of operations. Table 5 on page 113 shows the volume of operations in the principal departments of the Federal Reserve Banks for the years 1954-58. Changes from 1957 were mixed, with some activities decreasing and others increasing. Discounts and advances and currency received and counted declined. On the other hand, checks (other than Government checks and Postal money orders), coin, and transfers of funds increased and reached new peaks; checks handled, however, increased less than in recent years.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1958 are shown in detail in Table 6 on pages 114-15, and a condensed historical statement is shown in Table 7 on pages 116-17. The table below summarizes the earnings and expenses and the distribution of net earnings for 1958 and 1957.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1958 AND 1957

[In thousands of dollars]

Item	1958	1957
Current earnings	742,068	763,348
Current expenses	137,722	131,814
Current net earnings	604,346	631,534
Additions to current net earnings[1]	454	1,580
Deductions from current net earnings	330	[2] 8,721
Net additions or deductions (−)	124	−7,141
Net earnings before payments to U. S. Treasury	604,470	624,393
Paid U. S. Treasury (interest on F. R. notes)	524,059	542,708
Dividends paid	21,197	20,081
Transferred to surplus	59,214	61,604

[1] Includes net profits of $157,000 in 1958 and $167,000 in 1957 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.

Current earnings of $742 million in 1958 were 3 per cent less than in 1957, largely because lower discount rates coupled with fewer borrowings resulted in a $20 million decrease in earnings from this source. Earnings from United States Government securities were $1 million less than in the year before, reflecting a lower average yield offset in part by a slight increase in average holdings. Current expenses of $138 million were about 4 per cent above 1957.

Current net earnings amounted to $604 million, a decrease of 4 per cent from 1957.

The effect of profit and loss additions and deductions was minor, leaving net earnings before payments to the United States Treasury at about $604 million, a decrease of 3 per cent from 1957.

Statutory dividends to member banks amounted to $21 million, or a rise of about $1 million over 1957, reflecting increases in capital and surplus of member banks with attendant increases in the paid-in capital of the Federal Reserve Banks.

Payments to the United States Treasury as interest on Federal Reserve notes amounted to $524 million in 1958. This was 90 per cent of net earnings after dividends and allowance for building up surplus to 100 per cent of subscribed capital where surplus was below that amount. This allowance is consistent with the provisions of the franchise tax when it was in effect; for 1958 the allowance for bringing surplus up to subscribed capital was $986,000 for two Banks and for 1957 the total was $1,303,000 for one Bank. 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 $3,517 million.

Net earnings of $59 million remaining after dividends and payments to the United States Treasury were added to surplus account.

On September 2, 1958, the Federal Reserve Banks repaid to the Secretary of the Treasury the aggregate of $27,546,310.97 pursuant to the provisions of Section 602(a) of the Small Business Investment Act of 1958. This resulted in the elimination of Section 13b surplus in the amount of $27,542,653.50; the net difference of $3,657.47 was charged to Section 7 surplus. The amounts repaid had been advanced by the Secretary of the Treasury under the provisions of Section 13b of the Federal Reserve Act.

Holdings of loans and securities. Average daily holdings of loans and securities during 1958 amounted to $24,983 million, $761 million more than during 1957; holdings of discounts and advances decreased $555 million and holdings of United States Government securities increased $1,302 million. The average rate of interest earned on discounts and advances declined from 3.15 to 2.28 per cent, reflecting the net effect of three reductions in the discount rate in the first half of the year to a low of 1¾ per cent, and two subsequent increases resulting in a rate of 2½ per cent for the last two months of the year. The average rate on Government securities declined from 3.15 to 2.98 per cent. The accompanying table shows holdings, earnings, and average interest rates on loans and securities held by the Federal Reserve Banks during the past three years.

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1956–58

[Dollar amounts in thousands]

Item and year	Total	Discounts and advances	Industrial loans	Acceptances	U. S. Government securities
Average daily holdings:[1]					
1956	$24,563,390	$833,297	$837	$20,662	$23,708,594
1957	24,222,331	850,097	686	25,142	23,346,406
1958	24,983,185	295,250	415	38,904	24,648,616
Earnings:					
1956	595,396	23,025	36	547	571,788
1957	763,041	26,792	30	848	735,371
1958	741,781	6,745	18	806	734,212
Average rate of interest (per cent):					
1956	2.42	2.76	4.26	2.65	2.41
1957	3.15	3.15	4.37	3.37	3.15
1958	2.97	2.28	4.45	2.07	2.98

[1] Based on holdings at opening of business

Foreign and international accounts. Gold and dollar assets held for foreign account at the Federal Reserve Banks increased $2,189 million in 1958, reflecting almost entirely net purchases of gold from the United States by foreign monetary authorities. At the end of the year holdings amounted to $12,115 million, representing $7,668 million of earmarked gold, $3,695 million of United States Government securities (largely Treasury bills), $272 million in dollar deposits, $68 million of bankers' acceptances purchased through Federal Reserve Banks, and $412 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 increased $508 million in 1958.

Accounts were opened for two central banks in Africa.

As in 1957, loans secured by gold collateral were of relatively minor importance. A loan of $5 million outstanding at the beginning of 1958 was repaid in January. New arrangements amounted to a total of $43.3 million, of which $17.9 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, until revocation on May 1, of regulations involving certain assets of the Egyptian Government and the Suez Canal Company.

Bank premises. During the year the Board authorized the construction of an addition to and alteration of the Federal Reserve Bank building in Dallas. This program is planned to extend over several years.

With the approval of the Board, properties adjacent to the present locations of the Federal Reserve Bank of Kansas City and the Oklahoma City Branch were acquired for future expansion; an annex building was purchased by the Federal Reserve Bank of San Francisco; and a site for a new building was acquired for the New Orleans Branch. The Board also authorized the acquisition of property adjacent to the Little Rock Branch for future expansion.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The accounts of the Board for the year 1958 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 of December 31, 1958, and the related assessments and expenditures for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. 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 5, D. C.,
February 6, 1959.

Assets, Liabilities and Fund Balances
December 31, 1958

Assets

Cash, exclusive of $173,898 representing withheld taxes		$ 630,571
Miscellaneous receivables and travel advances		15,790
Stockroom and cafeteria inventories, at cost		18,623
Total assets of operating fund		664,984
Property and equipment, at cost:		
Land and improvements		792,852
Building		3,878,710
Furniture and equipment		561,758
Total assets of property and equipment fund		5,233,320
Total assets		$5,898,304

Liabilities and Fund Balances

Accounts payable and accrued expense		$ 336,628
Fund balances:		
Operating fund—		
Balance December 31, 1957	$ 329,503	
Excess of expenditures over assessments for the year	1,147	328,356
Property and equipment fund—		
Balance December 31, 1957	5,149,575	
Expenditures for additions	87,961	
Excess of cost of assets disposed of over trade-in allowances	(4,216)	5,233,320
Total liabilities and fund balances		$5,898,304

Assessments and Expenditures
Year Ended December 31, 1958

Assessments Levied on Federal Reserve Banks:		
For Board expenses and additions to property and equipment		$ 5,917,200
For expenditures made on behalf of the Federal Reserve Banks		4,769,500
Total assessments		$10,686,700
Expenditures:		
For printing, issue and redemption of Federal Reserve Notes, paid on behalf of the Federal Reserve Banks		$ 4,769,500
For expenses of the Board:		
Salaries	$3,937,185	
Retirement and insurance contributions	512,961	
Traveling expenses	305,691	
Professional and contractual services:		
Economic surveys	294,140	
Legal, consultant and audit fees	125,313	
Other	17,631	
Printing and binding	175,450	
Telephone and telegraph	86,319	
Postage and expressage	66,191	
Equipment and other rentals	66,062	
Operation of cafeteria, net	51,119	
Heat, light and power	49,776	
Stationery and office and other supplies	48,927	
Repairs, maintenance and alterations	45,908	
Books and subscriptions	16,940	
Insurance	7,833	
Miscellaneous, net	22,940	5,830,386
For property and equipment		87,961
Total expenditures		$10,687,847
Excess of expenditures over assessments for the year		$ 1,147

The Board's expenses for 1958 include (1) an expenditure of $107,946 incurred in connection with the continuation of the Small Business Financing Study which was undertaken in 1957 for the information of the Federal Reserve System, the interested committees of the Congress, and the public generally; (2) an expenditure of $15,255 for Consumer Buying Intentions surveys requested by the Bureau of the Budget and the Council of Economic Advisers on November 21, 1957, and (3) an expenditure of $45,122 as a result of the assignment to the Board of certain responsibilities under The National Plan for Civil and Defense Mobilization and Defense Mobilization Order 1-20.

TABLES

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1958

[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		6,924,338		
Federal Reserve Agents' Fund		9,273,000	**19,012,893**	
Redemption fund for Federal Reserve notes			**937,919**	
Total gold certificate reserves				**19,950,812**
Federal Reserve notes of other Federal Reserve Banks				**476,993**
Other cash:				
United States notes			30,678	
Silver certificates			243,540	
Standard silver dollars			7,401	
National bank notes and Federal Reserve Bank notes			630	
Subsidiary silver, nickels, and cents			54,225	
Total other cash				**336,474**
Discounts and advances secured by U. S. Govt. securities:				
Discounted for member banks		45,963		
Discounted for others		....	45,963	
Other discounts and advances:				
Discounted for member banks		100		
Foreign loans on gold		17,900	18,000	
Total discounts and advances			**63,963**	
Industrial loans			**336**	
Acceptances:				
Bought outright			**43,290**	
Held under repurchase agreement			**5,799**	
U. S. Government securities:				
Bought outright—				
Bills	**2,250,450**			
Certificates	**18,649,726**			
Notes	**2,867,565**			
Bonds	**2,483,771**			
Total bought outright		**26,251,512**		
Held under repurchase agreement		**95,000**		
Total U. S. Government securities			**26,346,512**	
Total loans and securities				**26,459,900**
Due from foreign banks				**15**
Uncollected cash items:				
Transit items			5,320,702	
Exchanges for clearing house			201,404	
Other cash items			108,578	
Total uncollected cash items				**5,630,684**
Bank premises:				
Land			22,911	
Buildings (including vaults)		92,284		
Fixed machinery and equipment		39,428		
Total buildings		131,712		
Less depreciation allowances		60,987	70,725	
Total bank premises				**93,636**
Other assets:				
Miscellaneous assets acquired account industrial loans		25		
Less valuation allowances		25		
Net			....	
Reimbursable expenses and other items receivable			2,941	
Interest accrued			136,756	
Premium on securities			1,656	
Deferred charges			1,726	
Real estate acquired for banking house purposes			2,297	
Suspense account			625	
All other			640	
Total other assets				**146,641**
Total assets				**53,095,155**

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

LIABILITIES

Federal Reserve notes:			
Outstanding (issued to Federal Reserve Banks)		29,057,573	
Less: Held by issuing Federal Reserve Banks	1,011,229		
Forwarded for redemption	174,321	1,185,550	
Federal Reserve notes, net (includes notes held by U. S. Treasury and by Federal Reserve Banks other than issuing Bank)			**27,872,023**
Deposits:			
Member bank reserves		**18,503,991**	
U. S. Treasurer—general account		**358,364**	
Foreign		**272,485**	
Other deposits:			
Nonmember bank—clearing accounts	71,457		
Officers' and certified checks	8,839		
Federal Reserve exchange drafts	280		
Reserves of corporations doing foreign banking or financing	16,503		
International organizations[1]	43,424		
All other	250,348		
Total other deposits		**390,851**	
Total deposits			**19,525,691**
Deferred availability cash items			**4,335,126**
Other liabilities:			
Accrued dividends unpaid		......	
Unearned discount		123	
Discount on securities		17,301	
Sundry items payable		4,012	
Suspense account		79	
All other		168	
Total other liabilities			**21,683**
Total liabilities			**51,754,523**

CAPITAL ACCOUNTS

Capital paid in		**363,098**
Surplus[2]		**868,410**
Other capital accounts:		
Reserves for contingencies:		
Reserves for registered mail losses	11,124	
All other	98,000	
Total other capital accounts[3]		**109,124**
Total liabilities and capital accounts		**53,095,155**
Contingent liability on acceptances purchased for foreign correspondents		**67,799**
Industrial loan commitments		**975**

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

[2] Surplus (Sec. 13b) eliminated Sept. 2, 1958; see text, p. 98.

[3] During the year this item includes the net of earnings, expenses, profits, etc., which are closed out on December 31; see Table 6, pp. 114–115.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1958 AND 1957

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957
ASSETS												
Gold certificate account	19,012,893	21,215,392	888,156	1,010,595	5,277,367	5,522,298	1,037,847	1,182,730	1,443,593	1,943,736	1,033,459	1,347,887
Redemption fund for Federal Reserve notes	937,919	869,249	55,671	56,043	198,412	182,497	60,195	60,901	87,750	79,558	85,803	73,569
Total gold certificate reserves	19,950,812	22,084,641	943,827	1,066,638	5,475,779	5,704,795	1,098,042	1,243,631	1,531,343	2,023,294	1,119,262	1,421,456
Federal Reserve notes of other Banks	476,993	443,288	41,061	31,701	83,865	95,949	47,991	38,556	29,107	28,480	57,452	45,902
Other cash	336,474	338,622	19,758	19,863	60,901	66,417	16,950	15,056	28,071	22,701	22,112	25,618
Discounts and advances:												
Secured by U.S. Govt. securities	45,963	50,364	200	450	6,520	3,290	5,485	5,140	2,775	3,750	1,575	4,010
Other	18,000	5,000	1,020	290	5,048	1,405	1,235	350	1,593	450	913	255
Industrial loans	336	482	327	285	....	....	....	173	....	....	....	....
Acceptances:												
Bought outright	43,290	42,337	....	....	43,290	42,337	....	....	....	....	....	....
Held under repurchase agreement	5,799	23,351	....	....	5,799	23,351	....	....	....	....	....	....
U.S. Government securities:												
Bought outright	26,251,512	23,718,935	1,429,342	1,293,773	6,619,791	5,931,655	1,509,042	1,384,545	2,323,915	2,083,424	1,708,764	1,515,474
Held under repurchase agreement	95,000	519,350	....	....	95,000	519,350	....	....	....	....	....	....
Total loans and securities	26,459,900	24,359,819	1,430,889	1,294,798	6,775,448	6,521,388	1,515,762	1,390,208	2,328,283	2,087,624	1,711,252	1,519,739
Due from foreign banks	15	15	1	1	[1] 4	[1] 4	1	1	1	1	1	1
Uncollected cash items	5,630,684	5,494,735	405,506	467,096	1,215,353	1,173,568	332,939	345,425	543,121	490,271	433,573	421,538
Bank premises	93,636	83,763	4,705	5,010	10,313	10,664	4,245	4,514	9,432	9,678	6,654	6,996
Other assets	146,641	223,584	7,884	11,971	36,477	55,349	8,181	12,740	12,768	19,340	9,479	14,058
Total assets	53,095,155	53,028,467	2,853,631	2,897,078	13,658,140	13,628,134	3,024,111	3,050,131	4,482,126	4,681,389	3,359,785	3,455,308

[1] After deducting $11,000 participations of other Federal Reserve Banks.

LIABILITIES												
Federal Reserve notes	27,872,023	27,534,791	1,630,425	1,638,156	6,512,632	6,500,863	1,751,391	1,738,756	2,571,638	2,624,653	2,135,757	2,188,221
Deposits:												
Member bank reserves	18,503,991	19,033,795	771,057	777,422	5,570,787	5,716,993	863,417	874,741	1,344,045	1,486,691	764,580	801,083
U.S. Treasurer—general account	358,364	480,810	21,009	38,077	35,306	68,734	22,996	30,221	4,656	45,778	29,422	47,161
Foreign	272,485	356,342	13,395	19,778	[2] 103,755	[2] 111,163	16,215	23,870	20,915	30,690	11,985	17,391
Other	390,851	246,284	2,202	3,106	307,036	150,963	4,013	12,954	5,054	5,483	4,635	5,156
Total deposits	19,525,691	20,117,231	807,663	838,383	6,016,884	6,047,853	906,641	941,786	1,374,670	1,568,642	810,622	870,791
Deferred availability cash items	4,335,126	4,070,844	338,324	344,347	755,659	717,766	275,287	279,334	413,145	371,626	343,293	327,773
Other liabilities	21,683	14,948	1,069	549	5,376	5,367	1,253	623	1,853	1,484	1,130	587
Total liabilities	51,754,523	51,737,814	2,777,481	2,821,435	13,290,551	13,271,849	2,934,572	2,960,499	4,361,306	4,566,405	3,290,802	3,387,372
CAPITAL ACCOUNTS												
Capital paid in	363,098	345,106	18,121	17,742	105,850	102,215	21,894	21,192	34,246	32,514	16,439	15,695
Surplus (Sec. 7)	868,410	809,198	50,116	47,013	238,902	223,963	59,607	55,923	76,643	71,550	44,846	41,236
Surplus (Sec. 13b)[3]	....	27,543	....	3,011	....	7,319	....	4,489	....	1,006	....	3,349
Other capital accounts	109,124	108,806	7,913	7,877	22,837	22,788	8,038	8,028	9,931	9,914	7,698	7,656
Total liabilities and capital accounts	53,095,155	53,028,467	2,853,631	2,897,078	13,658,140	13,628,134	3,024,111	3,050,131	4,482,126	4,681,389	3,359,785	3,455,308
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	42.1%	46.3%	38.7%	43.1%	43.7%	45.5%	41.3%	46.4%	38.8%	48.3%	38.0%	46.5%
Contingent liability on acceptances purchased for foreign correspondents	67,799	76,114	3,864	4,414	[4] 19,119	[4] 21,398	4,678	5,327	6,034	6,849	3,458	3,881
Industrial loan commitments	975	1,109	....	....	....	....	....	26	35	77	....	....
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	29,057,573	28,643,286	1,703,455	1,702,333	6,827,935	6,795,945	1,815,156	1,800,791	2,645,549	2,700,128	2,223,439	2,266,546
Less held by issuing Bank, and forwarded for redemption	1,185,550	1,108,495	73,030	64,177	315,303	295,082	63,765	62,035	73,911	75,475	87,682	78,325
Federal Reserve notes, net[5]	27,872,023	27,534,791	1,630,425	1,638,156	6,512,632	6,500,863	1,751,391	1,738,756	2,571,638	2,624,653	2,135,757	2,188,221
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account	11,073,000	12,273,000	650,000	700,000	2,920,000	3,270,000	640,000	640,000	920,000	1,130,000	725,000	945,000
Eligible paper	25,393	12,299	....	....	....	....	5,285	5,140	....	....	....	....
U.S. Government securities	18,615,000	17,165,000	1,150,000	1,150,000	4,000,000	3,600,000	1,200,000	1,200,000	1,750,000	1,600,000	1,530,000	1,350,000
Total collateral	29,713,393	29,450,299	1,800,000	1,850,000	6,920,000	6,870,000	1,845,285	1,845,140	2,670,000	2,730,000	2,255,000	2,295,000

[2] After deducting $168,730,000 participations of other Federal Reserve Banks on Dec. 31, 1958, and $245,179,000 on Dec. 31, 1957.
[3] Eliminated Sept. 2, 1958; see text, p. 98.
[4] After deducting $48,680,000 participations of other Federal Reserve Banks on Dec. 31, 1958, and $54,716,000 on Dec. 31, 1957.
[5] Includes Federal Reserve notes held by 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 1958 AND 1957—Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957
ASSETS														
Gold certificate account	864,742	830,921	3,326,227	3,805,144	753,490	908,740	458,383	390,876	748,339	843,470	721,519	808,001	2,459,771	2,620,994
Redemption fund for Federal Reserve notes	57,037	48,919	167,634	157,090	44,661	43,349	22,463	22,171	43,533	41,597	29,845	28,495	84,915	75,060
Total gold certificate reserves	921,779	879,840	3,493,861	3,962,234	798,151	952,089	480,846	413,047	791,872	885,067	751,364	836,496	2,544,686	2,696,054
Federal Reserve notes of other Banks	53,143	56,404	40,267	37,731	23,287	17,588	17,588	23,008	11,317	10,162	28,333	21,148	43,582	36,659
Other cash	26,560	24,744	58,734	56,959	26,513	25,649	8,664	8,359	14,662	12,492	14,687	12,829	38,862	47,935
Discounts and advances:														
Secured by U.S. Govt. securities	4,765	3,050	3,885	8,750	1,600	250	....	....	18,408	6,909	750	14,565	....	200
Other	805	225	2,560	710	662	185	430	120	798	190	931	260	2,005	560
Industrial loans	....	....	....	....	....	....	9	24	....	....	....	....	....	....
Acceptances:														
Bought outright	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U.S. Government securities:														
Bought outright	1,335,756	1,228,570	4,585,614	4,140,164	1,070,904	980,896	552,253	511,855	1,120,493	1,018,325	1,028,298	929,521	2,967,340	2,700,733
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,341,326	1,231,845	4,592,059	4,149,624	1,073,166	981,331	552,692	511,999	1,139,699	1,025,424	1,029,979	944,346	2,969,345	2,701,493
Due from foreign banks	1	1	2	2	1	1	(6)	(6)	1	1	1	1	1	1
Uncollected cash items	453,214	466,237	902,999	887,537	232,399	188,651	145,320	136,191	254,995	238,904	242,747	223,368	468,518	455,949
Bank premises	9,294	6,497	11,824	6,823	6,862	6,138	5,193	5,307	4,799	4,903	7,786	6,260	12,529	10,973
Other assets	8,470	11,657	24,838	40,656	5,917	9,041	3,076	4,779	7,130	9,493	5,917	9,345	16,504	25,155
Total assets	2,813,787	2,677,225	9,124,584	9,141,566	2,166,296	2,180,488	1,213,379	1,102,690	2,224,475	2,186,446	2,080,814	2,053,793	6,094,027	5,974,219

[6] Less than $500.

LIABILITIES														
Federal Reserve notes	1,476,020	1,305,420	5,302,681	5,334,243	1,238,269	1,226,564	598,279	494,826	1,101,081	1,077,385	798,613	748,184	2,755,237	2,657,520
Deposits:														
Member bank reserves	846,398	851,881	2,809,518	2,905,986	669,057	699,440	419,895	433,491	817,730	804,111	969,769	996,223	2,657,738	2,685,733
U.S. Treasurer—general account	32,479	41,231	48,619	62,021	19,283	25,982	24,459	18,515	38,271	41,690	30,630	30,868	51,234	30,532
Foreign	10,575	15,345	33,605	48,422	8,695	12,617	5,640	8,184	9,165	12,958	12,220	17,732	26,320	38,192
Other	2,347	3,974	8,404	10,423	3,141	2,560	961	1,336	3,279	3,436	2,778	2,167	47,001	44,726
Total deposits	891,799	912,431	2,900,146	3,026,852	700,176	740,599	450,955	461,526	868,445	862,195	1,015,397	1,046,990	2,782,293	2,799,183
Deferred availability cash items	380,576	398,917	721,508	594,080	174,787	163,043	129,777	113,263	200,590	195,229	196,451	190,958	405,729	374,508
Other liabilities	1,080	492	3,967	2,475	792	439	933	628	848	480	710	572	2,672	1,252
Total liabilities	2,749,475	2,617,260	8,928,302	8,957,650	2,114,024	2,130,645	1,179,944	1,070,243	2,170,964	2,135,289	2,011,171	1,986,704	5,945,931	5,832,463
CAPITAL ACCOUNTS														
Capital paid in	18,371	16,562	49,665	46,570	12,348	11,577	8,387	7,426	14,848	13,781	20,684	19,405	42,245	40,427
Surplus (Sec. 7)	39,474	36,192	132,159	121,504	33,746	31,586	20,785	19,697	32,935	30,533	43,436	40,871	95,761	89,130
Surplus (Sec. 13b)[3]	....	762	....	1,429	....	521	....	1,073	....	1,137	....	1,307	....	2,140
Other capital accounts	6,467	6,449	14,458	14,413	6,178	6,159	4,263	4,251	5,728	5,706	5,523	5,506	10,090	10,059
Total liabilities and capital accounts	2,813,787	2,677,225	9,124,584	9,141,566	2,166,296	2,180,488	1,213,379	1,102,690	2,224,475	2,186,446	2,080,814	2,053,793	6,094,027	5,974,219
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	38.9%	39.7%	42.6%	47.4%	41.2%	48.4%	45.8%	43.2%	40.2%	45.6%	41.4%	46.6%	46.0%	49.4%
Contingent liability on acceptances purchased for foreign correspondents	3,051	3,425	9,695	10,806	2,509	2,816	1,627	1,826	2,644	2,892	3,526	3,957	7,594	8,523
Industrial loan commitments	....	....	....	66	....	....	....	....	940	940	....	....	....	....
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	1,556,710	1,374,708	5,474,313	5,472,919	1,296,838	1,280,689	614,338	534,419	1,137,662	1,109,605	849,075	792,868	2,913,103	2,812,335
Less held by issuing Bank, and forwarded for redemption	80,690	69,288	171,632	138,676	58,569	54,125	16,059	39,593	36,581	32,220	50,462	44,684	157,866	154,815
Federal Reserve notes, net[5]	1,476,020	1,305,420	5,302,681	5,334,243	1,238,269	1,226,564	598,279	494,826	1,101,081	1,077,385	798,613	748,184	2,755,237	2,657,520
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	475,000	425,000	2,200,000	2,500,000	430,000	450,000	200,000	130,000	300,000	300,000	313,000	283,000	1,300,000	1,500,000
Eligible paper	....	....	....	....	1,600	250	....	....	18,508	6,909	....	....	....	....
U.S. Government securities	1,100,000	1,000,000	3,400,000	3,100,000	935,000	895,000	425,000	425,000	850,000	820,000	575,000	525,000	1,700,000	1,500,000
Total collateral	1,575,000	1,425,000	5,600,000	5,600,000	1,366,600	1,345,250	625,000	555,000	1,168,508	1,126,909	888,000	808,000	3,000,000	3,000,000

[3] Eliminated Sept. 2, 1958; see text, p. 98.
[5] Includes Federal Reserve notes held by 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 1956, 1957, AND 1958

[In thousands of dollars]

Type of issue	Rate of interest (per cent)	December 31			Change during	
		1958	1957	1956	1958	1957
Treasury bonds:						
1956–58	2½		12,493	12,493	−12,493	
1958 June	2⅜					
1958 Dec.	2½					
1957–59	2⅜		339,096	339,096	−339,096	
1956–59	2¼		21,690	21,690	−21,690	
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		
1963 Aug.	2½					
1964 Feb.	3					
1965 Feb.	2⅝	20,300			+20,300	
1960–65[1]	2¾					
1966 Aug.	3	7,000			+7,000	
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					
1985 May	3¼	5,200			+5,200	
1990 Feb.	3½	22,800			+22,800	
1995 Feb.	3					
Total Treasury bonds		2,483,771	2,801,750	2,801,750	−317,979	
Treasury notes:						
Mar. 15, 1957–A	2⅞					
Apr. 1, 1957–EA	1½			500,000		−500,000
May 15, 1957–B	1⅝					
Aug. 1, 1957–D	2¾			7,940,065		−7,940,065
Aug. 15, 1957–C	2					
Oct. 1, 1957–EO	1½			713,848		−713,848
Apr. 1, 1958–EA	1½					
June 1, 1958–A	2⅞					
Oct. 1, 1958–EO	1½					
Feb. 15, 1959–A	1⅞					
Apr. 1, 1959–EA	1½					
Oct. 1, 1959–EO	1½					
Nov. 15, 1959–B	3½					
Apr. 1, 1960–EA	1½					
May 15, 1960–A	3½					
Oct. 1, 1960–EO	1½					
Apr. 1, 1961–EA	1½					
May 15, 1961–B	3⅝	2,857,565			+2,857,565	
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					
Feb. 15, 1963–A	2⅝	10,000			+10,000	
Apr. 1, 1963–EA	1½					
Oct. 1, 1963–EO	1½					
Total Treasury notes		2,867,565		9,153,913	+2,867,565	−9,153,913
Certificates:						
Feb. 15, 1957	2⅝			5,012,000		−5,012,000
Oct. 1, 1957	3¼			5,920,699		−5,920,699
Feb. 14, 1958	3⅜		5,494,500		−5,494,500	+5,494,500
Aug. 1, 1958	4		6,581,547		−6,581,547	+6,581,547
Dec. 1, 1958	3¾		7,857,565		−7,857,565	+7,857,565
Feb. 14, 1959	2½	5,506,993			+5,506,993	
Aug. 1, 1959	1⅝	8,142,733			+8,142,733	
Nov. 15, 1959	3⅜	5,000,000			+5,000,000	
Total certificates		18,649,726	19,933,612	10,932,699	−1,283,886	+9,000,913
Treasury bills		2,250,450	983,573	1,721,270	+1,266,877	−737,697
Repurchase agreements		95,000	519,350	305,100	−424,350	+214,250
Total holdings		26,346,512	24,238,285	24,914,732	+2,108,227	−676,447

[1] Partly tax-exempt.

NO. 4—FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953–58[1]

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount	Date	Amount
1953–Mar. 18	110	1953—June 9	491	1953—June 22	908	1954—Jan. *24	283
19	104	10	451	23	608	25	203
20	189	11	358	24	296	26	3
21	189	12	506	1954—Jan. 14	22	Mar. 15	134
*22	189	13	506	15	169	16	190
23	333	*14	506	16	169		
24	186	15	999	*17	169	1955	
25	63	16	1,172	18	323	1956	no transactions
26	49	17	823	19	424	1957	
June 5	196	18	364	20	323		
6	196	19	992	21	306	1958—Mar. 17	143
*7	196	20	992	22	283	18	207
8	374	*21	992	23	283		

* 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 through Dec. 3, 1957, and ¼ per cent below prevailing discount rate of Federal Reserve Bank of New York thereafter. Actual rate for 1958 purchases, 2 per cent. For data for prior years beginning with 1942, see previous *Annual Reports*. No holdings on dates not shown.

NO. 5—VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1954–58

[Number in thousands; amounts in thousands of dollars]

	1958	1957	1956	1955	1954
NUMBER OF PIECES HANDLED[1]					
Discounts and advances:[2]					
Notes discounted and advances made	14	25	23	21	10
Currency received and counted	4,547,668	4,631,676	4,466,739	4,282,562	4,384,270
Coin received and counted	9,574,474	9,089,460	8,610,821	8,430,796	8,382,024
Checks handled:					
U. S. Govt. checks	388,541	469,158	539,359	503,516	481,408
Postal money orders	295,350	324,161	342,313	347,351	354,368
All other[3]	3,085,185	2,974,940	2,822,589	2,643,549	2,512,985
Collection items handled:					
U. S. Govt. coupons paid	13,564	12,546	11,997	12,301	12,753
All other	20,429	19,308	17,813	16,368	15,443
Issues, redemptions, and exchanges of U. S. Govt. securities	193,665	207,246	198,519	191,922	191,112
Transfers of funds	2,426	2,302	2,123	1,960	1,808
AMOUNTS HANDLED					
Discounts and advances[2]	41,306,072	114,469,820	109,665,475	88,436,422	22,871,449
Currency received and counted	29,596,570	29,926,319	29,104,496	27,461,048	28,482,428
Coin received and counted	956,235	922,742	887,418	862,022	810,278
Checks handled:					
U. S. Govt. checks	99,942,372	102,062,972	114,173,132	123,215,681	141,037,495
Postal money orders	5,297,341	5,796,279	5,941,097	5,814,754	5,943,178
All other[3]	1,044,984,066	1,044,553,457	1,003,202,371	927,648,399	845,365,275
Collection items handled:					
U. S. Govt. coupons paid	3,695,458	3,032,805	2,563,075	2,595,305	2,209,045
All other	5,663,684	5,758,976	5,495,317	5,354,604	5,085,695
Issues, redemptions, and exchanges of U. S. Govt. securities	526,037,271	493,391,267	421,612,394	429,701,960	469,247,400
Transfers of funds	1,643,532,069	1,345,185,037	1,233,509,550	1,091,608,891	1,038,100,606

[1] Two or more checks, coupons, etc., handled as a single item are counted as one "piece."
[2] Exclusive of industrial loans.
[3] Exclusive of checks drawn on the Federal Reserve Banks.

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1958

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	$6,744,474	$340,549	$1,592,055	$321,990	$840,189	$365,807	$667,053	$1,219,562	$243,498	$159,214	$607,852	$168,847	$217,859
Industrial loans and commitments	21,843	14,696	....	3,002	630	....	....	79	....	813	2,621	....	....
Acceptances	805,781	....	805,781	....	....	....	....	....	....	....	....	....	....
U.S. Government securities	734,211,830	39,932,739	185,595,281	42,316,962	64,755,386	47,475,124	37,483,117	128,023,207	30,016,564	15,530,096	31,338,905	28,717,892	83,026,558
All other	284,220	15,700	66,135	16,303	21,390	14,559	23,327	41,191	9,131	10,036	25,014	15,807	25,630
Total current earnings	742,068,150	40,303,684	188,059,252	42,658,257	65,617,595	47,855,490	38,173,496	129,284,039	30,269,193	15,700,159	31,974,392	28,902,546	83,270,047
CURRENT EXPENSES													
Salaries:													
Officers	6,269,242	354,203	1,135,974	379,282	543,267	494,312	510,557	659,698	440,238	330,209	472,159	422,235	527,108
Employees	80,500,913	4,952,887	17,965,149	4,364,639	7,196,012	5,256,306	5,081,209	12,466,159	4,613,400	2,491,036	4,140,157	3,754,226	8,219,733
Directors' and other fees	489,666	24,148	62,537	24,545	51,540	24,926	72,949	30,022	33,163	32,465	49,647	37,367	46,357
Retirement contributions	9,627,916	581,072	2,025,616	524,928	864,509	649,205	633,757	1,493,184	554,998	296,937	532,199	486,395	985,116
Traveling expenses	1,682,279	105,415	280,614	73,401	146,435	137,221	134,922	212,915	108,412	87,636	103,345	113,151	178,812
Postage and expressage	16,401,104	1,347,593	2,375,805	853,702	1,346,178	1,597,083	1,425,438	2,205,310	883,894	584,007	972,052	852,477	1,957,565
Telephone and telegraph	1,291,235	69,514	270,122	60,385	109,238	98,228	131,088	147,066	74,673	46,452	73,336	85,715	125,418
Printing, stationery, and supplies	6,264,484	479,923	1,190,373	316,444	489,153	423,161	463,688	1,003,803	422,898	177,629	365,583	310,981	620,848
Insurance	1,295,512	86,092	224,187	53,043	123,603	100,133	78,903	179,040	95,264	57,861	92,540	75,547	129,299
Taxes on real estate	3,778,905	599,850	739,798	141,126	338,953	173,644	170,448	470,956	130,163	281,752	162,514	154,479	415,222
Depreciation (building)	4,032,079	414,858	419,598	268,149	561,243	480,855	163,835	355,415	170,854	175,378	142,854	237,786	641,254
Light, heat, power, and water	1,531,275	111,950	257,727	99,360	170,087	146,178	80,449	173,838	109,331	78,162	110,883	80,714	112,596
Repairs and alterations	1,281,246	36,121	184,370	68,935	430,291	41,373	34,137	36,707	63,461	200,523	88,787	11,361	85,180
Rent	218,223	5,663	6,062	7,186	17,603	2,506	14,707	95,497	2,285	202	177	54,394	11,941
Furniture and equipment:													
Purchases	3,171,942	90,716	710,565	71,372	252,288	135,984	541,278	202,657	392,354	208,842	215,608	116,050	234,228
Rentals	5,578,023	458,911	755,162	360,508	445,216	399,243	394,271	891,557	307,431	191,669	316,595	310,481	746,979
All other	1,915,955	99,195	358,882	91,776	367,904	100,702	127,446	238,773	85,297	91,513	122,232	109,513	122,722
Interbank expenses	....	38,486	−452,014	46,112	60,898	−9,352	33,844	97,191	26,581	16,626	28,320	36,429	76,880
Subtotal	145,330,000	9,856,597	28,510,527	7,804,893	13,514,418	10,251,708	10,092,926	20,959,788	8,514,697	5,348,899	7,988,988	7,249,301	15,237,258
Federal Reserve currency	5,973,240	374,512	1,237,367	209,817	454,982	580,121	369,309	1,412,956	303,608	92,861	170,769	207,187	559,751
Assessment for expenses of Board of Governors	5,917,200	338,400	1,667,300	408,000	526,100	301,300	269,200	851,000	218,800	142,400	228,100	308,700	657,900
Total	157,220,440	10,569,509	31,415,194	8,422,710	14,495,500	11,133,129	10,731,435	23,223,744	9,037,105	5,584,160	8,387,857	7,765,188	16,454,909
Less reimbursement for certain fiscal agency and other expenses	19,498,784	1,044,022	3,276,185	994,319	1,879,716	1,083,025	1,456,523	3,266,108	1,218,556	604,932	1,395,922	1,137,382	2,142,094
Net expenses	137,721,655	9,525,487	28,139,009	7,428,391	12,615,784	10,050,104	9,274,911	19,957,636	7,818,549	4,979,227	6,991,936	6,627,806	14,312,815

PROFIT AND LOSS

Current net earnings	604,346,495	30,778,197	159,920,243	35,229,866	53,001,811	37,805,386	28,898,585	109,326,403	22,450,644	10,720,932	24,982,456	22,274,740	68,957,232
Additions to current net earnings:													
Profits on sales of U.S. Government securities (net)	156,596	9,137	38,538	9,524	13,848	9,795	8,448	26,380	6,933	3,949	6,664	6,490	16,890
All other	297,047	291	12,063	218	18,656	1,719	27,739	26,960	139,600	401	810	63,295	5,297
Total additions	453,643	9,428	50,601	9,742	32,503	11,513	36,187	53,340	146,533	4,350	7,474	69,785	22,186
Deductions from current net earnings:													
Reserves for contingencies	316,526	35,312	49,260	9,551	17,393	42,636	18,506	44,771	18,436	11,816	21,479	16,870	30,497
All other	12,941	1,280	523	1,449	558	2,080	2,328	622	671	1,230	35	855	1,311
Total deductions	329,467	36,591	49,783	11,000	17,951	44,716	20,834	45,392	19,107	13,046	21,514	17,725	31,808
Net additions	124,176	−27,164	819	−1,258	14,553	−33,203	15,353	7,948	127,425	−8,696	−14,040	52,060	−9,621
Net earnings before payments to U.S. Treasury	604,470,670	30,751,033	159,921,062	35,228,608	53,016,364	37,772,183	28,913,937	109,334,351	22,578,070	10,712,236	24,968,416	22,326,800	68,947,610
Paid U.S. Treasury (interest on F. R. notes)	524,058,650	26,710,224	138,349,233	30,540,793	45,918,551	33,129,772	24,584,472	95,789,048	19,675,908	9,212,206	21,696,020	18,620,110	59,832,314
Dividends paid	21,197,452	1,073,009	6,199,722	1,294,403	1,995,760	961,325	1,052,929	2,902,076	715,956	476,455	861,731	1,196,810	2,467,275
Transferred to surplus (Sec. 7)	59,214,569	2,967,800	15,372,107	3,393,412	5,102,053	3,681,086	3,276,536	10,643,227	2,186,206	1,023,576	2,410,665	2,509,879	6,648,022
Surplus (Sec. 7) Jan. 1	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
Transferred from surplus (Sec. 13b)	−3,657	135,411	−433,413	290,661	−9,906	−71,517	5,491	11,682	−26,515	64,874	−8,674	55,337	−17,089
Surplus (Sec. 7) Dec. 31	868,408,591	50,115,888	238,901,893	59,606,846	76,642,500	44,845,980	39,474,103	132,158,534	33,746,035	20,785,000	32,934,892	43,436,299	95,760,623

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

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914–58

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
1958	742,068,150	137,721,655	604,470,670	21,197,452	....	....	524,058,650	....	59,214,569
Total 1914–58	7,290,667,465	2,137,240,408	5,096,306,434	430,484,212	149,138,300	2,188,893	3,517,417,892	[R]−3,657	[2]997,080,793
Aggregate for each Federal Reserve Bank, 1914–58:									
Boston	451,967,149	152,423,577	296,775,403	27,237,886	7,111,395	280,843	201,799,152	[R]+135,411	60,210,713
New York	1,864,727,623	478,460,584	1,381,677,841	141,938,107	68,006,262	369,116	895,639,303	−433,413	276,158,464
Philadelphia	481,030,355	143,402,176	336,825,931	34,963,745	5,558,901	722,406	221,353,150	+290,661	73,937,068
Cleveland	658,534,350	197,099,010	454,540,038	42,423,567	4,842,447	82,930	317,324,708	[R]−9,906	89,876,293
Richmond	437,868,817	140,092,135	293,740,235	18,550,484	6,200,189	172,493	218,162,797	[R]−71,517	50,725,788
Atlanta	375,948,311	118,543,553	251,612,569	16,810,537	8,950,561	79,264	181,026,072	+5,491	44,740,643
Chicago	1,140,290,111	299,672,903	829,293,388	52,729,477	25,313,526	151,045	603,600,369	[R]+11,682	147,487,288
St. Louis	334,241,001	117,440,862	211,215,314	14,862,779	2,755,629	7,464	154,750,293	[R]−26,515	38,865,663
Minneapolis	201,789,760	72,211,504	127,580,626	10,088,105	5,202,900	55,615	87,506,923	[R]+64,874	24,662,213
Kansas City	332,667,298	115,323,102	213,462,848	15,279,567	6,939,100	64,213	154,113,800	−8,674	37,074,842
Dallas	294,935,811	97,073,850	194,268,704	16,991,022	560,049	102,083	128,846,435	[R]+55,337	47,713,777
San Francisco	716,666,880	205,497,152	505,313,536	38,608,934	7,697,341	101,421	353,294,890	[R]−17,089	105,628,040
Total	7,290,667,465	2,137,240,408	5,096,306,434	430,484,212	149,138,300	2,188,893	3,517,417,892	[R]−3,657	997,080,793

[R] Revised.

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

[2] The $997,080,793 transferred to surplus was reduced by direct charges of $139,299,557 for contributions to capital of the Federal Deposit Insurance Corporation, $500,000 for charge-off on bank premises and $3,657 net upon elimination of surplus (Sec. 13b), and was increased by $11,131,013 transferred from reserves for contingencies, leaving a balance of $868,408,591 on Dec. 31, 1958.

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

NO. 8—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918–58 AND END OF MONTH 1958

[In millions of dollars]

End of year or month	Reserve Bank credit outstanding: U.S. Government securities: Total	Reserve Bank credit outstanding: U.S. Government securities: Bought outright	Reserve Bank credit outstanding: U.S. Government securities: Held under repurchase agreement	Reserve Bank credit outstanding: Discounts and advances	Reserve Bank credit outstanding: Float	Reserve Bank credit outstanding: All other[1]	Reserve Bank credit outstanding: Total	Gold stock[2]	Treasury currency outstanding[3]	Currency in circulation	Treasury cash holdings[4]	Deposits, other than member bank reserves, with F. R. Banks: Treasury deposits	Deposits, other than member bank reserves, with F. R. Banks: Foreign deposits	Deposits, other than member bank reserves, with F. R. Banks: Other deposits	Other Federal Reserve accounts[5]	Member bank reserves: Total	Member bank reserves: Required[6]	Member bank reserves: Excess[6]
1918...	239	239	......	1,766	199	294	2,498	2,873	1,795	4,951	288	51	96	25	118	1,636	1,585	51
1919...	300	300	......	2,215	201	575	3,292	2,707	1,707	5,091	385	31	73	28	208	1,890	1,822	68
1920...	287	287	......	2,687	119	262	3,355	2,639	1,709	5,325	218	57	5	18	298	1,781	....	....
1921...	234	234	......	1,144	40	146	1,563	3,373	1,842	4,403	214	96	12	15	285	1,753	1,654	99
1922...	436	436	......	618	78	273	1,405	3,642	1,958	4,530	225	11	3	26	276	1,934	....	....
1923...	134	80	54	723	27	355	1,238	3,957	2,009	4,757	213	38	4	19	275	1,898	1,884	14
1924...	540	536	4	320	52	390	1,302	4,212	2,025	4,760	211	51	19	20	258	2,220	2,161	59
1925...	375	367	8	643	63	378	1,459	4,112	1,977	4,817	203	16	8	21	272	2,212	2,256	−44
1926...	315	312	3	637	45	384	1,381	4,205	1,991	4,808	201	17	46	19	293	2,194	2,250	−56
1927...	617	560	57	582	63	393	1,655	4,092	2,006	4,716	208	18	5	21	301	2,487	2,424	63
1928...	228	197	31	1,056	24	500	1,809	3,854	2,012	4,686	202	23	6	21	348	2,389	2,430	−41
1929...	511	488	23	632	34	405	1,583	3,997	2,022	4,578	216	29	6	24	393	2,355	2,428	−73
1930...	729	686	43	251	21	372	1,373	4,306	2,027	4,603	211	19	6	22	375	2,471	2,375	96
1931...	817	775	42	638	20	378	1,853	4,173	2,035	5,360	222	54	79	31	354	1,961	1,994	−33
1932...	1,855	1,851	4	235	14	41	2,145	4,226	2,204	5,388	272	8	19	24	355	2,509	1,933	576
1933...	2,437	2,435	2	98	15	137	2,688	4,036	2,303	5,519	284	3	4	128	360	2,729	1,870	859
1934...	2,430	2,430	......	7	5	21	2,463	8,238	2,511	5,536	3,029	121	20	169	241	4,096	2,282	1,814
1935...	2,431	2,430	1	5	12	38	2,486	10,125	2,476	5,882	2,566	544	29	226	253	5,587	2,743	2,844
1936...	2,430	2,430	......	3	39	28	2,500	11,258	2,532	6,543	2,376	244	99	160	261	6,606	4,622	1,984
1937...	2,564	2,564	......	10	19	19	2,612	12,760	2,637	6,550	3,619	142	172	235	263	7,027	5,815	1,212
1938...	2,564	2,564	......	4	17	16	2,601	14,512	2,798	6,856	2,706	923	199	242	260	8,724	5,519	3,205
1939...	2,484	2,484	......	7	91	11	2,593	17,644	2,963	7,598	2,409	634	397	256	251	11,653	6,444	5,209
1940...	2,184	2,184	......	3	80	8	2,274	21,995	3,087	8,732	2,213	368	1,133	599	284	14,026	7,411	6,615
1941...	2,254	2,254	......	3	94	10	2,361	22,737	3,247	11,160	2,215	867	774	586	291	12,450	9,365	3,085
1942...	6,189	6,189	......	6	471	14	6,679	22,726	3,648	15,410	2,193	799	793	485	256	13,117	11,129	1,988
1943...	11,543	11,543	......	5	681	10	12,239	21,938	4,094	20,449	2,303	579	1,360	356	339	12,886	11,650	1,236
1944...	18,846	18,846	......	80	815	4	19,745	20,619	4,131	25,307	2,375	440	1,204	394	402	14,373	12,748	1,625

1945...	24,262	24,262	......	249	578	2	25,091	20,065	4,339	28,515	2,287	977	862	446	495	15,915	14,457	1,458
1946...	23,350	23,350	......	163	580	1	24,093	20,529	4,562	28,952	2,272	393	508	314	607	16,139	15,577	562
1947...	22,559	22,559	......	85	535	1	23,181	22,754	4,562	28,868	1,336	870	392	569	563	17,899	16,400	1,499
1948...	23,333	23,333	......	223	541	1	24,097	24,244	4,589	28,224	1,325	1,123	642	547	590	20,479	19,277	1,202
1949...	18,885	18,885	......	78	534	2	19,499	24,427	4,598	27,600	1,312	821	767	750	706	16,568	15,550	1,018
1950...	20,778	20,725	53	67	1,368	3	22,216	22,706	4,636	27,741	1,293	668	895	565	714	17,681	16,509	1,172
1951...	23,801	23,605	196	19	1,184	5	25,009	22,695	4,709	29,206	1,270	247	526	363	746	20,056	19,667	389
1952...	24,697	24,034	663	156	967	4	25,825	23,187	4,812	30,433	1,270	389	550	455	777	19,950	20,520	−570
1953...	25,916	25,318	598	28	935	2	26,880	22,030	4,894	30,781	761	346	423	493	839	20,160	19,397	763
1954...	24,932	24,888	44	143	808	1	25,885	21,713	4,985	30,509	796	563	490	441	907	18,876	18,618	258
1955...	24,785	24,391	394	108	1,585	29	26,507	21,690	5,008	31,158	767	394	402	554	925	19,005	18,903	102
1956...	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...	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
1958—																		
Jan...	23,331	23,331	......	217	763	41	24,352	22,784	5,158	30,576	771	469	249	279	990	18,958	18,543	415
Feb..	23,240	23,240	......	122	924	43	24,330	22,686	5,169	30,554	695	516	265	336	1,151	18,667	18,186	481
Mar..	23,628	23,628	......	137	765	40	24,570	22,394	5,183	30,666	722	474	266	378	1,108	18,532	17,857	675
Apr..	23,681	23,681	......	156	797	38	24,672	21,996	5,196	30,565	734	594	257	411	1,050	18,254	17,686	568
May.	24,162	24,162	......	144	965	42	25,313	21,594	5,201	30,994	703	382	234	624	994	18,176	17,543	633
June.	25,438	25,438	......	41	758	45	26,283	21,356	5,203	31,172	692	410	269	420	1,096	18,784	18,158	626
July..	24,480	24,480	......	94	868	34	25,477	21,210	5,207	31,171	685	617	288	329	1,039	17,764	17,801	−37
Aug..	25,346	25,346	......	555	805	33	26,739	21,011	5,211	31,371	684	540	313	332	1,184	18,538	17,860	678
Sep...	24,986	24,986	......	255	860	29	26,130	20,874	5,219	31,245	684	371	258	395	1,122	18,147	17,785	362
Oct...	25,443	25,373	70	407	788	37	26,675	20,690	5,222	31,386	674	363	288	335	1,079	18,462	18,009	453
Nov..	26,229	26,069	160	717	1,026	34	28,006	20,609	5,228	32,036	694	424	226	430	1,038	18,994	18,217	777
Dec..	26,347	26,252	95	64	1,296	49	27,755	20,534	5,234	32,193	683	358	272	391	1,122	18,504	18,574	−70

[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, 1958

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	$4,704,692
New York	5,215,656	12,183,528	4,886,521	22,285,705	4,951,992
Annex	592,679	1,661,680	562,181	2,816,540	1,018,051
Buffalo	401,864	2,519,310	1,559,393	4,480,567	4,343,016
Philadelphia	1,884,357	4,839,506	2,130,561	8,854,424	4,245,333
Cleveland	1,295,490	6,566,360	2,990,665	10,852,515	2,633,805
Cincinnati	400,891	1,573,005	999,107	2,973,003	1,628,337
Pittsburgh	1,189,941	4,954,701	689,889	6,834,531	5,170,002
Richmond	469,944	4,269,441	2,094,952	6,834,337	2,896,937
Baltimore	250,487	2,009,381	1,062,747	3,322,615	2,298,981
Charlotte	117,479	1,065,485	607,294	1,790,258	1,458,549
Atlanta	633,387	1,722,115	362,731	2,718,233	1,145,991
Annex	93,931	137,100	103,867	334,898	311,989
Birmingham	328,997	2,715,054	70,511	3,114,562	2,698,473
Jacksonville	164,004	1,686,250	694,291	2,544,545	1,935,304
Nashville	422,577	2,384,089	....	2,806,666	2,806,666
New Orleans	277,078	762,456	265,700	1,305,234	395,318
Chicago	6,019,757	9,983,797	2,743,155	18,746,709	8,264,886
Detroit	1,147,734	2,837,712	1,214,162	5,199,608	3,558,749
St. Louis	1,675,780	3,225,466	1,994,738	6,895,984	2,095,991
Little Rock	85,007	264,604	194,115	543,726	180,911
Louisville	523,353	2,859,819	1,003,708	4,386,880	4,314,491
Memphis	128,542	287,469	152,627	568,638	270,813
Minneapolis	600,521	4,579,206	2,404,514	7,584,241	5,107,518
Helena	15,709	126,401	62,977	205,087	85,373
Kansas City	545,764	3,521,181	1,316,319	5,383,264	1,363,967
Denver	592,271	523,041	86,910	1,202,222	765,516
Oklahoma City	65,021	421,252	97,588	583,861	166,294
Omaha	445,663	1,491,117	718,041	2,654,821	2,503,399
Dallas	686,243	2,019,797	466,692	3,172,732	1,373,037
El Paso	262,477	787,728	393,301	1,443,506	1,388,422
Houston	629,768	2,218,557	....	2,848,325	2,775,083
San Antonio	448,596	1,400,390	570,847	2,419,833	2,249,906
San Francisco	476,768	3,783,530	1,458,028	5,718,326	1,370,460
Annex	247,201	124,000	30,000	401,201	401,201
Los Angeles	736,867	4,074,380	1,491,100	6,302,347	4,304,320
Portland	207,380	1,678,512	630,920	2,516,812	1,775,735
Salt Lake City	555,723	2,428,860	84,814	3,069,397	2,684,807
Seattle	274,772	1,891,564	642,240	2,808,576	1,992,134
Total	31,737,811	107,507,013	39,814,290	179,059,114	93,636,449

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Buffalo	255,000	465,707	....	720,707	333,431
Richmond	146,550	....	....	146,550	146,550
New Orleans	[2]751,050	....	....	751,050	751,050
Kansas City	[2]396,219	....	....	396,219	396,219
Oklahoma City	[2]497,850	....	....	497,850	497,850
Houston	78,812	317,336	112,111	508,259	101,416
Los Angeles	40,747	29,464	....	70,211	70,211
Total	2,166,228	812,507	112,111	3,090,846	2,296,727

[1] Includes expenditures incident to construction programs carried in unallocated accounts pending completion of programs and subsequent allocation of costs to appropriate accounts.
[2] Includes cost of building on property.

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

[December 31, 1958]

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	23	$323,500	1,284	$4,917,528	1,308	$5,276,028
New York	60,000	61	1,091,750	3,774	17,210,537	3,836	18,362,287
Philadelphia	30,000	25	333,000	1,002	4,232,403	1,028	4,595,403
Cleveland	35,000	37	509,056	1,598	6,777,823	1,636	7,321,879
Richmond	35,000	35	459,400	1,350	5,132,649	1,386	5,627,049
Atlanta	35,000	37	473,400	1,382	5,004,215	1,420	5,512,615
Chicago	50,000	41	592,950	2,792	11,962,093	2,834	12,605,043
St. Louis	35,000	32	413,900	1,106	4,357,352	1,139	4,806,252
Minneapolis	35,000	22	283,750	631	2,413,878	654	2,732,628
Kansas City	35,000	33	439,400	1,043	4,025,473	1,077	4,499,873
Dallas	35,000	29	368,900	987	3,729,064	1,017	4,132,964
San Francisco	35,000	39	482,000	1,932	7,909,486	1,972	8,426,486
Total	$455,000	414	$5,771,006	18,881	$77,672,501	19,307	$83,898,507

[1] Includes 697 part-time employees.

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

In effect December 31, 1958. 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)	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½	2½
Other secured advances (Sec. 10(b) of the Federal Reserve Act)	3	3	3	3	3	3	3	3	3	3	3	3
Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of the United States (last paragraph of Sec. 13 of the Federal Reserve Act)	4	4	4	4	4	4½	4	3½	4¼	4	4½	4
Loans to industrial or commercial businesses under Sec. 13b of the Federal Reserve Act, direct or in participation with financing institutions	3½–6	4–6	4–6	3½–6	4–6	3½–5½	3½–6	2¾–5¼	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	(1)	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	½–1½	½–1½	½–1½	½–1½	1–1⅜	½–1½	½–1 5/16	½–1½	½–1½	½–1½	½–1½
To financing institutions	½–1½	½–1½	½–1½	½–1½	½–1½	(4)	½–1½	½–1 5/16	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, 24*	26	22	16	7½	7½
1949—May 1, 5*	24	21	15	7	7
June 30, July 1*	....	20	14	6	6
Aug. 1, 11*	23½	19½	13	5	....
Aug. 16, 18*	23	19	12	....	5
Aug. 25	22½	18½	....	....	....
Sept. 1	22	18	....	....	....
1951—Jan. 11, 16*	23	19	13	6	6
Jan. 25, Feb. 1*	24	20	14	....	....
1953—July 1, 9*	22	19	13	....	....
1954—June 16, 24*	21	....	....	5	5
July 29, Aug. 1*	20	18	12	....	....
1958—Feb. 27, Mar. 1*	19½	17½	11½	....	....
Mar. 20, Apr. 1*	19	17	11	....	....
Apr. 17	18½	....	....	....	....
Apr. 24	18	16½	....	....	....
In effect Jan. 1, 1959	18	16½	11	5	5
Present legal 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).

* First-of-month or midmonth dates are changes at country banks, and other dates (usually Thurs.) are at central reserve or reserve city banks.

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. 17, 1951–Feb. 20, 1953	Feb. 20, 1953–Jan. 4, 1955	Jan. 4, 1955–Apr. 22, 1955	Apr. 23, 1955–Jan. 15, 1958	Jan. 16, 1958–Aug. 4, 1958	Aug. 5, 1958–Oct. 15, 1958	Effective Oct. 16, 1958
Regulation T:							
For extension of credit by brokers and dealers on listed securities	75	50	60	70	50	70	90
For short sales	75	50	60	70	50	70	90
Regulation U:							
For loans by banks on stocks	75	50	60	70	50	70	90

[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, and for 1953, p. 76.

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

[In effect December 31, 1958]

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, 1958 AND 1957[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, 1958										
Loans and investments, total	221,485	185,165	154,865	99,277	55,588	28,759	1,568	36,320	28,980	7,341
Loans	121,571	98,214	84,061	52,627	31,435	13,682	484	23,357	19,180	4,177
Investments	99,914	86,951	70,804	46,650	24,153	15,077	1,084	12,963	9,800	3,163
U. S. Govt. obligations	73,641	66,376	54,299	35,714	18,585	11,381	707	7,265	5,215	2,050
Other securities	26,273	20,575	16,504	10,936	5,568	3,696	377	5,698	4,585	1,113
Cash assets	49,911	48,990	43,188	26,781	16,407	5,504	301	921	752	169
Deposits, total	250,057	216,017	182,816	116,714	66,102	31,696	1,532	34,040	27,277	6,763
Interbank	18,174	18,171	17,414	9,802	7,612	448	309	3	2	....
Other demand	134,385	134,353	114,270	72,100	42,170	19,185	898	32	31	1
Other time	97,498	63,493	51,132	34,812	16,320	12,063	325	34,006	27,243	6,762
Total capital accounts	21,705	18,486	15,460	9,643	5,817	2,696	332	3,219	2,473	746
Number of banks	14,020	13,501	6,312	4,578	1,734	6,793	399	519	241	278
December 31, 1957										
Loans and investments, total	203,849	170,068	142,353	91,201	51,152	26,268	1,473	33,782	26,535	7,246
Loans	115,115	93,899	80,950	50,350	30,600	12,493	468	21,216	17,194	4,022
Investments	88,734	76,169	61,403	40,851	20,552	13,775	1,004	12,565	9,341	3,224
U. S. Govt. obligations	65,792	58,239	47,079	31,234	15,846	10,512	660	7,552	5,404	2,148
Other securities	22,943	17,930	14,324	9,617	4,707	3,264	345	5,013	3,937	1,076
Cash assets	49,318	48,428	42,746	26,786	15,960	5,383	301	890	719	171
Deposits, total	233,020	201,326	170,637	109,091	61,545	29,266	1,449	31,695	25,022	6,672
Interbank	17,022	17,021	16,328	9,475	6,853	425	268	2	2	....
Other demand	127,895	127,865	109,018	68,712	40,306	17,968	879	31	29	1
Other time	88,102	56,440	45,290	30,904	14,386	10,873	303	31,662	24,991	6,671
Total capital accounts	20,428	17,368	14,554	9,070	5,483	2,500	317	3,059	2,309	751
Number of banks	14,090	13,568	6,393	4,620	1,773	6,753	425	522	239	283

[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.

NO. 17—MEMBER BANK EARNINGS, BY CLASS OF BANK, 1958 AND 1957

[Dollar amounts in millions]

Item	Total		Central reserve city banks				Reserve city banks		Country banks	
			New York		Chicago					
	1958	1957	1958	1957	1958	1957	1958	1957	1958	1957
Earnings	**$7,127**	**$6,771**	**$1,164**	**$1,136**	**$272**	**$274**	**$2,835**	**$2,664**	**$2,856**	**$2,697**
On U. S. Govt. securities	1,266	1,168	170	137	58	46	478	426	560	558
On other securities	411	339	61	47	17	15	151	128	183	149
On loans	4,326	4,208	699	727	157	172	1,759	1,694	1,712	1,615
All other	1,123	1,056	234	225	40	41	447	415	401	374
Expenses	**4,617**	**4,222**	**636**	**592**	**142**	**136**	**1,823**	**1,666**	**2,016**	**1,827**
Salaries and wages	1,981	1,877	300	293	68	65	777	731	836	788
Interest on deposits	1,123	927	110	80	25	23	474	398	515	427
All other	1,512	1,418	227	220	49	49	572	537	664	613
Net current earnings before income taxes	**2,510**	**2,549**	**528**	**544**	**130**	**137**	**1,012**	**998**	**840**	**870**
Recoveries and profits[1]	754	160	112	24	55	11	325	61	262	64
Losses and charge-offs[2]	315	468	25	97	21	25	113	166	157	180
Net addition to valuation reserves	342	177	39	29	25	30	171	43	108	75
Profits before income taxes	**2,606**	**2,063**	**576**	**442**	**140**	**93**	**1,053**	**849**	**837**	**679**
Taxes on net income	**1,148**	**895**	**276**	**209**	**69**	**41**	**490**	**385**	**313**	**260**
Net profits	**1,457**	**1,169**	**300**	**233**	**71**	**53**	**563**	**464**	**524**	**419**
Cash dividends declared[3]	**646**	**604**	**160**	**152**	**26**	**24**	**258**	**242**	**202**	**186**
(Per cent)										
Ratios:										
Net current earnings before income taxes to—										
Average total capital accounts	16.6	18.1	16.4	18.2	18.4	20.6	18.1	19.2	15.0	16.5
Average total assets	1.32	1.42	1.55	1.70	1.51	1.65	1.35	1.42	1.16	1.26
Net profits to—										
Average total capital accounts	9.7	8.3	9.3	7.8	9.9	7.9	10.1	8.9	9.4	8.0
Average total assets	.77	.65	.88	.73	.82	.64	.75	.66	.72	.61
Average return on U. S. Govt. securities	2.45	2.53	2.39	2.46	2.37	2.36	2.45	2.53	2.49	2.57
Average return on loans	5.35	5.32	4.40	4.54	4.47	4.56	5.39	5.30	5.94	5.91

[1] Includes recoveries credited to valuation reserves.
[2] Includes losses charged to valuation reserves.
[3] Includes interest on capital notes and debentures.

	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, 1957[R]	**14,090**	**13,568**	**4,620**	**1,773**	**6,753**	**425**	**239**	**283**
Changes during 1958								
New banks [3]	+97	+97	+19	+2	+63	+13	......	......
Suspensions	−8	−8	−1	......	−2	−5	......	......
Consolidations and absorptions:								
Banks converted into branches	−129	−126	−56	−25	−43	−2	−3	......
Other	−25	−25	−9	−5	−10	−1	......	......
Liquidations:[4]								
Voluntary	−4	−4	......	......	−3	−1	......	......
Other	−1	−1	......	......	......	−1	......	......
Conversions:								
National into State	......	......	−1	......	+1	......	......	......
State into national	......	......	+6	−3	−3	......	......	......
Federal Reserve Membership: [5]								
Admissions of State banks	......	......	......	+7	−6	−1	......	......
Withdrawals of State banks	......	......	......	−15	+15	......	......	......
Federal Deposit insurance: [6]								
Admissions of State banks	......	......	......	......	+28	−28	+5	−5
Net increase or decrease	−70	−67	−42	−39	+40	−26	+2	−5
Number of banks, Dec. 31, 1958	**14,020**	**13,501**	**4,578**	**1,734**	**6,793**	**399**	**241**	**278**
Number of branches and additional offices, Dec. 31, 1957 [7]	**8,373**	**7,968**	**3,993**	**2,173**	**1,765**	**37**	**296**	**109**
Changes during 1958								
De novo branches	+567	+540	+306	+113	+120	+1	+14	+13
Banks converted into branches	+129	+126	+66	+39	+20	+1	+3	......
Discontinued	−31	−30	−16	−12	−2	......	−1	......
Interclass changes—net [8]	......	+9	−8	+47	−30	......	−7	−2
Net increase	+665	+645	+348	+187	+108	+2	+9	+11
Number of branches and additional offices, Dec. 31, 1958[7]	**9,038**	**8,613**	**4,341**	**2,360**	**1,873**	**39**	**305**	**120**
Number of banking facilities, Dec. 31, 1957 [9]	**236**	**236**	**185**	**27**	**24**	......	......	......
Changes during 1958								
Established	+15	+15	+11	+2	+2	......	......	......
Discontinued	−3	−3	−3	......	......	......	......	......
Interclass change	......	......	......	+1	−1	......	......	......
Net increase	+12	+12	+8	+3	+1	......	......	......
Number of banking facilities, Dec. 31, 1958 [9]	**248**	**248**	**193**	**30**	**25**	......	......	......

[R] Revised.
[1] Excludes banks and branches in United States territories and possessions except one national bank in Alaska with no branches, and one in the Virgin Islands with one branch.
[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 1959.
[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, 1958[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	422	659	422	659	286	532	136	127	.....	.....
New York[2]	630	1,674	630	1,674	530	1,463	100	211	.....	.....
Philadelphia	672	568	672	568	513	466	159	102	.....	.....
Cleveland	964	823	964	823	589	718	375	105	.....	.....
Richmond	963	1,042	806	892	455	583	351	309	157	150
Atlanta	1,323	445	757	399	401	330	356	69	566	46
Chicago	2,473	986	2,473	986	1,018	586	1,455	400	.....	.....
St. Louis	1,467	280	1,174	206	489	133	685	73	293	74
Minneapolis	1,293	129	694	85	476	39	218	46	599	44
Kansas City	1,763	64	1,757	64	749	45	1,008	19	6	.....
Dallas	1,097	125	1,014	113	631	82	383	31	83	12
San Francisco[2]	374	2,247	359	2,240	169	1,960	190	280	15	7
Total	**13,441**	**9,042**	**11,722**	**8,709**	**6,306**	**6,937**	**5,416**	**1,772**	**1,719**	**333**
STATE										
Alabama	239	62	149	61	93	59	56	2	90	1
Arizona	7	138	7	138	4	116	3	22	.....	.....
Arkansas	237	35	128	15	75	12	53	3	109	20
California	119	1,462	119	1,462	71	1,318	48	144	.....	.....
Colorado	158	6	158	6	94	5	64	1	.....	.....
Connecticut	75	160	75	160	41	126	34	34	.....	.....
Delaware	27	44	27	44	9	19	18	25	.....	.....
Dist. of Col.	13	60	13	60	9	49	4	11	.....	.....
Florida	271	13	227	12	115	10	112	2	44	1
Georgia	410	76	134	74	65	64	69	10	276	2
Idaho	28	81	28	81	17	75	11	6	.....	.....
Illinois	943	4	942	4	524	4	418	.....	1	.....
Indiana	458	248	458	248	232	165	226	83	.....	.....
Iowa	669	163	669	163	168	5	501	158	.....	.....
Kansas	593	14	591	14	212	10	379	4	2	.....
Kentucky	360	116	360	116	108	79	252	37	.....	.....
Louisiana	186	156	79	129	52	104	27	25	107	27
Maine	54	118	54	118	35	79	19	39	.....	.....
Maryland	142	208	142	208	65	126	77	82	.....	.....
Mass.	169	323	169	323	129	273	40	50	.....	.....
Michigan	393	493	393	493	225	409	168	84	.....	.....
Minnesota	685	6	285	6	209	6	76	.....	400	.....
Mississippi	194	124	53	59	35	33	18	26	141	65
Missouri	609	4	555	4	172	4	383	.....	54	.....
Montana	114	1	114	1	85	1	29	.....	.....	.....
Nebraska	417	2	417	2	140	2	277	.....	.....	.....
Nevada	6	33	6	33	5	29	1	4	.....	.....
N. Hampshire	74	3	74	3	52	2	22	1	.....	.....
New Jersey	259	367	259	367	222	333	37	34	.....	.....
New Mexico	53	43	53	43	35	21	18	22	.....	.....
New York	430	1,230	430	1,230	375	1,163	55	67	.....	.....
N. Carolina	193	412	106	268	47	150	59	118	87	144
N. Dakota	155	27	57	8	40	2	17	6	98	19
Ohio	606	551	606	551	385	484	221	67	.....	.....
Oklahoma	386	15	380	15	224	13	156	2	6	.....
Oregon	54	165	54	165	17	147	37	18	.....	.....
Pennsylvania	737	671	737	671	563	582	174	89	.....	.....
Rhode Island	9	85	9	85	5	66	4	19	.....	.....
S. Carolina	144	128	76	122	31	93	45	29	68	6
S. Dakota	172	54	71	29	60	24	11	5	101	25
Tennessee	296	183	214	167	83	123	131	44	82	16
Texas	969	23	933	23	575	23	358	.....	36	.....
Utah	49	68	49	68	20	59	29	9	.....	.....
Vermont	57	30	57	30	33	20	24	10	.....	.....
Virginia	312	234	311	234	202	165	109	69	1	.....
Washington	89	253	89	253	35	246	54	7	.....	.....
West Virginia	183	.....	182	.....	112	.....	70	.....	1	.....
Wisconsin	551	152	551	152	160	24	391	128	.....	.....
Wyoming	52	1	52	1	39	1	13	.....	.....	.....
Alaska[2]	18	18	3	11	1	.....	2	11	15	7
Hawaii[2]	5	67	5	67	.....	.....	5	67	.....	.....
Puerto Rico[2]	10	108	10	108	.....	13	10	95	.....	.....
V. I.[2]	2	4	2	4	1	1	1	3	.....	.....

[1] Comprises all commercial banking offices on which checks are drawn, including 248 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, Puerto Rico, and the Virgin Islands.

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

NO. 20—OPEN MARKET TRANSACTIONS OF THE FEDERAL RESERVE SYSTEM DURING 1958

[In millions of dollars]

Month	Net change in holdings		U. S. Government securities					Bankers' acceptances	
			Outright transactions			Repurchase agreements			
	U. S. Government securities and acceptances	U. S. Government securities	Gross market purchases	Gross market sales	Cash redemptions	Gross purchases	Gross sales	Net outright	Net repurchases
January	−932	−908	100	317	171	989	1,509	−1	−23
February	−89	−91	185	86	190	370	370	+2	......
March	+385	+388	472	60	24	265	265	−3	......
April	+51	+53	204	26	125	308	308	−2	......
May	+485	+481	627	....	147	....	......	+4	......
June	+1,280	+1,276	1,276	....	....	312	312	+3	......
July	−969	−958	300	502	756	....	......	−11	......
August	+865	+866	1,534	668	....	67	67	−1	......
September	−364	−360	167	512	14	....	......	−4	......
October	+464	+456	584	54	144	305	234	+8	......
November	+784	+786	996	289	11	514	424	−2	......
December	+133	+118	309	119	7	500	565	+9	+6
Total, 1958	+2,092	+2,108	6,754	2,633	1,590	3,630	4,054	+1	−18

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, 1958] *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
A. L. MILLS, JR., of Oregon	January 31, 1972
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*
JEROME W. SHAY, *Legislative Counsel*
CHARLES MOLONY, *Special Assistant to the Board*
MERRITT SHERMAN, *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*
 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*
 SUSAN S. BURR, *Associate Adviser, Division of Research and Statistics*
 ALBERT R. KOCH, *Associate Adviser, Division of Research and Statistics*
 KENNETH B. WILLIAMS, *Associate Adviser, Division of Research and Statistics*
 LEWIS N. DEMBITZ, *Research Associate, Division of Research and Statistics*
ARTHUR W. MARGET, *Director, Division of International Finance*
 J. HERBERT FURTH, *Associate Adviser, Division of International Finance*
 A. B. HERSEY, *Associate Adviser, Division of International Finance*
 ROBERT L. SAMMONS, *Associate Adviser, Division of International Finance*
ROBERT F. LEONARD, *Director, Division of Bank Operations*
 JOHN R. FARRELL, *Associate Director, Division of Bank Operations*
 GERALD M. CONKLING, *Assistant Director, Division of Bank Operations*
 M. B. DANIELS, *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*
 GLENN M. GOODMAN, *Assistant Director, Division of Examinations*
 HENRY BENNER, *Assistant Director, Division of Examinations*
 JAMES C. SMITH, *Assistant Director, Division of Examinations*
 LLOYD M. SCHAEFFER, *Chief Federal Reserve Examiner, Division of Examinations*
EDWIN J. JOHNSON, *Director, Division of Personnel Administration*
 H. FRANKLIN SPRECHER, JR., *Assistant Director, Division of Personnel Administration*
JOSEPH E. KELLEHER, *Director, Division of Administrative Services*
GARDNER L. BOOTHE, II, *Administrator, Office of Defense Loans*
J. J. CONNELL, *Controller, Office of the Controller*
 SAMPSON H. BASS, *Assistant Controller, Office of the Controller*
INNIS D. HARRIS, *Coordinator, Office of Defense Planning*

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1958]

MEMBERS

WM. McC. MARTIN, JR., *Chairman* (Board of Governors)
ALFRED HAYES, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
C. CANBY BALDERSTON (Board of Governors)
W. D. FULTON (Elected by Federal Reserve Banks of Cleveland and Chicago)
W. H. IRONS (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
HUGH LEACH (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)
H. N. MANGELS (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)

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*
J. DEWEY DAANE, *Associate Economist*
L. MERLE HOSTETLER, *Associate Economist*
ARTHUR W. MARGET, *Associate Economist*
H. V. ROELSE, *Associate Economist*
CHARLS E. WALKER, *Associate Economist*
OLIVER P. WHEELER, *Associate Economist*
RALPH A. YOUNG, *Associate Economist*

AGENT

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

During 1958 the Federal Open Market Committee met at least every three weeks, as indicated in the Record of Policy Actions taken by the Committee (see pages 32-71 of this report).

FEDERAL ADVISORY COUNCIL

[December 31, 1958]

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—CASIMIR A. SIENKIEWICZ, President, Central-Penn National Bank of Philadelphia, Philadelphia, Pennsylvania.

District No. 4—FRANK R. DENTON, Vice Chairman of the Board, Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania.

District No. 5—JOHN S. ALFRIEND, Chairman of the Board and President, National Bank of Commerce, Norfolk, Virginia.

District No. 6—JOHN A. SIBLEY, Chairman of the Board, Trust Company of Georgia, Atlanta, Georgia.

District No. 7—HOMER J. LIVINGSTON, President, The First National Bank of Chicago, Chicago, Illinois.

District No. 8—WILLIAM A. MCDONNELL, Chairman of the Board, First National Bank in St. Louis, St. Louis, Missouri.

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

FRANK R. DENTON, *ex officio* HOMER J. LIVINGSTON, *ex officio*
LLOYD D. BRACE ADRIAN M. MASSIE
CASIMIR A. SIENKIEWICZ

OFFICERS

President, FRANK R. DENTON Vice President, HOMER J. LIVINGSTON
Secretary, HERBERT V. PROCHNOW
Assistant Secretary, WILLIAM J. KORSVIK

Meetings of the Federal Advisory Council were held on February 17-18, May 19-20, September 15-16, and November 17-18, 1958. The Board of Governors met with the Council on February 18, May 20, September 16, and November 18. 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, 1958]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Robert C. Sprague	Harvey P. Hood
New York	John E. Bierwirth	Forrest F. Hill
Philadelphia	Henderson Supplee, Jr.	Lester V. Chandler
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	J. H. Longwell
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 and advise the Board of Governors. A meeting of the Conference of Chairmen was held on December 4-5, 1958, and was attended by members of the Board of Governors, and also by the Deputy Chairmen of the Federal Reserve Banks.

Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, was elected Chairman of the Conference and of the Executive Committee in December 1957. Mr. Smith, Chairman of the Federal Reserve Bank of Dallas, and Mr. Mitchell, Chairman of the Federal Reserve Bank of Atlanta, served with Mr. Hall as members of the Executive Committee, Mr. Smith also serving as Vice Chairman of the Conference.

At the meeting held in December 1958, Mr. Smith was elected Chairman of the Conference and of the Executive Committee. Mr. Mitchell was elected Vice Chairman and a member of the Executive Committee, and Mr. Perrin, Chairman of the Federal Reserve Bank of Minneapolis, was elected as the other member of the Executive Committee.

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—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:		
Oliver B. Ellsworth	President, Riverside Trust Company, Hartford, Conn.	1958
William D. Ireland	President, Second Bank-State Street Trust Company, Boston, Mass.	1959
Arthur F. Maxwell	President, The First National Bank of Biddeford, Biddeford, Maine	1960
Class B:		
Harry E. Umphrey	President, Aroostook Potato Growers, Inc., Presque Isle, Maine	1958
Milton P. Higgins	President, Norton Company, Worcester, Mass.	1959
Stanley M. Cooper	Chairman of the Board, The Fafnir Bearing Company, New Britain, Conn.	1960
Class C:		
Harvey P. Hood	President, H. P. Hood & Sons, Inc., Boston, Mass.	1958
Nils Y. Wessell	President, Tufts University, Medford, Mass.	1959
Robert C. Sprague	Chairman and Treasurer, Sprague Electric Company, North Adams, Mass.	1960

District 2—New York

Class A:		
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
Cyrus M. Higley	President and Trust Officer, The Chenango County National Bank and Trust Company of Norwich, Norwich, N. Y.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Class B:		
Clarence Francis	Director, General Foods Corporation, New York, N. Y.	1958
Lansing P. Shield	President, The Grand Union Company, East Paterson, N. J.	1959
Augustus C. Long	Chairman of the Board, The Texas Company, New York, N. Y.	1960
Class C:		
Franz Schneider	Consultant to Newmont Mining Corporation, New York, N. Y.	1958
John E. Bierwirth	Chairman, National Distillers and Chemical Corporation, New York, N. Y.	1959
Forrest F. Hill	Vice President, The Ford Foundation, New York, N. Y.	1960

Buffalo Branch

Appointed by Federal Reserve Bank:		
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, The National Bank of Geneva, Geneva, N. Y.	1959
E. Perry Spink	President, Liberty Bank of Buffalo, Buffalo, N. Y.	1960
Appointed by Board of Governors:		
Ralph F. Peo	Chairman and President, Houdaille Industries, Inc., Buffalo, N. Y.	1958
Raymond E. Olson	President, Taylor Instrument Companies, Rochester, N. Y.	1959
Daniel M. Dalrymple	Partner and Manager, Pomona Fruit Farms, Appleton, N. Y.	1960

District 3—Philadelphia

Class A:		
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
William B. Brosius	President, National Bank of Chester County and Trust Company, West Chester, Pa.	1960
Class B:		
Charles E. Oakes	Chairman of the Board, Pennsylvania Power and Light Company, Allentown, Pa.	1958
R. Russell Pippin	Treasurer, E. I. du Pont de Nemours & Company, Wilmington, Del.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Anthony Haswell	President, The Dayton Malleable Iron Company, Dayton, Ohio	1959
W. Bay Irvine	President, Marietta College, Marietta, Ohio	1960

Pittsburgh Branch

Appointed by Federal Reserve Bank:

Sumner E. Nichols	President, Security-Peoples Trust Company, Erie, Pa.	1958
Frank C. Irvine	President, First National Bank in Tarentum, Tarentum, Pa.	1959
Lawrence O. Hotchkiss	President, The First National Bank of Mercer, Mercer, Pa.	1960
Irving W. Wilson	Chairman of the Board, Aluminum Company of America, Pittsburgh, Pa.	1960

Appointed by Board of Governors:

Douglas M. Moorhead	Farmer, North East, Pa.	1958
John T. Ryan, Jr.	President, Mine Safety Appliances Company, Pittsburgh, Pa.	1959
John C. Warner	President, Carnegie Institute of Technology, Pittsburgh, Pa.	1960

District 5—Richmond

Class A:

(Vacancy)		1958
Robert Gage	President, The Commercial Bank, Chester, S. C.	1959
Denver L. Morgan	Executive Vice President and Cashier, The Charleston National Bank, Charleston, W. Va.	1960

Class B:

L. Vinton Hershey	President, Hagerstown Shoe Company, Hagerstown, Md.	1958
Wm. A. L. Sibley	Vice President and Treasurer, Monarch Mills, Union, S. C.	1959
Robert O. Huffman	President, Drexel Furniture Company, Drexel, N. C.	1960

Class C:

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
D. W. Colvard	Dean of Agriculture, North Carolina State College of Agriculture and Engineering, Raleigh, N. C.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Bayard L. England	President, Atlantic City Electric Company, Atlantic City, N. J.	1960
Class C:		
Henderson Supplee, Jr.	President, The Atlantic Refining Company, Philadelphia, Pa.	1958
Lester V. Chandler	Professor of Economics, Princeton University, Princeton, N. J.	1959
Walter E. Hoadley, Jr.	Treasurer, Armstrong Cork Company, Lancaster, Pa.	1960

District 4—Cleveland

Class A:		
King E. Fauver	Director, The Savings Deposit Bank and Trust Company, Elyria, Ohio	1958
John A. Byerly	President, Fidelity Trust Company, Pittsburgh, Pa.	1959
Paul A. Warner	President, The Oberlin Savings Bank Company, Oberlin, Ohio	1960
Class B:		
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
Joseph B. Hall	President, The Kroger Co., Cincinnati, Ohio	1960
Class C:		
Arthur B. Van Buskirk	Vice President and Governor, T. Mellon and Sons, Pittsburgh, Pa.	1958
Joseph H. Thompson	President, The M. A. Hanna Company, Cleveland, Ohio	1959
Aubrey J. Brown	Professor of Agricultural Marketing and Head of Department of Agricultural Economics, University of Kentucky, Lexington, Ky.	1960

Cincinnati Branch

Appointed by Federal Reserve Bank:		
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
Roger Drackett	President, The Drackett Company, Cincinnati, Ohio	1960
Thomas M. Wolfe	President, The Athens National Bank, Athens, Ohio	1960
Appointed by Board of Governors:		
Ivan Jett	Farmer, Georgetown, Ky.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		Term Expires Dec. 31
	Baltimore Branch	
Appointed by Federal Reserve Bank:		
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 of Baltimore, Baltimore, Md.	1959
J. N. Shumate	President, The Farmers National Bank of Annapolis, Annapolis, Md.	1960
Appointed by Board of Governors:		
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
Clarence R. Zarfoss	Vice President, Western Maryland Railway Company, Baltimore, Md.	1960
	Charlotte Branch	
Appointed by Federal Reserve Bank:		
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	Vice Chairman of the Board and First Executive Vice President, First Union National Bank of North Carolina, Charlotte, N. C.	1959
Ernest Patton	Chairman of the Board, The Peoples National Bank of Greenville, Greenville, S. C.	1960
Appointed by Board of Governors:		
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
George H. Aull	Agricultural Economist, Clemson College, Clemson, S. C.	1960

District 6—Atlanta

Class A:		
William C. Carter	Chairman and President, Gulf National Bank, Gulfport, Miss.	1958
Roland L. Adams	President, Bank of York, York, Ala.	1959
W. C. Bowman	Chairman of the Board, The First National Bank of Montgomery, Montgomery, Ala.	1960
Class B:		
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

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Pollard Turman	President, J. M. Tull Metal & Supply Company, Inc., Atlanta, Ga.	1960
Class C:		
Walter M. Mitchell	Vice President, The Draper Corporation, Atlanta, Ga.	1958
Harllee Branch, Jr.	President, The Southern Company, Atlanta, Ga.	1959
Henry G. Chalkley, Jr.	President, The Sweet Lake Land & Oil Company, Lake Charles, La.	1960

Birmingham Branch

Appointed by Federal Reserve Bank:		
Robert M. Cleckler	President, First National Bank of Childersburg, Childersburg, Ala.	1958
E. W. McLeod	Chairman, First National Bank of Decatur, Decatur, Ala.	1958
R. J. Murphy	Vice President, Citizens-Farmers & Merchants Bank, Brewton, Ala.	1959
John C. Persons	Chairman of the Board, The First National Bank of Birmingham, Birmingham, Ala.	1960
Appointed by Board of Governors:		
John E. Urquhart	Chairman, Woodward Iron Company, Woodward, Ala.	1958
Adolph Weil, Sr.	President, Weil Brothers-Cotton, Inc., Montgomery, Ala.	1959
Selden Sheffield	Cattleman, Greensboro, Ala.	1960

Jacksonville Branch

Appointed by Federal Reserve Bank:		
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
C. B. McLeod	President, Bank of Crestview, Crestview, Fla.	1960
Appointed by Board of Governors:		
Harry M. Smith	President and Manager, Winter Garden Ornamental Nursery, Inc., Winter Garden, Fla.	1958
McGregor Smith	Chairman of the Board, Florida Power and Light Company, Miami, Fla.	1959
J. Wayne Reitz	President, University of Florida, Gainesville, Fla.	1960

Nashville Branch

Appointed by Federal Reserve Bank:		
Stewart Campbell	President, The Harpeth National Bank of Franklin, Franklin, Tenn.	1958

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
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
P. D. Houston, Jr.	President, First American National Bank, Nashville, Tenn.	1960
Appointed by Board of Governors:		
V. S. Johnson, Jr.	Chairman of the Board and President, Aladdin Industries, Inc., Nashville, Tenn.	1958
Frank B. Ward	Dean, College of Business Administration, University of Tennessee, Knoxville, Tenn.	1959
W. N. Krauth	President and General Manager, Colonial Baking Company of Nashville, Nashville, Tenn.	1960

New Orleans Branch

Appointed by Federal Reserve Bank:		
H. A. Pharr	President, The First National Bank of Mobile, Mobile, Ala.	1958
(Vacancy)		1958
J. Spencer Jones	President, The Citizens National Bank in Hammond, Hammond, La.	1959
D. U. Maddox	President, The Commercial National Bank and Trust Company of Laurel, Laurel, Miss.	1960
Appointed by Board of Governors:		
G. H. King, Jr.	President, King Lumber Industries, Canton, Miss.	1958
E. E. Wild	Rice grower, Midland, La.	1959
Frank A. Godchaux, III	Vice President, Louisiana State Rice Milling Company, Inc., Abbeville, La.	1960

District 7—Chicago

Class A:		
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
Walter J. Cummings	Chairman, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.	1960
Class B:		
William J. Grede	President, Grede Foundries, Inc., Milwaukee, Wis.	1958
William A. Hanley	Director, Eli Lilly and Company, Indianapolis, Ind.	1959
G. F. Langenohl	Treasurer and Assistant Secretary, Allis-Chalmers Manufacturing Company, Milwaukee, Wis.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Class C:		
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
Bert R. Prall	Winnetka, Ill.	1960

Detroit Branch

Appointed by Federal Reserve Bank:		
Raymond T. Perring	President, The Detroit Bank and Trust Company, Detroit, Mich.	1958
Ira A. Moore	General Vice President, Old Kent Bank and Trust Company, Grand Rapids, Mich.	1959
William A. Mayberry	President, Manufacturers National Bank of Detroit, Detroit, Mich.	1960
Ernest W. Potter	President, Citizens Commercial & Savings Bank, Flint, Mich.	1960
Appointed by Board of Governors:		
C. V. Patterson	Executive Vice President, The Upjohn Company, Kalamazoo, Mich.	1958
J. Thomas Smith	President, Detroit Harvester Company, Detroit, Mich.	1959
John A. Hannah	President, Michigan State University, East Lansing, Mich.	1960

District 8—St. Louis

Class A:		
J. E. Etherton	President, The Carbondale National Bank, Carbondale, Ill.	1958
Kenton R. Cravens	President, Mercantile Trust Company, St. Louis, Mo.	1959
H. Lee Cooper	President, Ohio Valley National Bank of Henderson, Henderson, Ky.	1960
Class B:		
S. J. Beauchamp, Jr.	President, Terminal Warehouse Co., Little Rock, Ark.	1958
Harold O. McCutchan	Executive Vice President, Mead Johnson & Company, Evansville, Ind.	1959
Leo J. Wieck	Vice President and Treasurer, The May Department Stores Co., St. Louis, Mo.	1960
Class C:		
J. H. Longwell	Director, Division of Agricultural Sciences, University of Missouri, Columbia, Mo.	1958
Pierre B. McBride	President, Porcelain Metals Corporation, Louisville, Ky.	1959
Jesse D. Wooten	Executive Vice President, Mid-South Chemical Corporation, Memphis, Tenn.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.

Little Rock Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
J. V. Satterfield, Jr.	Chairman of the Board, The First National Bank in Little Rock, Little Rock, Ark.	1958
Donald Barger	President, Peoples Exchange Bank, Russellville, Ark.	1959
J. W. Bellamy, Jr.	President, National Bank of Commerce of Pine Bluff, Pine Bluff, Ark.	1960
E. C. Benton	President, Fordyce Bank and Trust Company, Fordyce, Ark.	1960
Appointed by Board of Governors:		
Waldo E. Tiller	President, Tiller Tie and Lumber Company, Inc., Little Rock, Ark.	1958
T. Winfred Bell	President, Bush-Caldwell Company, Little Rock, Ark.	1959
Robert H. Alexander	Owner-operator, Land's End Plantation, Scott, Ark.	1960

Louisville Branch

Appointed by Federal Reserve Bank:		
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
W. Scott McIntosh	President, State Bank of Hardinsburg, Hardinsburg, Ind.	1960
John G. Russell	President, The Peoples First National Bank & Trust Company of Paducah, Paducah, Ky.	1960
Appointed by Board of Governors:		
J. D. Monin, Jr.	Farmer, Oakland, Ky.	1958
David F. Cocks	Vice President and Treasurer, Standard Oil Company (Kentucky), Louisville, Ky.	1959
Philip Davidson	President, University of Louisville, Louisville, Ky.	1960

Memphis Branch

Appointed by Federal Reserve Bank:		
J. H. Harris	President, The First National Bank of Wynne, Wynne, Ark.	1958
John K. Wilson	President, The First National Bank of West Point, West Point, Miss.	1959
John E. Brown	President, Union Planters National Bank of Memphis, Memphis, Tenn.	1960
Simpson Russell	President, The National Bank of Commerce of Jackson, Jackson, Tenn.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Appointed by Board of Governors:		
Frank Lee Wesson	President, Wesson Farms, Inc., Victoria, Ark.	1958
John D. Williams	Chancellor, The University of Mississippi, University, Miss.	1959
S. L. Kopald, Jr.	Executive Vice President, HumKo Division, National Dairy Products Corporation, Memphis, Tenn.	1960

District 9—Minneapolis

Class A:		
John A. Moorhead	President, Northwestern National Bank of Minneapolis, Minneapolis, Minn.	1958
Harold N. Thomson	Vice President, Farmers & Merchants Bank, Presho, S. D.	1959
Harold C. Refling	Cashier, First National Bank in Bottineau, Bottineau, N. D.	1960
Class B:		
T. G. Harrison	Chairman of the Board, Super Valu Stores, Inc., Hopkins, Minn.	1958
J. E. Corette	President and General Manager, Montana Power Company, Butte, Mont.	1959
Ray C. Lange	President, Chippewa Canning Company, Inc., Chippewa Falls, Wis.	1960
Class C:		
John H. Warden	President, Upper Peninsula Power Company, Houghton, Mich.	1958
Leslie N. Perrin	Director, General Mills, Inc., Minneapolis, Minn.	1959
O. B. Jesness	Agricultural Economist, St. Paul, Minn.	1960

Helena Branch

Appointed by Federal Reserve Bank:		
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
O. M. Jorgenson	Chairman, Security Trust and Savings Bank, Billings, Mont.	1959
Appointed by Board of Governors:		
Carl McFarland	Missoula, Mont.	1958
John M. Otten	Farmer and rancher, Lewistown, Mont.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.

District 10—Kansas City

		Term Expires Dec. 31
Class A:		
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
Harold Kountze	Chairman of the Board, The Colorado National Bank of Denver, Denver, Colo.	1960
Class B:		
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
Max A. Miller	Livestock rancher, Omaha, Neb.	1960
Class C:		
Raymond W. Hall	Counsel, Gage, Hillix, Moore & Park, Attorneys, Kansas City, Mo.	1958
Oliver S. Willham	President, Oklahoma State University, Stillwater, Okla.	1959
Joe W. Seacrest	President, State Journal Company, Lincoln, Neb.	1960

Denver Branch

Appointed by Federal Reserve Bank:		
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
Stewart Cosgriff	President, The Denver National Bank, Denver, Colo.	1959
Appointed by Board of Governors:		
Ray Reynolds	Cattle feeder and farmer, Longmont, Colo.	1958
Aksel Nielsen	President, The Title Guaranty Company, Denver, Colo.	1959

Oklahoma City Branch

Appointed by Federal Reserve Bank:		
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
C. P. Stuart	President, The Fidelity National Bank & Trust Company, Oklahoma City, Okla.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		*Term Expires Dec. 31*
Appointed by Board of Governors:		
Phil H. Lowery	Owner, Lowery Hereford Ranch, Loco, Okla.	1958
Davis D. Bovaird	President, The Bovaird Supply Company, Tulsa, Okla.	1959
Omaha Branch		
Appointed by Federal Reserve Bank:		
William N. Mitten	Chairman of the Board, First National Bank of Fremont, Fremont, Neb.	1958
George J. Forbes	Chairman of the Board and President, Bank of Laramie, Laramie, Wyo.	1959
C. Wheaton Battey	President, The Continental National Bank of Lincoln, Lincoln, Neb.	1959
Appointed by Board of Governors:		
Manville Kendrick	Rancher, Sheridan, Wyo.	1958
James L. Paxton, Jr.	President, Paxton-Mitchell Company, Omaha, Neb.	1959
District 11—Dallas		
Class A:		
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
Sam D. Young	President, El Paso National Bank, El Paso, Tex.	1960
Class B:		
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
D. A. Hulcy	Chairman of the Board, Lone Star Gas Company, Dallas, Tex.	1960
Class C:		
Lamar Fleming, Jr.	Chairman of the Board, Anderson, Clayton & Co., Inc., Houston, Tex.	1958
Hal Bogle	Rancher and feeder, Dexter, N. Mex.	1959
Robert J. Smith	President, Pioneer Hydrotex Industries, Inc., Dallas, Tex.	1960
El Paso Branch		
Appointed by Federal Reserve Bank:		
Thomas C. Patterson	Vice President, El Paso National Bank, El Paso, Tex.	1958
F. W. Barton	President, The Marfa National Bank, Marfa, Tex.	1959
John P. Butler	President, The First National Bank of Midland, Midland, Tex.	1960
Floyd Childress	Vice President, The First National Bank of Roswell, Roswell, N. Mex.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.		Term Expires Dec. 31
Appointed by Board of Governors:		
E. J. Workman	President, and Director of Research and Development Division, New Mexico Institute of Mining and Technology, Socorro, N. Mex.	1958
D. F. Stahmann	Chairman of the Board and Treasurer, Stahmann Farms, Inc., Las Cruces, N. Mex.	1959
William R. Mathews	Editor and Publisher, The Arizona Daily Star, Tucson, Ariz.	1960

Houston Branch

Appointed by Federal Reserve Bank:		
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
W. B. Callan	President, The Victoria National Bank, Victoria, Tex.	1960
L. R. Bryan, Jr.	Vice Chairman of the Board and Chairman of the Executive Committee, Bank of the Southwest National Association, Houston, Houston, Tex.	1960
Appointed by Board of Governors:		
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 Company, Lufkin, Tex.	1959
John C. Flanagan	Vice President and General Manager, Texas Distribution Division, United Gas Corporation, Houston, Tex.	1960

San Antonio Branch

Appointed by Federal Reserve Bank:		
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
J. W. Beretta	President, First National Bank of San Antonio, San Antonio, Tex.	1960
Donald D. James	Vice President, The Austin National Bank, Austin, Tex.	1960
Appointed by Board of Governors:		
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, 1958—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Alex R. Thomas	Vice President, Geo. C. Vaughan & Sons, San Antonio, Tex.	1960

District 12—San Francisco

Class A:		
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
Carroll F. Byrd	Chairman of the Board and President, The First National Bank of Willows, Willows, Calif.	1960
Class B:		
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
Reese H. Taylor	Chairman of the Board, Union Oil Company of California, Los Angeles, Calif.	1960
Class C:		
Y. Frank Freeman	Vice President, Paramount Pictures Corporation, Hollywood, Calif.	1958
A. H. Brawner	Chairman of the Board, W. P. Fuller & Co., San Francisco, Calif.	1959
Philip I. Welk	Vice President, Centennial Mills, Inc., Portland, Ore.	1960

Los Angeles Branch

Appointed by Federal Reserve Bank:		
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
Joe D. Paxton	Chairman of the Board, County National Bank and Trust Company of Santa Barbara, Santa Barbara, Calif.	1959
Appointed by Board of Governors:		
Leonard K. Firestone	President, Firestone Tire and Rubber Company of California, Los Angeles, Calif.	1958
Robert J. Cannon	President, Cannon Electric Company, Los Angeles, Calif.	1959

Portland Branch

Appointed by Federal Reserve Bank:		
John B. Rogers	President, The First National Bank of Baker, Baker, Ore.	1958
J. H. McNally	President, The First National Bank of Bonners Ferry, Bonners Ferry, Idaho	1958
C. B. Stephenson	President, The First National Bank of Oregon, Portland, Portland, Ore.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

DIRECTORS—Cont.

		Term Expires Dec. 31
Appointed by Board of Governors:		
William H. Steiwer, Sr.	Livestock and farming, Fossil, Ore.	1958
Warren W. Braley	Partner, Braley and Graham Buick, Portland, Ore.	1959

Salt Lake City Branch

Appointed by Federal Reserve Bank:		
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
Oscar Hiller	President, Butte County Bank, Arco, Idaho	1959
Appointed by Board of Governors:		
Geo. W. Watkins	President, Snake River Equipment Company, Idaho Falls, Idaho	1958
Joseph Rosenblatt	President, The Eimco Corporation, Salt Lake City, Utah	1959

Seattle Branch

Appointed by Federal Reserve Bank:		
S. B. Lafromboise	President, The First National Bank of Enumclaw, Enumclaw, Wash.	1958
James Brennan	President, First National Bank in Spokane, Spokane, Wash.	1958
Joshua Green, Jr.	President, Peoples National Bank of Washington, Seattle, Wash.	1959
Appointed by Board of Governors:		
Lyman J. Bunting	President, Rainier Fruit Company, Yakima, Wash.	1958
Henry N. Anderson	President, Twin Harbors Lumber Company, Aberdeen, Wash.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

PRESIDENTS AND VICE PRESIDENTS

Federal Reserve Bank of—	President / First Vice President	Vice Presidents	
Boston	J. A. Erickson	D. H. Angney	Benjamin F. Groot
	E. O. Latham	Ansgar R. Berge	Dana D. Sawyer
		George H. Ellis	O. A. Schlaikjer
New York	Alfred Hayes	H. A. Bilby	Robert G. Rouse
	William F. Treiber	John Exter	Walter H. Rozell, Jr.
		M. A. Harris	T. G. Tiebout
		H. H. Kimball	V. Willis
		H. V. Roelse	R. B. Wiltse
		Robert V. Roosa	
Philadelphia	Karl R. Bopp	Joseph R. Campbell	P. M. Poorman
	Robert N. Hilkert	W. M. Catanach	J. V. Vergari
		David P. Eastburn	Richard G. Wilgus
		Murdoch K. Goodwin	
Cleveland	W. D. Fulton	Dwight L. Allen	Martin Morrison
	Donald S. Thompson	Roger R. Clouse	H. E. J. Smith
		C. Harrell	Paul C. Stetzelberger
		L. Merle Hostetler	
Richmond	Hugh Leach	N. L. Armistead	J. M. Nowlan
	Edw. A. Wayne	J. Dewey Daane	James M. Slay
		Aubrey N. Heflin	Thomas I. Storrs
		Upton S. Martin	C. B. Strathy
Atlanta	Malcolm Bryan	J. E. Denmark	L. B. Raisty
	Lewis M. Clark	John L. Liles, Jr.	Earle L. Rauber
		J. E. McCorvey	S. P. Schuessler
		Harold T. Patterson	
Chicago	Carl E. Allen	Neil B. Dawes	C. T. Laibly
	E. C. Harris	W. R. Diercks	George W. Mitchell
		A. M. Gustavson	H. J. Newman
		H. J. Helmer	A. L. Olson
		Paul C. Hodge	
St. Louis	Delos C. Johns	Homer Jones	H. H. Weigel
	Guy S. Freutel	Geo. E. Kroner	J. C. Wotawa
		Dale M. Lewis	
Minneapolis	Frederick L. Deming	C. W. Groth	H. G. McConnell
	A. W. Mills	M. B. Holmgren	M. H. Strothman, Jr.
		A. W. Johnson	
Kansas City	H. G. Leedy	John T. Boysen	E. U. Sherman
	Henry O. Koppang	George H. Clay	Clarence W. Tow
		Joseph S. Handford	D. W. Woolley
Dallas	Watrous H. Irons	T. A. Hardin	Morgan H. Rice
	W. D. Gentry	G. R. Murff	Harry A. Shuford
		T. W. Plant	C. E. Walker
		L. G. Pondrom	
San Francisco	H. N. Mangels	A. B. Merritt	John A. O'Kane
	Eliot J. Swan	E. R. Millard	O. P. Wheeler
		R. H. Morrill	

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1958—Cont.

VICE PRESIDENTS IN CHARGE OF BRANCHES

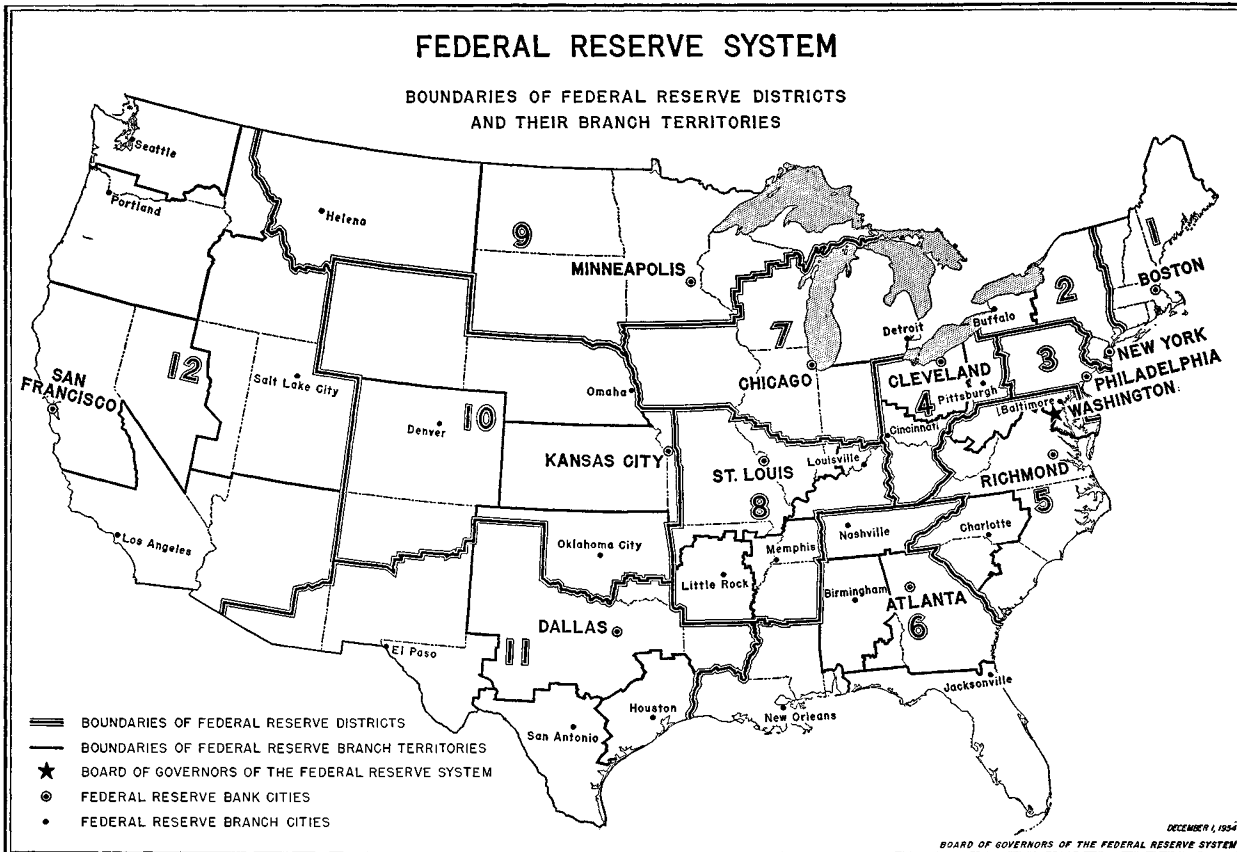
Federal Reserve Bank of—	Branch	Chief Officer
New York	Buffalo	I. B. Smith
Cleveland	Cincinnati	R. G. Johnson
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	D. F. Hagner
	Charlotte	R. L. Cherry
Atlanta	Birmingham	H. C. Frazer
	Jacksonville	T. A. Lanford
	Nashville	R. E. Moody, Jr.
	New Orleans	M. L. Shaw
Chicago	Detroit	R. A. Swaney
St. Louis	Little Rock	Fred Burton
	Louisville	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.

Mr. Leedy, President of the Federal Reserve Bank of Kansas City, and Mr. Erickson, President of the Federal Reserve Bank of Boston, who were elected Chairman of the Conference and Vice Chairman, respectively, in January 1956, were re-elected as such in March 1957 and continued to serve until the meeting in February 1958. At this meeting Mr. Erickson was elected Chairman of the Conference and Mr. Johns, President of the Federal Reserve Bank of St. Louis, was elected Vice Chairman.

Mr. John T. Boysen, Vice President and Cashier of the Federal Reserve Bank of Kansas City, served as Secretary of the Conference from May 1956 to February 1958. Mr. Loring C. Nye, Assistant Cashier of the Federal Reserve Bank of Boston, was appointed as Secretary of the Conference at the meeting in February 1958.



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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