FORTY-SEVENTH

Annual Report

OF THE

BOARD OF GOVERNORS
of the Federal Reserve System

COVERING OPERATIONS FOR THE YEAR

1960

Letter of Transmittal

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, March 9, 1961.

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-seventh Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1960.

Yours respectfully,

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

Contents

★

Page

Tables—cont.

Annual Report of The Board of Governors of The Federal Reserve System

★

VIEWED AS A WHOLE, 1960 was a year of high-level output. Most broad measures of activity, such as gross national product, consumption, personal income, total employment, and industrial production, were at record levels moderately above the highs attained in 1959. Per capita real income and consumer expenditures also averaged somewhat higher.

During the year, however, economic activity began to recede, and at the year-end it was still moving downward. While the declines were generally moderate, an appreciable proportion of productive capacity was not being utilized and unemployment at the end of the year was not far below the postwar high reached in the 1958 recession.

With demands abroad generally strong, U.S. exports rose rapidly until about the middle of 1960 and continued at a high level during the remainder of the year. For the entire year they exceeded those of 1959 by about 20 per cent. Imports fell off, particularly in the latter part of the year. Despite the resulting large increase in the export surplus, the over-all deficit in the U.S. balance of payments became unusually large in the second half because of outward movements of capital.

Early in 1960 there was an abatement of inflationary expectations. Such expectations had played an important role in economic decisions for several preceding years and had affected commodity markets, valuations of capital assets, and the volume and structure of credit and debt. The shift away from inflationary expectations exerted a pervasive influence on consumer, business, and financial decisions. Stock market prices underwent reappraisal in the light of the change in such expectations and a downturn in current profits. The long upward trend in farm land values was arrested despite a small increase in farm income, and the increases in urban real estate values and in construction costs slackened.

Fiscal policy contributed to the marked reduction in the inflationary pressures and expectations at the beginning of the year. The Federal Government's budget submitted in January indicated a swing from an exceptionally large deficit in calendar year 1959 to a sizable surplus for 1960.

The Federal Reserve policy of restraint on expansion of bank credit and money, which carried over from 1959, was progressively moderated over the first half of 1960—as demands for credit became less intense, speculative pressures diminished, and market rates of interest declined. Thereafter, as output declined, especially in the materials-producing industries, monetary policy became increasingly stimulative.

As 1960 progressed, the Federal Reserve System faced a dilemma. On the one hand, rising unemployment and declining output called for credit ease and lower interest rates. On the other hand, the continued adverse balance of payments, together with increased outflow of gold, gave rise to concern about the interest rate differentials between the United States and the rest of the world that, along with other factors, were inducing capital to leave this country.

Monetary policies directed toward stimulating the domestic economy were concerned mainly with increasing the liquidity and lending capacity of commercial banks. In 1959 these banks had increased their loans relative to their deposits by reducing their holdings of Government securities. Consequently, in 1960 they made use of additional reserves first to reduce their borrowings, and then to replenish their holdings of short-term Government securities, especially Treasury bills. In the face of other forces tending to raise interest rates on short-term Government securities, the demand by commercial banks for such securities was a factor in maintaining their yields at the lower levels reached at midyear. Abroad, on the other hand, short-term rates rose further around midyear. The effect of these developments was to widen the differential between rates on short-term securities in markets here and abroad.

Two reductions were made in Federal Reserve Bank discount rates in 1960 to bring them into closer alignment with market rates on short-term issues. These reductions lowered the cost of member bank borrowing from the Federal Reserve. Thus, they decreased the relative advantage to banks of meeting temporary deficiencies in their reserve positions through operations in the money market rather than through direct borrowing from the Reserve Banks. This change in the relative cost of obtaining bank reserves in alternative ways was consistent with maintaining the degree of ease considered appropriate at the time.

In the last few months of the year the Federal Reserve sought to supply reserves to member banks in ways that might limit the direct impact of its operations upon the level of short-term interest rates. The tabular statement on the following two pages summarizes Federal Reserve policy actions in 1960 and the reasons for them.

Among the economic developments taken into consideration by the Federal Reserve was the comparative stability in prices in 1960. Wholesale commodity prices continued approximately stable for the third consecutive year. Prices of industrial commodities tended downward, while prices of farm and food products rose somewhat and the consumer price index continued to rise. Prices of consumer goods other than foods declined slightly, and there was a slackening in the rise in prices of consumer services. Industrial wage rates continued to move upward, although more slowly than in most other postwar years.

Contrary to some earlier expectations, steel prices were not raised after the protracted strike in late 1959. The strike settlement provided for wage increases that were sizable but much less than those in the preceding contract. With prices steady and supplies readily available from record domestic output and from continued imports, steel consuming industries began to curtail inventory commitments early in the year. Reappraisal of inventory needs in the light of ample capacity and

DIGEST OF PRINCIPAL FEDERAL RESERVE POLICY ACTIONS, 1960

Period	Action	Purpose of action
January-March	Reduced System holdings of U.S. Government securities by about $1.6 billion. Member bank borrowings at the Federal Reserve Banks dropped from an average of $900 million in December to $635 million in March.	To offset the seasonal inflow of reserve funds, mainly from the post-holiday return of currency from circulation, while permitting some reduction in borrowed reserves.
Late March-July	Increased System holdings of Government securities by nearly $1.4 billion. Member bank borrowings at Reserve Banks declined to an average of less than $400 million in July.	To promote further reduction in the net borrowed reserve positions of member banks and, beginning in May, to provide reserves needed for moderate bank credit and monetary expansion.
June	Reduced discount rates from 4 to 3½ per cent at all Reserve Banks.	To reduce the cost of borrowed reserves for member banks and to bring the discount rate closer to market interest rates.
July	Reduced margin requirements on loans for purchasing or carrying listed securities from 90 to 70 per cent of market value of securities.	To lower margin requirements from the high level in effect since October 1958 in recognition of decline in volume of stock market credit outstanding and lessened danger of excessive speculative activity in the market.
August	Authorized member banks to count about $500 million of their vault cash as required reserves, effective for country banks August 25 and for central reserve and reserve city banks September 1. Reduced reserve requirements against net demand deposits at central reserve city banks from 18 to 17½ per cent, effective September 1, thereby releasing about $125 million of reserves.	To provide mainly for seasonal needs for reserve funds, and to implement 1959 legislation directed in part toward equalization of reserve requirements of central reserve and reserve city banks.

Digest of Principal Federal Reserve Policy Actions, 1960—Cont.

Period	Action	Purpose of action
August-September	Reduced discount rates from 3½ to 3 per cent at all Reserve Banks.	To reduce further the cost of borrowing from the Reserve Banks and reduce the differential between the discount rate and market rates of interest.
August-November	Bought or sold at different times varying amounts of Government securities with a net increase in System holdings of about $1 billion, including securities held under repurchase agreement and issues with short maturities other than Treasury bills. Member bank borrowing declined further to average below $150 million in October and November.	To encourage bank credit and monetary expansion by meeting changing reserve needs and offsetting the impact of a large gold outflow without exerting undue downward pressure on short-term Treasury bill rates that might stimulate further outflow of funds.
Late November-December	Authorized member banks to count all their vault cash in meeting their reserve requirements and increased reserve requirements against net demand deposits for country banks from 11 to 12 per cent. The net effect of these two actions, effective November 24, was to make available about $1,050 million of reserves. Reduced reserve requirements against net demand deposits at central reserve city banks from 17½ to 16½ per cent, effective December 1, thereby releasing about $250 million of reserves. Sold U.S. Government securities except for seasonal purchases in last week of December. Member bank borrowings at the Reserve Banks averaged less than $90 million in December.	To provide, on a liberal basis, for seasonal reserve needs, to complete implementation of legislation directed in part toward equalization of reserve requirements of central reserve and reserve city banks, and to offset the effect of continued gold outflow, while avoiding direct impact on short-term rates that might stimulate further outflow of funds.

supplies then spread to producers of other industrial materials and manufactured goods.

Business inventory investment was reduced sharply over the course of the year, as accumulation at a near-record rate in the first quarter was followed by lower rates of accumulation and, in the final quarter, by substantial liquidation. Declining inventory investment and reduction in home building were important factors in the mild contraction in general activity after midyear.

Despite sharp reduction in inventory investment during the year and the associated reduction in industrial production and employment, final demands for goods and services continued to increase, although the pace diminished over the year. Continued expansion in such demands, facilitated by easier credit conditions, provided support to the economy in the face of inventory and other adjustments that were taking place. The increases in demands, however, were not sufficient to prevent the development of slack in utilization of resources, evidenced particularly by more unemployment.

Although personal incomes continued to increase until late in the year, consumer expenditures in the aggregate increased less than income, and consumer savings increased. Following a record increase in indebtedness in 1959, consumers in 1960 stepped up their repayments of debt in the latter part of the year and reduced their borrowings for purchases of homes and for other purposes. Total holdings of liquid assets by consumers increased less than they had in 1959 when acquisitions of Government securities were exceptionally large.

Business outlays for fixed capital, though larger in 1960 than in 1959, declined slightly in the last half of 1960. Confidence in the underlying strength of the economy and expectations for resumed growth, however, were evidenced by the recovery in stock market prices late in the year and by the relatively modest contraction in current and prospective expenditures for business plant and equipment as economic activity receded and business profits declined.

The unemployment problem was one of growing concern during the year. Beginning in late spring unemployment began to rise from already high levels, and by the year-end had reached a seasonally adjusted rate of 6.8 per cent of the labor force. In addition to losses in employment, average hours of work in manufacturing were reduced and weekly earnings declined somewhat despite a further increase in hourly wages.

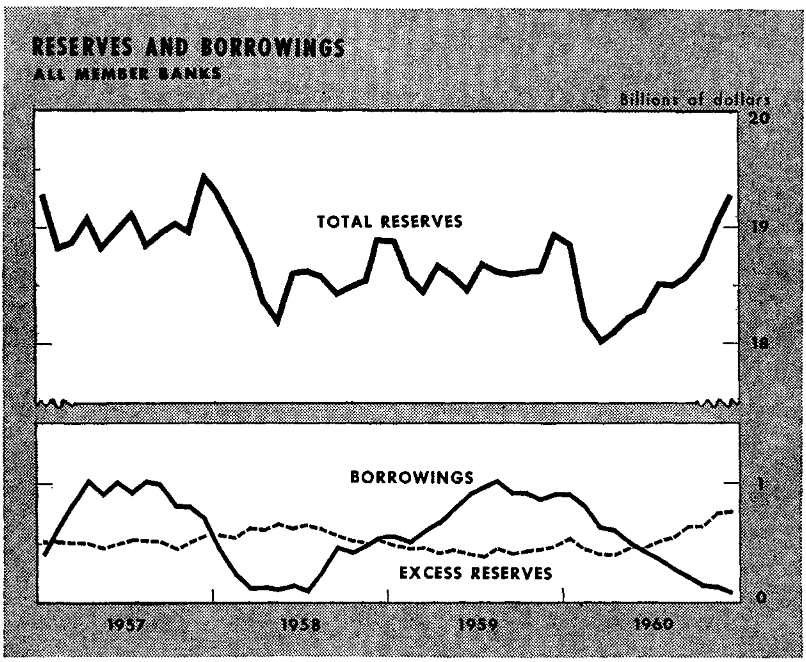
Continuing gradual change in the occupational structure and location of employment made reemployment difficult for many of the unemployed. At the same time improved technology and equipment continued to reduce manpower requirements in many industries. These secular forces tended to intensify the increase in unemployment that stemmed from cyclical declines in activity. Meanwhile, the rate of growth in the labor force increased in 1960. This growth foreshadowed further increases as the high birth rates of the 1940's are increasingly reflected in the population of working age.

MONETARY POLICY AND BANK RESERVES

Early in 1960 the policy of restraining credit and monetary expansion that had been in effect in 1959 was relaxed, and in ensuing months policy began actively to stimulate such expansion. The Federal Reserve used open market operations and other policy instruments to increase the supply and reduce the cost of bank reserves. These actions provided a reserve base to facilitate expansion of bank credit and money in a period when economic activity was showing signs of recession, over-all credit demands were contracting, and interest rates were declining. In this situation commercial banks extended $8.4 billion of credit during 1960, or more than twice as much as the year before (after allowance for changes in bank structure). The money supply (seasonally adjusted), after declining during the first half of the year, rose during the second.

During the first four months of the year, the reserve position of banks was eased as Federal Reserve open market sales of securities absorbed only a part of the required reserves released by the decline in deposits and the reserve funds made available from currency inflow and other sources. Reserve funds were available in sufficient volume to allow member banks to reduce their borrowings at Federal Reserve Banks by about $300 million on the average. By late May-early June, member banks had reduced their borrowings to a level slightly below excess reserves, that is, they had a small net free reserve position.

Net free reserves of member banks expanded sharply during the last part of the year, and by December they averaged $680 million. Three-fifths of the increase took place at country banks. Easing of bank reserve positions, along with a much greater than seasonal expansion in commercial bank credit in the second half, reflected the effects of various Federal Reserve actions to increase the availability of reserves.



NOTE.—Monthly averages of daily figures. Beginning with December 1959, total reserves include reserves allowable in cash.

Total member bank reserves declined in the early months of 1960 but thereafter rose by more than customary seasonal amounts to an average of $19.3 billion in December. This was about $350 million more than the total held in December 1959.

During much of the year the Federal Reserve was adding on balance to its holdings of securities in order to help ease credit market conditions and to offset the impact of large foreign acquisitions of gold on member bank reserves. In late October and in November, the Federal Reserve purchased short-term U.S.

CHANGES IN MEMBER BANK RESERVES

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

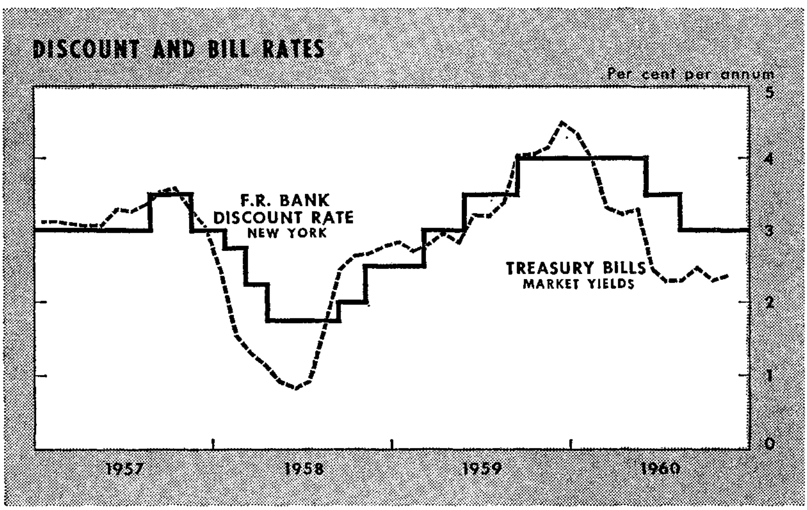
Item	1960	1959
Member bank reserves		
Total reserves	+0.4	(1)
Reserves held with Federal Reserve Banks	−1.9	−0.3
Vault cash allowable as reserves	+2.3	+0.3
Required reserves	+0.1	+0.1
Effect of:		
Change in reserve requirement percentages	(1)	....
Change in deposits	+0.1	+0.1
Excess reserves	+0.3	(1)
Principal factors affecting reserves	(sign indicates effect on reserves)	
Federal Reserve credit:		
Discounts and advances to member banks	−0.8	+0.3
Holdings of U.S. Govt. securities [2]	+0.2	+0.7
Float	+0.2	−0.1
Vault cash allowable as reserves	+2.3	+0.3
Currency in circulation	−0.2	−0.4
Gold stock and foreign accounts	−1.4	[3] −1.2
Other factors	+0.1	[3] +0.3

[1] Less than $50 million.
[2] Includes acceptances.
[3] 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.

Government securities other than Treasury bills for the first time since 1958. These purchases, which amounted to $315 million, were made at a time when the System was engaged in large operations to meet seasonal and other reserve needs and when the spread between rates on short-term Treasury bills and those on securities maturing in 9 to 15 months was unusually wide.

During 1960 reserve funds were released on balance by measures that affected vault cash and reserve requirements. As the economy was entering the fall and pre-Christmas periods of seasonal expansion in credit needs, additional amounts of vault cash were made eligible to meet reserve requirements. The net effect of all these actions was to add about $1.9 billion to reserves. Reserves were absorbed, however, by large foreign acquisitions of gold from the United States, mainly in the second half of the year, as discussed in more detail later. Other factors—currency in circulation, Federal Reserve float, and Treasury operations—had little net effect on reserves over the year.



Besides increasing the availability of reserve funds, and thus enabling banks both to reduce their borrowings and to expand credit, the Federal Reserve took actions to reduce the cost of borrowed reserves to member banks. Federal Reserve discount rates—the rates charged member banks for short-term borrowing to meet temporary reserve deficiencies—were reduced from 4 to 3½ per cent in June and to 3 per cent in August and early September. While these reductions were less marked than declines that had occurred in short-term market rates, which reflected both reduced demand for funds and the easing in reserve positions, they were consistent with System policy of keeping discount rates related to market rates.

Vault cash and reserve requirements. During 1960 the Board of Governors, in implementation of legislation enacted in 1959 (described in the *Annual Report* for 1959), authorized member banks to count all their vault cash in meeting reserve requirements. The authorization was conferred gradually. The first step had been taken in December 1959 and two more steps were taken in 1960. The second step released $500 million of reserve funds in the last week of August and the first week of September, and the final step released an additional $1.4 billion in the last week of November. The timing of these actions was related mainly to seasonal needs for expansion in bank reserves and currency. A more detailed description of the various actions related to vault cash and reserve requirements is contained in the *Federal Reserve Bulletin* for December 1960, pages 1326-31.

The comparatively rapid expansion in the free reserve position of country banks and the maintenance of that position at high levels is explained in part by the incidence of these actions. These banks held almost two-thirds of the vault cash made eligible for reserves in 1960. Some of the impact of the vault cash provisions on the reserve position of these banks was offset, however, by an increase from 11 to 12 per cent in their reserve requirements against net demand deposits. After these actions many member banks, especially smaller country banks, apparently preferred to hold higher excess reserves than they had customarily been holding.

Also in implementation of the 1959 legislation, reserves required against demand deposits at central reserve city banks were reduced in September and December from 18 to 16½ per cent and are now the same as requirements at reserve city banks. By provision of the 1959 legislation the separate classification of "central reserve city" banks is to be terminated in 1962.

Margin requirements. In addition to actions affecting bank reserves, the Federal Reserve in 1960 also reduced margin requirements on credit used for purchasing or carrying stock market securities. During the first several months of the year, the volume of stock market credit outstanding generally declined. Effective July 28, the Board of Governors reduced margin requirements from 90 per cent, the level in effect since October 1958, to 70 per cent. During the balance of the year customer credit in the stock market rose almost $300 million to a level just below the total at the beginning of the year.

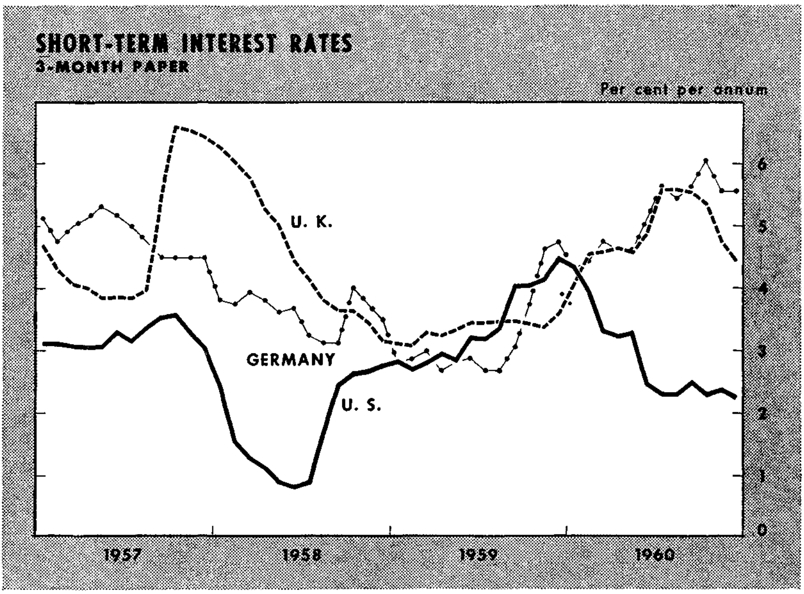
BALANCE OF PAYMENTS AND MONETARY POLICY

A striking development in 1960, along with the marked increase in the U.S. export surplus, was a large movement of private liquid capital, both U.S. and foreign, from the United States to foreign countries. Conditions of strong demand for goods and for capital prevailed in many countries. Relatively high interest rates in some of those countries attracted short-term investments, as did also the prospects of capital gains on both fixed-income and equity securities. At the same time loans and credits by U.S. lenders to borrowers abroad were stimulated by the increasing availability of funds in the United States. The movements of funds attained sizable magnitude after the middle of the year.

Outflows of capital in 1960 were intensified by various uncertainties, including those arising from concern in financial markets about the prospects for equilibrium in the international transactions of the United States. Persistent balance-of-payments surpluses in some other countries, particularly Germany, were a disturbing factor.

The movements of private capital resulted in large accretions to official gold and dollar reserves of several countries, and foreign monetary authorities exchanged large amounts of dollars for gold. The drain on the U.S. gold stock during the year amounted to $1.7 billion.

Developments in international trade and capital flows are kept constantly under review in the determination of monetary policy. During 1960 fundamental adjustments in the basic elements of the balance of payments appeared to be going forward, as a result



NOTE.—U. S.: monthly averages of daily market yields for Treasury bills. U. K.: monthly averages of weekly tender rates for Treasury bills. Germany: averages of high and low quotations during month for money market loans, Frankfurt.

in part of the marked diminution of inflationary pressures on the U.S. cost-price structure. Moreover, renewed expansion in U.S. economic activity, toward which monetary policy was directed, would help sustain conditions of total demand in world trade that would foster further expansion of U.S. exports. Meanwhile, U.S. gold reserves were large, and short-term outflows of capital could be expected to cease or be reversed as conditions in financial markets changed.

The spread between British Treasury bill rates in London and U.S. Treasury bill rates reached its maximum around midyear, and became somewhat smaller when London rates were reduced in October and December. In this country, although increased demand for short-term securities on the part of member banks with easier reserve positions necessarily tended to push Treasury bill rates downward, other demand and supply factors were operating to hold Treasury bill rates up throughout the second half of 1960. One of these factors, directly related to international capital flows and foreign acquisitions of gold, was the diminished foreign demand for U.S. Government short-term securities. Reported foreign holdings of U.S. Treasury bills and certificates increased only $200 million in 1960, compared with $2.1 billion the year before.

Mechanisms of adjustment. Except for the movements of private liquid capital and the related foreign acquisitions of gold from the United States, developments in 1960 tended toward restoration of equilibrium in the U.S. balance of payments. The increase in the export surplus reflected not only short-run changes in demand conditions but also forces that should prove more persistent.

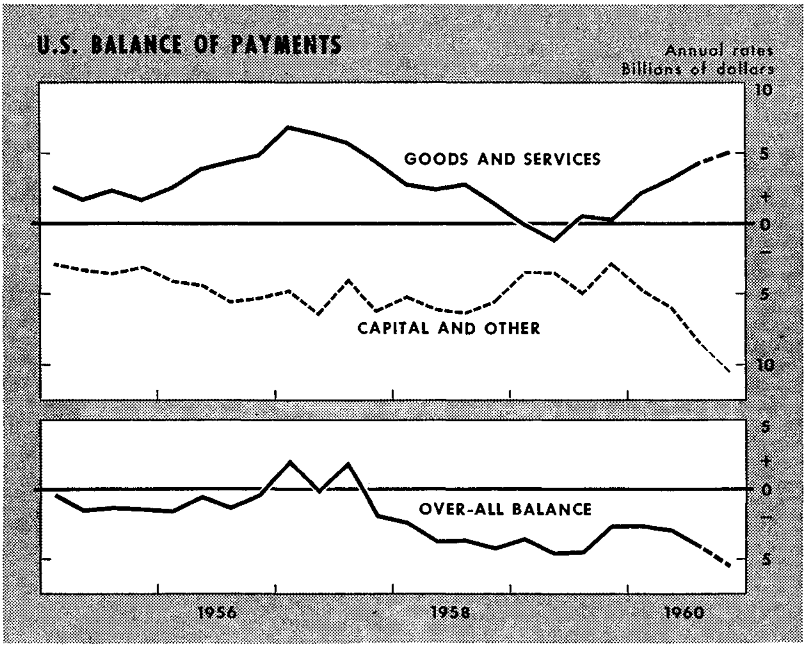
A development of great importance was the abatement of inflation and inflationary expectations in the United States. Under conditions of general price stability and of relatively free access of foreign goods to the U.S. market, U.S. producers are in a position to take constructive steps to counter foreign competition by product improvement, cost reduction, and selling effort.

In retrospect it is evident that this country's competitive position was beginning to be threatened in the mid-1950's. Although price indexes of industrial products in other leading countries increased about as much as U.S. prices from 1953 to the end of 1957, some of those countries at the same time were achieving large gains in productivity and in productive capacity. During 1958 and the first part of 1959, when European demand was slack, these gains were translated into price reductions for European exports. In this country, however, the rise in prices paused only briefly in 1958 and then resumed, until the autumn of 1959 brought a definite check to the advance.

After rapid expansion in European economic activity resumed early in 1959, an upward trend in European industrial prices began to reassert itself. During 1960 this trend became particularly marked in Germany, a country in which resistance to inflation had been relatively successful during the 1950's. Germany's success in maintaining its export surplus without large-scale long-term lending to other countries intensified the pressures of demands on its industrial capacity and its labor supply. During 1960 German wage rates rose on the average by about 8 per cent. Average domestic wholesale prices of industrially produced materials rose by about 2 per cent, and those of manufactured consumer and capital goods by as much as 4 per cent. Retail prices of nonfood products rose about 2 per cent. Even with these price increases, Germany's export capabilities remained very strong, and its balance of payments continued heavily in surplus.

The developments in 1960 that worked in the direction of restoring equilibrium in international payments included further measures abroad to end quota restrictions on imports of U.S. products into various countries. Also, the U.S. Government took action to curtail future expenditures abroad in connection with economic aid and defense programs. By these actions and also through international negotiations, interest was enlisted in an expansion of efforts by other countries to carry larger shares of the common burdens of economic aid and defense. Preparations were made for negotiations in 1961 to obtain new tariff reductions abroad in favor of U.S. exports. Developments such as these have been made possible and necessary by the successful restoration during the 1950's of vitality and strength to the economies of other industrial countries.

Balance of payments in recent years. Wide swings have occurred during the last five years in the merchandise export surplus of the United States and in flows of private capital between this country and others. These two kinds of swings, while varying in magnitude, have shown some tendency to offset each other in the over-all balance of payments. Changes in the relative strength of demands for goods here and abroad tend to be accompanied by corresponding shifts in the relative strength of demands for



NOTE.—Seasonally adjusted annual rates. "Capital and other" includes private U. S. capital and private long-term foreign capital; U. S. Government economic aid grants and loans; pensions and remittances; and unrecorded transactions, both capital and current. "Over-all balance" reflects changes in U. S. gold holdings and in recorded foreign holdings of dollar liquid assets.

capital and by opposite shifts in the availability of liquid funds. Despite such offsetting tendencies, the over-all balance of payments was persistently adverse during the three years 1958-60. There was a drain of $5 billion from the U.S. gold stock and a net increase of more than $6 billion in foreign holdings of dollar liquid assets. In 1960, the adverse balance was $3.8 billion.

At first—up to about mid-1959—the large adverse payments balance reflected not only short-run changes in demand conditions here and abroad but also the longer run improvement that had been occurring in the competitive efficiency of foreign industrial countries. After mid-1959, when U.S. imports ceased to rise and U.S. exports began to recover rapidly, the adverse payments balance was due less and less to insufficiency of export earnings and more and more to unusually large short-term capital outflows.

In the second half of 1960, under conditions of relatively strong demand abroad, U.S. merchandise exports were at a rate of nearly $20 billion a year and imports at a rate of about $14 billion. The export surplus was enough to cover—with the help of investment income, other private service earnings, and repayments on Government loans—all economic aid loans and grants, all military expenditures abroad, and a substantial part of the normal outflow of long-term private investment. But the actual outflow of U.S. and foreign private capital during the last six months was apparently $3.5 billion or more, mainly in short-term and unidentified forms. This unusually large outflow of private funds brought an increase in this period of $1.4 billion in official dollar holdings of foreign countries and international institutions and a decline of more than $1.5 billion in U.S. gold reserves. Considering only the last three months of the year, U.S. gold reserves would have declined $1.2 billion except for receipt of $300 million in gold from the International Monetary Fund, as the Fund in that period exchanged gold for dollars. In these three months short-term official dollar holdings of foreign countries increased only $300 million.

Nature of the balance-of-payments problem. Stability of the dollar is necessary for efficient functioning of the system of international commerce and investment based on the dollar as a reserve currency and standard of value. Restoration of a satisfactory equilibrium in our international payments is therefore important both for the United States and for the rest of the world. A satisfactory equilibrium requires two things: first, that current and long-term capital transactions be in balance, on the average, over a period of years, rather than only when foreign demand conditions are exceptionally strong; and second, that short-term capital flows not be a source of apprehension about the value of the dollar in relation to gold.

To achieve equilibrium in current and long-term capital transactions over a period of years requires further adjustments, both in the United States and in foreign countries, of the kinds that were already occurring in 1960 or were foreshadowed in actions taken then. Of the efforts that lie ahead for the United States, one of the most important will be to maintain a cost-price structure in this country that is competitive with other countries when expansion of U.S. economic activity resumes.

To prevent future flows of short-term capital from feeding on themselves and creating unjustified apprehensions may require new measures of international cooperation. Under conditions of widespread convertibility of currencies, large swings between inflow and outflow of liquid capital must be expected to recur, in response to recurrent shifts in the demand for and supply of funds. The problem is not to halt such movements, but to minimize their potential for causing speculative reactions and disturbances.

The two objectives involved in achieving full equilibrium are not entirely independent of each other. Whatever the strength of a country's reserve position may be, and whatever may be done to help prevent unwarranted apprehensions, a necessary step in minimizing abnormal outflows of capital is to establish sustainable balance in the more basic elements of the country's international transactions.

MONEY AND OTHER LIQUID ASSETS

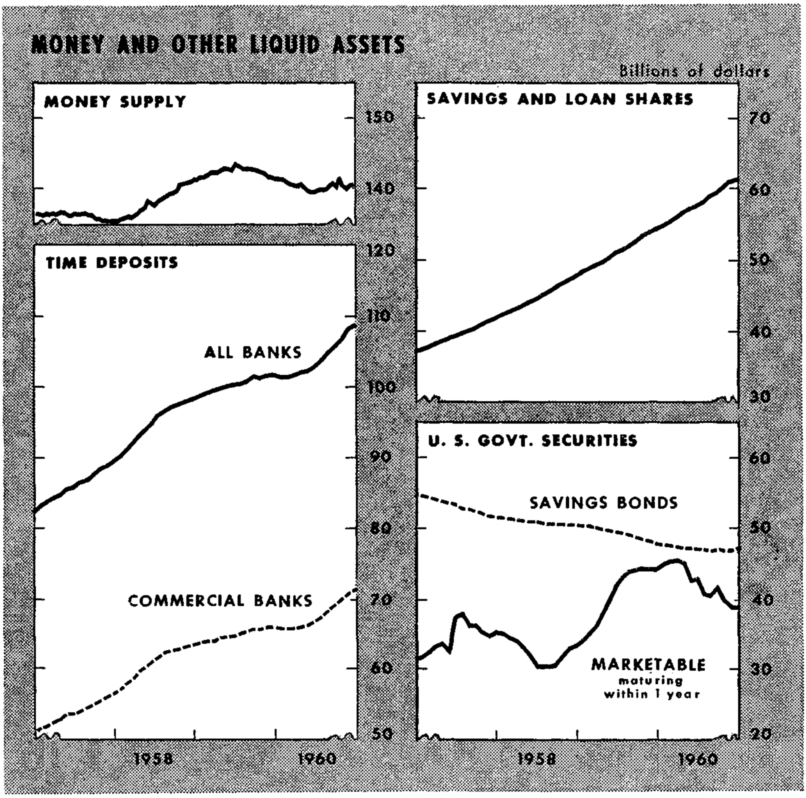
Expansion in commercial bank credit in 1960, which reached record proportions for the postwar period in the second half of the year, was accompanied by rapid growth in time and savings deposits. The money supply—that is, curency and demand deposits other than those held by the U.S. Government and domestic commercial banks—rose more than seasonally in the second half, after declining in the first half. Savings and loan shares increased substantially more than they had in 1959. Holdings of short-term U.S. Government securities by the nonbank public declined markedly after the early months of the year, as compared with a sharp increase the year before.

Money supply and turnover. The money supply declined, on a seasonally adjusted basis, about $2 billion during the first half of 1960, but contraction in the early months of the year was accompanied by a continued increase in nonbank holdings of Government securities and other liquid assets. After midyear the money supply rose moderately at an average annual rate of about 1.5 per cent and by the second half of December had risen to $140.5 billion. Nevertheless, it was still about $1 billion, or almost 1 per cent, below the end-of-1959 level; all the decline from 1959 was in demand deposits. Thus, most of the expansion in commercial bank credit during 1960 was reflected in increases in time and savings deposits.

Such deposits at commercial banks expanded by about $5.5 billion in 1960, with most of the expansion, about $4 billion, occurring after midyear. This was the largest July-December increase in the postwar period and reflected increased holdings not only of individuals but also of businesses and State and local governments. Holdings of foreign banks also increased in the second half. These increases were influenced in part by the decline in yields on Treasury bills, from 4.6 per cent in early January to an average of about 2.3 per cent in the last half.

The rate of use of money—as measured by the annual rate of turnover of demand deposits at banks outside financial centers—was at the highest level of the postwar period during 1960. For the year as a whole, the turnover rate averaged 25.7, 5 per cent above the average of 24.5 in 1959. Most of the increase took place in the early part of 1960. In the latter part of the year deposit activity tended to recede.

Other liquid assets. The nonbank public holds liquidity in many forms in addition to currency and demand and time deposits at commercial banks. Among other liquid assets are deposits at mutual savings banks, savings and loan shares, U.S. savings bonds, and short-term U.S. Government securities.



NOTE.—Seasonally adjusted data for holdings by the public, excluding the banking system and U. S. Government agencies and trust funds. Money supply: semimonthly averages of daily figures for demand deposits adjusted and currency outside banks. Time deposits: time and savings deposits at commercial and mutual savings banks and deposits in the Postal Savings System as of the last Wednesday of the month except for June 30 and December 31, when call data were used if available. Other series: end-of-month.

Deposits in mutual savings banks rose $1.4 billion in 1960, mainly in the second half. This increase was about one-tenth more than in 1959, but less than in other recent years. Inflows of funds to savings and loan associations have risen rapidly over the entire postwar period. During 1960 savings shares increased by $7.5 billion, nearly $1 billion more than the previous year. Net redemptions by the public of U.S. savings bonds were less than one-third as much as in 1959.

Although the nonbank public added more to its aggregate holdings of savings deposits, shares, and bonds in 1960 than in 1959, it reduced its holdings of short-term U.S. Government securities. Holdings of marketable Government securities maturing within a year declined by an estimated $5.3 billion, after increasing by $10.8 billion the year before. The reductions in 1960 were associated with net purchases of short-term securities by banks during most of the year and with a lengthening of the Federal debt, as total marketable debt outstanding changed little. The increase in public holdings in 1959, and also in the early part of 1960, accompanied heavy net sales of securities by banks as well as an increase through January 1960 in the total volume of securities outstanding.

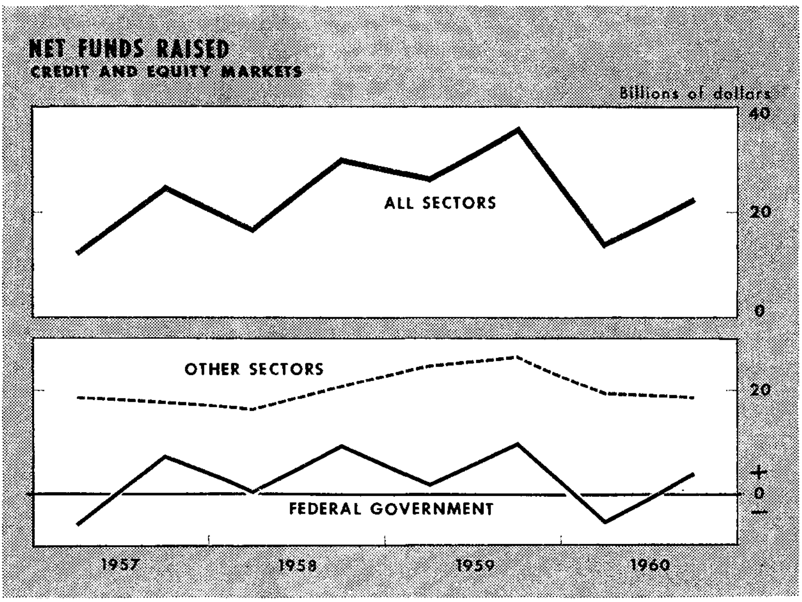
Reflecting mainly the decline in holdings of short-term Government securities, the nonbank public's holdings of liquid assets increased much less in the aggregate in 1960 than in 1959. Businesses drew down liquid asset holdings, and consumers increased theirs less than in 1959. Total saving by consumers was about the same as in 1959, but more of their saving flowed directly into purchases of capital goods and into debt repayments than in 1959.

FINANCIAL MARKETS IN 1960

Interest rates in financial markets generally fell back to lower levels in 1960, as Federal Government financing was reduced, compared with a sharp expansion in 1959, and as other credit demands moderated in response to the slower pace of business activity. Federal Reserve actions to ease the reserve position of banks and to increase the availability of bank credit contributed to easier market conditions.

Yields on most types of securities declined sharply through late summer and then changed little on balance, some declining a little further, others drifting upward. Market yields on long-term U.S. Government securities declined more than those on corporate and municipal obligations, new offerings of which in total were about the same as in 1959. The larger net outflow of domestic and foreign capital from the United States in the second half of the year was one factor keeping interest rates in this country from falling significantly lower after late summer.

Funds raised in credit markets. Total funds raised in financial markets in 1960 were an estimated $37 billion, substantially less



NOTE.—Based on flow-of-funds data. Second half 1960 preliminary.

than the record $61.4 billion in 1959 but about the same as in 1957. Slightly more than half of the decline from 1959 represented a reduction in Federal Government financing, and the remainder reflected smaller demands by private borrowers and State and local governments. Net funds raised by private sectors through all types of credit market instruments were about one-fourth less than in 1959 and only slightly more than annual amounts in the 1956-58 period.

Federal Government obligations. In calendar year 1960 the Federal Government had a cash surplus of $3.6 billion in contrast with deficits of $7 to $8 billion in each of the two preceding years. Most of the turnabout was accounted for by larger cash receipts, principally from increases in corporation and social security tax receipts. Federal expenditures showed a small decline following several years of increases.

Net cash repayment of Federal debt amounted to about $2.7 billion last year, as compared with net cash borrowing of $8.6 billion in 1959. There was an increase of about $750 million in marketable debt, which had increased by $12.7 billion in 1959, and nonmarketable debt declined. Total U.S. savings bonds outstanding declined for the fifth year in a row, but the decline was much less than in 1959. In 1960 there were small net sales of Series E and H bonds, as the higher rates paid on these issues since September 1959 and the decline in yields on competing securities made these issues more attractive.

There was a decline of $4.6 billion during 1960 in outstanding U.S. Government securities maturing within a year. A larger than usual reduction in the first half of the year more than offset the increase in the second. Outstanding securities maturing in from one to five years rose by $10.7 billion over the year.

The average maturity of the Treasury's marketable debt was lengthened during 1960 from 51.5 to 54.8 months. In all but two other years of the postwar period the average maturity had decreased. The lengthening in 1960 was due in part to retirement of maturing issues, but the major factor was the refunding of outstanding issues with new longer term securities. The decline in market yields permitted the Treasury to offer these longer term issues at interest rates below the 4¼ per cent maximum permitted by law.

The Treasury offered the greater part of the new longer term securities in two advance refundings, in June and September, of 2½ per cent bonds. These were the first Treasury operations involving an exchange by the public of outstanding marketable securities well before their maturity for new longer term securities. More than $8 billion of securities were exchanged in these operations.

Corporate securities. Corporate short-term debt, including bank loans and trade credit, expanded less in 1960 than in 1959. In addition, total corporate issues for new capital, excluding those of finance companies, were somewhat below their 1959 total. Issues of sales finance companies, however, were much larger than in 1959, and total corporate demands on long-term security markets therefore were somewhat greater in 1960 than the year before.

The decline in external financing by nonfinancial corporations in 1960 accompanied a reduction in their needs for funds and an increased use of their own financial resources. These corporations met their financing requirements in part by drawing down liquid assets and in part from the continued large volume of internal saving.

As sales volume slackened during the year, growth in inventories and accounts receivable also fell off, and in the last few months of the year businesses reduced inventories. The smaller net growth in these assets more than offset the over-all increase in plant and equipment outlays; such outlays rose in the first half, but turned down after midyear. Meanwhile, internal funds available to corporations were little changed in 1960; retained earnings were lower, reflecting smaller corporate profits and larger dividend payments, but depreciation allowances continued to grow.

Sales finance companies not only sold a larger volume of new issues in 1960, but also made greater use of short-term open market financing than in 1959. The large volume of funds acquired in credit markets made it possible for these companies to reduce bank debt while at the same time financing growth in their customer receivables. At times during the year other corporations also took advantage of more favorable terms in capital markets to fund bank debt.

Business loans of banks. Demand by businesses for commercial bank loans was comparatively strong during the first half of

1960, and outstanding loans rose $1.7 billion, or about the same as a year earlier. Demand was very strong in the first quarter as businesses financed the inventory restocking that followed settlement of the steel strike late in 1959.

As economic activity slackened and purchases for inventory declined, businesses made less use of bank loans. In the second half of 1960 business loans at banks rose only $500 million in contrast with $2.4 billion in the comparable period of the previous year. For the year as a whole these loans increased by less than half as much as in 1959. As demand for loans eased, the prime loan rate—the rate that large city banks charge on short-term loans to businesses with the highest credit rating—was reduced to 4½ per cent in August 1960 from the 5 per cent level reached in September 1959.

State and local obligations. State and local debt outstanding increased about one-fourth less in 1960 than it had in 1959. Bond sales were somewhat lower than in 1959 and short-term financing was also reduced. Borrowing to finance public power systems was the principal type of financing to decline in 1960. Although outlays for such facilities increased, they were financed in part with proceeds from several large revenue bond issues sold in 1959. Bond sales for financing both school construction and highways increased but were still below the record 1958 total.

The backlog of State and local bonds authorized but unsold rose to a record level in 1960, as voters approved nearly all of the large dollar volume of bond proposals submitted in the November general election. Some of these issues are expected to be sold gradually over a long period of years.

Mortgages. The value of new private construction put in place in 1960 was about 2 per cent less than the record total in 1959. Nonresidential construction outlays were larger, but smaller outlays for new residential building more than offset this increase.

Along with reduced construction activity, new mortgage borrowing was less than in 1959. The amount of nonfarm mortgage recordings of $20,000 or less, chiefly on new and existing houses, was about 10 per cent lower in 1960 than the record amount in

1959. As a result of the smaller volume of new mortgage loans and little change in the flow of repayments and retirements, the growth in mortgage debt was about one-fifth less than in 1959, a year of record increase.

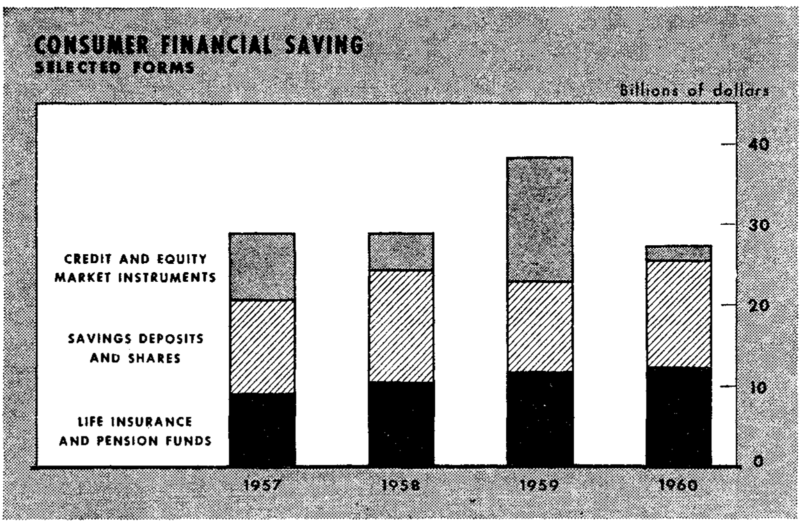
Consumer credit. Outstanding short- and intermediate-term consumer credit increased $3.9 billion in 1960, compared with a record $6.6 billion in 1959. The decline in the pace of growth, most of which occurred in the second half of the year, was general for all major types of instalment and noninstalment credit.

Extensions of instalment credit were 3 per cent higher in 1960 than in 1959, but repayments rose even more. After reaching record levels in the second quarter of 1960, extensions declined in the final half, accompanying somewhat reduced consumer outlays on durable goods. Extensions of automobile credit showed little change from 1959 to 1960 despite an increase in the number of cars sold. The average size of contract on new and used cars declined as a larger proportion of new car sales were "compact" models and as prices of used cars declined.

Credit supplies. On the supply side, consumers and nonfinancial businesses accounted for most of the reduction in the volume of funds flowing into credit markets during 1960. Funds supplied through consumer purchases of securities declined, and businesses on balance sold securities, after acquiring fairly large amounts in 1959. The volume of funds supplied to capital markets by insurance companies and major savings institutions, which obtain most of their new funds from consumers, changed little, but there was an increase in the net flow of credit supplied by commercial banks.

Consumers. Consumers are estimated to have saved more on a gross basis in 1960 than in 1959, but they acquired smaller amounts of financial assets. They spent somewhat less on durable goods and homes combined, but they financed a smaller portion of these outlays through incurrence of new debt. Thus these purchases absorbed a larger amount of their saving, and they had less available for financial assets. Net acquisitions of such assets last year were about 30 per cent less than the postwar record total in 1959. The decline reflected smaller acquisitions of credit market instruments.

Consumer holdings of marketable Federal obligations declined by an estimated $1.5 billion in 1960, in contrast with a record increase of $9.4 billion in 1959. Net sales in 1960 occurred in a period when interest rates were declining, while net purchases in 1959 took place in a period of rising interest rates and an expanding public debt. Acquisitions of other securities in the aggregate were also reduced during 1960.



NOTE.—Flow-of-funds data; included are all categories under net acquisition of financial assets except demand deposits and currency, U. S. savings bonds, and net investment in unincorporated business. Preliminary estimates for 1960.

As in other periods of declining interest rates, a larger growth in saving through financial institutions offset a part of the reduction in security purchases. Reflecting mainly developments in the second half of the year, consumer holdings of time and savings deposits and saving shares rose more than in 1959, as did saving through life insurance and pension funds combined.

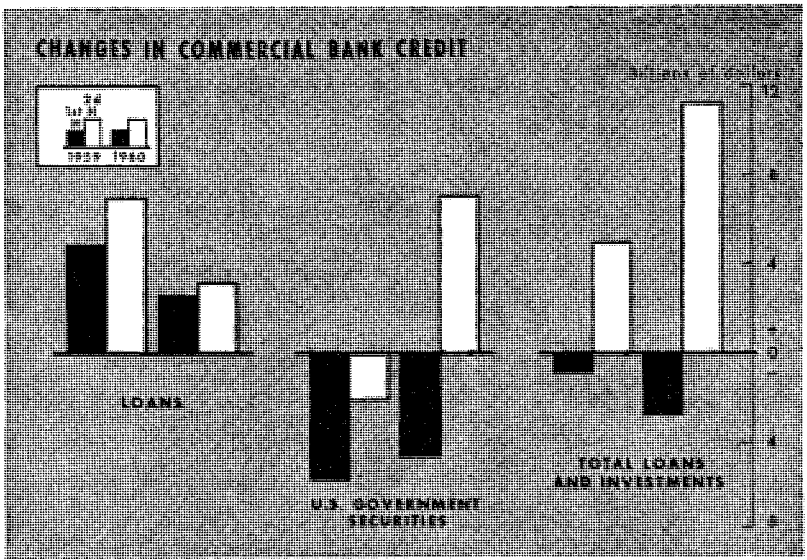
Savings institutions. Savings and loan associations had a record inflow of savings capital in 1960, but they supplied smaller amounts to credit markets than in 1959. With demand for residential mortgages less intense, they increased their mortgage holdings less than in 1959. They also invested considerably less in Federal obligations. Instead of increasing their acquisitions of assets, the associations used part of their increased funds to repay short-term debt to Federal home loan banks and others and to rebuild cash balances. The pattern of funds advanced by mutual savings banks changed little in 1960, with mortgage acquisitions continuing to predominate.

Life insurance and pension funds. The net flow of funds into life insurance companies was about the same in 1960 as in 1959, but the allocation of these funds among alternative financial uses differed substantially. These companies increased their mortgage holdings by about one-sixth more than in 1959, but they acquired smaller amounts of corporate securities and they continued to reduce Government security holdings by moderate amounts. At the same time, the increase in loans to policyholders was larger than in 1959. The flow of saving to pension funds continued its steady increase in 1960, and these institutions enlarged their holdings of corporate securities by more than in 1959.

Commercial banks. The greater expansion of commercial bank credit in 1960 as compared with 1959 reflected mainly a record growth of $11.2 billion in the last half of the year, following a larger than usual decline in the first quarter and a substantial increase in the second. Rapid growth in time deposits contributed to the greater pace of credit expansion. Banks increased their loans less in 1960, as demand for credit slackened after being very strong in 1959, but they added to security holdings whereas they had been heavy net sellers the year before.

Total bank loans (other than interbank) rose only $5.8 billion over the whole year, compared with $12 billion in 1959 (after allowance for changes in bank structure). Loans outstanding expanded at a moderate pace during the first half of the year. In the second half they increased by $3.2 billion, less than half as much as in the comparable period of 1959 but more than in late 1957, when economic activity also had slackened.

Loans in almost all categories increased less than in 1959. The smaller increase in loans to businesses and to nonbank financial institutions reflected not only reduced demand for funds but also changes in the relative cost of financing, as mentioned earlier. Banks also made smaller amounts of consumer and real estate loans in 1960 than in 1959. Outstanding real estate loans declined at city banks, but rose at other banks, though at a slower rate than in 1959.



NOTE.—Based on data for Dec. 31, 1958; June 24 and Dec. 31, 1959; and June 29 and Dec. 28, 1960. Interbank loans excluded. Changes for 1959 exclude increases resulting from addition of banks in Alaska and Hawaii and from the absorption of one large mutual savings bank by a commercial bank. These changes increased total loans and investments about $1 billion; total loans, $600 million, and U. S. Government securities, $300 million. Total loans and investments include other securities not shown separately.

For the year as a whole, banks added $2.7 billion to all security holdings in contrast with heavy net sales the year before. Banks continued to sell securities on balance through the early months of 1960, but after midyear they added about $7 billion to their U.S. Government security portfolio and $900 million to their holdings of other securities, mainly State and local government obligations. This was a substantially larger increase than had occurred in any other July-December during the postwar period. Additions to U.S. Government security holdings were particularly large in the shorter term maturity range.

Banks used proceeds from security sales in the early months of the year not only to help finance the moderate loan expansion that followed usual January repayments but also to reduce their own indebtedness at Reserve Banks. They continued to reduce these borrowings as the year progressed. The fact that market yields on Treasury bills were below the discount rate for most of the year was an incentive for banks to reduce such borrowings either by selling securities or by adding less than they otherwise would have to their portfolios. The reduction in borrowings, the increase in holdings of short-term U.S. Government securities that accompanied the reduced loan expansion, and the sharp growth of time and savings as contrasted with demand deposits all represented an improvement in the over-all liquidity position of the nation's banks.

Other sources. Funds supplied to U.S. credit markets by other domestic and foreign sources were substantially reduced in 1960. Corporate businesses drew down credit market assets, mainly U.S. Government securities, to help meet their financing needs and in some cases to increase their assets abroad, instead of adding to U.S. Government security holdings as they had the year before. Advances through credit markets by Federal and by State and local governments were also less than in 1959.

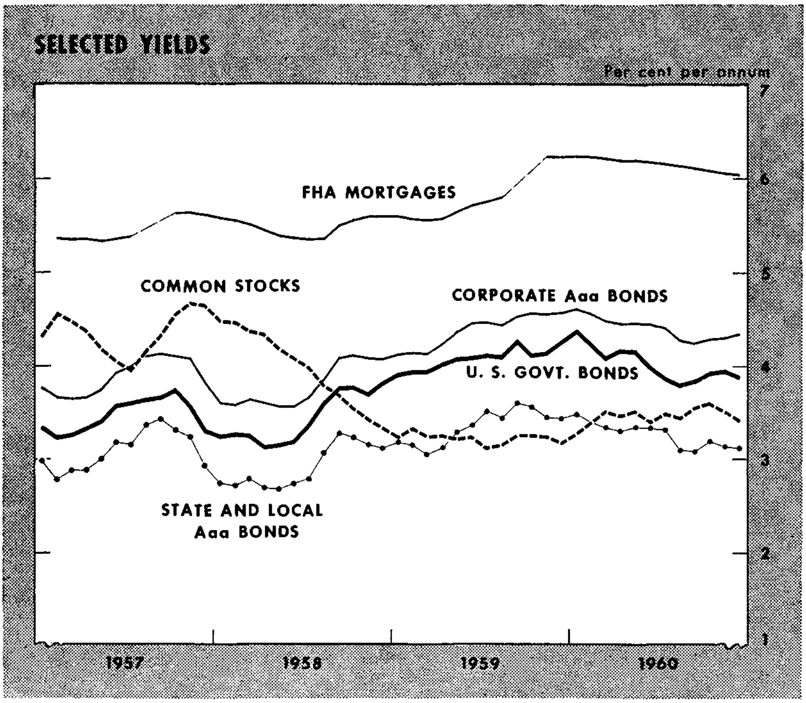
The net supply of funds to U.S. credit markets by foreigners declined. Some of the reduced investment by foreigners in U.S. credit markets reflected withdrawals of foreign funds from this country, as discussed in an earlier section. Foreign monetary authorities acquired very large amounts of dollar funds through international transactions, but used a considerable amount of these funds to buy gold and additional sums to make payments to the International Monetary Fund, which in turn obtained non-interest-bearing demand notes from the U.S. Treasury. Net purchases of U.S. Government marketable securities and other U.S. securities by foreign monetary authorities, banks, and others (including international institutions) amounted to only about $600 million in 1960, as compared with more than $3 billion in 1959.

There was some movement of foreign and other funds away from Federal obligations to time deposits as Treasury bill rates fell below 3 per cent. State and local governments and foreign banks and governments, in particular, added to their time deposits, whereas in 1959, when Government security yields were rising, they had reduced such deposits.

Pattern of market yields. Yields on debt securities of all types declined in 1960 from the high levels that had prevailed early in the year. For long-term securities these reductions were most pronounced during the late spring and early summer. During the autumn market expectations for further reductions in long-term interest rates based on growing indications of slackening economic activity were counterbalanced by the effects of capital movements abroad and the associated decline in the U.S. monetary gold stock.

After rising to postwar highs at the beginning of the year, market rates of interest on U.S. Government securities declined substantially during the first eight months of 1960. During the first seven months rates on Treasury bills and intermediate-term issues fell much more sharply than rates on bonds, as is usual in a period of declining rates, but the spread between short- and long-term rates widened less than from the autumn of 1957 to mid-1958, the previous period of declining interest rates. After late summer the average level of rates was relatively unchanged and the spread between long- and short-term rates widened only slightly further.

Through late summer yields on the highest grade State and local and corporate issues declined less than those on long-term U.S. Government bonds. In the last few months of the year yields on corporate bonds drifted upward. The disparity in movements between U.S. Government and other long-term rates reflected in part the relatively high yields of Government bonds in late 1959 and in part the volume of other securities offered as rates tended to decline and market conditions eased.



NOTE.—Monthly averages for (1) 500 common stocks (90 before mid-1957) from Standard and Poor's Corporation; (2) 30 corporate bonds, from Moody's Investors Service; (3) 5 State and local government bonds, from Moody's Investors Service; and (4) U. S. Government bonds maturing or callable in 10 years or more. FHA mortgage data are Federal Reserve computations based on average prices reported by FHA (dashed lines indicate periods when averages were adjusting to changes in contractual interest rates and no data were available).

Mortgage yields, which had risen less between mid-1958 and late 1959 than had returns on most other obligations, tended to decline throughout 1960. According to past experience, changed market conditions are likely to be reflected more in changed availability of mortgage loan funds than in a sharp rise or fall in their interest cost.

Common stock prices moved irregularly downward during the first nine months of 1960 but recovered most of this loss late in the year. Sharp price declines were recorded for stocks of companies in industries where profits usually respond to changes in levels of business activity, but stocks of many less cyclically sensitive companies increased in price.

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 each such action, 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 actions taken at each of the 17 meetings of the Federal Open Market Committee during the calendar year 1960, including the votes on the policy decisions as well as a resumé of the basis for the decisions, as reflected by the minutes of the Committee. It will be noted that in some cases the policy decisions were by unanimous vote, and that in other cases dissents were recorded. Further, as this record indicates, the fact that a decision in favor of a general policy was by a large majority, or even that it was by unanimous vote, does not necessarily mean that all members of the Committee were equally agreed as to the reasons for the particular decision or as to the precise operations in the open market that were called for to implement the general policy. The Manager of the System Open Market Account attends the meetings of the Committee, and the shades of opinion expressed at those meetings provide him with guides to be used in the conduct of open market operations, within the framework of the policy directive adopted by the Committee.

The policy directive of the Federal Open Market Committee that was in effect at the beginning of 1960 had first been adopted in such form at the meeting on May 26, 1959, and had been continued in that form at succeeding meetings during the remainder of the calendar year. The last such meeting was held on December 15, 1959. The directive, which was issued to the Federal Reserve Bank of New York as the Bank selected by the Committee to execute transactions for the System Open Market Account, instructed 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 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.

January 12, 1960

Authority to effect transactions in System Account.

The Federal Open Market Committee continued without change the directive to the Federal Reserve Bank of New York, most recently renewed at the meeting on December 15, 1959, 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. Martin, Hayes, Allen, Balderston, Deming, Erickson, Johns, King, Robertson, Shepardson, and Szymczak. Vote against this action: Mr. Mills.

Indicators of business activity were almost all moving upward at the time of this meeting. Settlement of the steel strike, accomplished several days earlier following operations under a Taft-Hartley Act injunction for approximately two months, removed a major element of uncertainty from the economic picture, although it left unresolved questions with respect to steel prices and also with respect to wage and price consequences in other industries. The Board's revised index of industrial production, at 156 per cent of the 1947-49 average in November 1959, was estimated to have risen to 163 or 164 in December and in January appeared almost certain to surpass the prestrike peak of 166. On a seasonally adjusted basis, construction activity, which had been lagging for several months, was up in December. Gross national product was estimated at an annual rate of $481 billion in the fourth quarter of 1959 and was expected to come close to an annual rate of $500 billion in the first quarter of 1960. Wholesale prices were substantially unchanged from year-ago levels.

Increases in interest rates and severe pressures on the money market during December were attributed in part to large credit demands to cover seasonal needs, in part to restoration of inventories run down by the steel strike, and in part to market expectations as to forthcoming developments. With a lessening of seasonal financing pressures, some slackening in deferred inventory demands, and tardiness in the pickup of new issue flotations in the capital markets, interest rates steadied or declined slightly after the turn of the year. Factors influencing the money market included prospective Treasury financing operations, the announcement by the President of an anticipated small budget surplus for fiscal 1960, and the prospect of a larger surplus for fiscal 1961.

The consensus that developed from the examination by the Committee of the business and financial situation favored no change in credit and monetary policy, which had been directed for several months toward restraint on credit expansion. There was some sentiment for a slight lessening in the degree of restraint within the framework of the existing policy on the grounds that some moderate growth in the country's money supply should be encouraged in order to support the anticipated business expansion and to avoid excessive upward pressures on interest rates. However, other members of the Committee felt that the general attitude was clearly one of extreme optimism, that this was likely to stimulate excesses in credit use, that it was incumbent upon the System to maintain a posture of firmness in limiting credit expansion at this stage of the business cycle, and that any lessening of the existing degree of restraint ran the risk of increasing inflationary pressures, with resulting accelerated expansion in the dollar volume of activity, followed by painful readjustments. One or two of those present leaned slightly in the direction of a firmer degree of restraint than had prevailed recently.

The Committee's decision to continue without change the existing policy directive calling for operations to restrain inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities was reached after considering these several shades of opinion. Mr. Mills, who voted against the directive, renewed a proposal that the wording be changed to provide for operations fostering sustainable economic growth and expanding employment opportunities while guarding against inflationary expansion. He expressed the belief that current conditions called for a policy of monetary restraint over the expansion of commercial bank credit, but he disagreed with the wording of the existing directive and its implementation to the extent that he did not think it allowed sufficient leeway for the volume of new credit that would foster an appropriate growth of the money supply.

imminent, several Committee members would have preferred, in view of reported economic developments, to move slightly in the direction of reducing the degree of pressure on bank reserve positions. No Committee member favored increasing the degree of restraint at this time.

Mr. Mills voted against renewal of the policy directive because of his continued preference for a directive that would provide for fostering sustainable economic growth and expanding employment opportunities while guarding against inflationary credit expansion, wording which he felt called for somewhat less restraint than had been applied during the past few months.

February 9, 1960

Authority to effect transactions in System Account.

Indicators of economic output continued to show strength. Gross national product was still expected to attain an annual rate close to $500 billion for the first quarter, and earlier estimates of the Board's index of industrial production for January were being revised upward as preliminary data became available. Employment apparently was being well maintained. After a record Christmas trade, seasonally adjusted department store sales continued at about the same level in January as in December, while construction activity, seasonally adjusted, moved upward to an annual rate that represented the highest January on record. Recent figures indicated that exports were likely to provide somewhat greater stimulus to the economy than in the past year.

While economic activity was clearly proceeding at a satisfactory pace, nevertheless the extremely optimistic attitudes that had prevailed in some quarters around the turn of the year were being reevaluated. Evidence of the boom widely anticipated following termination of the steel strike had not yet appeared, and there were few, if any, signs of undue fervor.

The abatement of enthusiasm concerning the business outlook had been reflected in financial developments. Following extreme tightness in the money market in December, with sharply rising

January 26, 1960

Authority to effect transactions in System Account.

The Federal Reserve Bank of New York was directed by the Federal Open Market Committee to conduct open market operations that would continue the policy of restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

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

Reports at this meeting, both national and regional, continued to reflect the high level of economic activity that had been noted at the meeting of the Committee two weeks earlier. Recovery in production and employment from the lower levels reached during the steel strike had been rapid. The reports indicated a somewhat less buoyant attitude among businessmen than had been reported at the preceding meeting, however, and contrasted to some degree with earlier expectations in some quarters of an explosive surge of activity following settlement of the steel strike. Seasonal contraction in bank credit appeared to be occurring about as usual, and signs of strain in the credit and capital markets were less than a few weeks earlier. A marked easing of Treasury bill rates, reflecting heavy demand from nonbank investors, had taken place despite substantial sales of bills from the System Account portfolio. Nevertheless, a feeling of tightness in credit markets was reported, and the question was raised as to whether growth of savings, increased velocity of the money supply, and willingness of member banks to increase their borrowings from the Reserve Banks would be sufficient in the aggregate to meet the credit demands needed to support prospective expansion in economic activity.

The Committee's decision as to policy for the period immediately ahead was to continue substantially the same degree of restraint on credit expansion that had been followed for some weeks past. However, had a large Treasury financing not been interest rates and an unusually heavy seasonal loan demand, money conditions eased notably in January. Interest rates declined, and bank loans were reduced, about as much as they had increased in December. Stock prices, after rising close to the 1959 high at the end of December, declined sharply thereafter and presently were near the low of the past 12 months. In contrast, bonds had risen in price since the first of the year, and yields on long-term U.S. Government bonds were back to November levels. Yields on intermediate-term Government securities had declined to around the lowest levels of October 1959, while yields on Treasury bills had fallen to the lowest levels since late August.

Together, figures for money supply and turnover of bank deposits indicated a rate of growth in total monetary transactions of nearly 4 per cent a year since mid-1957, but the money supply, which appeared to have declined slightly in January, was only about one-half of 1 per cent larger than the year-ago level. The current figure was a little more than $5 billion larger than the peak of mid-1957, representing an average annual rate of increase of less than 2 per cent.

In appraising open market policy at this juncture, the Committee took into account all of the aforementioned elements, along with the fact that the easier money situation had resulted from market forces rather than any change in monetary policy. There was unanimity of opinion that any tightening in the degree of restraint should be avoided. On the contrary, while a majority favored watchful waiting during the period immediately ahead, there were several within that group who leaned toward slightly less restraint, and the views of some members of the Committee were more positively in that direction. It was felt rather generally that a moderate increase in the money supply would be desirable.

In the light of the current situation, consideration was given to the possibility of a modification of the policy directive to the Federal Reserve Bank of New York so as to place emphasis, in clause (b), upon the fostering of sustainable growth in economic activity and employment rather than upon restraint of inflationary credit expansion. In support of such a modification it was pointed out, among other things, that business and financial attitudes and trends were less exuberant than in May 1959, when the existing policy directive was first adopted. The consensus, however, did not favor a change at this time, on the grounds that it would indicate a basic shift in open market policy and that such a shift was not called for at present.

Therefore, the action taken was to renew the directive, which called for restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities.

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

Mr. Mills continued to favor a change in the directive along the lines he had suggested at the past several meetings, which would provide for fostering sustainable economic growth and expanding employment opportunities while guarding against inflationary credit expansion.

March 1, 1960

1. 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 that open market operations should be conducted with a view "to fostering sustainable growth in economic activity and employment while guarding against excessive credit expansion." This replaced the clause of the directive that had been in effect since May 26, 1959, 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. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: none.

National and regional reports at this meeting indicated continuance of underlying economic strength, with evidence lacking to suggest that 1960 would be other than a prosperous year. It appeared, however, that some of the earlier exuberant expectations were not being fully realized and that excesses in commitments and in credit extensions were not developing. The rapid inventory accumulation that occurred in January and which appeared to have continued in February, combined with a slight decline in new orders in January, suggested to some observers that the spurt of activity attributable to the resumption of production upon conclusion of the steel strike might be nearing an end before any other expansive factor had emerged to take its place. Also, while retail trade remained at a high level, there had been an edging-off from December to January in total retail sales, other than sales of automobiles, and data for the first three weeks in February suggested that department store sales, seasonally adjusted, had slipped slightly. It appeared that industrial production would show no further increase in February. In the stock market, prices were fluctuating erratically at levels slightly above the low reached early in February.

Abroad, near-boom conditions appeared to be developing in many countries. Interest rates in industrialized countries had been tending to rise in response to increased economic activity and speculative developments, and official policies were moving further in the direction of restraint. Following a substantial increase in U.S. exports in December, preliminary figures for January indicated a level which, if anything, was higher than December, along with a considerable drop in imports. However, a substantial over-all deficit in the balance of payments still was indicated.

During the first three weeks in February, loans of banks in leading cities expanded substantially, with the increase in business loans particularly large. In order to meet loan demands, banks continued to reduce their holdings of U.S. Government securities. However, demand deposits adjusted at city banks declined by a larger amount during February than in the same month of any other recent year except 1956, and country bank figures for the first half of the month failed to show the increase that occurred in the corresponding period of 1959. It appeared that the seasonally adjusted money supply may have declined further in February to a level below that of a year earlier.

System open market operations during the period since the previous meeting of the Committee had continued generally to maintain pressure on the reserve positions of banks. The mid-March tax and dividend dates were now approaching, and the money market might be under some degree of pressure to accommodate seasonal liquidity needs. In view of this short-run consideration, along with considerations relating to business and financial developments generally, the Committee concluded that it would be appropriate to supply reserves to the banking system somewhat more readily. Accordingly, the consensus favored, for the immediate future, a policy of moderately less restraint.

In the light of existing conditions, a policy directive calling for fostering sustainable growth in economic activity and employment, while guarding against excessive credit expansion, was deemed more appropriate than a directive emphasizing restraint on inflationary credit expansion, and the Committee unanimously agreed to change clause (b) accordingly.

2. Repurchase agreements covering U.S. Government securities.

The Committee voted to renew the existing authorization to the Federal Reserve Bank of New York to enter into repurchase agreements with nonbank dealers in U.S. Government securities, subject to the following conditions and to the understanding that the authority would be used sparingly in entering into repurchase agreements at rates below the discount rate:

1. Such agreements
   (a) In no event shall be at a rate below whichever is the lower of

(1) the discount rate of the Federal Reserve Bank on eligible commercial paper, or (2) the average issuing rate on the most recent issue of 3-month Treasury bills;

(b) Shall be for periods of not to exceed 15 calendar days;

(c) Shall cover only Government securities maturing within 15 months; and

(d) Shall be used as a means of providing the money market with sufficient Federal Reserve funds to avoid undue strain on a day-to-day basis.

2. Reports of such transactions shall be included in the weekly report of open market operations which is sent to the members of the Federal Open Market Committee.

3. In the event Government securities covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, the securities thus acquired by the Federal Reserve Bank of New York shall be sold in the market or transferred to the System Open Market Account.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, Shepardson, and Szymczak. Vote against this action: Mr. Robertson.

The foregoing authorization had been renewed by the Committee in March of each year since it was approved unanimously by the Committee at a meeting on August 2, 1955. At this meeting, Mr. Robertson expressed the view that in recent times there had been a tendency to use repurchase agreements more frequently than had been contemplated at the time of the Committee's action in August of 1955. He felt that the Committee should minimize the use of such agreements and maximize cash trading. In addition, he suggested amendment of the authorization so as to confine the rates to the discount rate at the Federal Reserve Bank of New York, rather than to allow under some circumstances the use of a rate lower than the discount rate. This was because he considered it inequitable to permit nonbank dealers to borrow from the Federal Reserve System at rates below those prescribed for member banks.

In voting to renew the authority in its existing form, the majority of the Committee took the position that the repurchase instrument had proved to be a convenience to the Federal Reserve System and of great importance in carrying out monetary policy, that its use should not be minimized, and that the authorization should not be changed to eliminate the right to use a rate lower than the discount rate under certain circumstances, if that appeared desirable.

Mr. Robertson dissented from the renewal of the existing authorization for the reasons indicated by him.

3. Review of continuing authorities or statements of policy.

This being the first meeting of the Federal Open Market Committee following the election of and assumption of duties by new members from the Federal Reserve Banks for the year beginning March 1, 1960, the Committee reviewed and reaffirmed all continuing statements of policy and authorities for operations. These included three statements of policy that had been renewed by the Committee each year since 1953 regarding the objectives of monetary and credit policy, the confining of operations for the System Account generally to short-term securities, and the preclusion unless expressly authorized by the Committee of transactions for the purpose of altering the maturity pattern of the System's portfolio by means of offsetting purchases and sales of securities.

By prearrangement, extensive consideration was given to the three statements of policy relating to these matters, but at the conclusion of the discussion the Committee decided to review the subject further in the light of certain suggestions that had been made. Accordingly, the action taken was to continue these three operating policies on a temporary basis with the understanding that they would be brought up again at a subsequent meeting.

> Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: none.

March 22, 1960

1. Authority to effect transactions in System Account.

Although underlying forces in the economy continued to reflect strength, moderate declines had occurred in certain indices of activity. Industrial production, as measured by the Board's index, slipped slightly from January to February, while housing starts in February were at a seasonally adjusted annual rate approximately 20 per cent below the peak reached in the spring of 1959. Retail sales had been affected in the past several weeks by adverse weather conditions that prevailed throughout large areas of the country. On the other hand, unemployment and employment statistics showed improvement in February, new orders were up slightly in that month, and a recent survey of plant and equipment expenditure expectations indicated that plans were in line with earlier estimates. In summary, the balance of economic forces showed little change from three weeks earlier, and the more moderate appraisal of business prospects that had developed after the turn of the year continued to prevail generally.

Financial developments were highlighted by a continued decline in money rates, in contrast to the usual increase in such rates over the March tax and dividend period. During the three weeks since the previous Committee meeting, a significant decline occurred in rates on U.S. Government securities, particularly short-term issues, as exemplified by the establishment of a rate of 3.03 per cent in the weekly auction of 3-month Treasury bills on March 21, compared with 4.28 per cent in the auction on February 29. A heavy demand for Government securities from nonbank sources persisted. Federal Reserve operations, after absorbing a portion of the reserves released by the decline in bank deposits and in required reserves during February, subsequently added somewhat to the availability of reserves. Currently available figures indicated that the money supply, defined in terms of currency and demand deposits, had declined by about a billion dollars in February, accompanied by an accelerated rate of deposit turnover, and preliminary statistics for early March suggested that the downward trend of the money supply had not been reversed.

There was a clear consensus, in the light of current business uncertainties, the nature of financial developments, and the imminence of Treasury financing, scheduled for announcement around the end of the month, that open market operations during the period immediately ahead should be directed toward maintaining about the existing situation, with no tightening and with no further relaxation.

In the circumstances, the Committee continued the policy directive adopted at the preceding meeting (March 1, 1960), which provided for fostering sustainable growth in economic activity and employment while guarding against excessive credit expansion.

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

2. Review of continuing authorities or statements of policy.

At the meeting on March 1, 1960, it was agreed to continue the Committee's statements of certain operating policies on a temporary basis, with the understanding that the matter would be brought up again at a subsequent meeting. After additional discussion at this meeting, the operating policies were reaffirmed, as follows:

a. It is not now the policy of the Committee to support any pattern of prices and yields in the Government securities market, and intervention in the Government securities market is solely to effectuate the objectives of monetary and credit policy (including correction of disorderly markets).

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

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

Votes for this action: Messrs. Martin, Balderston, Bryan, Fulton, Leedy, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: Messrs. Hayes and Bopp.

In voting to reaffirm these policies, it was noted that any of them could be changed by majority vote at any meeting of the Federal Open Market Committee and that, according to their wording, the policies were to be followed only until such time as they might be superseded or modified by further action of the Committee. These policies had been carried as Committee statements since 1953, and, as provided therein, exceptions had been made on certain occasions when authorized by the Committee. It being felt that the experience with the operating policies had been satisfactory, the majority of the Committee found no sufficient reason to change their wording at this time.

Mr. Hayes voted against reaffirmation of the operating policies in their existing form, since he felt that the Committee should not take any action which, in his opinion, would voluntarily tie its hands, and it should not create an impression of an excessively rigid approach to open market operations. Further, he felt that the operating policies did not reflect his view that monetary policy involved more than consideration of bank reserves alone. He would have accepted various suggestions for reformulating the operating policies, including the rewording that he had suggested in March 1958 and in March 1959, except that, in statement "a," in order that there be no question of his belief that monetary policy involved more than concern with bank reserves alone, he would substitute the word "primarily" for the word "solely."

Mr. Bopp felt that inasmuch as the Federal Open Market

Committee was meeting regularly on approximately a three-week basis, it was not necessary to have these continuing operating policies. If the operating policies were to be retained, however, he believed they should be so phrased as to indicate that exceptions might be made as circumstances warranted.

April 12, 1960

1. Authority to effect transactions in System Account.

While economic activity continued generally at a satisfactory level, developments in the 3-week period since the preceding Committee meeting were somewhat mixed and did not serve to dispel the atmosphere of uncertainty with respect to the business outlook that had prevailed since shortly after the turn of the current year. With the advent of more favorable weather, substantial improvement occurred in department store and automobile sales during the latter part of March, while surveys of consumer attitudes and buying plans suggested continued optimism. Less favorable factors included a contraseasonal rise in unemployment in March, a declining trend in the rate of steel production, and a persistent downward movement in construction activity. Commodity prices were substantially unchanged. The latest available statistics on exports and imports reflected continuation of the encouraging trend of the past several months, and boom or near-boom conditions continued to develop in most industrialized countries abroad.

Total credit demands in the first quarter of the current year had not been as large as during the similar period of 1959. The Federal Government retired more debt than in the first quarter of any year since 1956, and borrowing in the long-term capital market by corporations and by State and local governments was substantially smaller than in recent years. Although short-term borrowing by business at banks continued at a high level in March, and consumer borrowing showed an increase, the total volume of bank credit continued to decline as the aforementioned increases were more than offset by a decline in other loans and by a further reduction in bank holdings of securities. Reserves released by the greater than seasonal decline in deposits had been used by banks principally to reduce indebtedness. Final statistics on the money supply through the end of March were not yet available, but it appeared that the declining trend of the past several months may have continued for at least part of the month.

Although some members of the Committee were inclined to feel that conditions were such as to warrant continuation of the prevailing degree of restraint, the consensus as to open market policy for the ensuing three weeks favored easing further the reserve positions of member banks, and thus encouraging an increase in the money supply, this to be done, however, in a modest way. Subject to this understanding, the Committee renewed the outstanding directive to the Federal Reserve Bank of New York which called for fostering sustainable growth in economic activity and employment while guarding against excessive credit expansion.

Votes for this action: Messrs. Martin, Balderston, Bopp, Bryan, Fulton, Leedy, Mills, Robertson, Shepardson, Szymczak, and Treiber. Votes against this action: none.

2. Authority to acquire Treasury bills through "swap" transactions.

The Committee authorized the Management of the System Account to acquire up to $150 million of 1-year Treasury bills maturing July 15, 1960, between this date and the date of the next Committee meeting, by means of outright purchases or by swap transactions for other Treasury bills.

Votes for this action: Messrs. Martin, Balderston, Bopp, Bryan, Fulton, Leedy, Mills, Shepardson, Szymczak, and Treiber. Vote against this action: Mr. Robertson.

This authorization represented an exception to two of the Committee's continuing operating policies, last renewed at the meeting on March 22, 1960. One of the exceptions was the departure in some degree from the policy that "intervention in the Government securities market is solely to effectuate the objectives of monetary and credit policy," since the purpose of these proposed transactions was to smooth the refinancing of an instrument—the 1-year Treasury bills maturing on July 15, 1960—that had not as yet been afforded a full test of market receptivity. The other exception was to the operating policy providing that transactions for the System Account in the open market shall be entered into "solely for the purpose of providing or absorbing reserves . . . and shall not include offsetting purchases and sales of securities for the purpose of altering the maturity pattern of the System portfolio."

While the express purpose of the acquisitions of the July 15 bills, whether by outright purchases or by swap transactions, would be to assist the Treasury in a forthcoming refinancing, such acquisitions would nevertheless be consistent with the objectives of credit and monetary policy to the extent that they were outright purchases and supplied additional reserves to the market in accordance with current Committee policy. The Committee's decision that acquisitions might be on a swap basis, if the specific issue of Treasury bills was not available for outright purchase or if outright purchase was not in accord with the reserve position at a particular time, reflected a view that it would be appropriate to experiment with swap transactions to the extent authorized as a means of helping to bring some of the specified securities into the System's portfolio in order to help a subsequent refinancing of these Treasury securities. The view was also expressed that the acquisition of securities in this manner would help to increase the flexibility and usability of the System's short-term portfolio, and thus contribute to the effectiveness of the operations for the Account.

In voting against this action, Mr. Robertson expressed the view that the authorization to engage in offsetting purchases and sales of securities for the System Account for the purpose of aiding the Treasury in its debt management functions would not be justified by the possible benefits to be derived therefrom by the Treasury. In his opinion, such an arrangement would inject an additional element of uncertainty into the Government securities market which might have the effect of providing a disincentive for dealers to take positions in issues that the System might be likely to buy or sell for purposes other than providing or absorbing reserves. In addition, he felt that this would appear to be a first step toward more general interference with market forces in all areas of the Government securities market and might lead ultimately to relatively frequent operations for purposes other than providing or absorbing reserves. At least, it might lead to a fear thereof, which in itself would be disruptive to a freely functioning market. It was his belief that, with institutional relationships like those prevailing within the Federal Reserve System and between the System and the Treasury, it was desirable to keep the lines of precedent as clear and clean as possible and to avoid muddying them by moves that might subsequently be used as levers for compromising basic monetary policy objectives, especially when the potential benefits of such moves appeared to be so limited.

May 3, 1960

1. Authority to effect transactions in System Account.

Available data suggested either fair strength or improvement in general economic indicators during the month of April, particularly in the area of consumer spending. With the advent of more favorable weather conditions, department store sales, seasonally adjusted, approached the peak level of July 1959, and automobile sales likewise strengthened. Thus, despite further cutbacks in steel output, it appeared that the Board's index of industrial production may have held at the March level or dropped only slightly. In summary, while the extent of unemployment continued to be a matter of concern in a number of areas, economic activity was generally at a relatively high level.

Business attitudes, however, were characterized by lack of exuberance and, although continued dominance of expansive forces seemed probable, current economic developments pointed to a moderate rather than a boom pace of expansion. The inflationary psychology that had been prevalent last year and earlier this year seemed definitely to have diminished.

The lack of exuberance in the business picture was evident also in the financial area, and interest rates had resumed a downward trend. Stock market prices, after a relatively brief thrust toward higher levels in late March and early April, had fallen back close to the lows of the first quarter of the year. Private demands for credit, although not as heavy as had been anticipated by some observers at the turn of the year, were generally quite strong, but banks were said to be less willing lenders because the trend of their liquidity positions had carried to a point regarded by many of them as undesirable.

It was the consensus of the Committee that current conditions justified moving modestly in the direction of increasing the supply of reserves available to the banking system. The Committee concluded that this further relaxation of restraint could be accomplished within the scope of the existing policy directive, which called for fostering sustainable growth in economic activity and employment while guarding against excessive credit expansion. Accordingly, although some question was raised with regard to the appropriateness of the last part of that statement, the directive was renewed without change.

Votes for this action: Messrs. Martin, Balderston, Bopp, Bryan, Fulton, King, Leedy, Robertson, Shepardson, Szymczak, and Treiber. Votes against this action: none.

2. Authority to acquire Treasury bills through "swap" transactions.

On April 12, 1960, the Committee had authorized the acquisition, in the period between that date and the next meeting of the Committee, of up to $150 million of 1-year Treasury bills maturing July 15, 1960, either by outright purchase or by swapping other bills. Following discussion of a report on acquisitions of the July bills pursuant to that action, the previous authorization was renewed, effective until the date of the next Committee meeting.

Votes for this action: Messrs. Martin, Balderston, Bopp, Bryan, Fulton, King, Leedy, Shepardson, Szymczak, and Treiber. Vote against this action: Mr. Robertson.

Mr. Robertson's negative vote reflected the views he had stated at the meeting on April 12, 1960, with respect to "swap" transactions.

May 24, 1960

1. Authority to effect transactions in System Account.

Clause (b) of the first paragraph of the Committee's policy directive was changed at this meeting to provide that open market operations should be conducted with a view "to fostering sustainable growth in economic activity and employment by providing reserves needed for moderate bank credit expansion." The preceding directive, in effect since March 1, 1960, had called for operations with a view "to fostering sustainable growth in economic activity and employment while guarding against excessive credit expansion."

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Fulton, King, Leedy, Mills, Robertson, Shepardson, and Irons. Votes against this action: none.

Preliminary information for the first part of May suggested that the rates of gain, in sectors of the economy where gains were recorded from March to April, may not have continued. In addition, the improvement during April was not shared by certain basic industries; new orders in durable goods manufacturing were off somewhat further in that month. Steel output continued to decline through April and the first weeks of May as new orders ran considerably below current production.

Recent credit developments indicated that neither borrowers nor lenders had responded with alacrity to the increased availability of lendable funds at the commercial banks. Interest rates continued below the peak levels reached several months earlier but tended to fluctuate widely in reflection of actual or anticipated variations in supply or demand conditions. The most significant point of contrast between the credit situation this year and a year ago was the shift in the fiscal position of the Federal Government to one of debt reduction, and other credit demands had not increased sufficiently to offset the decline in Government borrowing. Although bank reserve positions, over-all, were under somewhat less pressure at this time than during the latter half of 1959, total member bank borrowing, including Federal Reserve advances, resort to the Federal funds market, interbank loans, and reverse repurchase agreements with nonbank sources, continued to be substantial. The volume of borrowing, together with the margin between the Reserve Bank discount rate and short-term market rates, was partly responsible for wide fluctuations in Treasury bill rates in response to variations in market forces.

International developments had been highlighted by the breakdown during the past week of the so-called Summit Conference, a meeting of the chiefs of state of principal nations in Paris. However, it was not yet possible to appraise the extent, or even the direction, of the impact of this occurrence upon the U.S. economy.

The consensus resulting from evaluation of the current situation favored a further supplying of reserves through open market operations with a view to permitting a moderate expansion of bank credit and encouraging an increase in the money supply, which thus far had failed to respond to the easing steps taken by monetary policy. In line with this consensus, and since the prospect of undue credit expansion in the near-term future seemed to have become remote, the Committee changed clause (b) of the directive so as to emphasize that the providing of reserves needed for moderate expansion of bank credit constituted an objective of policy at this stage.

2. Authority to acquire Treasury bills through "swap" transactions.

The authorization given at the meeting on April 12, 1960, and renewed at the May 3 meeting, to acquire up to $150 million of 1-year Treasury bills maturing July 15, 1960, either by outright purchase or by swapping other bills, was continued until the date of the next meeting of the Committee.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Fulton, King, Leedy, Mills, Shepardson, and Irons. Mr. Robertson voted "no" on this action insofar as it extended to the acquisition of the 1-year bills by "swap" transactions.

June 14, 1960

1. Authority to effect transactions in System Account.

The data presented for the Committee's consideration included an extensive review of domestic and international business and financial developments since the recession low of 1958. Attention was drawn to the developing business investment boom abroad and to the fact that in many foreign countries the current problems of adjusting monetary policy to economic events stood in contrast to those in the United States. The domestic situation reflected an absence of dramatic business or financial developments since the breakdown of the Summit Conference in Paris four weeks earlier. While exports were expanding relative to imports, in none of the broad categories of domestic demand—inventory accumulation, capital goods, residential building, consumer spending, or Government activity—was a marked upsurge evident. In general, activity continued at a comparatively high level, with prices relatively stable.

The privately held money supply declined substantially in May while, on the other hand, the rate of turnover of deposits continued at an advanced level, and holdings of liquid assets other than money appeared to have risen further. Interest rates in markets for both short-term and long-term funds had been moving downward recently, reflecting not only the sharp reduction in Treasury requirements this year but also some slackening of other credit demands.

Net borrowed reserves of member banks had been progressively reduced since the beginning of the year as required reserves declined more than seasonally. In recent weeks the Federal Reserve System had purchased Government securities, and the net borrowed reserve position of banks gave way in early June to small free reserve positions. A reduction from 4 per cent to 3½ per cent in the discount rates of the Federal Reserve Banks, accomplished within the past two weeks, also tended further to ease restraint on bank credit expansion. Despite the easing of reserve positions, however, no significant expansion of total bank credit had occurred. Although borrowings from the Federal Reserve Banks were considerably below the levels prevailing earlier in the year, city banks still had a large volume of other indebtedness, consisting mostly of purchases of Federal funds from other banks. The banking system also continued to dispose of holdings of Government securities, principally Treasury bills and other short-term securities. In view, however, of the continued demand for short-term investments from nonbank investors, bill rates declined further and the gap between such rates and the discount rate continued to be substantial.

Since no marked shifts in the economic situation were visible, and since the degree of responsiveness of the banking system to the recent easing of reserve positions and to interest rate differentials was still uncertain, the consensus at this meeting favored waiting watchfully in the period immediately ahead, although with the understanding that any deviations in the conduct of open market operations should be on the side of ease rather than restraint. In the light of this consensus, the policy directive adopted at the meeting on May 24, 1960, which provided for fostering sustainable growth in economic activity and employment by providing reserves needed for moderate bank credit expansion, was renewed without change.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, Robertson, and Szymczak. Votes against this action: none.

2. Authority to acquire Treasury bills through "swap" transactions.

The authorization given at the meeting on April 12, 1960, and renewed at the two subsequent meetings, to acquire up to $150 million of 1-year Treasury bills maturing July 15, 1960, either by outright purchase or by swapping other bills, was continued until the date of the next meeting of the Committee.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, and Szymczak. Mr. Robertson voted "no" on this action insofar as it extended to the acquisition of the 1-year bills by "swap" transactions.

July 6, 1960

Authority to effect transactions in System Account.

Available data indicated that at midyear economic activity was at a high, probably close to record, level. Little upward momentum was evident, however, and uncertainty regarding future trends continued to be widespread in business circles. According to preliminary estimates, industrial production had been maintained in June at approximately the May level, which was slightly higher than April, while gross national product in the second quarter of the year appeared to have shown a modest advance over the first quarter, due principally to a somewhat greater seasonally adjusted rate of inventory accumulation than had been anticipated earlier. Retail sales of automobiles and consumer goods increased in June following declines in May, and prices, particularly at wholesale, continued to be quite stable. The level of unemployment remained relatively high, steel mill operations declined further through the month of June, and the seasonally adjusted rate of total construction outlays also had declined. April data on U.S. foreign trade and preliminary May figures indicated a slow but steady increase in exports and, if anything, a slight decline in imports; thus, improvement in the trade sector of the balance of payments was tending to offset an opposite trend in the capital sector.

In the period since the preceding Committee meeting there had been varied and substantial pressures on money and credit markets, but for the period as a whole large net Federal Reserve purchases of Government securities kept those pressures from constricting bank reserve positions. During the month of June there was a further drop in interest rates, particularly in the short-term sector; except for the summer of 1958, Treasury bill rates were lower than at any time since early 1956. The decline in interest rates reflected mainly fundamental market forces that had been in process earlier, including the changed position of the Federal budget from large deficit to small surplus, the lessened fear of inflation, and a tendency to shift a greater part of the public's liquid asset holdings from cash to securities. However, the reduced pressure on the reserve position of banks and the reduction of Federal Reserve discount rates in the first half of June also exerted an influence. In June there was a substantial expansion in the volume of new financing in private capital markets, but the seasonal increase in bank loans and the seasonal decline in bank holdings of securities were both moderate in amount. While demand and time deposits increased, it seemed unlikely that the seasonally adjusted rise in demand deposits was sufficient to offset the sharp drop in May. Treasury deposits continued at a high level in June, and at the time of this meeting financing operations that would help to meet large cash needs during the next two months were in process.

Although some Committee members favored moving somewhat further in the direction of making reserves available to the banking system, the consensus for the period immediately ahead was to continue to provide reserves at approximately the present rate, within the general framework of the existing policy directive to the New York Bank which called for fostering sustainable growth in economic activity and employment by providing reserves needed for moderate bank credit expansion. Accordingly, the directive was renewed.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Fulton, King, Leedy, Mills, Robertson, Shepardson, Szymczak, and Leach. Votes against this action: none.

2. Authority to acquire Treasury bills through "swap" transactions.

Transactions under the authorization given at the meeting on April 12, 1960, and renewed at the three subsequent meetings, to acquire up to $150 million of 1-year Treasury bills maturing July 15, 1960, either by outright purchase or by swapping other bills, had resulted in acquisitions of such bills to the full extent of the authorization. In the circumstances, and since there appeared to be no need for acquiring additional quantities of such bills through "swap" transactions, the outstanding authorization was terminated, effective immediately.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bryan, Fulton, King, Leedy, Mills, Robertson, Shepardson, Szymczak, and Leach. Votes against this action: none.

July 26, 1960

Authority to effect transactions in System Account.

Available information indicated that during the period since the previous meeting of the Open Market Committee there had been no significant change in the over-all economic situation. Activity continued at a high level, although with a gradual increase in unutilized plant capacity and manpower and without indication of any significant upward thrust. A continued high rate of consumer spending was one of the more favorable aspects of the picture, but in general favorable signs in some sectors of the economy were being counterbalanced by signs of weakness in other sectors. The existing uncertainties were being reflected in reports of some deterioration of sentiment regarding business prospects.

Longer term interest rates had declined further during July, and credit demands did not appear to be particularly vigorous. While the reserve positions of city banks had eased, the positions of country banks continued to reflect tightness, largely because of seasonal factors. A renewal of the gold outflow had occurred recently, evidently due in some part to a movement of capital attracted by higher interest rates available in other markets. The Treasury had announced its intention to carry out the refunding of a large issue of notes maturing August 15, 1960, through a cash refunding technique, with the terms of the offering to be announced shortly.

Upon appraisal of business and financial developments, it was the consensus of the Committee that open market operations should continue to make reserves for bank deposit expansion readily available. Accordingly, the directive to the New York Bank which called for fostering sustainable growth in economic activity and employment by providing reserves needed for moderate bank credit expansion was renewed.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, Leedy, Mills, Robertson, and Shepardson. Votes against this action: none.

August 16, 1960

Authority to effect transactions in System Account.

At this meeting clause (b) of the first paragraph of the Committee's policy directive was changed to provide that open market operations should be conducted with a view "to encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment." The preceding directive, in effect since May 24, 1960, had called for operations with a view to "fostering sustainable growth in economic activity and employment by providing reserves needed for moderate bank credit expansion."

Votes for this action: Messrs. Balderston, Bopp, Bryan, Leedy, Mills, Robertson, and Treiber. Votes against this action: Messrs. King, Shepardson, Szymczak, and Allen.

Relative steadiness in industrial production, construction activity, employment, retail trade, and prices tended to support the view that economic activity was continuing at about the same over-all rate as had prevailed at the end of the second quarter of the year. Business inventories, in the aggregate, did not appear excessive in relation to product sales, especially final sales to consumers; indeed, consumer demand seemed to be a sustaining influence in maintaining the level of economic activity, although there was no evidence that it was providing a further stimulus to the economy. Recently released data on second-quarter corporate profits showed declines from the high year-ago level and from the first quarter, and perhaps more importantly the declines were quite general throughout the various industrial categories. As to the U.S. balance of payments, data for the second quarter of the year reflected improvement in the trade balance at an annual rate of nearly $1 billion. Beginning in July, however, the outflow of gold had been intensified, reflecting the continuing deficit in the over-all balance of payments.

The strong demand for bank loans that had been evident during the first half of the year appeared now to have tapered off, and a shift from loans toward investments had contributed to some improvement in bank liquidity positions. The seasonally adjusted end-of-month money supply increased in July for the second consecutive month, while total reserves, nonborrowed reserves, and required reserves all increased over the 3-month period through July. Market interest rates, on balance, had shown substantial further declines, with most yield series on U.S. Government securities close to their lows for the year.

Federal Reserve actions announced since the previous Open Market Committee meeting included a reduction of margin requirements, a reduction of the discount rate to 3 per cent at several Reserve Banks, a further release of vault cash to be counted by banks toward meeting required reserves, and a reduction of the reserve requirement for central reserve city banks. These actions were effective, or to become effective, on dates from late July to the first of September.

For several months Committee policy had been directed toward providing reserves needed for moderate bank credit expansion, and the consensus of the meeting was that this objective should be emphasized. For the period immediately ahead, it was also the consensus, particularly in view of the uncertainty as to the extent to which banks would use released vault cash to expand credit, that doubts arising in the conduct of open market operations should be resolved on the side of ease and that such operations should take into account, even more than usual, the tone of the market rather than statistical measures.

After consideration of several suggestions for revision of the policy directive in a manner that would more strongly suggest a positive attitude toward increasing the availability of reserves, it was voted to change clause (b) of the directive in the manner heretofore indicated. The members of the Committee who voted against a change in the directive were not in disagreement with the aforementioned consensus as to open market operations. They felt, however, that such operations could be carried out within the framework of the existing directive or, to express it another way, that the consensus did not contemplate a sufficient modification in the course and objectives of open market operations to necessitate a change in the directive.

September 13, 1960

Authority to effect transactions in System Account.

Although the trend of aggregate economic activity continued to be sideways at a relatively high level, reports at this meeting suggested more strongly than before that a renewed upsurge of activity was not an immediate prospect and that the greater likelihood was for an extension of the sideways movement or some downward drift. Unfavorable developments, in addition to the continued underutilization of manpower and industrial resources, included evidence of a weakening in the demand for residential construction and a leveling off of current and prospective plant and equipment expenditures, apparently reflecting in part a reduction of profit margins. Moreover, there now appeared to be some signs that the strength of consumer demand might be faltering.

On the financial side, the August statistics on bank credit and the money supply were disappointing, the increases in both figures having been rather small and less than in July. The rate of growth in consumer credit had slowed down in July. In addition, the pace of new security financing had moderated in recent weeks, and at the date of this meeting common stock prices were back to the lows of the summer. A continued slack demand for commercial bank loans, particularly on the part of business concerns, indicated that the upturn in credit demand normally associated with the fall season had been slow in developing. Despite a statistical appearance of greater ease, reserve positions of city banks had been under somewhat more pressure in recent weeks and money market rates had risen; reasons included the large demands for cash that normally occur in September and the slowness with which reserves made available to country banks in late August through the release of vault cash had permeated the banking system. The Treasury had announced a program of advance refunding of certain intermediate-term bond issues, with the books to remain open for a period of several days beyond the date of this meeting.

Balance-of-payments data reflected continuation of the improvement in the trade balance. However, in view of large capital movements, the outflow of gold continued and foreigners added further to their accumulation of dollar balances.

The consensus as to open market operations called for supplying needed reserves readily, avoiding the development of seasonal strain in bank reserve positions, and resolving doubts on the side of ease, with the understanding, as at the previous meeting, that such operations would be conducted more on the basis of the tone of the market than on the basis of statistical yardsticks. This being the consensus, the directive to the New York Bank providing for open market operations with a view to encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment was renewed without change.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: none.

October 4, 1960

Authority to effect transactions in System Account.

Although some of the most recent economic data reflected further downward drift, many indicators were showing a continued sideways movement, and some data suggesting a possible strengthening of economic forces had appeared. The general situation in regard to economic activity thus appeared to be mixed, with the direction of further movement highly uncertain.

The employment and unemployment situation continued to be a matter of primary concern; after allowance for seasonal influences, initial and continuing claims for unemployment compensation rose in September and both series stood at unusually high levels for this time of the year. In spite of increased automobile assemblies associated with introduction of the new models, steel operations continued at only a little more than 50 per cent of capacity. Both the number of business failures and the total liabilities of failing firms were running at levels close to postwar peaks. Retail sales, seasonally adjusted, appeared to have been off slightly from August to September, although the second half of September seemed to have been somewhat stronger than the first. There were persistent reports of price concessions, especially for durable goods, with some indications that such concessions might be generating consumer response. In the two weeks prior to this meeting, stock market prices declined sharply to the lowest average level since 1958, evidently reflecting a growing realization that corporate profits were not likely to be as large as had been anticipated.

Following moderate credit expansion in July and August, total bank credit expansion in September, according to preliminary data, was larger than in the corresponding month of other recent years. Business loans at city banks increased fully as much as is usual in September, loans on securities rose much more than seasonally, and bank holdings of securities increased substantially in contrast to the usual decline. These developments appeared to have been associated primarily with heavy tax payments in September. Their liquidity having declined since early in the year, corporations were compelled to sell securities, as well as borrow, in order to meet tax payments. As a result of the pressures on banks and securities markets engendered by the heavy demands for liquidity, there had been some rise in interest rates from the low levels reached in August, notwithstanding actions on the part of the Federal Reserve System to make reserves readily available. The money supply increased slightly more than seasonally in August, and it appeared that there may have been some further increase in September. The Treasury was expected to announce within a few days the terms of refunding of the 1-year Treasury bills maturing in mid-October, along with the terms of an offering to raise new cash.

The latest available information indicated no deterioration in the trade sector of the U.S. balance of payments, but the short-term capital outflow had intensified, apparently due in part to the spread between short-term rates of interest in the United States and the higher rates elsewhere. Net gold purchases by foreigners in September were equal to total purchases for the two preceding months.

In the prevailing circumstances, it was agreed that open market operations should continue to supply needed reserves readily in order to avoid seasonal strain on bank reserve positions, and that doubts should be resolved on the side of ease. The feel and tone of the market were to be emphasized more than statistical guidelines, since the free reserve figure, for example, was still distorted by the inclusion of a widely scattered volume of newly created reserves that were slow in becoming a factor in the market. To the extent practicable, it was hoped that downward influences on short-term rates could be minimized. The policy directive, which called for encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, was again renewed without change.

Votes for this action: Messrs. Martin, Balderston, Bopp, Fulton, King, Leedy, Mills, Robertson, Shepardson, Szymczak, Irons, and Treiber. Votes against this action: none.

October 25, 1960

Authority to effect transactions in System Account.

At this meeting the Committee's policy directive was changed in two respects. Clause (b) of the first paragraph, which since August 16, 1960, had provided for open market operations with a view "to encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment" was amended to add the words "while taking into consideration current international developments." In addition, the first paragraph of the directive, as approved at this meeting, specified that the aggregate amount of securities held in the System Open Market 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, was not to be increased or decreased by more than $1.5 billion. The comparable figure contained in the preceding directive was $1 billion.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Fulton, King, Leedy, Mills, Robertson, Shepardson, and Irons. Votes against this action: none.

Gross national product in the third quarter of the current year was estimated to have declined from the second quarter by a fraction of one per cent, and industrial production, as measured by the Board's index, appeared to have contracted by approximately 3 per cent from July to September. Thus, although economic activity remained at a relatively high level, a downward drift continued. In September, factors on the favorable side included an increase in new orders for durable goods, a slight decline in unemployment, and maintenance of a high level of personal income. However, industrial production, nonfarm employment, the average workweek in manufacturing, and retail sales were down from August, while housing starts decreased about 17 per cent to a rate one-third below the peak reached in 1959. Such information as had become available for the first part of October suggested no significant change in the over-all trend, although it appeared that some improvement in consumer spending may have occurred in view of a modest strengthening of department store sales and satisfactory, though not spectacular, public acceptance of new model automobiles. Initial unemployment compensation claims continued at high levels in early October, and the rate of steel output showed little change.

While no downturn in the volume of exports was indicated by available statistics, the outflow of short-term capital from the United States appeared to have continued through the first three weeks of October, apparently reflecting at least in part the relative attractiveness of short-term rates in foreign centers. The outflow of gold also persisted, and within the week preceding this meeting speculative demand from private sources had pushed the gold price in the London market substantially above $35 an ounce.

Analysis of bank loan developments during the four weeks prior to this meeting indicated that most of the record-breaking expansion during the previous four weeks was attributable to temporary factors, particularly heavy borrowing for tax payment purposes, and did not reflect a basic change in the economic climate. For the 8-week period as a whole, the net change in bank loans appeared to have been close to the customary seasonal pattern. Yields on Treasury bills, which had advanced substantially during the first ten days of October, declined sharply thereafter to approximately the low levels of early August, but yields on medium- and long-term securities remained relatively high and in fact had been following an upward trend until the past few days.

Projected movements in required reserves and market factors indicated a need for additional reserves in the amount of approximately \$1,300 million for seasonal purposes during the remainder of the calendar year, and the projections also indicated substantial drains on reserves in the forthcoming 2-week period due to market factors. The Treasury was expected to announce shortly the terms of refunding of a large quantity of securities maturing in mid-November.

It was the consensus that seasonal reserve needs should continue to be met on a liberal basis, with doubts arising in the conduct of open market operations resolved on the side of ease and with emphasis placed on the tone of the market. At the same time, there was a general view that it would be desirable if the objective indicated by the consensus could be accomplished with a minimum of downward pressure on the 90-day Treasury bill rate, particularly in light of the disparity already existing between that rate and short-term rates abroad. If, however, a conflict should arise between providing additional reserves and a further decline in the bill rate, it was understood that the first of these considerations would take precedence.

The prevailing circumstances suggested that during the forthcoming period occasions might arise when it would be found advisable to conduct open market transactions not only in bills but also in other Treasury securities, to the extent permissible within the framework of the Committee's operating policy which limited open market transactions to short-term securities except in the correction of disorderly markets. Reference also was made to possible alternative methods of supplying reserves, including adjustment of member bank reserve requirements through the release of additional vault cash to be counted as required reserves or through a reduction of the reserve requirement against demand deposits of member banks in central reserve cities, both of which actions would serve to implement the reserve requirement legislation enacted in 1959.

Insofar as it described the objectives of domestic monetary policy, the existing directive to the New York Reserve Bank was regarded as continuing to be appropriate. However, in view of the increasing import of international developments in relation to problems within the Open Market Committee's jurisdiction, a matter to which the Committee had been giving close attention for some time, it was considered desirable that specific reference now be made to such developments in the policy directive. Accordingly, clause (b) of the directive was amended for that purpose. The other change in the first paragraph of the directive, enlarging the permissible magnitude of Open Market Account operations until the next Committee meeting, was made in recognition of the volume of transactions that might have to be conducted by the Account in pursuing a program such as envisaged by the consensus.

November 22, 1960

Authority to effect transactions in System Account.

Although the downward drift of certain key statistical indicators that had been in process since about the middle of the year leveled off in October, this appeared to be attributable for the most part to temporary or unusual factors; no fundamental moderation of recessionary tendencies in the general economy was believed to have occurred. As to prospects for the near-term future, recently released surveys of the expectations of businessmen and consumers failed to provide a basis for optimism regarding any significant reversal of trends. The October rise in the seasonally adjusted rate of unemployment was a matter of concern, especially since normal seasonal trends might be expected to result in a further increase in the number of unemployed over the next several months. The prevailing tone was therefore one of mild deterioration, but the declines in economic activity that had occurred thus far were less severe than those in 1954 and 1957-58, and the available evidence did not seem to suggest impending acceleration of the rate of decline.

Statistics through the end of October indicated that some monetary expansion, in accordance with the objectives stated by the Committee in its current policy directive, had been taking place. Over a 4-month period total loans and investments of all commercial banks had increased almost 4 per cent, with the growth concentrated in holdings of Government securities. While most of this growth in earning assets reflected expansion in time deposits, the active money supply (demand deposits and currency) also had risen. The increase in member bank total reserves in the 6-month period ending with October was a direct reflection of the credit-easing actions taken by the Federal Reserve, which, in the attainment of domestic credit policy objectives, had more than compensated for the impact on reserves of the outflow of gold.

The fairly large outflows of capital from the United States that began earlier in the year appeared to have been continuing, and foreign gold purchases thus far in November exceeded the total for each of the two preceding months. Apart from capital movements, however, the United States apparently was close to equality of its international receipts and payments, with the merchandise trade surplus continuing to be substantial.

It was the consensus that no change in the current degree of monetary ease was called for and that a comfortable reserve position should be maintained in the market. One member of the

Committee, however, expressed the strong feeling that, in the light of prevailing economic conditions and in order to give monetary policy a chance to contribute toward reversing the trend of the economy, the total volume of bank reserves should be permitted to rise further—an action that he felt would fall within the bounds of the present directive.

In view of the fact that the recent actions of the Board of Governors with respect to member bank reserve requirements, including the release of all vault cash to be used in meeting required reserves, were soon to become effective, statistical yardsticks seemed likely to be less indicative than usual of the actual state of the money market, making it necessary in the forthcoming period to rely more than usual on the feel of the market in gauging operations for the System Open Market Account. The weight of opinion within the Committee was to the effect that the Management of the Account should not act hastily to counteract temporary bulges in reserves that might result from the action on vault cash, particularly since previous experience suggested that it might take some little time for the newly available reserves at banks located outside of central reserve and reserve cities to find their way into the money market. The rather general hope continued to be expressed that System open market operations could be so conducted as not to contribute to any significant reduction of short-term market rates below prevailing levels.

The directive to the New York Reserve Bank, which provided for encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments, was renewed except that the latitude for increasing or decreasing the portfolio of the System Account, which at the preceding meeting had been raised to $1.5 billion, was restored to the customary figure of $1 billion.

Votes for this action: Messrs. Martin, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, Robertson, Shepardson, Szymczak, and Treiber. Votes against this action: none.

December 13, 1960

Authority to effect transactions in System Account.

The slowing of the downward drift of economic activity suggested by some October statistics had now proved to be clearly temporary as subsequently available evidence revealed further mild contraction in November and early December. The labor market had weakened further, and industrial production in November fell to a point about 5 per cent below the peak reached in the second quarter of the year. New orders for durable goods declined, order backlogs were further reduced, and inventory liquidation was sizable, while retail sales showed little change from the October level. According to a survey that had recently become available, business outlays for plant and equipment decreased in the third quarter of the year and business plans indicated additional decline in the fourth quarter.

The demand for bank loans, especially business loans, continued to be slack in November, and the money supply was down sharply. The decline in the U.S. gold stock in November had been about $500 million, reflecting continued outflows of capital and some purchases of gold by smaller countries to increase the gold proportion of their reserves.

It was agreed by the Committee that ample reserves should be available in the market to meet seasonal credit needs and any revival in credit demands, and to compensate for the outflow of gold. In view of the persistent downward drift of domestic economic activity and in light of the monetary contraction that occurred in November following the rise in October, some Committee members were inclined to feel that a moderately greater degree of ease than had prevailed recently should be sought, and at least one urged an increase in the volume of bank reserves even if the level of short-term interest rates were to decline. It was the majority view, however, that a continuation of the current degree of ease would be the preferable objective. This view reflected the feeling that, at a time when signs of cyclical revival in credit demands were not more definite, little would be accomplished by supplying reserves more liberally, that action to supply additional reserves might serve only to accentuate the difficulty of open market operations after the turn of the year, and that, because of the continuing balance-of-payments deficit, it would be desirable if short-term interest rates, including the Treasury bill rate, were to continue at about prevailing levels. For similar reasons, one member of the Committee expressed the view that a moderate move away from the degree of ease of the past few weeks might be appropriate.

Accordingly, the policy directive calling for the encouragement of monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking current international developments into consideration, was again renewed.

Votes for this action: Messrs. Martin, Hayes, Balderston, Bopp, Bryan, Fulton, King, Leedy, Mills, Robertson, Shepardson, and Szymczak. Votes against this action: none.

* * *

As indicated by the foregoing record, the policy directive of the Federal Open Market Committee in effect at the beginning of 1960 was aimed at restraining inflationary credit expansion in order to foster sustainable economic growth and expanding employment opportunities. For reasons set forth in the record, the directive was changed four times in the course of the year. On March 1, the directive was revised to provide that transactions should be undertaken with a view to fostering sustainable growth in economic activity and employment while guarding against excessive credit expansion. The next change, made on May 24, provided that open market operations should seek to foster sustainable growth in economic activity and employment by providing reserves needed for moderate bank credit expansion. On August 16 the directive was revised so as to call for encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment. The final change, made on October 25, added the words "while taking into consideration current international developments." In addition to the changes during the year in the language of the directive, there were occasions, as indicated in the entries for the respective meetings, when the directive was issued subject to certain understandings with regard to the manner in which open market operations were to be conducted.

The directive in effect at the end of 1960 instructed the Federal Reserve Bank of New York in the same terms as the directive quoted on page 35 of this Report, except that clause (b) of the first paragraph directed that transactions be with a view, among other things, "to encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments."

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

February 10, 1960

Suspension of Triennial Review of Reserve City Classifications.

Paragraph (4) of section (b) of the Board's Rule for Classification of Central Reserve and Reserve Cities was suspended until further notice.

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

In December 1947 the Board adopted, effective March 1, 1948, a Rule for Classification of Central Reserve and Reserve Cities, one part of which provided for a triennial review of such classifications. A triennial review therefore was due to be made as of March 1, 1960. However, Public Law 86-114, approved July 28, 1959, amended in certain respects the authority of the Board with respect to the reserves required to be maintained by member banks. Except that the new law terminated the central reserve city classification three years from the date of enactment of the legislation, i.e., July 28, 1962, it did not make necessary any change in the existing standards for the classification of cities for reserve purposes. Nevertheless, pending decisions as to the manner in which provisions of the statute would be implemented and as to whether revised standards for the classification of cities should be promulgated, the Board suspended the paragraph of the Rule for Classification of Central Reserve and Reserve Cities which contemplated a triennial review.

March 3, 1960

Amendment to Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks.

Effective March 8, 1960, paragraph 3(b)(1) of Regulation U was amended to read as follows:

> No loan, however it may be secured, need be treated as a loan for the purpose of "carrying" a stock registered on a national securities

exchange unless the loan is as described in subparagraph (2) of this paragraph or the purpose of the loan is to enable the borrower to reduce or retire indebtedness which was originally incurred to purchase such a stock, or, if he be a broker or a dealer, to carry such stocks for customers.

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

Prior to June 15, 1959, Regulation U excluded from loans for the purpose of "carrying" registered stocks all loans except a limited specified group, principally loans to enable the borrower to reduce or retire indebtedness originally incurred to purchase such stock. Effective June 15, 1959, the Regulation was amended to broaden the application of "carrying" and to describe affirmatively certain situations in which a loan would not be deemed to be for the purpose of "carrying" registered stocks. Reports received thereafter by the Board indicated that banks were experiencing substantial difficulty in interpreting the amended language of the Regulation and also were encountering severe administrative problems in applying it. Accordingly, after consideration of the views received, the Board published in the Federal Register for comment on December 7, 1959, a proposed clarifying amendment. However, upon consideration of the comments submitted with respect to that proposal and of a suggested modification prepared in the light of those comments, the Board concluded that, in view of the apparent difficulties involved in administering the provisions of the June 1959 amendment or even the subsequently proposed modification thereof, it would be advisable to restore the language of the pertinent paragraph of Regulation U to the form in which it stood prior to June 15, 1959. In announcing its action, the Board emphasized that it was concerned with evasive extensions of bank credit for the purpose of carrying registered stocks and that it expected banks to be alert in detecting and preventing attempts to circumvent the basic purposes of paragraph 3(b)(1) of Regulation U.

Governor Szymczak's negative vote was based on his view that every effort should be made to clarify the meaning of "carrying" in order that the purpose of the law might be accomplished. In his opinion, hearings and correspondence had provided the Board with information on the basis of which clarifying language could have been adopted to improve the operation of the June 1959 amendment. With experience under such amended language, he felt that additional steps could be taken eventually to make "carrying" purposeful and practical of administration.

Governor Robertson, in voting against this action, pointed out that the June 1959 amendment to the "carrying" provisions of Regulation U was adopted to close one of several loopholes in the Regulation that had given the Board serious concern. Although the amendment was admittedly experimental and needed to be refined in the light of experience, he felt that the Board should not abdicate its responsibility for applying the Regulation to a large number of loans that were closely related to the financing of positions in stocks on the ground that its first attempt was unpalatable, or because other gaps in the Regulation remained unfilled. By restoring the provisions of the Regulation to the form in which they stood prior to June 15, 1959, he felt that the Regulation could again be circumvented by purchasing registered stock for cash and then borrowing on the security of that stock to replenish funds used in making the purchase.

May 27, 1960

Amendment to Regulation Y, Bank Holding Companies.

Effective July 1, 1960, subsections (d) and (e) of Section 4 of Regulation Y, relating to the manner of submission of applications under the Bank Holding Company Act of 1956 for approval of the acquisition of bank shares or bank assets, and the procedure for handling such applications, were amended to provide for public notice of the receipt of applications received by the Board on and after that date.

> Votes for this action: Messrs. Martin, Balderston, Szymczak, Robertson, Shepardson, and King. Votes against this action: none. Mr. Mills abstained from voting on this matter.

Since September 1958, the Board had been following a procedure, as to applications under the Bank Holding Company Act in cases where a hearing was not held, of publishing in the Federal Register a notice of tentative decision and allowing 15 days from the date of publication for the submission of comments by interested persons, after which the Board would reach and publish a final decision.

The revised procedure established by this amendment to Regulation Y provided that, following the receipt of an application, the Board would publish in the Federal Register a notice of such receipt, stating the names and addresses of the applicant and the bank or banks involved, indicating the general nature of the proposed transaction, and allowing 30 days (or a shorter period in exceptional circumstances) for the submission of written comments or views, after which the Board would consider the application and reach and publish its decision. This new procedure, which eliminated the issuance of a "tentative" decision, was adopted with a view to removing certain problems that had developed under the former procedure and facilitating the disposition of applications.

Governor Mills' abstention from voting reverted to a position that he had previously taken on the proposed amendment to the effect that an application under the Bank Holding Company Act of 1956 should be treated in confidence except under circumstances clearly demanding a public hearing, and should not be published for the information of competitors of the applicant or others claiming to have an interest in the transaction. As under the Act a decision of the Board of Governors is subject to judicial review, any directly aggrieved party is afforded an opportunity through this means for adequate relief. To invite and admit the views and objections of parties other than those directly at interest in a proposed transaction is contrary to the spirit of a competitive free enterprise system, which properly allows a premium for alertness and planning foresight in the same way that legal recognition is given to patents and copyrights. Furthermore, it was his opinion that for the Board of Governors to entertain in advance comments on transactions that must by statute be decided in its sole discretion would be a tacit admission of lack of confidence in its adjudicatory competence in this field of action.

June 2, 1960

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

Effective June 3, 1960, the Board approved action by the Boards of Directors of the Federal Reserve Banks of Philadelphia and San Francisco establishing a rate of 3½ per cent (a decrease from 4 per cent) on discounts and advances to member banks under Sections 13 and 13a of the Federal Reserve Act.

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

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

New York	June 10, 1960
Cleveland	June 10, 1960
Richmond	June 10, 1960
Chicago	June 10, 1960
St. Louis	June 10, 1960
Minneapolis	June 10, 1960
Kansas City	June 10, 1960
Dallas	June 10, 1960
Atlanta	June 13, 1960
Boston	June 14, 1960

Effective on 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.

(In accordance with the provisions of the Federal Reserve Act, the Federal Reserve Banks establish rates on discounts for and advances to member banks at least every 14 days, and submit such rates to the Board for review and determination. Prior to this date, no changes had been made in these rates since those referred to on pages 78-80 of the Board's *Annual Report* for 1959.)

Although economic activity was at a high level throughout the early part of 1960, the expansionary surge that had been anticipated in many quarters around the turn of the year failed to develop and inflationary expectations gradually moderated. Some easing of the aggregate demand for credit also occurred, reflecting in large part the sharp shift in the fiscal position of the Federal Government from one of large deficit to moderate surplus. Other credit demands did not increase sufficiently to offset the decline in Government borrowing, and saving continued at a high level. Beginning in March, the monetary policy of the Federal Reserve System turned increasingly toward less restraint and the reserve positions of member banks eased, but neither borrowers nor lenders responded with any alacrity to the increased availability of bank reserves. As interest rates declined from the peaks reached around the beginning of the year, a significant differential developed between those rates and the discount rates of the Federal Reserve Banks, thus tending to make the latter an effective penalty rate. Therefore, with few, if any, indications that there were excessive uses of credit that needed to be restrained, the discount rates were reduced from 4 per cent to 3½ per cent in order to bring them into better alignment with the lower level of short-term interest rates that had resulted from developments in the credit market.

July 27, 1960

Reduction in margin requirements.

Effective July 28, 1960, the supplements to Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Registered Stocks, were amended to reduce the margin requirements from 90 per cent to 70 per cent, these requirements to be applicable both to purchases of securities and to short sales.

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

The amount of stock market credit outstanding had followed a generally declining trend since mid-1959, when more stringent limitations were placed on withdrawals from restricted accounts. This decline had brought the volume of credit outstanding back to the levels prevailing in mid-1958 when margin requirements were raised to 70 per cent.

Experience following earlier reductions in margin requirements indicated that such reductions were not likely to stimulate pronounced speculative activity under economic conditions such as prevailed at this time. Since early June, moreover, stock prices had been declining and trading had been in moderate volume. The pattern of price movements—in which declines were substantial for issues in industries which normally experience wide cyclical fluctuations in earnings—suggested that moderate relaxation of margin requirements would not, under current economic conditions, encourage the excessive use of credit in the stock market.

In these circumstances, the Board concluded that a 90 per cent margin requirement was no longer necessary or justified.

Governor Mills dissented from this action because in his view the character of transaction being handled in the stock market indicated that unsophisticated investors were using credit to participate in market trading at a time of receding business activity which, when reflected in the values of securities traded for their accounts, could expose them to speculative losses. According to his interpretation, the statute giving the Board of Governors responsibility to prevent "the excessive use of credit for the purchase or carrying of securities" extends to the duty of potentially limiting access to market trading through the use of credit by individuals unfamiliar with the risks involved in such practices.

Governor Robertson dissented from this action because in his view it indicated undue emphasis upon stock market prices rather than credit in that market. Furthermore, he felt that such action, if taken, should be accompanied by repeal of the regulatory provisions affording preferential treatment to existing users of margin accounts as against those seeking new credit with which to invest or speculate in the stock market.

August 8, 1960

Amendments to Regulation D, Reserves of Member Banks.

Effective August 25, 1960, the supplement to Regulation D was amended to permit member banks not classified as central reserve city or reserve city banks to count currency and coin in excess of 2½ per cent (rather than 4 per cent) of net demand deposits as part of their required reserves, and effective September 1, 1960, the supplement was amended to permit central reserve city and reserve city banks similarly to count currency and coin in excess of 1 per cent (rather than 2 per cent) of their net demand deposits.

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

Effective September 1, 1960, the reserve requirement of central reserve city banks against their net demand deposits was reduced from 18 per cent to 17½ per cent.

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

These actions were taken in further implementation of an Act of Congress approved July 28, 1959, relating to vault cash and reserve requirements.

The reduction of the reserve requirement of central reserve city banks was a first step in recognition of a provision of the 1959 Act which terminated the central reserve city classification three years after the date of enactment of the statute. Thus, by no later than such date, the differential between the reserve requirements applicable to central reserve and reserve city banks would be eliminated. Since the requirement for reserve city banks was currently 16½ per cent, the Board's action reduced the differential from 1½ to 1 percentage point.

The action authorizing member banks to count an additional portion of their vault cash in meeting reserve requirements was the second action taken by the Board in that area pursuant to the permissive provision of the 1959 Act that "the Board of Governors, under such regulations as it may prescribe, may permit member banks to count all or part of their currency and coin . . ." as required reserves. The first action by the Board under that provision of the statute had been taken on November 30, 1959, effective in December of that year.

The Board's current action was expected to make available about $600 million of additional reserves for expanding bank credit as the economy entered the season of rising credit needs. It was estimated that the total amount of reserves released by the action on vault cash would be around $480 million, of which somewhat more than half would be at country banks and almost all of the remainder at reserve city banks. The balance of around $120 million of reserves that would be made available for credit expansion would result from the reduction in reserve requirements of central reserve city banks. About four-fifths of the approximately 6,200 member banks would be placed in a position to count a part of their vault cash in meeting required reserves.

Although Governors Robertson and Shepardson favored action, and announcement thereof at this time, with respect to the release of additional vault cash to be counted as part of member bank required reserves, they voted against reduction of the reserve requirement applicable to central reserve city banks because of their view that such action should be deferred and considered by the Board in relation to other steps that might be decided upon incident to further implementation of the provisions of the 1959 Act of Congress, Public Law 86-114.

August 10, 1960

Amendment to Regulation J, Check Clearing and Collection.

Effective immediately, Regulation J was amended by inserting after the first sentence of Section 6 a new sentence specifying that the rules promulgated by each Federal Reserve Bank with regard to the details of its operations in clearing and collecting checks and other cash items may, among other things, prescribe the types of checks and other items that will be received as cash items, classify cash items, require separate sorts and cash letters, and provide different closing times for the receipt of different types or classes of cash items.

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

An increasing volume of so-called "headache checks" was being received for collection by the Federal Reserve Banks, including items such as "envelope drafts" which, for physical reasons (such as thickness), are not adapted for processing on high-speed document-handling equipment. As long as they constitute "checks," such items are required by law to be collected by the Reserve Banks. However, the law does not preclude the Reserve Banks from handling the items as noncash rather than cash items or from handling them as cash items subject to reasonable conditions. After study within the System, it was concluded that checks of this type should be handled as cash items but with the reservation of the right to require separate sorts or earlier closing times for the receipt of such items. While it was felt that such conditions could be specified under the existing terms of Regulation J, the Board decided that it would be desirable to amend the Regulation in order to make it clear that the Reserve Banks might not be able to avoid the need for prescribing special conditions for handling "headache checks." The amendment also made it clear that the statutory requirement that the Federal Reserve Banks must collect "checks" for their member banks does not prevent them from collecting checks as noncash items.

August 11, 1960

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

Effective August 12, 1960, the Board approved action by the Boards of Directors of the Federal Reserve Banks of New York, Cleveland, Richmond, and Kansas City establishing a rate of 3 per cent (a decrease 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, Mills, Robertson, and Shepardson. Votes against this action: none.

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

Minneapolis	August 15, 1960
Atlanta	August 16, 1960
Philadelphia	August 19, 1960
Chicago	August 19, 1960
St. Louis	August 19, 1960
Boston	August 23, 1960
San Francisco	September 2, 1960
Dallas	September 9, 1960

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.

The period of about two months since the reduction of the discount rates of the Federal Reserve Banks from 4 per cent to 3½ per cent had been marked by continuation of economic activity at a high level. However, there were sizable amounts of unutilized plant capacity and labor, and the economy was not exhibiting any significant upward thrust. Inflationary psychology had greatly diminished, and credit demands were not particularly vigorous. Although the previous reduction of the discount rate temporarily narrowed the differential between that rate and short-term market rates, including the Treasury bill rate, further declines in the latter rates had again resulted in the appearance of a significant differential. This further reduction to 3 per cent served to place the discount rate in better relationship to short-term market rates and also to reduce the cost to member banks of meeting temporary reserve deficiencies through borrowing from the Federal Reserve.

October 26, 1960

Amendments to Regulation D, Reserves of Member Banks.

Effective November 24, 1960, the supplement to Regulation D was amended to permit member banks to count all of their currency and coin as part of their required reserves; effective the same date, the supplement was amended to increase the reserve requirement against net demand deposits of banks not classified as central reserve or reserve city banks from 11 per cent to 12 per cent; and effective December 1, 1960, the supplement was amended to reduce the reserve requirement of central reserve city banks against net demand deposits from 17½ per cent to 16½ per cent.

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

This was the third in a series of actions taken by the Board over the course of a year in implementation of an Act of Congress approved July 28, 1959, relating to vault cash and reserve requirements.

It was estimated that the action would make available to the System's member banks, numbering approximately 6,200, about $1,300 million of additional reserves as the economy entered, between Thanksgiving and Christmas, the peak season of rising cash and credit needs. Of the $1,300 million total, it appeared that $400 million would be released at central reserve city banks, $380 million at reserve city banks, and $520 million at country banks. The net amount of $520 million of additional reserves to be made available to country banks reflected the release of $900 million of vault cash, partly offset by an increase of $380 million in reserve requirements.

Before the 1959 Act, country banks, on average, were in the position of having 14.5 per cent of their net demand deposits immobilized in the form of reserve balances (which they are required to keep with the respective Federal Reserve Banks) and needed vault cash. In consequence of the 1959 legislation and the series of actions taken by the Board in relation to it, this amount for country banks was changed to a uniform 12 per cent, effective November 24, 1960. For reserve city banks, the reduction was from an average of 18.2 per cent to a uniform 16.5 per cent. For central reserve city banks, the reduction was from 18.7 per cent to 16.5 per cent, the latter figure taking into account the decrease in the reserve requirement against their net demand deposits effective December 1, 1960. This decrease eliminated the differential between the reserve requirement of central reserve and reserve city banks, in anticipation of the provision of the 1959 Act which terminated the central reserve city classification three years from the date of enactment of that legislation.

Governor Robertson voted against these amendments because, in his opinion, it would have been preferable to postpone the action, and announcement thereof, to a date closer to the time when the bulk of the reserves thereby made available would be needed, particularly in view of the imminent announcement of a substantial Treasury refunding operation. Aside from the question of timing, however, he felt that this action should not be taken unless the Board also announced, effective January 15, 1961, an increase from two days to three days in the maximum period of deferment provided in the time schedule for granting of credit to member banks on checks collected through the Federal Reserve System. This would be a means of withdrawing in January a portion of the reserves made available during November and December through the release of vault cash and otherwise to meet seasonal and holiday needs. He felt that if the announcement of the Board's action on vault cash and reserve requirements included the statement that a substantial portion of the reserves thus made available was to be absorbed in January by a lengthening of the deferment schedule, that not only would tend to confirm that the action taken in releasing reserves was for the purpose of meeting some of the seasonal needs (rather than merely for the sake of reducing reserve requirements), but also would avoid the necessity for absorbing excess reserves early in the new year by open market operations, which in his judgment would be an inferior procedure.

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.

As a 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 because the Comptroller of the Currency is directly charged with that responsibility by law. The Comptroller furnishes reports of examinations to the respective Federal Reserve Banks and also makes them available to the Board of Governors in Washington.

Likewise, because all member banks are insured, the Federal Deposit Insurance Corporation is empowered to make examinations of both national and State member banks in special cases. Such examinations have been infrequent. The Comptroller of the Currency and the Board of Governors make available to the Federal Deposit Insurance Corporation their reports of examination of national and State member banks, respectively, and the Corporation in turn makes its reports available to them. At the request of the Comptroller of the Currency, the Board makes recommendations to his office concerning applications that 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, wherever it is practicable joint examinations are made in cooperation with the State banking authorities or alternate examinations are made by agreement with State authorities. The 1960 program for examining State member banks was practically completed, since only 18 of the 1,644 banks were not examined during the year.

In its supervision of State member banks, the Board passes upon applications to establish branches and upon investments in bank premises that will exceed 100 per cent of the capital stock of the member bank. Also, under Section 18(c) of the Federal Deposit Insurance Act, as amended effective May 13, 1960, the Board must pass upon each merger, consolidation, purchase of assets, or assumption of liabilities in which the acquiring, assuming, or resulting bank is to be a State member bank. Unless the Board finds that it must act immediately to prevent the probable failure of one of the participating banks, it must request reports from the Attorney General, the Comptroller of the Currency, and Federal Deposit Insurance Corporation on the competitive factors involved. The Board in turn responds to requests by the Comptroller or the Corporation for reports on the competitive factors involved in similar transactions in which the acquiring, assuming, or resulting bank is to be a national bank or insured State nonmember bank.

During the period May 13-December 31, 1960, the Board approved 17 and disapproved three mergers, consolidations, purchases of assets, or assumptions of liabilities. As required by

Section 18(c) of the Federal Deposit Insurance Act, as amended, a description of each of the 17 cases approved by the Board, together with other pertinent information, is shown in Table 21 on pages 134-49. A Board action in approving an application does not necessarily mean that all members of the Board concurred in the decision or in the basis for approval stated in the table.

Federal Reserve membership. At the end of 1960 member banks accounted for 46 per cent of the number and held approximately 84 per cent of the deposits of all commercial banks in the United States. State member banks accounted for 18 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 6,174 member banks of the Federal Reserve System at the end of 1960 included 4,530 national and 1,644 State member banks. There were net declines of 12 and 47, respectively, in these two categories during the year. These declines, continuing the trend of recent years, were due largely to consolidations and mergers. Reductions from other causes included 26 State banks that withdrew from membership and nine national banks that converted into nonmember banks. The membership losses were partly offset by 32 newly established national and five newly established State member banks, the admission of seven nonmember banks to membership, and the conversion of six nonmember banks into national banks.

The total number of member bank offices increased as a result of both the conversion of merged banks into branches and the establishment of de novo branches. At the end of the year, member banks were operating 7,895 branches, 636 more than at the close of 1959.

Detailed figures on changes in the banking structure for 1960 are shown in Table 19 on page 131.

Bank holding companies. During 1960, pursuant to Section 3(a)(2) of the Bank Holding Company Act of 1956, the Board approved the acquisition by nine bank holding companies of voting shares of 13 banks and denied an application by another holding company for such acquisition with respect to one bank. Under Section 4(c)(6) of the Act, the Board, after hearings, denied with respect to three subsidiaries and approved with respect to another, the request by a bank holding company for an order determining that these subsidiaries were so closely related to the banking activities of its 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 a request as to a proposed subsidiary by another holding company was approved. As required by the tax-relief provisions of the Act, during 1960 the Board issued five certifications regarding asset distributions by holding companies. To provide necessary current information, annual reports for the year 1959 were obtained from all registered bank holding companies.

During 1960, pursuant to the Banking Act of 1933, the Board authorized the issuance of 13 voting permits for general purposes and nine permits for limited purposes to holding company affiliates of member banks. In accordance with established practice, a number of holding company affiliates were examined during the year by examiners for the Federal Reserve Banks in whose districts the principal offices of the holding companies are located.

Section 301 of the Banking Act of 1935 provides that the term "holding company affiliate" shall not include, except for the purposes of Section 23A of the Federal Reserve Act, any organization that 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 four organizations.

Trust powers of national banks. During 1960 the Board granted to 33 national banks authority 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 three banks that previously had been granted certain trust powers. One national bank acquired additional trust powers as a result of consolidation. Trust powers of 28 national banks were terminated, 27 by consolidation, merger, or conversion, and one by voluntary surrender. At the end of 1960, 1,736 national banks held permits to exercise trust powers.

Foreign branches of member banks. At the end of 1960, eight member banks had in active operation a total of 124 branches in 33 foreign countries and overseas areas of the United States. (These figures exclude 21 branches nationalized by the Cuban government in 1960.) Three national banks were operating 93 of these branches, and five State member banks were operating 31. The branches were distributed geographically as follows:

Latin America	*55*
Argentina	15
Bahamas	2
Brazil	13
Chile	2
Colombia	4
Ecuador	1
Jamaica	1
Mexico	3
Panama	6
Paraguay	1
Peru	1
Uruguay	2
Venezuela	4
Continental Europe	*6*
Belgium	1
France	3
Germany	2
England	*13*
Africa	*1*
Nigeria	1
Near East	*4*
Egypt	1
Lebanon	2
Saudi Arabia	1
Far East	*23*
Hong Kong	1
India	2
Japan	10
Malaya	1
Okinawa	1
Philippines	5
Singapore	2
Thailand	1
U. S. Overseas Areas	*22*
Canal Zone	4
Guam	1
Puerto Rico	13
Virgin Islands	4
Total	**124**

Under the provisions of Section 25 of the Federal Reserve Act, the Board during 1960 approved 16 applications made by member banks for permission to establish branches in foreign countries and overseas areas of the United States. During the year three member banks opened branches in London; another a branch in Campinas, Brazil; and another a branch in Nassau, Bahamas. One opened branches in Naha, Okinawa; Buenos Aires, Argentina; and Lagos, Nigeria. Another opened branches in Guayaquil, Ecuador; Kingston, Jamaica; Lomas de Zamora and Mendoza, Argentina; and Frankfurt am Main, Germany. Eight of these branches had been authorized by the Board prior to 1960.

Acceptance powers of member banks. During the year the Board approved an application of one member bank, pursuant to the provisions of Section 13 of the Federal Reserve Act, for increased acceptance powers. It granted the bank 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.

Foreign banking and financing corporations. In 1960 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. A national member bank in the Virgin Islands with one branch, upon acquisition by a State member bank in Philadelphia, began operating as an "agreement" corporation. At the end of 1960 there were five "agreement" corporations in operation.

During the year examiners for the Board examined the four "agreement" corporations with head offices in New York. Two of these four each have an English fiduciary affiliate. Another operates three 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. The fourth owns the stock of another bank organized under the laws of, and operating in, the Union of South Africa.

During 1960, under the provisions of Section 25(a) of the

Federal Reserve Act, the Board issued final permits to five corporations to engage in international or foreign banking or other international or foreign financial operations. Another corporation, following the sale of its assets to a foreign corporation, was liquidated during the year. At the end of 1960 there were 10 corporations in active operation under that Section; four are "banking corporations," and six are "financing corporations." The home offices of eight of these corporations are located in New York City, while those of the other two are in Boston and Philadelphia. Examiners for the Board of Governors examined all but one during the year.

Six of these corporations have no subsidiaries or foreign branches. One has a Canadian subsidiary, a branch in France, and an English fiduciary affiliate that has a branch in Canada. Two have subsidiaries organized under the laws of Panama. And one operates branches in France, Germany, Guatemala, Hong Kong, Lebanon, Malaya, and Singapore; it also has an agency in Guatemala, and it owns substantially all of the stock of a bank organized under the laws of, and operating in, Italy.

Inter-Agency Bank Examination School. Two sessions of the School for Examiners and four sessions of the School for Assistant Examiners were held in 1960. 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, 1,495 men have attended the various sessions. This number includes representatives of the three Federal bank supervisory agencies; another 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 two foreign countries.

LEGISLATION ENACTED

Mergers and consolidations of insured banks. The Act of Congress approved May 13, 1960 (12 U.S.C. 1828(c)) amended Section 18(c) of the Federal Deposit Insurance Act with respect to the merger or consolidation of insured banks so as to provide that no insured bank shall merge or consolidate with any other insured bank, or directly or indirectly acquire the assets of or assume liability for deposits in any other insured bank unless prior written approval shall have been obtained from the Comptroller of the Currency where the resulting bank is a national bank, the Board of Governors of the Federal Reserve System where the resulting bank is a State member bank, or the Federal Deposit Insurance Corporation where the resulting bank is an insured nonmember bank. Unless it determines that immediate action is necessary to prevent the probable failure of one of the banks involved, the appropriate approving authority shall, prior to deciding upon the application, request the Attorney General and the other approving agencies to submit reports on the competitive factors involved in the proposed action. Such reports shall be furnished within 30 calendar days, unless the requesting agency advises that expeditious action is required, in which case the reports will be furnished within 10 calendar days. During a like period, notice of the proposed action shall be published at intervals in a local newspaper.

In acting upon an application, the appropriate agency is to consider as to each bank involved (1) its financial history and condition; (2) the adequacy of its capital structure; (3) its future earnings prospects; (4) the general character of its management; (5) the convenience and needs of the community; and (6) whether or not its corporate powers are consistent with the purposes of the Act. The appropriate agency shall also take into consideration the effect of the transaction on competition, and shall not approve the transaction unless it finds that the transaction will be in the public interest. Each approving agency is required to include in its Annual Report to Congress a description of each case approved, including the names and total resources of each bank involved, whether the Attorney General submitted a report and, if so, what the substance of the report was and the basis upon which approval was granted.

Power of a subsidiary bank to invest in small business investment company. The Act of Congress approved June 11, 1960 (15 U.S.C. 682(b)) amended Section 302(b) of the Small Business Investment Act so as to allow a bank that is a subsidiary of a bank holding company to invest up to 1 per cent of its capital and surplus in any small business investment company even though the small business investment company is a subsidiary of the same bank holding company. This had been prohibited by Section 6(a)(1) of the Bank Holding Company Act of 1956.

Uniform basis for reporting deposits. The Act of Congress approved July 14, 1960 (12 U.S.C. 1813(l), among other things, provided a uniform method of reporting deposits for purposes of deposit insurance assessment and condition reports of all insured banks, and of reserve requirements of member banks of the Federal Reserve System.

Extension of Defense Production Act of 1950. By Act of Congress approved June 30, 1960 (50 U.S.C. app. 2166), the Defense Production Act of 1950 (Section 301 of which is the basis for guarantees of loans for defense production) was extended until June 30, 1962.

Federal Reserve Banks as depositories or fiscal agents for the International Development Fund. The Act of Congress approved June 30, 1960 (Public Law 86-565) authorized any Federal Reserve Bank to act as depository or fiscal agent for the International Development Fund.

Extension of authority of Federal Reserve Banks to purchase Government obligations. By Act of Congress approved July 1, 1960 (12 U.S.C. 355) the authority of Federal Reserve Banks under Section 14(b) of the Federal Reserve Act to purchase and sell direct or fully guaranteed obligations of the United States directly from or to the United States was extended until June 30, 1962.

Federal Reserve Banks subject to Federal unemployment compensation tax. The Act of Congress approved September 13, 1960 (Public Law 86-778) amended Section 3306(c)(6) of the Internal Revenue Code of 1954 in such a manner as to make the Federal Reserve Banks subject to Federal unemployment compensation tax (26 U.S.C. 3301 et seq.) with respect to remuneration paid after 1961 for services performed after 1961.

PROPOSED AMENDMENTS TO THE BANK HOLDING COMPANY ACT

The Board is required by Section 5(d) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844) to include in its Annual Report to Congress any recommendations for changes in that Act that the Board thinks would be desirable. In a special report submitted to Congress on May 7, 1958 (published in the *Federal Reserve Bulletin* for July 1958), the Board recommended a number of amendments to the Bank Holding Company Act designed to improve its effectiveness, facilitate its administration, and clarify ambiguities. The Board believes that the suggested amendments (with the exception of the proposal discussed in the next two paragraphs) merit early congressional consideration and legislative action.

Under present law, a bank in a holding company system may expand by absorbing another bank without obtaining the prior approval of the Board of Governors under the Bank Holding Company Act. In its May 7, 1958 Report, the Board expressed the view that effectuation of the purposes of the Act required that a holding company bank's absorption of an independent bank, by merger or otherwise, should be subject to the provisions of the Act.

On May 13, 1960, Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828) was amended to provide that, in practically all cases, bank mergers and absorptions must have the prior approval of one of the Federal bank supervisory agencies and that those agencies must take into consideration factors that are substantially similar to those enumerated in the Bank Holding

Company Act. In view of the provisions of this so-called Bank Merger Act, the Board believes that extending the coverage of the Holding Company Act to comprise bank mergers involving holding company banks would produce an unjustified duplication of supervision. Accordingly, the Board withdraws its recommendation (Recommendation 15 of the May 7, 1958 Report) that the Holding Company Act be amended in this respect.

The Board particularly emphasizes the desirability of prompt amendment of the Holding Company Act in three respects:

(1) The Act now exempts from its provisions a company that was registered under the Investment Company Act of 1940 before May 15, 1955, and certain of its related corporations. As pointed out in Recommendation 7 of the May 7, 1958 Report, this exemption has no logical basis. The exemption has been actively utilized to expand a bank holding company system, free from regulatory control, in a manner inconsistent with the basic principles of the Bank Holding Company Act. The Board urges prompt amendment of the Act to eliminate this unwarranted exemption.

(2) In administering the Bank Holding Company Act the Board has confirmed its view (explained in Recommendation 23 of the May 7, 1958 Report) that Section 6 of the Act should be repealed or, at least, amended. That provision, broadly speaking, prohibits intrasystem investments and extensions of credit by banks in holding company systems. This constitutes a severe and, in the Board's judgment, an unnecessary restriction upon the operations of banks controlled by holding companies, and therefore should be repealed or amended as soon as possible.

(3) Prior to enactment of the Bank Holding Company Act of 1956, Federal regulation in this field consisted principally of provisions of the Banking Act of 1933 relating to "holding company affiliates." As pointed out in Recommendation 25 of the May 7, 1958 Report, the effectiveness of the laws relating to holding company affiliates is open to question and it is doubtful whether, in view of the enactment of the Bank Holding Company Act, these laws are sufficiently useful to justify their retention. Their

motion to dismiss the bank's complaint was filed on the Board's behalf. It was anticipated that these and other related motions would be argued early in 1961.

A petition filed in September 1959 in the U. S. Court of Appeals for the Eighth Circuit seeking review of 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 was dismissed by entry of judgment by that Court on March 16, 1960.

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 1960 the guaranteeing agencies authorized the issuance of 11 guarantee agreements covering loans totaling $102 million. Guaranteed loan authorizations outstanding on December 31, 1960, totaled $340 million, of which $280 million represented outstanding loans and $60 million additional credit available to borrowers. Of total loans outstanding, 68 per cent on the average was guaranteed. During the year approximately $716 million was disbursed on guaranteed loans, most of which are revolving credits.

Authority for the V-loan program, unless extended, will terminate on June 30, 1962.

Volume of operations. Table 10 on page 123 shows the volume of operations in the principal departments of the Federal Reserve Banks for 1957-60. Changes from 1959 were mixed, with some activities decreasing and others increasing. Discounts elimination would remove the confusion and the administrative burden that result from the existence of two sets of laws that relate to the same general subject but are based on different definitions of what constitutes a holding company. Consequently, it would be desirable promptly to repeal the "holding company affiliate" laws and to amend the "affiliate" laws along the lines discussed in detail in the 1958 Report.

LITIGATION

In April 1960 the U. S. Court of Appeals for the District of Columbia Circuit, in reversing a judgment rendered in the Board's favor by the U. S. District Court (*Annual Report* for 1959, p. 94), held in substance that Old Kent Bank and Trust Company, Grand Rapids, Michigan, did not "establish any new branch" when it retained branches of another bank acquired by merger. Accordingly, the Court held that the Board had no authority to pass upon such retention. The Court of Appeals denied a petition for rehearing filed on the Board's behalf, and on December 12 an order consistent with the opinion of the Court of Appeals was entered in the District Court.

A suit filed by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, in 1959, involving the same issues as in the Old Kent Bank case, was, at the Board's initiative and by agreement of the parties, dismissed on February 9, 1961, in accordance with the opinion of the Court of Appeals in the Old Kent Bank case.

On July 18, 1960, the Board issued an order following the administrative proceeding regarding capital adequacy instituted by the Board with respect to The Continental Bank and Trust Company, Salt Lake City, Utah (*Annual Report* for 1959, p. 95). The bank was ordered to increase its capital in a stated amount within six months of the Board's order. On September 19, 1960, the bank filed suit in the U. S. District Court for the District of Columbia for declaratory judgment, injunction, and other relief. On December 2, 1960, the bank filed a motion for summary judgment in the matter. On December 15, 1960, a and advances declined sharply from the previous year and postal money orders continued their downward trend.

The number of pieces of paper currency received and counted and the aggregate dollar value thereof established new highs during 1960. Coin received and counted also increased in aggregate dollar value but declined substantially in number, reflecting a shortage of coin. Conversely, an increase in the number of issues, redemptions, and exchanges of Government securities was accompanied by a considerable drop in value.

Checks handled (other than Government and postal money orders) continued their upward trend, establishing a record peak. As part of a program designed to enable the Reserve Banks to cope more efficiently with the ever increasing volume of checks, pilot systems of new electronic check handling equipment were installed at the Federal Reserve Banks of New York and Chicago near the end of 1960, and similar installations will be made by the Federal Reserve Banks of Boston, Philadelphia, and San Francisco early in 1961. These pilot installations will test the operational suitability and economic feasibility of the equipment to meet the varied requirements of check collection procedures in different Federal Reserve offices.

These installations mark the culmination of several years' negotiations with the companies that submitted proposals to supply equipment. Each of the five pilot installations will use equipment manufactured by a different company. The electronic procedures are based on the use of Magnetic Ink Character Recognition (MICR), a common language system of characters developed by the American Bankers Association in cooperation with equipment manufacturers and check printers.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1960 are shown in detail in Table 6 on pages 118-19, and a condensed historical statement is shown in Table 7 on pages 120-21. The following table summarizes the earnings and expenses and the distribution of net earnings for 1960 and 1959.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1960 AND 1959

[In thousands of dollars]

Item	1960	1959
Current earnings	1,103,385	886,226
Current expenses	153,882	144,703
Current net earnings	949,503	741,523
Net additions to current net earnings[1]	13,875	98,248
Net earnings before payments to U.S. Treasury	963,378	839,771
Dividends paid	23,949	22,722
Paid U.S. Treasury (interest on F.R. notes)	896,816	910,650
Transferred to surplus	42,613	−93,601

[1] Includes net profits on sales of U.S. Government securities of $2,429,000 in 1960 and $190,000 in 1959; and transfers from reserves for contingencies of $11 million in 1960 (reserves for registered mail losses) and $98 million in 1959.

Current earnings of $1,103 million in 1960 were 25 per cent more than in 1959, reflecting mainly a higher average rate of interest on U. S. Government securities. Current expenses of $154 million were about 6 per cent above 1959. Current net earnings amounted to $950 million, an increase of 28 per cent from 1959.

After allowing for net additions of $14 million to current net earnings, resulting largely from the discontinuance of the reserves for registered mail losses, net earnings before dividends and before payments to the U. S. Treasury amounted to $963 million.

Statutory dividends to member banks amounted to $24 million, about $1 million more than in 1959. 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 $897 million. The remaining $43 million of net earnings was added to the surplus accounts in order to bring the surplus of the Reserve Banks up to the level of their subscribed capital.

Expenses of the Federal Reserve Banks include costs of $29,220.68 for a series of 26 regional meetings in connection with the Treasury Department Savings Bond program.

Holdings of loans and securities. Average daily holdings of loans and securities during 1960 amounted to $26,847 million, $189 million less than during 1959. Holdings of discounts and advances decreased $373 million, and holdings of U. S. Government securities increased $178 million. The average interest rate on discounts and advances was 3.80 per cent in 1960 compared with 3.42 per cent in 1959; the higher rate in 1960 reflected heavier borrowings during the first part of the year when discount rates were higher than they were later in the year. The average rate of interest earned on Government securities rose from 3.27 to 4.11 per cent. The table below 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, 1958–60
[Dollar amounts in thousands]

Item and year	Total[1]	Discounts and advances	Acceptances	U.S. Government securities
Average daily holdings[2]				
1958	$24,982,770	$295,250	$38,904	$24,648,616
1959	27,035,989	810,981	32,246	26,192,762
1960	26,846,881	437,627	38,511	26,370,743
Earnings:				
1958	741,763	6,745	806	734,212
1959	885,831	27,728	1,075	857,028
1960	1,102,786	16,634	1,385	1,084,767
Average rate of interest (per cent):				
1958	2.97	2.28	2.07	2.98
1959	3.28	3.42	3.34	3.27
1960	4.11	3.80	3.60	4.11

[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 $3,249 million in 1960. At the end of the year holdings amounted to $16,673 million, consisting of $9,975 million of earmarked gold (an increase of $1,943 million during the year), $5,726 million of U. S. Government securities, largely Treasury bills, (+ $1,249 million), $217 million in dollar deposits (− $128 million), $230 million of bankers' acceptances purchased through Federal Reserve Banks (+ $148 million), and $525 million of miscellaneous assets (+ $37 million). The latter item includes mainly dollar bonds issued by foreign countries and international institutions.

Gold and dollar assets held for international institutions (Inter-American Development Bank, International Development Association, International Bank for Reconstruction and Development, International Finance Corporation, and the International Monetary Fund) increased $1,108 million to $7,039 million. The increase reflected principally repayments to the Monetary Fund and payments of the gold portions of increased subscriptions. The accounts of the Inter-American Development Bank and the International Development Association were opened in 1960.

Accounts were opened also for the central banks of Morocco, Nigeria, Ruandi-Urundi, and Sudan.

Gold collateral loans of $5 million outstanding at the beginning of 1960 were repaid in January and February. New arrangements, including a stand-by commitment, amounted to $152 million, of which $8 million was outstanding at the end of the year. Loans on gold are made to foreign monetary authorities to help them meet dollar requirements of a clearly temporary nature.

The Federal Reserve Bank of New York continued to act as depositary and fiscal agent 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 to administer 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 Oklahoma City Branch building, and enlargement of the Federal Reserve Bank building garage in Atlanta.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The accounts of the Board for the year 1960 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, 1960, 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 6, 1961

Assets, Liabilities and Fund Balances — December 31, 1960

Assets

Cash, exclusive of $194,431 representing withheld taxes		$ 922,657
Miscellaneous receivables and travel advances		20,668
Stockroom and cafeteria inventories, at cost		18,022
Total assets of operating fund		961,347
Property and equipment, at cost:		
Land and improvements		792,852
Building		3,966,501
Furniture and equipment		632,284
Total assets of property and equipment fund		5,391,637
Total assets		6,352,984

Liabilities and Fund Balances

Accounts payable and accrued expense		$ 358,076
Fund balances:		
Operating fund —		
Balance December 31, 1959	$ 595,911	
Excess of assessments over expenditures for the year	7,360	603,271
Property and equipment fund —		
Balance December 31, 1959	5,339,621	
Expenditures for additions	72,293	
Excess of cost of assets disposed of over trade-in allowances	(20,277)	5,391,637
Total liabilities and fund balances		6,352,984

Assessments and Expenditures

Year Ended December 31, 1960

Assessments levied on Federal Reserve Banks:		
For Board expenses and additions to property and equipment		$ 6,533,700
For expenditures made on behalf of the Federal Reserve Banks		6,213,276
Total assessments		12,746,976
Expenditures:		
For printing, issue and redemption of Federal Reserve Notes, paid on behalf of the Federal Reserve Banks		6,213,276
For expenses of the Board:		
Salaries	$4,178,782	
Retirement and insurance contributions	599,136	
Traveling expenses	280,156	
Professional and contractual services:		
Economic surveys	424,189	
Legal, consultant and audit fees	71,265	
Other	32,367	
Printing and binding, net	219,588	
Telephone and telegraph	98,319	
Postage and expressage	75,100	
Equipment and other rentals	148,835	
Operation of cafeteria, net	53,072	
Heat, light and power	53,597	
Stationery and office and other supplies	53,250	
Repairs, maintenance and alterations	121,192	
Books and subscriptions	19,939	
Insurance	4,161	
Miscellaneous, net	22,047	6,454,995
For property and equipment		71,345
Total expenditures		12,739,616
Excess of Assessments Over Expenditures for the Year		7,360

The Board's expenses for 1960 include the following special items: (1) an expenditure of $214,162 incurred in connection with the continuation of the Small Business Financing Study initiated in 1957; (2) an expenditure of $135,028 for Quarterly Surveys of Consumer Buying Intentions; and (3) an expenditure of $53,584 incident to Civil and Defense Mobilization.

NO. 1 — DETAILED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS COMBINED, DECEMBER 31, 1960

[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		1,016,055		
Held by Federal Reserve Agents		1,800,000		
Gold certificates due from U.S. Treasury:				
Interdistrict Settlement Fund		6,012,587		
Federal Reserve Agents' Fund		7,585,000	**16,413,642**	
Redemption fund for Federal Reserve notes			**1,065,793**	
Total gold certificate reserves				**17,479,435**
Federal Reserve notes of other Federal Reserve Banks				**525,056**
Other cash:				
United States notes			28,375	
Silver certificates			279,079	
Standard silver dollars			7,131	
National bank notes and Federal Reserve Bank notes			709	
Subsidiary silver, nickels, and cents			47,432	
Total other cash				**362,726**
Discounts and advances secured by U.S. Govt. securities:				
Discounted for member banks		24,939		
Discounted for others		....	24,939	
Other discounts and advances:				
Discounted for member banks		....		
Foreign loans on gold		8,000	8,000	
Total discounts and advances			32,939	
Acceptances:				
Bought outright			**53,335**	
Held under repurchase agreement			**20,262**	
U.S. Government securities:				
Bought outright:				
Bills	**2,900,173**			
Certificates	**9,059,743**			
Notes	**12,481,298**			
Bonds	**2,543,071**			
Total bought outright		**26,984,285**		
Held under repurchase agreement		**400,000**		
Total U.S. Government securities			**27,384,285**	
Total loans and securities				**27,490,821**
Due from foreign banks				**15**
Cash items in process of collection:				
Transit items			6,370,872	
Exchanges for clearing house			230,310	
Other cash items			207,892	
Total cash items in process of collection				**6,809,074**
Bank premises:				
Land			24,220	
Buildings (including vaults)		107,343		
Fixed machinery and equipment		46,256		
Total buildings		153,599		
Less depreciation allowances		70,156	83,443	
Total bank premises				**107,663**
Other assets:				
Assets acquired—industrial loans		25		
Less valuation allowances		25		
Net			....	
Reimbursable expenses and other items receivable			3,514	
Interest accrued			199,148	
Premium on securities			1,603	
Deferred charges			1,827	
Real estate acquired for banking house purposes			1,532	
Suspense account			632	
All other			776	
Total other assets				**209,032**
Total assets				**52,983,822**

NO. 1 — DETAILED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS COMBINED, DECEMBER 31, 1960 — Continued

LIABILITIES

Federal Reserve notes:			
Outstanding (issued to Federal Reserve Banks)		29,730,339	
Less: Held by issuing Federal Reserve Banks	1,197,097		
Forwarded for redemption	84,161	1,281,258	
Federal Reserve notes, net (includes notes held by U.S. Treasury and by Federal Reserve Banks other than issuing Bank)			28,449,081
Deposits:			
Member bank reserves		17,080,617	
U.S. Treasurer — general account		484,740	
Foreign		217,216	
Other deposits:			
Nonmember bank—clearing accounts	66,519		
Officers' and certified checks	8,279		
Reserves of corporations doing foreign banking or financing	19,143		
International organizations [1]	116,805		
All other	342,916		
Total other deposits		553,662	
Total deposits			18,336,235
Deferred availability cash items			4,941,102
Other liabilities:			
Accrued dividends unpaid		....	
Unearned discount		153	
Discount on securities		27,255	
Sundry items payable		3,565	
Suspense account		238	
All other		61	
Total other liabilities			31,272
Total liabilities			51,757,690

CAPITAL ACCOUNTS

Capital paid in	408,709
Surplus	817,423
Other capital accounts [2]	....
Total liabilities and capital accounts	52,983,822
Contingent liability on acceptances purchased for foreign correspondents	230,399

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

[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. 118-19.

NO. 2 — STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1960 AND 1959

[In thousands of dollars]

Item	Total 1960	Total 1959	Boston 1960	Boston 1959	New York 1960	New York 1959	Philadelphia 1960	Philadelphia 1959	Cleveland 1960	Cleveland 1959	Richmond 1960	Richmond 1959
ASSETS												
Gold certificate account	16,413,642	18,185,642	832,461	889,340	3,819,405	4,685,959	1,055,712	1,050,113	1,357,218	1,634,684	1,035,163	1,067,069
Redemption fund for Federal Reserve notes	1,065,793	978,083	62,354	59,652	254,584	213,325	66,251	60,965	92,224	87,708	81,220	79,240
Total gold certificate reserves	17,479,435	19,163,725	894,815	948,992	4,073,989	4,899,284	1,121,963	1,111,078	1,449,442	1,722,392	1,116,383	1,146,309
Federal Reserve notes of other Banks	525,056	524,450	52,713	40,058	118,167	90,056	42,519	43,544	31,022	34,133	42,922	69,408
Other cash	362,726	359,396	25,464	20,849	58,805	54,975	10,793	18,085	33,051	32,180	21,479	25,494
Discounts and advances:												
Secured by U.S. Govt. securities	24,939	452,417	200	700	200	201,380	3,720	42,725	....	300	150	5,050
Other	8,000	5,309	392	385	2,280	1,400	472	330	752	450	360	250
Acceptances:												
Bought outright	53,335	44,168	....	....	53,335	44,168	....	....	....	....	....	....
Held under repurchase agreement	20,262	31,173	....	....	20,262	31,173	....	....	....	....	....	....
U.S. Government securities:												
Bought outright	26,984,285	26,606,827	1,450,136	1,442,489	6,730,744	6,695,661	1,545,012	1,517,281	2,318,409	2,303,566	1,707,970	1,705,178
Held under repurchase agreement	400,000	41,500	....	....	400,000	41,500	....	....	....	....	....	....
Total loans and securities	27,490,821	27,181,394	1,450,728	1,443,574	7,206,821	7,015,282	1,549,204	1,560,336	2,319,161	2,304,316	1,708,480	1,710,478
Due from foreign banks	15	15	1	1	[1] 4	[1] 4	1	1	1	1	1	1
Cash items in process of collection	6,809,074	6,437,306	483,292	467,341	1,456,311	1,280,699	412,324	394,830	555,899	565,404	482,196	502,789
Bank premises	107,663	99,575	3,913	4,328	9,386	9,858	3,791	4,036	8,617	9,315	6,113	6,651
Other assets	209,032	261,740	11,072	13,956	51,860	65,069	12,043	14,639	17,767	22,452	13,171	16,639
Total assets	52,983,822	54,027,601	2,921,998	2,939,099	12,975,343	13,415,227	3,152,638	3,146,549	4,414,960	4,690,193	3,390,745	3,477,769

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

LIABILITIES												
Federal Reserve notes	28,449,081	28,261,967	1,624,943	1,614,203	6,662,953	6,646,973	1,867,323	1,807,990	2,574,550	2,570,372	2,185,035	2,131,600
Deposits:												
Member bank reserves	17,080,617	18,173,970	778,470	800,636	4,581,510	5,092,824	831,788	892,994	1,253,849	1,460,303	726,682	789,451
U.S. Treasurer — general account	484,740	503,778	35,818	28,362	72,160	65,278	27,038	37,645	37,749	32,804	24,627	56,937
Foreign	217,216	344,788	10,486	19,140	[2] 64,206	[2] 94,228	12,626	22,968	20,116	31,320	9,630	17,400
Other	553,662	693,735	4,097	26,422	396,898	367,074	5,700	32,548	6,602	26,294	6,138	28,317
Total deposits	18,336,235	19,716,271	828,871	874,560	5,114,774	5,619,404	877,152	986,155	1,318,316	1,550,721	767,077	892,105
Deferred availability cash items	4,941,102	4,847,216	406,188	390,252	844,369	808,203	334,971	281,609	406,097	457,026	380,482	399,444
Other liabilities	31,272	28,620	1,501	1,474	9,593	7,453	1,697	1,513	2,597	2,439	1,813	1,592
Total liabilities	51,757,690	52,854,074	2,861,503	2,880,489	12,631,689	13,082,033	3,081,143	3,077,267	4,301,560	4,580,558	3,334,407	3,424,741
CAPITAL ACCOUNTS												
Capital paid in	408,709	387,403	20,165	19,166	114,551	110,452	23,832	22,819	37,800	36,265	18,779	17,283
Surplus	817,423	774,808	40,330	38,332	229,103	220,905	47,663	45,638	75,600	72,530	37,559	34,566
Other capital accounts	....	11,316	....	1,112	....	1,837	....	825	....	840	....	1,179
Total liabilities and capital accounts	52,983,822	54,027,601	2,921,998	2,939,099	12,975,343	13,415,227	3,152,638	3,146,549	4,414,960	4,690,193	3,390,745	3,477,769
Ratio of gold certificate reserves to deposit and F.R. note liabilities combined	37.4%	39.9%	36.5%	38.1%	34.6%	39.9%	40.9%	39.8%	37.2%	41.8%	37.8%	37.9%
Contingent liability on acceptances purchased for foreign correspondents	230,399	82,006	11,378	4,526	[3] 64,376	[3] 22,750	13,700	5,432	21,827	7,407	10,449	4,115
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	29,730,339	29,447,692	1,691,706	1,703,036	6,993,061	6,945,921	1,936,951	1,867,380	2,721,461	2,645,846	2,269,349	2,222,859
Less held by issuing Bank, and forwarded for redemption	1,281,258	1,185,725	66,763	88,833	330,108	298,948	69,628	59,390	146,911	75,474	84,314	91,259
Federal Reserve notes, net [4]	28,449,081	28,261,967	1,624,943	1,614,203	6,662,953	6,646,973	1,867,323	1,807,990	2,574,550	2,570,372	2,185,035	2,131,600
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account	9,385,000	10,650,000	500,000	530,000	2,000,000	2,900,000	650,000	700,000	920,000	920,000	700,000	700,000
Eligible paper	19,164	99,778	....	....	....	....	3,720	42,725	....	....	....	....
U.S. Government securities	21,065,000	19,530,000	1,250,000	1,250,000	5,100,000	4,200,000	1,325,000	1,200,000	1,830,000	1,750,000	1,590,000	1,550,000
Total collateral	30,469,164	30,279,778	1,750,000	1,780,000	7,100,000	7,100,000	1,978,720	1,942,725	2,750,000	2,670,000	2,290,000	2,250,000

[2] After deducting $153,010,000 participations of other Federal Reserve Banks on Dec. 31, 1960, and $250,560,000 on Dec. 31, 1959.
[3] After deducting $166,023,000 participations of other Federal Reserve Banks on Dec. 31, 1960, and $59,256,000 on Dec. 31, 1959.
[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 1960 AND 1959 — Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1960	1959	1960	1959	1960	1959	1960	1959	1960	1959	1960	1959	1960	1959
ASSETS														
Gold certificate account	918,222	899,380	2,790,451	3,000,460	675,065	723,963	344,572	358,239	775,490	707,873	731,395	713,196	2,078,488	2,455,366
Redemption fund for Federal Reserve notes	63,625	64,628	188,793	182,357	46,646	46,241	26,033	23,410	49,237	45,167	32,693	31,037	102,133	84,353
Total gold certificate reserves	981,847	964,008	2,979,244	3,182,817	721,711	770,204	370,605	381,649	824,727	753,040	764,088	744,233	2,180,621	2,539,719
Federal Reserve notes of other Banks	59,546	62,570	39,969	39,909	21,670	20,751	19,713	23,009	20,518	24,273	24,647	33,442	51,650	43,297
Other cash	27,793	28,685	63,751	65,447	23,196	23,922	7,986	11,722	16,547	15,272	15,265	16,519	58,596	46,246
Discounts and advances:														
Secured by U.S. Govt. securities	1,900	45,300	1,575	43,470	7,500	14,600	1,400	17,589	7,944	42,453	350	8,650	....	30,200
Other	416	235	1,104	939	264	185	184	120	328	195	464	260	984	560
Acceptances:														
Bought outright	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U.S. Government securities:														
Bought outright	1,479,575	1,402,286	4,618,576	4,604,365	1,090,624	1,082,100	626,170	606,024	1,158,193	1,146,887	1,087,467	1,061,985	3,171,409	3,039,005
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,481,891	1,447,821	4,621,255	4,648,774	1,098,388	1,096,885	627,754	623,733	1,166,465	1,189,535	1,088,281	1,070,895	3,172,393	3,069,765
Due from foreign banks	1	1	2	2	([5])	1	([5])	([5])	1	1	1	1	2	1
Cash items in process of collection	517,047	514,749	1,111,469	1,036,246	329,743	270,271	181,134	163,981	328,640	309,923	259,468	294,454	691,551	636,619
Bank premises	11,424	9,542	22,159	15,597	6,625	7,036	4,974	5,059	5,147	4,636	13,900	11,339	11,614	12,178
Other assets	12,226	14,899	34,963	44,898	8,357	10,528	4,815	5,938	9,371	12,157	8,620	10,599	24,767	29,966
Total assets	3,091,775	3,042,275	8,872,812	9,033,690	2,209,690	2,199,598	1,216,981	1,215,091	2,371,416	2,308,837	2,174,270	2,181,482	6,191,194	6,377,791

[5] Less than $500.

LIABILITIES														
Federal Reserve notes	1,640,861	1,604,441	5,302,418	5,324,442	1,232,140	1,245,164	595,187	608,162	1,152,289	1,117,824	835,973	815,895	2,775,409	2,774,901
Deposits:														
Member bank reserves	906,121	875,240	2,495,252	2,637,889	650,877	620,895	418,679	404,178	863,606	840,994	971,083	973,362	2,602,700	2,785,204
U.S. Treasurer—general account	31,886	26,581	62,973	39,321	26,542	41,412	23,393	23,771	30,350	44,445	53,390	44,231	58,814	62,991
Foreign	11,128	16,356	29,532	51,504	7,062	12,876	4,922	8,352	8,774	13,572	12,412	18,096	26,322	38,976
Other	3,884	13,693	13,001	65,504	46,939	20,532	1,942	10,390	3,594	14,654	3,423	11,903	61,444	76,404
Total deposits	953,019	931,870	2,600,758	2,794,218	731,420	695,715	448,936	446,691	906,324	913,665	1,040,308	1,047,592	2,749,280	2,963,575
Deferred availability cash items	430,758	443,145	791,125	747,318	203,701	218,371	143,476	132,062	259,372	228,113	226,450	249,555	514,113	492,118
Other liabilities	1,622	1,473	5,032	5,236	1,133	1,085	1,143	1,512	1,171	1,141	1,027	959	2,943	2,743
Total liabilities	3,026,260	2,980,929	8,699,333	8,871,214	2,168,394	2,160,335	1,188,742	1,188,427	2,319,156	2,260,743	2,103,758	2,114,001	6,041,745	6,233,337
CAPITAL ACCOUNTS														
Capital paid in	21,838	20,153	57,826	53,667	13,765	12,931	9,413	8,790	17,420	15,860	23,504	22,322	49,816	47,695
Surplus	43,677	40,306	115,653	107,334	27,531	25,862	18,826	17,580	34,840	31,720	47,008	44,645	99,633	95,390
Other capital accounts	....	887	....	1,475	....	470	....	294	....	514	....	514	....	1,369
Total liabilities and capital accounts	3,091,775	3,042,275	8,872,812	9,033,690	2,209,690	2,199,598	1,216,981	1,215,091	2,371,416	2,308,837	2,174,270	2,181,482	6,191,194	6,377,791
Ratio of gold certificate reserves to deposit and F.R. note liabilities combined	37.9%	38.0%	37.7%	39.2%	36.8%	39.7%	35.5%	36.2%	40.1%	37.1%	40.7%	39.9%	39.5%	44.3%
Contingent liability on acceptances purchased for foreign correspondents	12,074	3,868	32,043	12,180	7,662	3,045	5,341	1,975	9,520	3,210	13,468	4,280	28,561	9,218
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	1,717,539	1,684,882	5,452,953	5,483,344	1,278,568	1,307,000	674,318	622,690	1,184,910	1,155,248	882,235	869,505	2,927,288	2,939,981
Less held by issuing Bank, and forwarded for redemption	76,678	80,441	150,535	158,902	46,428	61,836	79,131	14,528	32,621	37,424	46,262	53,610	151,879	165,080
Federal Reserve notes, net [4]	1,640,861	1,604,441	5,302,418	5,324,442	1,232,140	1,245,164	595,187	608,162	1,152,289	1,117,824	835,973	815,895	2,775,409	2,774,901
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	550,000	500,000	1,800,000	1,900,000	410,000	430,000	180,000	180,000	300,000	300,000	275,000	290,000	1,100,000	1,300,000
Eligible paper	....	....	....	....	7,500	14,600	....	....	7,944	42,453	....	....	....	....
U.S. Government securities	1,200,000	1,200,000	3,800,000	3,700,000	935,000	935,000	510,000	450,000	900,000	870,000	625,000	625,000	2,000,000	1,800,000
Total collateral	1,750,000	1,700,000	5,600,000	5,600,000	1,352,500	1,379,600	690,000	630,000	1,207,944	1,212,453	900,000	915,000	3,100,000	3,100,000

[4] Includes Federal Reserve notes held by U.S. Treasury and by Federal Reserve Banks other than the issuing Bank.

NO. 3—HOLDINGS OF U.S. GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS, END OF DECEMBER 1960, 1959, AND 1958

[In thousands of dollars]

Type of issue and date	Rate of interest (per cent)	December 31			Change during:	
		1960	1959	1958	1960	1959
Treasury bonds:						
1959-62 June....	2¼	319,849	319,849	319,849	....	....
1959-62 Dec.....	2¼	693,765	693,765	693,765	....	....
1961 Sept.......	2¾	16,500	....	....	+16,500	....
1961 Nov.......	2½	42,800	....	....	+42,800	....
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 Feb........	2⅝	20,300	20,300	20,300	....	....
1965-70.........	2½	521,490	521,490	521,490	....	....
1966-71.........	2½	132,707	132,707	132,707	....	....
1966 Aug........	3	7,000	7,000	7,000	....	....
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.........	....	2,543,071	2,483,771	2,483,771	+59,300	....
Treasury notes:						
Aug. 15, 1960-C.	4¾	....	5,500,000	....	−5,500,000	+5,500,000
May 15, 1961-B..	3⅝	2,815,565	2,857,565	2,857,565	−42,000	....
Aug. 1, 1961-A..	4	15,000	....	....	+15,000	....
Oct. 1, 1961-EO..	1½	5,000	....	....	+5,000	....
Feb. 15, 1962-F..	3¼	4,993,000	....	....	+4,993,000	....
Feb. 15, 1963-A..	2⅝	10,000	10,000	10,000	....	....
May 15, 1964-A..	4¾	2,642,733	2,642,733	....	....	+2,642,733
Nov. 15, 1964-C.	4⅞	2,000,000	....	....	+2,000,000	....
Total.........	....	12,481,298	11,010,298	2,867,565	+1,471,000	+8,142,733
Certificates:						
Feb. 14, 1959....	2½	....	....	5,506,993	....	−5,506,993
Aug. 1, 1959....	1⅝	....	....	8,142,733	....	−8,142,733
Nov. 15, 1959...	3⅜	....	....	5,000,000	....	−5,000,000
Feb. 15, 1960....	3¾	....	5,506,993	....	−5,506,993	+5,506,993
Nov. 15, 1960...	4¾	....	5,000,000	....	−5,000,000	+5,000,000
Feb. 15, 1961....	4⅞	3,582,993	....	....	+3,582,993	....
May 15, 1961....	4⅜	34,500	....	....	+34,500	....
Aug. 1, 1961....	3⅛	5,442,250	....	....	+5,442,250	....
Total.........	....	9,059,743	10,506,993	18,649,726	−1,447,250	−8,142,733
Treasury bills:						
Tax anticipation.	....	65,623	47,000	....	+18,623	+47,000
Other, due:						
Within 3 mos..	....	2,035,400	2,162,000	2,233,950	−126,600	−71,950
3-6 mos.......	....	652,350	380,365	16,500	+271,985	+363,865
After 6 mos...	....	146,800	16,400	....	+130,400	+16,400
Total.........	....	2,900,173	2,605,765	2,250,450	+294,408	+355,315
Repurchase agreements....	....	400,000	41,500	95,000	+358,500	−53,500
Total holdings.....	....	27,384,285	26,648,327	26,346,512	+735,958	+301,815

NO. 4 — FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953-60[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		
19	104	12	506	15	169	1955	no transactions
20	189	13	506	16	169	1956	no transactions
21	189	14*	506	17*	169	1957	no transactions
22*	189	15	999	18	323		
23	333	16	1,172	19	424		
24	186	17	823	20	323		
25	63	18	364	21	306	1958—Mar. 17	143
26	49	19	992	22	283	18	207
June 5	196	20	992	23	283		
6	196	21*	992	24*	283		
7*	196	22	908	25	203		
8	374	23	608	26	3	1959	no transactions
9	491	24	296	Mar. 15	134	1960	no transactions
10	451			16	190		

* 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 — OPEN MARKET TRANSACTIONS OF THE FEDERAL RESERVE SYSTEM DURING 1960

[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: Gross market purchases	Outright transactions: Gross market sales	Outright transactions: Cash redemptions	Repurchase agreements: Gross purchases	Repurchase agreements: Gross sales	Net outright	Net repurchases
January	−1,218	−1,185	28	580	592	71	113	−2	−31
February	−262	−255	....	205	109	429	370	−7	......
March	+54	+56	395	197	83	390	450	−1	......
April	+290	+293	397	82	22	815	815	−5	......
May	+477	+477	500	38	....	615	600	−1	......
June	+489	+488	687	107	129	119	82	+1	......
July	+360	+362	441	79	63	644	580	−1	......
August	−119	−123	63	168	25	1,046	1,040	+3	+1
September	+271	+262	638	297	173	719	624	+3	+7
October	+375	+378	808	389	203	693	532	+4	−7
November	+96	+86	658	162	35	953	1,328	+10	......
December	−78	−104	71	562	11	605	206	+5	+20
Total	+734	+736	4,685	2,863	1,445	7,097	6,739	+9	−11

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

NO. 6 — EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1960

Item	Total	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounts and advances	$16,633,762	$551,754	$1,750,097	$845,845	$769,086	$819,821	$1,980,105	$4,097,753	$686,396	$1,134,086	$1,826,595	$1,210,595	$961,629
Acceptances	1,384,813	....	1,384,813	....	....	....	....	....	....	....	....	....	....
U.S. Govt. securities	1,084,766,883	58,235,551	273,849,371	61,842,973	93,077,176	68,654,176	58,698,614	185,580,969	43,769,326	24,971,839	46,457,699	43,466,853	126,162,336
All other	599,799	28,070	108,852	32,931	53,385	31,696	62,408	83,967	18,859	20,846	45,148	55,372	58,265
Total current earnings	1,103,385,257	58,815,375	277,093,133	62,721,749	93,899,647	69,505,693	60,741,127	189,762,689	44,474,581	26,126,771	48,329,442	44,732,820	127,182,230
CURRENT EXPENSES													
Salaries:													
Officers	6,576,278	386,465	1,193,688	419,003	586,460	544,963	486,829	615,587	525,736	370,312	484,086	421,283	541,866
Employees	86,976,399	5,374,099	19,663,082	4,699,429	7,486,243	5,706,393	5,441,215	13,199,584	4,805,533	2,826,160	4,511,896	3,850,014	9,412,751
Director's and other fees	546,799	21,388	74,536	34,460	53,683	28,234	58,554	52,054	36,706	31,156	69,887	38,710	47,431
Retirement contributions	11,027,750	660,776	2,380,296	604,380	948,518	745,958	727,979	1,642,999	631,068	359,049	607,574	528,536	1,190,617
Traveling expenses	1,886,395	118,729	307,749	89,410	180,986	142,483	142,101	230,696	121,631	105,192	116,760	115,034	215,624
Postage and expressage	18,914,866	1,599,842	2,691,849	951,669	1,502,016	1,798,206	1,606,203	2,595,677	1,025,957	682,466	1,166,478	950,404	2,344,099
Telephone and telegraph	1,561,521	81,789	322,085	73,063	120,167	111,832	164,920	182,527	86,514	56,882	92,706	111,361	157,675
Printing, stationery, and supplies	7,085,750	514,778	1,399,577	388,418	541,764	438,318	535,810	1,112,480	461,088	217,274	419,222	359,605	697,416
Insurance	1,938,726	117,294	329,261	93,836	172,000	175,973	151,909	263,444	125,170	90,615	127,751	93,326	198,147
Taxes on real estate	4,355,619	649,515	802,313	149,284	396,919	193,695	241,305	534,912	184,793	303,879	191,237	238,174	469,593
Depreciation (building)	5,571,936	414,858	487,519	270,538	905,769	544,485	418,551	628,066	444,953	336,973	168,853	265,706	685,665
Light, heat, power, and water	1,733,248	109,924	250,061	98,644	171,491	154,343	114,550	249,044	130,668	85,829	129,565	110,787	128,342
Repairs and alterations	890,318	44,068	98,674	54,834	57,825	72,202	43,982	58,802	152,580	143,150	63,952	32,409	67,840
Rent	179,931	4,873	6,519	6,215	43,074	2,380	2,558	97,674	1,705	121	198	11,768	2,846
Furniture and equipment:													
Purchases	2,251,792	113,220	270,252	144,088	234,627	134,379	144,695	304,058	175,296	131,286	74,870	390,477	134,544
Rentals	6,234,755	462,781	771,167	363,274	455,322	410,149	458,484	1,122,780	336,526	206,628	406,408	331,749	909,487
All other	2,231,290	99,559	491,909	78,635	356,247	91,292	140,176	368,287	87,241	83,280	130,777	143,607	160,280
Interbank expenses	....	40,201	−547,104	48,095	77,094	−12,579	46,050	113,732	28,800	19,421	35,590	48,631	102,069
Subtotal	159,963,373	10,814,159	30,993,433	8,567,275	14,290,205	11,282,706	10,925,871	23,372,403	9,361,965	6,049,673	8,797,810	8,041,581	17,466,292
F.R. currency	7,455,011	222,971	1,381,543	690,859	418,849	570,910	916,564	1,121,254	274,242	242,436	427,560	322,502	865,321
Assessment for expenses of Board of Governors	6,533,700	323,600	1,862,200	384,100	610,500	292,800	340,600	904,900	218,200	148,600	268,500	376,500	803,200
Total	173,952,084	11,360,730	34,237,176	9,642,234	15,319,554	12,146,416	12,183,035	25,398,557	9,854,407	6,440,709	9,493,870	8,740,583	19,134,813

Less reimbursement for certain fiscal agency and other expenses	20,069,809	1,080,774	3,485,246	973,280	1,941,206	1,107,026	1,476,668	3,652,299	1,219,148	659,633	1,464,257	960,036	2,050,236
Net expenses	153,882,275	10,279,956	30,751,930	8,668,954	13,378,348	11,039,390	10,706,367	21,746,258	8,635,259	5,781,076	8,029,613	7,780,547	17,084,577
PROFIT AND LOSS													
Current net earnings	949,502,982	48,535,419	246,341,203	54,052,795	80,521,299	58,466,303	50,034,760	168,016,431	35,839,322	20,345,695	40,299,828	36,952,272	110,097,653
Additions to current net earnings:													
Profits on sales of U.S. Govt. securities (net)	2,429,174	131,058	607,327	139,931	209,320	153,387	131,479	417,446	98,618	55,983	104,362	97,523	282,740
Transferred from reserves for contingencies	11,315,698	1,112,404	1,837,333	824,458	840,170	1,178,351	886,967	1,474,704	470,496	294,453	513,585	513,705	1,369,072
All other	173,407	2,026	26,143	163	817	278	606	132,125	759	2,498	1,542	687	5,763
Total additions	13,918,278	1,245,488	2,470,802	964,552	1,050,307	1,332,016	1,019,052	2,024,276	569,873	352,933	619,489	611,915	1,657,575
Deductions from current net earnings	43,577	2,637	5,562	7,783	569	3,502	818	5,589	2,679	10,590	1,213	1,714	921
Net additions	13,874,701	1,242,851	2,465,240	956,769	1,049,738	1,328,514	1,018,234	2,018,687	567,194	342,344	618,276	610,201	1,656,653
Net earnings before payments to U.S. Treasury	963,377,684	49,778,271	248,806,443	55,009,564	81,571,038	59,794,817	51,052,994	170,035,117	36,406,516	20,688,039	40,918,104	37,562,473	111,754,306
Dividends paid	23,948,225	1,183,068	6,802,299	1,398,843	2,219,154	1,083,429	1,264,939	3,333,632	801,826	550,681	1,003,470	1,380,653	2,926,231
Paid U.S. Treasury (interest on F.R. notes)	896,816,359	46,597,203	233,806,145	51,585,421	76,281,883	55,718,988	46,417,055	158,382,686	33,936,191	18,891,558	36,794,934	33,818,920	104,585,376
Transferred to surplus	42,613,100	1,998,000	8,198,000	2,025,300	3,070,000	2,992,400	3,371,000	8,318,800	1,668,500	1,245,800	3,119,700	2,362,900	4,242,700
Surplus, January 1	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
Surplus, December 31	817,420,900	40,330,200	229,102,600	47,663,400	75,600,000	37,558,500	43,676,800	115,652,600	27,530,800	18,825,500	34,839,800	47,007,800	99,632,900

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

NO. 7 — EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-60

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
1960	1,103,385,257	153,882,275	963,377,684	23,948,225	...	...	896,816,359	...	42,613,100
Total 1914-1960	9,280,278,838	2,435,825,389	6,899,454,781	477,154,124	149,138,300	2,188,893	5,324,884,019	−3,657	[2] 946,093,102
Aggregate for each Federal Reserve Bank, 1914-60:									
Boston	558,310,743	172,785,979	390,686,427	29,542,333	7,111,395	280,843	303,191,417	135,411	50,425,025
New York	2,366,192,521	538,220,254	1,846,577,850	155,287,247	68,006,262	369,116	1,356,989,466	−433,413	266,359,171
Philadelphia	594,110,441	159,847,122	441,637,418	37,711,989	5,558,901	722,406	335,359,838	290,661	61,993,622
Cleveland	828,889,951	223,223,943	608,924,393	46,793,551	4,842,447	82,930	468,381,578	−9,906	88,833,793
Richmond	563,933,744	161,775,692	405,960,857	20,650,863	6,200,189	172,493	335,570,520	−71,517	43,438,308
Atlanta	484,681,860	139,472,238	346,019,969	19,238,913	8,950,561	79,264	268,802,398	5,491	48,943,340
Chicago	1,483,293,541	342,134,603	1,144,880,721	59,173,992	25,313,526	151,045	929,249,121	11,682	130,981,354
St. Louis	414,293,271	134,181,744	280,795,484	16,425,215	2,755,629	7,464	228,983,263	−26,515	32,650,428
Minneapolis	248,232,093	83,402,476	167,142,595	11,157,031	5,202,900	55,615	127,959,466	64,874	22,702,713
Kansas City	420,716,506	130,798,249	291,834,163	17,211,464	6,939,100	64,213	228,648,310	−8,674	38,979,750
Dallas	374,975,176	111,854,966	265,143,776	19,679,237	560,049	102,083	193,461,792	55,337	51,285,278
San Francisco	942,648,992	238,128,125	709,851,124	44,282,285	7,697,341	101,421	548,286,850	−17,089	109,500,317
Total	9,280,278,838	2,435,825,389	6,899,454,781	477,154,124	149,138,300	2,188,893	5,324,884,019	−3,657	946,093,102

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

[2] The $946,093,102 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 $817,420,900 on Dec. 31, 1960.

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

NO. 8 — BANK PREMISES OF FEDERAL RESERVE BANKS AND BRANCHES
DECEMBER 31, 1960

Federal Reserve Bank or branch	Cost				Net book value
	Land	Buildings (including vaults)[1]	Fixed machinery and equipment	Total	
Boston	$1,628,132	$5,929,169	$2,966,116	$10,523,417	$3,912,906
New York	5,215,656	12,183,528	4,886,521	22,285,705	4,569,738
Annex	592,679	1,451,569	673,458	2,717,706	841,532
Buffalo	406,069	2,555,197	1,565,400	4,526,666	3,974,744
Philadelphia	1,884,357	4,839,506	2,154,452	8,878,315	3,791,220
Cleveland	1,295,490	6,602,752	3,200,784	11,099,026	2,207,143
Cincinnati	400,891	1,164,917	1,429,434	2,995,242	1,356,145
Pittsburgh	1,656,418	2,953,531	2,431,260	7,041,209	5,053,734
Richmond	469,944	4,164,663	2,435,198	7,069,805	2,801,821
Baltimore	250,487	2,009,381	1,062,747	3,322,615	2,006,057
Charlotte	117,479	1,069,026	607,294	1,793,799	1,305,326
Atlanta	633,387	3,984,437	362,731	4,980,555	3,348,600
Annex	93,931	137,100	103,867	334,898	285,731
Birmingham	338,917	1,982,184	948,236	3,269,337	2,872,490
Jacksonville	164,004	1,686,250	694,291	2,544,545	1,728,995
Nashville	592,342	1,474,678	1,009,863	3,076,883	2,815,923
New Orleans	277,078	762,456	265,700	1,305,234	372,264
Chicago	6,019,757	21,411,837	2,846,061	30,277,655	18,932,569
Detroit	1,147,734	2,844,138	1,214,162	5,206,034	3,226,344
St. Louis	1,675,780	3,171,719	2,154,782	7,002,281	1,936,899
Little Rock	241,105	391,611	206,575	839,291	439,174
Louisville	523,353	2,859,819	1,003,708	4,386,880	3,999,357
Memphis	128,542	287,469	167,755	583,766	249,853
Minneapolis	600,521	4,689,718	2,688,921	7,979,160	4,903,808
Helena	15,709	126,401	62,977	205,087	70,126
Kansas City	545,764	3,521,361	1,316,319	5,383,444	1,256,207
Denver	592,271	523,041	86,910	1,202,222	750,536
Oklahoma City	[2] 563,025	602,899	97,588	1,263,512	832,255
Omaha	445,663	1,491,117	723,843	2,660,623	2,308,304
Dallas	686,243	8,668,316	466,692	9,821,251	7,975,792
El Paso	262,477	787,728	393,301	1,443,506	1,278,252
Houston	695,615	1,408,574	744,758	2,848,947	2,566,667
San Antonio	448,596	1,400,390	570,847	2,419,833	2,079,721
San Francisco	476,768	3,783,530	1,458,028	5,718,326	1,057,356
Annex	247,201	124,000	30,000	401,201	366,241
Los Angeles	736,867	4,074,380	1,592,708	6,403,955	3,936,266
Portland	207,380	1,678,512	649,432	2,535,324	1,598,069
Salt Lake City	480,222	1,878,238	707,575	3,066,035	2,849,390
Seattle	274,772	1,891,564	661,987	2,828,323	1,805,796
Total	33,032,626	122,566,706	46,642,281	202,241,613	107,663,351

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	157,953	....	....	157,953	157,953
New Orleans	806,326	....	....	806,326	806,326
Kansas City	[3] 396,219	....	....	396,219	396,219
Houston	78,812	317,336	112,111	508,259	101,416
Los Angeles	40,747	29,464	....	70,211	70,211
Total	1,480,057	346,800	112,111	1,938,968	1,532,125

[1] May include expenditures in construction account pending allocation to appropriate accounts.
[2] Includes cost of building on site of addition.
[3] Includes cost of building on property.

NO. 9 — NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF FEDERAL RESERVE BANKS

[December 31, 1960]

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	24	$ 347,000	1,373	$ 5,391,868	1,398	$ 5,773,868
New York	60,000	62	1,126,500	3,861	19,991,075	3,924	21,177,575
Philadelphia	35,000	30	421,232	1,026	4,549,663	1,057	5,005,895
Cleveland	35,000	37	532,100	1,529	7,246,343	1,567	7,813,443
Richmond	35,000	36	498,000	1,354	5,747,142	1,391	6,280,142
Atlanta	35,000	34	435,600	1,353	5,245,210	1,388	5,715,810
Chicago	50,000	38	547,450	2,964	12,805,296	3,003	13,402,746
St. Louis	35,000	35	491,700	1,121	4,557,196	1,157	5,083,896
Minneapolis	35,000	25	350,250	683	2,773,715	709	3,158,965
Kansas City	35,000	31	424,600	1,094	4,379,065	1,126	4,838,665
Dallas	35,000	30	388,700	964	3,857,085	995	4,280,785
San Francisco	40,000	38	484,400	2,177	9,129,594	2,216	9,653,994
Total	$465,000	420	$6,047,532	19,499	$85,673,252	19,931	$92,185,784

[1] Includes 966 part-time employees.

NO. 10 — VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1957-60

[Number in thousands; amounts in thousands of dollars]

Operation	1960	1959	1958	1957
NUMBER OF PIECES HANDLED [1]				
Discounts and advances [2]	19	26	14	25
Currency received and counted	4,746,665	4,631,081	4,547,668	4,631,676
Coin received and counted	9,767,544	9,929,912	9,574,474	9,089,460
Checks handled:				
U.S. Govt. checks	407,333	393,860	388,541	469,158
Postal money orders	270,307	279,939	295,350	324,161
All other [3]	3,419,093	3,257,839	3,085,185	2,974,940
Collection items handled:				
U.S. Govt. coupons paid	16,357	13,915	13,564	12,546
All other	21,513	20,853	20,429	19,308
Issues, redemptions, and exchanges of U.S. Govt. securities	197,825	196,063	193,665	207,246
Transfers of funds	2,918	2,695	2,426	2,302
AMOUNTS HANDLED				
Discounts and advances [2]	58,057,685	105,058,505	41,306,072	114,469,820
Currency received and counted	31,553,482	30,730,461	29,596,570	29,926,319
Coin received and counted	1,095,870	1,022,660	956,235	922,742
Checks handled:				
U.S. Govt. checks	105,212,842	106,724,118	99,942,372	102,062,972
Postal money orders	5,029,890	5,078,641	5,297,341	5,796,279
All other [3]	1,154,120,907	1,130,235,860	1,044,984,066	1,044,553,457
Collection items handled:				
U.S. Govt. coupons paid	4,798,446	3,866,402	3,695,458	3,032,805
All other	5,793,218	5,838,199	5,663,684	5,758,976
Issues, redemptions, and exchanges of U.S. Govt. securities	527,444,784	545,489,154	526,037,271	493,391,267
Transfers of funds	2,428,083,100	1,882,069,626	1,643,532,069	1,345,185,037

[1] Packaged items 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. 11 — FEDERAL RESERVE BANK DISCOUNT RATES

In effect December 31, 1960 [1]

[Per cent per annum]

Federal Reserve Bank	Discounts for and advances to member banks: Advances secured by Government obligations and discounts of and advances secured by eligible paper (Secs. 13 and 13a) [2]	Discounts for and advances to member banks: Other secured advances [Sec. 10(b)]	Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of the U.S. (last par. Sec. 13)
Boston	3	3½	4
New York	3	3½	4½
Philadelphia	3	3½	4½
Cleveland	3	3½	4½
Richmond	3	3½	4
Atlanta	3	3½	4½
Chicago	3	3½	4½
St. Louis	3	3½	4
Minneapolis	3	3½	4
Kansas City	3	3½	4
Dallas	3	3½	4½
San Francisco	3	3½	4½

[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 — 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. 13 — 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]

	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	Oct. 16, 1958– July 27, 1960	Effective July 28, 1960
Regulation T:							
For extension of credit by brokers and dealers on listed securities	50	60	70	50	70	90	70
For short sales	50	60	70	50	70	90	70
Regulation U:							
For loans by banks on stocks	50	60	70	50	70	90	70

[1] Regulations T and U limit the amount of credit that may be extended on a security by prescribing a maximum loan value, which is a specified percentage of its market value at the time of the extension; the "margin requirements" shown in this table are the difference between the market value (100 per cent) and the maximum loan value. Changes on Feb. 20, 1953, and Jan. 4, 1955, were effective after the close of business on these dates.

NOTE.—For earlier data, see *Banking and Monetary Statistics*, Table 145, p. 504, and *Annual Report* for 1948, p. 77, and 1953, p. 76.

NO. 14 — FEES AND RATES ESTABLISHED UNDER REGULATION V ON LOANS GUARANTEED PURSUANT TO DEFENSE PRODUCTION ACT OF 1950

[In effect December 31, 1960]

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. 15 — MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Effective date of change	Net demand deposits [1]: Central reserve city banks	Net demand deposits [1]: Reserve city banks	Net demand deposits [1]: Country banks	Time deposits: Central reserve and reserve city banks	Time deposits: 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	....	....	....
1960—Sept. 1	17½	....	....	....	....
Nov. 24	....	....	12	....	....
Dec. 1	16½	....	....	....	....
In effect Jan. 1, 1961	16½	16½	12	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 record changes at country banks, and other dates (usually Thursday) record changes 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] From August 23, 1935 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. 16 — PRINCIPAL ASSETS AND LIABILITIES, AND NUMBER OF ALL BANKS, BY CLASSES, DECEMBER 31, 1960 AND 1959[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, 1960[3]										
Loans and investments, total	238,010	198,810	164,740	106,980	57,760	32,560	1,530	39,200	31,910	7,290
Loans	143,900	116,660	99,040	63,240	35,800	17,080	550	27,240	22,690	4,550
Investments	94,110	82,150	65,700	43,740	21,960	15,480	980	11,960	9,220	2,740
U.S. Govt. obligations	67,660	61,320	49,120	32,710	16,410	11,620	590	6,340	4,540	1,800
Other securities	26,450	20,830	16,580	11,030	5,550	3,860	390	5,620	4,680	940
Cash assets	52,060	51,200	44,990	28,390	16,600	5,880	330	860	700	160
Deposits, total	263,750	227,380	190,670	123,570	67,100	35,250	1,480	36,370	29,690	6,680
Interbank	18,210	18,210	17,450	10,060	7,390	450	310	....	....	....
Other demand	137,950	137,920	116,330	74,310	42,020	20,720	870	30	30	....
Other time	107,590	71,250	56,890	39,200	17,690	14,080	300	36,340	29,660	6,680
Total capital accounts	24,690	21,120	17,470	11,150	6,320	3,280	370	3,570	2,820	750
Number of banks	13,986	13,472	6,174	4,530	1,644	6,948	352	514	325	189
December 31, 1959										
Loans and investments, total	227,831	190,270	157,879	102,615	55,264	30,939	1,480	37,561	30,580	6,981
Loans	135,958	110,832	94,779	59,962	34,817	15,534	534	25,126	20,942	4,184
Investments	91,873	79,438	63,100	42,653	20,447	15,404	947	12,435	9,638	2,797
U.S. Govt. obligations	65,801	58,937	46,813	31,761	15,052	11,546	589	6,864	5,016	1,848
Other securities	26,071	20,501	16,287	10,892	5,396	3,859	358	5,570	4,622	949
Cash assets	50,296	49,467	43,509	27,464	16,045	5,651	309	829	686	143
Deposits, total	254,885	219,903	184,706	119,638	65,069	33,795	1,429	34,983	28,577	6,405
Interbank	17,093	17,091	16,387	9,460	6,926	471	233	2	2	....
Other demand	136,676	136,643	115,493	73,757	41,737	20,264	886	33	31	1
Other time	101,116	66,169	52,827	36,421	16,406	13,059	311	34,948	28,544	6,404
Total capital accounts	22,915	19,556	16,264	10,302	5,962	2,944	350	3,359	2,654	705
Number of banks	13,991	13,474	6,233	4,542	1,691	6,878	366	517	268	249

[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] Excludes three member mutual savings banks in 1959 and two in 1960.
[3] Estimated.

NO. 17 — MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS — END OF YEAR 1918-60 AND END OF MONTH 1960

[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, other than member bank reserves, with F. R. Banks: Foreign	Deposits, other than member bank reserves, with F. R. Banks: Other	Other F. R. accounts [5]	Member bank reserves: With F. R. Banks	Member bank reserves: Allowable in cash	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....	26,648	26,607	41	458	1,590	75	28,771	19,456	5,311	32,591	391	504	345	694	841	18,174	310	r18,623	r−139
1960—																			
Jan....	25,464	25,464	....	862	1,245	42	27,613	19,444	5,320	31,569	437	567	249	324	834	18,396	285	18,052	629
Feb...	25,209	25,149	60	739	979	35	26,961	19,421	5,329	31,552	427	453	191	326	1,008	17,754	305	17,667	392
Mar...	25,264	25,264	....	756	1,050	33	27,103	19,408	5,341	31,633	413	549	184	355	944	17,773	218	17,465	526
Apr...	25,558	25,558	....	571	972	30	27,131	19,360	5,346	31,600	406	619	194	313	855	17,850	275	17,892	233
May..	26,035	26,020	15	342	856	29	27,262	19,352	5,351	31,879	412	462	215	346	1,031	17,619	315	17,653	281
June..	26,523	26,472	51	258	1,058	30	27,869	19,322	5,354	32,065	395	504	254	427	960	17,941	241	17,883	299
July...	26,885	26,770	115	343	874	29	28,131	19,144	5,359	32,039	406	477	215	353	883	18,261	320	18,062	519
Aug...	26,762	26,640	122	405	707	33	27,907	19,005	5,368	32,027	388	481	204	432	1,013	17,735	695	17,844	586
Sept...	27,024	26,808	216	181	1,155	42	28,402	18,685	5,378	32,022	396	489	223	456	936	17,942	837	18,157	622
Oct....	27,402	27,025	377	193	1,096	39	28,729	18,402	5,387	32,144	389	437	251	477	865	17,956	942	18,265	633
Nov...	27 488	27,486	2	101	1,095	48	28,731	17,910	5,393	32,632	410	512	252	390	1,069	16,770	2,669	18,559	880
Dec...	27,384	26,984	400	33	1,868	74	29,359	17,767	5,398	32,869	377	485	217	554	941	17,081	2,601	18,993	689

r Revised.

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).

NOTE.—For description of figures and discussion of their significance, see *Banking and Monetary Statistics*, Sec. 10, pp. 360-66.

NO. 18 — MEMBER BANK EARNINGS, BY CLASS OF BANK, 1960 AND 1959 [1]

Item	Total		Central reserve city banks				Reserve city banks		Country banks	
			New York		Chicago					
	1960	1959	1960	1959	1960	1959	1960	1959	1960	1959
	In millions of dollars									
Earnings	8,913	8,075	1,474	1,306	353	308	3,461	3,205	3,625	3,256
On U.S. Govt. securities	1,412	1,399	187	182	56	60	476	508	693	649
On other securities	466	445	70	68	20	18	153	156	223	202
On loans	5,721	5,021	941	812	225	182	2,323	2,059	2,232	1,968
All other	1,313	1,210	276	244	52	47	508	482	477	437
Expenses	5,644	5,140	774	699	181	158	2,174	2,040	2,515	2,243
Salaries and wages	2,284	2,118	345	315	75	71	888	833	976	899
Interest on deposits	1,432	1,280	131	123	39	31	558	534	703	592
All other	1,928	1,742	298	261	67	56	728	672	836	752
Net current earnings before income taxes	3,268	2,935	700	607	172	150	1,287	1,165	1,109	1,013
Recoveries and profits [2]	463	206	87	48	18	16	181	69	177	72
Losses and charge-offs [3]	592	1,066	129	222	34	72	221	426	209	346
Net increase (or decrease, +) in valuation reserves	214	44	21	22	7	3	88	+16	98	35
Profits before income taxes	2,925	2,032	638	411	149	92	1,159	824	979	704
Taxes on net income	1,239	775	293	171	65	35	529	316	352	252
Net profits	1,686	1,257	344	240	84	57	630	509	627	452
Cash dividends declared [4]	731	690	175	166	29	28	293	278	235	217
	In per cent									
Ratios:										
Net current earnings before income taxes to—										
Average total capital accounts	19.4	18.5	20.3	18.3	22.2	20.2	20.6	19.6	17.4	17.2
Average total assets	1.62	1.48	1.99	1.77	1.97	1.73	1.65	1.49	1.39	1.32
Net profits to—										
Average total capital accounts	10.0	7.9	10.0	7.2	10.8	7.6	10.1	8.6	9.8	7.7
Average total assets	0.84	0.64	0.98	0.70	0.97	0.65	0.81	0.65	0.79	0.59
Average return on U.S. Govt. securities	3.10	2.79	3.32	2.84	3.06	2.64	2.97	2.74	3.13	2.83
Average return on loans	5.92	5.65	5.29	4.83	5.30	4.85	5.94	5.67	6.27	6.16

1 Data for 1960 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. 19 — ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES IN THE UNITED STATES DURING 1960 [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, 1959	**13,991**	**13,474**	**4,542**	**1,691**	**6,878**	**366**	**268**	**249**
Changes during 1960								
New banks [3]	+135	+135	+32	+5	+77	+21	......	......
Suspensions	−2	−2	......	......	−1	−1	......	......
Consolidations and absorptions:								
Banks converted into branches	−109	−106	−40	−19	−45	−2	−2	−1
Other	−25	−25	−10	−5	−8	−2	......	......
Voluntary liquidations [4]	−4	−4	......	......	......	−4	......	......
Conversions:								
National into State	......	......	−9	......	+8	+1	......	......
State into national	......	......	+15	−9	−6	......	......	......
Federal Reserve membership [5]								
Admissions of State banks	......	......	......	+7	−7	......	......	......
Withdrawals of State banks	......	......	......	−26	+25	......	......	......
Federal Deposit Insurance: [6]								
Admissions of State banks	......	......	......	......	+27	−27	+59	−59
Net increase or decrease	−5	−2	−12	−47	+70	−14	+57	−60
Number of banks, Dec. 31, 1960	**13,986**	**13,472**	**4,530**	**1,644**	**6,948**	**352**	**325**	**189**
Number of branches and additional offices, Dec. 31, 1959 [7]	**9,835**	**9,388**	**4,769**	**2,490**	**2,087**	**42**	**318**	**129**
Changes during 1960								
De novo branches	+810	+771	+429	+148	+188	+6	+30	+9
Banks converted into branches	+109	+107	+67	+19	+21	......	+1	+1
Discontinued	−52	−52	−25	−18	−9	......	......	......
Interclass changes—net [8]	......	+2	+58	−42	−13	−1	+32	−34
Net increase or decrease	+867	+828	+529	+107	+187	+5	+63	−24
Number of branches and additional offices, Dec. 31, 1960 [7]	**10,702**	**10,216**	**5,298**	**2,597**	**2,274**	**47**	**381**	**105**
Number of banking facilities, Dec. 31, 1959 [9]	**264**	**264**	**204**	**29**	**31**	......	......	......
Changes during 1960								
Established	+12	+12	+12	......	......	......	......	......
Discontinued	−9	−9	−5	−2	−2	......	......	......
Interclass changes:								
State member to nonmember	......	......	......	−1	+1	......	......	......
Nonmember to State member	......	......	......	+1	−1	......	......	......
Net increase or decrease	+3	+3	+7	−2	−2	......	......	......
Number of banking facilities, Dec. 31, 1960 [9]	**267**	**267**	**211**	**27**	**29**	......	......	......

[1] Includes a national bank in the Virgin Islands with one branch; other banks in possessions are excluded.

[2] State member bank and insured mutual savings bank figures for December 31, 1959 both include three member mutual savings banks not included in the total for commercial banks; and subsequent figures reflect the withdrawal of one from membership in 1960. State member bank figures also include one noninsured trust company without deposits.

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

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

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

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

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

[8] For details of interclass branch changes, see *Federal Reserve Bulletin* for February 1961, p. 230.

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

NO. 20 — NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, DECEMBER 31, 1960[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	408	756	408	756	268	603	140	153	......	....
New York[2]	585	1,897	585	1,897	491	1,665	94	232	......	....
Philadelphia	636	688	636	688	488	548	148	140	......	....
Cleveland	928	956	928	956	565	826	363	130	......	....
Richmond	928	1,255	785	1,117	435	697	350	420	143	138
Atlanta	1,367	546	809	498	418	410	391	88	558	48
Chicago	2,470	1,147	2,470	1,147	997	697	1,473	450	......	....
St. Louis	1,476	350	1,187	274	480	184	707	90	289	76
Minneapolis	1,306	139	708	95	474	47	234	48	598	44
Kansas City	1,774	108	1,770	108	756	84	1,014	24	4	....
Dallas	1,140	150	1,063	139	632	101	431	38	77	11
San Francisco	365	2,593	362	2,593	165	2,285	197	308	3	....
Total	**13,383**	**10,585**	**11,711**	**10,268**	**6,169**	**8,147**	**5,542**	**2,121**	**1,672**	**317**
STATE										
Alabama	238	90	155	89	93	83	62	6	83	1
Alaska	13	33	10	33	7	31	3	2	3	....
Arizona	9	171	9	171	4	139	5	32	......	....
Arkansas	237	46	131	26	76	22	55	4	106	20
California	112	1,671	112	1,671	61	1,501	51	170	......	....
Colorado	164	7	164	7	96	6	68	1	......	....
Connecticut	66	198	66	198	32	155	34	43	......	....
Delaware	20	54	20	54	5	24	15	30	......	....
District of Columbia	12	65	12	65	9	59	3	6	......	....
Florida	301	14	259	13	129	11	130	2	42	1
Georgia	421	106	140	104	67	89	73	15	281	2
Hawaii	7	85	7	85	2	29	5	56	......	....
Idaho	32	83	32	83	18	76	14	7	......	....
Illinois	963	4	962	4	523	4	439	....	1	....
Indiana	442	311	442	311	224	213	218	98	......	....
Iowa	672	183	672	183	164	15	508	168	......	....
Kansas	587	25	587	25	213	18	374	7	......	....
Kentucky	355	146	355	146	103	100	252	46	......	....
Louisiana	190	176	82	148	53	118	29	30	108	28
Maine	46	132	46	132	29	93	17	39	......	....
Maryland	133	251	133	251	58	123	75	128	......	....
Massachusetts	170	373	170	373	123	309	47	64	......	....
Michigan	380	578	380	578	216	469	164	109	......	....
Minnesota	688	6	291	6	208	6	83	....	397	....
Mississippi	193	136	54	68	35	42	19	26	139	68
Missouri	622	25	568	25	171	18	397	7	54	....
Montana	120	1	120	1	86	1	34	....	......	....
Nebraska	420	12	420	12	139	11	281	1	......	....
Nevada	7	37	7	37	5	32	2	5	......	....
New Hampshire	73	4	73	4	52	3	21	1	......	....
New Jersey	250	436	250	436	215	394	35	42	......	....
New Mexico	55	56	55	56	37	32	18	24	......	....
New York	399	1,376	399	1,376	347	1,306	52	70	......	....
North Carolina	175	508	100	378	39	205	61	173	75	130
North Dakota	156	29	58	9	40	3	18	6	98	20

For notes see opposite page.

NO. 20 — NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, DECEMBER 31, 1960 [1] — Continued

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
STATE—Cont.										
Ohio	585	638	585	638	372	552	213	86	......	....
Oklahoma	388	23	382	23	226	23	156	....	6	....
Oregon	50	195	50	195	14	169	36	26	......	....
Pennsylvania	697	793	697	793	533	674	164	119	......	....
Rhode Island	9	91	9	91	5	69	4	22	......	....
South Carolina	145	147	78	139	31	105	47	34	67	8
South Dakota	174	59	71	35	59	28	12	7	103	24
Tennessee	295	216	217	201	83	147	134	54	78	15
Texas	1,009	28	979	28	574	28	405	....	30	....
Utah	50	74	50	74	20	63	30	11	......	....
Vermont	55	33	55	33	31	17	24	16	......	....
Virginia	305	284	304	284	198	205	106	79	1	....
Washington	87	291	87	291	35	280	52	11	......	....
West Virginia	182	....	182	....	111	....	71	....	......	....
Wisconsin	558	158	558	158	157	28	401	130	......	....
Wyoming	55	1	55	1	40	1	15	....	......	....
OTHER AREA										
Puerto Rico [2]	10	121	10	121	......	13	10	108	......	....
Virgin Islands [2]	1	5	1	5	1	5	......	....	......	....

[1] Comprises all commercial banking offices on which checks are drawn, including 267 banking facilities. Number of banks and branches differs from Table 19 because this table includes banks in Puerto Rico and the Virgin Islands but excludes banks and trust companies on which no checks are drawn and two mutual savings member banks.

[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. 21—DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS, OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS, May 13–December 31, 1960 [1]

Name of bank, and type of transaction [2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated
No. 1—**Petersburg Savings and American Trust Company,** Petersburg, Va.	16,900	3	5
to merge with			
The Bank of Colonial Heights, Colonial Heights, Va.	2,600	2	

SUMMARY REPORT BY ATTORNEY GENERAL (7-1-60)

Colonial Heights, Va., lies directly across the Appomattox River from Petersburg, Va. The two banks are competitive with one another and with the Petersburg and Hopewell, Va., branches of State-Planters Bank of Commerce & Trust, Richmond, Va., and with the Petersburg branch of The Bank of Virginia, Richmond, Va. The merger will eliminate a competitive factor which has been able to secure 3.4 per cent of the loan business and 5 per cent of the deposits of the area.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (7-15-60)

Stockholders of Petersburg Savings and American Trust Company own over 85 per cent of the stock of an investment corporation which, in turn, owns 67 per cent of the stock of Bank of Colonial Heights. Colonial Heights was organized by stockholders of Petersburg Savings in 1949, and, for all practical purposes, has been operated as a branch of the latter institution under common ownership, management, and policies. The banks have many common depositors and borrowers, since customers have been encouraged to move accounts or split accounts to serve their convenience. Consequently, the proposed merger will bring into unified corporate form a bank-branch relationship that has existed for a number of years without having any significant effect on the competitive situation in the trade areas of the banks. This formalization of an existing relationship is believed to be in the public interest.

No. 2—**Peoples Trust Company of Wyomissing,** Wyomissing, Pa.	47,600	7	11
to merge with			
City Bank and Trust Company of Reading, Reading, Pa.; change its title to Peoples Trust City Bank, and move its head office to Reading, Pa.	39,000	4	

SUMMARY REPORT BY ATTORNEY GENERAL (6-22-60)

The proposed merger involves banks ranking third and fourth in assets, loans, and deposits in their trading area, Berks County, Pennsylvania. The merged bank would rank second in the area. It would be in

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

competition (other than limited) with a larger bank, with one smaller bank of substantial size, and three relatively small banks. The merger would eliminate substantial actual and potential competition between the merging banks and increase concentration of the banking business in the Reading area and in Berks County, Pennsylvania.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (7-21-60)

The head office of Peoples Trust Company of Wyomissing is approximately two and one-half miles west of the head office of City Bank and Trust Company of Reading. The branches of Peoples Trust are situated southwest, west, and northwest of Reading. City Bank has two branches in Reading and one southeast of the city. There is only limited direct competition between the two banks because of the distances separating their head offices and branches. Although the proposed merger would eliminate present and potential competition of the fourth largest bank in Berks County, it would provide a bank of such size as to compete on better terms with the largest bank in the county (resources $131 million). Since the resulting bank will have larger and more widespread lending and other banking services, it will contribute to the convenience and needs of the community and intensify rather than diminish competition.

No. 3—**Portland Trust Bank,** Portland, Oreg. *to merge with*	31,800	5	[3] 8
The Valley National Bank of Milton, Milton-Freewater, Oreg., and change its title to The Oregon Bank	3,100	1	

SUMMARY REPORT BY ATTORNEY GENERAL (6-20-60)

The Department of Justice reports that the proposed merger of Portland Trust Bank of Portland, Oreg., and Valley National Bank of Milton, Milton-Freewater, Oreg., would not have significant adverse competitive effects.

Portland Trust Bank has assets of approximately $31.8 million, loans and discounts of $15.4 million, deposits of $29.2 million, and capital accounts of slightly more than $2 million. There are far larger banks headquartered in Portland: First National Bank of Oregon, Portland, and United States National Bank of Portland, each with more than $900 million in assets. And Bank of California with a branch in Portland has assets in excess of $600 million. Organized in the 1880's, Portland Trust has had no history of mergers, acquisitions, or consolidations with other banks.

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (7-25-60)

Milton-Freewater is situated in Umatilla County in the northeastern corner of the State approximately 250 miles east of Portland. A branch of Portland Trust has been authorized for Pendleton, located about 35 miles southwest of Milton-Freewater, but is not yet in operation. Portland Trust makes the bulk of its loans to commercial and urban borrowers in the Portland area, whereas Valley National's lending is confined to farmers and agricultural enterprises in the Milton-Freewater community. While the proposed merger and the establishment of the approved branch in Pendleton will give the resulting bank—The Oregon Bank—two branches in the Milton-Freewater trade area, many of the existing competing offices of other banks are considerably larger and have been serving the area a number of years. The proposed merger would not appear to change the competitive position of the Portland Trust in the Portland area, and it will provide expanded banking services for the Milton-Freewater area.

No. 4—**The Bank of Virginia,** Richmond, Va. *to acquire the assets and assume the liabilities of*	140,500	16	20
Chesterfield County Bank, Chester, Va.	2,600	4	

SUMMARY REPORT BY ATTORNEY GENERAL (7-1-60)

The Bank of Virginia, with seven offices and two facilities in the competitive area, including Richmond, proposes to purchase the assets and assume the liabilities of Chesterfield County Bank, Chester, Va., which operates three offices and one facility south of Richmond. Among the 10 banks in the area, The Bank of Virginia is the third largest and has 16.4 per cent of total assets; Chesterfield County Bank is tenth and has 0.3 of 1 per cent of total assets.

It does not appear that the proposed transaction would have a substantial adverse effect on competition in banking in the trade area.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (7-27-60)

Chesterfield County Bank is the only bank in Chesterfield County and through three small branches and a military facility enjoys a technical 100 per cent monopoly in the county. However, significant competition throughout the trade area, of which Chesterfield County is but a part, is provided by offices of large and medium-size banks in Richmond, Petersburg, and Hopewell, as well as offices of other types of saving and lending institutions. The proposed purchase of assets and assumption of liabilities of Chesterfield County Bank by Bank of Virginia will in-

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS—CONT.

tensify rather than diminish competition in the trade area in that it will bring to the communities served by the Chesterfield Bank expanded and improved banking facilities.

No. 5—**Harris Trust and Savings Bank,** Chicago, Ill.	754,400	1	[4] 1
to merge with			
Chicago National Bank, Chicago, Ill.	190,400	1	

SUMMARY REPORT BY ATTORNEY GENERAL (7-24-60)

The merger of the Harris Trust and Savings Bank with the Chicago National Bank would have the following effects upon competition in commercial banking in the Chicago area:

(1) It would increase banking concentration in the Chicago area to the point where the four largest banks in the area would account for over 85 per cent of the deposits and over 88 per cent of the loans in the Chicago central business district and over 62 per cent of the deposits and 71 per cent of the loans in the city of Chicago as a whole. This increase in banking concentration would further the already existing tendency toward monopoly by the largest commercial banks in the Chicago area.

(2) It would eliminate Chicago National as an independent competitive entity, thereby eliminating an alternative source of commercial banking services.

(3) Although Harris and Chicago National offer banking services which differ in a number of important respects, the merger would eliminate some presently existing competition between the banks, and, more important, would eliminate potential competition between them.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (7-27-60)

As of December 31, 1959, there were 79 banks with total deposits of $10,821 million in the city of Chicago. Twelve banks, including the Harris Trust and Savings Bank and its three largest competitors, were located in the central business district and had total deposits of $7,917 million. Chicago National Bank is the seventh largest bank and is located one block from Harris Trust. Harris Trust, the third largest bank, has 6.8 per cent of the total deposits of all banks in the city of Chicago and 9.3 per cent of the total deposits of the 12 banks in the central business district. Following the proposed merger, Harris Trust will remain the third largest bank and will have 8.7 per cent of the total deposits of all banks in the city of Chicago and 11.9 per cent of the total deposits of the 11 remaining banks in the central business district. The

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices: In operation	Banking offices: To be operated

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS—CONT.

three largest competitors of Harris Trust will have, respectively, 25.0, 22.1, and 6.5 per cent of the total deposits of all banks in Chicago and 34.2, 30.2, and 8.9 per cent of the total deposits of the banks in the central business district.

The business of Harris Trust can be characterized as "wholesale banking" whereas that of Chicago National is confined largely to "retail banking." While the proposed merger will eliminate a sizable competing bank in the Chicago area, the lessening of competition in banking would not be significant in view of the proximity of the resulting bank to other important banking sources. Furthermore, the transaction will result in a somewhat stronger competitor with larger resources and more diversified services that will enable it to compete more effectively with the two far larger banks in Chicago.

No. 6—**Depositors Trust Company,** Augusta, Maine	92,500	23	24
to merge with			
The First National Bank of Belfast, Belfast, Maine	6,400	1	

SUMMARY REPORT BY ATTORNEY GENERAL (7-12-60)

The First National Bank of Belfast, with assets of $6.4 million, deposits of $5.4 million, and capital accounts of $0.7 million serves a trade area of Belfast, Maine, and surrounding Waldo County, with a population of approximately 24,000 persons. The Depositors Trust Company has branches in 22 cities and towns and is the largest commercial bank in Maine, with assets of $92 million and deposits of $81 million. The trade area served by Depositors Trust is comprised of 10 counties with approximately 332,000 persons.

According to the information submitted, Depositors Trust and First National Bank of Belfast do not serve the same trade areas, have no common borrowers, and only three common depositors. Trade areas presently served by the two banks are contiguous. Of the combined trade areas served by the banks, Depositors Trust would account for approximately 15 per cent of total deposits and First National approximately 1 per cent, giving a combined percentage of approximately 16 per cent of the total trade area bank deposits. In the area presently served by First National, banking services are also provided by two branches of the Merrill Trust Company.

In view of the fact that the applicant banks do not presently compete, that the trade areas served by The First National Bank of Belfast are also served by branch offices of another bank, it does not appear that the merger will have a substantial adverse effect upon competition.

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (8-4-60)

The proposed merger would not appear to alter the competitive position of Depositors Trust Company in the Augusta area or in the State of Maine. Strong competition would continue to be provided in the service area of The First National Bank of Belfast, principally by a branch of another large bank in that city. The proposed merger would provide present customers of The First National Bank with expanded banking services and a larger source of credit and would increase banking competition in the community.

No. 7—**Commercial Trust Company of New Jersey,** Jersey City, N.J.	139,800	9	11
to acquire the assets and assume the liabilities of			
Weehawken Trust Company, Union City, N.J.	27,700	2	

SUMMARY REPORT BY ATTORNEY GENERAL (7-20-60)

On the basis of the information submitted it does not appear that the merging banks are in active competition in the area affected. Thus it appears that there will not be any substantial elimination of competition as a result of the acquisition. One effect of the acquisition on competition in the area involved will be the entry of a fourth large Jersey City bank to compete with those already there.

The increase in the size and power of Commercial Trust as a result of the acquisition, although substantial, would not seem to be sufficient to cause any marked tendency toward monopoly, either within the Union City banking area or the larger banking area in Hudson County. After the acquisition, Commercial Trust would still be appreciably smaller than First National Bank of Jersey City and closely competitive with Trust Company of New Jersey and Hudson County National Bank. However, any further acquisition by Commercial Trust might raise substantial questions in this particular.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (8-15-60)

The Jersey City-Union City area constitutes a single, contiguous residential, commercial, and industrial complex. As of December 31, 1959, the area was served by nine commercial banks operating 47 banking offices and having aggregate deposits of $731 million, as well as three savings banks with aggregate deposits of $183 million. The proposed purchase of assets and assumption of liabilities of the Weehawken Trust Company by Commercial Trust Company of New Jersey will combine

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS—CONT.

the second largest commercial bank with the ninth largest, and the resulting bank will remain the second largest in the Jersey City-Union City area. It will control 20.6 per cent of commercial bank deposits and 16.4 per cent of all bank deposits in that area. The resulting bank would neither be so large as to enjoy an undesirable competitive advantage nor would it operate so many branches as to have a monopoly of banking outlets in Jersey City, Union City, or the larger banking area of Hudson County. Since the two banks involved serve completely different parts of the over-all Jersey City-Union City area, the proposed acquisition will result in very little if any elimination of competition. Contrariwise, it appears probable that entrance of the resulting larger Commercial Trust into Union City should provide greater services for customers of Weehawken Trust and stimulate competition in the area.

No. 8—**Security-Mutual Bank and Trust Company,** St. Louis, Mo.	86,100	1	2
to merge with			
The Plaza Bank of St. Louis, St. Louis, Mo.	15,800	1	

SUMMARY REPORT BY ATTORNEY GENERAL (6-17-60)

While the merger will eliminate The Plaza Bank as a competitor in St. Louis, the competition eliminated does not appear to be substantial in the context of the available banking resources in St. Louis.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (8-19-60)

This merger will result in the elimination of The Plaza Bank of St. Louis, as an independent, competitive banking unit, and in the conversion of its premises into a limited service drive-in/walk-up facility of Security-Mutual Bank and Trust Company. There will be some lessening of services to customers of The Plaza Bank on the premises. However, banks within the trade area would continue to offer a generally wide choice of convenient, adequate, and competitive banking services to meet the needs of individuals, businesses, and the community. Furthermore, the increase in total resources and loaning limits of Security-Mutual will enable that institution to compete more effectively with four larger banks in the city.

No. 9—**Marine Midland Trust Company of Central New York,** Syracuse, N.Y.	378,000	15	17
to merge with			
Auburn Trust Company, Auburn, N.Y.	21,700	2	

For notes see p. 149.

Name of bank, and type of transaction [2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL (8-18-60)

The Marine Midland Trust Company of Central New York and the Auburn Trust Company are both subsidiaries of the Marine Midland Corporation, a bank holding company. Because of this fact, it is our conclusion that any lessening of competition or tendency toward monopoly which might result from the combination of these banks took place when control of both banks was obtained by the Marine Midland Corporation. We therefore believe that no further substantial anticompetitive effects would result from the presently proposed merger. This conclusion is also supported by the fact that these banks serve different communities and that there appears to be little or no presently existing competition between them.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (9-9-60)

Marine Midland Corporation, Buffalo, N. Y., a bank holding company, owns a majority of the common stock of Marine Midland Trust Company of Central New York and Auburn Trust Company. Permitting the holding company to merge the two banks into a single unit will not change the existing competitive situation.

No. 10—**The Liberty Trust Company,** Cumberland, Md.	29,700	3	4
to merge with			
First State Bank of Grantsville, Grantsville, Md.	3,100	1	

SUMMARY REPORT BY ATTORNEY GENERAL (8-26-60)

The Liberty Trust Company is at the present time the largest of the three commercial banks in Cumberland, Md. The First State Bank of Grantsville is the only bank in that town, a community of approximately 500 persons. Because of the fact that these banks are located in different trade areas, no presently existing competition would be eliminated by their merger. Furthermore, the merger would not appear to substantially increase the advantages of The Liberty Trust Company over its smaller competitors, nor would it further any tendency toward monopoly. For these reasons, it is our conclusion that this merger would have no substantial adverse effects on competition.

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (9-9-60)

First State Bank has its only office in Grantsville, about one mile south of the Pennsylvania State line and 24 miles west of Cumberland, Md. It serves a distinctive trade area depending largely on marginal farming, coal mining and lumbering, and does not compete actively with The Liberty Trust Company, the largest of three commercial banks in Cumberland. The moderate increase in total resources resulting from the merger will not materially enhance the competitive position of The Liberty Trust Company, but the extension of its larger resources and broader services to Grantsville should contribute substantially to the convenience and needs of that community and the surrounding area.

No. 11—**Peoples Union Bank and Trust Company,** McKeesport, Pa.	104,000	9	10
to merge with			
The First National Bank of Duquesne, Duquesne, Pa.	13,100	1	

SUMMARY REPORT BY ATTORNEY GENERAL (8-15-60)

Peoples Union Bank and Trust Company, McKeesport, Pa., and The First National Bank of Duquesne, Duquesne, Pa., are both located in Allegheny County, Pa.

Subsequent to the merger the resulting commercial bank would have about 31 per cent of the total resources of the commercial banking institutions located in the trading area described by the Applicants. As such it would rank second to Western Pennsylvania National which with its 26 branches within a 20 or 30-mile radius presently has 57 per cent of total resources in such area. Except for the banks in and around Pittsburgh which could be expected to offer competition, at least in the case of individual loans, to Peoples-First National, the merged bank along with Western Pennsylvania National would dwarf the four remaining smaller commercial banking institutions in the trading area on the basis of total resources.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (9-19-60)

Both the Peoples Union Bank and Trust Company, McKeesport, and the First National Bank of Duquesne are situated within the metropolitan area of Pittsburgh in which there are 15 commercial banks. The respective cities are located on opposite sides of the Monongahela River and the banks in McKeesport are not in active competition with the banks in Duquesne. However, there are five branches of large Pittsburgh commercial banks located within a radius of nine miles of the McKeesport-Duquesne area

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

Basis for Approval by the Board of Governors—cont.

and various of these branches furnish competition to each of the merging banks and the other six banks in that area. If the proposed merger is effected, The First National Bank of Duquesne, a relatively small unit bank operating under ultra-conservative management, would be replaced by a branch of a larger, more aggressively managed institution. The public in the Duquesne area would benefit from improved and broader banking services, and competition would be stimulated to that extent. In the city of McKeesport, the resulting Peoples Union Bank and Trust Company, with increased resources and lending limits, would be able to compete more effectively with a larger local competitor, as well as with banks in Pittsburgh.

No. 12—**Bankers Trust Company,** New York, N.Y.	3,044,800	47	48
to merge with			
The South Shore Bank of Staten Island, Great Kills, New York, N.Y.	4,100	1	

Summary Report by Attorney General (9-12-60)

The Department of Justice has reported to the Board of Governors of the Federal Reserve System that the proposed merger of the Bankers Trust Company, New York, N. Y., and The South Shore Bank of Staten Island, Great Kills, Staten Island, N. Y., would not have any substantial adverse effects on competition.

The Bankers Trust Company operates 46 banking offices in Manhattan, the Bronx, Brooklyn, and Queens; its total assets are over $3 billion and its deposits are approximately $2.6 billion. It does not operate any banking offices on Staten Island. It is the sixth largest bank in New York City and the ninth largest commercial bank in the United States.

The South Shore Bank of Staten Island operates a single banking office in Great Kills on the southern shore of Staten Island. As of May 31, 1960, it had total assets of approximately $4 million and deposits of approximately $3.5 million.

Including the South Shore Bank, there are five commercial banks on the Island with 13 banking offices. Three of New York City's largest commercial banks operate banking offices on the Island, although none of these offices is in the primary trade area of the South Shore Bank.

The South Shore Bank has not been a vigorous competitive factor on Staten Island in recent years. Its deposits and earnings have fallen off despite the fact that the surrounding communities have been growing steadily and its potential market has been constantly expanding. There is no reason to believe that the bank will be able to compete any more

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

successfully for the new business which will be available even within its own trade area as a result of the intensified industrial, commercial, and residential development anticipated during the next 10 years. If the merger is effected, the Bankers Trust Company will become a major competitive factor on Staten Island for the first time and a serious competitor of the existing branches of the large New York City banks. The merger will result in the elimination of a relatively ineffective competitive factor which has been unable to hold its own position with respect to the other commercial banks on the Island. The resulting increase in concentration in the greater New York City area would be minimal.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (9-21-60)

Bankers Trust Company has total resources of more than $3 billion and operates 45 branches in New York City and 2 branches in London, England. The in-town branches are located in 4 of 5 boroughs: 17 in Manhattan, 10 in the Bronx, 9 in Brooklyn, and 9 in Queens. Bankers has no branches in Richmond County, and none of its branches are within the trade area of The South Shore Bank of Staten Island, which has deposits of about $4 million and no branches. The population of the Great Kills trade area has increased from 16,000 in 1957 to an estimated 18,000 in 1960, and accelerated growth is expected upon the opening of the new Narrows Bridge connecting Staten Island and Brooklyn. The fact that The South Shore Bank has not contributed its fair share to the growing area is indicated by its deposits, which have been virtually unchanged since the mid-1940's, and by its loans, which now represent only 26 per cent of total assets. There is no reason to believe the policies of the bank will change in view of its current management. It is believed the establishment of a branch of Bankers Trust Company in Great Kills will stimulate competition, particularly at the county level, and will also make available to residents of the Great Kills area more and better services. It will have little effect on the competitive situation in the New York metropolitan area outside Great Kills and Richmond County.

No. 13—**York Trust Company,** York, Pa.	36,600	5	12
to consolidate with			
The York National Bank and Trust Company, York, Pa.	53,500	7	
under the new charter and title of The York Bank and Trust Company, York, Pa.			

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL (10-11-60)

The consolidating banks are undoubtedly competitors and offer generally equivalent types of services. Thus, the consolidation will result in the total elimination of existing competition between these two banking institutions.

The proposed consolidation will introduce into York, Pa., a commercial bank significantly larger than the four remaining banks in the city of York and would thus tend to create an environment wherein these banks may have greater difficulty competing. There is a serious question as to the extent and degree of competition given banks in the city of York on the part of other banks located throughout the county, some of which are at some distance from the city of York, and this fact also recommends against increasing concentration in York City. Thus, the proposed consolidation would have an adverse effect on competition in banking in the city and county of York, Pa.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (11-8-60)

There are 20 banks with head offices in York County operating 27 offices and holding deposits of individuals, partnerships, and corporations (IPC deposits) varying from about $1 million to more than $61 million. The proposed consolidation would combine the second and fourth largest banks in the county and the resulting York Bank and Trust Company, with IPC deposits of $69 million, would become the largest bank in the city and county of York. York is an active industrial area, and there is a strong need for a second large bank to serve the business community. Although the proposal would eliminate one competing bank, the resulting bank, because of its increased size, lending capacity, and broader banking services as well as improved management, would be able to compete more effectively with the currently largest bank, thereby stimulating competition in both the city and county. There would remain a number of alternative banking facilities in the city and county of York, and it is not believed that the proposed consolidation would create an environment tending to make it more difficult for these banks to compete with the resulting bank or the currently largest bank in the area.

No. 14—**Wells Fargo Bank American Trust Company,** San Francisco, Calif.	2,524,500	119	123
to merge with			
Northern Counties Bank, Marysville, Calif.	52,500	4	

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL (9-26-60)

The merger of the Wells Fargo Bank American Trust Company, now the third largest bank in California, and Northern Counties Bank would have the following effects upon competition in the State of California:

(1) It would increase banking concentration in the State of California. Within the current year Applicant has already increased its deposits by nearly one-third by acquisition.

(2) It would eliminate Northern Counties as an independent competitive entity, thereby eliminating another source of commercial banking services.

(3) Eight of the nine banking offices in the Sutter-Yuba Counties area would be controlled by Bank of America and Applicant.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (11-30-60)

Marysville, population 9,600, is located 125 miles northeast of San Francisco and 40 miles north of Sacramento, and serves an area that includes parts of Sutter, Yuba, and Butte Counties. There are four banks with a total of 13 banking offices in the service area of Northern Counties Bank. The nearest offices of Wells Fargo Bank American Trust Company are located in Sacramento, North Sacramento, and Woodland, approximately 35 to 40 miles south of Marysville. Because of the distances involved, competition between these offices and those of Northern Counties Bank is negligible; however, Northern is subject to intense competition from other large banks with which Wells Fargo actively competes in other areas. The proposed merger would replace Northern Counties with a stronger banking institution offering a wider variety of banking services, and would intensify competition with offices of other large banking organizations, and eliminate a current management succession problem in Northern Counties Bank.

No. 15—**Wachovia Bank and Trust Company** Winston Salem, N.C.	623,500	71	[5] 79
to merge with			
Commercial National Bank of Kinston, Kinston, N.C.	11,000	5	

SUMMARY REPORT BY ATTORNEY GENERAL (11-16-60)

Wachovia Bank and Trust Company, with its main office in Winston-Salem, N. C., and 66 branches across the State, proposes to acquire Commercial National Bank of Kinston, operating three offices in Kinston and one each in Morehead City and Sealevel, all in eastern North Carolina. As of June 30, 1960, Wachovia, the biggest bank in the State and

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

one of the biggest in the nation, had total assets of $623,503,000, total net loans and discounts of $316,139,000, total deposits of $540,287,000, and total capital funds of $49,527,000.

Commercial, as of the same date, had total assets of $10,956,000, total net loans and discounts of $5,964,000, total deposits of $9,430,000, and total capital funds of $1,166,000.

There is some competition presently between a branch of Wachovia in LaGrange and Commercial in Kinston which would be eliminated by the merger.

The principal reason for the merger is the death of the founder-president of Commercial and the apparent inability of the bank to obtain a successor even though its search was aided by Wachovia, its correspondent. This special circumstance may outweigh the anticompetitive effects which would flow from the merger.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (12-16-60)

Wachovia Bank and Trust Company has total resources of $623.5 million and operates 71 offices in 25 cities and towns situated in 18 of the 100 counties in the State. The counties in which branches are domiciled extend in a somewhat scattered pattern from east to west across the State and include one of the two counties—Lenoir and Carteret—in which Commercial National Bank of Kinston, N. C. (total resources approximately $11 million) operates its head office and four branches. Wachovia Bank has no office in the city of Kinston, Lenoir County, and its only branch in the county, located in the town of LaGrange, has but 6.5 per cent of all deposits in the county. Wachovia has no office in Carteret County. The proposed merger would give Wachovia 44.6 per cent of all deposits and four of the 10 banking offices in Lenoir County and 20.3 per cent of all deposits and two of the four banking offices in Carteret County. Competition in Lenoir County would continue to be afforded by four offices of the third largest bank in the State (total resources $238 million), which has 31.5 per cent of county deposits, and two offices of the fifth largest bank (total resources $98 million) with 23.9 per cent of county deposits. Competition in Carteret County would be afforded by four offices of the fifth largest bank with 79.7 per cent of all deposits in the county. Although one relatively small independent bank would be eliminated, the competition between three larger institutions, having broader services, would be intensified in the area. No one institution would have a monopoly in either Lenoir or Carteret Counties after the merger, and statewide Wachovia's aggregate deposits would be increased only from 21.5 to 22.0 per cent of total deposits.

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS—CONT.

In addition, the merger will eliminate a serious management succession problem in Commercial National Bank of Kinston growing out of the death of its chief managing officer and the concurrent incapacitating illness of his intended replacement.

No. 16—**Security Bank,** Lincoln Park, Mich. *to merge with*	95,600	11	12
The Peoples State Bank, New Boston, Mich.	2,200	1	

SUMMARY REPORT BY ATTORNEY GENERAL (10-27-60)

With 22 other banks, some much larger in size than the combined operations of both Peoples State and Security Bank, doing business within a relatively short distance of New Boston, and the resulting bank, after merger, acquiring control (as of Dec. 31, 1959) of but 1.82 per cent of demand and time deposits and 2.19 per cent of the loans and discounts business in the area, the proposed merger would not appear to have a substantial adverse effect on competition or tend to create a monopoly.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (12-16-60)

The competition between the Security Bank and The Peoples State Bank is negligible, and the smaller Peoples State Bank, which will be eliminated, is competing with a number of larger banks that dwarf it in size and ability to render additional services. Its replacement by a branch of the resulting bank will provide expanded service and bring more effective competition to a developing area.

No. 17—**Provident Tradesmens Bank and Trust Company,** Philadelphia, Pa. *to merge with*	533,800	13	14
The Collegeville National Bank, Collegeville, Pa.	6,700	1	

SUMMARY REPORT BY ATTORNEY GENERAL (12-19-60)

Provident Tradesmens Bank and Trust Company, Philadelphia, Pa., proposes to merge with Collegeville National Bank, Collegeville, Pa. Provident, the fourth largest bank in Philadelphia with total assets of $533,827,000, operates 20 offices in and around Philadelphia, including one office at Ambler, Montgomery County, and two in Bucks County at Sellersville and Quakertown, all three of which are not far from College-

For notes see p. 149.

Name of bank, and type of transaction[2] (in chronological order of determination)	Resources (in thousands of dollars)	Banking offices	
		In operation	To be operated

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

ville. Collegeville has total assets of $6,664,000 and operates only the one office. It does not offer trust services.

Major competitors of Collegeville National include Montgomery County Bank and Trust, with 11 offices in the county; Peoples National Bank of Norristown, with five offices in the county; and Philadelphia National Bank, the second largest bank in Philadelphia, with seven offices in the county.

The merger, if consummated, would mean the elimination of another independent competitive factor and when considered together with Philadelphia National's proposed merger with Girard Trust Corn Exchange Bank, the third largest bank in the city, would have serious adverse effects on competition in banking in the service area.

The only mitigating factor is that Collegeville National has been without senior management since August 1960, following the resignation of its two principal full-time officers. The morale of the bank's personnel and community relations have both been adversely affected by top management friction and inadequacies. Following the decision to merge, two assistant vice presidents of Provident were loaned to Collegeville National to relieve the shortage of experienced management personnel.

In the light of this special situation, the anticompetitive effects of this merger may be outweighed by the need for senior management.

BASIS FOR APPROVAL BY THE BOARD OF GOVERNORS (12-28-60)

Provident Tradesmens Bank and Trust Company has far greater resources and offers much broader banking services than The Collegeville National Bank. The proposed merger would solve an acute management problem, which the small national bank has been experiencing during the past five months, and would end concern with respect to unfavorable earnings prospects by blending its activities into those of a larger and more efficiently operated bank. There is currently very little competition between the two institutions. It may be expected that the conversion of the national bank into a branch of Provident Tradesmens Bank will stimulate competition with branches of an even larger Philadelphia bank and other large banks operating in the area.

[1] During this period the Board disapproved three mergers, etc. However, under Section 18(c) of the Federal Deposit Insurance Act, as amended effective May 13, 1960, only those transactions approved by the Board must be described in its Annual Report to the Congress.

[2] Except where specifically stated the merger, consolidation, acquisition of assets, or assumption of liabilities was effected under the charter of the first named bank.

[3] Includes two branches of Portland Trust Company authorized but not yet established.

[4] Head office of Chicago National Bank will be closed.

[5] Includes three branches of Wachovia Bank and Trust Company authorized but not yet established.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1960]

	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, 1974

WOODLIEF THOMAS, *Adviser to the Board*
RALPH A. YOUNG, *Adviser to the Board*
JEROME W. SHAY, *Legislative Counsel*
CHARLES MOLONY, *Assistant to the Board*
CLARKE L. FAUVER, *Assistant to the Board*

OFFICE OF THE SECRETARY

MERRITT SHERMAN, *Secretary*
KENNETH A. KENYON, *Assistant Secretary*
ELIZABETH L. CARMICHAEL, *Assistant Secretary*

LEGAL DIVISION

HOWARD H. HACKLEY, *General Counsel*
DAVID B. HEXTER, *Assistant General Counsel*
G. HOWLAND CHASE, *Assistant General Counsel*
THOMAS J. O'CONNELL, *Assistant General Counsel*
WILSON L. HOOFF, *Assistant General Counsel*

DIVISION OF RESEARCH AND STATISTICS

GUY E. NOYES, *Director*
FRANK R. GARFIELD, *Adviser*
ALBERT R. KOCH, *Adviser*
ROLAND I. ROBINSON, *Adviser*
DANIEL H. BRILL, *Associate Adviser*
LEWIS N. DEMBITZ, *Associate Adviser*
KENNETH B. WILLIAMS, *Associate Adviser*

DIVISION OF INTERNATIONAL FINANCE

ARTHUR W. MARGET, *Director*
J. HERBERT FURTH, *Associate Adviser*
A. B. HERSEY, *Associate Adviser*
ROBERT L. SAMMONS, *Associate Adviser*

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Cont.

Division of Bank Operations

John R. Farrell, *Director*
Gerald M. Conkling, *Assistant Director*
M. B. Daniels, *Assistant Director*
John N. Kiley, Jr., *Assistant Director*

Division of Examinations

Frederic Solomon, *Director*
Robert C. Masters, *Associate Director*
C. C. Hostrup, *Assistant Director*
Fred A. Nelson, *Assistant Director*
Glenn M. Goodman, *Assistant Director*
Henry Benner, *Assistant Director*
James C. Smith, *Assistant Director*
Lloyd M. Schaeffer, *Chief Federal Reserve Examiner*

Division of Personnel Administration

Edwin J. Johnson, *Director*
H. Franklin Sprecher, Jr., *Assistant Director*

Division of Administrative Services

Joseph E. Kelleher, *Director*
Harry E. Kern, *Assistant Director*

Office of the Controller

J. J. Connell, *Controller*
Sampson H. Bass, *Assistant Controller*

Office of Defense Planning

Innis D. Harris, *Coordinator*

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1960]

MEMBERS

WM. McC. MARTIN, JR., *Chairman* (Board of Governors)

ALFRED HAYES, *Vice Chairman* (Elected by Federal Reserve Bank of New York)

C. CANBY BALDERSTON (Board of Governors)

KARL R. BOPP (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)

MALCOLM BRYAN (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)

W. D. FULTON (Elected by Federal Reserve Banks of Cleveland and Chicago)

G. H. KING, JR. (Board of Governors)

H. G. LEEDY (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)

A. L. MILLS, JR. (Board of Governors)

J. L. ROBERTSON (Board of Governors)

CHAS. N. SHEPARDSON (Board of Governors)

M. S. SZYMCZAK (Board of Governors)

OFFICERS

RALPH A. YOUNG,
Secretary

MERRITT SHERMAN,
Assistant Secretary

KENNETH A. KENYON,
Assistant Secretary

HOWARD H. HACKLEY,
General Counsel

DAVID B. HEXTER,
Assistant General Counsel

WOODLIEF THOMAS,
Economist

HARRY BRANDT,
Associate Economist

DAVID P. EASTBURN,
Associate Economist

L. MERLE HOSTETLER,
Associate Economist

ARTHUR W. MARGET,
Associate Economist

GUY E. NOYES,
Associate Economist

ROBERT V. ROOSA,
Associate Economist

CLARENCE W. TOW,
Associate Economist

AGENT

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

During 1960 the Federal Open Market Committee met approximately every three weeks as indicated in the Record of Policy Actions taken by the Committee (see pp. 34-75 of this Report).

FEDERAL ADVISORY COUNCIL

[December 31, 1960]

MEMBERS

District No. 1—OSTROM ENDERS, President, Hartford National Bank and Trust Company, Hartford, Connecticut

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 C. PERSONS, Chairman of the Board, The First National Bank of Birmingham, Birmingham, Alabama.

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

District No. 8—NORFLEET TURNER, Chairman of the Board, The First National Bank of Memphis, Memphis, Tennessee.

District No. 9—GORDON MURRAY, President, First National Bank of Minneapolis, Minneapolis, Minnesota.

District No. 10—R. OTIS MCCLINTOCK, Senior Chairman of the Board, The First National Bank and Trust Company of Tulsa, Tulsa, Oklahoma.

District No. 11—I. F. BETTS, President, The American National Bank of Beaumont, Beaumont, Texas.

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

OFFICERS

HOMER J. LIVINGSTON, President — CASIMIR A. SIENKIEWICZ, Vice President

HERBERT V. PROCHNOW, Secretary

WILLIAM J. KORSVIK, Assistant Secretary

EXECUTIVE COMMITTEE

HOMER J. LIVINGSTON, *ex officio* — CASIMIR A. SIENKIEWICZ, *ex officio*

JOHN J. MCCLOY — REUBEN B. HAYS

GORDON MURRAY

Meetings of the Federal Advisory Council were held on February 15-16, May 16-17, September 14-15, and November 14-15, 1960. The Board of Governors met with the Council on February 16, May 17, September 15, and November 15. 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, 1960]

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	Philip D. Reed	Forrest F. Hill
Philadelphia	Henderson Supplee, Jr.	Walter E. Hoadley
Cleveland	Arthur B. Van Buskirk	Joseph H. Thompson
Richmond	Alonzo G. Decker, Jr.	Edwin Hyde
Atlanta	Walter M. Mitchell	Henry G. Chalkley, Jr.
Chicago	Bert R. Prall	Robert P. Briggs
St. Louis	Pierre B. McBride	J. H. Longwell
Minneapolis	O. B. Jesness	Atherton Bean
Kansas City	Raymond W. Hall	Joe W. Seacrest
Dallas	Robert J. Smith	Lamar Fleming, Jr.
San Francisco	F. B. Whitman	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 1-2, 1960, and was attended by members of the Board of Governors and also by the Deputy Chairmen of the Federal Reserve Banks.

Mr. Mitchell, Chairman of the Federal Reserve Bank of Atlanta, was elected Chairman of the Conference and of the Executive Committee in December 1959. Mr. Van Buskirk, Chairman of the Federal Reserve Bank of Cleveland, and Mr. McBride, Chairman of the Federal Reserve Bank of

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

St. Louis, served with Mr. Mitchell as members of the Executive Committee, Mr. Van Buskirk also serving as Vice Chairman of the Conference.

At the meeting held in December 1960, Mr. Van Buskirk was elected Chairman of the Conference and of the Executive Committee; Mr. McBride was elected Vice Chairman and a member of the Executive Committee; and Mr. Whitman, Chairman of the Federal Reserve Bank of San Francisco, was elected as the other member of the Executive Committee.

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.

(Directors of each Federal Reserve Bank and branch are listed on the following pages.)

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

District 1—Boston

DIRECTORS		Term expires Dec. 31
Class A:		
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
William D. Ireland	President, State Street Bank and Trust Company, Boston, Mass.	1962
Class B:		
William R. Robbins	Vice President and Controller, United Aircraft Corporation, East Hartford, Conn.	1960
Eugene B. Whittemore	President and Treasurer, The Morley Company, Portsmouth, N.H.	1961
Milton P. Higgins	President, Norton Company, Worcester, Mass.	1962
Class C:		
Robert C. Sprague	Chairman and Treasurer, Sprague Electric Company, North Adams, Mass.	1960
Erwin D. Canham	Editor, The Christian Science Monitor, Boston, Mass.	1961
Nils Y. Wessell	President, Tufts University, Medford, Mass.	1962

District 2—New York

Class A:		
Cyrus M. Higley	President and Trust Officer, The Chenango County National Bank and Trust Company of Norwich, Norwich, N.Y.	1960
Henry C. Alexander	Chairman of the Board, Morgan Guaranty Trust Company of New York, New York, N.Y.	1961
César J. Bertheau	Chairman of the Board, Peoples Trust Company of Bergen County, Hackensack, N.J.	1962
Class B:		
Augustus C. Long	Chairman of the Board, Texaco Inc., New York, N.Y.	1960
B. Earl Puckett	Chairman of the Board, Allied Stores Corporation, New York, N.Y.	1961
Kenneth H. Hannan	Executive Vice President, Union Carbide Corporation, New York, N.Y.	1962
Class C:		
Forrest F. Hill	Vice President, The Ford Foundation, New York, N.Y.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
James DeCamp Wise	Chairman of the Board, Bigelow-Sanford Carpet Company, Inc., New York, N.Y.	1961
Philip D. Reed	Formerly Chairman of the Board, General Electric Company, New York, N.Y.	1962

Buffalo Branch

Appointed by Federal Reserve Bank:

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
Howard N. Donovan	President, Bank of Jamestown, Jamestown, N.Y.	1962

Appointed by Board of Governors:

Thomas E. LaMont	Farmer, Albion, N.Y.	1960
Whitworth Ferguson	President, Ferguson Electric Construction Co., Inc., Buffalo, N.Y.	1961
Raymond E. Olson	President, Taylor Instrument Companies, Rochester, N.Y.	1962

District 3—Philadelphia

Class A:

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
Frederic A. Potts	President, The Philadelphia National Bank, Philadelphia, Pa.	1962

Class B:

Bayard L. England	Chairman, Atlantic City Electric Company, Atlantic City, N.J.	1960
Frank R. Palmer	Chairman, The Carpenter Steel Company, Reading, Pa.	1961
R. Russell Pippin	Treasurer, E. I. du Pont de Nemours & Company, Wilmington, Del.	1962

Class C:

Walter E. Hoadley	Vice President and Treasurer, Armstrong Cork Company, Lancaster, Pa.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Henderson Supplee, Jr.	President, The Atlantic Refining Company, Philadelphia, Pa.	1961
David C. Bevan	Vice President, Finance, The Pennsylvania Railroad Company, Philadelphia, Pa.	1962

District 4—Cleveland

Class A:		
Paul A. Warner	President, The Oberlin Savings Bank Company, Oberlin, Ohio	1960
Ray H. Adkins	President, The National Bank of Dover, Dover, Ohio	1961
Francis H. Beam	Chairman of the Board, The National City Bank of Cleveland, Cleveland, Ohio	1962
Class B:		
Joseph B. Hall	President, The Kroger Co., Cincinnati, Ohio	1960
Charles Z. Hardwick	Executive Vice President, The Ohio Oil Company, Findlay, Ohio	1961
W. Cordes Snyder, Jr.	Chairman and President, Blaw-Knox Company, Pittsburgh, Pa.	1962
Class C:		
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
Joseph H. Thompson	Vice Chairman, The M. A. Hanna Company, Cleveland, Ohio	1962

Cincinnati Branch

Appointed by Federal Reserve Bank:		
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 Bank, Cincinnati, Ohio	1961
LeRoy M. Miles	President, First National Bank and Trust Company of Lexington, Lexington, Ky.	1962
Appointed by Board of Governors:		
W. Bay Irvine	President, Marietta College, Marietta, Ohio	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Ivan Jett	Farmer, Georgetown, Ky.	1961
Howard E. Whitaker	Chairman of the Board, Mead Corporation, Dayton, Ohio	1962

Pittsburgh Branch

Appointed by Federal Reserve Bank:

Lawrence O. Hotchkiss	President, The First National Bank of Mercer, Mercer, Pa.	1960
Irving W. Wilson	Chairman of the Finance Committee, Aluminum Company of America, Pittsburgh, Pa.	1960
A. B. Bowden	Vice President, Mellon National Bank and Trust Company, Pittsburgh, Pa.	1961
Samuel R. Evans	President, Windber Trust Company, Windber, Pa.	1962

Appointed by Board of Governors:

John C. Warner	President, Carnegie Institute of Technology, Pittsburgh, Pa.	1960
William A. Steele	President, Wheeling Steel Corporation, Wheeling, W. Va.	1961
John T. Ryan, Jr.	President, Mine Safety Appliances Company, Pittsburgh, Pa.	1962

District 5—Richmond

Class A:

Denver L. Morgan	Executive Vice President, The Charleston National Bank, Charleston, W.Va.	1960
A. Scott Offutt	President, The First National Bank of Washington, Washington, D.C.	1961
H. H. Cooley	President, The Round Hill National Bank, Round Hill, Va.	1962

Class B:

Robert O. Huffman	President, Drexel Furniture Company, Drexel, N.C.	1960
L. Vinton Hershey	President, Hagerstown Shoe Company, Hagerstown, Md.	1961
R. E. Salvati	President, Island Creek Coal Company, Huntington, W.Va.	1962

Class C:

William H. Grier	President, Rock Hill Printing & Finishing Company, Rock Hill, S.C.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Edwin Hyde	President, Miller & Rhoads, Inc., Richmond, Va.	1961
Alonzo G. Decker, Jr.	President, The Black & Decker Manufacturing Company, Towson, Md.	1962

Baltimore Branch

Appointed by Federal Reserve Bank:

J. N. Shumate	President, The Farmers National Bank of Annapolis, Annapolis, Md.	1960
Harvey E. Emmart	Senior Vice President and Cashier, Baltimore National Bank, Baltimore, Md.	1961
John W. Stout	President, The Parkersburg National Bank, Parkersburg, W.Va.	1961
James W. McElroy	President, First National Bank of Baltimore, Baltimore, Md.	1962

Appointed by Board of Governors:

Clarence R. Zarfoss	Vice President, Western Maryland Railway Company, Baltimore, Md.	1960
J. T. Menzies, Jr.	President, The Crosse & Blackwell Company, Baltimore, Md.	1961
Gordon M. Cairns	Dean of Agriculture, University of Maryland, College Park, Md.	1962

Charlotte Branch

Appointed by Federal Reserve Bank:

Ernest Patton	Chairman of the Board, The Peoples National Bank of Greenville, Greenville, S.C.	1960
I. W. Stewart	Honorary Chairman of the Board, North Carolina National Bank, Charlotte, N.C.	1961
G. G. Watts	President, The Merchants & Planters National Bank, Gaffney, S.C.	1961
Charles D. Parker	Vice Chairman of the Board and First Executive Vice President, First Union National Bank of North Carolina, Asheville, N.C.	1962

Appointed by Board of Governors:

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
J. C. Cowan, Jr.	Vice Chairman, Burlington Industries, Inc., Greensboro, N.C.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.

District 6—Atlanta

		Term expires Dec. 31
Class A:		
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
M. M. Kimbrel	Executive Vice President, First National Bank, Thomson, Ga.	1962
Class B:		
Pollard Turman	President, J. M. Tull Metal & Supply Company, Inc., Atlanta, Ga.	1960
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1961
McGregor Smith	Chairman of the Board, Florida Power & Light Company, Miami, Fla.	1962
Class C:		
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
J. M. Cheatham	President, Dundee Mills, Griffin, Ga.	1962

Birmingham Branch

Appointed by Federal Reserve Bank:		
Frank A. Plummer	President, Birmingham Trust National Bank, 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
R. J. Murphy	Executive Vice President, Citizens-Farmers & Merchants Bank, Brewton, Ala.	1962
Appointed by Board of Governors:		
Selden Sheffield	Cattleman, Greensboro, Ala.	1960
John E. Urquhart	Chairman, Woodward Iron Company, Woodward, Ala.	1961
Jack W. Warner	Chairman of the Board and President, Gulf States Paper Corporation, Tuscaloosa, Ala.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.

Jacksonville Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank:		
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
Leonard A. Usina	President, Peoples National Bank of Miami Shores, Miami Shores, Fla.	1962
Appointed by Board of Governors:		
J. Wayne Reitz	President, University of Florida, Gainesville, Fla.	1960
John M. Fox	President, Minute Maid Corporation, Orlando, Fla.	1961
Claude J. Yates	Vice President and General Manager, Southern Bell Telephone and Telegraph Company, Jacksonville, Fla.	1962

Nashville Branch

Appointed by Federal Reserve Bank:		
P. D. Houston, Jr.	Vice Chairman of the Board, 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
D. L. Earnest	President, The Blount National Bank of Maryville, Maryville, Tenn.	1962
Appointed by Board of Governors:		
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
Andrew D. Holt	President, University of Tennessee, Knoxville, Tenn.	1962

New Orleans Branch

Appointed by Federal Reserve Bank:		
D. U. Maddox	President, The Commercial National Bank and Trust Company of Laurel, Laurel, Miss.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
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
Frank A. Gallaugher	President, Jeff Davis Bank & Trust Company, Jennings, La.	1962
Appointed by Board of Governors:		
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
J. O. Emmerich	Editor, State Times, Jackson, Miss.	1962

District 7—Chicago

Class A:		
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
Vivian W. Johnson	President, First National Bank, Cedar Falls, Iowa	1962
Class B:		
G. F. Langenohl	Treasurer and Assistant Secretary, Allis-Chalmers Manufacturing Company, Milwaukee, Wis.	1960
William J. Grede	President, J. I. Case Co., Racine, Wis.	1961
William A. Hanley	Director, Eli Lilly and Company, Indianapolis, Ind.	1962
Class C:		
Bert R. Prall	President and Chairman of the Board, H. L. Green Company, New York, N.Y. (Residence: Winnetka, Ill.)	1960
Robert P. Briggs	Executive Vice President, Consumers Power Company, Jackson, Mich.	1961
James H. Hilton	President, Iowa State University of Science and Technology, Ames, Iowa	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.	Detroit Branch	*Term expires Dec. 31*
Appointed by Federal Reserve Bank:		
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
C. Lincoln Linderholm	President, Central Bank, Grand Rapids, Mich.	1962
Appointed by Board of Governors:		
John A. Hannah	President, Michigan State University, East Lansing, Mich.	1960
C. V. Patterson	Director, The Upjohn Company, Kalamazoo, Mich.	1961
J. Thomas Smith	President, Dura Corporation, Oak Park, Mich.	1962

District 8—St. Louis

Class A:		
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
Kenton R. Cravens	President, Mercantile Trust Company, St. Louis, Mo.	1962
Class B:		
Leo J. Wieck	Leo J. Wieck & Co., St. Louis, Mo.	1960
S. J. Beauchamp, Jr.	President, Terminal Warehouse Co., Little Rock, Ark.	1961
Harold O. McCutchan	Executive Vice President, Mead Johnson & Company, Evansville, Ind.	1962
Class C:		
Jesse D. Wooten	Executive Vice President, Mid-South Chemical Corporation, Memphis, Tenn.	1960
J. H. Longwell	Director, Special Studies and Programs, College of Agriculture, University of Missouri, Columbia, Mo.	1961
Pierre B. McBride	President, Porcelain Metals Corporation, Louisville, Ky.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.

Little Rock Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank:		
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.	President, The First National Bank in Little Rock, Little Rock, Ark.	1961
H. C. Adams	Executive Vice President, The First National Bank of De Witt, De Witt, Ark.	1962
Appointed by Board of Governors:		
Frederick P. Blanks	Planter, Parkdale, Ark.	1960
Waldo E. Tiller	President, Tiller Tie and Lumber Company, Inc., Little Rock, Ark.	1961
T. Winfred Bell	President, Bush-Caldwell Company, Little Rock, Ark.	1962

Louisville Branch

Appointed by Federal Reserve Bank:		
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
Merle E. Robertson	Chairman of the Board and President, Liberty National Bank and Trust Company of Louisville, Louisville, Ky.	1962
Appointed by Board of Governors:		
Philip Davidson	President, University of Louisville, Louisville, Ky.	1960
J. D. Monin, Jr.	Farmer, Oakland, Ky.	1961
William H. Harrison	President, Taylor Drug Stores, Inc., Louisville, Ky.	1962

Memphis Branch

Appointed by Federal Reserve Bank:		
John E. Brown	President, Union Planters National Bank of Memphis, Memphis, Tenn.	1960
Simpson Russell	President, The National Bank of Commerce of Jackson, Jackson, Tenn.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
J. H. Harris	Chairman of the Board, The First National Bank of Wynne, Wynne, Ark.	1961
Charles R. Caviness	President, National Bank of Commerce of Corinth, Corinth, Miss.	1962
Appointed by Board of Governors:		
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
Clay Lyle	Dean and Director, Division of Agriculture, Mississippi State University, State College, Miss.	1962

District 9—Minneapolis

Class A:		
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
Harold N. Thomson	Vice President, Farmers & Merchants Bank, Presho, S.D.	1962
Class B:		
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
J. E. Corette	President and General Manager, The Montana Power Company, Butte, Mont.	1962
Class C:		
O. B. Jesness	Agricultural Economist, St. Paul, Minn.	1960
John H. Warden	President, Upper Peninsula Power Company, Houghton, Mich.	1961
Atherton Bean	President, International Milling Company, Minneapolis, Minn.	1962

Helena Branch

Appointed by Federal Reserve Bank:		
Roy G. Monroe	President, The First State Bank of Malta, Malta, Mont.	1960

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Harald E. Olsson	President, Ronan State Bank, Ronan, Mont.	1960
O. M. Jorgenson	Chairman, Security Trust and Savings Bank, Billings, Mont.	1961
Appointed by Board of Governors:		
John D. Stephenson	Partner, Jardine, Stephenson, Blewett & Weaver, Attorneys, Great Falls, Mont.	1960
John M. Otten	Farmer and rancher, Lewistown, Mont.	1961

District 10—Kansas City

Class A:		
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
Burton L. Lohmuller	President, The First National Bank of Centralia, Centralia, Kans.	1962
Class B:		
Max A. Miller	Livestock rancher, Omaha, Neb.	1960
Robert A. Olson	President, Kansas City Power & Light Company, Kansas City, Mo.	1961
K. S. Adams	Chairman of the Board, Phillips Petroleum Company, Bartlesville, Okla.	1962
Class C:		
Joe W. Seacrest	President, State Journal Company, Lincoln, Neb.	1960
Raymond W. Hall	Hillix, Hall, Hasburgh, Brown & Hoffhaus, Attorneys, Kansas City, Mo.	1961
Oliver S. Willham	President, Oklahoma State University, Stillwater, Okla.	1962

Denver Branch

Appointed by Federal Reserve Bank:		
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
Stewart Cosgriff	Director, Denver United States National Bank, Denver, Colo.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Appointed by Board of Governors:		
Ray Reynolds	Cattle feeder and farmer, Longmont, Colo.	1960
Robert T. Person	President, Public Service Company of Colorado, Denver, Colo.	1961

Oklahoma City Branch

Appointed by Federal Reserve Bank:		
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
C. P. Stuart	Chairman of the Board, The Fidelity National Bank & Trust Company, Oklahoma City, Okla.	1961
Appointed by Board of Governors:		
Don H. Dennis	Rancher, Grady, Okla.	1960
James E. Allison	President, Warren Petroleum Corporation, Tulsa, Okla.	1961

Omaha Branch

Appointed by Federal Reserve Bank:		
John F. Davis	President, First National Bank, Omaha, Neb.	1960
R. E. Barton	President, The Wyoming National Bank of Casper, Casper, Wyo.	1961
C. Wheaton Battey	Chairman, First Continental National Bank & Trust Company, Lincoln, Neb.	1961
Appointed by Board of Governors:		
Homer A. Scott	Vice President and District Manager, Peter Kiewit Sons' Company, Sheridan, Wyo.	1960
James L. Paxton, Jr.	President, Paxton-Mitchell Company, Omaha, Neb.	1961

District 11—Dallas

Class A:		
Sam D. Young	President, El Paso National Bank, El Paso, Tex.	1960
J. Edd McLaughlin	President, Security State Bank & Trust Company, Ralls, Tex.	1961
John M. Griffith	President, The City National Bank of Taylor, Taylor, Tex.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Class B:		
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
J. B. Perry, Jr.	President and General Manager, Perry Brothers, Inc., Lufkin, Tex.	1962
Class C:		
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
Robert O. Anderson	President, Hondo Oil & Gas Company, Roswell, N. Mex.	1962

El Paso Branch

Appointed by Federal Reserve Bank:		
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
Chas. B. Perry	President, First State Bank, Odessa, Tex.	1962
Appointed by Board of Governors:		
William R. Mathews	Editor and Publisher, The Arizona Daily Star, Tucson, Ariz.	1960
Dysart E. Holcomb	Director of Research, El Paso Natural Gas Products Company, El Paso, Tex.	1961
Roger B. Corbett	President, New Mexico State University, University Park, N. Mex.	1962

Houston Branch

Appointed by Federal Reserve Bank:		
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
M. M. Galloway	President, First Capitol Bank, West Columbia, Tex.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

		Term expires Dec. 31
DIRECTORS—Cont.		
Appointed by Board of Governors:		
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
A. E. Cudlipp	Vice President and Director, Lufkin Foundry & Machine Company, Lufkin, Tex.	1962

San Antonio Branch

Appointed by Federal Reserve Bank:		
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
Burton Dunn	Chairman of the Executive Committee, Corpus Christi State National Bank, Corpus Christi, Tex.	1961
Dwight D. Taylor	President, Pan American State Bank, Brownsville, Tex.	1962
Appointed by Board of Governors:		
Alex R. Thomas	Vice President, Geo. C. Vaughan & Sons, San Antonio, Tex.	1960
Harold Vagtborg	Executive Chairman, Board of Governors, Southwest Research Center, San Antonio, Tex.	1961
John R. Stockton	Professor of Business Statistics and Director of Bureau of Business Research, The University of Texas, Austin, Tex.	1962

District 12—San Francisco

Class A:		
Carroll F. Byrd	Chairman of the Board and President, The First National Bank of Willows, Willows, Calif.	1960
John A. Schoonover	Chairman of the Board, The Idaho First National Bank, Boise, Idaho	1961
M. Vilas Hubbard	President and Chairman of the Board, Citizens Commercial Trust and Savings Bank of Pasadena, Pasadena, Calif.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

DIRECTORS—Cont.		Term expires Dec. 31
Class B:		
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
N. Loyall McLaren	Partner, Haskins & Sells, San Francisco, Calif.	1962
Class C:		
Philip I. Welk	Wheat grower, Vancouver, Wash.	1960
Y. Frank Freeman	Vice President, Paramount Pictures Corporation, Hollywood, Calif.	1961
F. B. Whitman	President, The Western Pacific Railroad Company, San Francisco, Calif.	1962

Los Angeles Branch

Appointed by Federal Reserve Bank:		
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
Joe D. Paxton	Chairman of the Advisory Board, Santa Barbara Main Office, Crocker-Anglo National Bank, Santa Barbara, Calif.	1961
Appointed by Board of Governors:		
John D. Fredericks	President and Chief Executive Officer, Pacific Clay Products, Los Angeles, Calif.	1960
Robert J. Cannon	President, Cannon Electric Company, Los Angeles, Calif.	1961

Portland Branch

Appointed by Federal Reserve Bank:		
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
C. B. Stephenson	President, The First National Bank of Oregon, Portland, Portland, Ore.	1961
Appointed by Board of Governors:		
Raymond R. Reter	Reter Fruit Company, Medford, Ore.	1960
Paul De Koning	President and General Manager, Jantzen, Inc., Portland, Ore.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

Salt Lake City Branch

DIRECTORS—Cont.		*Term expires Dec. 31*
Appointed by Federal Reserve Bank:		
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
Oscar Hiller	President, Butte County Bank, Arco, Idaho	1961
Appointed by Board of Governors:		
Thomas B. Rowland	Rowland Bros. Dairy, Pocatello, Idaho	1960
Howard W. Price	Executive Vice President and General Manager, The Salt Lake Hardware Co., Salt Lake City, Utah	1961

Seattle Branch

Appointed by Federal Reserve Bank:		
S. B. Lafromboise	President, The First National Bank of Enumclaw, Enumclaw, Wash.	1960
James Brennan	President, First National Bank in Spokane, Spokane, Wash.	1960
Joshua Green, Jr.	President, Peoples National Bank of Washington, Seattle, Wash.	1961
Appointed by Board of Governors:		
Lyman J. Bunting	President, Rainier Fruit Company, Yakima, Wash.	1960
Henry N. Anderson	President, Twin Harbors Lumber Company, Aberdeen, Wash.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

PRESIDENTS AND VICE PRESIDENTS

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston	J. A. Erickson E. O. Latham	D. H. Angney Ansgar R. Berge George H. Ellis Benjamin F. Groot	Dana D. Sawyer O. A. Schlaikjer Charles E. Turner
New York	Alfred Hayes William F. Treiber	H. A. Bilby Charles A. Coombs Howard D. Crosse M. A. Harris H. H. Kimball	Robert V. Roosa Robert G. Rouse Walter H. Rozell, Jr. H. L. Sanford T. G. Tiebout
Philadelphia	Karl R. Bopp Robert N. Hilkert	Joseph R. Campbell W. M. Catanach David P. Eastburn Murdoch K. Goodwin	P. M. Poorman J. V. Vergari Richard G. Wilgus
Cleveland	W. D. Fulton Donald S. Thompson	Roger R. Clouse E. A. Fink C. Harrell W. Braddock Hickman	L. Merle Hostetler Martin Morrison Paul C. Stetzelberger
Richmond	Hugh Leach Edw. A. Wayne	N. L. Armistead Aubrey N. Heflin Upton S. Martin	J. M. Nowlan Benj. U. Ratchford James M. Slay
Atlanta	Malcolm Bryan Harold T. Patterson	J. E. Denmark J. E. McCorvey	L. B. Raisty Brown R. Rawlings
Chicago	Carl E. Allen C. J. Scanlon	E. T. Baughman A. M. Gustavson H. J. Helmer Paul C. Hodge Robert C. Holland	L. H. Jones C. T. Laibly George W. Mitchell H. J. Newman Harry S. Schultz
St. Louis	Delos C. Johns Darryl R. Francis	Marvin L. Bennett Homer Jones Geo. E. Kroner	Dale M. Lewis H. H. Weigel J. C. Wotawa
Minneapolis	Frederick L. Deming A. W. Mills	Kyle K. Fossum C. W. Groth M. B. Holmgren	A. W. Johnson H. G. McConnell M. H. Strothman, Jr.
Kansas City	H. G. Leedy Henry O. Koppang	John T. Boysen George H. Clay C. A. Cravens	L. F. Mills E. U. Sherman Clarence W. Tow
Dallas	Watrous H. Irons Harry A. Shuford	James L. Cauthen P. E. Coldwell T. A. Hardin G. R. Murff	J. A. Parker T. W. Plant L. G. Pondrom
San Francisco	H. N. Mangels Eliot J. Swan	J. L. Barbonchielli R. S. Einzig E. H. Galvin	H. E. Hemmings R. H. Morrill John A. O'Kane

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1960—Cont.

VICE PRESIDENTS IN CHARGE OF BRANCHES

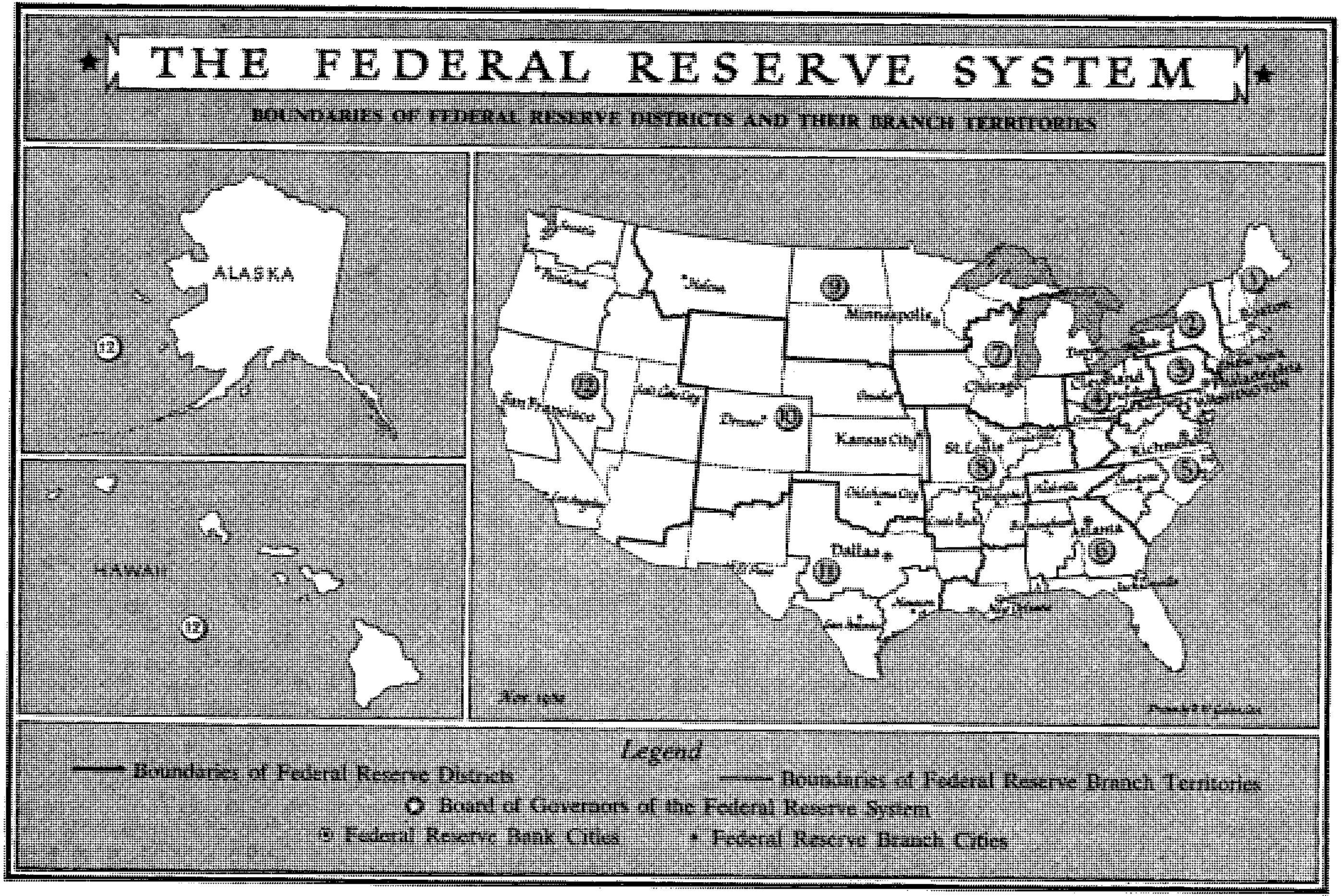
Federal Reserve Bank of—	Branch	Vice President
New York	Buffalo	I. B. Smith
Cleveland	Cincinnati	R. G. Johnson
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	D. F. Hagner
	Charlotte	E. F. MacDonald
Atlanta	Birmingham	H. C. Frazer
	Jacksonville	T. A. Lanford
	Nashville	R. E. Moody, Jr.
	New Orleans	M. L. Shaw
Chicago	Detroit	R. A. Swaney
St. Louis	Little Rock	Fred Burton
	Louisville	Donald L. Henry
	Memphis	E. Francis DeVos
Minneapolis	Helena	C. A. Van Nice
Kansas City	Denver	Cecil Puckett
	Oklahoma City	H. W. Pritz
	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	A. B. Merritt

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. Johns, President of the Federal Reserve Bank of St. Louis, and Mr. Bryan, President of the Federal Reserve Bank of Atlanta, who were elected Chairman of the Conference and Vice Chairman, respectively, in June 1959, were reelected as such in March 1960, and continued to serve in those capacities during 1960.

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, was reappointed in March 1960, and continued to serve as such during 1960.



Note.—District and branch territories described in *Annual Report* for 1953, p. 124; later changes in branch territories, in *Annual Report* for 1954, p. 57, and in *Federal Reserve Bulletin* for January 1959, p. 17, and September 1959, p. 1,141.

Index

INDEX

INDEX

INDEX

INDEX