FORTY-SIXTH

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR THE YEAR

1959

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, March 7, 1960.

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-sixth Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1959.

Yours respectfully,

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

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FEDERAL RESERVE DIRECTORIES AND MEETINGS

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

During 1959 total credit in the economy expanded by about $60 billion in all—one-third more than the previous peacetime record. Mortgage debt, most of it for housing, increased by a peak $19 billion. Consumer credit outstanding rose about $6.5 billion, equaling the previous high of 1955. New borrowing by State and local governments continued in near-record volume, and new Federal borrowing exceeded that in all earlier peacetime years.

The increase in commercial bank loan portfolios over the year was large and equaled the previous peak of 1955. The banks financed a substantial part of this lending activity by selling U. S. Government securities to nonbank investors through the market. As a result, total loans and investments of banks increased only moderately.

A main service performed by the commercial banks for the economy last year was acting as an intermediary between borrowers and savers. Banks, in effect, drew out of the market funds provided through security purchases by individuals and corporations to meet the specialized credit demands of various types of borrowers, including many whose credit demands could not be met as readily by nonbank sources. This flow of funds from savers to banks to borrowers enabled a large credit demand to be accommodated with little increase in the money supply.

Over the year, consumers and businesses increased their spending of existing cash balances as well as their spending of newly borrowed funds. This contributed to a more active use of money, reflected in an increase in the turnover or rate of use of the money supply. Cash balances were also used to invest in securities, particularly those of the Federal Government and of State and local governments.

Consumer spending was a prime generative force in the economic expansion last year as it had been in 1955. State and local government expenditures were large, and prior to the steel strike business outlays to build up inventories were substantial. Partly as an aftermath of the 1957-58 recession, Federal Government expenditures exceeded revenues by a substantial amount.

Employment rose more slowly than output, and so output per worker increased somewhat. Consumer prices rose, but the general level of wholesale prices changed little. Prices of industrial materials and products increased, however, while agricultural prices declined. Wage rates continued to increase, although at a slower average rate than in other recent years. Abroad, rapid expansion of industrial activity was resumed early in 1959 and continued during the year.

The flow of saving into financial assets increased markedly during the year but was inadequate to meet all demands for credit at prevailing levels of interest rates. As a result, money market rates and bond yields rose further, and by the end of the year were above their previous peaks in late 1957.

Stock prices, which had advanced sharply in 1958, continued to rise into early August 1959. For a period thereafter they declined, but later in the year they rose again. Although dividends increased, yields on stocks declined to new postwar lows during the year. Yields on high-grade corporate bonds exceeded stock yields by more than a percentage point over much of the year.

FEDERAL RESERVE ACTION

The credit and monetary policies pursued by the Federal Reserve System have the broad purpose of providing a financial climate favorable to sustainable growth of the economy without inflation. With demands for financing in 1959 continuously strong, higher interest rates were needed to equate these demands with the available supply of saving and bank credit. Higher rates also induced a more economical use of cash balances and a larger flow of current financial saving. The money supply, which increased substantially in 1958 and early 1959, was limited to little further growth after last spring. The public's holdings of other liquid assets, however, expanded sharply throughout the year.

The principal Federal Reserve policy actions during the year are summarized in the sections that follow. Later in this report they are listed in tabular form and are described more fully in the records of specific policy actions of the Board of Governors and of the Federal Open Market Committee.

Open Market Operations and the Gold Outflow

Federal Reserve purchases or sales of U. S. Government securities in the market are commonly known as open market operations. Such operations are used to provide reserves to the commercial banking system that enable it to meet the economy's growing needs for financing and also to offset the possible disturbing effects of a variety of seasonal and other market factors that recurringly create or absorb bank reserves. Over the year 1959, the most important market factor absorbing bank reserves was the further outflow of gold from the country.

Foreign operations drained $800 million from bank reserves in 1959 as net gold acquisitions from the United States by foreign monetary authorities and international institutions totaling $1.1 billion were offset in part by Treasury transactions. Other factors tending to reduce the reserves available to banks included an increase of about $400 million in the amount of currency in circulation. Unless replenished, the reduction in bank reserves due to these developments would have led to an undesirable degree of credit stringency. The largest single source of reserves to offset this was the net open market purchases of the Federal Reserve System.

The over-all deficit in this country's international payments was somewhat less than $4 billion, exclusive of a subscription to the International Monetary Fund. In the second half of the year, however, exports rose in response to increasing foreign demand, imports leveled off, and the balance-of-payments deficit tended to diminish, although continuing large. Apart from the gold transfers, settlement

CHANGES IN MEMBER BANK RESERVES

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

Item	1959	1958
Member bank reserves		
Total reserves	(1)	−0.5
Reserves held with Federal Reserve Banks	−0.3	−0.5
Reserves allowable in cash	+0.3	.....
Required reserves	+0.1	−0.5
Effect of:		
Reduction in reserve requirement percentages	....	−1.5
Change in deposits	+0.1	+1.0
Excess reserves	(1)	−0.1
Principal factors affecting reserves	(sign indicates effect on reserves)	
Federal Reserve credit:		
Discounts and advances to member banks	+0.3	−0.2
Federal Reserve holdings of U.S. Govt. securities and acceptances	+0.7	+2.3
Float	−0.1	+0.1
Currency in circulation	−0.4	−0.4
Gold stock and foreign accounts	[2]−1.2	−2.1
Other factors	[2]+0.3	−0.2

1 Less than $50 million.

2 Changes in gold stock and Treasury cash (included in other factors) include the effect of a payment of $344 million in gold from Treasury cash holdings to the International Monetary Fund in connection with the increase in the U.S. subscription to the Fund; these changes were offsetting and had no effect on total reserves.

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

of the deficit involved large foreign acquisitions of Treasury bills and other U. S. Government securities.

DISCOUNT OPERATIONS

A part of the reserve funds to support growth of bank credit and money last year was obtained by member banks borrowing at the discount windows of their respective Federal Reserve Banks. Reserve Bank advances to or discounts for member banks, which had increased in the latter part of 1958, averaged around $700 million over the first half of 1959, although by June they reached a level exceeding $900 million. Throughout the remainder of the year, borrowings fluctuated around this higher level. Member banks obtaining Reserve Bank advances typically did so to meet drains of reserve funds to other banks as checks were cleared; such individual borrowings were soon repaid. The number of member banks accommodated by the Reserve Banks during the year was fairly large, 1,967, or almost one-third of all member banks.

To discourage bank borrowing of reserves in a situation of vigorous demand for bank credit and rising market interest rates, discount rates at the various Reserve Banks were increased three times in 1959. These changes occurred in early March, in late May and early June, and in early September. Rate increases occurred after market rates had risen to levels above prevailing discount rates. Each set of increases amounted to one-half of one per cent, and together they raised the level of rates at all Federal Reserve Banks from 2½ per cent at the beginning of the year to 4 per cent at the end.

Reserve Requirements

In early December 1959 the Board of Governors modified its reserve requirement regulation. This modification permitted member banks to count their vault cash in excess of specified percentages of their deposits as part of their required reserves. The action was taken under the authority of legislation enacted by the Congress in July 1959 and was designed in part to remedy inequities that had arisen because many banks, particularly smaller country banks, had found it necessary to hold relatively larger amounts of vault cash than other banks did for operating purposes.

No change in the over-all credit and monetary policy of the Federal Reserve was involved in this action. It had the effect of supplying some $300 million of reserves to the banking system at a time of the year when the Federal Reserve usually makes available to the banks a sizable volume of reserves for seasonal purposes. It correspondingly reduced the need for open market operations to meet these temporary demands.

Margin Requirements

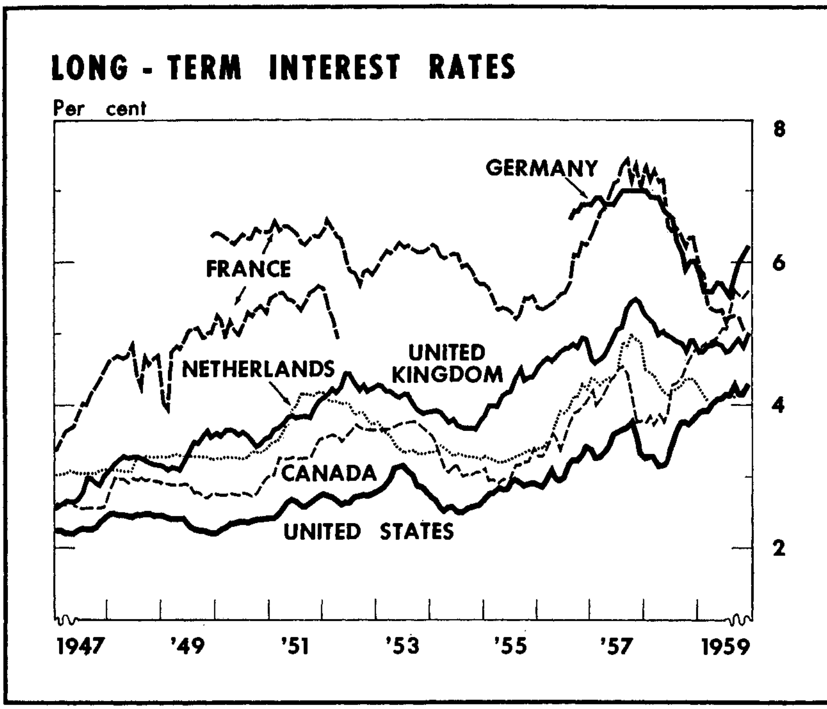
The Federal Reserve at midyear strengthened somewhat its restraints over the amount of credit used for the purchasing or carrying of stock market securities by adopting certain technical amendments to its margin regulations. Margin requirements for this type of credit, which had been raised to 90 per cent by the Board of Governors in mid-October 1958, were continued at this level throughout 1959.

The most important of the amendments had the effect of reducing the amount of cash which can be withdrawn from the proceeds of sales of securities held on margins below those currently required. The substitution of one security for another in such a situation can still be made without providing additional margin if it is done during the same day. Another amendment had the effect of limiting the number of cases in which bank loans secured by stock exchange collateral can be regarded as loans for purposes other than buying or carrying stocks and hence not subject to margin requirements.

INTEREST RATES, ECONOMIC ACTIVITY, AND SAVING

Recent years have witnessed increasing discussion and public awareness of long-debated questions about interest rates—their function in the economic system, their relation to inflationary pressures and to economic growth, and their suitability or limitation as a focus for governmental economic policy. In this country, much of the discussion has been prompted by the upward trend as well as the fluctuations in interest rates during the 1950's. In each successive period of expansion in activity, yields on private and government obligations rose to new postwar peaks; in the second half of 1959 short- and long-term rates generally reached new highs. A specific problem in 1959 was the inability of the Federal Government, in meeting its large financing needs, to issue new long-term bonds in view of the statutory ceiling of 4¼ per cent on the coupon rate for such bonds.

In foreign countries whose financial markets had been substantially restored to flexible functioning by the early

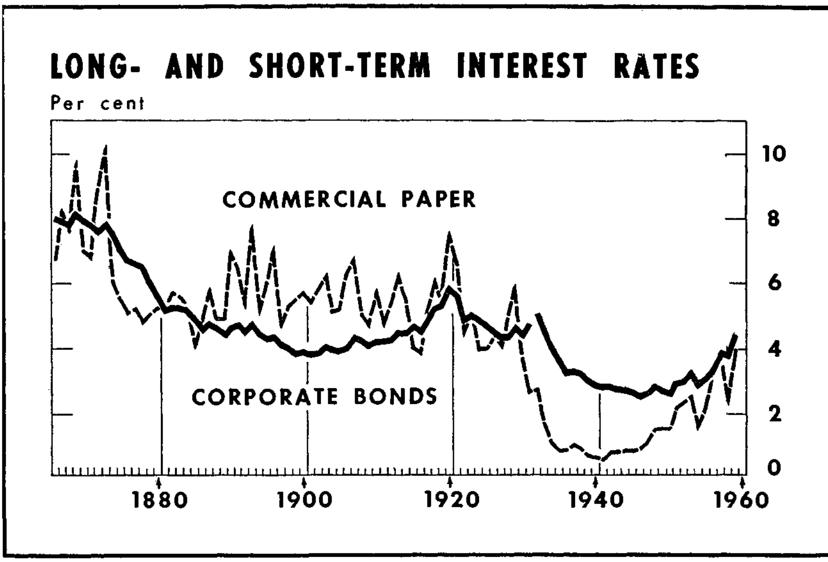


NOTE.—Average monthly yields on long-term government bonds for all countries except Germany. For Germany, yield on issues of public authorities; monthly series not available prior to August 1956.

1950's—for example, Canada, Germany, and the United Kingdom—interest rates likewise fluctuated in response to variations in economic activity. Continued improvement in world trade and the strengthening of foreign balance-of-payments positions fostered progress towards a more general currency convertibility. As a consequence, loanable funds during recent years have moved with increasing freedom among markets in different countries in response to emerging interest rate differentials; and interest rates, both short- and long-term, have become more reflective of world-wide developments than at any time during the past 30 years.

Historical Perspective

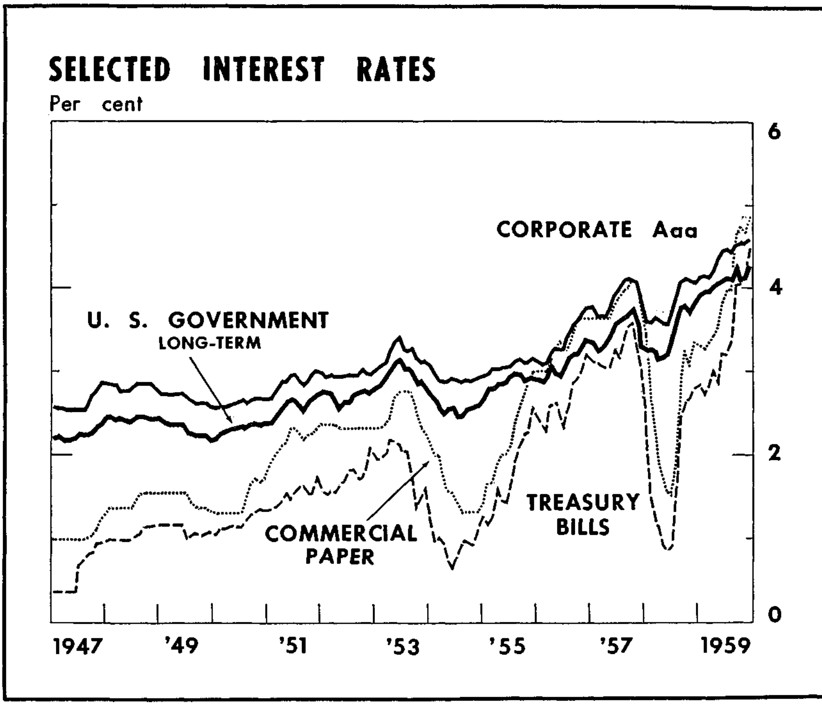
After small advances early in the postwar period, interest rates in the United States showed an upward sweep through the 1950's. Over the preceding 20 years, the general level of rates had been exceptionally low. The low level prevailing under depression conditions of the 1930's was maintained in the ensuing decade by policies of war and postwar finance. These policies, which were justified at the time by conditions of, or transition from, national emergency, placed major emphasis upon low, stable interest rates, even though such



NOTE.—Corporate bond yield is average of high-grade railroad bonds until 1932 and of corporate Aaa bonds thereafter. Commercial paper is rate on 4- to 6-month open market paper.

emphasis contributed to an unregulated and very large wartime expansion of the money supply, and a postwar situation in which the money supply was without effective regulation. Price advances were held down during the war by direct controls over spending and prices, but were very sharp in early postwar years when controls were removed.

Against this background, the outbreak of hostilities in Korea in 1950 and the accompanying inflationary pressures prompted public discussion of monetary policy aimed at stability of interest rates at low levels, because such a policy in effect was leaving the money supply unregulated. Endeavors to meet this problem and to allay public anxiety about the future value of the dollar led to the Treasury-Federal Reserve accord in March 1951, which, after a transition period, discontinued further official pegging of interest rates. Monetary policy thus became free to resume regulation of bank credit and money in order to combat not only deflationary but also inflationary tendencies in the



economy, and market rates of interest again reflected the influence of underlying supply and demand forces.

Changes in interest rates have both responded to and reflected cyclical movements of the economy. The upward trend of interest rates during the 1950's was interrupted by declines during the recessions of 1953-54 and 1957-58. The most recent cyclical rise began around mid-1958, as recovery in economic activity from the 1957-58 recession quickened. As is usual, the largest increases occurred in yields on short-term instruments, such as Treasury bills, commercial paper, and bankers' acceptances, which are generally more volatile and which had fallen sharply following the onset of recession and the easing of credit conditions that began in the fall of 1957. Yields on corporate and State and local government bonds and on U.S. Government long-term securities also rose substantially after mid-1958 to levels above their previous postwar peaks. During 1959, corporate yields moved to levels well in excess of yields on common stocks, thus reversing the historical relationship between bond and stock yields.

Even at recent advanced levels, interest rates were generally low relative to earlier periods, although some rates were near their averages in the 1920's, which was also a period of intensive utilization of economic resources and strong credit demands. Moreover, since the 1920's the level of market interest rates on U. S. Government securities has risen relative to those on other obligations, reflecting in part the much larger volume of Federal debt relative to other debt and the elimination of tax exemption on Treasury bonds.

Historical comparisons of interest rates encounter various problems. Limited statistical records are one handicap. Also, broad economic and social changes—for example, the development of financial institutions, changes in the tax structure, and the enlarged role of governments—affect the interpretation of differing interest rate levels over time.

Saving-Investment Process

There are a number of theories of interest rate determination. Some emphasize the saving-investment process; others look mainly to the cash and liquidity demands of the public; and still others stress the supply and demand for loanable funds. The different theories center on different, though not necessarily mutually exclusive, aspects of the process through which interest rates are set. No one theory, however, comprehends the full complexity of this process. Observed interest rate movements reflect elements of all theories in varying degree, depending on circumstances of time and place as well as on institutional characteristics of the economy.

From the point of view of the economy's use of its resources, the rate of interest is a price that translates present saving into future command over resources. For example, at a 5 per cent interest rate, $1.00 of present income saved will exchange for $1.05 to be received after a year. In the meanwhile, since the saver has refrained from current consumption, his saving permits resources to be used to an equivalent amount in the nation's investment in plant and equipment, durable goods, and housing, or in net foreign investment. This investment increases the economy's capacity to produce future income in terms of goods and services, and thus provides the additional real income that makes it possible for the borrower to pay the interest earned by the saver.

Since interest is both an earning of savers and a cost of investment, movements of interest rates can be said to reflect the balancing of saving and investment tendencies at given levels of income and of prices. Imbalances between the willingness to save and investment demand, however, affect real income (that is, income in terms of constant prices) and market prices as well as interest rates. The extent of influence on each depends on the economic and institutional structure, the phase of the economic cycle, and general economic conditions.

At times when productive capacity is underutilized, for example, greater investment demand is likely to lead to the financing of a larger volume of real investment, and thus to increased output and rising incomes. The rise in real income will tend to be accompanied by an increase in saving, and the balancing of saving and investment may be achieved with little advance in interest rates and prices. At times when investment demand exceeds available saving under conditions of high capacity utilization, there will be greater pressure on interest rates and prices since the extent to which saving might be increased by a rise in real income is limited; pressures on interest rates and prices will be intensified when inflationary expectations are widely prevalent. It is under such circumstances that excessive expansion of bank credit and money results mainly in rising prices and merely enlarges the monetary value of both saving and investment, without relieving a shortage of real resources and even without checking, except perhaps temporarily, a pronounced tendency for interest rates to rise.

Supply and Demand for Lendable Saving

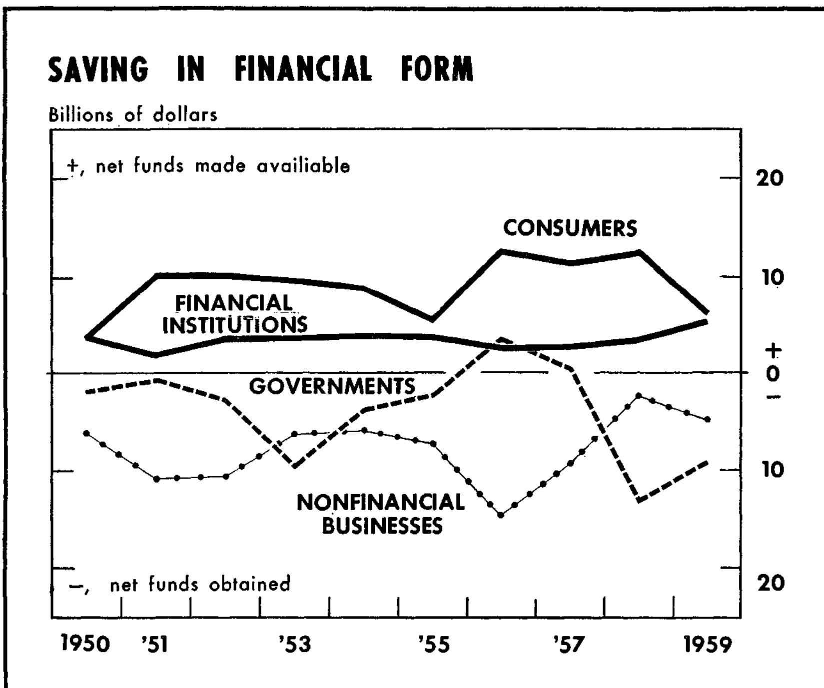
The saving-investment process in financial markets is reflected in the balancing of supplies and demands for loanable funds, as funds move into and out of financial assets of varying types in response to borrowing demands. The composition of flows in financial markets represents the combination of supplies and demands originating in the various sectors of the economy.

The saving of an individual sector—consumer, business, or government—represents the extent to which its current receipts (after taxes) are not spent on current consumption. This saving flows into investments, and on the investment side is equal to purchases of capital goods plus a financial component which is the sector's net saving in financial form. More specifically, a sector's saving in financial form is equal to its net acquisitions of financial assets less net incurrence of debt. Within a sector, however, some individual units or groups may be predominantly savers and acquire financial or tangible assets without incurring much debt, while others may be mainly borrowers.

The nation's saving, in contrast with the saving of any sector, is equal only to the value of investment in tangible assets plus net foreign investment. The nation's saving does not include, in measurement, investment in financial claims other than net claims on foreigners. What anyone owes within the economy is owned by another; thus, in aggregating the wealth of the nation, assets representing financial claims cancel out against liabilities. Nevertheless, the flow of saving by individuals or sectors into financial claims is a significant element in the determination of the nation's investment. The forms in which people save and the state of financial markets through which these savings flow both reflect and affect decisions to purchase capital goods.

Consumers as a group provide enough saving—either directly or through financial intermediaries, such as savings institutions, life insurance companies, and pension funds—to cover the aggregate borrowing of the consumer sector and also to help finance demand for loanable funds from other sectors. While businesses finance themselves to a large extent out of internal saving, as a group they are usually net borrowers from the rest of the economy, as shown in the accompanying chart. In recent years governments as a group have generally been heavy net borrowers of the nation's saving; a governmental net surplus, of course, is a net addition to the nation's saving.

The supply and demand for financial saving, as well as shifting portfolio preferences of individuals, businesses, and financial institutions, come together and are balanced in financial markets, as is illustrated in the table on page 14.



NOTE.—Federal Reserve flow-of-funds data. Consumers include nonprofit organizations. Saving in financial form of a sector is equal to the net increase in its financial assets less the net increase in its liabilities. When positive, it represents the net amount of saving made available to other sectors; when negative the net amount obtained. Rest-of-world sector not shown.

In financial or monetary terms, changes in interest rates reflect this market process. Changes in the supply of money in the economy, effected through the market for bank credit, are an important marginal element affecting interest rates.

FINANCIAL QUANTITIES REFLECTIVE OF SUPPLY AND DEMAND FOR SAVING

[In billions of dollars]

	1958	1959p
Supply quantities		
Flows into financial assets, total	76.7	84.0
Credit market instruments, total[1]	*45.4*	*60.2*
Purchased by:		
Consumers	3.6	14.2
Nonfinancial businesses	1.4	7.6
Financial institutions	36.8	28.9
Governments	3.6	6.4
Claims on financial institutions, total[2]	*30.4*	*17.1*
Acquired by:		
Consumers	24.1	16.8
Others	6.3	.4
Other assets[3]	1.0	6.7
Demand quantities		
Increase in liabilities, total	76.7	85.1
Credit market instruments, total[1]	*45.2*	*60.4*
Borrowed by:		
Consumers	12.0	20.7
Nonfinancial businesses	14.1	18.5
Financial institutions	1.5	4.7
Governments	15.2	15.8
Liabilities of financial institutions[2]	29.9	16.9
Other liabilities[3]	1.6	7.7

p Preliminary estimates.

1 Consists of marketable Federal, State, and local government securities, corporate bonds and stocks, mortgages, consumer credit, security credit, and bank and other loans. Rest of world included in total but not shown separately.

2 Consists of currency and demand deposits, savings deposits and shares, and saving through private life insurance and pension funds. Excludes claims on financial institutions through purchase of credit market instruments.

3 Consists of consumer-held U.S. savings bonds, trade credit, proprietors' net investment in noncorporate business, saving through government life insurance and pension funds, and miscellaneous other types of financial flows.

NOTE.—Based on Federal Reserve flow-of-funds data. Flows into financial assets and increase in liabilities are on a net basis. Differences between total financial assets and liabilities and between paired subtotals of financial assets and liabilities reflect statistical discrepancies. Details may not add to totals because of rounding.

Interest rate movements not only reflect a changing supply and demand situation but also in turn have some effect on the flow of loanable funds through financial markets. Flows into savings institutions or commercial banks in the form of time and savings deposits, into U.S. savings bonds, and into instruments bought and sold in credit markets respond to differential interest rate movements. Moreover, when interest rates are very low—generally periods of reduced economic activity and business uncertainty—savers are likely to hold more of their funds in cash, that is, demand deposits in commercial banks and currency. On the other hand, when the economy is expanding and interest rates are at higher levels, there is a tendency for the public to economize on cash balances and invest in other financial assets.

Some flows into financial institutions—especially the bulk of those going into life insurance companies and pension funds—are contractual in nature and vary only gradually, if at all, with interest rate changes. Similarly, some inflows of funds into credit markets to repay debt are fixed by previous commitments and in general do not vary with interest rate movements in a current period. On the other hand, some debts of businesses and others contain contract provisions that permit accelerated repayment, and interest rate changes may affect the timing of such repayments.

On the demand side, changes in interest rates—for example, a rise—have varying effects, depending on the relation of interest cost to total cost of the project being financed and on expectations as to the future course of interest rates. For many outlays, the relative interest cost may be small, although in individual cases it may be of sufficient size to encourage efforts to economize as rates rise. For longer lived investments, such as housing, public service facilities, and many types of commercial and industrial construction, the relative interest cost is higher and is an important consideration in making long-term commitments. Business decisions as to inventory holdings also have to take account of interest rate variations. Thus, in many areas of the economy the incurrence of debt is influenced by changes in the level of interest rates.

The restrictive impact of rising rates on borrowers may be temporarily moderated if further advances are expected; indeed, as in the case of other costs that are expected to rise, expectations may temporarily accelerate the demand for funds. This transitory effect on demand is reversed when rates reach a level that the market believes will not be sustained. Under these conditions, restrictive monetary action has a role to play in changing market expectations.

Role of Credit Availability

When credit demands are strong, limitations on credit availability together with higher interest rates restrict the extent to which borrowers can obtain needed funds. And, conversely, when credit demands are slack, increased availability of lendable funds reinforces incentives given by lower interest rates, and facilitates satisfaction of credit demands.

The direct impact of credit availability on the ability of borrowers to satisfy their demands is readily observable in market segments where changes in interest charges and in lenders' returns are not commensurate with changes in the level of market interest rates. Whatever the source of this rate inflexibility—whether unique features of lender competition, of borrower demand, or of some program of governmental underwriting of borrower default risk—lenders in such market segments experience a relative decline in interest yields when market interest rates rise elsewhere; or, if some of their funds are in turn borrowed from the market, lenders experience an actual decline in their net returns. Willingness to lend in these specialized markets is thus reduced.

When credit demand presses actively against the supply of lendable saving and interest rates rise, lenders generally tend to screen the creditworthiness of loan applicants more carefully. Under such conditions, lenders tend to adhere to stricter lending standards, to set more stringent borrowing terms, and to allocate their lendable funds on a nonprice basis as between borrowers. Where this situation develops, many borrowers are obliged to shop more intensively in order to find lenders whose loan standards and terms they can meet, and some borrowers fail to find accommodation at current interest rates. Successful borrowers are likely to include customers of long standing or with established credit lines, borrowers offering debt instruments not subject to statutory interest rate limitations, borrowers prepared to adjust to more stringent prepayment conditions, and those offering types of loans or instruments with relatively low servicing costs.

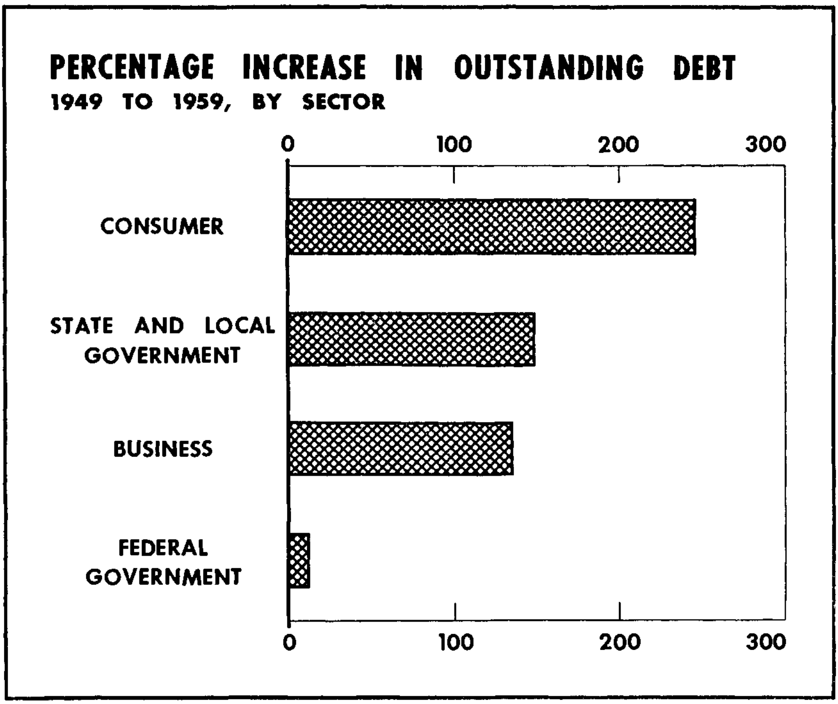
Federal Reserve actions initially influence only the availability of loan and investment funds at banks, but changes in the availability of bank credit are reflected in the general availability of loan funds in other credit markets. Banks can to a degree avoid restriction of credit availability to their own customers by selling securities. Their sales of securities, however, tend to absorb funds of other investors and lenders. This process limits the availability of credit from these other sources except to the extent that saving increases or the public tends to substitute other financial assets for cash.

Many observers of financial processes assign great importance to changes in credit availability in restricting or accelerating the volume of current borrowing; indeed, some assign a more decisive role to availability than to changes in interest cost. The Federal Reserve, in discussing and evaluating the market impact of its policy actions, has continuously stressed the importance of changes in the availability of funds in affecting satisfaction of demands.

Factors in Interest Rate Trends of the 1950's

During the past decade, private and governmental demands for credit, together with factors affecting the supply of saving, exerted strong upward pressures on interest rates in financial markets. The economy was generally characterized by rapid population growth and, apart from two brief recessionary periods, by well sustained utilization of plant and equipment and widespread demand pressures on prices. Attempts on the part of the Federal Reserve to keep interest rates from rising in recent periods of economic buoyancy would have had effects adverse to the public interest. Expansion of bank credit and money to hold down interest rates would have run the danger of stimulating speculative demands for resources and credit, would have restrained interest rate rises only temporarily, and would have led to sharply adverse repercussions later.

Credit demands. All major sectors of the economy increased their demands for credit in the 1950's. Growth of business credit demand was accompanied by continuously expanding credit demands from consumers and governments. In fact, the indebtedness of consumers and of State and local governments increased at a more rapid rate than business indebtedness.



NOTE.—Based on end-of-year data from Federal Reserve flow-of-funds accounts. Debt consists of credit market instruments other than corporate stocks (i.e., Federal, State, and local obligations, corporate bonds, mortgages, consumer credit, security credit, and bank and other loans) together with trade credit.

Consumer demands on credit markets rose along with expanding incomes and wants, and with the development and broadening of credit facilities to finance purchases of homes, durable goods, and other goods and services. Low down-payments and the lengthening of maturities on home mortgage financing—in part in response to Federal aids—together with ready availability of short- and intermediate-term consumer credit brought increasing proportions of the population into the credit market. A large share of expenditures on homes and durable goods was financed on credit terms, and both mortgage debt and consumer credit expanded greatly.

Growth of the population and its spread to the suburbs during the past decade enlarged demands for education, transport, sewage, and other services of State and local governments, and required expansion of existing facilities to provide them. Many of these services are provided with long-lived physical facilities which are financed mainly through long-term borrowing.

Increased credit demand of businesses in the 1950's reflected the expected high profitability of business investment and innovation during a period when, for much of the time, demand for goods and services pressed against the capacity of existing plant, and when rapidly changing wants and needs of the population, as well as striking improvements in technology, tended to accelerate obsolescence of the existing facilities. Another important factor, particularly in recent years, was the rapid advance in industrial wages and the incentive this gave to labor-saving investment.

At times Federal budget deficits contributed to expanded over-all credit demand. In six years of the period beginning with 1950, when defense outlays were stepped up following hostilities in Korea, the Federal Government's receipts fell short of its spending. In these deficit years, the Federal Government competed with other sectors for part of the nation's supply of private saving, and its absorption of saving tended to reduce the availability of credit to other sectors.

Expansion of credit demands would not entail rising interest rates if it were accompanied by a commensurate increase in the public's willingness to make saving available in lendable form. The tendency for lendable saving to fall behind borrowing demand, notwithstanding a substantial growth in national income, may be attributed to many factors. No explanation, however, can ignore the widespread belief during the latter part of the 1950's that prices would continue upward indefinitely.

Financial saving of consumers. Consumers provide the bulk—about three-fifths—of the economy's gross saving, as shown in the accompanying table. Fluctuation in the consumer share during the past decade was relatively limited. The amount that consumers were willing to make available at pre-existing rates, however, usually fell short of the demand for saving. The lag in lendable saving from this major source contributed to the upward pressure on interest rates.

GROSS NATIONAL SAVING, BY SECTOR

[In billions of dollars]

Sector	1958	1959[p]
Consumer[1]	67.2	73.2
Nonfinancial business	36.1	46.9
Financial institution	3.4	5.0
Gross private saving	*106.6*	*125.0*
Government saving[2]	−12.8	−9.6
Gross national saving	93.8	115.4

[p] Preliminary estimates.
[1] Includes nonprofit organizations.
[2] Coverage of Government saving is not comparable with that of private saving. Because of conceptual and statistical problems, governmental outlays on capital goods are treated as current expenditures.

Saving and spending for current consumption are, of course, alternative uses of income, and the flow of saving depends on the many factors that affect the desire to spend out of current income. A part of consumer gross saving goes directly into purchases of durable goods and homes. Another part—that is, consumer net saving in financial form—is available to meet the financing needs of the rest of the economy.

Changes in the flow of consumer financial saving influence interest rate variations, and in turn are influenced to an extent by such variations. At times during the past decade, relatively large amounts of consumer net saving in financial form were associated with comparatively high interest rates. During 1951-53, consumer saving in financial form was markedly higher than in 1948-50, and interest rates were also higher. Also, after falling in 1955 in reflection of the boom in spending on consumer durable goods during that year, financial saving rose in 1956-57, when interest rates were relatively high.

At other times, such as in 1959, an advance in interest rates was accompanied by greater consumer acquisitions of financial assets, but these greater acquisitions were offset, for the sector as a whole, by even greater expansion of consumer debts; as a consequence, net saving in financial form of the sector declined. The rise in interest rates last year brought forth greater consumer acquisitions of securities, particularly U. S. Government obligations, and this helped to finance credit demands of the Government. By buying securities from banks offering them, consumers also indirectly helped to finance increased borrowing by other consumers. A somewhat similar pattern of consumer response occurred in the 1954-55 cyclical upswing of economic activity, as can be observed in data available in the Board's new quarterly flow-of-funds and saving accounts.

Inflationary expectations. The willingness of savers to supply funds to meet credit demands has been adversely affected when rising average prices for goods and services engendered expectations of continued advances. Such conditions were evident from early 1956 to late summer 1957, and also for a time after mid-1958.

Under the influence of inflationary expectations, savers became less willing to make funds available under fixed-interest contracts and tended to prefer assets, such as equities and land, which appeared to provide a hedge against possible erosion of the real value of saving through future price rises. Funds that might otherwise have financed new credit demands were committed to speculation in the stock market or in real estate—and eventually may have leaked into consumption expenditures based on capital gains. Both the resultant rise in interest rates and the decline in yields on equities were in part manifestations of moves by lenders intended to maintain the real value of their funds in the face of expected price rises.

Inflationary anticipations work to increase borrowing demands even in the face of rising interest rates. Inflationary expectations make it appear to be less expensive to borrow in the present than in the future. Moreover, the cost of borrowing may seem small relative to possible speculative profits. These financial incentives tend to accelerate investment, especially in inventories or in plant and equipment, whose value may be expected to rise or which may help to produce goods and services which will rise in price.

Inflationary expectations, reflected in rising stock market activity and stock prices, may also lead to some substitution of equity for debt financing by corporate borrowers. As yields on bonds rise relative to yields on equities, it may become possible to satisfy current business demands for funds at relatively low cost by shifting to equities, and thus to strengthen the corporation's equity position for future borrowing, including that undertaken in response to inflation incentives. Such shifts apparently occurred to some extent in 1959. Corporate issues of stocks were larger than the year before, while sales of bonds were smaller.

Monetary Policy and Interest Rates

Monetary policy in the public interest seeks to facilitate sustained high levels of employment, relative stability of average prices, and balanced economic growth. Over the long run, these objectives are likely to be best served by moderate expansion of the quantity of cash balances held by the public. In the short run, monetary policy focuses on the volume and availability of bank reserves in relation to the credit demands being generated by current economic forces, and assesses whether the volume of such demands, given the share being satisfied by bank credit and monetary expansion, is making for inflationary or deflationary tendencies. On the average, the share that is satisfied by bank credit growth is relatively small.

Monetary actions affect market interest rates in a variety of ways. The main impact comes from the increase or decrease in the supply of funds in the market resulting from forces of multiple expansion or contraction of bank credit based on fractional reserve requirements. With present reserve requirements, the member banks may expand or must contract demand deposits in a multiple of about $7 to $1 of reserves supplied or withdrawn.

The Federal Reserve can initiate a change in bank reserves through its open market operations or, when appropriate and feasible, it can vary the reserve requirement percentages. Federal Reserve purchases and sales of Government securities in the open market have some immediate, direct impact on interest rates, but this impact is least when System open market operations are conducted in short-term securities. In any event the initial, direct effect of any particular Federal Reserve operation is minor relative to the secondary multiple effects that develop out of the resulting changes in bank reserves.

A relationship between monetary action and market interest rates sometimes emphasized in public discussions is that associated with changes in the discount rates of the Federal Reserve Banks. The discount rate is not a market rate, but a rate charged by a Federal Reserve Bank on loans to member banks, the only institutions having regular access to Reserve Bank credit. When the Reserve Banks change their discount rates, their purpose is to influence the willingness or unwillingness of member banks to borrow from them, and thus to affect the over-all availability of bank reserves and bank credit. Borrowing is most advantageous to member banks, in adjusting their reserve positions, when market yields of secondary reserve assets exceed the Reserve Bank discount rates.

For a combination of reasons—traditional, operational, and regulatory—member bank borrowing from the Reserve Banks is typically very short-term and hence is resorted to mainly in financing temporary adjustments in member bank reserve positions. By keeping the discount rate in close alignment with market rates on short-term liquid paper, the Reserve Banks regulate the amount of member bank borrowing. While the Federal Reserve discount rate is related to and interacts with short-term market rates, the composite of supply and demand forces in the various sectors of the market is more fundamental than the discount rate in determining the level and structure of interest rates.

Because of expectational or other psychological factors in the market, Federal Reserve actions may have some effects on interest rates in addition to, and even prior to, those resulting from changes in bank reserve positions. Such effects, however, are not likely to be long sustained unless accompanied by changes in basic supply and demand conditions. While market professionals strive to assess the effects of possible System actions on bank reserves, and through their own market transactions try to anticipate changes in interest rates, their judgments are likely to be based primarily on underlying economic developments that shape the demand for and supply of saving—that is, on many of the same developments that influence Federal Reserve policy decisions and actions.

In summary, while the course of interest rates is necessarily influenced by monetary actions, the monetary policy decisions themselves are based primarily on judgments as to the appropriate flow of bank credit and money, and not on judgments as to an appropriate level or pattern of interest rates. To the greatest degree possible, the determination of interest rates is left to freely functioning markets.

Economic Growth, Interest Rates, and Saving

The rate of growth of the economy depends in large part on the extent to which resources are devoted to the production of capital goods that will increase output or services in the future, rather than to the production of goods and services for current consumption. In our free society, choice in the use of resources is partly made through public decisions as to governmental taxation and spending, but it more largely depends on decisions of a multitude of individuals and businesses effected through competitive bidding in the market. The nation's willingness to save represents the degree to which it is willing to refrain from current consumption, and its willingness to invest represents the extent to which it desires to use available resources to increase future output. Monetary policy aids society in its choice as to use of economic resources by exerting an influence toward minimizing cyclical fluctuations that interrupt the growth process and by encouraging relative stability in average prices.

Under long-run conditions of generally high capacity utilization and high investment demand, growth and stability are consistent with relatively low interest rates as long as the economy's willingness to save is great. In a society with high and rising consumption standards, however, rapid rates of economic growth generate tendencies toward price inflation and high interest rates. The encouragement of saving under such conditions helps to release resources to meet investment demand, to lessen upward pressures on prices and interest rates, and to facilitate the growth process.

RESERVES AND RESERVE REQUIREMENTS

In July 1959, the Congress amended the Federal Reserve Act in several respects concerning reserve requirements of member banks and the powers of the Board of Governors in this field. The amendments relate primarily to assets that can be counted as reserves and to the classification of banks for reserve purposes. They do not alter in any fundamental way the established mechanism of reserve requirements or their use for effectuating monetary policies, although they do change some important features of the mechanism.

When the Federal Reserve System was founded in 1913, many students of banking considered that the main purpose of reserve requirements was to assure liquidity of bank deposits. They regarded limitation on the banking system's capability for expanding credit and money as an incidental result of such requirements.

Banking experience under the Federal Reserve Act has made it clear that required bank reserves in themselves do not assure liquidity of bank deposits. For such liquidity, banks must place main reliance on the liquid market assets that they hold, often called "secondary reserves," with supplementary and ultimate reliance on the discount facilities of the Reserve Banks. Experience has also demonstrated that the principal function of the reserve requirement is to serve, along with control over the volume of reserves, as a base for regulating the volume of bank credit and money.

It can be said, accordingly, that the present-day monetary function of a required reserve percentage is to provide the fulcrum for the quantitative regulation of bank credit and money. How large a volume of bank deposits may be generated by a given amount of reserves, in other words, will be determined by the expansion multiple derived from the reserve requirements.

Given a percentage of deposits that commercial banks are required to hold as reserves, the supply of reserve funds available to the banking system sets an over-all limit to bank credit and monetary expansion. If reserve funds available to the banking system exceed the required reserves by more than a customary margin, expansion in bank loans and investments may occur. On the other hand, if the reserve funds available fall short of required reserves, expansion in bank loan and investment assets must come to a halt, and contraction of such assets may occur. Because of these effects, monetary administration in the present-day setting must constantly pay close attention to the relation between the volume and sources of bank reserves and the amount of reserves that banks are required to hold, and to the balance of forces working to change these relationships.

Amendment of Board Authority

The legislation approved July 28, 1959 changed Section 19 of the Federal Reserve Act, which contains the provisions on reserve requirements, in the following separate but related respects:

(1) The Board was authorized to permit member banks to count their holdings of currency and coin as part of the reserves that they are required to hold under the Federal Reserve Act. Previously, only balances on deposit at a Federal Reserve Bank could be counted for this purpose. The scope and timing of any permission for the banks to count such cash in their vaults was left to the Board's discretion.

(2) By no later than July 28, 1962, the category of "central reserve city banks" is to be abolished. For reserve computation purposes thereafter, member banks will be divided into only two classes, reserve city banks and other banks (usually referred to as "country banks"), instead of three.

(3) Effective immediately, the statutory range within which the Board can set the reserve requirements on demand deposits is changed to 10-22 per cent for both central reserve city and reserve city banks. The range for country banks is kept at 7-14 per cent, and that for time deposits for all member banks at 3-6 per cent.

(4) The Board's power to permit individual banks in reserve or central reserve cities to carry lower reserves than the full requirements for those cities, which had been limited to banks situated in outlying districts of cities, was broadened to allow such exceptions to be based on the character of business of banks, wherever the bank may be located.

At the end of 1959, central reserve city banks consisted of 30 member banks in New York and Chicago, including the principal money market banks in those cities, which held altogether about $38 billion of deposits. The reserve cities were those cities having Federal Reserve Banks or branches and 15 other cities which had been so designated, mainly on the basis of their importance as places where interbank deposits were held. The 265 banks designated as reserve city banks, which included some banks in outlying districts of central reserve cities, had about $72 billion of deposits. The remaining 5,938 country banks had about $71 billion of deposits.

In addition to reserve requirements, member banks by practice or necessity hold in their vaults varying amounts of currency and coin, which serve the same function as reserves in limiting the ability to expand credit. Thus the average differentials between classes are not those indicated by the reserve requirement percentages alone. Since cash holdings vary somewhat among individual banks, the effective combined reserve and cash needs differ for banks within the same class.

MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Type of deposit and class of bank	Statutory range of requirements		Requirements in effect during 1959
	Before 1959 legislation	1959 legislation[1]	
Against net demand deposits:			
Central reserve city banks........	13 to 26	10 to 22	18
Reserve city banks..............	10 to 20	10 to 22	16½
Country banks..................	7 to 14	7 to 14	11
Against time deposits:			
All member banks..............	3 to 6	3 to 6	5

[1] Act approved July 28, 1959.

CHANGE IN BOARD REGULATION

The Board of Governors amended Regulation D to permit country banks, effective December 1, 1959, to count any vault cash that they hold in excess of 4 per cent of their net demand deposits, along with balances at a Federal Reserve Bank, toward meeting their reserve requirements; and effective December 3, 1959, to permit reserve city and central reserve city banks similarly to count any vault cash, in excess of 2 per cent.

In amending its regulation to permit this counting of vault cash, the main purpose of the Board, in keeping with a principal purpose of the 1959 legislation, was to reduce the inequity that had existed because some banks found it necessary for operating purposes to hold much larger amounts of vault cash, relative to deposits, than were held by other banks in the same reserve classification.

With permission to count as reserves holdings of vault cash in excess of 4 per cent of net demand deposits, the maximum combined reserve and cash needs for a country bank are fixed at 15 per cent of such deposits. Similarly, with permission to count as reserves any cash holdings in excess of 2 per cent of net demand deposits, the maximum needs of a reserve city bank are fixed at 18.5 per cent and those of a central reserve city bank at 20 per cent. The new provision has the effect of limiting potential variation in combined reserve and cash needs between banks in the same class to less than 4 percentage points for country banks and 2 points for reserve city and central reserve city banks.

The differential between the requirement against net demand deposits for a country bank and that for a reserve city bank, in effect during 1959, was 5½ percentage points, and between a country bank and a central reserve city bank, 7 points. These figures, however, overstate the differences between country banks and others in their total needs for cash and reserve balances, because country banks typically keep in their vaults proportionately larger amounts of currency and coin. Their total holdings of vault cash have recently averaged around 3.5 per cent of their net demand deposits, compared with 1.7 per cent at reserve city banks and 0.6 per cent at central reserve city banks.

The average effective requirement for banks in each class continues to depend in part on the amounts of vault cash actually held. Since for country banks cash holdings up to 4 per cent of net demand deposits are not counted as reserves and since about half of the country banks hold varying amounts less than 4 per cent, the total cash not counted equals about 3 per cent of net demand deposits of all country banks. Added to 11 per cent for required reserves, this makes the average effective requirement for all country banks about 14 per cent. The average amount of cash not counted at reserve city banks is about 1.5 per cent, making the average effective requirement for these banks 18 per cent. That for central reserve city banks, few of which reach the maximum, is about 18.6 per cent.

Computed on the basis of the average effective requirements, the differential between country banks and reserve city banks is about 4 percentage points, or about the same as before the authorization to count some cash as reserves. If a country bank and a reserve city bank hold enough cash to bring them up to the maximum combined requirement percentages of 15 and 18.5 per cent, respectively, the differential between them would be 3.5 percentage points.

Digest of Principal Federal Reserve Policy Actions, 1959

Period	Action	Purpose of action
January–February	Reduced holdings of U.S. Government securities in January by about $1 billion. Member bank borrowings at the Federal Reserve Banks continued at an average of $500 million or more.	To offset the seasonal inflow of reserve funds resulting mainly from the post-holiday return flow of currency from circulation and thus maintain restraint on credit expansion.
March–Mid-July	Increased System holdings of U.S. Government securities by about $1.1 billion. Member bank borrowings rose further to an average of $1.0 billion in mid-July.	To offset partially the absorption of reserves due mainly to a decline of $780 million in gold stock and an increase of about $1 billion in currency in circulation and to keep credit expansion under restraint.
March	Raised discount rates from 2½ to 3 per cent at all Reserve Banks.	To keep discount rates in an appropriate relationship with the rise in market rates resulting from vigorous credit demands and to restrain undue credit expansion.
May–June	Raised discount rates from 3 to 3½ per cent at all Reserve Banks.	
Mid-July–October	Bought and subsequently sold small amounts of U.S. Government securities around periods of Treasury financing and the 3rd quarter tax date. Member bank borrowings averaged about $900 million with temporary increases above $1 billion around Treasury financing and tax payment dates.	To supply special reserve needs for only limited periods in recognition of pressures in money, credit, and capital markets resulting from vigorous public and private demand for credit.
September	Raised discount rates from 3½ to 4 per cent at all Reserve Banks.	To keep discount rates in an appropriate relationship with the rise in market rates resulting from vigorous credit demands and to restrain undue credit expansion.
November–December	Increased System holdings of U.S. Government securities by about $800 million through mid-December and then reduced holdings somewhat. Authorized member banks to count about $300 million of their vault cash as required reserves through amendment to Regulation D, effective December 1, under new legislation. Average borrowings rose to about $1 billion in the last half of December.	To meet part of the temporary end-of-year needs of banks for reserve funds but at the same time to keep bank reserve positions under pressure.

RECORD OF POLICY ACTIONS

FEDERAL OPEN MARKET COMMITTEE

The record of policy actions of the Federal Open Market Committee is presented in the Annual Report of the Board of Governors pursuant to the requirements of Section 10 of the Federal Reserve Act. That section provides that the Board 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, that it 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, and that it shall include in its Annual Report to the Congress a full account of such actions.

In the pages that follow, there is an entry with respect to the policy approved by the Committee at each of the 18 meetings held during the calendar year 1959, which record includes the votes on the policy decisions as well as a resume of the basis for the decisions, as reflected by the minutes of the Committee's meetings. In some cases policy decisions were by unanimous vote, while in others a dissent was recorded. As this record shows, the fact that a decision for a general policy was by large majority or even by unanimous vote does not necessarily indicate that all members of the Committee were equally agreed as to the reasons for a particular decision or as to the precise operations in the open market that were called for to implement the general policy. These shades of opinion, fully expressed at meetings, serve to provide the Manager of the System Open Market Account (who attends the meetings of the Committee) with guides to be used in the conduct of open market operations within the framework of the policy directive adopted.

Set forth below is the policy directive of the Federal Open Market Committee that was in effect at the beginning of 1959, the directive having been approved in this form at the meeting on December 16, 1958. This directive 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. It 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 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 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.

January 6, 1959

Authority to effect transactions in System Account.

The Federal Open Market Committee's directive was approved in the same form that had been adopted at the last meeting of the Committee in 1958 (December 16), calling for a policy of fostering conditions in the money market conducive to sustainable economic growth and stability.

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Balderston, Fulton, Irons, Leach, Mills, Robertson, Szymczak, and Deming. Votes against this action: None.

Presentation and consideration of a detailed review of the regional and national economic and financial situation preceded the Committee's decision to renew the existing policy directive. There was general agreement that the Committee should attempt to maintain about the same degree of restraint on credit expansion during the immediate future that had applied in the recent past. However, there was a considerable body of sentiment that favored resolving doubts in the operation of the System Open Market Account on the side of restricting, rather than easing, the reserve positions of banks.

This policy decision was made against an economic backdrop of maturing recovery with output back or nearly back to prerecession levels, meaning that problems of sustainable growth had now replaced problems of recession. The failure of commodity prices to decline significantly during the recession, the speed and generality of the economic recovery, the persistent rise in common stock prices, the pace of monetary expansion early in 1958, and the size of the current Federal deficit suggested the likelihood of the development of speculative or otherwise unsustainable elements in the further expansion of activity. This posed a key question for Federal Reserve policy as to what rate of monetary expansion would contribute best to the sustainability, without inflation, of prospective economic expansion.

It was noted that the money market had functioned more smoothly in the closing weeks of 1958 than in other year-end periods. Treasury bill rates had reached a peak on December 16 but since then had moved downward. As for bank credit, recent statistics had shown greater expansion than had been apparent a month or two earlier. This was true particularly with respect to a larger than expected growth in loans and investments at country banks, bringing the increase in loans and investments of all commercial banks to around $13 billion for the first eleven months of 1958.

Other factors to which the Committee paid close attention in reaching its decision as to the policy directive included the forthcoming cash and refunding operations of the Treasury, the need for the System to absorb the seasonal return flow of currency into the banking system to prevent the expansion in the reserve base that otherwise would occur, and the continued evidence of speculative fever in the stock market. At the same time, concern was expressed over the persistence of relatively large unemployment.

The conclusion of the Committee that the degree of restraint on credit expansion in the near future should be about the same as in the immediate past, but that any deviation should be on the side of restraint, reflected the foregoing considerations.

January 27, 1959

Authority to effect transactions in System Account.

No change was made at this meeting in the Open Market Committee's directive, thus continuing the policy of conducting operations in the System Open Market Account with a view, among other things, to fostering conditions in the money market conducive to sustainable economic growth and stability.

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.

In reaching its decision as to policy, the Committee gave particular attention to the fact that the monetary basis for continued economic expansion had already largely been established and that forces mostly outside the area of bank credit were likely to determine whether demands for consumption and investment would be of such magnitude and nature as to reduce the volume of unemployment, whether there would be sustainable growth, whether persistent pressures on prices would produce creeping inflation, or whether speculative commitments would create a bubble on a boom that would burst at an early stage.

Analysis of current economic trends led to the conclusion that further recovery to reasonably full utilization of resources and then continued growth at a sustainable rate would depend upon individual decisions with respect to pricing and buying and investment and saving. It appeared that additional stimulants through fiscal or credit policies were not now needed. In fact, the forces already at work might induce commitments of a speculative nature, or lead to pricing policies that would first contribute to inflation but ultimately discourage buying. Consequently, it was the view of the Committee that the current degree of restraint on bank reserves was appropriate under existing circumstances and should be continued, especially in the light of the forthcoming Treasury refunding which indicated the desirability of no change in the general state of the money market until a reasonable time following completion of this Treasury financing.

The Committee members and the other Reserve Bank presidents in attendance at this meeting also discussed the level of the discount rate at the Reserve Banks, then 2½ per cent. Although they recognized that that rate was fixed by the directors of the Federal Reserve Banks subject to review and determination by the Board of Governors, there was a fairly unanimous opinion that no action to change the rate would be desirable prior to completion of the Treasury's February refunding.

February 10, 1959

Authority to effect transactions in System Account.

The Committee again renewed without change its directive that set forth a policy of fostering conditions in the money market conducive to sustainable economic growth and stability.

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

Careful consideration by the Committee of business and financial developments preceded its decision to renew its existing policy directive. Widespread but small further increases in industrial production were reported, and prices for some strategic industrial materials had risen further. On the whole, business recovery appeared to be continuing at a moderate pace, although unemployment had risen about seasonally during January.

In reaching its decision to make no change in policy and to maintain the same degree of pressure on bank reserve positions that had been exerted recently, the Committee took particular account of the fact that the large and almost continuous schedule of Treasury borrowings, together with potentially large private credit demands, showed every likelihood of bringing the capital markets increasingly under pressure, thus tightening credit conditions even without any aggressive System effort at restraint. The Committee also considered the prospect that the upward trend of interest rates caused by such borrowing might be sharper than would be appropriate for the general state of business activity. Nevertheless, the view was expressed by a few members that any doubts in arranging transactions for the Open Market Account, pursuant to the terms of the directive issued at this meeting, should be resolved on the side of restraint rather than of ease.

There was further discussion at this meeting of the Reserve Bank discount rate level in relation to the open market policy being followed and to prevailing market rates. Several of those present expressed the opinion that action by the Reserve Bank directors to increase the discount rate level soon after the Treasury's large February refunding operation had been completed would be appropriate and consistent with current open market policy.

March 3, 1959

1. Review of continuing authorities or statements of policy.

This being the first meeting of the Federal Open Market Committee following election of new members by the Federal Reserve Banks for the year beginning March 1, 1959, and assumption by them of 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, Allen, Balderston, Deming, Erickson, Mills, Robertson, Shepardson, Szymczak, and Bryan. 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, Allen, Balderston, Deming, Erickson, Mills, Robertson, Shepardson, Szymczak, and Bryan. Vote against this action: Mr. Hayes, Vice Chairman.

Mr. Hayes stated that he continued to have the same reservations as a year ago about the wording of this statement, which he would vote to approve 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, Allen, Balderston, Deming, Erickson, Mills, Robertson, Shepardson, Szymczak, and Bryan. Vote against this action: Mr. Hayes, Vice Chairman.

Mr. Hayes said that he would vote to approve this 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.

No change was made at this meeting in the directive of the Committee, thus continuing the policy of fostering conditions in the money market conducive to sustainable economic growth and stability.

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

The state of economic activity appeared to be one of budding inflationary boom. The economy had now about attained the preceding cyclical high in industrial production, and it was exceeding the high in terms of aggregate output of goods and services. Business demands for fixed capital and for stock were expected to gain strength as expansion continued. The response of industrial prices to increasing demands had been at least as prompt and as strong thus far during 1959 as in the two preceding postwar expansions, with increases fairly widespread and encompassing finished products as well as materials.

Although this was the general picture, unemployment was still sizable at 6 per cent of the labor force. Further, the sharp rise that had taken place in the operating rate in the steel industry was believed to reflect to some extent precautionary buying against a possible strike, rather than a corresponding increase in final demands for steel products.

The financial situation suggested that there was adequate liquidity to finance further expansion and that under the circumstances further growth in the money supply might not be necessary for some time—at least not until there was evidence that unfulfilled monetary needs might be unduly retarding growth.

The foregoing considerations led the Committee to conclude that the policy directive should be continued without change, with the understanding as expressed by a majority of the Committee that about the same level of restraint should be maintained on bank reserves as at present and that any doubts on the part of the Account Management regarding transactions to be effected should be resolved on the side of restraint. However, a minority view was that any greater pressure than presently evidenced was unnecessary and might be unwise, and in fact that the occasional appearance of free reserves (excess reserves in excess of member bank borrowings from the Reserve Banks) could be psychologically desirable.

The members of the Open Market Committee and the other Federal Reserve Bank presidents who were in attendance at this meeting also discussed the level of the discount rate at the Federal Reserve Banks. A majority indicated the belief that the 2½ per cent rate was clearly out of line and that early adoption of a 3 per cent rate would be more appropriate.

March 24, 1959

Authority to effect transactions in System Account.

The Open Market Committee renewed without change its directive to the Federal Reserve Bank of New York, which specified that operations should be with a view, among other things, to fostering conditions in the money market conducive to sustainable economic growth and stability.

> Votes for this action: Messrs. Balderston, Chairman pro tem, Allen, Deming, Erickson, Mills, Robertson, Shepardson, Szymczak, Bryan, and Treiber. Votes against this action: None.

The Committee's decision to continue the policy directive in its existing form followed a review of national and regional business and credit conditions from which it appeared that economic activity was continuing its upward swing, with further gains noted in a number of the leading indices, including the index of industrial production. Prices of industrial materials had risen somewhat further, while prices of agricultural commodities had declined, and the average of all wholesale prices was fairly stable. The most recent statistics, for February, indicated that both employment and unemployment were little changed.

Since the March 3 meeting of the Committee, financial markets had absorbed with remarkably little disturbance the effects of an increase in Federal Reserve Bank discount rates from 2½ per cent to 3 per cent earlier this month, some tightening of bank reserve positions, the demands of the corporate tax and dividend payment period, and the announcement of a Treasury cash financing operation totalling $4 billion. The explanation of this relative calmness in money markets during a period of special pressures seemed to lie partly in the moderateness of current credit demands, but more largely in the general state of liquidity of the economy.

The consensus favored maintaining about the degree of restraint that had prevailed during the preceding three weeks, with the impending Treasury financing operation one factor that suggested no change in open market policy. During the discussion, one view was expressed that doubts arising in the conduct of open market operations should be resolved on the side of ease and that near-term System policy should be directed toward maintaining only sufficient pressure on reserves to aid the redistribution of the Treasury's new security offerings out of the underwriting commercial banks into permanent hands. However, most members of the Committee concluded that recent policy had been appropriate and should be continued.

April 14, 1959

Authority to effect transactions in System Account.

The policy directive calling for operations in the System Account with a view to fostering conditions in the money market conducive to sustainable economic growth and stability was again renewed.

Votes for this action: Messrs. Hayes, Vice Chairman, Balderston, Deming, Erickson, Mills, Robertson, Shepardson, Szymczak, Bryan, and Fulton. Votes against this action: None. Mr. King did not vote on this action.

A consideration of importance to the Committee in the determination of policy at this juncture was the situation of the Treasury. From the $4 billion cash financing operation that had been completed on April 1, there remained for the banks and dealers the task of distributing a large portion of their acquisitions to the investing public. In the offing were the Treasury's large May refunding and another cash financing operation, while holders of the 4 per cent notes of August 1961 had until the end of this month the option of deciding whether to turn in those notes by August 1, 1959, in lieu of holding them to maturity. In the Government securities market, a slow but steady deterioration of atmosphere had developed since the first of April, with nonbank demand for securities off substantially and buyers for commercial bank offerings of the Treasury's latest issues more difficult to locate.

Reflecting the heavy schedule of Treasury financing ahead and continued improvement in the business situation, there appeared to be a growing belief in the market that interest rates were likely to move higher. As to the business situation, recent data provided a record of general economic advance, with available statistics for March indicating advances in industrial production, housing starts, and personal income, along with continued accumulation of business inventories. A greater than seasonal rise in employment was reported, and creeping advance in average prices of industrial commodities was noted.

The consensus at this meeting in terms of policy for the three-week period ahead called for maintenance of about the same degree of restraint as had existed during the past three weeks. However, the mixture of views contributing to the consensus covered a rather wide spectrum of opinion. There were those who felt that the Treasury problem was a reason for moving cautiously and that a certain degree of caution might in any case be warranted by the lack of definite evidence of inflationary threats at the present time. There were also those who believed that the economy was reaching toward boom proportions and who concluded with only the greatest reluctance that the System should refrain from further restrictive measures because of the Treasury's financing program, while a small minority would have favored some probing in the market toward increased restraint. It was out of this mixture of views that there came agreement that the existing policy directive should be renewed without change and that operations in the immediate future should continue as nearly as practicable the existing degree of pressure against credit expansion.

May 5, 1959

Authority to effect transactions in System Account.

The decision of the Committee at this meeting was to renew without change the policy directive that called for operations with a view to fostering conditions in the money market conducive to sustainable economic growth and stability.

> Votes for this action: Messrs. Balderston, Chairman pro tem, Deming, Erickson, King, Mills, Robertson, Shepardson, Szymczak, Bryan, Fulton, and Treiber. Votes against this action: None.

The Treasury being in the midst of a large refunding and cash financing operation, with the new securities to be issued the next week, the consensus at this meeting of the Federal Open Market Committee favored continuing the existing degree of restraint for an appropriate period following the Treasury financing. However, upon review of current business and financial data, it was the majority view that it would be desirable to move toward greater restraint as soon as feasible after the Treasury financing and that revision of the policy directive might be indicated at the next meeting of the Committee.

The economic report was one of strongly expanding demand, rising productive activity, advancing prices at wholesale, and strongly optimistic business and financial expectations. Labor market data pointed to further strengthening of demands for manpower, and altogether the domestic expansion in process was suggestive of developing inflationary boom. Internationally, a pick-up of activity in key industrial countries and improvement in the balance-of-payments positions of material-supplying areas indicated that a general upturn in world output and trade was under way.

Pressures on financial markets had increased during April, apparently reflecting expanding monetary and credit demands incident to the continuing advance of business activity rather than limitations on the supply of credit. Demands on long-term capital markets had been moderate, but bank loans (particularly consumer instalment credit) had increased more than seasonally and banks also had been endeavoring to distribute Government securities taken on in the April 1 financing. Mortgage demands continued large and real estate loans at banks had increased more than at any time since 1955. The stock market had risen to new high levels and stock market credit continued to increase. Interest rates had continued to rise further. Reflecting these factors, member bank borrowings from Federal Reserve Banks had risen in recent weeks to an average of around $700 million.

Although the majority of the Committee agreed that it would be desirable to move towards greater restraint on credit expansion as soon as feasible after the current Treasury financing was completed, a minority point of view cautioned against a monetary policy that might defeat and finally counteract what could prove to be only normal economic growth by touching off a spiral of contractive credit forces. A specific danger cited was that undue restraint on the growth of the money supply could result in harmful consequences to the Government securities market if commercial banks were forced to liquidate unduly large amounts of securities in order to fulfill lending obligations to their customers.

May 26, 1959

Authority to effect transactions in System Account.

Clause (b) of the first paragraph of the Committee's policy directive was revised at this meeting so as to provide for increased restraint on credit expansion. This was indicated by adoption of wording specifying that open market operations should be conducted with a view "to restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities." This replaced the clause of the directive that had been in effect since December 16, 1958 calling for operations with a view "to fostering conditions in the money market conducive to sustainable economic growth and stability."

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Deming, Erickson, King, Robertson, Shepardson, Szymczak, and Bryan. Vote against this action: Mr. Mills.

Productive activity was spurting ahead and the economic climate had become distinctly more inflationary, according to reports at this meeting. Industrial production in April, which carried the Board's index up two points in a month for the third consecutive month, reflected principally gains in output of durable goods industries, including both producer and consumer lines. Data available for May suggested another two-point advance in the index for that month. Personal income had been climbing for several months at an annual rate of more than $3 billion a month, principally because of higher wage and salary payments. Reflecting this improvement in personal income, retail sales (seasonally adjusted) in April carried beyond the large March volume and were about 12 per cent higher than the cyclical low point of March 1958. A robust expansion of consumer instalment credit, which had been in process since late 1958, supported rising sales of automobiles and household durables.

Housing starts in April, seasonally adjusted, were at the annual rate of 1.4 million, and the total of starts in the first four months of 1959 was the highest on record for a comparable period. Total construction contract awards in April had reached the highest level on record, 31 per cent above a year earlier. Marked improvement in the employment situation also had occurred in April, and the unemployment problem appeared to be diminishing in scope to certain pockets of structural unemployment. Industrial prices rose further in April and an additional advance was taking place in May; at mid-May, the level was up 2.5 per cent from a year earlier and stood 2 per cent above the prerecession high reached in 1957. Consumer prices advanced slightly in April, with a further modest rise indicated for May.

In financial markets, the month of May was characterized by unseasonably large credit demands and further increases in interest rates to the highest levels for some years. Nearly all interest rates rose except yields on three-month Treasury bills, which continued in the 2¾ to 3 per cent range that had prevailed generally since late February. Yields on long-term Treasury bonds and on both new and seasoned corporate issues had now risen to the highest levels since the 1920's. On May 15, large city banks announced an increase from 4 to 4½ per cent in their lending rate on prime customers' loans.

Following an exceptionally large increase in bank loans at all commercial banks in April, city banks showed a further loan expansion in the first three weeks of May. The increase had been particularly large in business loans, but real estate and consumer loans also showed marked increases. The ratio of total loans to total loans and investments of banks now stood close to the high level reached in 1957. The aggregate money supply, after adjustment for seasonal variations, showed an advance in recent months at an annual rate of 4 per cent or more, and in addition the turnover of bank deposits had been increasing in recent months.

The large May refunding and cash operations of the Treasury were now completed, and it appeared likely that no additional borrowing would be necessary until early July. Nevertheless, the expansion in credit demands during April and May had brought increased pressure on the reserve positions of banks, as indicated by the rise in borrowings at the Federal Reserve Banks and the accompanying increase in the level of net borrowed reserves.

Upon review and analysis of the over-all situation, including the continuing United States balance-of-payments deficit, the Open Market Committee reached the conclusion that the current level of restraint imposed by monetary and credit policy was not sufficiently restrictive and that an intensification of restraint was required. Reports presented by the Reserve Bank presidents at this meeting indicated the possibility that the directors of the respective Federal Reserve Banks would move soon to fix the discount rate at a level higher than the prevailing 3 per cent—probably 3½ per cent. On the assumption of a rate increase of no larger proportions, the Committee favored conducting open market operations with a view to exerting additional pressure as rapidly as that could be done without creating an untenable condition in the market for Government securities.

Although the firmer tone desired by the Committee was not expressed in terms of a specific target of net borrowed reserves (an excess of member bank borrowings at the Reserve Banks over their excess reserves), it was noted that additional restraint could be brought about in the next few weeks by letting natural factors take their course. On the basis of projections before the Committee as to factors affecting the supply of and need for reserves in the weeks ahead, it appeared that under such a procedure net borrowed reserves, which recently had been running in the neighborhood of $250 million, would move upward toward the $500 million level.

In the current circumstances, the policy directive to the Federal Reserve Bank of New York was deemed to be in need of revision. Accordingly, after consideration of several suggestions, it was decided that clause (b) of the first paragraph of the directive, which since December 1958 had provided for operations with a view "to fostering conditions in the money market conducive to sustainable economic growth and stability," should be changed to provide for operations with a view "to restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities."

Mr. Mills, who voted against approval of the revised policy directive, indicated that apprehensions he previously had expressed had not diminished with respect to the delayed and violent financial and economic reactions that he sensed to be in the offing when the cumulative pressures inherent in present monetary and credit policy took their full effect. He cautioned against undue alarm concerning anticipated events that had not yet come into clear perspective.

June 16, 1959

Authority to effect transactions in System Account.

Since the previous Open Market Committee meeting (May 26), the discount rate at each of the Federal Reserve Banks had been increased from 3 per cent to 3½ per cent. While prices of Treasury notes and bonds remained virtually unchanged following this increase, rates on bills of longer maturities moved up slightly and those on 91-day bills advanced fairly sharply.

As envisaged by the consensus at the May 26 Committee meeting, natural market factors had been allowed to have their effect since that time in order to bring about an increase in the degree of restraint. Net borrowed reserves, for example, rose from slightly over $300 million in the week ended May 27 to more than $500 million in the following week and continued around that level.

In addition to seasonal demands that would require additions to reserves during the latter part of June, it was noted that, within the three-week period following this meeting of the Committee, the Treasury was to conduct another cash financing operation in which it was anticipated that around $3.5 to $4.5 billion of new money would have to be raised, presumably again in the short-term area.

In considering the course of System policy, the Committee had before it reports indicating further economic expansion on a broad front to new high levels. Production, sales, income, and employment showed increases, while unemployment in May fell below 5 per cent of the labor force for the first time since the end of 1957. Businesses were adding to their inventories at an unusually high rate and had revised upward their plans for new plant and equipment expenditures. Total bank credit expansion, including that of the Federal Reserve Banks, appeared to have been adequate to meet the persistent gold outflow and provide for further expansion of the money supply. Abroad, general economic expansion seemed clearly in process, with principal foreign countries continuing to show a strong balance-of-payments situation and to accumulate gold and dollar reserves.

On the basis of business and credit conditions and in view of the forthcoming Treasury financing, the consensus favored continuance of the present open market policy of restraint on inflationary credit expansion. While a number of Committee members expressed the hope that the Account Management would be able to avoid any development of less restraint against credit expansion, others urged caution against operations that might result in excessive tightness.

With no change in policy indicated by the consensus at the meeting, the Committee continued without change the directive, adopted at the May 26 meeting, which was stated in terms of restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

Votes for this action: Messrs. Hayes, Vice Chairman, Allen, Deming, Erickson, Johns, King, Robertson, Shepardson, and Szymczak. Votes against this action: None.

July 7, 1959

Authority to effect transactions in System Account.

It appeared to the Committee that a number of major expansive influences that had been operating in the economy, including residential construction, inventory accumulation, and gains in industrial productivity, might now have passed their maximum rates of growth and that some slowdown in the rapid pace of advance could be expected during the next few months. A major industrial uncertainty was the possibility of a strike in the steel industry. However, for the period up to the time of this meeting, the data reflected continuation of a vigorous expansion in economic activity. Industrial production apparently had increased further in June, while estimates placed gross national product for the second quarter up $10 billion from the first quarter of the year in terms of both current and constant dollars. Expanding consumer demand was being supported by a rapid growth of consumer instalment credit, which increased in the April-May period at an annual rate in excess of $5 billion.

During June, money markets were under pressure from continued strong credit demands. The restricted availability of bank reserves made it necessary for banks to reduce their holdings of securities by large amounts in order to meet these demands, and a high level of borrowings at the Federal Reserve Banks also kept the banks under restraint. It now appeared that growth in the money supply during the first six months of 1959 had been at an annual rate of about 2 per cent but that only a small increase had taken place in May and none in June.

At the time of this meeting, interest in the Government securities market focused on the new Treasury financing, which involved the offering of a total of $5 billion of bills at auctions on July 1 and July 8 in addition to the regular weekly bill auctions. There had been pronounced increases in interest rates in recent weeks, and in the regular Treasury bill auction on the day preceding this meeting demand for both long- and short- bills was light, resulting in an average rate of 3.26 per cent for the 91-day bills and 3.96 for the 182-day bills. Awards to dealers had totalled $587 million, and the result of that auction indicated another upward adjustment in bill rates.

For the period immediately ahead, it was the consensus that there should be no change in open market policy. However, in view of the difficult Treasury financing situation, the instruction to the Manager of the System Open Market Account was tempered with the proviso that, in carrying on operations for the Account, doubts should be resolved on the side of ease during the period of Treasury financing.

In view of the decision of the Committee to make no change in policy, and with the indicated understanding as to resolving doubts on the side of ease, the directive calling for restraint on inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities was again renewed without change.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Deming, Johns, King, Mills, Shepardson, Szymczak, and Bopp. Votes against this action: None.

July 28, 1959

Authority to effect transactions in System Account.

At this meeting the Open Market Committee continued without change the policy directive providing for restraint on inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Deming, Erickson, Johns, Mills, Robertson, and Shepardson. Votes against this action: None.

Financial developments during July had been dominated by the massive Treasury operations, which included not only the raising of $5 billion of new cash through two bill offerings but the subsequent refunding of $14 billion of issues maturing on the first of August. Difficulties and uncertainties connected with the earlier Treasury operations resulted in a sharp rise in rates to the level of 4¾ per cent for a one-year issue, but this rate attracted funds from widespread sources. The refunding offer at 4¾ per cent on both a 12½ month issue and a 4-year, 9-month issue was successful, with unusually low attrition. As a consequence, the tone of the Government securities market had improved somewhat, and the amount of prospective new Treasury financing in mid-August was reduced.

(On July 16, 1959, the Open Market Committee, by poll of the available members, authorized exchange of as much as one-half of System Open Market Account holdings of $8,143 million of Treasury certificates of indebtedness maturing August 1, 1959, into 4¾ per cent notes maturing May 15, 1964, the remainder to go into 4¾ per cent notes maturing August 15, 1960. Only $2.6 billion of the Account's certificate holdings actually were exchanged into the 1964 notes. The purpose of this authorization was to assist the Treasury in evening out the maturity schedule.)

Almost all recent economic data continued to reflect rapid growth. Expansion in the second quarter of 1959 proved to have been more vigorous than earlier figures had indicated, with gross national product rising at an annual rate of $13 billion above the previous quarter. The increase over the quarter in physical volume amounted to about $10 billion, so that there was $3 billion of inflationary price rise, i.e., an annual rate of a billion dollars a month. Consumer spending advanced by the near-record rate of $7.5 billion during the quarter. Demand for producer durable goods was strong, reflecting both increased consumer spending and rising business investment, and construction activity continued at close to peak levels in June. Although wholesale prices of industrial commodities marked time, the consumer price index showed an abrupt rise of .4 per cent in June. A major uncertainty was introduced into the economic situation by the steel strike that began July 15 after extensive negotiations failed to produce a settlement. Another matter of concern accompanying the expansion in business was the balance-of-payments situation; it now appeared that the total accumulation of gold and dollar assets by foreign accounts in 1959 might be over $4 billion, compared with $3.4 billion in 1958.

The generally strong business picture, the strength of credit demands, the need to keep the Treasury's seasonal deficit financing in the next few months from swelling the money supply unduly, prospective wage and price developments, and the failure of the balance of payments to show improvement appeared clearly to justify continued monetary restraint. On the other hand, the steel strike had injected a major element of uncertainty into the outlook, and the situation in the Government securities market remained delicate in spite of the successful Treasury refunding. Thus, although an opinion was expressed that such inflationary pressures as now existed would be adequately contained by a more moderate degree of restraint, the consensus favored aiming as far as practicable at the same degree of restraint on credit expansion as currently prevailed. Accordingly, the directive was renewed without change.

August 18, 1959

Authority to effect transactions in System Account.

The conclusion reached by the Open Market Committee was to aim toward maintenance of the status quo, that is, continuation of the existing degree of restraint, during the period immediately ahead, with no change at this time in the policy providing for System open market operations with a view to restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities. Accordingly, the directive was renewed in the form that had been in effect since May 26.

Votes for this action: Messrs. Martin, Chairman, Allen, Balderston, Deming, Erickson, Johns, King, Mills, Szymczak, and Treiber. Votes against this action: None.

In discussion leading to this conclusion relative to the course of open market policy, the Committee gave consideration to whether the present economic situation and prospective developments justified moving in the direction of additional restraint during the two-week period before its next meeting, scheduled for September 1, 1959, or, on the other hand, whether the tendency should be in the direction of leaning slightly on the side of ease.

The business and financial position was characterized by strong and broadly-based demands despite the month-old steel strike, and general optimism was reported to prevail with respect to the business and employment outlook over the next few months. There continued to be reports of strong demand for bank credit, widely distributed among different types of borrowers. The index of industrial production dropped 2 points in July, but this was accounted for by the steel strike along with adjustments from the abnormal levels of activity in some sectors of the economy that had been attained in the past few months in anticipation of the strike. However, approximately 5 per cent of the labor force (exclusive of those on strike) was unemployed, and some excess production facilities were still available. Although the volume of commercial bank loans had expanded, this expansion was accompanied by substantial divestment of Government securities by the banks. This trend, together with the continued high level of member bank borrowing at the Federal Reserve Banks, suggested to some the possibility that monetary and credit policy may have been more restrictive than appeared from surface indications. The consensus that emerged from consideration of these and other factors favored continuing the present degree of restrictiveness at least until the next Committee meeting.

September 1, 1959

Authority to effect transactions in System Account.

The two-week period since the previous meeting of the Open Market Committee was marked by a further steep increase in Treasury bill rates. The rate on three-month bills, which was at the 3 per cent level in late July and moved up to 3.40 per cent by mid-August, had now increased to a point where the average rate in the auction on the day prior to this meeting was 3.89 per cent. In the same auction the average rate on six-month bills was 4.47 per cent, almost 75 basis points above the average rate in the auction on August 17. This rise in rates reflected continued sales of short-term securities by banks in order to meet an exceptionally strong loan demand, reduced demand for Treasury bills on the part of nonbank buyers as seasonal increases in cash needs approached, and further additions to the supply of bills. The current rate level caused attention in the market to focus on the Reserve Bank discount rate (3½ per cent) and the commercial bank prime rate (4½ per cent); uncertainties with respect to the latter rate were resolved when an increase to 5 per cent was announced on the morning of this meeting.

Aside from the influence of work stoppages attributable directly or indirectly to the steel strike, the economic picture presented at this meeting appeared to be one of widespread strength. Construction activity, although showing moderate decline from the all-time record level of April and May, was at a rate one-third higher than a year earlier. New orders and sales figures for durable goods manufacturers reflected marked strength in most lines, retail sales continued vigorous, and consumers continued to seek and incur instalment and mortgage debt at a near-record pace. After rising in June, United States exports reached a seasonally adjusted rate in July one-fifth above the level earlier in the year. While prices of industrial commodities showed relative stability, the consumer price average rose in four consecutive months through July, with a broad range of price increases.

Discussion at this meeting revealed cross currents of thinking with respect to the appropriate posture of System policy at this juncture. Among other things, it was pointed out that the level and trend of Treasury bill and other short-term market rates, together with the increase in the commercial bank prime rate, raised a substantial question as to the practicability of indefinite continuation of the existing Reserve Bank discount rate.

With respect to the appropriateness of the current degree of credit restraint, some sentiment was expressed to the effect that it would be a mistake to await settlement of the steel strike before moving to a more restrictive position. This point of view suggested that there should be some reluctance on the part of the System in meeting seasonal reserve needs and some increase in the level of net borrowed reserves. A different point of view expressed by one member of the Committee held that recent developments indicated that current System policy was unduly restrictive and that its continuation might not be consistent with the System's objective of fostering longer-run economic growth and stability. This opinion suggested that System policy traditionally had sought to meet seasonal credit needs and that there should be no doubt about doing so at this time.

The majority of the Committee favored maintenance of the existing degree of pressure on reserve positions of banks in the period immediately ahead, but no intensification, which would mean supplying reserves to meet the usual seasonal increase in money and credit needs during the next few weeks. Factors influencing the thinking of the majority included the uncertainties attendant upon the steel strike and the further complications that might be created in the Government securities market by the exertion of additional restraint at this time.

Some consideration also was given to the possibility of a revision of the Committee's directive to the Federal Reserve Bank of New York. However, in view of the consensus that there should be no move at this point toward either more or less restrictiveness on reserves, the Committee made no change in the existing directive, providing for open market operations with a view to restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

Votes for this action: Messrs. Martin, Chairman, Allen, Balderston, Deming, Erickson, King, Mills, Robertson, Shepardson, Szymczak, Bryan, and Treiber. Votes against this action: None.

September 22, 1959

Authority to effect transactions in System Account.

The directive to the Federal Reserve Bank of New York was renewed without change, continuing the Open Market Committee's policy of restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Deming, Erickson, Johns, King, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: None.

The Committee's decision to renew the existing policy directive was made after presentation and consideration of a detailed review of the national and regional economic and financial situation. Although no change was made in the directive that provided for restraint on inflationary credit expansion, the Committee qualified its instruction to the New York Reserve Bank with an understanding that to whatever extent operations in the open market for the System Account might result in deviations from the existing degree of restraint on the reserve positions of banks, such deviations preferably should be on the side of reducing restraint. The large majority of Committee members favored this understanding, but the opposite view was put forward, namely, that any such deviations from the existing degree of pressure be on the side of greater restraint.

This policy decision was made against the background of information showing that, despite the spreading effects of the steel and other strikes, economic activity and credit demands were continuing at a high level. The discount rates of all Federal Reserve Banks had been increased from 3½ per cent to 4 per cent since the September 1 meeting, and rates on the longest outstanding Treasury bills had been bid at above 5 per cent. Some uncertainties were expressed as to the near-term future, depending on the settlement of the steel strike, but with demand for credit continuing strong, bank reserve positions remained under pressure. The banks continued to dispose of Government securities to help in meeting loan demands, and the Government securities market had weakened around mid-September as nonbank holders liquidated securities to meet quarterly tax and dividend payments. Investor demand was low, the market supply of Treasury securities was large, and it was noted that a new short-term Treasury financing expected in October would add further to the supply of securities on the market.

Some concern was expressed about the difficulties that the Treasury might expect in its imminent cash financing operation. The point also was made that the anti-inflationary policy that had been followed for some months was contributing to a tempering of business and investor exuberance in forward expectations and planning. Another factor noted was that the seasonal increase in demand for credit during the fall of the year would tend automatically to increase pressure on banks, even though additional amounts of reserve funds were supplied to the market by the Federal Reserve in accordance with projections of aggregate needs of the banking system.

The conclusion of the Committee that the degree of restraint to be maintained in the market during the next few weeks should be about the same as in the recent past, but that any deviations preferably should be on the side of less restraint, was a reflection of such considerations as the foregoing, even though there was recognition of factors to suggest a rapid recovery in economic activity, perhaps developing boom characteristics, after production of steel was renewed.

October 13, 1959

Authority to effect transactions in System Account.

At its preceding meeting (September 22, 1959), the Open Market Committee made no change in the existing policy directive calling for restraint on inflationary credit expansion, with the instruction to the Federal Reserve Bank of New York qualified by the understanding that, to whatever extent System Open Market Account operations might result in deviations from the existing degree of restraint, such deviations preferably should be on the side of reducing the degree of restraint.

At the time of this meeting (October 13), the business and financial outlook was obscured by the cumulative impact of the steel strike. Important economic developments since late spring suggested a possibility that the danger of inflationary boom might have been overcome, although a positive judgment in this respect awaited settlement of the steel strike and the results flowing from such a settlement. The Committee's analysis of the domestic situation gave little reason for either increasing restraints or providing additional stimulants to the economy, and in these circumstances the consensus favored watchful waiting and marking time in the period immediately ahead.

One member of the Committee, Mr. Mills, in whose opinion a moderating of the policy of credit restraint had long been in order, dissented from the policy indicated by the consensus, although only mildly at this particular juncture. Mr. Mills felt that a gradual shift in policy toward relaxation of restraint was called for and that a cautious approach in shaping the supply of reserves and expanding the availability of credit was required in order to avoid provoking an artificial distortion in the structure of interest rates. While certain other members of the Committee also favored a mild backing away from the present degree of restraint, in those cases the shades of difference involved were not sufficient to cause them to record disagreement with the policy indicated by the consensus. Mr. Mills, although dissenting to the extent indicated from a policy of watchful waiting and marking time, joined in the unanimous vote to continue the existing directive to the Federal Reserve Bank of New York, which provided for restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

Votes for this action: Messrs. Martin, Chairman, Allen, Balderston, Deming, Erickson, King, Mills, Robertson, Shepardson, Szymczak, and Treiber. Votes against this action: None.

November 4, 1959

Authority to effect transactions in System Account.

The Open Market Committee again renewed without change its directive to the Federal Reserve Bank of New York calling for operations with a view to restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

Votes for this action: Messrs. Hayes, Vice Chairman, Allen, Balderston, Deming, Erickson, Johns, King, Robertson, Shepardson, and Szymczak. Vote against this action: Mr. Mills.

Renewal of the directive reflected the conclusion of the Committee, after analysis of business and financial developments, that there should be no change in basic policy at this time and that in implementing the policy decision, operations for the Open Market Account should aim at maintaining a feeling of stability in monetary and credit conditions and assuring the availability of funds for seasonal credit needs.

In reaching its decision as to policy, the Committee gave careful consideration to the continuing lull in economic activity and in monetary and credit demands. This lull, which had been evident at the October 13 meeting and which led to the suggestion that current developments pointed less in the direction of inflationary boom than was earlier considered likely, was associated largely with the steel strike and its cumulative impact on various segments of the economy. Despite the strike, demand, particularly at the consumer level, remained strong, and an upward tilt was visible in prices for consumer goods and most basic industrial materials. Nevertheless, following a year of heavy pressures in the over-all demand for funds, some moderation of expansive pressures had appeared in late September and continued to characterize the financial markets. At this stage, however, it was questionable whether this moderating of pressures reflected a change in trend or simply a passing phase.

In voting against continuing the existing directive, Mr. Mills proposed revising clause (b) so that it would provide for "fostering sustainable economic growth and expanding employment opportunities while guarding against inflationary credit expansion." This suggestion reflected his judgment that uncertainties as to the future were strong enough to argue for a monetary and credit policy that would lessen the degree of restraint on credit expansion. Certain other Committee members expressed themselves as leaning toward a slight easing of restraint, but only to the extent that this might be accomplished within the framework of the existing policy directive. None expressed the view that there should be an intentional increase in the degree of restraint at this time.

November 24, 1959

Authority to effect transactions in System Account.

The policy directive providing for restraint on inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities was again renewed by the Open Market Committee.

> Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Deming, Erickson, Johns, King, Robertson, Shepardson, and Szymczak. Vote against this action: Mr. Mills.

The consensus of this meeting favored maintaining the same degree of restraint. In reaching this conclusion as to the objective that should guide open market operations in the ensuing three-week period, the Committee had in mind that the period of heaviest pre-Christmas drain on reserves was now beginning and that the financial markets would be subject to the usual special pressures of the season. In addition, the $2 billion Treasury cash financing operation for which subscriptions were being received the day of this meeting suggested no change in the degree of restraint.

Activity in the steel industry had been resumed for approximately two weeks, after a four-month interruption, under a Taft-Hartley Act injunction. Steel production had climbed to about 80 per cent of capacity in the week before this meeting, and a 90 per cent rate was estimated for the current week. Nevertheless, the outlook as to the rate of economic advance remained uncertain, particularly since it was not yet known when and how the steel and other major labor disputes might ultimately be settled and what would be the continuing and indirect effects of shortages that had accumulated during the work stoppage.

Evidence of the underlying strength in the business situation that had prevailed despite the strike led to expression of the view by some members of the Committee that settlement of the steel dispute might result in a sharp upsurge marked by unsustainable elements of expansion and strong pressures for price increases. Those expressing this view urged that the trends be watched carefully, although they did not propose that the current degree of credit restraint should be intensified at this point. The view also was presented that the System should be ready to move in the direction of lessening restraint if a pattern of reduced pace of economic expansion should emerge. It was noted, among other things, that stability of the money supply and money velocity had prevailed over recent months and that the seasonal growth of bank credit this fall had been somewhat below normal, reflecting at least in part a slackening in economic activity and monetary needs related to the steel stoppage. At the same time, the public's holdings of liquid assets in the form of short-term Government securities had continued to increase. Under all these circumstances, the consensus was that the current open market position was not unduly restrictive or stimulating and should be continued.

Mr. Mills, who voted against continuing the existing policy directive, renewed the suggestion he had made at the meeting on November 4 that clause (b) be amended to provide for "fostering sustainable economic growth and expanding employment opportunities while guarding against inflationary credit expansion." This suggestion reflected his view that the availability of credit had been brought to a point where the commercial banking system was restricted in making its normal contribution creditwise to growth and stability.

December 15, 1959

Authority to effect transactions in System Account.

The Open Market Committee continued the policy directive calling for restraint on inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

Votes for this action: Messrs. Martin, Chairman, Hayes, Vice Chairman, Allen, Balderston, Deming, Erickson, Johns, King, Robertson, Shepardson, and Szymczak. Vote against this action: Mr. Mills.

At the time of this Committee meeting, the last held during calendar year 1959, a substantial recovery of industrial production from the setback due to the steel strike was under way. With full-scale output restored in the steel and to a large extent in the steel-dependent industries, it was anticipated that the Board's index of industrial production, placed at 147 for October and estimated at 148 for November, would advance further in December by five or more index points. Retail sales showed widespread gains in November in lines other than automobiles, and early December figures indicated some additional advance. Employment rose moderately in November, the gain being concentrated mainly in durable goods industries, while wholesale price averages were marked by relative stability and consumer prices continued to veer upward. Buying at the consumer level was supported by a further strong growth of instalment credit. Recent data confirmed that the balance-of-payments position of the United States had not deteriorated further and probably had strengthened somewhat. Abroad, the expansion of economic activity in industrial nations continued to be vigorous.

Domestically, prospects seemed weighted toward resumption of an expansionary movement. Although the trend in housing construction was downward from a very high level and a similar trend prevailed with respect to agricultural commodity prices, most general business indicators appeared likely to reach or exceed previous records in the near future. As yet, however, evidence of a general scramble for inventories was lacking, and latest estimates of plant and equipment expenditures suggested somewhat less of an upward trend than had been expected earlier. With the injunction period under the Taft-Hartley Act due to expire in January and labor-management negotiations apparently making little progress, the ultimate outcome of the wage dispute in the steel industry remained in doubt.

Largely in response to usual seasonal liquidity needs, and perhaps to some increase in credit demands as a result of the resumption of steel operations, interest rates rose in the latter part of November and early December. System open market transactions supplied nearly half a billion dollars of reserves to the market during the three-week period preceding this meeting, and in addition some reserves were released by action to permit member banks with relatively large holdings of vault cash to count part as required reserves, effective at the beginning of December. Treasury bill rates reached new record highs in the first part of December, but on the other hand there were occasions when the money market showed signs of easing. Among the cross currents in the market was an element of uncertainty concerning the trend of interest rates in early 1960. Although a decline in rates usually follows the end-of-year rise, there was some feeling that a resumption of expansion in credit demands following settlement of the steel strike might contribute to rate firmness. Also, substantial Treasury financing operations were in prospect, including the raising of possibly as much as $2½ billion of new money in January, the refunding of a $2 billion issue of special bills maturing January 15, and the refunding of a large February certificate maturity.

Analysis of business and financial developments and prospects resulted in a consensus favoring maintenance of the degree of restraint on credit expansion that had been agreed upon by the Committee at its meeting on November 24, 1959. Noting that the economy was still operating below capacity, that the growth of the quantitative money supply had been quite small during the past year, and that the liquidity of the banking system had diminished, some Committee members concluded that the cumulative effects of monetary policy may have become sufficient for a time and that a cautious approach should be followed in order to prevent undue tightness. Within this group, a few felt that the tendency of System policy might well be toward a slight relaxation of restraint, or at least that doubts arising in the conduct of open market operations should be resolved on the side of ease. However, in view of the prospects for an advancing level of economic activity, with vigorous monetary and credit demands, in the months ahead, other members felt that the greater danger lay in too little rather than too much restraint. The prevailing opinion was that any lessening of restraint at this time would be unwise.

Mr. Mills, who voted against renewal of the existing policy directive, proposed the alternative wording for clause (b) that he had also suggested at the two previous Committee meetings. He believed that Federal Reserve monetary and credit policy should aim at moderate restraint over the expansion of bank credit, as contrasted with what he considered to be a policy of relatively severe restriction.

* * *

The policy directive of the Open Market Committee in effect at the beginning of 1959 was aimed at fostering conditions in the money market conducive to sustainable economic growth and stability. Within the framework of this directive, however, there was room for an increase in pressure on member bank reserve positions during the spring, as recovery in the economy had given way to expansion. On May 26, the directive was revised to provide that transactions should be undertaken with a view to restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities. Although this was the only change during the year in the language of the directive, there were occasions, as indicated in the entries for the individual meetings, when the directive was issued with the understanding that in the conduct of open market operations there would be a leaning on the side of restraint or of ease. The directive at the end of 1959 instructed 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 restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities, 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.

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

January 9, 1959

Amendment to Regulation P, Holding Company Affiliates—Voting Permits.

Effective immediately, subsection (d) of Section 1 of Regulation P was amended by deleting clause (3) and appropriately renumbering clauses (4) and (5).

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

As previously in effect, the definition of "affiliated," in subsection 1(d), technically covered situations where control of one corporation was held, directly or indirectly, by shareholders of another corporation who also owned or controlled a majority of the shares of the latter corporation or more than 50 per cent of the number of shares voted at the last election of directors of that corporation. The amendment eliminated this technical coverage as being unnecessary to carry out the purposes of the law.

March 5, 1959

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

Effective March 6, 1959, the Board approved action by the Boards of Directors of the Federal Reserve Banks of New York, Philadelphia, Chicago, and Dallas establishing a rate of 3 per cent (an increase from 2½ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

Votes for this action: Messrs. Martin, Balderston, 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	March 10, 1959
San Francisco	March 12, 1959

Cleveland	March 13, 1959
Richmond	March 13, 1959
St. Louis	March 13, 1959
Kansas City	March 13, 1959
Atlanta	March 16, 1959
Minneapolis	March 16, 1959

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 3½ per cent on advances to member banks under Section 10(b) of the Federal Reserve Act. In addition, the Board approved changes at some of the Banks in rates on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 of the Act.

(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 for 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 had been made in these rates since those referred to on pages 85-86 of the Board's Annual Report for 1958.)

The period since October 1958, when the discount rates of the Federal Reserve Banks were increased to 2½ per cent, had been marked by further expansion of economic activity. Industrial production had reached a level only slightly below the record high of February 1957, and other measures such as gross national product, construction, and retail sales were sharply higher on a seasonally adjusted basis than in the last quarter of 1958 or in the first quarter a year ago. Industrial prices also were continuing to move upward, and the average of wholesale prices was held stable only by virtue of declining prices of farm products. Successive surveys of consumer and business expectations reflected mounting optimism.

The year 1959 thus far had been characterized by relatively light credit demands from business but large demands from governments—Federal, State, and local. Borrowing by individuals against mortgages continued large, and consumer credit, after increasing more than seasonally in late 1958, showed substantially less than the usual seasonal contraction in the early part of 1959. The total prospective demand for credit during the next few months included large borrowing needs of the Treasury to cover the current deficit.

Despite the over-all liquidity of the economy, pressures upon money markets and the banking system appeared likely to strengthen when the public found it necessary to draw upon time deposits, to liquidate securities, or to borrow at banks in order to obtain additional funds to support further expansion. The impact of the Treasury's financing program would be an additional factor causing upward pressures on short-term interest rates during the coming months. The increase in the discount rate meant that, if contemplated pressures upon the money markets and the banks developed and if a restrictive open market policy made it necessary for member banks to borrow additional reserves, the policy of restraint upon credit expansion would be reinforced by a discount rate close enough to market rates to help to deter such borrowing.

May 1, 1959

Amendmends to Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges (formerly entitled Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges).

Effective June 15, 1959, Section 3(b)(2) of Regulation T and the Supplement to that Regulation were amended in order further to restrict withdrawals of cash or securities from so-called "restricted" accounts (that is, accounts in which more credit is outstanding on the securities in the account than would be permitted in a new purchase of those securities under current margin requirements).

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

Regulation T is issued by the Board pursuant to the Securities Exchange Act of 1934, particularly Sections 7 and 8(a) thereof. It applies to every member of a national securities exchange and to every broker or dealer who transacts a business in securities through the medium of any such member. In announcing the amendments to the Regulation that were made effective June 15, 1959, the Board issued the following explanatory statement:

Accounts can become "restricted" by declines in market value of the securities held in the account or by increases in margin requirements. (The margin requirement of a stock is the difference between its prescribed maximum loan value and its current market value.) Securities can be withdrawn from these "restricted" accounts through sale or otherwise, if there is a specified reduction in the debt owing in the account.

Under the previous regulation, when a security was withdrawn from a "restricted" account, the amount by which the debt in the account had to be reduced worked out to be the same as the maximum loan value of the security at the time. This percentage automatically changed with each change in margin requirements.

The amendment to Section 3(b)(2) provides for a new method of limiting withdrawals from "restricted" accounts. The amendment provides for a separate figure which represents the "retention requirement" of a registered nonexempted security (i.e., in the case of a withdrawal of securities, the percentage of market value that must be deposited in the account; or, in the case of a sale, the percentage of sale proceeds that must be left in the account). In a new paragraph (c) of the Supplement of Regulation T the "retention requirement" is set at 50 per cent of the market value of the securities involved. This "retention requirement" may be changed by the Board from time to time.

The amendment does not alter existing provisions that allow a purchase of registered nonexempted securities to be made in a "restricted" account without additional margin if the purchase is made on the same day that an equal or greater market value of such securities is sold in the account and the proceeds applied to the purchase.

The purpose of amending Regulation T in the manner described was to limit more effectively the excessive use of credit for the purpose of purchasing or carrying securities.

On May 6, 1959, the following conforming amendments to Regulation T were approved, effective June 15, 1959, with the understanding that they would be issued in conjunction with the amendments approved on May 1, 1959:

Section 3(g) was amended to make it clear that a transaction used to permit one offsetting transaction—for example, a deposit of securities used to permit a withdrawal of cash—would be to that extent unavailable to permit another offsetting transaction. Section 3(g) was also amended to stipulate that a sale of a security held in a margin account must, for the purposes of Regulation T, be treated as a "long" rather than a "short" sale. Section 3(e) was amended to change the amount of liquidation required when a customer fails to supply the margin that Regulation T requires the broker to obtain within four days on additional purchases in margin accounts.

May 1, 1959

Amendments to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks (formerly entitled Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange).

Effective June 15, 1959, (1) the third paragraph of Section 1 of Regulation U and the Supplement to that Regulation were amended in order further to restrict withdrawals of collateral against so-called "restricted" loans (that is, stock-collateralled loans which are larger than would be permitted in the case of a new loan to purchase registered stocks under current margin requirements); (2) Section 3(a) was amended to strengthen the provisions regarding statements accepted by a bank as to the purpose of a loan; (3) Section 3(b)(1) was amended to broaden the provision relating to "carrying"; (4) Section 3(j) was amended to provide for reports from certain nonbank lenders; (5) Section 3(n) was amended to prohibit the weakening of collateral behind a "purpose" loan which occurs when that same collateral is also used as the basis of a "nonpurpose" loan; (6) a new Section 3(q) was added to require that bank loans to borrowers importantly engaged in relending for stock market purposes shall comply with Regulation U even though the bank loans are not secured by any stock; (7) a new Section 3(r) was added to require loans originally for the purchase of convertible securities to be brought into conformity with the margin requirements within 30 days after conversion into a registered stock takes place; and (8) conforming changes were made at several places in the Regulation.

Votes for this action: Messrs. Martin, Szymczak, Mills, Robertson, and Shepardson. Mr. Balderston voted for all of the amendments except the amendment of Section 3(n), on which he voted "no". Mr. King voted for all of the amendments except the amendment of Section 3(a), on which he refrained from voting. There were no other negative votes on any parts of the action.

Regulation U is issued by the Board pursuant to the Securities Exchange Act of 1934, particularly Section 7 thereof.

In announcing the amendments that became effective June 15, 1959, the Board issued the following explanatory statement:

Withdrawals of collateral.—Loans can become "restricted" by declines in market value of the stocks securing the loan or by increases in margin requirements. (The margin requirement of a stock is the difference between its prescribed maximum loan value and its current market value.) Stock securing a "restricted" loan can be withdrawn through sale or otherwise if there is a specified reduction in the loan.

Under the former rule, if a stock securing a "restricted" loan was withdrawn, the amount by which the loan had to be reduced worked out to be the same as the maximum loan value of the stock at the time. This percentage automatically changed with each change in margin requirements.

The amendment to the third paragraph of Section 1 provides for a new method of limiting withdrawals of collateral securing "restricted" loans. The amendment provides for a separate figure which represents the "retention requirement" of a stock (i.e., in the case of a sale or other withdrawal of collateral, the amount, stated as a percentage of the market value of the collateral, by which the loan must be reduced). In a new paragraph (b) of the Supplement to the Regulation the "retention requirement" is set at 50 per cent of the market value of the stocks involved. This "retention requirement" may be changed by the Board from time to time.

Statement of purpose of loan.—The former Section 3(a) provided that a bank could rely upon a statement signed by an officer of the bank or by the borrower as to the purpose of a loan, if the statement was accepted by the bank in good faith. Under that section, a bank could accept a statement that a loan was not for the purpose of purchasing or carrying a registered stock without ascertaining affirmatively the purpose for which the loan was to be used. The amendment requires that the statement be signed by both borrower and lending officer. If the statement merely states what is not the purpose of the loan, the lending officer must provide a memorandum or notation describing the purpose of the loan. The amendment also emphasizes the alertness and diligence required of the bank before a statement can be said to be accepted in good faith.

"Carrying" of registered stocks.—The former Section 3(b)(1) excluded from loans for the purpose of "carrying" registered stocks all loans except a limited group specified in that section, principally loans to enable the borrower to reduce or retire indebtedness originally incurred to purchase such stock. The net effect was to exclude from regulation a large number of loans which were closely related to the financing of positions in stocks.

The amendment strikes this earlier, narrower approach and instead describes affirmatively certain situations in which a loan will not be deemed to be for the purpose of "carrying" registered stocks.

Reports from unregulated lenders.—The former Section 3(j) required banks to make such reports as the Board of Governors may require. The amendment expands this requirement to include, in addition, "every person engaged in the business of extending credit who, in the ordinary course of business, extends credit for the purpose of purchasing or carrying" registered stocks.

Loans relying on collateral which has served to permit a purpose loan.—Regulation U allows a bank to lend a specified portion, currently 10 per cent, of the market value of a stock used as collateral where the loan is to purchase or carry registered stocks. However, after the bank made such a loan, unless the borrower was a broker or dealer, the Regulation previously allowed the bank to lend as much more as it pleased on the same collateral for any other purpose. The former Section 3(n) forbade such double use of collateral when the borrower was a broker or dealer. The amendment expands this prohibition to forbid such double use in the case of loans to all borrowers under Regulation U, just as it is already forbidden in all cases under Regulation T. The amendment does not, however, require the bank to forego or to waive any lien, nor does it apply to loans to meet emergency expenses not reasonably foreseeable provided the circumstances are suitably documented.

Exemption discontinued for certain unsecured loans.—The Regulation previously exempted all loans that were not secured, directly or indirectly, by at least some stock. The new Section 3(q) discontinues this exemption as to loans made to companies engaged principally, or as one of the company's important activities, in making loans on an exempt basis to finance the purchase of registered stocks.

Loans to purchase convertible securities.—The Regulation previously did not apply to loans for purchasing or carrying convertible bonds. The new Section 3(r) requires the entire transaction to be brought into conformity with margin requirements prevailing at the time when conversion into a registered stock occurs, allowing, however, 30 days for this to be done.

The purpose of these amendments was to make the Regulation more effective in its objective of preventing the excessive use of credit for purchasing or carrying securities.

Governor Balderston voted against the amendment of Section 3(n), relating to prohibiting the double use of collateral for both "purpose" and "nonpurpose" loans, because he felt that the amendment went beyond the proper scope of the Board's responsibility under the statutes.

May 28, 1959

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

Effective May 29, 1959, the Board approved action by the Boards of Directors of the Federal Reserve Banks of New York, Chicago, St. Louis, Minneapolis, and Dallas establishing a rate of 3½ per cent (an increase 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, Szymczak, Mills, Robertson, Shepardson, and King. 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	June 2, 1959
Atlanta	June 2, 1959
Philadelphia	June 5, 1959
Kansas City	June 5, 1959
San Francisco	June 11, 1959
Cleveland	June 12, 1959
Richmond	June 12, 1959

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 4 per cent on advances to member banks under Section 10(b) of the Federal Reserve Act. 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.

Since early March, when the discount rates of the Federal Reserve Banks were increased to 3 per cent, productive activity had surged ahead vigorously and expectations were now optimistic in virtually every sector of the economy. The Board's index of industrial production for April attained a level four points higher than the prerecession peak in February 1957, and weekly output data for May indicated the possibility (later confirmed) of a further gain in that month. Activity in durable goods industries advanced to a new high, while production of nondurable goods, which had surpassed the earlier highs of 1957 by mid-1958, continued to expand to a level one-tenth above those highs. Principally because of higher wage and salary payments, personal income continued to climb at a rate in excess of $3 billion a month, a rate of increase that equaled or surpassed the comparable months of the 1955-57 period of expansion. Retail sales for April exceeded the large March volume and in May were about 10 per cent above a year earlier. In early May, new automobile sales were running nearly 50 per cent higher than a year earlier and 15 per cent higher than in the similar period in 1957, while used car sales continued active at prices some 15 per cent higher than a year earlier. A strong expansion in consumer instalment credit, in evidence since the latter part of 1958, was supporting sales of automobiles and household durables; the first quarter increase in automobile credit was the largest since the first quarter of 1956, and the credit rise for diversified consumer durables was the largest since the last quarter of 1956. Marked improvement in the employment situation had occurred in the past several weeks, with the gains, which were widespread in the durable goods manufacturing industries, carrying total employment to around 52 million, approximately one million above a year earlier. At the same time, unemployment declined considerably more than seasonally to 5.3 per cent of the civilian labor force in April, with a further decline indicated in May. Thus, although unemployment remained somewhat higher than at a similar stage in other postwar recovery periods, the recent trend suggested that aside from certain pockets of "structural" unemployment, the problem would continue to diminish in importance. Average wholesale prices were relatively stable, but consumer prices were edging upward and increased price pressures seemed likely.

In financial markets, the period was marked by heavy credit demands. An exceptionally large increase in bank loans in April was followed by further expansion in May, the demand extending to virtually all loan categories, including particularly business loans. In the face of this demand, the banks liquidated Government securities, resulting in a rise in the ratio of loans to loans and investments to a point close to the high level reached in 1957. Along with an increase in the aggregate money supply in recent months, the turnover of bank deposits increased, which meant that economic activity was expanding faster than the volume of money. On May 15, large city banks announced an increase from 4 to 4½ per cent in the lending rate on prime customers' loans.

Nearly all interest rates had risen except yields on three-month Treasury bills, which continued to move in the lower part of the 2¾ to 3 per cent range that had prevailed generally since late February, reflecting a desire on the part of investors to maintain liquidity positions in view of the possibility of further interest rate increases. Yields on six-month Treasury bills had risen to around the 3⅓ per cent level, and yields on longer bills had been as high as 4 per cent. Stock prices had again risen to peak levels, accompanied by a further increase in stock market credit. With the conclusion of May operations, it appeared that the Treasury might have no need for additional borrowing until early in July, but additional refunding and new cash offerings would be in process from late July until mid-August, to be followed by large borrowing needs in the fourth quarter of the year.

The over-all deficit in the United States balance of payments continued at about the same rate as in 1958, when it amounted to $3.4 billion, although a smaller proportion was taking the form of gold outflow. To bring the international accounts of the United States into balance, the problem of maintaining costs and prices on a competitive basis with those of other leading industrial countries loomed as vital.

In view of the strength of credit demands, and with System credit policy limiting additions to the open market portfolio to amounts sufficient only to offset drains from factors such as the contraseasonal rise of currency in circulation and the gold outflow, member banks were resorting to the discount facilities of the Federal Reserve Banks in increasing volume. The added restraint of a discount rate increase seemed appropriate, particularly in view of the recent further rise in market interest rates.

July 31, 1959

Actions incident to admission of Hawaii to Statehood.

Effective upon issuance by the President of the United States of a proclamation admitting Hawaii to Statehood, which proclamation subsequently was issued on August 21, 1959, the Board readjusted the Federal Reserve districts so as to include the State of Hawaii in the Twelfth District, as a part of the territory served by the head office. Effective the same date, certain amendments were made to several regulations of the Board to correct language rendered inappropriate by the admission of Hawaii to Statehood.

Votes for this action: Messrs. Martin, Balderston, Robertson, and Shepardson. 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, the districts not to exceed 12 in all. Section 17 of the Hawaii Statehood Act amended the aforesaid Section 2 to provide that when the State of Hawaii "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 Hawaii to Statehood, the Board took action to include Hawaii in the Twelfth Federal Reserve District coincident with the date of proclamation, with the understanding that Hawaii would be a part of the territory served by the head office 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 Hawaii to Statehood rendered the existing language inappropriate. The regulations affected included: E, Purchase of Warrants; G, Collection of Noncash Items; H, Membership of State Banking Institutions in the Federal Reserve System; I, Increase or Decrease of Capital Stock of Federal Reserve Banks and Cancellation of Old and Issue of New Stock Certificates; J, Check Clearing and Collection; L, Interlocking Bank Directorates under the Clayton Act; and U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks.

August 10, 1959

Termination of Regulation S, Industrial Loans by Federal Reserve Banks.

Effective at the close of business August 21, 1959, Regulation S was terminated.

Votes for this action: Messrs. Martin, Balderston, Robertson, and King. Votes against this action: None.

Section 13b of the Federal Reserve Act was repealed, effective August 21, 1959, by the Small Business Investment Act of 1958, approved August 21, 1958. Accordingly, since the Federal Reserve Banks would no longer be authorized to make loans and commitments for commercial and industrial purposes pursuant to Section 13b, the Board of Governors terminated Regulation S as of the close of business August 21, 1959.

August 27, 1959

Amendment of Regulation Q, Payment of Interest on Deposits.

Effective October 1, 1959, Section 3(d) of Regulation Q was amended to permit member banks of the Federal Reserve System to pay interest at the maximum rate permitted under the Regulation calculated from the first day of the month on savings deposits received during the first ten calendar days of such month, in lieu of permitting interest to be paid at such rate from the first day of the month only on savings deposits received during the first ten business days of any calendar month commencing a quarterly or semiannual interest period and during the first five business days of any other calendar month.

Votes for this action: Messrs. Mills, Robertson, Shepardson, and King. Votes against this action: None.

The purpose of this amendment was to reduce misunderstandings in connection with so-called "grace periods" in computing interest on savings deposits, to make possible uniform advertising, to create better customer relationships, and to enable banks that compute interest on a cycle basis to facilitate computation of interest on savings accounts and eliminate difficulties being encountered. The amendment was the subject of a notice of proposed rule making, published in the Federal Register, and was adopted after consideration of all relevant views and arguments received from interested persons.

Also effective October 1, 1959, the Federal Deposit Insurance Corporation adopted a similar amendment to its regulations relating to insured nonmember banks.

September 10, 1959

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

Effective September 11, 1959, the Board approved action by the Boards of Directors of the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Kansas City, Dallas, and San Francisco establishing a rate of 4 per cent (an increase from 3½ per cent) on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

Votes for this action: Messrs. Balderston, Szymczak, Robertson, Shepardson, and King. 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	September 14, 1959
Atlanta	September 14, 1959
Minneapolis	September 14, 1959
Philadelphia	September 18, 1959

Effective the same dates, the Board approved for the respective Federal Reserve Banks a rate of 4½ per cent on advances to member banks under Section 10(b) of the Federal Reserve Act and a rate of 5 per cent on advances to individuals, partnerships, and corporations under the last paragraph of Section 13 of the Act.

In early September the economic picture reflected both the direct influence of the steel strike, which began in mid-July, and its spreading secondary effects. Work stoppages had developed in other basic metal industries, and new model changeovers had reduced assemblies of automobiles. The Board's index of industrial production was estimated to be eight points below the peak reached in June. However, aside from the work stoppage influence, the economy continued to show widespread strength. Retail sales in August remained close to the high levels of the previous three months and were 7 per cent above a year earlier, while the total value of construction put in place in August was close to the peak rate reached in the spring. Prices of basic materials, which had been relatively stable, began to rise after early August; the index of consumer prices had been edging upward for some time and in July was .8 per cent above a year earlier. As the result of strike effects, employment declined about one-half million to 52 million by mid-August, while unemployment decreased somewhat less than the usual seasonal amount.

Demand for credit was heavy and increasing. Bank loans expanded rapidly through July and August, with bank holdings of Government securities reduced in the latter month. Borrowings by member banks at the Federal Reserve Banks were averaging close to $1 billion.

The month preceding this action on the discount rate was marked by a sharp increase in short-term interest rates. Market yields on three-month Treasury bills, which were at a level around 3 per cent at the beginning of August, climbed sharply thereafter to approximately 4 per cent in early September. Yields on six-month bills rose in similar fashion, to a level around 4½ per cent, and the same trend was evident in rates on longer-term Treasury issues as well as corporate and municipal securities. At the beginning of September, large city banks increased their rate on prime customers' loans from 4½ to 5 per cent. These developments appeared to reflect expectations of higher interest rates in view of the general strength of the economy notwithstanding the steel strike and other work stoppages, the vigor of present and prospective credit demands, Treasury borrowings in prospect, and the further economic expansion that seemed likely following settlement of the strike.

The increase in the discount rate brought it to a level that produced a better alignment with short-term money market rates and also recognized existing trends in the money market and underlying trends in the economy generally.

Governor Mills, who was not present on September 10, 1959, abstained from voting when the discount rates established by the directors of the Federal Reserve Banks of Boston, Philadelphia, Atlanta, and Minneapolis came before the Board for approval on subsequent dates. As he regarded the situation, technical conditions in the money market justified an increase in the discount rate to 4 per cent. However, it was his judgment that System monetary and credit policy, about which he had strong reservations, had been instrumental in creating the market conditions that stood in favor of such an increase.

October 23, 1959

Amendment to Regulation R, Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933.

Effective immediately, Section 2 of Regulation R was amended by striking out the words "debentures issued by Federal Intermediate Credit Banks, bonds issued by Federal Land Banks," and substituting therefor "obligations of Federal Intermediate Credit Banks, Federal Land Banks, Central Bank for Cooperatives, Federal Home Loan Banks, and the Federal National Mortgage Association."

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

Section 32 of the Banking Act of 1933, as amended by Section 307 of the Banking Act of 1935, provides that no officer, director, or employee of any corporation or unincorporated association, no partner or employer of any partnership, and no individual, primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of stocks, bonds, or other similar securities, shall serve at the same time as an officer, director, or employee of any member bank of the Federal Reserve System except in limited classes of cases in which the Board of Governors of the Federal Reserve System may allow such service by general regulations when in the judgment of the Board it would not unduly influence the investment policies of such member bank or the advice it gives its customers regarding investments.

Prior to the amendment adopted effective October 23, 1959, Section 2 of Regulation R exempted from the general prohibition of Section 32 of the Banking Act of 1933 relationships of officers, directors, or employees of member banks with firms dealing in direct obligations of the United States, obligations fully guaranteed both as to principal and interest by the United States, debentures issued by Federal Intermediate Credit Banks, bonds issued by Federal Land Banks, and general obligations of territories, dependencies, and insular possessions of the United States.

Adoption of the amendment broadening the exceptions contained in Section 2 of the Regulation to include obligations of the Central Bank for Cooperatives, the Federal Home Loan Banks, and the Federal National Mortgage Association reflected the Board's conclusion that such action would not increase the likelihood of activities of an undesirable character such as were sought to be guarded against by the language of Section 32 of the Banking Act of 1933.

Governor Robertson voted against this amendment because in his view a sufficiently strong case had not been made for broadening the exemption further.

November 30, 1959

Amendments to Regulation D, Reserves of Member Banks.

The Supplement to Regulation D was amended to permit member banks not classified as central reserve or reserve city banks to count currency and coin in excess of 4 per cent of net demand deposits as part of their required reserves, effective December 1, 1959, and to permit central reserve and reserve city banks similarly to count currency and coin in excess of 2 per cent of their net demand deposits, effective December 3, 1959. Also, effective December 1, 1959, Regulation D was amended to define currency and coin as including currency and coin in transit to or from a Federal Reserve Bank; to require currency and coin to be counted as of the beginning of the business day; to exclude drafts or authorizations on a member bank's reserve account from the definition of gross demand deposits; and to permit member banks at their option to include nonbusiness days at the end of a reserve computation period in the next succeeding period. Effective December 31, 1959, Regulation D was amended to change the reserve computation period for banks not classified as central reserve or reserve city banks from semimonthly to biweekly.

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

In announcing this action, which would permit many member banks to count a portion of their vault cash in meeting reserve requirements, the Board stated:

On the basis of average vault cash holdings for the past 12 months, it appears that almost half of the 6,250 member banks will be in a position to count a part of their vault cash in meeting their required reserves. As a result, total member bank reserve balances at the Federal Reserve Banks may be lower than would otherwise be required by as much as $230 million, of which $160 million would be at country banks and $70 million at reserve city banks. Total vault cash held by member banks has averaged about $2.2 billion.

This Federal Reserve action was taken under the terms of an Act of Congress in 1959 designed in part to remedy inequities that have arisen because many banks, particularly small country banks, find it necessary for operating purposes to hold relatively larger amounts of vault cash than other banks do. No change in the System's general monetary or credit policy is involved. The beginning of December is a logical time for this action inasmuch as the Federal Reserve System needs to make additional reserves available to the banking system each year at this season in order to meet the seasonal requirements for the economy.

The remaining amendments to Regulation D, as described above, were of a technical nature.

December 18, 1959

Actions with respect to capital accounts of the Federal Reserve Banks.

Effective December 31, 1959, and until further action by the Board, the Board determined that the surplus of the Federal Reserve Banks be maintained at a level equal to 100 per cent of the subscribed capital of the respective banks.

> Votes for this action: Messrs. Martin, Balderston, Szymczak, Shepardson, and King. Vote against this action: Mr. Mills. Mr. Robertson dissented from the action to the extent that he did not favor reducing the existing surplus of any Federal Reserve Bank in order to bring it down to a level of 100 per cent of subscribed capital, but he approved the principle that hereafter no additions would be made to surplus of any Bank beyond 100 per cent of subscribed capital.

The Board also directed that, by December 31, 1959, the reserves for contingencies of the respective Reserve Banks be discontinued and the amounts therein transferred to profit and loss, except that the reserve for registered mail losses would not be discontinued until after appropriate amendment of the Loss Sharing Agreeement of the Federal Reserve Banks.

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

Prior to 1933, the Federal Reserve Act included a provision under which each Federal Reserve Bank was required to pay a franchise tax to the Government equal to 90 per cent of its earnings, after the Bank had accumulated a surplus equal to its subscribed capital. The Banking Act of 1933 required each Federal Reserve Bank to pay an amount equal to one-half of its surplus on January 1, 1933, for capital stock of the Federal Deposit Insurance Corporation. These payments amounted to $139 million and reduced the surplus of the Federal Reserve Banks to an equivalent figure, or considerably less than one-half of their subscribed capital. Congress, therefore, eliminated the franchise tax in order to permit the Federal Reserve Banks to rebuild their surplus accounts from future earnings.

By the end of 1946, the combined surplus of the Federal

Reserve Banks totaled $440 million, as compared with subscribed capital of $374 million. In the circumstances, the Board on April 23, 1947, concluded that it would be appropriate to accomplish the same results as were accomplished earlier through payment of the franchise tax by establishing, under the authority of the fourth paragraph of Section 16 of the Federal Reserve Act, such rates of interest on outstanding Federal Reserve notes not covered by gold certificate collateral as would make it possible to transfer to the Treasury approximately 90 per cent of the earnings of each Federal Reserve Bank after payment of necessary expenses and statutory dividends, and after such provisions as might be necessary to restore surplus of each Bank to 100 per cent of subscribed capital if it fell below that figure. The procedure thus established by the Board in 1947 was followed through the year 1958.

At the end of 1959, combined subscribed capital of the Federal Reserve Banks stood at $777 million, while combined surplus amounted to $868 million. After a review of the situation, which included consultation with the Federal Reserve Banks, the Board concluded that the maintenance of surplus at a level equal to 100 per cent of subscribed capital would be sufficient to meet any foreseeable needs of the Banks. It was therefore decided to change the practice of adding approximately 10 per cent of the annual net earnings of the Federal Reserve Banks to the surplus accounts, and to pay to the Treasury the amounts by which the surplus accounts exceeded subscribed capital. Pursuant to this decision, the 1959 payments to the Treasury as interest on Federal Reserve notes, totaling $911 million, consisted of all net earnings after dividends and after provision for building up surplus to 100 per cent of subscribed capital at those Reserve Banks where surplus was below that amount. In addition, there was paid to the Treasury the amounts by which surplus at the other Banks exceeded subscribed capital (which is twice the amount of paid-in capital).

In dissenting from the decision to maintain surplus at no more than 100 per cent of subscribed capital after December 31, 1959, Governor Mills took the position that there were good reasons to continue to make reasonable additions to surplus and that any decision to pay over to the Treasury a larger share of Federal Reserve Bank earnings than paid under the formula in effect from 1947 through 1958 should be reached in accordance with some newly prescribed formula that had found acceptance by the Congress.

Governor Robertson agreed with the principle of paying 100 per cent of current net earnings of the respective Federal Reserve Banks to the Treasury, after carrying to surplus any amounts needed to bring surplus to a figure equal to 100 per cent of subscribed capital, but he disagreed with that part of the Board's action pursuant to which there would be paid to the Treasury the amounts by which surplus at certain Banks currently exceeded subscribed capital. He would have preferred to leave surplus accounts at their existing levels and let subscribed capital build up to them over a period of time.

The Board also acted to discontinue certain reserves for contingencies of the Federal Reserve Banks and to cause the respective Banks to transfer such reserves to profit and loss by December 31, 1959. The transfers from reserves for contingencies at all Reserve Banks pursuant to this action amounted to $98 million. Similar action was taken to discontinue the reserve for registered mail losses, effective after the boards of directors of the Federal Reserve Banks had acted to amend the Loss Sharing Agreement of the Federal Reserve Banks and the Board of Governors had approved the revised Agreement.

BANK SUPERVISION BY THE FEDERAL RESERVE SYSTEM

Examination of Federal Reserve Banks. The Board's Division of Examinations examined the 12 Federal Reserve Banks and their 24 branches during the year as required by Section 21 of the Federal Reserve Act. 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 one of the Federal Reserve Banks. The public accountants made their own choice of the examination that was the basis for their study.

As supplement to its own examinations, and continuing a longstanding practice, the Division of Examinations received and reviewed the reports of audits made periodically during the year by the internal auditing staffs of the respective Federal Reserve Banks.

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 whenever such special examination is necessary to determine the condition of any such bank for insurance purposes. However, such examinations have been infrequent 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, and the Corporation in turn makes its reports available to the Comptroller of the Currency and the Board of Governors. At the request of the Comptroller of the Currency, the Board makes recommendations to his office concerning applications which he receives for charters of national banks.

State member banks are subject to examinations made by direction of the Board of Governors or of the Federal Reserve Banks by examiners selected or approved by the Board of Governors. The established policy is to conduct at least one regular examination of each State member bank, including its trust department, during each calendar year, by examiners for the Reserve Bank of the district in which the bank is situated, with additional examinations if considered desirable. 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 1959 program for examining State member banks was practically completed, since only four of the 1,691 banks were not examined during the calendar year.

In its supervision of State member banks, the Board passes upon applications to establish branches, including original offices and offices to be acquired through merger or consolidation, and also upon investments in bank premises that will exceed 100 per cent of the capital stock of the member bank. The Board does not pass upon mergers or consolidations involving State member banks unless the resulting institution will be a State member bank with less capital stock or surplus than the aggregate capital stock or aggregate surplus, respectively, of all the merging or consolidating banks.

Federal Reserve membership. At the end of 1959 member banks accounted for 46 per cent of the number, and held approximately 85 per cent of the deposits, of all commercial banks in the United States. State member banks accounted for 19 per cent of the number, 31 per cent of the banking offices, and about 65 per cent of the deposits of all State commercial banks.

The 6,233 member banks of the Federal Reserve System at the end of 1959 included 4,542 national and 1,691 State member banks. There were net declines of 36 and 43, respectively, in these two categories during the year. The decline in the total, continuing the trend of recent years, was due largely to consolidations and mergers. Reductions from other causes included 15 State banks that withdrew from membership and two national banks that converted into nonmember banks. The membership losses were offset in part by newly established banks, of which 23 were national banks and four were State members, by the admission to membership of six nonmember banks in Alaska, one in Hawaii, and five in other States, and by the conversion of one nonmember bank into a national bank.

The total number of member bank offices increased, however, as a result of both the conversion of merged banks into branches and the establishment of de novo branches. At the end of the year member banks were operating 7,259 branches, 558 more than at the close of 1958.

Detailed figures on changes in banking structure during 1959 are shown in Table 18 on page 126.

Bank holding companies. During 1959, 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. Pursuant to Section 3(a)(2) of the Act, the Board approved the acquisition by nine bank holding companies of voting shares of seven banks; with respect to two of the banks, applications were filed by two related bank holding companies, one of which controlled the other. Under Section 4(c)(6) of the Act, the Board, after hearings, denied requests by two holding companies for orders determining that one subsidiary of each was so closely related to the banking activities of its respective 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; such requests as to 15 subsidiaries, by six holding companies, were approved. During the year the Board issued 12 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 1958 were obtained from registered bank holding companies.

During 1959, pursuant to the Banking Act of 1933, the Board authorized the issuance of seven voting permits for general purposes and 13 permits for limited purposes to holding company affiliates of member banks. In accordance with established practice, examiners for the Federal Reserve Banks examined a number of affiliates of holding companies the principal offices of which are located in their districts.

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 nine organizations.

Trust powers of national banks. During 1959, 45 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 four banks that had previously been granted certain trust powers. Trust powers of 29 national banks were terminated, 27 by consolidation or merger and two by voluntary surrender. At the end of 1959, there were 1,734 national banks holding permits to exercise trust powers.

Acceptance powers of member banks. During the year the Board approved applications of three 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 one member bank was granted full permission, and another 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 such countries, dependencies, or insular possessions of the United States as may have been designated by the Board of Governors.

Foreign branches of member banks. Under the provisions of Section 25 of the Federal Reserve Act, the Board approved during 1959 eighteen applications made by member banks for permission to establish branches in foreign countries and overseas areas of the United States. One member bank opened four branches in the Virgin Islands and a branch in Panama, Republic of Panama. Another member bank opened branches in Buenos Aires and Cordoba, Argentina; Nassau, Bahamas; Belo Horizonte and Curitiba, Brazil; Kuala Lumpur, Malaya; Singapore, Colony of Singapore; and Montevideo, Uruguay. Six of these branches had been authorized by the Board prior to 1959.

At the end of 1959, seven member banks had in active operation a total of 132 branches in 30 foreign countries and overseas areas of the United States. Three national banks were operating 101 of these branches, and four State member banks were operating 31. The branches were distributed geographically as follows:

Latin America	**69**
Argentina	12
Bahamas	1
Brazil	12
Chile	2
Colombia	4
Cuba	21
Mexico	3
Panama	6
Paraguay	1
Peru	1
Uruguay	2
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	**22**
Hong Kong	1
India	2
Japan	10
Malaya	1
Philippines	5
Singapore	2
Thailand	1
United States Overseas Areas	**22**
Canal Zone	4
Guam	1
Puerto Rico	13
Virgin Islands	4
Total	**132**

In 1959, examiners for the Board of Governors surveyed the overseas branches of three State member banks at their respective head offices in New York.

Foreign banking and financing corporations. In 1959, one corporation was organized under State law and opened for business to operate under agreement 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. Another "agreement" corporation ceased operations as a result of its merger into a State member bank. The head offices in New York of the three "agreement" corporations now in operation were examined in 1959 by examiners for the Board of Governors. One corporation operates two agencies at the New York International Airport, has a branch in England, and owns the stock of two banks organized under the laws of, and operating in, Liberia and the Union of South Africa, respectively. Another corporation owns 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 in 1958 and the bank opened in Johannesburg in 1959.

During 1959 one corporation was chartered by the Board under the provisions of Section 25(a) of the Federal Reserve Act to engage in international or foreign banking. At the end of the year there were six corporations in active operation under that section; three of these are regarded as "banking corporations" and three as "financing corporations." The home offices of these six corporations are located in New York City, and all 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 that has a branch in Canada; one has a subsidiary organized under the laws of Panama; and one operates branches in France, Germany, Guatemala, Hong Kong, Lebanon, Malaya, and Singapore, and also has an agency in Guatemala and owns substantially all of the stock of a bank organized under the laws of, and operating in, Italy.

In 1959, examiners for the Board of Governors surveyed the branches of one foreign banking corporation at its home office in New York.

Inter-Agency Bank Examination School. Two sessions of the School for Examiners and four sessions of the School for Assistant Examiners were held in 1959. 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 establishment of the School in 1952, the various sessions have been attended by 1,273 men, representing the three Federal bank supervisory agencies, one other Federal agency, the State Banking Departments of California, Connecticut, Indiana, Louisiana, Maine, Michigan, Mississippi, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, and Virginia, the Treasury Department of the Commonwealth of Puerto Rico, and one foreign country.

LEGISLATION

Reserves of member banks. The Act of Congress approved July 28, 1959 (Public Law 86-114) amended certain provisions of the Federal Reserve Act and related laws with respect to reserves against deposits required to be maintained by member banks of the Federal Reserve System. The Act (1) authorizes the Board of Governors to permit member banks to treat vault cash as reserves; (2) reduces from 13 per cent to 10 per cent the minimum reserves against demand deposits that member banks in central reserve cities must maintain; (3) reduces from 26 per cent to 22 per cent the maximum reserves against demand deposits that member banks in central reserve cities may be required to maintain; (4) increases from 20 per cent to 22 per cent the maximum reserves against demand deposits that member banks in reserve cities may be required to maintain; (5) authorizes the Board of Governors to permit a member bank located in a central reserve or reserve city to carry lower reserves than other banks in the same city, based upon the nature of the bank's business rather than upon its geographical location, as heretofore; and (6) provides for the termination of the classification "central reserve cities" on July 28, 1962. The law also authorizes the Board to designate which holding company affiliate, where there is more than one with respect to the same bank or a group of banks, may establish and maintain the reserves of readily marketable assets required by law.

Member banks dealing in obligations of Tennessee Valley Authority and Inter-American Development Bank. By Acts of Congress approved August 6, 1959 (Public Law 86-137), August 7, 1959 (Public Law 86-147), and September 16, 1959 (Public Law 86-278), paragraph "Seventh" of Section 5136 of the Revised Statutes of the United States was amended so as to permit national banks to deal in or to underwrite obligations issued by the Tennessee Valley Authority or by the Inter-American Development Bank. Such transactions remain subject to the limitation of 10 per cent of the national bank's capital and surplus. Subject, of course, to any applicable provision of State law, the permission also extends to all State member banks of the Federal Reserve System, as Section 9 of the Federal Reserve Act makes this paragraph of Section 5136 applicable to State member banks.

Federal Reserve Banks as fiscal agents for Inter-American Development Bank. The Act of Congress approved August 7, 1959 (Public Law 86-147) also authorized any Federal Reserve Bank to act as depository and fiscal agent for the Inter-American Development Bank.

Amendments to eliminate ambiguities and repeal obsolete provisions. The Acts of Congress approved September 8 and 9, 1959 (Public Laws 86-230 and 86-251, respectively) amended the national bank laws and certain other statutes so as to clarify or eliminate ambiguities and repeal certain laws which had become obsolete and also amended the lending and borrowing provisions applicable to national banks.

Statehood of Alaska and Hawaii. The Acts of Congress approved March 18, 1959, and June 25, 1959 (Public Laws 86-3 and 86-70, respectively) made certain technical amendments to the Federal Reserve Act occasioned by the admission of Alaska and Hawaii to Statehood.

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.

LITIGATION AND HEARINGS

On August 1, 1958, a suit for declaratory judgment was filed against the Members of the Board of Governors of the Federal Reserve System by Old Kent Bank and Trust Company, Grand Rapids, Michigan, in the United States District Court for the District of Columbia, challenging, among other things, the statutory authority of the Board to approve or disapprove the operation of branches acquired by a State member bank as a result of a merger and the authority of the Board to consider competitive effects in passing upon the operation of such branches. On April 22, 1959, the District Court granted a motion for summary judgment in favor of the Board and denied a cross-motion for summary judgment filed by plaintiff. On April 30, an order to this effect was signed and filed. The case is now pending in the United States Court of Appeals for the District of Columbia.

On January 7, 1959, a suit raising substantially the same question was filed by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, and the parties have stipulated that the answer of the Board of Governors need not be filed until final disposition of the Kent Bank case.

On September 18, 1959, a petition was filed in the United States Court of Appeals for the Eighth Circuit to review an order of the Board of Governors denying an application of First Bank Stock Corporation under Section 4(c)(6) of the

Bank Holding Company Act of 1956. The time within which the Department of Justice may file its brief on behalf of the Board has been extended to March 8, 1960.

Following a hearing held in connection with an administrative proceeding regarding capital adequacy instituted by the Board with respect to The Continental Bank and Trust Company, Salt Lake City, Utah, the trial examiner on March 16, 1959, submitted his Report and Recommended Decision in which he recommended that the proceeding be dismissed. Oral argument was presented to the Board on July 22, 1959; and the matter is now pending before the Board for its determination.

RESERVE BANK OPERATIONS

Loan guarantees for defense production. Incident to the Defense Production Act of 1950, the Departments of the Army, Navy, Air Force, Commerce, Interior, and Agriculture, the General Services Administration, the National Aeronautics and Space Administration, and the Atomic Energy Commission are authorized to guarantee loans made by commercial banks and other private financing institutions in connection with defense contracts. The Federal Reserve Banks act as fiscal agents of the guaranteeing agencies under Regulation V.

During 1959 the guaranteeing agencies authorized the issuance of 20 guarantee agreements covering loans amounting to $84 million. On December 31, 1959, guarantee agreements in force authorized credit totaling $438 million, of which $340 million represented actual loans outstanding and $98 million represented additional credit available to borrowers. Of the total loans outstanding, 75 per cent on the average was guaranteed. During the year approximately $1,147 million was advanced on V loans, most of which are revolving credits.

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 1955-59. Volume was larger in 1959 than in 1958 in all activities except postal money orders, which continued a downward trend. The number of discounts and advances increased sharply over 1958, but the amount involved was somewhat lower than in 1957, a peak year. Upward trends continued in coin, checks (other than Government and postal money orders), and transfers of funds. The amount of currency received and counted was the largest ever recorded.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1959 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 1959 and 1958.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1959 AND 1958

[In thousands of dollars]

Item	1959	1958
Current earnings	886,226	742,068
Current expenses	144,703	137,722
Current net earnings	741,523	604,346
Net additions to current net earnings[1]	98,248	124
Net earnings before payments to U.S. Treasury	839,771	604,470
Dividends paid	22,722	21,197
Paid U.S. Treasury (interest on F. R. notes)	910,650	524,059
Transferred to surplus	−93,601	59,214

[1] Includes net profits on sales of U.S. Government securities of $190,000 in 1959 and $157,000 in 1958; and, in 1959, $98 million transferred from reserves for contingencies.

Current earnings of $886 million in 1959 were 19 per cent more than in 1958, largely because of an increase of $123 million in earnings on U.S. Government securities. The increase in the earnings on such securities reflected the combined effect of increases in average yields and average holdings, as is shown in the table on page 99. A growth of $21 million in earnings from discounts and advances reflected higher discount rates and larger holdings. Current expenses of $145 million were about 5 per cent more than in 1958. Current net earnings amounted to $742 million, an increase of 23 per cent from 1958.

After allowing for net additions of $98 million to current net earnings, resulting almost entirely from the discontinuance of certain reserves for contingencies, net earnings before dividends and before payments to the U.S. Treasury amounted to $840 million.

Statutory dividends to member banks amounted to $23 million, about $2 million more than in 1958. This expansion reflected an increase in the capital and surplus of member banks and a consequent increase in the paid-in capital of the Federal Reserve Banks.

Payments to the U.S. Treasury as interest on Federal Reserve notes amounted to $911 million in 1959. These payments consisted of (a) all net earnings ($815 million) after the dividends of $23 million and after provision of $2 million for raising surplus to the level of subscribed capital at the two Banks where surplus was below that amount, and (b) the amount (totaling $96 million) by which the surplus at the other 10 Banks exceeded subscribed capital.

The 1959 payments to the Treasury reflect a conclusion reached by the Board, after consultation with the Federal Reserve Banks, that the maintenance of surplus at the level of subscribed capital (which is twice paid-in capital) would be appropriate in the light of present circumstances. The surplus accounts of the Federal Reserve Banks had been building up over the years and at a number of Banks exceeded subscribed capital by substantial amounts. It was therefore decided to discontinue the practice followed in the years 1947-58 of adding 10 per cent of the annual net earnings of the Federal Reserve Banks to the surplus accounts, and to pay to the Treasury the amounts by which the surplus accounts exceeded the level of subscribed capital.

These decisions, along with the decision to discontinue certain reserves for contingencies, which had been set up largely out of earnings in 1948 and 1949, increased the 1959 payment to the Treasury by $266 million. Of this increase, $72 million represented the difference between 90 and 100 per cent of net earnings, $96 million the surplus reductions, and $98 million the discontinued reserves for contingencies. The amounts resulting from the surplus reductions and from the discontinued contingency reserves are nonrecurring items. The decision to pay to the Treasury all net earnings after dividends and surplus allowances, rather than 90 per cent of such earnings, will have a continuing effect on the Treasury's income, although the amount will depend upon the financial experience of the Reserve Banks.

The practice of paying part of the earnings of the Federal Reserve Banks to the Treasury had its origin in the original Federal Reserve Act. The extent of the payments, however, has changed from time to time during the intervening years.

Prior to 1933 the Federal Reserve Act included a provision under which each Federal Reserve Bank was required to pay a franchise tax to the Government equal to 90 per cent of its net earnings after it had accumulated a surplus equal to its subscribed capital. The Banking Act of 1933 required each Federal Reserve Bank to pay an amount equal to one-half of its surplus on January 1, 1933, for capital stock of the Federal Deposit Insurance Corporation. These payments amounted to $139 million and reduced the surplus of the Federal Reserve Banks to an equivalent figure, which was considerably less than one-half of their subscribed capital at that time. Congress, therefore, eliminated the franchise tax in order to permit the Federal Reserve Banks to rebuild their surplus accounts from future earnings.

By the end of 1946 the surplus of each Federal Reserve Bank was at least equal to its subscribed capital and their combined surplus totaled $440 million. Under those circumstances the Board concluded that it would be appropriate to accomplish the purpose of the earlier franchise tax by establishing such rates of interest on outstanding Federal Reserve notes not covered by gold certificate collateral as would make it possible to transmit to the Treasury approximately 90 per cent of the net earnings of each Federal Reserve Bank after dividends and after such provisions as might be necessary to bring surplus up to subscribed capital. This procedure began in 1947 and continued through 1958.

Holdings of loans and securities. Average daily holdings of loans and securities, excluding industrial loans, amounted to $27,036 million during 1959, $2,053 million more than during 1958. Holdings of discounts and advances increased $516 million, and holdings of U.S. Government securities increased $1,544 million. The average rate of interest earned on discounts and advances rose from 2.28 to 3.42 per cent, reflecting increases in the discount rate, and the average rate on Government securities rose from 2.98 to 3.27 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, 1957-59

[Dollar amounts in thousands]

Item and year	Total[1]	Discounts and advances	Acceptances	U.S. Government securities
Average daily holdings:[2]				
1957	$24,221,645	$850,097	$25,142	$23,346,406
1958	24,982,770	295,250	38,904	24,648,616
1959	27,035,989	810,981	32,246	26,192,762
Earnings:				
1957	763,011	26,792	848	735,371
1958	741,763	6,745	806	734,212
1959	885,831	27,728	1,075	857,028
Average rate of interest (per cent):				
1957	3.15	3.15	3.37	3.15
1958	2.97	2.28	2.07	2.98
1959	3.28	3.42	3.34	3.27

[1] Excludes industrial loans, the authority for which expired Aug. 21, 1959.
[2] 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 $1,309 million in 1959. At the end of the year holdings amounted to $13,424 million, representing $8,032 million of earmarked gold, $4,477 million of U.S. Government securities (largely Treasury bills), $345 million in dollar deposits, $82 million of bankers' acceptances purchased through Federal Reserve Banks, and $488 million of miscellaneous assets. The latter item includes mainly dollar bonds issued by foreign countries and international institutions.

In 1959 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 $2,772 million, reflecting principally the United States payment of its increased subscription ($1,375 million) to the Monetary Fund and payments by other member countries of the gold portions of their increased subscriptions.

During the year new accounts were opened for the European Investment Bank, the Italian Foreign Exchange Office, the Bank of Taiwan, and the recently organized Central Banks of Malaya and Tunisia.

As in the past several years loans secured by gold collateral were of relatively minor importance. Loans of $17.9 million outstanding at the beginning of 1959 were repaid. New arrangements, including a stand-by commitment, amounted to a total of $41.1 million, of which $5 million was outstanding at the end of the year. Loans on gold are ordinarily made to foreign monetary authorities to help them meet dollar requirements of a clearly temporary nature.

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.

Bank premises. During the year the Board authorized the construction of an addition to, and alteration of, the Federal Reserve Bank building in Atlanta.

With the approval of the Board, property adjoining the Federal Reserve Branch in Pittsburgh was acquired to avoid street parking of armored trucks awaiting entrance to the building.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The accounts of the Board for the year 1959 were audited by the public accounting firm of Price Waterhouse & Co., whose certificate follows:

To the Board of Governors of the
Federal Reserve System

In our opinion the accompanying financial statements present fairly the assets, liabilities and fund balances of the operating fund and the property and equipment fund of the Board of Governors of the Federal Reserve System as at December 31, 1959, 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, D.C.,
February 4, 1960.

Assets, Liabilities and Fund Balances—December 31, 1959

Assets

Cash, exclusive of $177,845 representing withheld taxes			$ 824,969
Miscellaneous receivables and travel advances			20,394
Stockroom and cafeteria inventories, at cost			20,239
Total assets of operating fund			865,602
Property and equipment, at cost:			
Land and improvements			792,852
Building			3,940,050
Furniture and equipment			606,719
Total assets of property and equipment fund			5,339,621
Total assets			$6,205,223

Liabilities and Fund Balances

Accounts payable and accrued expense		$ 269,691
Fund balances:		
Operating fund—		
Balance December 31, 1958	$ 328,356	
Excess of assessments over expenditures for the year	267,555	595,911
Property and equipment fund—		
Balance December 31, 1958	5,233,320	
Expenditures for additions	139,430	
Excess of cost of assets disposed of over trade-in allowances	(33,129)	5,339,621
Total liabilities and fund balances		$6,205,223

Assessments and Expenditures
Year Ended December 31, 1959

Assessments levied on Federal Reserve Banks:		
For Board expenses and additions to property and equipment		$ 6,470,600
For expenditures made on behalf of the Federal Reserve Banks		4,943,223
Total assessments		$11,413,823
Expenditures:		
For printing, issue and redemption of Federal Reserve Notes, paid on behalf of the Federal Reserve Banks		$ 4,943,223
For expenses of the Board:		
Salaries	$4,045,223	
Retirement and insurance contributions	539,927	
Traveling expenses	274,627	
Professional and contractual services:		
Economic surveys	281,244	
Legal, consultant and audit fees	92,573	
Other	30,770	
Printing and binding	250,083	
Telephone and telegraph	90,626	
Postage and expressage	78,180	
Equipment and other rentals	142,200	
Operation of cafeteria, net	52,656	
Heat, light and power	52,064	
Stationery and office and other supplies	54,094	
Repairs, maintenance and alterations	30,541	
Books and subscriptions	19,708	
Insurance	4,866	
Miscellaneous, net	24,233	6,063,615
For property and equipment		139,430
Total expenditures		$11,146,268
Excess of assessments over expenditures for the year		$ 267,555

The Board's expenses for 1959 include the following special items: (1) an expenditure of $45,468 incurred in connection with the continuation of the Small Business Financing Study initiated in 1957; (2) an expenditure of $129,745 for Quarterly Consumer Buying Intentions Surveys; and (3) an expenditure of $87,905 incident to Civil and Defense Mobilization.

TABLES

NO. 1 — STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1959

[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		6,520,087		
Federal Reserve Agents' Fund		8,850,000	**18,185,642**	
Redemption fund for Federal Reserve notes			**978,083**	
Total gold certificate reserves				**19,163,725**
Federal Reserve notes of other Federal Reserve Banks				**524,450**
Other cash:				
United States notes			29,305	
Silver certificates			270,566	
Standard silver dollars			7,932	
National bank notes and Federal Reserve Bank notes			1,013	
Subsidiary silver, nickels, and cents			50,580	
Total other cash				**359,396**
Discounts and advances secured by U.S. Govt. securities:				
Discounted for member banks		452,417		
Discounted for others		....	452,417	
Other discounts and advances:				
Discounted for member banks		309		
Foreign loans on gold		5,000	5,309	
Total discounts and advances			**457,726**	
Acceptances:				
Bought outright			**44,168**	
Held under repurchase agreement			**31,173**	
U.S. Government securities:				
Bought outright:				
Bills	**2,605,765**			
Certificates	**10,506,993**			
Notes	**11,010,298**			
Bonds	**2,483,771**			
Total bought outright		**26,606,827**		
Held under repurchase agreement		**41,500**		
Total U.S. Government securities			**26,648,327**	
Total loans and securities				**27,181,394**
Due from foreign banks				**15**
Cash items in process of collection:				
Transit items			6,036,323	
Exchanges for clearing house			202,263	
Other cash items			198,720	
Total cash items in process of collection				**6,437,306**
Bank premises:				
Land			23,678	
Buildings (including vaults)		95,985		
Fixed machinery and equipment		44,963		
Total buildings		140,948		
Less depreciation allowances		65,051	75,897	
Total bank premises				**99,575**
Other assets:				
Miscellaneous assets acquired account industrial loans		25		
Less valuation allowances		25		
Net			....	
Reimbursable expenses and other items receivable			3,525	
Interest accrued			251,892	
Premium on securities			775	
Deferred charges			2,268	
Real estate acquired for banking house purposes			1,970	
Suspense account			617	
All other			693	
Total other assets				**261,740**
Total assets				**54,027,601**

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

LIABILITIES

Federal Reserve notes:			
Outstanding (issued to Federal Reserve Banks)		29,447,692	
Less: Held by issuing Federal Reserve Banks	1,053,370		
Forwarded for redemption	132,355	1,185,725	
Federal Reserve notes, net (includes notes held by U.S. Treasury and by Federal Reserve Banks other than issuing Bank)			28,261,967
Deposits:			
Member bank reserves		18,173,970	
U.S. Treasurer—general account		503,778	
Foreign		344,788	
Other deposits:			
Nonmember bank—clearing accounts	79,233		
Officers' and certified checks	8,991		
Federal Reserve exchange drafts	....		
Reserves of corporations doing foreign banking or financing	18,923		
International organizations[1]	74,223		
All other	512,365		
Total other deposits		693,735	
Total deposits			19,716,271
Deferred availability cash items			4,847,216
Other liabilities:			
Accrued dividends unpaid		......	
Unearned discount		538	
Discount on securities		23,437	
Sundry items payable		4,446	
Suspense account		153	
All other		46	
Tota lother liabilities			28,620
Total liabilities			52,854,074

CAPITAL ACCOUNTS

Capital paid in		387,404
Surplus		774,808
Other capital accounts:		
Reserves for registered mail losses	11,316	
Total other capital accounts[2]		11,316
Total liabilities and capital accounts		54,027,601
Contingent liability on acceptances purchased for foreign correspondents		82,006

[1] Includes International Bank for Reconstruction and Development, International Monetary Fund, and International Finance Corporation.
[2] During the year this item includes the net of earnings, expenses, profits, etc., which are closed out on December 31; see Table 6, pp. 114-15.

NO. 2 — STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1959 AND 1958

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958
ASSETS												
Gold certificate account	18,185,642	19,012,893	889,340	888,156	4,685,959	5,277,367	1,050,113	1,037,847	1,634,684	1,443,593	1,067,069	1,033,459
Redemption fund for Federal Reserve notes	978,083	937,919	59,652	55,671	213,325	198,412	60,965	60,195	87,708	87,750	79,240	85,803
Total gold certificate reserves	19,163,725	19,950,812	948,992	943,827	4,899,284	5,475,779	1,111,078	1,098,042	1,722,392	1,531,343	1,146,309	1,119,262
Federal Reserve notes of other Banks	524,450	476,993	40,058	41,061	90,056	83,865	43,544	47,991	34,133	29,107	69,408	57,452
Other cash	359,396	336,474	20,849	19,758	54,975	60,901	18,085	16,950	32,180	28,071	25,494	22,112
Discounts and advances:												
Secured by U.S. Govt. securities	452,417	45,963	700	200	201,380	6,520	42,725	5,485	300	2,775	5,050	1,575
Other	5,309	18,000	385	1,020	1,400	5,048	330	1,235	450	1,593	250	913
Industrial loans	....	336	....	327	....	....	....	....	....	....	....	....
Acceptances:												
Bought outright	44,168	43,290	....	....	44,168	43,290	....	....	....	....	....	....
Held under repurchase agreement	31,173	5,799	....	....	31,173	5,799	....	....	....	....	....	....
U.S. Government securities:												
Bought outright	26,606,827	26,251,512	1,442,489	1,429,342	6,695,661	6,619,791	1,517,281	1,509,042	2,303,566	2,323,915	1,705,178	1,708,764
Held under repurchase agreement	41,500	95,000	....	....	41,500	95,000	....	....	....	....	....	....
Total loans and securities	27,181,394	26,459,900	1,443,574	1,430,889	7,015,282	6,775,448	1,560,336	1,515,762	2,304,316	2,328,283	1,710,478	1,711,252
Due from foreign banks	15	15	1	1	[1] 4	[1] 4	1	1	1	1	1	1
Cash items in process of collection	6,437,306	5,630,684	467,341	405,506	1,280,699	1,215,353	394,830	332,939	565,404	543,121	502,789	433,573
Bank premises	99,575	93,636	4,328	4,705	9,858	10,313	4,036	4,245	9,315	9,432	6,651	6,654
Other assets	261,740	146,641	13,956	7,884	65,069	36,477	14,639	8,181	22,452	12,768	16,639	9,479
Total assets	54,027,601	53,095,155	2,939,099	2,853,631	13,415,227	13,658,140	3,146,549	3,024,111	4,690,193	4,482,126	3,477,769	3,359,785

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

LIABILITIES												
Federal Reserve notes	28,261,967	27,872,023	1,614,203	1,630,425	6,646,973	6,512,632	1,807,990	1,751,391	2,570,372	2,571,638	2,131,600	2,135,757
Deposits:												
Member bank reserves	18,173,970	18,503,991	800,636	771,057	5,092,824	5,570,787	892,994	863,417	1,460,303	1,344,045	789,451	764,580
U.S. Treasurer—general account	503,778	358,364	28,362	21,009	65,278	35,306	37,645	22,996	32,804	4,656	56,937	29,422
Foreign	344,788	272,485	19,140	13,395	[2] 94,228	[2] 103,755	22,968	16,215	31,320	20,915	17,400	11,985
Other	693,735	390,851	26,422	2,202	367,074	307,036	32,548	4,013	26,294	5,054	28,317	4,635
Total deposits	19,716,271	19,525,691	874,560	807,663	5,619,404	6,016,884	986,155	906,641	1,550,721	1,374,670	892,105	810,622
Deferred availability cash items	4,847,216	4,335,126	390,252	338,324	808,203	755,659	281,609	275,287	457,026	413,145	399,444	343,293
Other liabilities	28,620	21,683	1,474	1,069	7,453	5,376	1,513	1,253	2,439	1,853	1,592	1,130
Total liabilities	52,854,074	51,754,523	2,880,489	2,777,481	13,082,033	13,290,551	3,077,267	2,934,572	4,580,558	4,361,306	3,424,741	3,290,802
CAPITAL ACCOUNTS												
Capital paid in	387,404	363,098	19,166	18,121	110,452	105,850	22,819	21,894	36,265	34,246	17,283	16,439
Surplus	774,808	868,410	38,332	50,116	220,905	238,902	45,638	59,607	72,530	76,643	34,566	44,846
Other capital accounts	11,316	109,124	1,112	7,913	1,837	22,837	825	8,038	840	9,931	1,179	7,698
Total liabilities and capital accounts	54,027,601	53,095,155	2,939,099	2,853,631	13,415,227	13,658,140	3,146,549	3,024,111	4,690,193	4,482,126	3,477,769	3,359,785
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	39.9%	42.1%	38.1%	38.7%	39.9%	43.7%	39.8%	41.3%	41.8%	38.8%	37.9%	38.0%
Contingent liability on acceptances purchased for foreign correspondents	82,006	67,799	4,526	3,864	[3] 22,750	[3] 19,119	5,432	4,678	7,407	6,034	4,115	3,458
Industrial loan commitments	....	975	....	....	....	....	....	....	....	35	....	....
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	29,447,692	29,057,573	1,703,036	1,703,455	6,945,921	6,827,935	1,867,380	1,815,156	2,645,846	2,645,549	2,222,859	2,223,439
Less held by issuing Bank, and forwarded for redemption	1,185,725	1,185,550	88,833	73,030	298,948	315,303	59,390	63,765	75,474	73,911	91,259	87 682
Federal Reserve notes, net[4]	28,261,967	27,872,023	1,614,203	1,630,425	6,646,973	6,512,632	1,807,990	1,751,391	2,570,372	2,571,638	2,131,600	2,135,757
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account	10,650,000	11,073,000	530,000	650,000	2,900,000	2,920,000	700,000	640,000	920,000	920,000	700,000	725,000
Eligible paper	99,778	25,393	....	....	....	....	42,725	5,285	....	....	....	....
U.S. Government securities	19,530,000	18,615,000	1,250,000	1,150,000	4,200,000	4,000,000	1,200,000	1,200,000	1,750,000	1,750,000	1,550,000	1,530,000
Total collateral	30,279,778	29,713,393	1,780,000	1,800,000	7,100,000	6,920,000	1,942,725	1,845,285	2,670,000	2,670,000	2,250,000	2,255,000

[2] After deducting $250,560,000 participations of other Federal Reserve Banks on Dec. 31, 1959, and $168,730,000 on Dec. 31, 1958.
[3] After deducting $59,256,000 participations of other Federal Reserve Banks on Dec. 31, 1959, and $48,680,000 on Dec. 31, 1958.
[4] 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 1959 AND 1958—Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958
ASSETS														
Gold certificate account	899,380	864,742	3,000,460	3,326,227	723,963	753,490	358,239	458,383	707,873	748,339	713,196	721,519	2,455,366	2,459,771
Redemption fund for Federal Reserve notes	64,628	57,037	182,357	167,634	46,241	44,661	23,410	22,463	45,167	43,533	31,037	29,845	84,353	84,915
Total gold certificate reserves	964,008	921,779	3,182,817	3,493,861	770,204	798,151	381,649	480,846	753,040	791,872	744,233	751,364	2,539,719	2,544,686
Federal Reserve notes of other Banks	62,570	53,143	39,909	40,267	20,751	23,287	23,009	17,588	24,273	11,317	33,442	28,333	43,297	43,582
Other cash	28,685	26,560	65,447	58,734	23,922	26,513	11,722	8,664	15,272	14,662	16,519	14,687	46,246	38,862
Discounts and advances:														
Secured by U.S. Govt. securities	45,300	4,765	43,470	3,885	14,600	1,600	17,589	....	42,453	18,408	8,650	750	30,200	....
Other	235	805	939	2,560	185	662	120	430	195	798	260	931	560	2,005
Industrial loans	....	....	....	....	....	....	....	9	....	....	....	....	....	....
Acceptances:														
Bought outright	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U.S. Government securities:														
Bought outright	1,402,286	1,335,756	4,604,365	4,585,614	1,082,100	1,070,904	606,024	552,253	1,146,887	1,120,493	1,061,985	1,028,298	3,039,005	2,967,340
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,447,821	1,341,326	4,648,774	4,592,059	1,096,885	1,073,166	623,733	552,692	1,189,535	1,139,699	1,070,895	1,029,979	3,069,765	2,969,345
Due from foreign banks	1	1	2	2	1	1	([5])	([5])	1	1	1	1	1	1
Cash items in process of collection	514,749	453,214	1,036,246	902,999	270,271	232,399	163,981	145,320	309,923	254,995	294,454	242,747	636,619	468,518
Bank premises	9,542	9,294	15,597	11,824	7,036	6,862	5,059	5,193	4,636	4,799	11,339	7,786	12,178	12,529
Other assets	14,899	8,470	44,898	24,838	10,528	5,917	5,938	3,076	12,157	7,130	10,599	5,917	29,966	16,504
Total assets	3,042,275	2,813,787	9,033,690	9,124,584	2,199,598	2,166,296	1,215,091	1,213,379	2,308,837	2,224,475	2,181,482	2,080,814	6,377,791	6,094,027

[5] Less than $500.

LIABILITIES														
Federal Reserve notes	1,604,441	1,476,020	5,324,442	5,302,681	1,245,164	1,238,269	608,162	598,279	1,117,824	1,101,081	815,895	798,613	2,774,901	2,755,237
Deposits:														
Member bank reserves	875,240	846,398	2,637,889	2,809,518	620,895	669,057	404,178	419,895	840,994	817,730	973,362	969,769	2,785,204	2,657,738
U.S. Treasurer—general account	26,581	32,479	39,321	48,619	41,412	19,283	23,771	24,459	44,445	38,271	44,231	30,630	62,991	51,234
Foreign	16,356	10,575	51,504	33,605	12,876	8,695	8,352	5,640	13,572	9,165	18,096	12,220	38,976	26,320
Other	13,693	2,347	65,504	8,404	20,532	3,141	10,390	961	14,654	3,279	11,903	2,778	76,404	47,001
Total deposits	931,870	891,799	2,794,218	2,900,146	695,715	700,176	446,691	450,955	913,665	868,445	1,047,592	1,015,397	2,963,575	2,782,293
Deferred availability cash items	443,145	380,576	747,318	721,508	218,371	174,787	132,062	129,777	228,113	200,590	249,555	196,451	492,118	405,729
Other liabilities	1,473	1,080	5,236	3,967	1,085	792	1,512	933	1,141	848	959	710	2,743	2,672
Total liabilities	2,980,929	2,749,475	8,871,214	8,928,302	2,160,335	2,114,024	1,188,427	1,179,944	2,260,743	2,170,964	2,114,001	2,011,171	6,233,337	5,945,931
CAPITAL ACCOUNTS														
Capital paid in	20,153	18,371	53,667	49,665	12,931	12,348	8,790	8,387	15,860	14,848	22,322	20,684	47,695	42,245
Surplus	40,306	39,474	107,334	132,159	25,862	33,746	17,580	20,785	31,720	32,935	44,645	43,436	95,390	95,761
Other capital accounts	887	6,467	1,475	14,458	470	6,178	294	4,263	514	5,728	514	5,523	1,369	10,090
Total liabilities and capital accounts	3,042,275	2,813,787	9,033,690	9,124,584	2,199,598	2,166,296	1,215,091	1,213,379	2,308,837	2,224,475	2,181,482	2,080,814	6,377,791	6,094,027
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined	38.0%	38.9%	39.2%	42.6%	39.7%	41.2%	36.2%	45.8%	37.1%	40.2%	39.9%	41.4%	44.3%	46.0%
Contingent liability on acceptances purchased for foreign correspondents	3,868	3,051	12,180	9,695	3,045	2,509	1,975	1,627	3,210	2,644	4,280	3,526	9,218	7,594
Industrial loan commitments	....	....	....	....	....	....	....	....	....	940	....	....	....	....
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	1,684,882	1,556,710	5,483,344	5,474,313	1,307,000	1,296,838	622,690	614,338	1,155,248	1,137,662	869,505	849,075	2,939,981	2,913,103
Less held by issuing Bank, and forwarded for redemption	80,441	80,690	158,902	171,632	61,836	58,569	14,528	16,059	37,424	36,581	53,610	50,462	165,080	157,866
Federal Reserve notes, net[4]	1,604,441	1,476,020	5,324,442	5,302,681	1,245,164	1,238,269	608,162	598,279	1,117,824	1,101,081	815,895	798,613	2,774,901	2,755,237
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	500,000	475,000	1,900,000	2,200,000	430,000	430,000	180,000	200,000	300,000	300,000	290,000	313,000	1,300,000	1,300,000
Eligible paper	....	....	....	....	14,600	1,600	....	....	42,453	18,508	....	....	....	....
U.S. Government securities	1,200,000	1,100,000	3,700,000	3,400,000	935,000	935,000	450,000	425,000	870,000	850,000	625,000	575,000	1,800,000	1,700,000
Total collateral	1,700,000	1,575,000	5,600,000	5,600,000	1,379,600	1,366,600	630,000	625,000	1,212,453	1,168,508	915,000	888,000	3,100,000	3,000,000

[4] 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 1959, 1958, AND 1957

[In thousands of dollars]

Type of issue	Rate of interest (per cent)	December 31			Change during	
		1959	1958	1957	1959	1958
Treasury bonds:						
1956–58	2½			12,493		−12,493
1957–59	2⅜			339,096		−339,096
1956–59	2¼			21,690		−21,690
1959–62 June	2¼	319,849	319,849	319,849		
1959–62 Dec.	2¼	693,765	693,765	693,765		
1965 Feb.	2⅝	20,300	20,300			+20,300
1966 Aug.	3	7,000	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		
1985 May	3¼	5,200	5,200			+5,200
1990 Feb.	3½	22,800	22,800			+22,800
Total Treasury bonds		2,483,771	2,483,771	2,801,750		−317,979
Treasury notes:						
Aug. 15, 1960–C	4¾	5,500,000			+5,500,000	
May 15, 1961–B	3⅝	2,857,565	2,857,565			+2,857,565
Feb. 15, 1963–A	2⅝	10,000	10,000			+10,000
May 15, 1964–A	4¾	2,642,733			+2,642,733	
Total Treasury notes		11,010,298	2,867,565		+8,142,733	+2,867,565
Certificates:						
Feb. 14, 1958	3⅜			5,494,500		−5,494,500
Aug. 1, 1958	4			6,581,547		−6,581,547
Dec. 1, 1958	3¾			7,857,565		−7,857,565
Feb. 14, 1959	2½		5,506,993		−5,506,993	+5,506,993
Aug. 1, 1959	1⅝		8,142,733		−8,142,733	+8,142,733
Nov. 15, 1959	3⅜		5,000,000		−5,000,000	+5,000,000
Feb. 15, 1960	3¾	5,506,993			+5,506,993	
Nov. 15, 1960	4¾	5,000,000			+5,000,000	
Total certificates		10,506,993	18,649,726	19,933,612	−8,142,733	−1,283,886
Treasury bills:						
Tax anticipation		47,000			+47,000	
Other:						
Due within 3 mos.		2,162,000	2,233,950	983,573	−71,950	+1,250,377
Due 3–6 mos.		380,365	16,500		+363,865	+16,500
Due over 6 mos.		16,400			+16,400	
Total Treasury bills		2,605,765	2,250,450	983,573	+355,315	+1,266,877
Repurchase agreements		41,500	95,000	519,350	−53,500	−424,350
Total holdings		26,648,327	26,346,512	24,238,285	+301,815	+2,108,227

NO. 4 — FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953-59[1]

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount	Date	Amount
1953—Mar. 18	110	1953—June 11	358	1954—Jan. 14	22	1954—Mar. 15	134
19	104	12	506	15	169	16	190
20	189	13	506	16	169		
21	189	*14	506	*17	169		
*22	189	15	999	18	323	1955	
23	333	16	1,172	19	424	1956	no transactions
24	186	17	823	20	323	1957	
25	63	18	364	21	306		
26	49	19	992	22	283		
June 5	196	20	992	23	283	1958—Mar. 17	143
6	196	*21	992	*24	283	18	207
*7	196	22	908	25	203		
8	374	23	608	26	3		
9	491	24	296				
10	451					1959—no transactions	

* Sunday or holiday.

[1] Under authority of Section 14(b) of the Federal Reserve Act. On Nov. 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. Rate on purchases in 1958 was 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, 1955-59

[Number in thousands; amounts in thousands of dollars]

Operation	1959	1958	1957	1956	1955
NUMBER OF PIECES HANDLED[1]					
Discounts and advances[2]	26	14	25	23	21
Currency received and counted	4,631,081	4,547,668	4,631,676	4,466,739	4,282,562
Coin received and counted	9,929,912	9,574,474	9,089,460	8,610,821	8,430,796
Checks handled:					
U.S. Govt. checks	393,860	388,541	469,158	539,359	503,516
Postal money orders	279,939	295,350	324,161	342,313	347,351
All other[3]	3,257,839	3,085,185	2,974,940	2,822,589	2,643,549
Collection items handled:					
U.S. Govt. coupons paid	13,915	13,564	12,546	11,997	12,301
All other	20,853	20,429	19,308	17,813	16,368
Issues, redemptions, and exchanges of U.S. Govt. securities	196,063	193,665	207,246	198,519	191,922
Transfers of funds	2,695	2,426	2,302	2,123	1,960
AMOUNTS HANDLED					
Discounts and advances[2]	105,058,505	41,306,072	114,469,820	109,665,475	88,436,422
Currency received and counted	30,730,461	29,596,570	29,926,319	29,104,496	27,461,048
Coin received and counted	1,022,660	956,235	922,742	887,418	862,022
Checks handled:					
U.S. Govt. checks	106,724,118	99,942,372	102,062,972	114,173,132	123,215,681
Postal money orders	5,078,641	5,297,341	5,796,279	5,941,097	5,814,754
All other[3]	1,130,235,860	1,044,984,066	1,044,553,457	1,003,202,371	927,648,399
Collection items handled:					
U.S. Govt. coupons paid	3,866,402	3,695,458	3,032,805	2,563,075	2,595,305
All other	5,838,199	5,663,684	5,758,976	5,495,317	5,354,604
Issues, redemptions, and exchanges of U.S. Govt. securities	545,489,154	526,037,271	493,391,267	421,612,394	429,701,960
Transfers of funds	1,882,069,626	1,643,532,069	1,345,185,037	1,233,509,550	1,091,608,891

[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 1959

Item	Total	Boston	New York	Phila-delphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounts and advances	$27,727,975	$1,100,020	$6,123,532	$1,492,831	$2,051,006	$1,559,502	$3,154,478	$4,913,984	$759,478	$1,105,828	$2,893,655	$1,281,935	$1,291,725
Acceptances	1,075,451	....	1,075,451	....	....	....	....	....	....	....	....	....	....
U.S. Govt. securities	857,027,803	46,405,883	217,110,107	48,848,408	74,376,718	54,981,403	44,762,291	148,276,884	34,803,214	19,181,826	36,792,290	34,008,358	97,480,423
All other	394,887	22,316	62,675	17,098	28,230	18,329	75,653	49,873	14,996	27,908	33,821	16,252	27,734
Total current earnings	886,226,116	47,528,219	224,371,765	50,358,337	76,455,954	56,559,234	47,992,422	153,240,741	35,577,689	20,315,562	39,719,766	35,306,545	98,799,882
CURRENT EXPENSES													
Salaries:													
Officers	6,330,587	371,085	1,134,763	386,549	544,501	526,231	506,975	622,651	472,544	334,250	487,394	406,721	536,923
Employees	82,700,989	5,075,485	18,751,092	4,329,373	7,251,732	5,419,367	5,277,927	12,483,214	4,644,333	2,635,708	4,321,201	3,817,818	8,693,739
Directors' & other fees	525,206	22,763	62,463	29,218	47,972	35,151	64,841	43,624	31,969	35,770	67,661	37,289	46,485
Retirement contrib.	10,242,106	613,936	2,209,005	540,891	901,131	694,178	684,691	1,534,729	585,563	323,909	575,648	511,683	1,066,742
Traveling expenses	1,813,271	102,753	300,278	85,908	165,067	154,440	139,747	210,654	104,753	96,025	116,835	113,608	223,203
Postage and expressage	18,254,889	1,536,002	2,671,911	929,962	1,408,547	1,798,195	1,561,536	2,481,289	984,791	640,432	1,102,283	935,756	2,204,185
Telephone & telegraph	1,471,241	76,753	310,298	66,759	116,077	108,311	156,744	170,240	83,578	54,272	86,083	96,883	145,243
Printing, stationery, and supplies	6,604,851	493,523	1,291,090	334,887	474,184	432,893	522,662	1,015,098	425,109	202,972	400,429	335,274	676,730
Insurance	1,593,582	96,418	267,948	72,525	146,556	140,174	137,431	200,260	108,963	78,646	105,534	82,337	156,790
Taxes on real estate	4,219,629	652,740	775,780	141,126	352,257	181,477	243,506	587,764	168,300	298,277	192,684	166,493	459,225
Depreciation (building)	5,453,240	414,858	478,325	268,149	894,687	527,338	390,920	623,994	342,624	324,352	168,473	265,706	753,814
Light, heat, power, and water	1,672,307	108,070	245,112	100,183	173,708	157,401	111,962	219,148	126,470	86,614	129,828	89,118	124,693
Repairs and alterations	1,107,327	72,314	213,903	59,124	129,178	151,418	51,826	40,007	123,717	105,750	61,463	20,723	77,904
Rent	194,081	5,516	7,059	5,361	16,376	2,506	2,384	95,302	1,594	111	78	55,853	1,941
Furniture & equipment:													
Purchases	1,840,005	138,137	231,784	142,323	158,706	103,932	289,568	125,393	133,861	174,625	73,036	72,702	195,938
Rentals	5,932,257	458,897	772,941	360,634	431,785	401,127	425,796	1,035,771	318,938	198,425	388,681	319,902	819,360
All other	1,861,954	88,242	352,839	68,931	369,736	89,598	117,796	274,230	82,261	86,285	108,314	98,689	125,033
Interbank expenses	....	41,844	−512,116	49,853	69,063	−8,880	39,430	112,997	29,761	18,767	31,721	40,921	86,639
Subtotal	151,817,523	10,369,335	29,564,476	7,971,756	13,651,262	10,914,858	10,725,742	21,876,365	8,769,130	5,695,191	8,417,345	7,467,476	16,394,587
F. R. currency	6,384,083	406,681	1,034,845	342,799	385,901	500,821	678,761	1,341,334	325,944	191,963	277,935	325,910	571,190
Assessment for expenses of Board of Governors	6 470,600	357,900	1,809,000	427,100	583,000	321,400	304,800	955,200	241,500	153,000	251,100	337,600	729,000
Total	164,672,206	11,133,916	32,408,320	8,741,656	14,620,162	11,737,079	11,709,302	24,172,900	9,336,573	6,040,154	8,946,380	8,130,986	17,694,777

Less reimbursement for certain fiscal agency and other expenses.	19,969,500	1,051,471	3,400,581	965,663	1,873,578	1,092,912	1,486,985	3,457,458	1,230,950	630,258	1,500,846	1,130,417	2,148,381
Net expenses.....	144,702,706	10,082,446	29,007,740	7,775,992	12,746,585	10,644,167	10,222,318	20,715,442	8,105,623	5,409,896	7,445,534	7,000,569	15,546,396
PROFIT AND LOSS													
Current net earnings...	741,523,410	37,445,773	195,364,026	42,582,344	63,709,370	45,915,067	37,770,104	132,525,299	27,472,066	14,905,666	32,274,232	28,305,976	83,253,486
Additions to current net earnings:													
Profits on sales of U.S. Govt. securities (net).....	189,930	10,414	47,981	11,277	16,502	11,746	9,766	33,137	7,864	4,325	8,191	7,509	21,216
Transferred from reserves for contingencies (net)..	97,658,503	6,786,590	20,968,889	7,207,970	9,083,117	6,500,112	5,573,662	12,966,576	5,691,670	3,964,289	5,206,431	5,002,666	8,706,533
All other.........	851,294	3,063	953	3,008	4,506	266	1,289	27,654	3,044	1,071	2,946	857	802,638
Total additions.	98,699,727	6,800,067	21,017,823	7,222,255	9,104,125	6,512,123	5,584,717	13,027,366	5,702,578	3,969,685	5,217,568	5,011,032	9,530,388
Deductions from current net earnings...	452,473	113,088	288,283	2,677	178	1,385	416	449	989	1,420	38,589	4,409	592
Net additions.........	98,247,253	6,686,980	20,729,540	7,219,578	9,103,947	6,510,738	5,584,301	13,026,917	5,701,588	3,968,264	5,178,979	5,006,624	9,529,796
Net earnings before payments to U.S. Treasury...........	839,770,663	44,132,753	216,093,566	49,801,923	72,813,317	52,425,805	43,354,406	145,552,216	33,173,654	18,873,930	37,453,211	33,312,599	92,783,282
Dividends paid.......	22,721,687	1,121,379	6,546,841	1,349,401	2,150,830	1,016,950	1,163,437	3,110,883	760,610	518,245	928,427	1,307,562	2,747,120
Paid U.S. Treasury (interest on F. R. notes)	910,649,768	54,795,062	227,544,018	62,421,267	74,774,987	61,688,735	41,359,271	167,266,066	40,296,779	21,560,985	37,739,576	30,796,437	90,406,584
Transferred to surplus.	−93,600,791	−11,783,688	−17,997,293	−13,968,746	−4,112,500	−10,279,880	831,697	−24,824,734	−7,883,735	−3,205,300	−1,214,792	1,208,601	−370,423
Surplus, January 1....	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
Surplus, December 31..	774,807,800	38,332,200	220,904,600	45,638,100	72,530,000	34,566,100	40,305,800	107,333,800	25,862,300	17,579,700	31,720,100	44,644,900	95,390,200

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

NO. 7—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-59

Period or Bank	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
1959	886,226,116	144,702,706	839,770,663	22,721,687	...	...	910,649,768	...	−93,600,791
Total 1914–59	8,176,893,581	2,281,943,114	5,936,077,097	453,205,899	149,138,300	2,188,893	4,428,067,660	−3,657	[2] 903,480,002
Aggregate for each Federal Reserve Bank, 1914–59:									
Boston	499,495,368	162,506,023	340,908,156	28,359,265	7,111,395	280,843	256,594,214	135,411	48,427,025
New York	2,089,099,388	507,468,324	1,597,771,407	148,484,948	68,006,262	369,116	1,123,183,321	−433,413	258,161,171
Philadelphia	531,388,692	151,178,168	386,627,854	36,313,146	5,558,901	722,406	283,774,417	290,661	59,968,322
Cleveland	734,990,304	209,845,595	527,353,355	44,574,397	4,842,447	82,930	392,099,695	−9,906	85,763,793
Richmond	494,428,051	150,736,302	346,166,040	19,567,434	6,200,189	172,493	279,851,532	−71,517	40,445,908
Atlanta	423,940,733	128,765,871	294,966,975	17,973,974	8,950,561	79,264	222,385,343	5,491	45,572,340
Chicago	1,293,530,852	320,388,345	974,845,604	55,840,360	25,313,526	151,045	770,866,435	11,682	122,662,554
St. Louis	369,818,690	125,546,485	244,388,968	15,623,389	2,755,629	7,464	195,047,072	−26,515	30,981,928
Minneapolis	222,105,322	77,621,400	146,454,556	10,606,350	5,202,900	55,615	109,067,908	64,874	21,456,913
Kansas City	372,387,064	122,768,636	250,916,059	16,207,994	6,939,100	64,213	191,853,376	−8,674	35,860,050
Dallas	330,242,356	104,074,419	227,581,303	18,298,584	560,049	102,083	159,642,872	55,337	48,922,378
San Francisco	815,466,762	221,043,548	598,096,818	41,356,054	7,697,341	101,421	443,701,474	−17,089	105,257,617
Total	8,176,893,581	2,281,943,114	5,936,077,097	453,205,899	149,138,300	2,188,893	4,428,067,660	−3,657	903,480,002

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

[2] The $903,480,002 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 $774,807,800 on Dec. 31, 1959.

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

NO. 8—MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918–59 AND END OF MONTH 1959

[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	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
1959—																		
Jan.	25,715	25,611	104	462	979	41	27,197	20,476	5,235	31,125	721	447	274	345	1,118	18,878	18,355	523
Feb.	25,350	25,295	55	632	999	39	27,020	20,479	5,241	31,129	718	492	310	334	1,215	18,540	17,972	568
Mar.	25,497	25,497	....	327	862	30	26,716	20,442	5,247	31,250	689	398	308	388	1,180	18,192	17,815	377
Apr.	25,703	25,623	80	500	943	30	27,176	20,305	5,257	31,349	711	539	266	341	1,136	18,396	18,201	195
May	25,905	25,905	....	984	860	28	27,777	20,188	5,273	31,638	694	567	291	369	1,219	18,459	17,975	484
June	26,044	26,025	19	421	846	26	27,337	19,705	5,279	31,914	394	535	294	363	1,181	17,640	18,054	−414
July	26,543	26,408	135	1,229	772	25	28,569	19,626	5,280	31,898	397	522	278	337	1,138	18,905	18,308	597
Aug.	26,690	26,650	40	692	779	21	28,181	19,524	5,283	31,973	392	537	252	329	1,260	18,245	18,140	105
Sept.	26,563	26,563	....	330	951	20	27,865	19,491	5,289	31,848	377	704	312	448	1,196	17,760	18,175	−415
Oct.	26,631	26,537	94	877	933	28	28,469	19,585	5,298	31,905	396	488	284	335	1,127	18,818	18,305	513
Nov.	26,922	26,894	28	833	1,158	34	28,946	19,566	5,307	32,489	401	582	332	358	1,242	18,415	18,050	365
Dec.	26,648	26,607	41	458	1,590	75	28,771	19,456	5,311	32,591	391	504	345	694	841	[7] 18,484	18,629	−145

[1] Principally acceptances and industrial loans; authority for industrial loans expired Aug. 21, 1959.
[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. Prior to 1929 available only on call dates (in 1920 and 1922, the call dates were December 29).
[7] Beginning with December 1959, includes cash allowed as reserves.
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, 1959

Federal Reserve Bank or branch	Cost: Land	Cost: Buildings (including vaults)[1]	Cost: Fixed machinery and equipment	Cost: Total	Net book value
Boston	$1,628,132	$5,929,169	$2,977,084	$10,534,385	$4,327,764
New York	5,215,656	12,183,528	4,886,521	22,285,705	4,760,865
Annex	592,679	1,451,569	665,908	2,710,156	923,092
Buffalo	406,049	2,550,437	1,562,577	4,519,063	4,174,423
Philadelphia	1,884,357	4,839,506	2,154,452	8,878,315	4,036,175
Cleveland	1,295,490	6,683,492	3,104,307	11,083,289	2,464,048
Cincinnati	400,891	1,164,915	1,418,983	2,984,789	1,535,720
Pittsburgh	1,619,870	2,953,531	2,427,377	7,000,778	5,315,499
Richmond	469,944	4,164,663	2,431,502	7,066,109	3,110,959
Baltimore	250,487	2,009,381	1,062,747	3,322,615	2,152,519
Charlotte	117,479	1,069,026	607,294	1,793,799	1,387,436
Atlanta	633,387	1,722,115	362,731	2,718,233	1,116,135
Annex	93,931	137,100	103,867	334,898	298,860
Birmingham	331,284	3,082,345	70,511	3,484,140	2,965,278
Jacksonville	164,004	1,686,250	694,291	2,544,545	1,832,150
Nashville	592,104	1,474,678	1,009,863	3,076,645	2,946,165
New Orleans	277,078	762,456	265,700	1,305,234	383,791
Chicago	6,019,757	14,298,893	2,799,699	23,118,349	12,202,173
Detroit	1,147,734	2,837,712	1,214,162	5,199,608	3,394,464
St. Louis	1,675,780	3,171,719	2,152,202	6,999,701	2,182,620
Little Rock	241,105	391,611	198,365	831,081	446,102
Louisville	523,353	2,859,819	1,003,708	4,386,880	4,156,924
Memphis	128,542	287,469	152,627	568,638	250,267
Minneapolis	600,521	4,545,592	2,581,567	7,727,680	4,981,678
Helena	15,709	126,401	62,977	205,087	77,750
Kansas City	545,764	3,521,181	1,316,319	5,383,264	1,310,087
Denver	592,271	523,041	86,910	1,202,222	758,026
Oklahoma City	65,021	421,252	97,588	583,861	159,449
Omaha	445,663	1,491,117	723,843	2,660,623	2,408,942
Dallas	686,243	5,841,096	466,692	6,994,031	5,171,454
El Paso	262,477	787,728	393,301	1,443,506	1,333,337
Houston	695,615	1,408,574	744,758	2,848,947	2,669,314
San Antonio	448,596	1,400,390	570,847	2,419,833	2,164,813
San Francisco	476,768	3,783,530	1,458,028	5,718,326	1,163,612
Annex	247,201	124,000	30,000	401,201	395,721
Los Angeles	736,867	4,074,380	1,491,100	6,302,347	4,073,723
Portland	207,380	1,678,512	649,432	2,535,324	1,696,582
Salt Lake City	480,222	1,878,238	707,575	3,066,035	2,957,712
Seattle	274,772	1,891,564	642,239	2,808,575	1,890,079
Total	32,490,183	111,207,980	45,349,654	189,047,817	99,575,708

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Federal Reserve Bank or branch	Land	Buildings (including vaults)[1]	Fixed machinery and equipment	Total	Net book value
Richmond	146,550	....	....	146,550	146,550
New Orleans	757,491	....	....	757,491	757,491
Kansas City	[2] 396,219	....	....	396,219	396,219
Oklahoma City	[2] 498,005	....	....	498,005	498,005
Houston	78,812	317,336	112,111	508,259	101,416
Los Angeles	40,747	29,464	....	70,211	70,211
Total	1,917,824	346,800	112,111	2,376,735	1,969,892

[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, 1959]

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	22	$317,800	1,358	$5,144,392	1,381	$5,497,192
New York	60,000	57	1,041,500	3,798	18,868,763	3,856	19,970,263
Philadelphia	35,000	25	351,500	992	4,182,518	1,018	4,569,018
Cleveland	35,000	35	498,250	1,543	7,137,130	1,579	7,670,380
Richmond	35,000	36	487,500	1,356	5,236,272	1,393	5,758,772
Atlanta	35,000	36	453,742	1,379	5,127,240	1,416	5,615,982
Chicago	50,000	39	544,226	2,838	12,132,040	2,878	12,726,266
St. Louis	35,000	33	446,700	1,106	4,396,143	1,140	4,877,843
Minneapolis	35,000	22	299,250	661	2,607,771	684	2,942,021
Kansas City	35,000	33	447,500	1,055	4,179,929	1,089	4,662,429
Dallas	35,000	31	384,800	969	3,733,686	1,001	4,153,486
San Francisco	35,000	40	504,000	2,024	8,407,378	2,065	8,946,378
Total	$460,000	409	$5,776,768	19,079	$81,153,262	19,500	$87,390,030

[1] Includes 871 part-time employees.

NO. 11—FEDERAL RESERVE BANK DISCOUNT RATES

In effect December 31, 1959 [1]

[Per cent per annum]

Federal Reserve Bank	Discounts for and advances to member banks		Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of the U.S. (last par. Sec. 13)
	Advances secured by Government obligations and discounts of and advances secured by eligible paper (Secs. 13 and 13a)[2]	Other secured advances [Sec. 10(b)]	
Boston	4	4½	5
New York	4	4½	5
Philadelphia	4	4½	5
Cleveland	4	4½	5
Richmond	4	4½	5
Atlanta	4	4½	5
Chicago	4	4½	5
St. Louis	4	4½	5
Minneapolis	4	4½	5
Kansas City	4	4½	5
Dallas	4	4½	5
San Francisco	4	4½	5

[1] For changes during year, see record of policy actions of the Board of Governors.

[2] Rates shown also apply to advances secured by obligations of Federal intermediate credit banks maturing within 6 months.

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.

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, 1960	18	16½	11	5	5
Present legal requirements:					
Minimum	[2] 10	10	7	3	3
Maximum	[2] 22	[2] 22	14	6	6

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

[1] Demand deposits subject to reserve requirements which, beginning with Aug. 23, 1935, have been total demand deposits minus cash items in process of collection and demand balances due from domestic banks (also minus war loan and Series E bond accounts during the period Apr. 13, 1943–June 30, 1947).

[2] Prior to July 28, 1959, the minimum and maximum legal requirements against net demand deposits of central reserve city banks were 13 and 26 per cent, respectively, and the maximum for reserve city banks was 20 per cent.

NO. 13 — MAXIMUM INTEREST RATES PAYABLE ON TIME DEPOSITS

[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

NOTE.—Maximum rates that may be paid by member banks as established by the Board of Governors under provisions of Regulation Q. Under this Regulation the rate payable by a member bank may not in any event exceed the maximum rate payable by State banks or trust companies on like deposits under the laws of the State in which the member bank is located. Effective Feb. 1, 1936, maximum rates that may be paid by insured nonmember commercial banks, as established by the F.D.I.C., 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 Reports* for 1948, p. 77, and 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, 1959]

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, 1959 AND 1958 [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, 1959 [3]										
Loans and investments, total	228,620	190,980	158,780	102,770	56,010	30,650	1,570	37,640	30,570	7,070
Loans	137,170	112,000	95,850	60,580	35,270	15,610	550	25,170	20,970	4,200
Investments	91,450	78,980	62,930	42,190	20,740	15,040	1,020	12,470	9,600	2,870
U.S. Govt. obligations	65,470	58,600	46,680	31,370	15,310	11,290	640	6,870	4,980	1,890
Other securities	25,980	20,380	16,250	10,820	5,430	3,750	380	5,600	4,620	980
Cash assets	48,820	47,990	42,330	26,880	15,450	5,360	300	830	670	160
Deposits, total	252,660	217,670	183,030	118,610	64,420	33,150	1,520	34,990	28,460	6,530
Interbank	16,830	16,830	16,100	9,300	6,800	460	270	....	....	....
Other demand	135,220	135,190	114,330	73,120	41,210	19,960	900	30	30	....
Other time	100,610	65,650	52,600	36,190	16,410	12,730	350	34,960	28,430	6,530
Total capital accounts	23,090	19,700	16,370	10,380	5,990	2,980	360	3,390	2,670	720
Number of banks	13,991	13,474	6,233	4,542	1,691	6,878	366	517	268	249
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

[1] All banks in the United States. Figures for Dec. 31, 1959, include data for 17 commercial banks in Alaska (including six national members) and 11 commercial banks in Hawaii (including one national member); previously only one national bank in Alaska and one in the Virgin Islands that became members in 1954 and 1957, respectively, had been included.
[2] Total for commercial banks excludes three member mutual savings banks.
[3] Partly estimated.

NO. 17 — MEMBER BANK EARNINGS, BY CLASS OF BANK, 1959 AND 1958[1]

Item	Total		Central reserve city banks				Reserve city banks		Country banks	
			New York		Chicago					
	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958
	In millions of dollars									
Earnings	8,061	7,127	1,306	1,164	308	272	3,190	2,835	3,257	2,856
On U.S. Govt. securities	1,394	1,266	182	170	60	58	505	478	647	560
On other securities	......	411	......	61	......	17	......	151	......	183
On loans	5,008	4,326	814	699	182	157	2,049	1,759	1,964	1,712
All other	......	1,123	......	234	......	40	......	447	......	401
Expenses	5,131	4,617	699	636	158	142	2,031	1,823	2,244	2,016
Salaries and wages	......	1,981	......	300	......	68	......	777	......	836
Interest on deposits	......	1,123	......	110	......	25	......	474	......	515
All other	......	1,512	......	227	......	49	......	572	......	664
Net current earnings before income taxes	2,930	2,510	607	528	150	130	1,160	1,012	1,013	840
Recoveries and profits[2]	......	754	......	112	......	55	......	325	......	262
Losses and charge-offs[3]	......	315	......	25	......	21	......	113	......	157
Net addition to valuation reserves	......	342	......	39	......	25	......	171	......	108
Profits before income taxes	2,031	2,606	411	576	92	140	822	1,053	707	837
Taxes on net income	780	1,148	171	276	35	69	315	490	258	313
Net profits	1,252	1,457	240	300	57	71	507	563	448	524
Cash dividends declared[4]	705	646	166	160	28	26	292	258	218	202
	In per cent									
Ratios:										
Net current earnings before income taxes to—										
Average total capital accounts	18.4	16.6	18.4	16.4	20.2	18.4	19.5	18.1	17.2	15.0
Average total assets	1.48	1.32	1.77	1.55	1.73	1.51	1.48	1.35	1.33	1.16
Net profits to—										
Average total capital accounts	7.9	9.7	7.2	9.3	7.6	9.9	8.5	10.1	7.6	9.4
Average total assets	.63	.77	.70	.88	.65	.82	.65	.75	.59	.72
Average return on U.S. Govt. securities	2.78	2.45	2.84	2.39	2.64	2.37	2.73	2.45	2.82	2.49
Average return on loans	5.63	5.35	4.82	4.40	4.86	4.47	5.63	5.39	6.15	5.94

[1] Data for 1959 are preliminary; final figures will be published later in the *Federal Reserve Bulletin*.
[2] Includes recoveries credited to valuation reserves.
[3] Includes losses charged to valuation reserves.
[4] Includes interest on capital notes and debentures.

NO. 18—ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES IN THE UNITED STATES DURING 1959 [1]

Type of office and type of change	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, 1958	**14,020**	**13,501**	**4,578**	**1,734**	**6,793**	**399**	**241**	**278**
Changes during 1959								
New banks[3]	+117	+117	+23	+4	+75	+15	......	......
Suspensions	−3	−3	......	......	−3	......	......	......
Consolidations and absorptions:								
Banks converted into branches	−148	−148	−64	−27	−56	−1	......	......
Other	−20	−18	−7	−3	−5	−3	−1	−1
Voluntary liquidations[4]	−3	−3	......	−1	......	−2	......	......
Conversions:								
National into State	......	......	−2	......	+2	......	......	......
State into national	......	......	+7	−6	−1	......	......	......
Federal Reserve membership:[5]								
Admissions of national banks in Alaska	+6	+6	+6	......	......	......	......	......
Admission of national bank in Hawaii	+1	+1	+1	......	......	......	......	......
Admissions of State banks	......	......	......	+5	−3	−2	......	......
Withdrawals of State banks	......	......	......	−15	+15	......	......	......
Federal Deposit insurance:[6]								
Admissions of State banks	......	......	......	......	+50	−50	+28	−28
Other: Alaska	+11	+11	......	......	+6	+5	......	......
Hawaii	+10	+10	......	......	+5	+5	......	......
Net increase or decrease	−29	−27	−36	−43	+85	−33	+27	−29
Number of banks, Dec. 31, 1959	**13,991**	**13,474**	**4,542**	**1,691**	**6,878**	**366**	**268**	**249**
Number of branches and additional offices, Dec. 31, 1958 [7]	**9,038**	**8,613**	**4,341**	**2,360**	**1,873**	**39**	**305**	**120**
Changes during 1959								
De novo branches	+617	+584	+297	+141	+142	+4	+14	+19
Banks converted into branches	+148	+148	+75	+40	+32	+1	......	......
Discontinued	−59	−48	−26	−12	−9	−1	−11	......
Interclass changes—net[8]	......	......	+42	−39	−1	−2	+10	−10
Other: Alaska	+18	+18	+15	......	+3	......	......	......
Hawaii	+73	+73	+25	......	+47	+1	......	......
Net increase	+797	+775	+428	+130	+214	+3	+13	+9
Number of branches and additional offices, Dec. 31, 1959 [7]	**9,835**	**9,388**	**4,769**	**2,490**	**2,087**	**42**	**318**	**129**
Number of banking facilities, Dec. 31, 1958 [9]	**248**	**248**	**193**	**30**	**25**	......	......	......
Changes during 1959								
Established	+14	+14	+10	......	+4	......	......	......
Discontinued	−9	−9	−5	−2	−2	......	......	......
Interclass change	......	......	−1	+1	......	......	......	......
Other: Alaska	+6	+6	+6	......	......	......	......	......
Hawaii	+5	+5	+1	......	+4	......	......	......
Net increase or decrease	+16	+16	+11	−1	+6	......	......	......
Number of banking facilities, Dec. 31, 1959 [9]	**264**	**264**	**204**	**29**	**31**	......	......	......

[1] One national member bank in Alaska with no branches and one in the Virgin Islands with one branch have been included in this series since 1954 and 1957, respectively. Other banks in territories and possessions are excluded.

[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, and vice versa.

[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*, for February 1960, p. 222

[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, 1959[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	415	714	415	714	276	570	139	144	.....	....
New York[2]	602	1,786	602	1,786	507	1,558	95	228	.....	....
Philadelphia	651	635	651	635	499	511	152	124	.....	....
Cleveland	938	897	938	897	572	777	366	120	.....	....
Richmond	948	1,131	797	975	447	631	350	344	151	156
Atlanta	1,337	492	780	446	403	368	377	78	557	46
Chicago	2,464	1,060	2,464	1,060	1,005	639	1,459	421	.....	....
St. Louis	1,474	306	1,184	230	488	152	696	78	290	76
Minneapolis	1,298	129	701	87	477	39	224	48	597	42
Kansas City	1,774	78	1,768	78	755	57	1,013	21	6	....
Dallas	1,117	136	1,036	125	633	91	403	34	81	11
San Francisco	367	2,393	359	2,392	165	2,116	194	276	8	1
Total	**13,385**	**9,757**	**11,695**	**9,425**	**6,227**	**7,509**	**5,468**	**1,916**	**1,690**	**332**
STATE										
Alabama	237	78	153	77	92	73	61	4	84	1
Alaska	18	23	10	22	7	21	3	1	8	1
Arizona	8	146	8	146	4	121	4	25	.....	....
Arkansas	236	41	129	21	75	17	54	4	107	20
California	110	1,552	110	1,552	60	1,391	50	161	.....	....
Colorado	161	7	161	7	95	6	66	1	.....	....
Connecticut	68	185	68	185	34	144	34	41	.....	....
Delaware	20	53	20	53	5	24	15	29	.....	....
Dist. of Col.	12	64	12	64	9	58	3	6	.....	....
Florida	284	14	241	13	117	11	124	2	43	1
Georgia	413	87	136	85	65	71	71	14	277	2
Hawaii	6	77	6	77	1	26	5	51	.....	....
Idaho	32	81	32	81	18	75	14	6	.....	....
Illinois	952	4	951	4	524	4	427	....	1	....
Indiana	449	276	449	276	226	185	223	91	.....	....
Iowa	671	172	671	172	169	11	502	161	.....	....
Kansas	593	18	591	18	215	13	376	5	2	....
Kentucky	358	132	358	132	108	91	250	41	.....	....
Louisiana	187	162	79	134	53	106	26	28	108	28
Maine	53	121	53	121	34	83	19	38	.....	....
Maryland	140	226	140	226	63	134	77	92	.....	....
Massachusetts	167	354	167	354	124	295	43	59	.....	....
Michigan	383	533	383	533	219	438	164	95	.....	....
Minnesota	686	6	288	6	209	6	79	....	398	....
Mississippi	193	132	54	64	35	38	19	26	139	68
Missouri	619	9	564	9	174	7	390	2	55	....
Montana	115	1	115	1	86	1	29	....	.....	....
Nebraska	420	2	420	2	140	2	280	....	.....	....
Nevada	7	36	7	36	5	32	2	4	.....	....
New Hampshire	74	3	74	3	52	2	22	1	.....	....
New Jersey	255	398	255	398	217	357	38	41	.....	....
New Mexico	52	49	52	49	35	27	17	22	.....	....
New York	412	1,297	412	1,297	361	1,229	51	68	.....	....
North Carolina	183	452	102	303	43	164	59	139	81	149
North Dakota	156	27	58	8	40	2	18	6	98	19
Ohio	588	598	588	598	373	519	215	79	.....	....
Oklahoma	387	18	381	18	223	16	158	2	6	....
Oregon	52	179	52	179	17	158	35	21	.....	....
Pennsylvania	716	740	716	740	548	636	168	104	.....	....
Rhode Island	9	90	9	90	5	68	4	22	.....	....
South Carolina	145	134	77	127	31	96	46	31	68	7
South Dakota	173	54	72	31	60	24	12	7	101	23
Tennessee	295	196	217	183	83	137	134	46	78	13
Texas	988	28	954	28	577	28	377	....	34	....
Utah	49	70	49	70	20	61	29	9	.....	....
Vermont	56	33	56	33	32	18	24	15	.....	....
Virginia	309	255	308	255	200	179	108	76	1	....
Washington	87	268	87	268	34	261	53	7	.....	....
West Virginia	183	....	182	....	112	....	70	....	1	....
Wisconsin	554	152	554	152	158	24	396	128	.....	....
Wyoming	53	1	53	1	39	1	14	....	.....	....
Puerto Rico[2]	10	118	10	118	.....	13	10	105	.....	....
Virgin Islands[2]	1	5	1	5	1	5	.....	....	.....	....

[1] Comprises all commercial banking offices on which checks are drawn, including 264 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 Puerto Rico and the Virgin Islands.

[2] Puerto Rico and the Virgin Islands assigned to the New York District for check clearing and collection purposes. Member branches in Puerto Rico and all except one in the Virgin Islands are branches of New York banks.

NO. 20—OPEN MARKET TRANSACTIONS OF THE FEDERAL RESERVE SYSTEM DURING 1959

[In millions of dollars]

Month	Net change in holdings		U.S. Government securities					Bankers' acceptances	
	U.S. Government securities and acceptances	U.S. Government securities	Outright transactions			Repurchase agreements		Net outright	Net repurchases
			Gross market purchases	Gross market sales	Cash redemptions	Gross purchases	Gross sales		
January......	−640	−632	260	474	427	402	393	−3	−6
February.....	−367	−365	36	309	43	64	113	−4	+2
March.......	+139	+147	236	33	....	404	459	−7	−2
April.........	+206	+206	247	19	102	604	524	(1)	......
May.........	+199	+202	354	73	....	289	369	−3	......
June.........	+137	+139	146	18	8	113	94	−2	......
July..........	+498	+499	383	....	....	551	435	−1	......
August.......	+142	+147	346	104	....	306	402	−5	+1
September....	−127	−126	22	41	68	344	383	(1)	−1
October......	+76	+68	179	139	67	332	238	+6	+2
November....	+297	+291	386	28	....	328	395	+7	−1
December....	−232	−273	272	373	186	203	189	+11	+30
Total.......	+328	+302	2,866	1,610	901	3,939	3,993	+1	+25

[1] Less than $500,000.
NOTE.—Details may not add to totals because of rounding.

FEDERAL RESERVE DIRECTORIES AND MEETINGS

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1959]

	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
G. H. KING, JR., of Mississippi	January 31, 1960

WINFIELD W. RIEFLER, *Assistant to the Chairman*
WOODLIEF THOMAS, *Economic Adviser to the Board*
JEROME W. SHAY, *Legislative Counsel*
CHARLES MOLONY, *Assistant to the Board*
CLARKE L. FAUVER, *Assistant to the Board*
MERRITT SHERMAN, *Secretary*
- KENNETH A. KENYON, *Assistant Secretary*
- ELIZABETH L. CARMICHAEL, *Assistant Secretary*

HOWARD H. HACKLEY, *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*

JOHN R. FARRELL, *Director, Division of Bank Operations*
- GERALD M. CONKLING, *Assistant Director, Division of Bank Operations*
- M. B. DANIELS, *Assistant Director, Division of Bank Operations*
- JOHN N. KILEY, JR., *Assistant Director, Division of Bank Operations*

FREDERIC SOLOMON, *Director, Division of Examinations*
- ROBERT C. MASTERS, *Associate Director, Division of Examinations*
- C. C. HOSTRUP, *Assistant Director, Division of Examinations*
- FRED A. NELSON, *Assistant Director, Division of Examinations*
- 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*
- HARRY E. KERN, *Assistant Director, Division of Administrative Services*

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, 1959]

MEMBERS

WM. McC. MARTIN, JR., *Chairman* (Board of Governors)
ALFRED HAYES, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
CARL E. ALLEN (Elected by Federal Reserve Banks of Cleveland and Chicago)
C. CANBY BALDERSTON (Board of Governors)
FREDERICK L. DEMING (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
J. A. ERICKSON (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)
DELOS C. JOHNS (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
G. H. KING, JR. (Board of Governors)
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*
MERRITT SHERMAN, *Assistant Secretary*
KENNETH A. KENYON, *Assistant Secretary*
HOWARD H. HACKLEY, *General Counsel*
WOODLIEF THOMAS, *Economist*
HOMER JONES, *Associate Economist*
ARTHUR W. MARGET, *Associate Economist*
GEORGE W. MITCHELL, *Associate Economist*
FRANKLIN L. PARSONS, *Associate Economist*
ROBERT V. ROOSA, *Associate Economist*
PARKER B. WILLIS, *Associate Economist*
RALPH A. YOUNG, *Associate Economist*

AGENT

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

During 1959 the Federal Open Market Committee met at least every three weeks, as indicated in the Record of Policy Actions taken by the Committee (see pp. 31-65 of this Report).

FEDERAL ADVISORY COUNCIL

[December 31, 1959]

MEMBERS

District No. 1—LLOYD D. BRACE, Chairman of the Board, The First National Bank of Boston, Boston, Massachusetts.

District No. 2—JOHN J. MCCLOY, Chairman of the Board, The Chase Manhattan Bank, New York, New York.

District No. 3—CASIMIR A. SIENKIEWICZ, President, Central-Penn National Bank of Philadelphia, Philadelphia, Pennsylvania.

District No. 4—REUBEN B. HAYS, Chairman of the Board, The First National Bank of Cincinnati, Cincinnati, Ohio.

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

District No. 6—JOHN A. SIBLEY, Chairman of the Executive Committee, 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. OTIS MCCLINTOCK, Chairman of the Board, The First National Bank and Trust Company of Tulsa, Tulsa, Oklahoma.

District No. 11—WALTER B. JACOBS, Chairman of the Board, The First National Bank of Shreveport, Shreveport, Louisiana.

District No. 12—CHARLES F. FRANKLAND, President, The Pacific National Bank of Seattle, Seattle, Washington.

EXECUTIVE COMMITTEE

HOMER J. LIVINGSTON, *ex officio*
JOHN J. MCCLOY
LLOYD D. BRACE, *ex officio*
CASIMIR A. SIENKIEWICZ
GORDON MURRAY

OFFICERS

President, HOMER J. LIVINGSTON
Vice President, LLOYD D. BRACE
Secretary, HERBERT V. PROCHNOW
Assistant Secretary, WILLIAM J. KORSVIK

Meetings of the Federal Advisory Council were held on February 16-17, April 27-28, September 14-15, and November 16-17, 1959. The Board of Governors met with the Council on February 17, April 28, September 15, and November 17. The Council is required by law to meet in Washington at least four times each year and is authorized by the Federal Reserve Act to consult with and advise the Board on all matters within the jurisdiction of the Board.

FEDERAL RESERVE BANKS AND BRANCHES

[December 31, 1959]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Robert C. Sprague	Nils Y. Wessell
New York	John E. Bierwirth	Forrest F. Hill
Philadelphia	Henderson Supplee, Jr.	Lester V. Chandler
Cleveland	Arthur B. Van Buskirk	Joseph H. Thompson
Richmond	Alonzo G. Decker, Jr.	D. W. Colvard
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 that 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 3-4, 1959, and was attended by members of the Board of Governors and also by the Deputy Chairmen of the Federal Reserve Banks.

Mr. Smith, Chairman of the Federal Reserve Bank of Dallas, was elected Chairman of the Conference and of the Executive Committee in December 1958. Mr. Mitchell, Chairman of the Federal Reserve Bank of Atlanta, and Mr. Perrin, Chairman of the Federal Reserve Bank of Minneapolis, served with Mr. Smith as members of the Executive Committee, Mr. Mitchell also serving as Vice Chairman of the Conference.

At the meeting held in December 1959, Mr. Mitchell was elected Chairman of the Conference and of the Executive Committee. Mr. Van Buskirk, Chairman of the Federal Reserve Bank of Cleveland, was elected Vice Chairman and a member of the Executive Committee, and Mr. McBride, Chairman of the Federal Reserve Bank of St. Louis, was elected as the other member of the Executive Committee.

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—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:		
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
William M. Lockwood	President, The Howard National Bank and Trust Company, Burlington, Vt.	1961
Class B:		
Milton P. Higgins	President, Norton Company, Worcester, Mass.	1959
Stanley M. Cooper	Chairman of the Board, The Fafnir Bearing Company, New Britain, Conn.	1960
Eugene B. Whittemore	President and Treasurer, The Morley Company, Portsmouth, N. H.	1961
Class C:		
Nils Y. Wessell	President, Tufts University, Medford, Mass.	1959
Robert C. Sprague	Chairman and Treasurer, Sprague Electric Company, North Adams, Mass.	1960
Erwin D. Canham	Editor, The Christian Science Monitor, Boston, Mass.	1961

District 2—New York

Class A:		
Charles W. Bitzer	Chairman, 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, 1959—Cont.

DIRECTORS—Cont.		Term expires Dec. 31
Henry C. Alexander	Chairman of the Board, Morgan Guaranty Trust Company of New York, New York, N. Y.	1961
Class B:		
Lansing P. Shield	President, The Grand Union Company, East Paterson, N. J.	1959
Augustus C. Long	Chairman of the Board, Texaco Inc., New York, N. Y.	1960
Philip D. Reed	Formerly Chairman of the Board, General Electric Company, New York, N. Y.	1961
Class C:		
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
James DeCamp Wise	Chairman of the Board, Bigelow-Sanford Carpet Company, Inc., New York, N. Y.	1961

Buffalo Branch

Appointed by Federal Reserve Bank:		
Vernon Alexander	President, The National Bank of Geneva, Geneva, N. Y.	1959
E. Perry Spink	President, Liberty Bank of Buffalo, Buffalo, N. Y.	1960
John W. Remington	President, Lincoln Rochester Trust Company, Rochester, N. Y.	1961
Denton A. Fuller	President, The Citizens National Bank of Wellsville, Wellsville, N. Y.	1961
Appointed by Board of Governors:		
Raymond E. Olson	President, Taylor Instrument Companies, Rochester, N. Y.	1959
Thomas E. Lamont	Farmer, Albion, N. Y.	1960
Whitworth Ferguson	President, Ferguson Electric Construction Co., Inc., Buffalo, N. Y.	1961

District 3—Philadelphia

Class A:		
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
O. Albert Johnson	President, The First National Bank of Eldred, Eldred, Pa.	1961
Class B:		
R. Russell Pippin	Treasurer, E. I. du Pont de Nemours & Company, Wilmington, Del.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Bayard L. England	Chairman, Atlantic City Electric Company, Atlantic City, N. J.	1960
Frank R. Palmer	Chairman, The Carpenter Steel Company, Reading, Pa.	1961
Class C:		
Lester V. Chandler	Professor of Economics, Princeton University, Princeton, N. J.	1959
Walter E. Hoadley, Jr.	Treasurer, Armstrong Cork Company, Lancaster, Pa.	1960
Henderson Supplee, Jr.	President, The Atlantic Refining Company, Philadelphia, Pa.	1961

District 4—Cleveland

Class A:		
John A. Byerly	President, Fidelity Trust Company, Pittsburgh, Pa.	1959
Paul A. Warner	President, The Oberlin Savings Bank Company, Oberlin, Ohio	1960
Ray H. Adkins	President, The National Bank of Dover, Dover, Ohio	1961
Class B:		
George P. MacNichol, Jr.	President, Libbey·Owens·Ford Glass Company, Toledo, Ohio	1959
Joseph B. Hall	President, The Kroger Co., Cincinnati, Ohio	1960
Charles Z. Hardwick	Executive Vice President, The Ohio Oil Company, Findlay, Ohio	1961
Class C:		
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
Arthur B. Van Buskirk	Vice President and Governor, T. Mellon and Sons, Pittsburgh, Pa.	1961

Cincinnati Branch

Appointed by Federal Reserve Bank:		
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
Frank J. Van Lahr	President, The Provident Savings Bank and Trust Company, Cincinnati, Ohio	1961
Appointed by Board of Governors:		
H. E. Whitaker	Chairman, Mead Corporation, Dayton, Ohio	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

		Term expires Dec. 31
DIRECTORS—Cont.		
W. Bay Irvine	President, Marietta College, Marietta, Ohio	1960
Ivan Jett	Farmer, Georgetown, Ky.	1961

Pittsburgh Branch

Appointed by Federal Reserve Bank:

Frank C. Irvine	Vice President, The Union National Bank of Pittsburgh, Tarentum Office, 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
A. B. Bowden	Vice President, Mellon National Bank and Trust Company, Pittsburgh, Pa.	1961

Appointed by Board of Governors:

John T. Ryan, Jr.	President, Mine Safety Appliances Company, Pittsburgh, Pa.	1959
John C. Warner	President, Carnegie Institute of Technology, Pittsburgh, Pa.	1960
William A. Steele	President, Wheeling Steel Corporation, Wheeling, W. Va.	1961

District 5—Richmond

Class A:

Robert Gage	President, The Commercial Bank, Chester, S. C.	1959
Denver L. Morgan	Executive Vice President, The Charleston National Bank, Charleston, W. Va.	1960
A. Scott Offutt	President, Anacostia National Bank of Washington, Washington, D. C.	1961

Class B:

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
L. Vinton Hershey	President, Hagerstown Shoe Company, Hagerstown, Md.	1961

Class C:

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
Edwin Hyde	President, Miller & Rhoads, Inc., Richmond, Va.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.

Term expires Dec. 31

Baltimore Branch

Appointed by Federal Reserve Bank:

		Term expires Dec. 31
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
Harvey E. Emmart	Senior Vice President and Cashier, Fidelity-Baltimore National Bank, Baltimore, Md.	1961
John W. Stout	President, The Parkersburg National Bank, Parkersburg, W. Va.	1961

Appointed by Board of Governors:

		Term expires Dec. 31
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
J. T. Menzies, Jr.	President, The Crosse & Blackwell Company, Baltimore, Md.	1961

Charlotte Branch

Appointed by Federal Reserve Bank:

		Term expires Dec. 31
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
I. W. Stewart	Chairman of the Board, American Commercial Bank, Charlotte, N. C.	1961
G. G. Watts	President, The Merchants & Planters National Bank, Gaffney, S. C.	1961

Appointed by Board of Governors:

		Term expires Dec. 31
William H. Grier	President, Rock Hill Printing & Finishing Company, Rock Hill, S. C.	1959
George H. Aull	Agricultural Economist, Clemson College, Clemson, S. C.	1960
Clarence P. Street	Secretary and General Manager, McDevitt & Street Company, Charlotte, N. C.	1961

District 6—Atlanta

Class A:

		Term expires Dec. 31
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
William C. Carter	Chairman and President, Gulf National Bank, Gulfport, Miss.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Class B:		
McGregor Smith	Chairman of the Board, Florida Power & Light Company, Miami, Fla.	1959
Pollard Turman	President, J. M. Tull Metal & Supply Company, Inc., Atlanta, Ga.	1960
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1961
Class C:		
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
Walter M. Mitchell	Vice President, The Draper Corporation, Atlanta, Ga.	1961

Birmingham Branch

Appointed by Federal Reserve Bank:		
R. J. Murphy	Executive 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
George W. Hulme	Senior Vice President, First National Bank, Alexander City, Ala.	1961
Marshall Dugger	Vice President and Cashier, First National Bank, Tuscumbia, Ala.	1961
Appointed by Board of Governors:		
Adolph Weil, Sr.	President, Weil Brothers-Cotton, Inc., Montgomery, Ala.	1959
Selden Sheffield	Cattleman, Greensboro, Ala.	1960
John E. Urquhart	Chairman, Woodward Iron Company, Woodward, Ala.	1961

Jacksonville Branch

Appointed by Federal Reserve Bank:		
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
Roger L. Main	Chairman and President, Florida National Bank of Jacksonville, Jacksonville, Fla.	1961
A. L. Ellis	Chairman of the Board, First National Bank in Tarpon Springs, Tarpon Springs, Fla.	1961
Appointed by Board of Governors:		
Claude J. Yates	Vice President and General Manager, Southern Bell Telephone and Telegraph Company, Jacksonville, Fla.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
J. Wayne Reitz	President, University of Florida, Gainesville, Fla.	1960
John M. Fox	President, Minute Maid Corporation, Orlando, Fla.	1961

Nashville Branch

Appointed by Federal Reserve Bank:

Jo H. Anderson	President, Park National Bank of Knoxville, Knoxville, Tenn.	1959
P. D. Houston, Jr.	President, First American National Bank, Nashville, Tenn.	1960
C. A. Whelchel	President, First Farmers and Merchants National Bank of Columbia, Columbia, Tenn.	1961
W. E. Newell	President, The First National Bank, Kingsport, Tenn.	1961

Appointed by Board of Governors:

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
V. S. Johnson, Jr.	Chairman of the Board and President, Aladdin Industries, Inc., Nashville, Tenn.	1961

New Orleans Branch

Appointed by Federal Reserve Bank:

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
W. P. McMullan	Chairman of the Board, Deposit Guaranty Bank and Trust Company, Jackson, Miss.	1961
Wallace M. Davis	President, The Hibernia National Bank in New Orleans, New Orleans, La.	1961

Appointed by Board of Governors:

E. E. Wild	Rice grower, Midland, La.	1959
Frank A. Godchaux, III	Vice President, Louisiana State Rice Milling Company, Inc., Abbeville, La.	1960
Gerald L. Andrus	President, New Orleans Public Service, Inc., New Orleans, La.	1961

District 7—Chicago

Class A:

Vivian W. Johnson	President, First National Bank, Cedar Falls, Iowa	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.		Term expires Dec. 31
Walter J. Cummings	Chairman of the Executive Committee, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.	1960
John H. Crocker	Chairman of the Board and President, The Citizens National Bank of Decatur, Decatur, Ill.	1961
Class B:		
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
William J. Grede	President, Grede Foundries, Inc., Milwaukee, Wis.	1961
Class C:		
J. Stuart Russell	Farm Editor, The Des Moines Register & Tribune, Des Moines, Iowa	1959
Bert R. Prall	Winnetka, Ill.	1960
Robert P. Briggs	Executive Vice President, Consumers Power Company, Jackson, Mich.	1961

Detroit Branch

Appointed by Federal Reserve Bank:		
Ira A. Moore	General Vice President, Old Kent Bank and Trust Company, Grand Rapids, Mich.	1959
William A. Mayberry	Chairman of the Board, Manufacturers National Bank of Detroit, Detroit, Mich.	1960
Ernest W. Potter	President, Citizens Commercial & Savings Bank, Flint, Mich.	1960
Donald F. Valley	Chairman of the Board, National Bank of Detroit, Detroit, Mich.	1961
Appointed by Board of Governors:		
J. Thomas Smith	President, Dura Corporation, Oak Park, Mich.	1959
John A. Hannah	President, Michigan State University, East Lansing, Mich.	1960
C. V. Patterson	Executive Vice President, The Upjohn Company, Kalamazoo, Mich.	1961

District 8—St. Louis

Class A:		
Kenton R. Cravens	President, Mercantile Trust Company, St. Louis, Mo.	1959
H. Lee Cooper	President, Ohio Valley National Bank of Henderson, Henderson, Ky.	1960
Arthur Werre, Jr.	Executive Vice President, First National Bank of Steeleville, Steeleville, Ill.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Class B:		
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
S. J. Beauchamp, Jr.	President, Terminal Warehouse Co., Little Rock, Ark.	1961
Class C:		
Pierre B. McBride	President, Porcelain Metals Corporation, Louisville, Ky.	1959
Jesse D. Wooten	Executive Vice President, Mid-South Chemical Corporation, Memphis, Tenn.	1960
J. H. Longwell	Director, Division of Agricultural Sciences, University of Missouri, Columbia, Mo.	1961

Little Rock Branch

Appointed by Federal Reserve Bank:		
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
J. V. Satterfield, Jr.	Chairman of the Board, The First National Bank in Little Rock, Little Rock, Ark.	1961
Appointed by Board of Governors:		
T. Winfred Bell	President, Bush-Caldwell Company, Little Rock, Ark.	1959
(Vacancy)		1960
Waldo E. Tiller	President, Tiller Tie and Lumber Company, Inc., Little Rock, Ark.	1961

Louisville Branch

Appointed by Federal Reserve Bank:		
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
John R. Stroud	Executive Vice President, The First National Bank of Mitchell, Mitchell, Ind.	1961
Appointed by Board of Governors:		
David F. Cocks	Vice President and Treasurer, Standard Oil Company (Kentucky), Louisville, Ky.	1959

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Philip Davidson	President, University of Louisville, Louisville, Ky.	1960
J. D. Monin, Jr.	Farmer, Oakland, Ky.	1961

Memphis Branch

Appointed by Federal Reserve Bank:

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
J. H. Harris	President, The First National Bank of Wynne, Wynne, Ark.	1961

Appointed by Board of Governors:

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
Frank Lee Wesson	President, Wesson Farms, Inc., Victoria, Ark.	1961

District 9—Minneapolis

Class A:

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
John A. Moorhead	President, Northwestern National Bank of Minneapolis, Minneapolis, Minn.	1961

Class B:

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
T. G. Harrison	Chairman of the Board, Super Valu Stores, Inc., Hopkins, Minn.	1961

Class C:

Leslie N. Perrin	Director, General Mills, Inc., Minneapolis, Minn.	1959
O. B. Jesness	Agricultural Economist, St. Paul, Minn.	1960
John H. Warden	President, Upper Peninsula Power Company, Houghton, Mich.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.

Helena Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank:		
O. M. Jorgenson	Chairman, Security Trust and Savings Bank, Billings, Mont.	1959
Roy G. Monroe	President, The First State Bank of Malta, Malta, Mont.	1960
Harald E. Olsson	President, Ronan State Bank, Ronan, Mont.	1960
Appointed by Board of Governors:		
John M. Otten	Farmer and rancher, Lewistown, Mont.	1959
John D. Stephenson	Partner, Jardine, Stephenson, Blewett, & Weaver, Attorneys, Great Falls, Mont.	1960

District 10—Kansas City

Class A:		
W. L. Bunten	Director, Goodland State Bank, Goodland, Kans.	1959
Harold Kountze	Chairman of the Board, The Colorado National Bank of Denver, Denver, Colo.	1960
W. S. Kennedy	President and Chairman of the Board, The First National Bank of Junction City, Junction City, Kans.	1961
Class B:		
K. S. Adams	Chairman of the Board, Phillips Petroleum Company, Bartlesville, Okla.	1959
Max A. Miller	Livestock rancher, Omaha, Neb.	1960
E. M. Dodds	Refrigeration consultant, Kansas City, Mo.	1961
Class C:		
Oliver S. Willham	President, Oklahoma State University, Stillwater, Okla.	1959
Joe W. Seacrest	President, State Journal Company, Lincoln, Neb.	1960
Raymond W. Hall	Hillix, Hall, Hasburgh, Brown & Hoffhaus, Attorneys, Kansas City, Mo.	1961

Denver Branch

Appointed by Federal Reserve Bank:		
Stewart Cosgriff	Chairman of the Board, Denver United States National Bank, Denver, Colo.	1959
J. H. Bloedorn	President, The Farmers State Bank of Fort Morgan, Colorado, Fort Morgan, Colo.	1960
Cale W. Carson	President, First National Bank in Albuquerque, Albuquerque, N. Mex.	1960
Appointed by Board of Governors:		
Aksel Nielsen	President, The Title Guaranty Company, Denver, Colo.	1959
Ray Reynolds	Cattle feeder and farmer, Longmont, Colo.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.

Oklahoma City Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank:		
C. P. Stuart	Chairman of the Board and President, The Fidelity National Bank & Trust Company, Oklahoma City, Okla.	1959
R. L. Kelsay	Chairman of the Board and President, The First National Bank in Hobart, Hobart, Okla.	1960
C. L. Priddy	President, The National Bank of McAlester, McAlester, Okla.	1960
Appointed by Board of Governors:		
Davis D. Bovaird	President, The Bovaird Supply Company, Tulsa, Okla.	1959
Don H. Dennis	Rancher, Grady, Okla.	1960

Omaha Branch

Appointed by Federal Reserve Bank:		
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
John F. Davis	President, First National Bank, Omaha, Neb.	1960
Appointed by Board of Governors:		
James L. Paxton, Jr.	President, Paxton-Mitchell Company, Omaha, Neb.	1959
Homer A. Scott	Vice President and District Manager, Peter Kiewit Sons' Company, Sheridan, Wyo.	1960

District 11—Dallas

Class A:		
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
J. Edd McLaughlin	President, Security State Bank & Trust Company, Ralls, Tex.	1961
Class B:		
John R. Alford	Industrialist and farmer, Henderson, Tex.	1959
D. A. Hulcy	Chairman of the Board, Lone Star Gas Company, Dallas, Tex.	1960
H. B. Zachry	President, H. B. Zachry Co., San Antonio, Tex.	1961
Class C:		
Hal Bogle	Rancher and feeder, Dexter, N. Mex.	1959
Robert J. Smith	President, Pioneer Hydrotex Industries, Inc., Dallas, Tex.	1960
Lamar Fleming, Jr.	Chairman of the Board, Anderson, Clayton & Co., Inc., Houston, Tex.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.

El Paso Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank:		
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
Joseph F. Irvin	President, Southwest National Bank of El Paso, El Paso, Tex.	1961
Appointed by Board of Governors:		
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
Dysart E. Holcomb	Director of Research, El Paso Natural Gas Company, El Paso, Tex.	1961

Houston Branch

Appointed by Federal Reserve Bank:		
I. F. Betts	President, The American National Bank of Beaumont, Beaumont, Tex.	1959
W. B. Callan	President, The Victoria National Bank, Victoria, Tex.	1960
Marvin K. Collie	President, The National Bank of Commerce of Houston, Houston, Tex.	1960
J. W. McLean	President, Texas National Bank of Houston, Houston, Tex.	1961
Appointed by Board of Governors:		
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
Tyrus R. Timm	Head, Department of Agricultural Economics and Sociology, A. & M. College of Texas, College Station, Tex.	1961

San Antonio Branch

Appointed by Federal Reserve Bank:		
E. C. Breedlove	President, The First National Bank of Harlingen, Harlingen, Tex.	1959
J. W. Beretta	Director, First National Bank of San Antonio, San Antonio, Tex.	1960
Donald D. James	Vice President, The Austin National Bank, Austin, Tex.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

		Term expires Dec. 31
DIRECTORS—Cont.		
Burton Dunn	Chairman of the Executive Committee, Corpus Christi State National Bank, Corpus Christi, Tex.	1961
Appointed by Board of Governors:		
Clarence E. Ayres	Professor of Economics, The University of Texas, Austin, Tex.	1959
Alex R. Thomas	Vice President, Geo. C. Vaughan & Sons, San Antonio, Tex.	1960
Harold Vagtborg	Chairman of the Board, Southwest Research Center, San Antonio, Tex.	1961

District 12—San Francisco

Class A:		
M. Vilas Hubbard	President and Chairman of the Board, Citizens Commercial Trust and Savings Bank of Pasadena, Pasadena, Calif.	1959
Carroll F. Byrd	Chairman of the Board and President, The First National Bank of Willows, Willows, Calif.	1960
John A. Schoonover	President, The Idaho First National Bank, Boise, Idaho	1961
Class B:		
N. Loyall McLaren	Partner, Haskins & Sells, San Francisco, Calif.	1959
Joseph Rosenblatt	President, The Eimco Corporation, Salt Lake City, Utah	1960
Walter S. Johnson	Chairman of the Board, American Forest Products Corporation, San Francisco, Calif.	1961
Class C:		
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
Y. Frank Freeman	Vice President, Paramount Pictures Corporation, Hollywood, Calif.	1961

Los Angeles Branch

Appointed by Federal Reserve Bank:		
Joe D. Paxton	Chairman of the Advisory Board, Santa Barbara Main Office, Crocker-Anglo National Bank, Santa Barbara, Calif.	1959
Robert S. Beasley	President, The Beverly Hills National Bank & Trust Company, Beverly Hills, Calif.	1960
Roy A. Britt	President, Citizens National Bank, Los Angeles, Calif.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Appointed by Board of Governors:		
Robert J. Cannon	President, Cannon Electric Company, Los Angeles, Calif.	1959
John D. Fredericks	President and Chief Executive Officer, Pacific Clay Products, Los Angeles, Calif.	1960

Portland Branch

Appointed by Federal Reserve Bank:		
C. B. Stephenson	President, The First National Bank of Oregon, Portland, Portland, Ore.	1959
D. S. Baker	President, The Baker-Boyer National Bank, Walla Walla, Wash.	1960
J. H. McNally	President, The First National Bank of Bonners Ferry, Bonners Ferry, Idaho	1960
Appointed by Board of Governors:		
Warren W. Braley	Partner, Braley and Graham Buick, Portland, Ore.	1959
Raymond R. Reter	Reter Fruit Company, Medford, Ore.	1960

Salt Lake City Branch

Appointed by Federal Reserve Bank:		
Oscar Hiller	President, Butte County Bank, Arco, Idaho	1959
Russell S. Hanson	Executive Vice President, The First National Bank of Logan, Logan, Utah	1960
Reed E. Holt	President, Walker Bank & Trust Company, Salt Lake City, Utah	1960
Appointed by Board of Governors:		
Howard W. Price	Executive Vice President and General Manager, The Salt Lake Hardware Co., Salt Lake City, Utah	1959
Thomas B. Rowland	Rowland Bros. Dairy, Pocatello, Idaho	1960

Seattle Branch

Appointed by Federal Reserve Bank:		
Joshua Green, Jr.	President, Peoples National Bank of Washington, Seattle, Wash.	1959
S. B. Lafromboise	President, The First National Bank of Enumclaw, Enumclaw, Wash.	1960
James Brennan	President, First National Bank in Spokane, Spokane, Wash.	1960
Appointed by Board of Governors:		
Henry N. Anderson	President, Twin Harbors Lumber Company, Aberdeen, Wash.	1959
Lyman J. Bunting	President, Rainier Fruit Company, Yakima, Wash.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—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	Charles A. Coombs	Walter H. Rozell, Jr.
		M. A. Harris	H. L. Sanford
		H. H. Kimball	T. G. Tiebout
		Robert V. Roosa	R. B. Wiltse
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	L. Merle Hostetler
	Donald S. Thompson	Roger R. Clouse	Martin Morrison
		E. A. Fink	Paul C. Stetzelberger
		C. Harrell	
Richmond	Hugh Leach	N. L. Armistead	Upton S. Martin
	Edw. A. Wayne	J. Dewey Daane	J. M. Nowlan
		Aubrey N. Heflin	James M. Slay
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	E. T. Baughman	Robert C. Holland
	C. J. Scanlon	W. R. Diercks	C. T. Laibly
		A. M. Gustavson	George W. Mitchell
		H. J. Helmer	H. J. Newman
		Paul C. Hodge	Harry S. Schultz
St. Louis	Delos C. Johns	Homer Jones	H. H. Weigel
	Darryl R. Francis	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	James L. Cauthen	T. W. Plant
	Harry A. Shuford	T. A. Hardin	L. G. Pondrom
		G. R. Murff	Morgan H. Rice
San Francisco	H. N. Mangels	J. L. Barbonchielli	R. H. Morrill
	Eliot J. Swan	H. E. Hemmings	John A. O'Kane
		A. B. Merritt	O. P. Wheeler
		E. R. Millard	

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1959—Cont.

VICE PRESIDENTS IN CHARGE OF BRANCHES

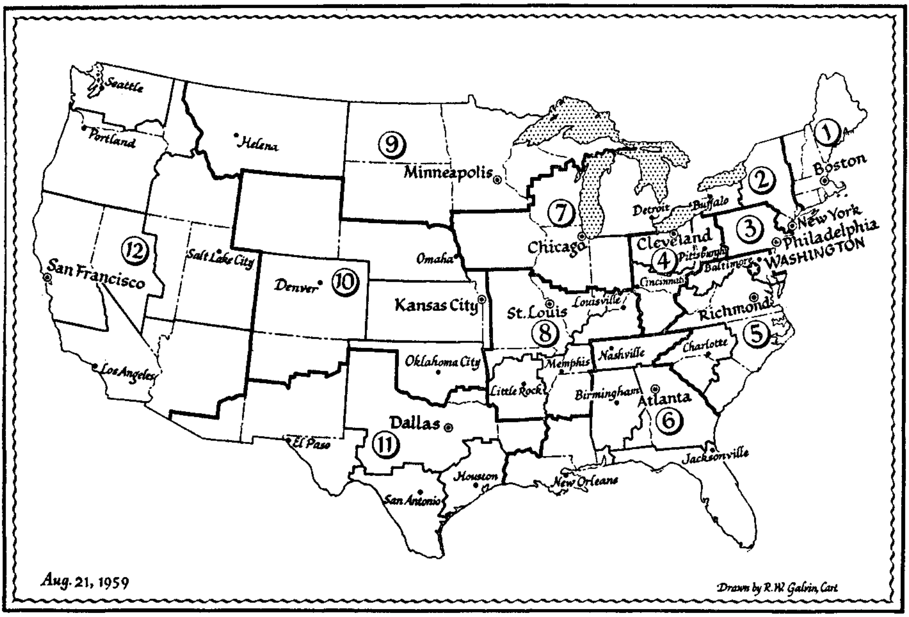
Federal Reserve Bank of—	Branch	Chief Officer
New York	Buffalo	I. B. Smith
Cleveland	Cincinnati	R. G. Johnson
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	D. F. Hagner
	Charlotte	T. I. Storrs
Atlanta	Birmingham	H. C. Frazer
	Jacksonville	T. A. Lanford
	Nashville	R. E. Moody, Jr.
	New Orleans	M. L. Shaw
Chicago	Detroit	R. A. Swaney
St. Louis	Little Rock	Fred Burton
	Louisville	Donald L. Henry
	Memphis	E. Francis DeVos
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	Carl H. Moore
San Francisco	Los Angeles	W. F. Volberg
	Portland	J. A. Randall
	Salt Lake City	E. R. Barglebaugh
	Seattle	J. M. Leisner

CONFERENCE OF PRESIDENTS

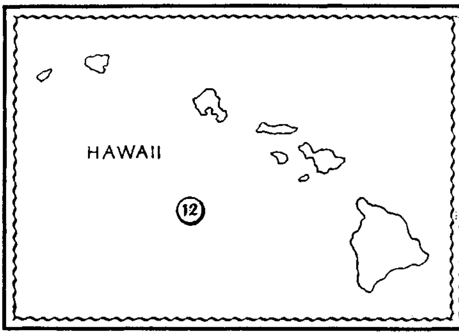
The Presidents of the Federal Reserve Banks are organized into a Conference of Presidents that meets from time to time to consider matters of common interest and to consult with and advise the Board of Governors.

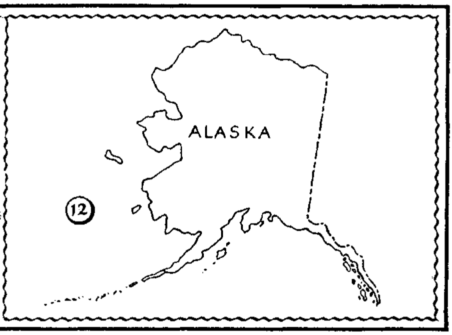
Mr. Erickson, President of the Federal Reserve Bank of Boston, and Mr. Johns, President of the Federal Reserve Bank of St. Louis, who were elected Chairman of the Conference and Vice Chairman, respectively, in February 1958, were re-elected as such in March 1959, and continued to serve until the meeting in June 1959. At that meeting Mr. Johns was elected Chairman of the Conference and Mr. Bryan, President of the Federal Reserve Bank of Atlanta, was elected Vice Chairman.

Mr. Loring C. Nye, Assistant Cashier of the Federal Reserve Bank of Boston, served as Secretary of the Conference from February 1958 to June 1959. Mr. Gerald T. Dunne, Counsel and Assistant Secretary of the Federal Reserve Bank of St. Louis, was appointed Secretary of the Conference in July 1959.



THE FEDERAL RESERVE SYSTEM





Legend

— Boundaries of Federal Reserve Districts — Boundaries of Federal Reserve Branch Territories

✪ Board of Governors of the Federal Reserve System

⊙ Federal Reserve Bank Cities • Federal Reserve Branch Cities

NOTE.—Alaska and Hawaii were added to the Twelfth Federal Reserve District in 1959, as of January 3 and August 21, respectively. Alaska became part of the Seattle Branch Territory and Hawaii part of the Head Office Territory of that District. 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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