FORTY-EIGHTH

Annual Report

OF THE

BOARD OF GOVERNORS
of the Federal Reserve System

COVERING OPERATIONS FOR THE YEAR

1961

Letter of Transmittal

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, March 8, 1962.

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-eighth Annual Report of the Board of Governors of the Federal Reserve System. This report covers operations for the year 1961.

Yours respectfully,

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

Contents

★

Page

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

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ECONOMIC ACTIVITY expanded vigorously in 1961 as the United States recovered from a short and moderate recession. At the year-end both gross national product and industrial production were at record levels, significantly above the highs of the preceding cycle.

Several factors contributed to the shortness and mildness of the recession. Among them were the following:

> PERSONAL INCOME declined little. Increases in unemployment compensation and in similar types of payments benefits nearly offset the decline in labor income.
>
> CONSUMER SPENDING also declined little. Although people bought fewer houses, cars, and other durable goods, they maintained their buying of nondurable goods and continued to increase their outlays for services.
>
> BUSINESS OUTLAYS did not decline sharply. Spending for inventories showed a substantial decline, but outlays for fixed capital were curtailed only moderately.
>
> EXPORTS of goods and services rose further, while imports declined.
>
> INCREASED PURCHASES by all levels of government provided a significant offset to reduced spending in the private sector.

Recovery in economic activity began in the early part of 1961, with nonfarm employment and industrial production turning up in March. The recovery was sharp through summer, but the rate of expansion slackened somewhat after that.

As the year progressed, it became evident that the recovery had a broad base, for consumers, businesses, and governments were all increasing their purchases:

BUSINESSES STOPPED REDUCING their inventories by early spring and thereafter increased them moderately.

AROUND MIDYEAR, businesses began to increase their outlays for plant and equipment; this was earlier than usual in a recovery period.

CONSUMERS ALSO INCREASED their buying, with purchases of goods up appreciably in the final quarter.

A BIGGER DEFENSE PROGRAM led to increased Federal Government purchases. State and local government purchases continued to rise, as they have almost without interruption since World War II.

FOREIGN DEMANDS for U.S. goods continued fairly strong throughout 1961. As economic activity expanded here, however, imports rose from their reduced recession level. The trade surplus in the second half of the year was smaller than in the first half, and the deficit in the U.S. balance of payments again increased.

With the increase in demand during 1961, nonfarm employment at the year-end was up considerably from its cyclical low. In December the civilian labor force was little changed from a year earlier, although in the early months of 1961 it had shown unusually large year-over-year increases. The unemployment rate continued high until late in 1961, when it declined.

Recovery in output was not accompanied by higher prices. The total index for wholesale prices declined slightly, and so did prices of industrial commodities. Consumer prices rose a little, but the rise was smaller than in 1959 or 1960. Upward price pressures were minimal as gains in output per manhour were large and as substantial amounts of unutilized industrial capacity and manpower were available to meet expanding demands.

A large increase in the volume of funds flowing through credit and capital markets and substantial growth in liquid assets held by the public facilitated the rise in economic activity to new records in 1961:

DOMINATING THE DEMAND SIDE were the need of the Federal Government for funds for increased expenditures and the large private demand for long-term financing.

DEMANDS for mortgage money and for credit by State and local governments were substantial. Foreign borrowing from U.S. banks was larger than in 1960.

ON THE SUPPLY SIDE, commercial banks provided a larger volume of credit than in most recent years. To make this possible, the Federal Reserve continued to follow a policy of making an abundant supply of reserves available to banks.

CONSUMER SAVING in financial form increased. Most of these savings flowed into the capital markets through financial institutions. Increases in time deposits at banks and in savings and loan shares were large. Additions to demand deposits were moderate during the year as a whole but accelerated greatly in the later months.

With funds in ample supply, enlarged credit demands were satisfied without much change in interest rates. Rates moved within a relatively narrow range, well above the low levels reached in 1958 and below the highs of late 1959:

LONG-TERM RATES, after declining early in the year, increased only moderately in the subsequent recovery.

SHORT-TERM RATES fluctuated without showing sustained upward or downward tendencies throughout most of the year. Toward the year-end they rose somewhat.

Digest of Principal Federal Reserve Policy Actions, 1961

Period	Action	Purpose of action
January	Limited net sales of U.S. Government securities from Federal Reserve portfolio to about $500 million. Member bank borrowing at Reserve Banks averaged only $50 million.	To encourage bank credit and monetary expansion by absorbing only part of seasonal inflow of reserve funds not otherwise offset by a large gold outflow.
February-August	Bought substantial amounts of U.S. Government securities with maturities over 1 year, following February 20 announcement that System open market operations would include securities outside the short-term area. These purchases were partly offset by net sales of short-term securities. Total System holdings of Governments increased about $700 million. Member bank borrowings averaged $75 million.	To encourage bank credit and monetary expansion while avoiding direct downward pressure on short-term interest rates, thereby moderating pressures on the U.S. balance of payments from outflow of short-term capital attracted by higher interest rates abroad.
September-December	Bought or sold at different times varying amounts of U.S. Government securities, including securities with longer maturities. Total System holdings of Government securities increased about $1.6 billion. Member bank borrowings at Reserve Banks remained generally low.	To continue to encourage bank credit and monetary expansion while allowing for changing reserve needs due to seasonal and other factors, including a large gold outflow, and while continuing to give consideration to the balance of payments problem.
December	Raised, effective Jan. 1, 1962, maximum interest rates payable by member banks on any savings deposit from 3 to 3½ per cent, and to 4 per cent on those left in the bank for 1 year or more; also raised maximum rates on time deposits with a maturity of 6 months to 1 year from 3 to 3½ per cent, and to 4 per cent on those deposits with a maturity of a year or longer.	To enable banks to compete more effectively for savings and other time deposits, including foreign time deposits, thus moderating pressures on the U.S. balance of payments, and, over the long run, to offer additional incentive for the accumulation of savings required for financing future economic growth.

MONETARY POLICY

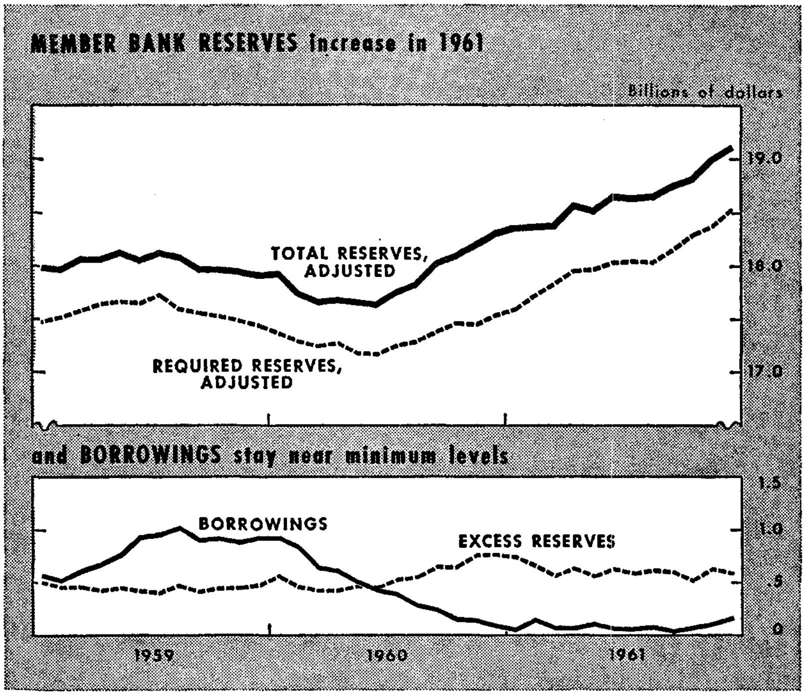
The Federal Reserve continued through 1961 to follow a policy of supplying reserves to permit substantial bank credit and monetary expansion. It did this to encourage recovery from recession and to facilitate economic growth in a period characterized by an absence of inflationary price pressures, by underutilization of manpower and other resources, and by negligible use of bank credit for speculative purposes. While taking steps to encourage domestic expansion, the Federal Reserve also took into account the unsatisfactory state of the international balance of payments.

Policy actions. During 1961 the total required reserves of Federal Reserve member banks increased about $1 billion, or 5 per cent. The System supplied reserves through purchases of U.S. Government securities, holdings of which were $1.5 billion larger at the end of 1961 than a year earlier. These purchases, along with other factors supplying reserves, offset the effects on reserves of a gold outflow and of an increase in currency in circulation outside banks and the Treasury, amounting to about $850 million each between the two year-end dates.

With reserve funds readily available from these sources, member banks had little need to borrow at the Reserve Banks. The rates charged by Federal Reserve Banks for such borrowing remained at 3 per cent. The Federal funds rate—the interest rate on excess reserve balances lent by member banks—generally remained appreciably below the discount rate. The rate on Treasury bills, which banks also use to adjust reserve positions and which they acquired in large amounts in 1961, moved generally within the range of 2.25 to 2.65 per cent for 3-month bills, with the higher level reached late in the year.

Margin requirements on credit used for purchasing or carrying stock market securities were maintained during 1961 at the 70 per cent level to which they were lowered in July 1960. Stock market credit outstanding increased $1.2 billion to $5.6 billion during the year. Most of this occurred in the first 5 months, but there were renewed increases toward the year-end.

During 1961 the Federal Reserve continued to supply bank reserves for credit and monetary expansion in such a way as to minimize downward pressures on short-term interest rates. This was done to help prevent development of a wider differential between short-term rates in domestic and foreign money markets.



NOTE.—Monthly averages of daily figures. Required reserves adjusted are reserves supporting private deposits derived by applying current reserve requirement ratios to seasonally adjusted figures for member bank demand deposits adjusted, net interbank demand deposits, and time deposits. Total reserves adjusted equal adjusted required reserves plus actual excess reserves. Reserves required against U. S. Government deposits are excluded. Borrowings are member bank borrowings at Federal Reserve Banks.

A wider margin could have led to greater outflows of short-term capital and so worsened the balance of payments position. The balance of payments problem had become acute in the latter part of 1960, when outflows of capital and gold rose sharply.

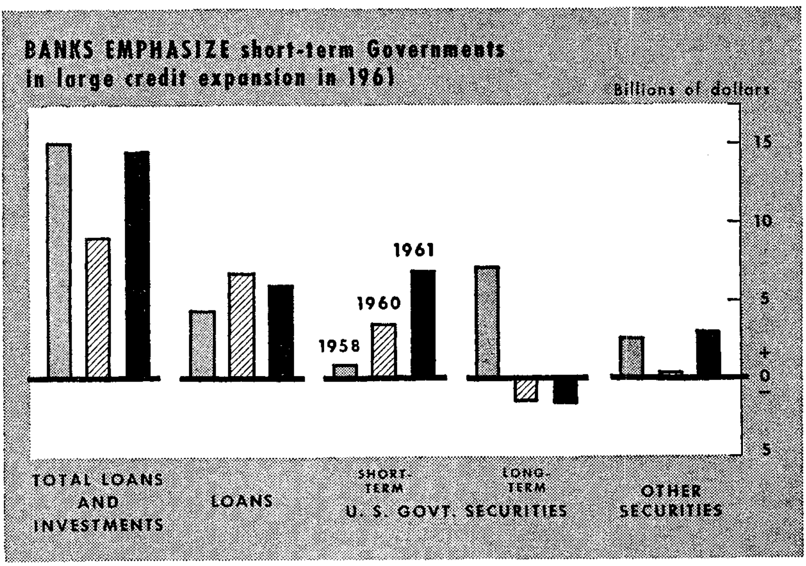
In the fall of 1960 the System had extended the area of its open market operations in Government securities to include issues in the 9-15 month maturity range in order to avoid direct pressure on shorter-term bill rates. In February 1961 the System extended operations to longer-term Government securities. Operating procedures of the Federal Open Market Committee were modified accordingly, as shown serially in the policy record entries of the Committee that are set out in detail in this volume on pages 33-99. The principal entries relating to operating procedures are those for February 7, March 7 and 28, and December 19.

Over the year the Federal Reserve purchased, on balance, $2.6 billion of U.S. Government securities maturing in more than a year. More than half of these had maturities of 2 to 6 years. In addition, the Treasury purchased $900 million of longer-term securities, mostly with maturities of more than 10 years, for its agency and trust accounts. Both the Federal Reserve and the Treasury made most of their purchases of these longer-term Government securities during the early months of recovery.

For 1961 as a whole the Federal Reserve carried out most of its open market transactions in the short-term area, in response to continuing large seasonal and other temporary variations in bank reserves. On balance, it sold or presented for redemption more short-term securities than it bought. However, owing to the approach to maturity of outstanding issues, its holdings of securities maturing within 1 year increased.

Market impacts. Monetary actions by the Federal Reserve and a concentration of new cash borrowing by the Treasury in the short-term area, which increased the supply of such securities, helped to keep fluctuations in short-term interest rates within a narrow compass during 1961. These factors, which tended to raise interest rates on such securities, offset the effect of increased demand for them—particularly by commercial banks—which tended to lower rates.

The moderateness of the variation in long-term interest rates during the year reflected a continuing high level of demand for capital, as well as market expectations of a still larger future demand, balanced against a growing volume of private financial saving and purchases of longer-term U.S. Government securities for Treasury trust fund and Federal Reserve open market accounts. Also, actions to minimize downward pressures on short-term rates tended to keep longer-term rates from declining much further in the early months of the year, as investors—particularly



NOTE.—Based on data for December 31 except for 1961, which are for December 27. Interbank loans excluded. Short-term U. S. Government securities are those maturing within 1 year.

commercial banks—confined demands largely to the short end of the market. But the ease that did develop in long-term markets, partly as a result of Federal Reserve and Treasury activities, facilitated a record volume of new security financing by business corporations in the spring and early summer.

Continuation of monetary ease through 1961 meant that bank credit—and, in a less direct way, other types of credit and capital—continued to be readily available. Bank credit was available during the recovery at interest rates little changed from those during the recession. These rates were moderately lower than at the last cyclical peak.

For 1961 as a whole commercial banks added about $14.6 billion, or about 7 per cent, to their total loans and investments. Demand for loans was sluggish in the first half of the year, but it picked up later. With loan demands limited, a large part of the increase in total bank credit in 1961 was in holdings of securities. Banks invested heavily in short-term U.S. Government issues and reduced their holdings of longer-term U.S. Government securities. As a result their liquid assets, measured by holdings of short-term Government securities and free reserves (excess reserves less borrowings at Reserve Banks), rose enough to make their ratio to demand deposits the highest since 1954. Loan-to-deposit ratios, on the other hand, remained relatively unchanged at levels somewhat below their mid-1960 peak.

Demand deposits expanded moderately in 1961, but time and savings deposits rose almost $10 billion, or 13 per cent. The rise in total deposits exceeded the previous peacetime record for an annual rise set in 1958. Most of this increase was in savings accounts of individuals, but part represented the growth of negotiable time certificates of deposit issued mainly to business corporations. The larger city banks began to issue these certificates in large quantities in 1961.

Late in the year the Board of Governors of the Federal Reserve System and the directors of the Federal Deposit Insurance Corporation authorized an increase, effective January 1, 1962, in the maximum permissible rates of interest payable by member banks of the System and other insured banks on savings deposits and on time deposits and certificates in the longer maturity ranges. The purpose of this action was to permit commercial banks to compete more effectively for savings and other time deposits, including foreign time deposits, and, over the long run, to offer additional incentive for the accumulation of savings required for financing future economic growth.

The public's holdings of liquid assets rose by about 6.5 per cent from the fourth quarter of 1960 to the fourth quarter of 1961, almost as much as the 7.5 per cent rise in gross national product over that period. The active money supply—that is, demand deposit and currency holdings of the public—increased 3.5 per cent over the year. The public increased its liquidity more through acquisitions of other assets such as time and savings deposits and shares in savings and loan associations. At prevailing interest rates these assets were more attractive than cash. The nonbank public's holdings of short-term Government securities increased only slightly over the year. With economic activity rising and with the public preferring other liquid assets to cash, the turnover rate of money rose to the highest level of the postwar period.

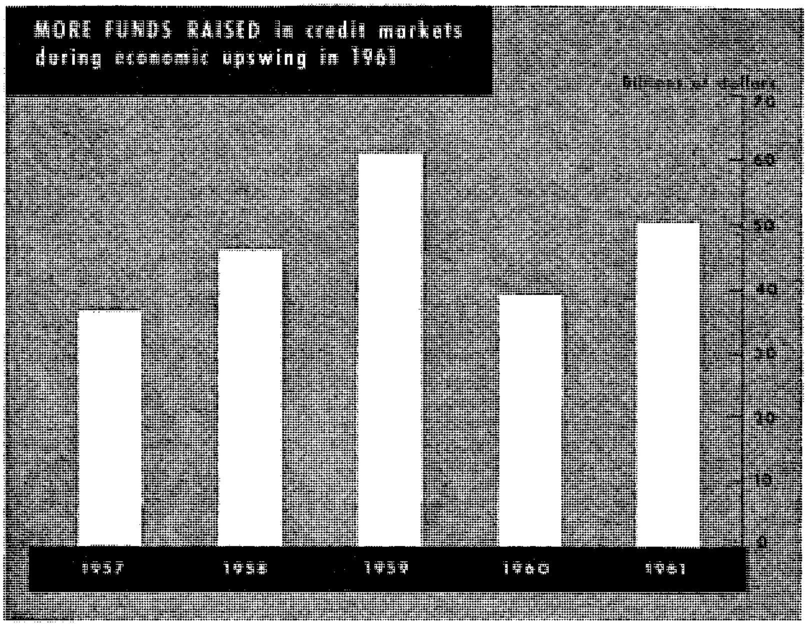
To sum up, in framing monetary policy in 1961, the Federal Reserve had to take into account many economic and financial considerations, both domestic and international. To encourage higher levels of employment and greater utilization of resources at home, it provided reserves for expansion of bank credit and money and encouraged easier borrowing conditions and greater liquidity. To contribute to a better balance of international payments, it conducted open market operations in such a way as to minimize downward pressures on short-term interest rates.

FINANCIAL MARKET DEVELOPMENTS

Credit markets had ample funds to meet the enlarged demand for credit as economic activity expanded during 1961. A large expansion in bank credit, encouraged by monetary ease, fortified the buoyant effect that the public's increased readiness to save through financial assets had on the supply of funds.

Under these conditions, growth in credit demand produced no sharp or sustained rise of interest rates. Long-term rates, after declining in 1960 and early 1961, rose moderately during the spring and summer, but leveled off afterwards. Short-term rates varied within a narrow range, and rose some during the late weeks of the year, partly in reflection of seasonal influences.

Demand for funds. An estimated total of $50 billion was raised in credit and equity markets in 1961. Credit demands, after allowing for seasonal influences, were quite light in the first quarter of 1961, but increased sharply in the second quarter and expanded further in the second half. The total amount of funds raised during the year was about 25 per cent more than



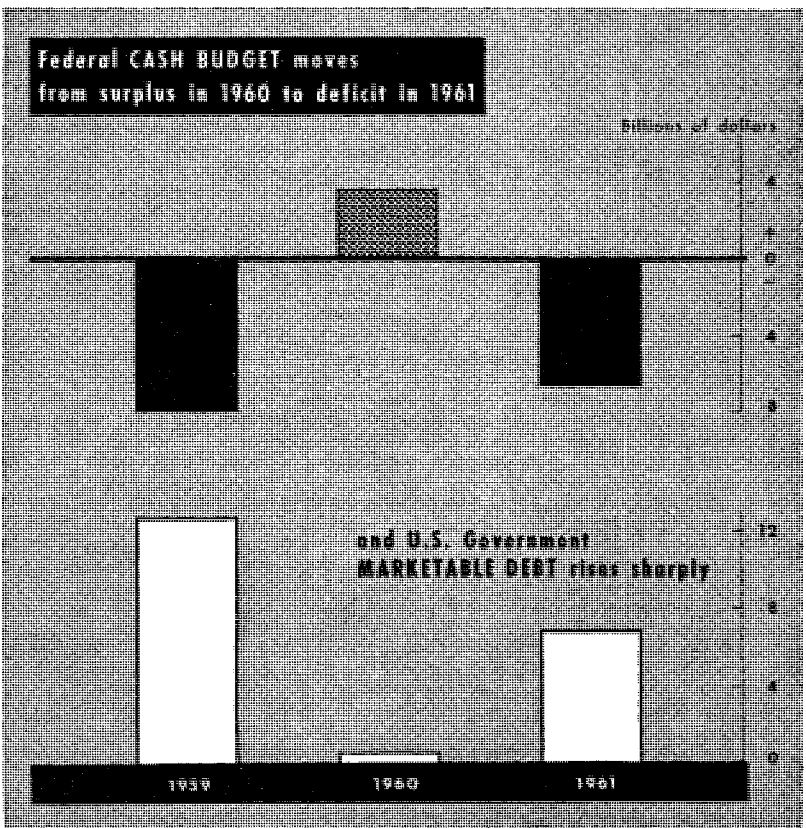
NOTE.—Flow-of-funds data. Figures for 1961 are preliminary.

in 1960, when the decline in economic activity and the emergence of a Federal cash surplus held down demands. It was also somewhat larger than in 1958, but considerably less than the record total for 1959.

Funds raised by governments at all levels were comparatively large during 1961. Businesses raised more funds than in 1960. Meanwhile, consumer demands were generally moderate. The net outflow of private U.S. capital to the rest of the world, which was about as large as in 1960, is discussed later.

Federal Government. After running a cash surplus of about $3.6 billion in calendar year 1960, the Federal Government had a cash deficit of $6.8 billion in 1961. Increased expenditures were largely responsible for the turnaround. There were large increases in social security and unemployment compensation and in defense outlays. Spending in these areas helped to cushion the decline in business activity and in personal income and to stimulate the ensuing economic recovery.

The deficit was financed largely through expansion in the public debt. Most of the net increase in 1961 was in marketable



NOTE.—Treasury Department data.

debt, as is usual. For the first time in many years, however, the amount of U.S. savings bonds outstanding increased. The yield on Series E and H bonds was increased in September 1959, and the modest pick-up in sales that began when market rates were at reduced levels in 1960 continued during 1961.

The Treasury undertook extensive financing operations in credit markets during 1961. Some were to meet needs arising from the cash deficit, and some to finance the $49 billion of maturing debt, other than regular bills. In addition, it refunded almost $10 billion of debt in advance of maturity.

New borrowing in the short-term sector of the market helped to increase liquidity in the economy at a time when it was necessary to encourage economic recovery. Marketable obligations maturing within a year rose about $10.5 billion in 1961, as compared with a decline of about $4.5 billion in 1960, while debt maturing in from 1 to 5 years declined after rising sharply in 1960. The larger supply of short-term securities also helped to minimize downward pressures on short-term interest rates and thus to alleviate strains on the balance of payments.

In addition to steps that shortened the maturity of the debt, the Treasury at times took advantage of favorable market conditions to lengthen maturities, particularly through advance refunding operations. Outstanding debt maturing in more than 5 years increased moderately in 1961, as compared with a decline the year before. On balance, the average maturity of the total marketable debt changed little during 1961, but the maturity of that portion held outside the Federal Reserve and Treasury trust accounts shortened somewhat.

State and local governments. With construction outlays rising and market conditions generally favorable, State and local governments offered a record volume of long-term securities in capital markets during 1961. But a rising level of retirements kept the net increase in debt below the record increase in 1958. That year, like 1961, was one of economic recovery and expansion from a cyclical trough early in the year. New offerings in 1961 were for a wide range of public purposes. School bonds were issued in record volume, and utility and highway projects absorbed more funds than in 1960.

Businesses. Corporate demands upon capital markets also increased in 1961. They were particularly large in the spring and early summer, when new flotations were at a record level. Heavy flotations were scheduled as the upturn in business activity became apparent but before sizable increases occurred in capital spending for long-term purposes. The size of the offerings reflected in part a widespread expectation at that time that interest rates would rise quickly as the recovery progressed. The sharp rise in new offerings during the year was partly offset by increased retirements. These were very large in the fourth quarter.

Manufacturing and communications companies accounted for most of the increased financing. Issues by gas and electric utilities, which regularly account for a large portion of capital flotations, remained at moderate levels. Finance companies, which had borrowed large amounts in security markets in 1960, relied much less on long-term sources of funds in 1961. With consumer demands for credit at reduced levels, these companies also reduced their short-term open market financing. The pattern of finance company borrowing in 1961 was similar to that in the 1958 recovery.

While businesses raised substantial amounts in capital markets during 1961, they sought comparatively small amounts from banks, particularly in the first half of the year. Outstanding bank loans to nonfinancial businesses declined by $400 million during the January-June period, in contrast with increases of about $1.7 billion in the same periods of 1959 and 1960. But they declined less than in the first half of 1958, when business also was beginning to recover from recession.

During the second half of 1961 business loans outstanding increased by an estimated $1.6 billion, somewhat more than they had in the last half of 1960, when loan demand was fairly large for a recession period. The increase was also larger than in the second half of 1958 but was less than in other recent years of economic expansion.

Conditions in capital markets in 1961 influenced business borrowing at banks to some degree. Some borrowers, particularly public utilities, used the proceeds of capital market issues to repay longer-term bank loans. For others, capital market financing reduced the need to borrow from banks.

Growth in funds available from retained earnings and capital consumption allowances, while capital expenditures remained moderate, also tempered borrowing from banks. Outlays on plant and equipment rose during the year, but for the year as a whole were slightly less than in 1960. Increases in inventories were also less than in 1960. Inventories declined sharply in the early months of the year, and then expanded. Accompanying these developments, outstanding bank loans to manufacturers of metals and metal products declined during the year, after rising during the previous 2 years, while loans to all other manufacturers as a group, excluding food processors, increased by somewhat less than they had in the earlier years.

Consumers. The outstanding indebtedness of consumers rose less in 1961 than it had in 1960, although its two major components showed diverse tendencies. The increase in short- and intermediate-term credit was only $1.4 billion—about equally divided between instalment and noninstalment credit—compared with $4.4 billion in 1960. Net mortgage borrowing, on the other hand, was larger than it was in 1960.

The comparatively small net increase in short- and intermediate-term credit reflected the lower level of outlays by consumers for durable goods, particularly automobiles. Automobile credit, seasonally adjusted, decreased in the first three quarters of 1961, then increased, along with other types of instalment credit, as sales of new automobiles rose sharply in the fourth quarter. Extensions of instalment credit, which had declined from the second quarter of 1960, began to increase in the spring of 1961 and reached a new high in the fourth quarter. Total extensions for the year, however, were approximately 3 per cent smaller than in 1960. Repayments increased gradually and were about 4 per cent higher than in 1960.

Consumer purchases of new homes turned up during 1961, but the total for the year was less than in 1960. Mortgage extensions, as well as net mortgage borrowing, increased faster than home purchases, however, as consumers took advantage of easier credit conditions to trade existing houses more actively as well as to purchase new ones. While both Government-underwritten and conventional lending turned up during 1961, lending on conventional mortgages led the rise for the first time in a postwar recovery.

Supply of funds and liquidity. An increased flow of consumer funds into financial assets accompanied the comparative ease in credit market conditions in 1961. Meanwhile, as noted above, dissaving by consumers through debt expansion was moderate. As a result, net saving in financial form (net acquisitions of financial assets less net incurrence of debt) rose to about 4 per cent of disposable personal income from 1.5 per cent in 1960.

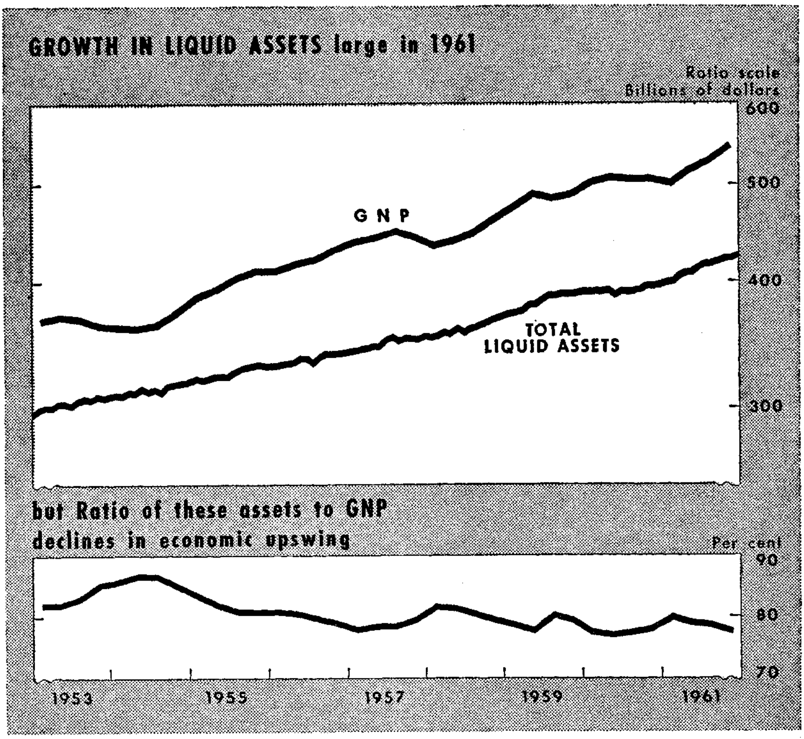
To a small extent consumers purchased credit market instruments directly, but for the most part they acquired more liquid assets and channeled their saving through financial institutions. As a result, funds advanced to credit markets directly by nonbank financial institutions were larger in 1961 than in 1960. And a substantially expanded volume of credit was available from commercial banks, as reserve funds were in ample supply.

With the continued flow of saving to financial institutions, together with the expansion of the money supply and also of short-term Government securities, the public's holdings of liquid assets rose. On the average, the ratio of liquid assets to gross national product was higher in 1961 than in 1960. But as recovery progressed, the ratio declined, as it normally does in such periods.

The further increase in foreign liquid funds in the United States, as a counterpart of this country's international payments deficit, took the form mainly of a rise in deposits. Foreign holdings of short-term U.S. Government securities declined slightly.

Consumers. As during the 1957-58 period of recession and recovery, the flow of consumer saving into financial assets was well maintained during the recent recession, and the flow increased along with incomes in the recovery. Consumers acquired about one-third more financial assets in 1961 than in 1960.

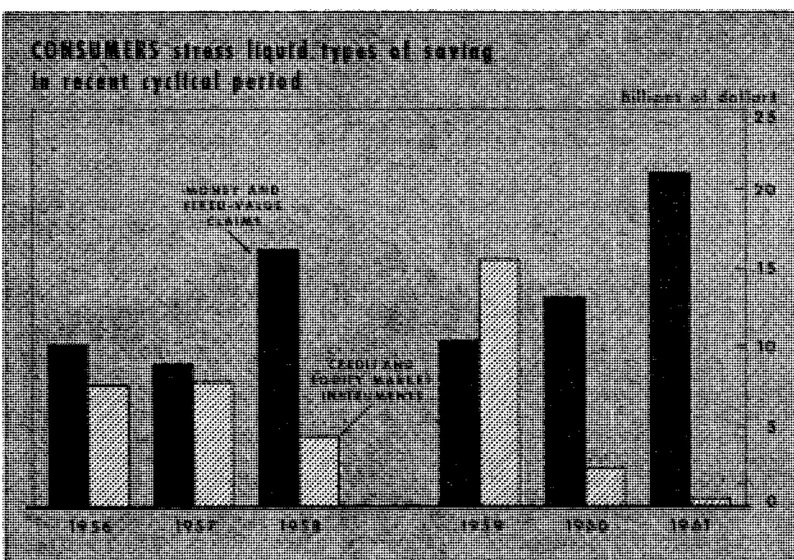
The most recent data indicate that consumers bought directly around $500 million (net) of securities in 1961, compared with



NOTE.—Total liquid assets are seasonally adjusted monthly data for holdings by the nonbank public on an end-of-period basis. Liquid assets include currency; demand deposits; time and savings deposits in commercial banks, mutual savings banks, and the Postal Savings System; shares in savings and loan associations; U. S. savings bonds; and U. S. Government securities maturing within 1 year. GNP data are quarterly. Ratios of liquid assets to GNP are quarterly averages, with liquid assets component of the ratio an average of each month of the current quarter and the last month of the preceding quarter.

$2.5 billion in 1960 and a record $15.5 billion in 1959. During 1959 interest rates were high and rising, and consumers purchased some $10 billion of Federal obligations alone in a period when the Federal debt was rising rapidly and banks were large net sellers. They purchased fewer securities in 1960, when total credit demands had decreased. Small net purchases in 1961 reflected net sales in the first half, seasonally adjusted, followed by somewhat larger net purchases in the second.

In the recent recession and recovery consumers stressed savings deposits and savings and loan shares rather than securities as outlets for saving to an even more marked degree than in 1957-58. During the first half of 1961, with consumer expenditures not keeping pace with the sharp rise in their income, and with yields on savings accounts maintained, the flow of consumer funds into savings deposits and shares was at an annual rate, seasonally adjusted, of almost $20 billion, one-third above the



NOTE.—Flow-of-funds data. Money and fixed-value claims include currency and demand deposits, time and savings deposits in banks, savings and loan and credit union shares, deposits in Postal Savings System, and U. S. savings bonds. Credit and equity market instruments comprise net purchases of bonds, stocks, and mortgages.

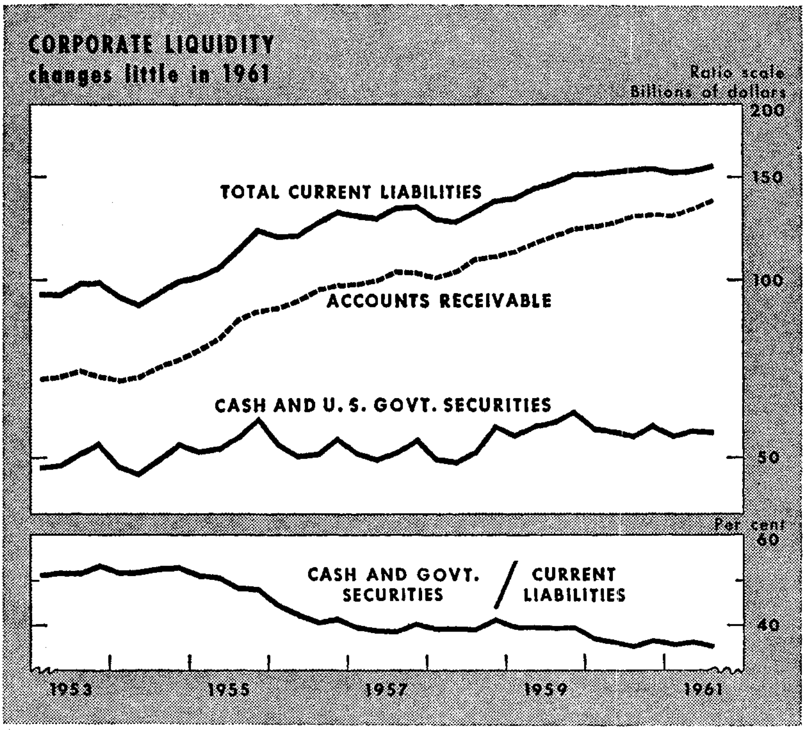
peak rate in mid-1958. During the second half of the year, these flows were maintained at near the first-half pace.

Consumer holdings of currency and demand deposits began to rise in mid-1960 and then increased by an estimated $2 billion during 1961. The increase in these holdings did not keep pace with the rise in consumer income, as has generally been the case in periods of economic expansion since World War II. However, the over-all liquid asset position of consumers—including not only cash, which represents a small part of the total, but also savings deposits, savings and loan shares, and U.S. savings bonds—improved substantially in recession and was maintained during recovery.

Other flows of consumer saving through financial institutions—that is, saving in the form of life insurance reserves and pension fund equities—generally show little sensitivity to cyclical developments. The flow of saving to noninsured pension funds continued to increase at the moderate pace of the preceding 3 years. The flow of saving to life insurance companies, which had increased in 1960 after several years of stability, also rose somewhat further in 1961.

Businesses. Rising internal cash flows of business, as profits recovered in the spring of the year, contributed to some easing of supply conditions in credit markets. During the 12 months ending September 1961, the decline in corporate holdings of U.S. Government securities was only about one-third as much as in the preceding 12 months. Meanwhile, corporate holdings of cash and deposits rose almost $2 billion during the 12 months ending September 1961, after declining somewhat in the earlier period. Until the last quarter of 1961 businesses invested substantial sums in negotiable time certificates of deposits issued by commercial banks. Although interest rates paid on these certificates rose, they were relatively less attractive toward the end of the year because of the rise in yields of short-term U.S. Government securities.

Corporate liquidity, as measured by the ratio of cash and U.S. Government securities to total current liabilities, changed little during the year from the low level to which it had fallen



NOTE.—Securities and Exchange Commission estimates.

in 1960. It remained low because corporations used a substantial portion of their rising internal funds to finance customer purchases of their products, as has been the tendency for several years. Since bills payable by corporations are included in current liabilities, while customers' receivables are not counted as liquid assets, this tendency has been accompanied by a fairly steady decline in corporate liquidity ratios since 1954.

Savings institutions. In addition to the large increase in savings and other time deposits at commercial banks, discussed earlier, much larger amounts of funds were available to savings institutions, other than commercial banks, in 1961 than in previous years. Both shares in savings and loan associations and deposits at mutual savings banks increased more than in 1960, and this contributed to an easing of conditions in capital markets, particularly in the mortgage market.

The increase in savings and loan shares, which has continued throughout the postwar period, began to accelerate in the latter part of 1960, and in 1961 these shares increased by a record amount. Augmenting this inflow with borrowed funds, savings and loan associations increased their mortgage lending by almost one-fourth and also added to their holdings of U.S. Government securities and cash.

Though remaining below previous highs, the net inflow of saving to mutual savings banks in 1961 was above the levels of 1959-60. With the additional funds, these institutions also increased their mortgage acquisitions. Meanwhile, they reduced their holdings of U.S. Government securities by considerably less than in 1960.

The continued growth in saving through life insurance companies and pension funds in 1961 provided funds for purchases of corporate and other securities. Life insurance companies, for example, purchased about one-fourth more corporate securities than they had in 1960.

Commercial banks. The ready availability of reserves to commercial banks, coupled with the public's preference for putting more new funds into time as compared with demand deposits, produced a $14.6 billion expansion in commercial bank credit in 1961, the bulk occurring in the second half of the year as usual. The increase for the year was only slightly less than in 1958, when expansion was at a postwar record rate, and was well above the $9 billion total for 1960. Expansion in 1961 was accompanied by an increase in time deposits three times greater than that in demand deposits.

Loans accounted for $6 billion, or about 40 per cent, of the growth in total bank credit in 1961. They rose by more than in 1958, but by less than in 1960. As compared with the latter year, there were contrasting movements among loan categories. Business loans grew very little after showing a modest rise in 1960. The net increase in farm and consumer loans was also smaller than in 1960. On the other hand, banks became more active in real estate and security loans. The net increase in real estate loans was about two and a half times as much as in 1960. Outstanding security loans increased by more than in other recent years. There was an unusually small net decline in such loans during the first half of 1961, and a large increase in December, when corporations sold U.S. Government securities to obtain funds for meeting tax payments.

Expansion in total loans in 1961 was about in line with the growth in deposits. The ratio of loans to deposits changed little, therefore, remaining about 2.5 percentage points below the peak of 57 per cent in mid-1960.

With reserve funds increasingly available as a result of Federal Reserve actions and with strong loan demands absent, banks made net purchases of $5.5 billion of U.S. Government securities, more than two and a half times as much as in 1960. In addition, they added a record $3 billion to holdings of other securities, particularly State and local government issues, which have a relatively high after-tax yield.

Banks invested heavily in short-term U.S. Government securities during the year. Holdings of securities maturing within a year increased by $7.0 billion, while holdings of longer-term U.S. Government securities declined by $1.5 billion.

There were a number of reasons for this emphasis on short-term investments. One was memory of earlier experiences. During the 1957-58 recession, for example, banks had invested heavily in longer-term issues. When they had to sell these securities to meet renewed loan demand, they were confronted with higher rates and lower prices, in part a result of speculative activity in the market around mid-1958. Another reason was the continued attractiveness of short-term securities in 1961, as their yield relative to longer-term securities remained fairly high on the average in comparison with other years of recession and recovery.

As bank credit expanded, there was at first only a moderate growth in the active money supply (currency and demand deposits held by the nonbank public). The daily average series on the money supply, which had declined in late 1959 and the first part of 1960, began to rise after mid-1960 and rose 3.5 per cent during 1961. From the second half of August to the second half of December, the money supply expanded at an annual rate of about 8 per cent. Time deposits grew rapidly during the year. The average rate of increase was 13 per cent, although the rate slowed down somewhat in the second half.

With its continued strong preference for time deposits and similar assets—such as savings and loan shares—the public used the money supply more intensively in 1961. Turnover of demand deposits during most of the year was higher than in 1960, and in the last quarter of the year was about 4 per cent more than a year earlier. There has been a persistent upward movement in turnover since 1946, following a downward trend during the depression of the 1930's and the war years.

Interest rates. The balancing in credit markets during 1961 of demands for and supplies of funds was accompanied by remarkably little tendency for the price of credit—that is, interest rates —to rise or fall in any sustained way.

In general, neither short- nor long-term interest rates fell as far in the recent recession as in the previous one. Short-term rates fluctuated in a narrow range from mid-1960 through 1961, after having declined rapidly in the first 6 months of 1960. The narrowness of the range reflected at times the efforts of monetary, and also debt management, authorities to minimize downward pressures on market yields of short-term U.S. Government securities, in view of the balance of payments position.

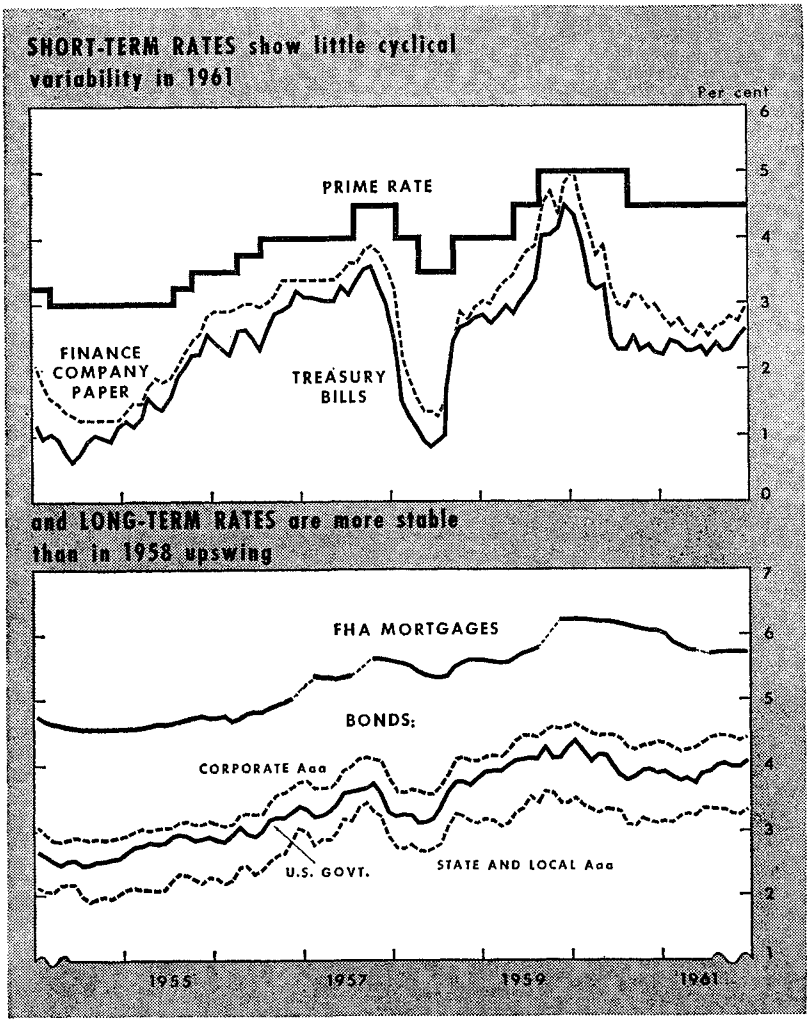
During the last half of 1961, as recovery gained momentum without signs of inflationary pressures, the continued availability of bank reserves, combined with moderate demands for short-term funds, contributed to maintenance of short-term rates near their recession lows for the most part. During the last few weeks of the year short-term rates rose by somewhat more than is usual for that season, as demands became more active. The market yield on 3-month Treasury bills at the end of December was somewhat higher than at any time since the early summer of 1960.

Long-term rates declined some in 1960 and early 1961 but remained well above the low levels reached in the 1958 recession. They rose somewhat in the spring and summer of 1961, but increases were much less than the sharp rises that occurred at the time of the 1958 economic upturn. Downward and upward rate movements in 1958 had been accentuated by speculative activity.

The average yield on long-term U.S. Government securities reached its low for the year in May, as purchases for the Federal Reserve open market account and Treasury trust accounts contributed to the moderate easing of capital market conditions. With long-term rates on not only U.S. Government but also corporate issues at somewhat reduced levels in the early months of the year, heavy corporate flotations were scheduled and were marketed in large quantity during the spring and early summer. Rates on high-grade corporate issues rose in that period but leveled off and then declined somewhat as the volume of new issues was reduced.

Mortgage market conditions eased throughout 1960 and the first part of 1961, and then changed little. In 1960, funds available to mortgage lenders increased—largely as a result of the growth and changing pattern of consumer saving—while the demand for such funds declined. In 1961, as already indicated, consumers channeled larger amounts of their funds into savings and loan associations and into other institutions that were interested in mortgage investments. This resulted in a further easing of mortgage market conditions during much of the year, even in the face of renewed demand for such credit. During the second half of the year, the Federal National Mortgage Association helped to keep market conditions from tightening by making net acquisitions of mortgages.

During the first half of 1961 the allowable interest rate on FHA-insured mortgages was reduced in two steps from 5¾ per cent, which had prevailed since the autumn of 1959, to 5¼ per cent in late May. Secondary market yields on those



NOTE.—Monthly averages. Finance company paper, based on rates published by finance companies for varying maturities in the 90-179 day range. Treasury bills, market yields on 3-month bills. Corporate and State and local government bonds, from Moody's Investors Service. U. S. Government bonds, issues maturing or callable in 10 years or more. Prime rate, rate charged by large banks on short-term loans to business borrowers of the highest credit standing. FHA mortgage rate, derived by Federal Reserve from a weighted average of opinions of FHA field offices on bid prices in their market areas (dashed lines indicate periods of adjustment to changes in the contractual interest rate).

mortgages continued to decline until July, but not to levels as low as the ceiling rates, and new mortgages continued to sell at discounts. Interest rates on conventional mortgages apparently changed little during most of the year, but other terms on both conventional and insured mortgages were relaxed further.

BALANCE OF PAYMENTS

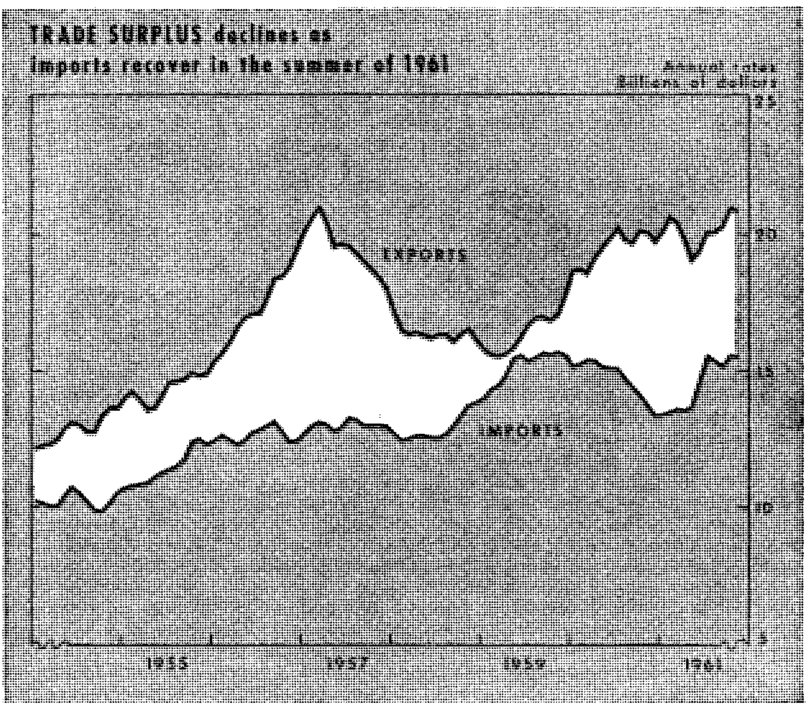
The unsatisfactory state of the country's international balance of payments continued to be a matter of concern in 1961. Outflows of volatile capital, which had been exceptionally large during the latter part of 1960, diminished early in 1961 after the U.S. Government made clear its continued determination to defend the international value of the dollar. The underlying competitive position of the United States in world markets for goods was probably somewhat stronger in 1961 than in the 2 preceding years. Nevertheless, forces making for improvement in the balance of payments were obscured, as the year progressed, by the effects on imports of rising business activity and the effects on capital movements of the ample liquidity of banks and of the nonbank public.

Absence of increase in commodity prices in the United States, if it continues, can be counted on to help in the restoration of payments equilibrium. Average wholesale prices of goods other than farm products and foods were slightly lower at the end of 1961 than at the end of 1959. Prices for certain categories of products of key importance for the country's competitive position, such as metals and machinery, after rising substantially from 1954 through 1959 have changed relatively little since then.

Further improvement of the U.S. competitive position in international trade is vital for the defense of the dollar. Attention must also be paid to factors that influence long-term and short-term capital movements. Among these are the liquidity of the domestic economy and the availability of bank credit.

Current account and long-term capital transactions in 1961. Demand for imports was relatively low in the early months of the year, while exports continued close to the high level reached in the latter half of 1960. Thus the merchandise export surplus for the first half of 1961 was large. But as domestic production and incomes recovered, and as inventory decumulation gave place to accumulation at a moderate rate, imports rose and the export surplus fell.

Expansion of exports since 1959 has in some degree been the counterpart of expanding Government economic loans and grants to other countries. Exports other than those financed directly by Government payments rose very sharply up to mid-1960 but fell off a little during the first 9 months of 1961. One factor responsible for this slackening was an easing of pressures on economic resources in Europe. European demand for capital



NOTE.—Three-month weighted moving averages of Bureau of the Census seasonally adjusted data. Exports exclude shipments under military aid programs.

goods and other final products remained strong, but accumulation of inventories of materials and semifinished goods was less than in 1960.

The merchandise export surplus in the second half of 1961 was at a seasonally adjusted annual rate of nearly $5 billion. The surplus on all goods, services, and donations, other than military transactions and economic aid outlays, was at a rate of about $6 billion. But with net nonmilitary Government loans and grants taken into account, the balance of receipts in the second half of 1961 was only about $2 billion per year. This was far too little to cover net military expenditures abroad of $2.5 billion a year and the net outflow of long-term private capital, which in this period exceeded $2 billion per year. Thus the adverse payments balance on current and long-term capital accounts (including also short-term U.S. Government capital) was running at an annual rate close to $3 billion during the second half of 1961.

In the first half of the year there had been substantial net receipts in these accounts, including $650 million of prepayments of debts to the United States, mainly by Germany. Even without these prepayments, there had been a small surplus on the current and long-term capital accounts. This contrasted sharply with the deficits of nearly $2 billion in 1960 and more than $4 billion in 1959. The substantial surplus of the first half of 1961 made the deficit for the full year on these accounts a good deal less than $1 billion.

The re-emergence of a large deficit on current and long-term capital accounts in the second half of 1961 reflected primarily the recovery in merchandise imports and the absence of extraordinary debt prepayments. At the same time exports rose somewhat, but the increase in receipts from this source was more than offset by the rise in Government aid payments.

Gold and foreign holdings of dollars. U.S. gold reserves decreased about $850 million in 1961, only half as much as in 1960. Foreign central bank and other official short-term dollar assets increased about $600 million. This movement too was much smaller than in 1960, when such holdings rose $1.2 billion. At the end of 1961 the U.S. gold stock was $16.9 billion, while short-term liabilities to foreign official holders of dollars, in such forms as deposits and Treasury bills, were $11.0 billion. And also at the end of 1961 the Exchange Stabilization Fund held about $100 million of convertible foreign currencies; it had acquired nearly $200 million from March to June and reduced its holdings in later months.

Part of the excess of U.S. international payments over receipts in 1961 was financed by an increase in private foreign holdings of dollars. In the second half of 1960, when money market rates had been relatively high in Great Britain and Germany and uneasiness about the U.S. dollar had developed in international markets, private foreign holdings of dollars had been reduced by $500 million. But in 1961 short-term dollar liabilities to foreign banks other than official institutions increased by $600 million, bringing them to a total of $5.3 billion at the year-end. Short-term dollar liabilities to other private holders rose $100 million, to $2.4 billion.

Besides large increases in the dollar holdings of some of the European countries, there was a substantial increase in the holdings of Canada. In part this represented the investment at short term by Canadian banks of funds placed on deposit with them by U.S. residents.

Dollar holdings of international organizations increased somewhat in 1961, if their holdings of U.S. Government bonds and notes are included.

In the aggregate, official and private foreign holders and international organizations increased their liquid assets in the United States, including Government bonds and notes and certain other types of assets, by $1.7 billion. The rise in these holdings, together with the net decline in U.S. gold reserves and official holdings of convertible foreign currencies, indicated a $2.4 billion excess of U.S. payments over U.S. receipts from international transactions. This was considerably less than the deficits of nearly $4 billion each in 1959 and 1960. However, the rate of deficit in the second half of 1961 was comparable with those earlier deficits.

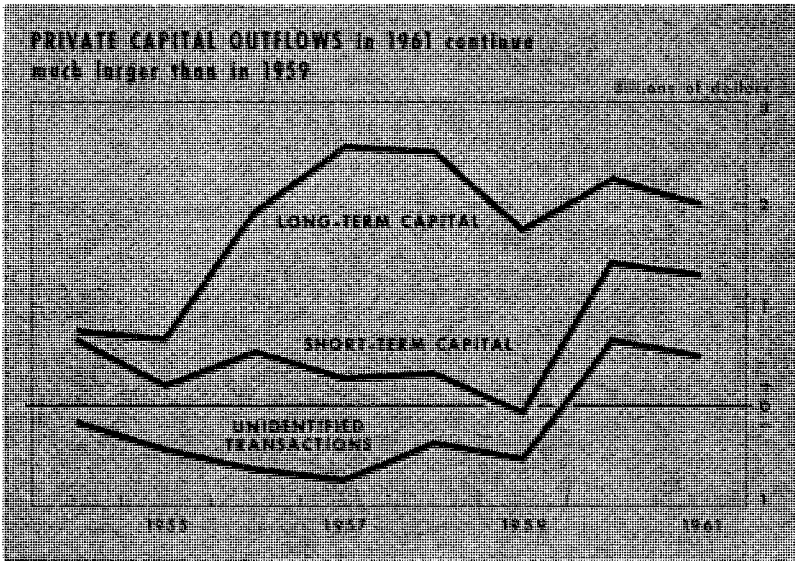
Capital movements. The net outflow of private capital from the United States approached $4 billion in 1961. The outflow was not quite so large as in 1960 but was much larger than in 1959, and it constituted an important element in the over-all excess of payments financed by gold sales and additions to foreign holdings of liquid dollar assets.

About $2 billion of this net capital outflow was classed as long-term and is counted in the deficit on current and long-term capital accounts described above. More than $1 billion was identified as net outflow of short-term capital, and there was at least $500 million of additional outflow the nature of which was not identifiable.

Of the $2 billion of recorded net outflow of long-term capital in 1961, direct investment by U.S. corporations in subsidiaries and branches in Europe, Canada, and other areas made up much the largest part; incomplete data suggest total movements not much below the 1960 total of $1.7 billion. These movements, though classified as long-term, include changes in intercompany accounts that are sometimes of a short-term character. New foreign issues of securities in the United States, less redemptions, accounted for $400 million of capital outflow, and transactions in outstanding foreign securities for nearly $300 million more. Foreign acquisitions of U.S. corporate securities and direct investments in the United States approached $400 million net, offsetting to that extent the outflow of U.S. capital.

The recorded net outflow of short-term capital—which includes the outflows of various types of U.S. capital and a small inflow of foreign commercial credits—was almost as large in 1961 as in 1960. Much of the outflow was in bank loans and acceptance credits, a large part of which went to Japan. There was also a sizable movement of U.S. nonbank funds to Canada, partly in deposits repayable in U.S. dollars. Recorded movements of U.S. funds into foreign currency assets other than Canadian were small in 1961.

Differences between short-term interest rates in the United States and Europe in 1961 were only one of many influences on the outflow of U.S. private short-term capital to Europe and other areas or on the movements of foreign privately owned liquid dollar assets. Although money market rates were markedly higher in the United Kingdom than in the United



NOTE.—Department of Commerce data. Long- and short-term capital outflows are net of recorded inflows of foreign private capital other than into liquid assets in the United States. Data for 1961 are partly estimated by Federal Reserve.

States—especially after rates in London were raised in July as part of a program to check capital outflows from Great Britain and to improve its underlying balance of payments—the discount on forward sterling largely offset the rate differential for those investors who wished to cover their exchange risks. And although there was no large differential in money market rates between Germany and the United States, German commercial banks were encouraged, by special inducements offered them by the German central bank, to put substantial amounts of funds into liquid dollar assets—either in the United States or as dollar deposits in other financial centers.

Federal Reserve policies and operations affecting the availability of credit in 1961 were designed to encourage domestic economic expansion while avoiding encouragement of outflows of liquid short-term funds. The maintenance of U.S. money market rates during the early part of the year at higher levels than in some earlier recession periods, such as the first half of 1958, helped to keep outflows of liquid funds smaller than they would otherwise have been. But the general state of credit and capital markets here and abroad in 1961, including the ready availability of bank credit in this country throughout the year, was conducive to outflows of bank credit and of long-term capital. To reduce these outflows significantly would have required greater restraint on the availability of bank credit and expansion of liquidity than was appropriate for the domestic economy in 1961.

FEDERAL RESERVE SYSTEM

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 on 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 18 meetings of the Federal Open Market Committee during the calendar year 1961, including the votes on the policy decisions as well as a résumé 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 directives of the Federal Open Market Committee are 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. The directive that was in effect at the beginning of 1961 instructed the New York 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 encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments, 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 10, 1961

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 13, 1960, calling for operations with a view to encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments.

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

The downward drift that had characterized economic developments since the summer of 1960 continued in December. While there were no signs of accelerating downward momentum, neither was there evidence of a revival near at hand, and a further contraction of modest proportions seemed to be the most likely prospect for the near future. Preliminary estimates indicated that gross national product had held about even in the fourth quarter of 1960, but that industrial production was off 1 or 2 points in December from the November level, bringing the decline from July to around 6 per cent. Unemployment rose, with indications that further increases were likely, while prices of sensitive materials continued to decline and the average of all wholesale prices also drifted down a little. Total retail sales, seasonally adjusted, had also fallen off in December, reflecting primarily a softening of automobile sales. However, the downdrift that the economy had been experiencing was milder than during comparable recession phases of other postwar cycles, and it appeared possible that manufacturers of most products had about completed their inventory adjustments, particularly as to raw materials and goods in process.

There was continuous ease in the money market during the 4 weeks preceding this meeting, as evidenced by a Federal funds rate averaging substantially below the discount rate and a further decline in borrowing at the Federal Reserve Banks. Bank credit in December showed a strong rise, with much of the strength attributable to borrowing by financial institutions and business concerns around the mid-December tax and dividend payment dates. The money supply, defined to include currency in circulation and privately held demand deposits, showed a modest increase in December; most of the deposit increase recently had been in the time category. Prospects were that the sizable amounts of reserves released in late December and early January by seasonal decreases in required reserves and currency in circulation would be partly offset by declines in float and a continued gold outflow. During the first week in January, gold outflow was at the rate of $130 million.

Although available reports suggested that the U. S. balance of trade was showing some improvement, the over-all balance of payments continued to pose a serious problem for the international strength of the dollar.

Taking all of these factors into consideration, it was the consensus of the Committee that in view of the state of the domestic economy the System should seek to maintain approximately the same amount of ease in the market as it had since the preceding meeting, at the same time paying close attention to developments in the international area. There was a minority view favoring greater ease in order to do what was possible to reverse the trend of the economy in this country. There were, on the other hand, some who believed that the System should "mop up" more of the ease that had prevailed, it being argued that the System had injected sufficient credit into the market and should concern itself more at this point with endeavoring to assure a short-term interest rate level conducive to checking the outflow of funds and possibly reversing it.

January 24, 1961

Authority to effect transactions in System Account.

The Federal Open Market Committee directed the Federal Reserve Bank of New York to continue to conduct open market operations with a view toward encouragement of monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments.

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

The decline in economic activity was continuing, with no discernible signs of a bottom having been reached. There was evidence of a continued rise in seasonally adjusted unemployment figures, and declines in employment and in industrial production were rather general. A further weakening in personal income and retail sales, along with a sharp drop in housing starts during December, had also contributed to the decline. However, some encouraging developments were beginning to appear in the economic picture, including a continued large export surplus, signs of greater availability of mortgage money, though this had not yet led to noticeably lower interest charges or to expansion in residential construction, and slight signs of pick-up in steel production and orders.

There was ample evidence of continuing money market ease. However, after taking into account the usual seasonal patterns, bank credit developments during the first part of January were somewhat mixed. Bank loan-deposit ratios, while still relatively high by historic standards, had declined somewhat. Also, while there had been only a modest gain in the money supply proper during the second half of 1960, total nonbank liquid assets had risen at a rate almost equal to the average for the last 10 years.

A delicate situation existed in international financial markets, stemming mainly from the continued U. S. balance of payments deficit, and this created something of a dilemma for monetary policy. The problem was one of providing sufficient reserves to the banking system to encourage growth of the domestic economy, which was operating at a relatively low level, while endeavoring to prevent short-term rates from declining to levels that might aggravate the already sizable payments deficit of the United States. The consensus as to policy for the period immediately ahead was that there should be no change in the existing degree of monetary ease and that in operating the Open Market Account the Management should continue to give close attention to the level of short-term rates in view of the current international financial situation. However, at least one member of the Committee (Mr. Robertson) favored a moderately greater degree of ease, in view of the level of domestic economic activity.

February 7, 1961

1. Authority to effect transactions in System Account.

The Committee's directive to the Federal Reserve Bank of New York, calling for the encouragement of monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments, was continued without change.

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

There appeared to have been little or no improvement in the levels of output, employment, and trade since the preceding meeting. Although steel mill operations were up slightly from the depressed December levels, automobile assemblies had slipped further, and it seemed likely that the industrial production index would show a further decline of 1 point for January. Long-term unemployment continued to increase, and there was no significant change in the seasonally adjusted rate of total unemployment. Lagging automobile sales and department store sales, reflecting in part severe weather conditions in many areas, had pulled down total retail trade. While there were some signs of a leveling off or bottoming out in a few economic sectors, none of them seemed poised for a rapid upward surge. Nevertheless, there appeared to be a continued optimistic sentiment in business and financial markets.

Total loans and investments of banks appeared to have declined less than seasonally in January, largely a reflection of banks continuing to add to their holdings of U. S. Government securities. The bulk of these additions were in shorter-term issues, mainly Treasury bills, and this growth, together with other factors, had improved the liquidity of the banking system. The seasonally adjusted money supply increased substantially in the latter part of January after dipping somewhat in the first half, and preliminary data indicated that by the beginning of February the money supply was above the year-earlier level. Demand deposits, which ordinarily fall in January, fell less than usual for the month, and time deposits continued to show sizable gains. Member bank reserve positions continued relatively easy on average during January, although they showed wide week-to-week fluctuations. In general, indications were that the reserves supplied in recent months had permitted or perhaps encouraged monetary expansion relative to the usual seasonal pattern without having depressive effects on the Treasury bill rate.

The gold outflow had declined in January from the December and November 1960 levels. While the rate was still high, it was felt that short-term balance of payments forces were working toward some reduction in the rate of outflow.

The consensus of the Committee favored no change in open market policy, with the Treasury bill rate to be watched closely in conjunction with market needs for reserves. However, within the framework of the directive, which was broad enough to encompass his own position, one member (Mr. Robertson) felt that open market policy should be aimed toward providing a more ample supply of reserves in order to enable the banking system to make what contribution it could toward reversing the downward economic trend. This member suggested that, as the economy began to move upward, interest rates would rise and the current outflow of capital, to the extent that it was based on interest rate differentials, would be reversed.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Federal Open Market Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the policy directive issued at this meeting, to acquire for the System Open Market Account intermediate- and/or longer-term U. S. Government securities having maturities up to 10 years, or to change the holdings of such securities, in an amount not to exceed $500 million.

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

The Committee's decision to authorize transactions in intermediate- and longer-term securities reflected a conclusion that under prevailing circumstances such transactions might facilitate the implementation of current monetary policy. This policy called for providing reserves to the banking system to meet the needs of the current business situation and also for avoiding direct downward pressure on short-term interest rates or not resisting any tendency for them to rise, in view of the relationship of short-term rates to the balance of payments problem. While maintenance of the Treasury bill rate could possibly be accomplished by reducing the availability of reserves to the banking system, this would be inconsistent with one of the current objectives of monetary policy. On the other hand, the purchasing of securities in the intermediate- and longer-term areas, as contrasted with the short-term area, offered the possibility of supplying reserves without creating direct pressure on short-term rates. Also, such purchases, by having a moderating influence on long-term interest rates relative to short-term rates, might have the effect of facilitating the flow of funds through the capital and mortgage markets, thereby encouraging the progress of recovery. Accordingly, the combination of domestic and international circumstances confronting the Committee seemed to call for a high degree of flexibility in open market operations. While some members of the Committee were uncertain as to the feasibility of attaining the aforementioned policy objectives through the increased flexibility provided by operating in intermediate- and longer-term securities as well as short-term securities, the Committee believed that a determined effort was warranted. However, it was understood that it would not be the objective to seek a given fixed rate for Government securities of any maturity.

Also, there had been a great deal of controversy in recent years as to the efficacy of the System's policy of operating exclusively in the short-term area of the market. Inherent in this controversy was an apparent feeling that the System was maintaining an unduly rigid attitude in the position it allegedly took toward its own operating procedures and policies. The entire issue of the proper techniques for conducting System open market operations had become one of conceptual contention. It was felt by the Committee that the conduct of operations outside the short-term sector of the Government securities market might contribute to determining whether the criticisms of the System's policy of confining its open market operations to short-term securities, except in the correction of disorderly markets, was warranted. Likewise, it was envisaged that the procedure might throw some light on the possibility of influencing longer-term rates while maintaining the short-term rate level.

The initial entry into the market under the program agreed upon by the Committee contemplated moderate purchases in the 1- to 5½-year maturity range. Then, after the market had become accustomed to the change in System open market procedures, it was contemplated that the Manager of the System Open Market Account would undertake operations in the 5½- to 10-year maturity range. However, all open market operations under the special authorization were to be consistent with the monetary policy set forth in the Committee's current policy directive. (At this particular time the directive called for encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments.) The amount by which the Account's holdings of intermediate- and longer-term securities could be changed between this date and the next meeting of the Committee, i.e., $500 million, was part of the $1 billion limitation contained in the policy directive.

The Committee's action represented a departure from certain policies set forth in its operating policy statements, which were last reaffirmed on March 22, 1960, not only because it authorized operations in intermediate- and longer-term securities but also because it permitted "offsetting purchases and sales of securities for the purpose of altering the maturity pattern of the System portfolio." Within the terms of the policy directive it was possible, for example, that short-term interest rate considerations might suggest the sale of short-term securities at a time when the System did not want to absorb reserves. In such a circumstance, it might be expedient to buy longer-term securities simultaneously with the sale of shorter-term securities or to make offsetting transactions within an interval of a few days.

Mr. Robertson, in dissenting from this action, expressed the opinion: (1) that the established operating procedures and policies of the Committee were, in fact, the product of careful empirical and analytical study; (2) that they had proved in practice to be sound, both in terms of monetary policy and in terms of fair dealing with the market; (3) that in deviating from its established policies the Federal Open Market Committee was in effect asserting, without reason, that it had made a critically incorrect judgment 8 years ago and had pursued incorrect operating practices since; and (4) that critics of present methods of operating in the market were relying on the simplest theories of determination of market interest rates and making allegations on postulates having little if any basis in empirical fact. In his opinion this departure from established operating techniques would not constructively influence market rates, and he gathered from the discussion that not many (if any) at the table were confident of such a result. What he was confident of, however, was that the Committee was running serious risk (a) of undermining domestic and foreign confidence in the System's integrity and judgment and the reliability of the new Administration's assertions of an intent to maintain the stability of the dollar, (b) of impairing the market for Government securities by placing dealers and investors in the position of having to guess which area of the market the Federal Reserve was going to enter and hence affect prices, and (c) of impeding Government financing by making it extremely difficult for the Treasury to determine objectively appropriate market rates for future intermediate- and long-term financing. It was his view that these risks were too large to run.

In addition, Mr. Robertson believed it to be inadvisable for the Committee virtually to abdicate its authority and responsibility by giving practically unlimited authority to the Manager of the Open Market Account (1) to buy and sell securities in any area of the market up to 10 years, as he saw fit, for the stated purpose of affecting rates as distinguished from providing or withdrawing reserves from the banking system, and (2) to engage in "swap" transactions—i.e., buying securities in one maturity area and selling in another—to effect changes in rates and hence marshal the System's portfolio of Government securities against market forces.

Note: On February 20, 1961, the date of initial operations in the longer-term Government securities market, the Account Manager, at the direction of the Chairman of the Open Market Committee, issued the following press statement:

The System Open Market Account is purchasing in the open market U. S. Government notes and bonds of varying maturities, some of which will exceed 5 years.

Price quotations and offerings are being requested of all primary dealers in U. S. Government securities. Determination as to which offerings to purchase is being governed by the prices that appear most advantageous, i.e., the lowest prices. Net amounts of all transactions for System Account will be shown as usual in the condition statements issued every Thursday.

During recent years transactions for the System Account, except in correction of disorderly markets, have been made in short-term U. S. Government securities. Authority for transactions in securities of longer maturity has been granted by the Open Market Committee of the Federal Reserve System in the light of conditions that have developed in the domestic economy and in the U.S. balance of payments with other countries.

March 7, 1961

1. Authority to effect transactions in System Account.

The Federal Reserve Bank of New York was directed by the Committee to continue to conduct open market operations with a view toward encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments.

Votes for this action: Messrs. Martin, Hayes, Allen, Balderston, Irons, King, Mills, Robertson, Shepardson, Swan, Szymczak, and Wayne. Votes against this action: none.

A review of national and regional economic developments indicated that the recession seemed to have lost momentum. Among the more favorable economic signs was an indication that gross national product would be down only moderately in the first quarter of the year—possibly by less than 1 per cent. Industrial production had apparently leveled off in February, and it appeared unlikely that there would be a decline in March; inventory liquidation also seemed to have leveled off. According to recent surveys, plans for business capital expenditures indicated a small rise from the first half of the year to the second, and the total of planned expenditures, when compared with 1960, was down only about 3 per cent. Consumer expenditures and buying intentions also were interpreted as generally optimistic, despite some continued weakness in expressed intentions to buy houses and household durables. As against these indications of a possible turnaround in economic activity, the continuing lag in automobile sales and the persistence of a high level of unemployment and unutilized resources were of concern.

Statistics on bank credit and bank reserves were considered encouraging. Total loans and investments at weekly reporting member banks recorded a sizable gain in February, total reserves of all member banks on a seasonally adjusted basis rose substantially in February to surpass the 1960 high set in November, and required reserves, adjusted, reached a record high in February. It was anticipated that around mid-March, when large tax payments were due, there would be substantial liquidity needs, with the result that reserves of member banks would be under considerable pressure. Therefore, if the existing money market ease was to be maintained, the System might have to supply additional reserves, reabsorbing them possibly in the latter part of the month.

Preliminary statistics indicated that there had been a virtual cessation of the outward flow of short-term capital in January and February. However, an atmosphere of uncertainty had arisen in international money markets following the German and Netherlands currency revaluations, and there was the possibility that the improved situation could reverse itself quickly.

The consensus of the Committee was that the existing monetary policy of ease should be followed until the next meeting. Considering the problem of unemployment and the continued uncertainties in the business situation, it was felt that the System should encourage credit expansion as a means of fostering economic recovery. On the other hand, since the balance of payments situation had not been fundamentally corrected, it was also felt that consideration should continue to be given to short-term interest rates in the conduct of open market operations. There were some variations in opinion within the Committee concerning whether the current degree of ease was sufficient to stimulate the economy and concerning the degree of emphasis that should be placed on the desirability of counteracting influences tending to depress short-term interest rates.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Federal Reserve Bank of New York was authorized, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities having maturities up to 10 years, or to change the holdings of such securities, in an amount not to exceed $500 million.

> Votes for this action: Messrs. Martin, Hayes, Balderston, Irons, King, Mills, Shepardson, Swan, Szymczak, and Wayne. Votes against this action: Messrs. Allen and Robertson.

This special authorization, first given at the Committee meeting on February 7, 1961, was extended subject to the original understanding that all operations under it were to be consistent with the general monetary policy expressed in the Committee's directive.

Mr. Allen voted against this action for the reasons he had given at the meeting of the Federal Open Market Committee held on February 7, 1961. (At that time Mr. Allen was not a member of the Committee, but as an alternate member he was asked to express his opinion on the proposed extension of operations. He had opposed the extension, saying that after reviewing a quantity of material on the subject—including the report of an Ad Hoc Subcommittee of the Federal Open Market Committee dated November 12, 1952, testimony by Chairman Martin before various congressional committees, and a number of treatises written by professional economists—and considering it also in the light of his own experience, he did not favor the proposed extension of operations.) Mr. Allen indicated that he was in substantial agreement with the reasons for opposing the action that were stated by Mr. Robertson at the meeting on February 7, 1961.

Mr. Robertson dissented from this action for the reasons that he had stated at the meeting on February 7, 1961, when the special authorization was first given.

3. Review of continuing authorities and statements of policy.

This being the first meeting of the Federal Open Market Committee following the election of new members from the Federal Reserve Banks for the year beginning March 1, 1961, the Committee had scheduled for review the statements of continuing operating policies that had been in effect since 1953 and were last reviewed and reaffirmed on March 22, 1960, 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.

At the meeting on January 10, 1961, an Ad Hoc Subcommittee of the Open Market Committee had been named for the purpose of pursuing certain studies of the Committee's operating procedures, along lines to be indicated by Chairman Martin. One subject to which that Subcommittee had devoted considerable attention was a possible revision of the statements of operating policies. However, after discussion at this meeting the Committee decided, pursuant to the recommendation of the Subcommittee, to table consideration of possible changes in the operating policy statements pending further study in the light of the authorization given at the meeting on February 7, 1961, and reaffirmed at this meeting, covering operations in intermediate- and longer-term securities.

Votes for this action: Messrs. Martin, Hayes, Allen, Balderston, Irons, King, Mills, Robertson, Shepardson, Swan, Szymczak, and Wayne. Votes against this action: none.

At this meeting the Committee also reviewed and reaffirmed all of its continuing authorities for operations, including those referred to in the two succeeding policy record entries.

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

The Committee reaffirmed the existing authorization to the Federal Reserve Bank of New York to enter into repurchase agreements with nonbank dealers in U. S. Government securities —an authorization that had been reaffirmed by the Committee each year since it was first granted in this form on August 2, 1955. The authorization, which continued to be subject to the understanding that repurchase agreements at rates below the discount rate would be used only sparingly, specified the following conditions:

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, Allen, Balderston, Irons, King, Mills, Shepardson, Swan, Szymczak, and Wayne. Vote against this action: Mr. Robertson.

In dissenting from this action, Mr. Robertson reiterated the opinion that repurchase agreements were in fact not purchases of securities in the open market, such as the Reserve Banks were authorized by law to enter into, but instead were loans to dealers at fixed interest rates that were not related to the yield on the securities. Therefore, they should be used only as a last resort to finance dealers who were unable to obtain loans at reasonable rates from others in order to aid them in maintaining an adequate market for Government securities. Furthermore, he was of the opinion, for reasons he had stated many times during the past 8 years, that nonbank dealers should not be given preferential treatment by being furnished loans from the Federal Reserve Bank of New York at lower rates than member banks were obliged to pay for loans from the same Reserve Bank.

The majority of the members of the Committee continued to feel that the repurchase agreement was an appropriate instrument that had proved of significant value to the Federal Reserve System in carrying out monetary policy. Therefore, they concluded that its use should not be restricted and that the authorization should not be changed to preclude the opportunity, if and when that was provided for under the authorization and appeared desirable, of using a rate lower than the discount rate.

5. Purchases of bankers' acceptances, and repurchase agreements based thereon.

The Committee reaffirmed the existing authorization to the Federal Reserve Bank of New York to purchase bankers' acceptances and to enter into repurchase agreements therefor—an authorization that, with minor changes, had been reaffirmed by the Committee each year since it was first granted in 1955. The authorization read as follows:

> The Federal Open Market Committee hereby authorizes the Federal Reserve Bank of New York for its own account to buy from and sell to acceptance dealers and foreign accounts maintained at the Federal Reserve Bank of New York, at market rates of discount, prime bankers' acceptances of the kinds designated in the regulations of the Federal Open Market Committee, at such times and in such amounts as may be advisable and consistent with the general credit policies and instructions of the Federal Open Market Committee, provided that the aggregate amount of such bankers' acceptances held at any one time by the Federal Reserve Bank of New York shall not exceed $75 million, and provided further that such holdings shall not be more than 10 per cent of the total of bankers' acceptances outstanding as shown in the most recent acceptance survey conducted by the Federal Reserve Bank of New York.

The Federal Open Market Committee further authorizes the Federal Reserve Bank of New York to enter into repurchase agreements with nonbank dealers in bankers' acceptances covering prime bankers' acceptances of the kinds designated in the regulations of the Federal Open Market Committee, subject to the same conditions on which the Federal Reserve Bank of New York is now or may hereafter be authorized from time to time by the Federal Open Market Committee to enter into repurchase agreements covering U.S. Government securities, except that the maturities of such bankers' acceptances at the time of entering into such repurchase agreements shall not exceed 6 months, and except that in the event of the failure of the seller to repurchase, such acceptances shall continue to be held by the Federal Reserve Bank or shall be sold in the open market. Such repurchase agreements shall be at the same rate as that applicable, at the time of entering into such agreements, to repurchase agreements covering U.S. Government securities.

Votes for this action: Messrs. Martin, Hayes, Allen, Balderston, Irons, King, Mills, Shepardson, Swan, Szymczak, and Wayne. Vote against this action: Mr. Robertson.

In voting against the continuation of the authority, Mr. Robertson stated that he felt the Federal Reserve System should encourage the utmost freedom of market forces and therefore should withdraw from active participation in the acceptance market in the absence of clear indication that such participation would yield specific public interest benefits. He was not aware of evidence that such benefits had been realized since the authorization was given to the Federal Reserve Bank of New York in 1955. He opposed the use of repurchase agreements covering bankers' acceptances not only for these reasons but also for the reasons he had expressed in opposing the use of repurchase agreements covering Government securities.

In support of the majority position favoring reaffirmation of the authorization, it was stated that the Federal Reserve System had taken an active interest in promoting and assisting the acceptance market since the inception of that market, that the System had a legitimate interest in doing its part to make that market as broad and as sound as possible, and that acceptances were inherently a desirable medium for operations by a central bank.

March 28, 1961

1. Authority to effect transactions in System Account.

The Federal Open Market Committee directed the Federal Reserve Bank of New York to continue to conduct open market operations with a view to encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments.

Votes for this action: Messrs. Martin, Hayes, Allen, Balderston, Irons, King, Mills, Robertson, Shepardson, Swan, Szymczak, and Wayne. Votes against this action: none.

Additional information on economic developments in February that had become available since the previous Committee meeting tended generally to confirm the estimates presented at that time. While the prevailing tone of growing business optimism might be considered somewhat premature, nevertheless there were further indications that the economy was at least close to a bottoming out of the recession. Several key economic series that previously had been falling for some time had now either leveled off or turned upward. These included such items as new orders for durable goods, manufacturers' sales of durable goods, industrial production, and retail sales. In addition, the relatively small prospective decline from 1960 in business plant and equipment expenditures was encouraging; and housing starts, at a seasonally adjusted annual rate, had risen from the December low, although they still remained below the year-earlier level. While employment had risen in February to a level above a year earlier, the rate of unemployment increased slightly and the actual number of unemployed attained a postwar peak.

The money market had been generally easy in the past 3 weeks, a period when more tightness might ordinarily have been expected in view of the midmonth tax date. Total loans and investments at city banks declined during the first part of March. Although business loans increased about as much as usual, loans to finance companies showed a contraseasonal decline, and loans to dealers in Government securities also declined by a sizable amount. City bank holdings of Treasury bills and of Government securities maturing after 1 year fell, while holdings of other securities increased. The money supply, which increased sharply in January, had shown little further growth since the early part of February, and the daily average for the first half of March was only slightly larger than a year earlier.

Data now available indicated that, whereas an improvement in the over-all balance of payments occurred in January, with a $100 million surplus for that month, in February there may have been a deficit of some $200 million. There was also some evidence that this adverse trend had continued in March, in part as a result of repercussions from the German currency revaluation. Therefore, since the atmosphere in international financial markets remained delicate, the short-term interest rate continued to be an important factor in the formulation of System open market policy.

After consideration of the range of economic and financial information that had been accumulated, it was the consensus, from which Messrs. Balderston, Robertson, and Swan dissented, that until the next meeting of the Committee the policy directive should be implemented by open market operations seeking to maintain about the existing degree of ease.

Mr. Balderston dissented because he felt that with the gold outflow stopped, at least for the moment, the Committee should experiment with an increased availability of reserves until the money supply responded more vigorously. The extent to which additional reserves would be needed for that purpose could be determined only by probing operations, which in his view should be started. While this probing was under way, he recognized that the short-term rate might decline despite the support available from factors such as the increased supply of bills being offered by the Treasury. Since he did not wish to see the bill rate decline significantly in view of the continuing balance of payments problem, he felt that the Committee should continue to employ whatever devices were available to avoid undue pressure on that rate. However, it seemed to him that the time had arrived to risk some decline in short-term rates in view of the importance he attached to stimulating the growth of the money supply. If the cyclical bottom had been reached, he pointed out, the economy should be prepared to put additional reserves to constructive use.

Mr. Robertson dissented from the decision to maintain, until the next meeting, the existing degree of ease. At the past several meetings, as at this one, he had voted to approve the policy directive on the ground that it correctly specified that open market operations should be conducted with the aim of encouraging monetary expansion. However, in the last few months the degree of ease which he thought appropriate to achieve the aim of the directive, and which he thought had been sought by the Committee, was not reached principally, in his opinion, because too much emphasis had been attached to seeking to prevent a reduction in the interest rate (i.e., yield) on short-term Government bills. Consequently, in his view monetary policy had been precluded from making its full contribution to a reversal of the economic downtrend. Now that the gold outflow had abated, Mr. Robertson believed there was even less reason than heretofore to gear open market action to the maintenance of a particular bill rate rather than to the provision of what he would think were sufficient bank reserves to stimulate business activity and economic growth, and thus contribute to the solution of the serious economic problems that arise from failure to utilize fully our human and material resources. Believing as he did that the supply of bank reserves should be increased to encourage monetary expansion and thereby to promote economic recovery, at a time when there was little danger of reviving inflationary pressures by such further ease as he sought, he deemed the proposed policy decision inadequate to meet the needs of the time.

Mr. Swan dissented from the decision on implementation of the directive because it did not contemplate probing toward the higher level of reserves mentioned by Mr. Balderston. In view of current developments, he felt that the System might be in a position to increase the availability of reserves somewhat without undue downward pressure being exerted on the short-term rate.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Hayes, Balderston, Irons, King, Mills, Shepardson, Swan, Szymczak, and Wayne. Votes against this action: Messrs. Allen and Robertson.

This action amended the special authorization first given at the meeting on February 7, 1961, by removing the restriction that had limited transactions to securities with a maturity of not more than 10 years, this removal having been recommended by the Ad Hoc Subcommittee that had been named at the meeting on January 10, 1961, to study and make recommendations with respect to the Committee's operating procedures. It was felt that the removal of the restriction on maturities would, by increasing the flexibility of Account operations, facilitate the evaluation of the feasibility and effect of System operations in other than the short-term market. The Ad Hoc Subcommittee also recommended, and the Committee agreed, that it would be desirable to take more time, during which the experience in operating in all maturities could be studied, before deciding on any possible revision of the Committee's operating policy statements.

Mr. Allen voted against continuing the special authorization on the same basis that he had previously dissented at the March 7 meeting. However, inasmuch as the authorization to operate in longer-term securities was being continued by majority vote, he did not object to the removal of the restriction against operating in maturities beyond 10 years.

Mr. Robertson had expressed at the February 7 meeting his reasons for dissenting from the proposals to carry on open market operations in other than short-term Government securities. He now dissented from the action to expand the original proposal not only on the basis of his conviction that the whole operation was unwise—the risks being too great to be offset or counterbalanced by the alleged potential benefits—but also because this proposal represented a further delegation of authority by the Committee to the Manager of the System Open Market Account without any plan or program to guide him in his operations. He did not believe that the Manager could be expected to carry out the Committee's unspecified objectives—whatever they were—solely on the basis of his own intuitions.

April 18, 1961

1. Authority to effect transactions in System Account.

At this meeting clause (b) of the first paragraph of the Committee's policy directive to the Federal Reserve Bank of New York was changed to provide that open market operations should be conducted with a view "to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery that appear to be developing in the economy, while giving consideration to international factors." The preceding directive, which had been in effect since October 25, 1960, called for operations with a view to encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments.

Votes for this action: Messrs. Hayes, Allen, Balderston, Irons, King, Mills, Robertson, Shepardson, Swan, and Wayne. Votes against this action: none.

For some time open market policy had aimed at making a contribution toward arresting recessionary influences in the domestic economy, at the same time giving due regard to the level of short-term interest rates in view of problems related to the continuing deficit in the U. S. balance of payments. However, confirmation of a bottoming out of the recessionary phase of the business cycle had been gradually emerging. Statistical information suggested increasingly that the low point had been passed and that an upturn was in the making, although evidence of the prospective strength of the expansion was as yet lacking.

Data before the Committee showed that economic gains in March were moderate and that activity in some sectors had, in fact, continued to drift downward. Nevertheless, a number of key indicators showed significant improvement, after allowing for the usual seasonal influences. Among other things, personal income increased at an annual rate of $3.5 billion, housing starts were up for the third consecutive month, automobile sales strengthened, and exports appeared to be holding at unusually high levels. Although the level of unemployment continued to present a serious problem, particularly in certain areas, initial unemployment compensation claims recently had declined more than seasonally, and there were other signs of improvement in the labor market.

On the financial side, no significant changes in either the level or structure of interest rates had occurred since mid-March, most rates having remained a little above the lowest levels and well below the highest levels of the current calendar year. Total bank loans and investments had declined since the middle of March, perhaps more than seasonally. However, the money supply, defined in terms of demand deposits and currency, increased in the latter part of March and had since been maintained at the higher level then reached. In addition, holdings by the public of time deposits and comparable liquid assets continued to expand. The schedule of new corporate capital issues for April was heavy, and State and local government offerings continued reasonably large. Common stock prices had risen to record levels, with heavy trading, and stock market credit had expanded significantly.

The relatively high levels of unutilized human and physical resources continued to be of concern and suggested that there was little prospect of serious inflationary pressures. The country's international financial position remained in moderate deficit, although gold movements in and out of U. S. monetary stocks had recently been negligible.

The change in the Committee's policy directive was deemed appropriate in recognition of the new phase of the business cycle into which the nation's economy appeared to have entered, even though the configuration of the recovery could not as yet be forecast. As to monetary policy, the pattern that the Committee had been following in the past few months still appeared suitable, and revision of the directive carried with it no intent to modify open market policy in any significant respect at this stage. For the period until the next meeting, it was the consensus that the directive should be implemented by open market operations aimed at maintaining approximately the same degree of ease that had prevailed for the past several weeks. In the majority view, such a degree of ease would serve to promote the objective, as stated in the directive, of encouraging the expansion of bank credit and the money supply. Because of the continuing uncertainties in regard to the balance of payments, the consensus also contemplated that attention would continue to be paid to the general level of short-term interest rates.

Three members of the Committee, Messrs. Balderston, Robertson, and Swan, dissented from the majority view on implementation of the directive. Mr. Balderston, who 3 weeks earlier had suggested probing toward a somewhat greater availability of reserves in order to encourage further expansion of the money supply, felt that despite the gain since mid-March a longer period was required to permit a conclusion that the money supply was rising fast enough to provide adequate liquidity. Thus, being uncertain whether the current level of reserves was sufficient to induce a satisfactory expansion in the money supply, he continued to favor moving the level of reserves somewhat higher. Mr. Swan also continued to feel that it would be desirable in current circumstances to follow a slightly easier reserve policy whenever market opportunities arose. Mr. Robertson felt that to continue to supply reserves only in the amounts that had been available in recent weeks would not be adequate to encourage or support credit and monetary expansion conducive to an early return to fuller utilization of human and material resources. He believed the risk that additional reserves might cause a decline in short-term rates and encourage a movement of funds from this country, with an accompanying loss of gold, was likely to be much less than it had been in the past.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Federal Reserve Bank of New York was authorized, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Hayes, Balderston, Irons, King, Mills, Shepardson, Swan, and Wayne. Votes against this action: Messrs. Allen and Robertson.

Renewal of this special authorization, first granted on February 7, 1961, and amended on March 28 to permit operations in U. S. Government securities of all maturities, reflected the conclusion of the Committee that further operations outside the short-term market in pursuance of the objectives stated when the authorization was granted would be desirable. Messrs. Allen and Robertson dissented for reasons they had previously expressed.

May 9, 1961

1. Authority to effect transactions in System Account.

The Federal Open Market Committee made no change at this meeting in its policy directive providing that open market operations should be conducted with a view to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery that appeared to be developing in the economy, while giving consideration to international factors.

Votes for this action: Messrs. Hayes, Allen, Balderston, Irons, King, Mills, Robertson, Shepardson, Swan, and Wayne. Votes against this action: none.

From data presented at this meeting, economic recovery appeared to be proceeding more rapidly than had generally been anticipated, and at least as fast as the more optimistic forecasts had predicted it would. All available evidence pointed toward an increase in gross national product during the second quarter of the year. Preliminary data indicated that the Board's industrial production index for April would be up 3 points from the first quarter low of 102. In addition, schedules for steel and automobile production seemed virtually to assure some further rise in the index during May—perhaps enough to erase at least half of the 8-point decline from 110 in July 1960. Retail sales during April had been demonstrating strength, including sales of domestically produced automobiles, which had risen sharply in March from the depressed midwinter level. Dealer stocks of automobiles, which had been brought down somewhat in March from the relatively high levels that prevailed during the past year, had fallen further, and used car stocks were down sharply from a year earlier. Latest information regarding plant and equipment expenditure plans for 1961 indicated a decline of only 1 per cent from 1960, an improvement over indications of similar surveys made earlier in this year and in the fall of 1960. In the price area, consumer and wholesale prices generally had been stable, while sensitive commodities had moved up. On the other hand, in spite of the apparently growing strength of the economy, seasonally adjusted unemployment in April remained at about the midwinter high.

In the financial area, short-term interest rates declined somewhat in April and early May, while intermediate- and long-term rates showed marked declines except in the corporate market, where there had been an unusually large volume of new financing. Credit expansion continued during April and early May, but at only a moderate pace. The privately held money supply—defined as demand deposits and currency—increased moderately, the expansion seemingly stemming from an exceptionally large decrease in Treasury deposits. Owing to special factors, reserves were available to banks in somewhat larger volume during April than in March, despite a sizable reduction in the System portfolio, resulting in a somewhat easier tone in the money market than had been contemplated at the April 18 meeting of the Committee. Early in May, market factors absorbed some of these reserves.

The outflow of gold from the United States had virtually ceased during the past 2½ months, but private short-term capital movements outward had continued high during the first quarter of the year, and there was still an over-all deficit in the balance of payments, as conventionally measured, of about $1.5 billion (annual rate). The outflow of short-term capital continued despite a reduction in the differential between short-term rates in the United States and the higher rates available in most other important money markets.

In considering what policy should be followed until its next meeting, the Committee noted that, as mentioned previously, the tone of the money market during most of the period since the April 18 meeting was somewhat easier than had been contemplated at that meeting, largely because of unusual factors that included a high level of float. There was general recognition of the appropriateness of a policy of ease, but a majority felt that the ease had gone further than was desirable. As to interest rates, it was the majority view that it would be undesirable for the short-term rate to go lower, because of international considerations. Thus, the Committee renewed the existing directive without change, and the consensus was that operations for the System Account should be directed toward maintaining the same degree of ease that had prevailed in recent weeks, apart from the unusual ease that had developed during a portion of the period since the April 18 meeting.

Although all members voted to approve the Committee's directive without change, Messrs. Robertson and Swan dissented from the decision to implement the directive with operations aimed at the same degree of ease that had existed prior to the April 18 meeting rather than the greater degree of ease that had existed during most of the period since that date.

In dissenting, Mr. Robertson stated that it was his belief that the recent ease had promoted a turnaround in the money supply and brought about an increase in bank credit without unduly depressing yields on Government securities. The downswing in yields that had occurred was attributable more to the West German discount rate reduction and comments by persons outside the Federal Reserve System than to System open market operations. With the gold outflow apparently halted for the time being, and with inflationary pressures seemingly less dangerous just now than at any time in recent years, he believed that in order for the System to do its full part in stimulating recovery to more nearly satisfactory levels of production and employment, the degree of ease achieved during the past 3 weeks should not be diminished (and if anything, should be increased slightly) during the 4 weeks until the next meeting of the Committee.

Mr. Swan said that he dissented from the implementation of the directive with much more reluctance than at the previous two meetings. However, he saw no particular basis for change in the degree of ease actually achieved during the past 3 weeks and would continue a program of supplying reserves moderately in excess of seasonal needs to contribute to the expansion of bank credit and the money supply.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Federal Reserve Bank of New York was authorized, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Hayes, Balderston, Irons, King, Mills, Shepardson, Swan, and Wayne. Votes against this action: Messrs. Allen and Robertson.

The Committee in renewing this special authorization, first granted on February 7, 1961, and amended on March 28 to permit operations in U. S. Government securities of all maturities, concluded that further operations outside the short-term market in pursuing the objectives set forth in the directive would be desirable. Messrs. Allen and Robertson dissented for the same reasons they had stated previously.

June 6, 1961

1. Authority to effect transactions in System Account.

At this meeting, the Federal Open Market Committee, in directing that open market operations be with a view "to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery, while giving consideration to international factors," modified the wording of the preceding policy directive by deleting the phrase "that appear to be developing in the economy," qualifying words that had followed "the forces of recovery" in the directive that had been in effect since April 18, 1961.

Votes for this action: Messrs. Martin, Hayes, Allen, Balderston, Irons, King, Mills, Robertson, Shepardson, Swan, and Wayne. Votes against this action: none.

From data presented by the Committee members and the staff, it was apparent that the turning point of the recession had been reached quite some time earlier and that recovery had begun, although there was still doubt about the rate and probable duration of the business expansion. The few measures of economic activity available for May suggested that the pace of recovery had been maintained. Fragmentary data suggested that the Board's index of industrial production for May would be up 2 points from the preceding month, that retail trade figures would show a level well above first-quarter activity, and that employment measures would improve about seasonally for that month. In the area of prices, broad measures of wholesale quotations had shown little change as scattered reductions offset increases in sensitive materials, and the consumer price index was unchanged from March to April, with the further likelihood that there would be little or no change from April to May.

The Committee observed that thus far the stimulus to the economy this year had come almost entirely from the reversal of inventory liquidation, the rise in Government expenditures, and the well maintained growth of consumption expenditures on nondurable goods and services. Neither trade reports nor surveys of buying intentions yet showed much evidence of a strong resurgence of demand for consumer durable goods or for housing, which had played such important roles in other postwar recoveries—a factor that caused misgivings in some quarters as to whether this recovery would carry forward after the initial stimulus of the inventory reversal disappeared.

Total loans and investments of banks increased substantially more than usual in May, reflecting largely bank participation in new Treasury financing. This bank credit expansion did not result in an increase in the seasonally adjusted private money supply, defined as demand deposits and currency outside of banks; but there were large increases in time deposits and U. S. Treasury deposits. Interest rates, which early in May had declined to the lowest levels since 1958, had since risen close to, and in some cases above, the highs that had been reached at times during the past 10 months. Short-term rates in particular had been influenced lately by a less marked degree of ease than prevailed shortly before the May 9 meeting, by prospective Treasury financing in the short-term area, and by the approach of the mid-June tax date, which date generally is preceded by reduced nonbank demand for Treasury bills. In addition, the demand on capital markets had been large and seemed likely to continue fairly heavy.

While the U. S. balance of payments position had shown considerable improvement compared with the fourth quarter of 1960, the current close balance in U. S. accounts was considered by no means secure as short-term funds continued to flow out. Accordingly, the Committee felt that there continued to be a need to pay close attention to developments in international markets.

In view of impending U. S. Treasury financing, the usual midyear demand for funds, and a desire to encourage the expansion of bank credit and the money supply, the Committee concluded that in the period until the next meeting it would be desirable to maintain approximately the same degree of ease as had prevailed recently, resolving any doubts on the side of ease and clearly avoiding any lessening of the availability of reserves.

At the same time, the Committee decided to change the wording of the policy directive to make clear that there was no doubt that forces of recovery were developing; thus, it deleted the words that indicated such forces only "appeared" to be developing. This modification did not indicate a change in the policy of ease that had been pursued for some months; as noted earlier, it was the consensus that any doubts as to the availability of reserves should be resolved on the side of ease and that there should be no tightening in the market.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Federal Reserve Bank of New York was authorized, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

> Votes for this action: Messrs. Martin, Hayes, Balderston, Irons, King, Mills, Shepardson, Swan, and Wayne. Votes against this action: Messrs. Allen and Robertson.

Before renewing this authorization, the Committee gave consideration to the question of the possible desirability of withdrawing from operations in intermediate- and longer-term securities as rapidly as feasible without impairing the structure of the Government securities market. It was the consensus, however, that such operations should continue to be authorized in terms of the objectives of current policy, with decisions as to actual operations left to the discretion of the Manager of the System Open Market Account.

Mr. Allen, in dissenting from the continuation of the special authorization, said that at its inception he felt the operation was ill-advised and misguided and that the operations had, as he saw it, confirmed that judgment. Mr. Robertson, also dissenting, said that in his view this would be a good time to terminate the operation.

June 20, 1961

1. Authority to effect transactions in System Account.

The Federal Open Market Committee directed the Federal Reserve Bank of New York to continue to conduct open market operations with a view to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery, while giving consideration to international factors.

> Votes for this action: Messrs. Martin, Allen, Balderston, Mills, Robertson, Shepardson, Swan, Wayne, Johns, and Treiber. Votes against this action: none.

Data that had become available in the 2-week interval since the preceding meeting of the Committee indicated that economic recovery was continuing in a satisfactory manner. During May industrial production was at 108 per cent of the 1957 average, up 6 points from the February low, and a further rise seemed likely in June. On the basis of these figures and other preliminary data it was estimated that in the second quarter of the year gross national product would be at an annual rate of at least $512 billion, about $12 billion above the first-quarter rate. However, there still remained questions as to the future strength and pattern of the upswing. Although inventory liquidation had apparently terminated, no significant accumulation was as yet evident. Further, approximately 5 million persons were still unemployed and the rate of unemployment remained close to the midwinter level, just under 7 per cent of the labor force on a seasonally adjusted basis. While retail sales were being maintained, there was not yet evidence of a real push in terms of increased consumer buying. The moderate level of demand and the availability of unused resources had been accompanied by generally stable prices.

In the financial area, recent bank credit developments had been about in line with expected movements for the current phase of the business cycle. There had been a large volume of financing in the capital markets, with a steady flow of investment funds into new issues. Bank liquidity had shown improvement in recent weeks, particularly at money market banks, and the demand for bank credit continued to be moderate. For a considerable time, the rate on 3-month Treasury bills had been within the range of 2⅛ to 2⅝ per cent, most of the time between 2¼ and 2½ per cent. International financial developments, especially the developing pressure on the British pound sterling and the continuing moderate deficit in the U. S. balance of payments, caused a number of Committee members to feel that it would be desirable if short-term interest rates could be maintained within the recently prevailing range.

In view of the current levels of liquidity and of resource utilization, and in the absence of inflationary price pressures, it was considered appropriate, during the forthcoming period, to continue to encourage expansion in bank credit and the money supply. Consequently, the consensus of the Committee was that open market policy should be directed toward maintaining substantially the same degree of reserve availability as had prevailed recently, with the understanding that any doubts arising in the operation of the System Open Market Account would continue to be resolved on the side of ease.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Federal Reserve Bank of New York was authorized, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Balderston, Mills, Shepardson, Swan, Wayne, Johns, and Treiber. Votes against this action: Messrs. Allen and Robertson.

In renewing this special authorization, the Committee noted that there had been no occasion to operate in longer-term issues during the past 2 weeks. However, it was concluded that it would be advisable to continue to have the authority available, for use in the judgment of the Account Manager as circumstances might arise.

Messrs. Allen and Robertson dissented from continuing this special authorization for reasons similar to those they had expressed at earlier meetings.

July 11, 1961

1. Authority to effect transactions in System Account.

The Committee's directive to the Federal Reserve Bank of New York was renewed without change. It thus directed that open market operations be conducted with a view to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery, while giving consideration to international factors.

Votes for this action: Messrs. Martin, Hayes, Allen, Balderston, King, Mills, Robertson, Shepardson, Swan, Wayne, and Johns. Votes against this action: none.

In June the prerecession highs of mid-1960 had been reattained, or even surpassed, in a number of the major over-all measures of economic activity. Gross national product, expressed in current dollars, had risen from a seasonally adjusted annual rate of about $500 billion in the first quarter of the current year to a currently estimated $513 billion in the second quarter, about $8 billion above the previous peak reached in the second quarter of 1960. The quarter-to-quarter increase reflected a turnaround from substantial inventory liquidation to moderate inventory accumulation, as well as an increase in consumer spending for goods and services. Exports remained high, although no longer providing stimulus to the economy. Government spending—including Federal, State, and local—was rising further, but at a somewhat slower pace than earlier. As to industrial production, preliminary data suggested that the June index had reached 110 per cent of the 1957 average, compared with a low of 102 in February 1961 and a prerecession level of 110 in mid-1960. At the same time, the general average of wholesale prices had continued to drift down and the consumer price index had shown almost no change since October 1960. Both employment and unemployment increased in June, in line with the typical pattern for that time of year, but the rise in employment was considerably sharper than usual. Seasonally adjusted, the unemployment rate continued at 6.8 per cent, the level around which it had fluctuated for several months.

Despite the favorable record of economic recovery, questions remained as to the probable speed and extent of expansion, relating mainly to the vigor and strength of future consumer demand and to the unemployment rate. Thus far, the recovery had been quite broadly based and not dependent on sharp growth in limited sectors of the economy.

Private demand deposits, seasonally adjusted, showed no net increase from the second half of May to the second half of June and had shown no increase on balance since the latter half of March. Accordingly, the money supply, narrowly defined to include currency in circulation and privately held demand deposits, was one indicator that had not returned to its peak. Time deposits, however, continued to expand; combined with increased Treasury deposits, this had brought total deposits to a new high level.

As in May, the June increase in bank assets reflected to a considerable extent the acquisition by banks of U. S. Government securities at the time of Treasury cash offerings. Loans did not increase as much as is usually the case in the month of June.

Short-term interest rates continued to fluctuate within the relatively narrow range that had prevailed since the latter part of 1960. Long- and medium-term rates, on the other hand, rose further in June and were near or above the highest levels of the past year, evidently reflecting the continued substantial volume of borrowing by corporations and by State and local governments. The terms of substantial Treasury operations to refund August maturities and to obtain new cash were due to be announced shortly.

The U. S. balance of payments (disregarding a West German debt repayment of nearly $600 million) appeared to have turned more adverse again in the second quarter, but without any large increase in the over-all deficit. The main factors in the change included a moderately reduced trade balance and a continuing net outflow on capital account.

As indicated by the renewal of the existing directive to the New York Bank, there was agreement within the Committee that, in the present circumstances, monetary policy should continue to encourage further expansion in bank credit and the money supply in order to provide additional stimulus to the forces of economic recovery. For the forthcoming period, it was the consensus that open market operations should be designed to maintain approximately the same degree of ease that had recently prevailed, associated with a free reserve level of around $500-$600 million.

While concurring in general with the consensus, Mr. Mills called attention to the inflationary potential that in his opinion was inherent in a policy that fostered constant high levels of free reserves and failed to give sufficient weight to the existence of time deposits as a coordinate of the conventionally defined money supply and a force for injecting excessive liquidity into the commercial banking system by way of creating additional near-money substitutes.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Hayes, Balderston, King, Mills, Shepardson, Swan, Wayne, and Johns. Votes against this action: Messrs. Allen and Robertson.

After extensive discussion of the pattern of operations in intermediate- and longer-term securities since this authorization was first given by the Committee on February 7, 1961, it was the consensus that the original criteria for such operations, as indicated in the policy record entry of that date, should not be broadened at this time, considering among other things the inconclusiveness of the evidence concerning the effect of the operations. On the other hand, it was felt by the majority that an interpretation that the System was disengaging from operations in the intermediate- and longer-term areas should be avoided. One member of the Committee, Mr. Mills, voted for renewal of the authorization subject to the qualification that for the present the Management of the Open Market Account should abstain from operations outside the bill market. Messrs. Allen and Robertson voted against renewal of the authorization for the reasons that they had expressed on previous occasions. In addition, Mr. Robertson felt a diminution of private participation in market pricing and distribution was beginning to be apparent and could become worse if the trend of official purchases of intermediate- and long-term Government securities were continued.

August 1, 1961

1. Authority to effect transactions in System Account.

The Committee renewed the directive to the Federal Reserve Bank of New York calling for open market operations with a view to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery, while giving consideration to international factors.

Votes for this action: Messrs. Martin, Allen, Balderston, King, Mills, Shepardson, Swan, Wayne, Johns, and Treiber. Votes against this action: none.

Although it appeared that the rate of economic expansion in June and July had not been as rapid as in preceding months, the economy was still moving toward higher levels of activity. Employment, income, sales, industrial production, and construction all continued to move upward. At the same time, prices continued stable. There remained a substantial underutilization of plant capacity, along with a high level of unemployment. Total bank credit had increased substantially further due to the acquisition of Government securities by banks as a result of the Treasury's recent financing program, and the bank loan picture was somewhat stronger in July than it had been in June. The money market had been quite easy.

Developments since the July 11 meeting having special significance from the standpoint of the formulation of monetary policy included a request by the President of the United States for substantial additional defense expenditures, giving rise to the prospect of an increased Federal deficit. The prospective stimulus of greater deficit spending upon the domestic economy suggested a need for alertness to lessen the degree of monetary ease in case speculative or inflationary tendencies should develop. The second significant development since the preceding meeting was the raising of the Bank of England's bank rate (discount rate) to 7 per cent, in line with a general governmental program designed to limit expansion of domestic demand in order to cope with an unfavorable external payments position. It was recognized that the resulting differential between British and U. S. short-term interest rates and credit availability, to the extent that it induced a flow of funds from this country to the United Kingdom, would be a force working to limit further decline in short-term rates domestically and perhaps exerting some upward pressure on them. Another possible effect would be some worsening of the over-all deficit in the U. S. balance of payments, particularly in view of the adverse tendencies indicated by second-quarter developments of the current year.

Balancing the considerations pertinent to the formulation of monetary policy under current conditions, the Committee concluded that although alertness to developing factors, both domestic and international, was in order, a policy of continued ease, while at the same time avoiding a decline in short-term interest rates, would be appropriate for the period immediately ahead in order to help foster domestic economic recovery at a reasonable pace. Therefore, the consensus favored continuation of approximately the same degree of ease that had been maintained recently.

Mr. Mills was of the opinion that both domestic considerations related to inflationary potentials inherent in too broad a reserve base and international considerations calling for a closer alignment between U. S. Treasury bill and foreign bill rates required a reduction in the supply of reserves, which would serve to bring some upward pressure on short-term interest rates.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Balderston, King, Mills, Shepardson, Swan, Wayne, Johns, and Treiber. Vote against this action: Mr. Allen.

Developments since the preceding meeting, including those focusing attention upon the relationship of U. S. short-term rates to rates in other countries, had resulted in substantial purchases of securities other than bills by the Open Market Account in order to provide needed reserves but not contribute directly to a further decline in Treasury bill rates. The renewal, with one dissent, of the authorization for operations in longer-term securities was given without restriction on the discretion of the Management of the Open Market Account to take such actions as seemed appropriate in the light of market developments and the effectuation of over-all monetary policy. However, there was some opinion within the Committee that, if feasible, a lesser volume of System purchases of securities in the longer maturity range, or even a reduction of Account holdings, would be advisable.

August 22, 1961

1. Authority to effect transactions in System Account.

Clause (b) of the directive to the Federal Reserve Bank of New York was changed to provide for open market operations with a view to encouraging credit expansion so as to promote fuller utilization of resources, while giving consideration to international factors. The previous directive, which had been in effect since June 6, 1961, provided for operations with a view to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery, while giving consideration to international factors.

Votes for this action: Messrs. Martin, Allen, Balderston, Irons, King, Mills, Robertson, Swan, Wayne, and Treiber. Votes against this action: none.

Although industrial production increased to a record rate in July, it remained well below capacity levels. The consumer and wholesale price indexes remained generally steady, and sensitive industrial prices had leveled off after a rise earlier in the recovery period. Sales of durable goods, although rising, continued to lag behind manufacturers' new orders. While employment had been expanding rapidly, the level of unemployment remained near the recession high. Total retail trade was down slightly in July, reflecting principally lower automobile sales, this decline apparently being related to the earlier than usual model changeover period. While consumer spending had increased as the recovery progressed, it had shown less than a typical upsurge for this stage of the business cycle, and buying intentions, according to recent surveys, appeared to be relatively weak. Evidence suggested that consumers had been willing thus far to devote a large part of their increased incomes to saving, rather than increasing their consumption of consumer goods or accumulating physical assets.

While business improvement continued to be strong and broadly based throughout the economy, this expansion had had little counterpart in accelerated demands upon the financial system. Loan demand at banks lacked the vigor usually associated with the current stage of cyclical expansion, and bank asset expansion had reflected chiefly purchases of Federal and municipal securities. Net deposit expansion was continuing to represent largely an increase in time deposits. An upward interest rate movement appeared to reflect in the main expectations—based on the improved economic outlook, higher defense expenditures, and prospective higher levels of Treasury borrowing—rather than any change in the current need for and supply of funds. The upward rate movements were reinforced, particularly in the short-term area, by a reduced level of free reserves of the banking system in the first part of August, partly due to added required reserves against deposits created by Treasury cash financing and partly due to large market drains of unforeseen dimensions.

As to the balance of payments, preliminary data on gold and dollar transfers to foreigners for July suggested a July payments deficit about twice the monthly rate of deficit for the second quarter of the year. While the July situation reflected in part temporary and seasonal influences, over-all payments tendencies suggested deterioration of the deficit position, particularly in terms of the trade balance.

There was general agreement within the Committee that economic and financial developments, both domestic and international, should continue to be watched closely. However, for the ensuing 3-week period the consensus favored continuing about the same degree of ease that had prevailed, except during the period in early August when a confluence of market factors contrived to produce more firmness than had otherwise been the case. The change in the language of the directive therefore did not signify an intent to effect any immediate change in System policy. Instead, it reflected the view of the Committee that the amended wording was more appropriate at a time when the domestic economy was progressing from the stage of recovery into an expansionary phase.

Although concurring in general with the consensus, Mr. Mills was of the opinion that natural demand forces should be relied upon to foster an expansion of bank loans, and that forcing reserves on the commercial banking system could only lead to future inflationary and speculative problems as well as cause foreign observers to question the suitability of monetary policy in the United States as related to balance of payments and inflationary considerations.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Balderston, Irons, King, Mills, Swan, Wayne, and Treiber. Votes against this action: Messrs. Allen and Robertson.

The Committee renewed the authorization, with two dissents, on a basis that continued to vest in the Management of the Open Market Account discretion, within the scope of current Committee policy objectives, for determining the extent to which the authority should be utilized in the light of market developments. One member of the Committee, Mr. King, favored continuing the authorization in effect, but disengaging from operations under it for the time being, while another member, Mr. Mills, voted for continuation of the authority with the recommendation that it be used, when practicable, for reduction of the Open Market Account's portfolio of securities other than Treasury bills. Mr. Robertson, one of the two members who dissented from renewal of the authorization, cited the shrinkage in private retail buying interest in the long-term Government securities market which had accompanied the continuation of official purchases of such securities, and the lack of any apparent major benefits from such purchases. Although he believed that cessation of operations in longer-term securities would be the wisest course, he suggested that the Committee begin by returning to the initial standard, set on February 7, 1961, of barring operations in securities maturing beyond 10 years. This, he felt, would lay the foundation for progressively further limitations later as, in the Committee's view, conditions might make such action appropriate.

September 12, 1961

1. Authority to effect transactions in System Account.

The Committee renewed without change the directive to the Federal Reserve Bank of New York calling for open market operations with a view to encouraging credit expansion so as to promote fuller utilization of resources, while giving consideration to international factors.

> Votes for this action: Messrs. Martin, Allen, Balderston, Irons, King, Mitchell, Robertson, Shepardson, Swan, Wayne, and Treiber. Votes against this action: none.

Available economic data, mostly relating to the month of August, indicated the continuation of a recovery movement in which almost all economic indicators had risen above their earlier peaks, but without evidence, however, of an attitude of excessive exuberance on the part of the business community. Some stimulation from additional defense expenditures appeared to be about offset by a lower level of consumer spending than might ordinarily be expected at the current stage of the business cycle. Consumer credit outstanding, which declined in July, appeared to have declined further in August. While the recovery movement appeared to be dependent to a considerable extent on the stimulus provided by the public sector of the economy, there was no suggestion that the stimulus from that sector would be withdrawn. On the other hand, while the vastly increased liquidity of the economy, especially in the hands of consumers, constituted a reservoir of potential spending, there was no present evidence of a significant increase in consumer spending.

Commercial bank loans and investments declined somewhat in August following the large increase in July, which had been due mainly to Treasury financing operations. Business borrowing from banks had thus far shown a rise of no more than usual seasonal proportions. The money supply, narrowly defined to include only currency and demand deposits, changed little in August for the fifth successive month, while the rise in time and savings deposits at commercial banks slackened slightly after having maintained a sharp rate of increase, seasonally adjusted, earlier in the summer.

As to the balance of payments, it appeared that the large transfer of gold and dollars from the United States to foreigners in July could be accounted for mainly by temporary factors, including a large outward capital movement, a reduced trade surplus reflecting a contraseasonal rise in imports, and a seasonal increase in tourist expenditures. Preliminary indications suggested that the deficit may have been reduced in August. Nevertheless, even if the July deficit reflected temporary factors, the gravity of any tendency toward deterioration of the U. S. international payments position was apparent, particularly when viewed in the light of the accumulated deficit over a period of years and the resulting diminution in the margin of monetary reserve protection.

Views on monetary policy for the ensuing 3-week period were influenced by the fact that throughout this period the Treasury would be in the market with large and complex new cash and refinancing operations. This circumstance suggested the desirability of a steady money market. Even apart from this factor, however, the consensus was favorable to continuation of essentially the same degree of ease that had prevailed, although there was general agreement that the Committee should continue to be particularly alert to the emergence of developments that might call for some shift of policy. A minority of Committee members, while agreeing generally with the consensus as to operations during the forthcoming period, suggested that such questions as might arise in the conduct of operations be resolved on the side of less ease, particularly since the risk of a faltering of domestic economic expansion seemed to have receded while the risk of further deterioration in the international financial position of the United States appeared to have increased.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Balderston, Irons, King, Mitchell, Shepardson, Swan, Wayne, and Treiber. Votes against this action: Messrs. Allen and Robertson.

The comments on the renewal of this authority did not reveal any significant change in the views of the Committee members, as previously expressed, regarding the desirability or utilization of the authority.

October 3, 1961

1. Authority to effect transactions in System Account.

The directive to the Federal Reserve Bank of New York, calling for open market operations with a view to encouraging credit expansion so as to promote fuller utilization of resources, while giving consideration to international factors, was renewed without change.

Votes for this action: Messrs, Balderston, Allen, Irons, King, Mills, Mitchell, Robertson, Shepardson, Swan, Wayne, and Treiber. Votes against this action: none.

There was no evidence of substantial change in the economic and financial picture since the preceding meeting of the Committee, although the pace of expansion appeared to have moderated somewhat. The demand for bank loans had been roughly in line with business developments, with no indication of exceptional borrowing in expectation of higher interest rates or inventory needs. Prices continued to exhibit stability, and there remained an underutilization of plant capacity and a high rate of unemployment.

In these circumstances, and in view of current Treasury financing operations, the consensus favored continuation during the period immediately ahead of approximately the same degree of ease that had prevailed during recent weeks, in the belief that a need for some additional credit and monetary expansion existed in order to achieve higher levels of resource utilization. A minority of the Committee suggested, however, that doubts arising in the conduct of open market operations be resolved on the side of less ease, principally in the thought that a gradual move in such direction would place the System in a more advantageous position if and when forces should accumulate that would call for a positive shift towards a less stimulative monetary policy.

One member of the Committee, Mr. Mills, voted against the implementation of policy in the manner indicated by the consensus, believing that policy should now move more positively toward a lesser degree of ease. While he would contemplate a reserve base ample to support the credit needs of the economy, in his judgment more than enough reserves were available to satisfy such needs. Mr. Mills felt that the Committee must move back from the present degree of ease cautiously and experimentally. However, he was apprehensive about the degree of liquidity of the commercial banking system and felt that a start should be made toward limiting further expansion in, or perhaps absorbing some of, that liquidity to the end that a resulting firming in the interest rate structure, besides paving the way toward a possible increase in the discount rate of the Federal Reserve Banks to 3½ per cent, would reduce the disparity between short-term interest rates in the United States and Great Britain and in that way give visible evidence of a determination to use monetary policy as one means of keeping balance of payments problems and inherent inflationary tendencies under control.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

> Votes for this action: Messrs. Balderston, Irons, King, Mills, Mitchell, Shepardson, Swan, Wayne, and Treiber. Votes against this action: Messrs. Allen and Robertson.

The recording of votes on the authorization reflected no changes from previously expressed attitudes except in one case. Mr. Mills stated that he continued to oppose purchases of longer-term securities for the System Open Market Account and to favor reduction of the volume of such securities held in the portfolio. He now felt, however, that further experience had justified operations in short-term Government securities other than bills as being in the interest of a flexible conduct of monetary policy. The advantages of policy flexibility that had been gained through these dealings would be enhanced, in his opinion, if more emphasis were placed on sales of such securities when withdrawing reserves as compared with the weight that had been given to purchases for the purpose of supplying reserves.

October 24, 1961

1. Authority to effect transactions in System Account.

The New York Reserve Bank was again directed to administer open market operations with a view to encouraging credit expansion so as to promote fuller utilization of resources, while giving consideration to international factors.

> Votes for this action: Messrs. Hayes, Allen, Balderston, Irons, King, Mills, Mitchell, Robertson, Shepardson, Swan, and Ellis. Votes against this action: none.

The latest available statistical data, mostly for the month of September, reflected some hesitation in the pace of business expansion, as attested by a faltering in the industrial production index. However, there had been certain transitory factors at work, including abnormal weather conditions in parts of the country and a strike in the automotive industry, and it was difficult to determine how much of the deceleration of economic advance was attributable to such factors. Unemployment had not been reduced significantly, and retail sales figures failed to suggest buoyancy. Also, the rate of increase of personal income had slowed somewhat in August and September. Wholesale prices remained below the level that had prevailed in March of this year. On the other hand, gross national product was estimated to have advanced significantly from the second to the third quarter, and scattered evidence indicated that October trends were such as to support a more optimistic appraisal of the business outlook than the September statistics might suggest.

Total bank credit expanded significantly in September and in the third quarter as a whole, the conventionally defined money supply showed in September the first substantial increase in several months, and time deposits at commercial banks continued their rapid growth. These developments were aided by substantial new cash offerings of Treasury securities, which had been acquired in large part by the banks. Treasury bills had been relatively firm, with 3-month bill rates moving generally within the 2.25 - 2.35 per cent range in which they had fluctuated since late August. Within about a week, the Treasury was expected to announce the terms of a large November refunding.

In the third quarter, transfers to foreigners of gold, convertible foreign currencies, and dollars were at a seasonally adjusted annual rate of more than $3 billion, as compared with an annual rate of less than $2 billion in the second quarter, after eliminating the influence of special debt repayments. Within the third quarter, moreover, September appeared to have been the weakest month, and such October figures as were available suggested little, if any, improvement. Whereas in the second quarter basic U. S. payments were approximately in balance, the third-quarter figures reflected a deficit. The main reasons for the deterioration were that imports had increased faster than expected and the net capital outflow had failed to diminish.

Consideration of these diverse factors resulted in a consensus that a continuation of the monetary policy the Committee had been following would be appropriate from the standpoint of domestic conditions, though with a tendency to resolve any doubts arising in the conduct of open market operations on the side of less ease. It was agreed that the System should meet seasonal needs for reserves and also that it should endeavor, in accordance with its practice of long standing, to maintain steady money market conditions in view of the Treasury's refinancing program. Because of international factors, however, the consensus favored giving more than usual attention to short-term rates.

Mr. Mills dissented from the implementation of policy in the manner indicated by the consensus because, as he had indicated at the October 3 meeting, he felt that Federal Reserve policy aimed at encouraging the expansion of bank credit had resulted in an increase in banking, industrial, and commercial liquidity that was approaching an inflationary status and had already tended to damage the fabric of the money market. In the circumstances, including the ramifications of the international situation, he believed that a start should be made toward implementing a moderately restraining monetary and credit policy.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

> Votes for this action: Messrs. Hayes, Balderston, Irons, King, Mills, Mitchell, Shepardson, Swan, and Ellis. Votes against this action: Messrs. Allen and Robertson.

No changes were indicated in previously expressed positions of members of the Committee concerning the authorization and operations thereunder.

November 14, 1961

1. Authority to effect transactions in System Account.

The Committee renewed without change the directive to the Federal Reserve Bank of New York providing for open market operations with a view to encouraging credit expansion so as to promote fuller utilization of resources, while giving consideration to international factors.

> Votes for this action: Messrs. Martin, Hayes, Allen, Irons, King, Mills, Mitchell, Robertson, Swan, and Wayne. Votes against this action: none.

On the basis of preliminary data, the Board's industrial production index appeared to have recovered in October the 1-point September decline, and possibly to have exceeded the August high. With the model changeover completed and the strike settled, automobile production had increased sharply in October, with a further substantial rise in November indicated by industry schedules. New orders for machinery were up in October, along with heavy engineering contracts, employment showed moderate improvement, and total retail sales had broken out of the narrow range within which they had fluctuated since midyear. The unemployment rate continued, however, at approximately the level that had persisted for almost a year. Some decline was noted in a few sensitive commodity prices, and third-quarter corporate profits were below earlier expectations. A recent private survey of business plans for spending on new plant and equipment in 1962 suggested only a modest rise above the level of expenditures for the current year. On the other hand, consumer spending showed signs of considerably improved strength in October.

Despite the October showing with regard to increased consumer spending, questions still remained concerning the underlying strength of consumer demand. For example, consumer savings and liquid asset holdings were still continuing at a high level, and consumers were not yet resorting actively to the use of their available borrowing power. The latest samplings of buying intentions for durable goods, moreover, afforded little evidence that consumer demand might become a strong independent factor in furthering economic expansion in the months immediately ahead.

In the financial area there had been a further sizable expansion in the money supply, accompanied by only a moderate increase in bank loans. The short-term Treasury bill rate had risen recently, following a downdrift in interest rates, particularly in the long-term sector. System open market operations during this period were large, but insufficient to meet the drain on reserves from market factors, and free reserves had declined somewhat, with modest tightening in the money market. While this tightening had resulted from the play of market forces, circumstances such as the lower average free reserve figure for one of the statement weeks and the concurrent upward movement of Treasury bill rates had led to speculation regarding a shift in Federal Reserve policy.

Data on the U.S. balance of payments showed that for the third quarter of 1961 the deficit, on a seasonally adjusted basis, was at an annual rate somewhat above $3 billion, representing a substantial deterioration from the first half of the year. The largest single contributory factor to the increased deficit was a rise in imports. As to October, preliminary incomplete data afforded little basis for belief that the deficit had been reduced from the high September figure.

The consensus that evolved from the discussion at this meeting favored continuation for the period just ahead of a monetary policy calculated to produce approximately the same degree of ease that had prevailed for some time, except for the part of the preceding 3-week period in which a tendency toward a somewhat tighter money market had developed. It was the view of a majority of the Committee that, although economic developments should be watched closely in order to determine whether a shift in policy toward a less stimulative monetary posture would be appropriate, at this particular juncture various factors such as the persistence of a relatively high volume of unused resources, the absence of inflationary pressures, and the still unresolved question of the pace of consumer spending presented strong arguments against any significant lessening of monetary ease.

Two members of the Committee, Messrs. Hayes and Mills, dissented from the implementation of policy in the manner indicated by the consensus. Mr. Hayes felt that it would be desirable for the Treasury bill rate to move into a moderately higher range, as a contribution in a minor way toward recognition of the serious U. S. international payments problem, and he was prepared to accept a somewhat lower level of free reserves should that prove necessary to sustain the bill rate. However, he would not favor any noticeable shift in System policy at this time. Also, if the Treasury should decide to undertake an advance refunding in the near future, then he would feel that no change in existing monetary policy would be appropriate. Mr. Mills dissented because of his belief that implementation of policy according to the consensus would fail to take the initiative that the Federal Reserve System should properly take at this juncture. In his view the monetary and credit situation to which he had addressed himself at the two previous meetings of the Committee had since worsened. It continued to be imperative, in his opinion, to restrict the supply of reserves to such extent that the expansion of bank credit would be contained largely within the bounds of the resources already at the banks' disposal, at the same time that a firmer structure of interest rates would serve to discourage the transfer of gold and dollars abroad. In combination, the effect of these actions should, he thought, give public evidence of a determination to follow orthodox principles in defending the international exchange value of the dollar.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Committee authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

> Votes for this action: Messrs. Martin, Hayes, Irons, King, Mills, Mitchell, Swan, and Wayne. Votes against this action: Messrs. Allen and Robertson.

The renewal of the authorization was without indication of change in the views stated regarding it when the authority was previously renewed.

December 5, 1961

1. Authority to effect transactions in System Account.

The policy directive to the Federal Reserve Bank of New York calling for open market operations with a view to encouraging credit expansion so as to promote fuller utilization of resources, while giving consideration to international factors, was renewed at this meeting without change.

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

On the basis of more complete data for October than had been available at the preceding Committee meeting, together with preliminary data for November, it appeared that after a period of hesitation in August and September a strong growth trend in the economy had resumed, although without indication of excesses or undue exuberance. December production schedules, particularly in steel and automobiles, suggested a further upward movement in industrial production by year-end, and the tone of business sentiment, as reflected in district reports, was generally on the optimistic side. Additional improvement was noted in retail sales, as well as in manufacturers' sales and orders. Also, although there continued to be a substantial amount of unutilized manpower, preliminary unemployment statistics for November indicated a significant percentage reduction, for the first time in a year. Prices continued to show general stability. Despite recent improvement, there remained a degree of uncertainty regarding the probable future pace of consumer outlays, and there was likewise little evidence of an upward surge in plans for plant and equipment expenditures.

Despite the apparently accelerated pace of economic expansion in November, the rate of bank credit and deposit expansion seemed to have slackened, following the pronounced increase in September and October. Nevertheless, money markets were relatively firm in November until the end of the month, and interest rates generally rose somewhat. Treasury bill yields rose in the latter part of the month to or slightly above the peaks reached at various times of seasonal pressure during the past 15 months.

There was no evidence of improvement in the international payments position of the United States, perhaps some further deterioration. Preliminary reports on the balance of payments for November suggested that the deficit was about equal in size to the October and September deficits.

The Open Market Committee, in considering the appropriate course of monetary policy for the period ahead, observed that the recent tendency toward a firming of money market conditions reflected pressures generated within the market itself rather than positive action on the part of the System. The fact that market forces had resulted in increasing somewhat the Treasury bill rate level was regarded as fortunate, in view of the balance of payments problem, and it was not felt that System operations to offset the effect of the prevailing market forces would be warranted. In fact, a minority of the Committee believed that the expansionary trend and current strength of the domestic business situation would justify some lessening in the volume of reserves placed at the disposal of the banking system as a basis for further expansion of credit. However, due to the absence of stresses and strains in the economy at the present time and in light of the several remaining points of uncertainty that tended to cast some doubt on the pattern of future economic developments, the consensus favored maintaining for the immediate future approximately the same policy in respect to the supplying of reserves that the Committee had been pursuing for some time.

2. Authority to effect transactions in intermediate- and longer-term securities.

The Federal Reserve Bank of New York was authorized, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate- and longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Hayes, Balderston, Irons, King, Mitchell, Shepardson, Swan, Wayne, and Fulton. Vote against this action: Mr. Robertson.

No change was indicated in positions previously expressed with respect to this authorization.

December 19, 1961

1. Authority to effect transactions in System Account.

The following current economic policy directive was issued to the Federal Reserve Bank of New York:

> It is the current policy of the Committee to permit further bank credit and monetary expansion so as to promote fuller utilization of the economy's resources, together with money market conditions consistent with the needs of both an expanding domestic economy and this country's international balance of payments problem.
>
> To implement this policy, operations for the System Open Market Account shall be conducted with a view to providing reserves for bank credit and monetary expansion (with allowance for the wide seasonal movements customary at this time of the year), but with a somewhat slower rate of increase in total reserves than during recent months. Operations shall place emphasis on continuance of the 3-month Treasury bill rate at close to the top of the range recently prevailing. No overt action shall be taken to reduce unduly the supply of reserves or to bring about a rise in interest rates.

Votes for this action: Messrs. Martin, Hayes, Balderston, Irons, Shepardson, Swan, Wayne, and Fulton. Votes against this action: Messrs. King, Mills, Mitchell, and Robertson.

(This directive was the first issued by the Committee under new procedures instituted at this meeting—explained in a subsequent entry of this date—under which the substance of the Committee's previous directive was to be divided between a "current economic policy directive" and a "continuing authority directive.")

Data for November available to the Committee at this meeting indicated continued expansion in economic activity on many fronts and a substantial rise in consumer outlays, an area with respect to which there had earlier been some uncertainty. Final figures for November industrial production indicated a rise of 1 point in the Board's index, with prospects for another 1- or 2-point increase in December. New orders for durable goods were up moderately, and unfilled orders had risen further. The November decline in the unemployment rate on a seasonally adjusted basis, which had been suggested by preliminary figures available at the previous meeting, was confirmed in the final calculations. Preliminary estimates for gross national product in the fourth quarter indicated that despite strikes and other temporary setbacks the economy had performed up to the more optimistic of the earlier expectations.

Evidence was lacking of inflationary pressures associated with the continued upward movements in production and spending. The final price indexes for November showed no significant change on the average, with increases in some lines offset by decreases in others. Scattered figures available for December suggested that the stability was continuing. While business optimism had picked up considerably in recent weeks, figures on plant and equipment expenditure plans for the first quarter of 1962 indicated only a moderate rate of growth over the fourth quarter of 1961. Partial data on bank credit for the first half of December indicated relatively small changes in recent weeks in loans to businesses, although there had been an increase in the seasonally adjusted money supply.

The recent advance in interest rates, which was concentrated largely in the short-term area of the market, continued in the first half of December, with yields on some issues rising to new highs for the year. These advances appeared to be attributable to cyclical developments in the economy, as well as to usual seasonal factors. In contrast to the encouraging domestic picture, data on the balance of payments for November indicated an adverse basic balance as large as, if not larger than, in October, and fragmentary data for the first half of December indicated a continuation of the November trend.

It was the judgment of the Committee majority that improvements in the domestic economic situation coupled with the continuing balance of payments problem warranted a policy trending toward slightly less easy monetary conditions, with short-term interest rates near the high end of their recent range.

However, in view of the facts that the unemployment rate, while reduced from earlier levels, was still relatively high and that there were no symptoms of inflationary pressures, the majority felt that no substantial change from recent policies was called for. Accordingly, the Committee issued the directive quoted above.

While Mr. Robertson's analysis of the economic situation and the proper direction of policy was the same in its essentials as that of the majority, he voted against adoption of this directive on the grounds that it was undesirable to tie monetary policy to the bill rate. Mr. Mills' dissent was on the grounds that circumstances called for a greater degree of restraint than was indicated in the directive. In his opinion the Committee had been dilatory in acting firmly to combat the balance of payments problem through monetary policy, and despite a situation where an over-generous provision of reserves had continuously allowed the commercial banking system ample leeway for expanding bank loans within the total of its available resources. Messrs. King and Mitchell, on the other hand, thought the time had not yet arrived for any modification of policy in the direction of less ease.

2. Modification of form of directive to Federal Reserve Bank of New York.

As indicated in the preceding entry, the Federal Open Market Committee voted at this meeting to replace the single directive of the type it had issued to the Federal Reserve Bank of New York in the course of its meetings in the past with a "current economic policy directive" and a "continuing authority directive." In accordance with this revision of procedure the Committee adopted the following continuing authority directive:

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, to the extent necessary to carry out the current economic policy directive adopted at the most recent meeting of the Committee:

(a) To buy or sell U.S. Government securities in the open market for the System Open Market Account at market prices and, for such Account, to exchange maturing U.S. Government securities with the Treasury or allow them to mature without replacement; provided that the aggregate amount of such securities held in such Account (including forward commitments, but not including such special short-term certificates of indebtedness as may be purchased from the Treasury under paragraph 2 hereof) shall not be increased or decreased by more than $1 billion during any period between meetings of the Committee;

(b) To buy or sell prime bankers' acceptances in the open market for the account of the Federal Reserve Bank of New York at market discount rates; provided that the aggregate amount of bankers' acceptances held at any one time shall not exceed $75 million or 10 per cent of the total of bankers' acceptances outstanding as shown in the most recent acceptance survey conducted by the Federal Reserve Bank of New York;

(c) To buy U.S. Government securities with maturities of 24 months or less at the time of purchase, and prime bankers' acceptances, from nonbank dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities or acceptances in 15 calendar days or less, at rates not less than (a) the discount rate of the Federal Reserve Bank of New York at the time such agreement is entered into, or (b) the average issuing rate on the most recent issue of 3-month Treasury bills, whichever is the lower.

2. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York to purchase directly 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 $500 million.

Votes for this action: Messrs. Martin, Hayes, Balderston, Irons, King, Mitchell, Shepardson, Swan, Wayne, and Fulton. Votes against this action: Messrs. Mills and Robertson.

(The current economic policy directive adopted at this meeting is quoted in the first policy record entry for this date.)

In the view of the majority, separation of the continuing authorizations from the current directive would permit the Committee to frame its current economic policy instructions to the Federal Reserve Bank of New York in a more effective fashion. Previously the formal economic policy instructions had been compressed into a single clause—clause (b) of the first paragraph in directives of the former type—of a longer statement also including instruction on other matters which were subject to relatively infrequent change.

The new continuing authority directive was intended to encompass the substance of the previous single directive, except for clause (b), and of certain other authorizations and directives relating to repurchase agreements and bankers' acceptances that previously had been adopted independently of the directive. No action was taken to discontinue previous authorizations on repurchase agreements and bankers' acceptances. The language in the new continuing authority directive was rephrased from that of earlier instruments for the sake of greater clarity, but with one exception the Committee made no substantive changes in its authorizations and directions to the Account Management. The exception related to the maturity limit of securities acquired from nonbank dealers under repurchase agreements, which was 15 months under the previous authority and was set at 24 months in the new continuing directive.

Mr. Mills dissented from the action to adopt the continuing directive because, in his view, directives of the previous type that were tied to "ground rules" set out in specifically stated operating policies more clearly reflected the judgments of the Committee, and in a manner to which the interested public had become accustomed. He was concerned that in the new type of current policy directives, a tendency toward the use of amorphous statements and generalities in describing policy intentions would in the future prevent fixing responsibility for previous actions that had come under criticism.

Mr. Robertson's dissent was on two grounds. First, he objected to the inclusion of the authority to buy Government securities from nonbank dealers under repurchase agreements at rates that could be lower, in certain circumstances, than the discount rate of the Federal Reserve Bank of New York. Second, he objected to the fact that the directive did not include certain rules within which, in his view, the Account Management should operate on behalf of the Committee. Specifically, the document did not include any directive to the effect that open market operations were to be conducted primarily to supply or absorb bank reserves; it did not limit open market operations to short-term securities; it contained no restriction against conducting operations for the purpose of supporting any pattern of prices or yields in the Government securities market; it contained no language specifying that during periods of Treasury financing open market operations were to be conducted in such a manner as to change as little as possible prevailing money market conditions; and it contained no prohibition against "swap" transactions (i.e., offsetting purchases and sales of securities).

3. Statements of continuing operating policies and authority to effect transactions in intermediate- and longer-term securities.

The Federal Open Market Committee discontinued the three statements of operating policies that had been in effect since 1953 and were last reaffirmed by the Committee on March 22, 1960. This action was taken with the understanding that it would make unnecessary the special authorization permitting transactions in longer-term securities, adopted in February 1961 and renewed at each subsequent meeting, and this authorization was therefore not again renewed. The three discontinued operating policy statements read 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, Hayes, Balderston, Irons, Mitchell, Shepardson, Swan, and Fulton. Votes against this action: Messrs. King, Mills, Robertson, and Wayne.

The operating policy statements had been reviewed at the meeting of March 7, 1961, in accordance with the customary practice of reviewing all continuing authorities and statements of policy at the first meeting each year following the election of new members from the Federal Reserve Banks. At that time, pursuant to the recommendation of a Subcommittee, the Committee tabled consideration of possible changes pending a more comprehensive review of the appropriate form for such statements under present circumstances, including those associated with the operations recently begun in intermediate- and longer-term securities. Subsequently, Committee members gave extended consideration to alternative possible formulations of the statements and to the advantages and disadvantages of continuing them in some form. Further deliberations at this meeting culminated in the decision to discontinue the statements.

The language of the statements had reflected the Committee's expectation that departures from various of the individual policies described would be needed from time to time, and the Committee had in fact made such departures on several occasions. The most recent was the special authorization for transactions in longer-term Government securities first made in February 1961 and renewed at each subsequent meeting until December 19, 1961. In voting to discontinue the three statements of operating policies, it was the belief of the majority of the Committee that in the future greater latitude might be needed for adapting System operating techniques to changing circumstances than had been required over most of the period since 1953, especially in view of the change in this country's international payments position.

The decision also reflected the belief of a Committee majority that some of the advantages seen earlier in having statements of operating policies were now considerably reduced in importance. The main purpose of the statements, when they were originally adopted in 1953 and reaffirmed in subsequent years, was to clarify the role of the Federal Reserve with respect to the Government securities market. During World War II and the postwar period up to the Treasury-Federal Reserve accord of March 1951, the System maintained the prices and yields of outstanding Government securities on a relatively fixed schedule, and in the 18 months following the accord the System continued actively to support Treasury financings. A majority of the Committee had believed the statements of operating policies served a major role in defining more clearly the System's operations in the Government securities market and in facilitating the transition from a supported to an unsupported market. But the transition had long since been successfully accomplished and a majority now felt that this purpose no longer provided a compelling reason for continuing formal statements of operating policies.

Another of the original purposes of the statements was to provide guidelines for open market operations undertaken on the Committee's behalf. At the time the statements were adopted in 1953 the Federal Open Market Committee met relatively infrequently—a minimum of four times a year, with occasional additional meetings—and in the relatively long intervals between meetings responsibility for effectuating policy lay with the executive committee. Along with other types of instructions, the operating policy statements were considered to serve a useful function in providing guides for the executive committee and the Account Management. Since mid-1955, however, when the executive committee was discontinued, the full Committee had been meeting regularly at short intervals—usually every 3 weeks

—and it had been able to maintain close direction over the conduct of operations. In these circumstances the majority felt that the importance of the operating policy statements as guides for operations was also considerably reduced.

The decision to discontinue the statements of operating policies related solely to the desirability of continuing to have such statements; it was not a decision to change the basic position of the System in relation to the Treasury or the market. The action was taken with the recognition that the bulk of open market operations would, in the nature of the case, continue to be in short-term securities; with the understanding that decisions about operations in securities of all maturities would continue to be made by the Committee in light of prevailing circumstances; and with the understanding that the Committee had no intention of pegging Government security prices, or of creating artificial market conditions at times of new security offerings by the Treasury.

Those voting against the action to discontinue the statements felt that the balance of advantages and disadvantages still favored the retention of statements in some form. It was pointed out that whether or not the Committee affirmed formal statements of operating policies, it would in effect still be acting in terms of certain rules, and there were some advantages in having these formalized even if the language admitted to a considerable degree of flexibility. The possibility that a complete elimination of the statements would have an adverse effect on the Government securities market was suggested.

Mr. Robertson's dissent was predicated on his beliefs that there should be Committee rules with respect to matters such as "swap" transactions, pegging operations, and the conduct of open market operations during periods of Treasury financing and that they should be formally set out. He also felt that the Committee should return to its previous policy of confining operations to short-term securities. In his view: (1) the operation that the Committee had launched in February 1961, including transactions in longer-term securities under the special authorization, had not been successful in raising short-term and lowering long-term rates; (2) had the operation been pushed to the point necessary to achieve what he understood to be these twin goals, its defects would now be obvious; and (3) the deleterious effects of such operations on the market for long-term securities will become more apparent when the Treasury seeks—as it sometime must—to extend the maturity structure of the Federal debt by attempting to sell long-term securities for cash or in exchange for maturing securities. Furthermore, he believed that while it was possible for the Federal Reserve to acquire longer-term securities without impeding Treasury operations in a period such as 1961, when Treasury financing was chiefly short-term, the sale of such securities would present real problems. In his view such selling action would not only absorb long-term funds from the limited supply but would also aggravate the uncertainties which already plagued the long-term market, weakening its supporting structure and attenuating its appeal to investors. He could not foresee any time, when monetary policy called for absorbing reserves, that the Federal Reserve could sell longer-term securities from its holdings without impairing the ability of the Treasury to lengthen the debt. This, he thought, would be unfortunate, in view of the real need for the Treasury to achieve a more manageable maturity distribution of the public debt. Accordingly, he believed that operations in securities beyond the short-term area should be terminated immediately.

Mr. Mills, in dissenting, stated that it was his disposition to retain the operating policy statements in their present form, and to continue the special authorization for transactions in longer-term securities, but to modify the terms of the latter to allow continued operations in Government securities with maturities up to 2 years. It was his judgment that operations in securities in this maturity range may have had some limited success in holding up the short-term rate structure—a desirable end for balance of payment reasons—and while the apparent benefits may have been illusory to some extent, it was reasonable to attempt further experimentation. He believed that transactions in longer-term securities had been harmful in that the market had come to regard them as patent efforts to support the market rather than as a means of influencing interest rates and that such transactions had set the stage for a full-fledged pegging operation. In his view, operations in any Government securities other than Treasury bills had the disadvantage of impairing the usefulness of the market as a sounding board for recording economic and financial movements.

* * * * *

As indicated by the foregoing record, the policy directive of the Federal Open Market Committee in effect at the beginning of 1961 was aimed at encouraging monetary expansion for the purpose of fostering sustainable growth in economic activity and employment, while taking into consideration current international developments. During the course of the year the directive was changed four times. The first change occurred on April 18, when a directive was adopted that provided for operations with a view to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery that appeared to be developing in the economy, while giving consideration to international factors. On June 6, the qualifying words "that appear to be developing in the economy" were dropped from the directive. The next change was on August 22, when a directive was adopted that called for open market operations with a view to encouraging credit expansion so as to promote fuller utilization of resources, while giving consideration to international factors. This directive was renewed at subsequent meetings until December 19, when the Open Market Committee decided to institute a procedure of issuing both a current economic policy directive and a continuing authority directive. The text of each of the two directives issued on December 19 is quoted in full in the policy record entries for that date.

RECORD OF POLICY ACTIONS BOARD OF GOVERNORS

May 18, 1961

Amendment to Regulation F, Trust Powers of National Banks

Effective immediately, Section 12 of Regulation F was amended to permit national banks exercising trust powers to earmark trust securities and investments for vault custody purposes as an alternate method of identifying the securities of separate trusts.

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

Section 12 of Regulation F specified that the securities and investments of each trust must be kept separate from those of the bank and of all other trusts, and this language had been construed to require physical separation of the securities of individual trusts. Upon review, however, it appeared that with proper safeguards the purpose of the requirement, which was to prevent unauthorized commingling of the property of a trust with that of the trustee or of another trust in such manner that the identity of fiduciary ownership might be obscured, would be met by permitting national banks, at their option, to earmark trust securities and investments for vault custody purposes as a method of identifying the securities of separate trusts. The amendment to Regulation F was designed to specify the permissibility of such a procedure.

June 29, 1961

Amendments 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

Effective August 7, 1961, Regulations T and U were amended to provide more explicit standards with respect to arbitrage transactions and to clarify the applicability of the Regulations to transfers of margin accounts.

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

Prior to this action, Regulation U had exempted from margin requirements loans to members of a national securities exchange for the purpose of "bona fide arbitrage transactions," without defining the term "arbitrage." Regulation T contained a similar exemption for all arbitrage loans and defined arbitrage to include "a purchase of a security . . . convertible within a reasonable time into a second security together with an offsetting sale . . . of such second security." The lack of a more specific definition had resulted in a number of questions being raised, and it appeared that more explicit standards would be desirable. This was accomplished by substituting the phrase "90 calendar days" for "a reasonable time" in Regulation T and by including a corresponding definition in Regulation U.

The other amendments, relating to the transfer of general accounts between customers under Regulation T and the transfer of loans between borrowers under Regulation U, were also of a clarifying nature, their purpose being to eliminate possible ambiguities and to make clearer the applicability of the Regulations to transactions of the kind in question.

The foregoing amendments had been the subject of notices of proposed rule making, published in the Federal Register, and were adopted by the Board after consideration of relevant views and arguments received from interested persons.

December 1, 1961

Amendment to Regulation Q, Payment of Interest on Deposits

Effective January 1, 1962, the Board prescribed the following maximum permissible rates of interest payable by member banks of the Federal Reserve System on time and savings deposits:

Maximum rate of 4 per cent:

On that portion of any savings deposit that has remained on deposit for not less than 12 months; on any time deposit having a maturity date 12 months or more after the date of deposit, or payable upon written notice of 12 months or more; and on that portion of any postal savings deposit which constitutes a time deposit that has remained on deposit for not less than 12 months.

Maximum rate of 3½ per cent:

On any savings deposit, except as otherwise provided; on any time deposit having a maturity date less than 12 months and not less than 6 months after the date of deposit, or payable upon written notice of less than 12 months and not less than 6 months; and on any postal savings deposit which constitutes a time deposit, except as otherwise provided.

(For all such deposits, the previous maximum rate had been 3 per cent, beginning January 1, 1957.)

No change was made in the maximum permissible rates for time deposits having a maturity date of less than 6 months. The maximum continued to be 2½ per cent for time deposits having a maturity date from 90 days to 6 months, and 1 per cent for time deposits having a maturity date of less than 90 days.

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

Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933 and the Banking Act of 1935, requires the Board of Governors to establish by regulation the maximum rates of interest that may be paid on time and savings deposits by member banks of the Federal Reserve System, while the Federal Deposit Insurance Act requires that the Federal Deposit Insurance Corporation prescribe maximum rates payable on such deposits by insured nonmember banks.

For some time prior to this action, a number of commercial banks had contended that a 3 per cent maximum rate restricted them in their efforts to compete for savings and time deposits. The action taken by the Board had the effect of increasing freedom of competition and enabling each member bank to determine the rates of interest it would pay in light of the economic conditions prevailing in its area, the type of competition it must meet, and its ability to pay. The action also had the effect of enabling member banks to compete more vigorously for foreign deposits that might otherwise move abroad in search of higher returns, thereby intensifying an outflow of capital or gold to other countries. Thus, the action was in line with other steps previously taken to moderate pressures on this country's balance of international payments. Further, it was contemplated that the action would give member banks the latitude that might be needed, for a considerable period ahead, to provide an added incentive for accumulation of the savings necessary to finance the future economic growth that would be essential to the expansion of job opportunities for a growing population. By permitting higher rates to be paid on deposits held for longer periods, the new limits would make it possible for banks to attract long-term savings, in contrast to volatile liquid funds, and thereby give banks greater assurance that they could invest a larger portion of their time deposits in longer-term assets.

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

Governor Mills' vote in favor of this action was on the grounds that the higher rates of interest offered the public by other types of savings institutions and the international balance of payments situation were conclusive factors that called for an increase in the ceiling rate of interest permitted to be paid by commercial banks on savings and time deposits. However, he questioned going above a 3½ per cent maximum, which would retain the usual rate differential between commercial banks and competing savings institutions that serves as a safeguard against uncontrolled competition for savings business. In his opinion, there was also the possibility that a 4 per cent permissible maximum rate, in being misread as notice of a change in Federal Reserve System credit policy, would adversely affect the market for U.S. Government securities and, likewise, that the higher operating costs resulting from its adoption might force offering commercial banks into lower quality, higher yielding loans and investments and discourage their maintenance of appropriate liquidity positions.

Governor Robertson's vote in favor of this action was on the basis that it was a step in the right direction. He had long urged permitting even higher maximum rates of interest—rates higher than most banks would be prepared to pay—in order to place on each bank real responsibility to determine the rates it would pay. Such a high permissive ceiling would encourage freedom of competition and compel each member bank to determine its rates of interest in the light of economic conditions in its area, the competition it must meet, and its ability to pay.

In his view, lifting the ceiling to the extent here proposed, while a step in the direction he favored, might carry the unfortunate implication that the maximum permissible rate was the rate which the Federal Reserve System thought banks could afford to pay and therefore might lead some banks to pay higher rates than would be appropriate and sound in their particular situations.

Governor King dissented because he felt that total savings were adequate at the present for economic expansion. He believed the rate competition which would result from increasing the maximum permissible rates would have serious adverse effects on a large number of commercial banks. He doubted that this action would make a significant contribution to solution of the U.S. balance of payments deficit.

December 12, 1961

Amendments to Regulation Q, Payment of Interest on Deposits, and Regulation D, Reserves of Member Banks

Effective January 15, 1962, paragraph (e) of section 217.1 of Regulation Q, relating to the definition of savings deposits, was amended in several respects in order to strengthen the distinction between savings and demand deposits and to effect certain changes of a clarifying or technical nature. Conforming amendments were made in paragraph (e) of section 204.1 of Regulation D.

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

The purpose of this action was to prevent practices that would facilitate the use of a savings deposit as a regular means of drawing checks on a depository bank. At the same time, certain liberalizing provisions were incorporated to permit payment of a savings deposit to anyone holding title to the deposit in a fiduciary capacity or pursuant to court order, or as security for credit extended to the depositor. The amendments had been the subject of a notice of proposed rule making, published in the Federal Register, and were adopted by the Board after consideration of all relevant views and arguments received from interested persons.

Effective the same date, the Federal Deposit Insurance Corporation made similar changes in its regulation applicable to insured nonmember banks.

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.

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. Wherever practicable, joint examinations are made in cooperation with the State banking authorities or alternate independent examinations are made by agreement with State authorities. The 1961 program for examining State member banks was practically completed, since only 31 of the 1600 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, the Board must pass upon each merger, consolidation, acquisition 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 the Federal Deposit Insurance Corporation on the competitive factors involved in each transaction. The Board in turn responds to requests by the Comptroller or the Corporation for reports on the competitive factors involved when the acquiring, assuming, or resulting bank is to be a national bank or an insured State nonmember bank.

During 1961 the Board approved 32 and disapproved 5 mergers, consolidations, acquisitions of assets, or assumptions of liabilities. As required by Section 18(c) of the Federal Deposit Insurance Act, a description of each of the 32 cases approved by the Board, together with other pertinent information, is shown in Table 21 on pages 149-83. 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 1961, 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 6,113 member banks of the Federal Reserve System at the end of 1961 included 4,513 national and 1,600 State member banks. There were net declines of 17 and 44, respectively, in these two classes of banks during the year. These declines, continuing the trend of recent years, were due largely to consolidations and mergers. Reductions from other causes included 17 State banks that withdrew from membership and 1 national bank that converted into a nonmember bank. The membership losses were partly offset by 26 newly established national and 2 newly established State member banks, the admission of 5 nonmember banks to membership, and the conversion of 5 nonmember banks into national banks.

At the end of the year member banks were operating 8,653 branches, 758 more than at the close of 1960. This increase reflected mainly the establishment of 607 de novo branches and the conversion of 100 merged banks into branches.

Detailed figures on changes in the banking structure for 1961 are shown in Table 19, page 146.

Bank holding companies. During 1961, pursuant to Section 3(a)(1) of the Bank Holding Company Act of 1956, the Board approved 2 applications for prior approval to become a bank holding company. Pursuant to Section 3(a)(2) of the Act, the Board approved the acquisition by 8 bank holding companies of voting shares of 9 banks (2 related bank holding companies, 1 of which controlled the other, filed applications to acquire shares of 1 of the banks), and denied applications by 2 holding companies with respect to 3 banks. Under Section 4(c)(6) of the Act, the Board, after hearings, granted requests by 3 holding companies for determinations that the activities of 7 subsidiaries were so closely related to the banking activities of their respective holding company systems as to be proper incidents 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. As required by the tax-relief provisions of the Act, during 1961 the Board issued 1 certification regarding a distribution of assets. To provide necessary current information, annual reports for the year 1960 were obtained from all registered bank holding companies.

During 1961, pursuant to the Banking Act of 1933, the Board authorized the issuance to holding company affiliates of member banks of 1 voting permit for general purposes and 7 permits for limited purposes. In accordance with established practice, a number of holding company affiliates were examined 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 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 16 organizations.

Trust powers of national banks. During 1961 the Board granted to 60 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 10 banks that previously had been granted certain trust powers. One national bank acquired additional trust powers as a result of consolidation. Trust powers of 23 national banks were terminated, 18 by consolidation or merger, 4 by voluntary liquidation, and 1 by voluntary surrender. At the end of 1961, 1,763 national banks held permits to exercise trust powers.

Foreign branches of member banks. At the end of 1961, 8 member banks had in active operation a total of 135 branches in 35 foreign countries and overseas areas of the United States:

3 national banks were operating 102 of these branches, and 5 State member banks were operating 33. The branches were located as follows:

Latin America	*62*
Argentina	15
Bahamas	2
Brazil	15
Chile	2
Colombia	4
Ecuador	1
Jamaica	1
Mexico	4
Panama	9
Paraguay	2
Peru	1
Uruguay	2
Venezuela	4
Continental Europe	*6*
Belgium	1
France	3
Germany	2
England	*13*
Africa	*3*
Liberia	1
Nigeria	2
Near East	*3*
Lebanon	2
Saudi Arabia	1
Far East	*25*
Hong Kong	1
India	2
Japan	10
Malaya	1
Okinawa	1
Pakistan	2
Philippines	5
Singapore	2
Thailand	1
U. S. Overseas Areas and Trust Territories	*23*
Canal Zone	2
Guam	1
Puerto Rico	15
Truk Islands	1
Virgin Islands	4
Total	**135**

Under the provisions of Section 25 of the Federal Reserve Act, the Board during 1961 approved 5 applications made by member banks for permission to establish branches in foreign countries and overseas areas of the United States.

During the year 1 member bank opened branches in Karachi, Pakistan, and on the Island of Moen, Truk Islands. Another opened branches in Monrovia, Liberia; Lagos, Nigeria; and Chitre, Panama. A third opened 2 branches in San Juan, Puerto Rico, and branches in Brasilia and Campinas, Brazil; Mexico, D.F., Mexico; Colon and Panama City, Panama; Asuncion, Paraguay; and Karachi, Pakistan. The Board had authorized 11 of these branches before 1961. Two branches in

Cristobal, Canal Zone, and a branch in Cairo, Egypt, were discontinued during 1961.

Acceptance powers of member banks. Under the provisions of Section 13 of the Federal Reserve Act, the Board approved during the year applications of 4 member banks for permission to accept drafts or bills of exchange drawn for the purpose of furnishing dollar exchange as required by the usages of trade in such countries, dependencies, or insular possessions of the United States as may have been designated by the Board of Governors.

Foreign banking and financing corporations. At the end of 1961 there were 5 corporations operating under agreements with the Board pursuant to Section 25 of the Federal Reserve Act relating to investment by member banks in the stock of corporations engaged principally in international or foreign banking. A national member bank in the Virgin Islands, which is owned by a State member bank in Philadelphia and which operates as an "agreement" corporation, established branches in Frederiksted, St. Croix, Virgin Islands (United States), and Road Town, Tortola, British Virgin Islands, in 1961.

During the year examiners for the Board examined the 4 "agreement" corporations with head offices in New York. Two of these each has an English fiduciary affiliate. Another has a branch in England, and owns the stock of 2 banks organized under the laws of, and operating in, Liberia and the Republic of South Africa and a trust company organized under the laws of the Bahamas. The fourth owns the stock of a bank organized under the laws of, and operating in, the Republic of South Africa and a trust company organized under the laws of the Bahamas.

During 1961, under the provisions of Section 25(a) of the Federal Reserve Act, the Board issued final permits to 4 corporations to engage in international or foreign banking or other international or foreign financial operations, and 1 new foreign banking corporation commenced operations. At the end of 1961 there were 11 corporations in active operation under Section 25(a); 5 are "banking corporations" and 6 are "financing corporations." Of these corporations, 9 have home offices in New

York City, 1 in Boston, and 1 in Philadelphia. Examiners for the Board of Governors examined all of the corporations during the year.

Seven 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. Another 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. One has a subsidiary organized under the laws of Panama with headquarters in Bermuda. Another has an Argentine finance company subsidiary.

Inter-Agency Bank Examination School. In 1961 the School for Examiners held 2 sessions and the School for Assistant Examiners held 4 sessions. 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, 1,726 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, Virginia, and Washington; the Treasury Department of the Commonwealth of Puerto Rico; and two foreign countries.

LEGISLATION ENACTED

National bank real estate loans. The Housing Act of 1961, approved June 30, 1961 (Public Law 87-70), amended the third sentence of the first paragraph of Section 24 of the Federal Reserve Act so as to make certain limitations and restrictions on the making of real estate loans by national banks inapplicable to farm housing loans that are insured under the provisions of Title V of the Housing Act of 1949.

The Act also amended the fourth paragraph of Section 24, in order to assure authority of national banks to make FHA-insured home improvement loans under a new home improvement and rehabilitation loan program provided by that Act, notwithstanding the fact that the loans may not be secured by a first mortgage.

Old Series Currency Adjustment Act. The Act of Congress approved June 30, 1961 (Public Law 87-66), cited as the "Old Series Currency Adjustment Act," authorized the Board of Governors, with the approval of the Secretary of the Treasury, to require the Federal Reserve Banks to pay to the Treasury a sum equal to the amount of old large-size Federal Reserve notes still outstanding. In accordance with the provisions of this legislation, and at the direction of the Board, the Federal Reserve Banks paid $36,419,050 to the Treasury on July 28, 1961, and reduced their liability for Federal Reserve notes by a corresponding amount.

Federal Farm Mortgage Corporation bonds. The Act of Congress, approved October 4, 1961 (Public Law 87-353), which abolished the Federal Farm Mortgage Corporation, amended Sections 13 and 14(b) of the Federal Reserve Act so as to eliminate reference to bonds of the Federal Farm Mortgage Corporation.

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 Recommendation 15, which was withdrawn in the Board's ANNUAL REPORT for 1960) merit early congressional consideration and legislative action.

LITIGATION

On June 27, 1961, the U.S. District Court for the District of Columbia granted the Board's motion to dismiss a suit brought by The Continental Bank and Trust Company, Salt Lake City, Utah (ANNUAL REPORT for 1960, pages 100-101), wherein the bank challenged the Board's statutory authority to require a member bank to maintain adequate capital. On June 28, 1961, the Board ordered a hearing to be held commencing September 6 at which the bank would be required to show cause why its membership in the System should not be forfeited for failure to comply with a Board order of July 18, 1960, requiring the bank to increase its capital in a stated amount within 6 months from the date of the Board's order. On July 6, 1961, the bank moved the District Court to alter or amend the judgment dismissing the bank's complaint, to vacate the judgment and order dismissing the complaint, and to allow the filing of an amended and supplemental complaint. This motion was denied in its entirety on August 5, 1961. On August 16 the bank noted an appeal in the U.S. Court of Appeals for the District of Columbia Circuit from the District Court's orders of June 27 and August 5. The Board has continued its show-cause hearing until 30 days after the Court of Appeals decision. Arguments on the appeal are expected early in 1962.

In November 1961 oral arguments were held before the U.S. Court of Appeals for the Eighth Circuit on an appeal brought by Northwest Bancorporation, a registered bank holding company, from an order of the Board denying the Corporation's application under Section 3(a)(2) of the Bank Holding Company Act for Board approval to acquire 80 per cent or more of the outstanding shares of the First National Bank of Pipestone,

Pipestone, Minnesota. No decision has been rendered in this case.

A similar petition for appeal was filed in the U.S. Court of Appeals for the Seventh Circuit by The Marine Corporation, Milwaukee, Wisconsin, from a denial by the Board of the Corporation's application for approval of its acquisition of 80 per cent or more of the outstanding shares of Wisconsin State Bank of Milwaukee. Subsequent to the filing of the petition for court review, the Board, at the request of the Corporation, reconsidered its order of denial and subsequently approved the application. On October 24, 1961, pursuant to a motion filed in the Court of Appeals by the Corporation, the Court dismissed the petition for review.

RESERVE BANK OPERATIONS

Loan guarantees for defense production. Under 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 have been authorized to guarantee loans for defense production made by commercial banks and other private financing institutions. The Federal Reserve Banks act as fiscal agents of the guaranteeing agencies under the Board's Regulation V.

During 1961 the agencies authorized the issuance of 13 guarantee agreements covering loans totaling $103 million. Loan authorizations outstanding on December 31, 1961, totaled $202 million, of which $157 million represented outstanding loans and $45 million additional credit available to borrowers. Of total loans outstanding, 74 per cent on the average was guaranteed. During the year approximately $103 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 138 shows the volume of operations in the principal departments of the Federal Reserve Banks for 1958-61. Again in 1961 the volume of checks handled passed the record peak of the previous year. Progress was made in the program for processing checks more efficiently on high-speed electronic equipment. By the end of the year six Federal Reserve Banks were using electronic equipment to process some of the check volume.

The number of coins received and counted increased; on the other hand, fewer pieces of currency were handled during 1961 than in 1960. The volume of discounts and advances decreased substantially.

As fiscal agents of the United States, in June 1961 the Reserve Banks began redeeming food stamps issued by the Department of Agriculture under its program for making food available to needy families. By the end of 1961, a total of 19 million food stamps had been redeemed.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of each Federal Reserve Bank during 1961 are shown in detail in Table 7 on pages 134-35, and a condensed historical statement is shown in Table 8 on pages 136-37. The table below summarizes the earnings and expenses and the distribution of net earnings for 1961 and 1960.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1961 AND 1960

[In thousands of dollars]

Item	1961	1960
Current earnings	941,648	1,103,385
Current expenses	161,275	153,882
Current net earnings	780,373	949,503
Net additions to current net earnings[1]	3,482	13,875
Net earnings before payments to U.S. Treasury	783,855	963,378
Dividends paid	25,570	23,949
Paid U.S. Treasury (interest on F. R. notes)	687,393	896,816
Transferred to surplus	70,892	42,613

[1] Includes net profits on sales of U.S. Government securities of $3,466,000 in 1961 and $2,429,000 in 1960.

Current earnings of $942 million in 1961 were 15 per cent less than 1960, largely because earnings from U.S. Government securities were $147 million less than in the year before. The decline in these earnings reflected a lower average yield offset in part by an increase in average holdings. A lower discount rate in 1961 coupled with a decline in borrowings resulted in a $14 million decrease in earnings from discounts and advances. Current expenses of $161 million were about 5 per cent higher than in 1960. Current net earnings amounted to $780 million, a decrease of 18 per cent from 1960.

After allowance for profit and loss additions and deductions from current net earnings, net earnings before dividends and payments to the U.S. Treasury amounted to $784 million, a decrease of 19 per cent from 1960.

Statutory dividends to member banks amounted to $26 million, about $2 million more than in 1960. This rise 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 $687 million. The remaining $71 million of net earnings was added to Reserve Bank surplus accounts in order to bring them up to the level of subscribed capital.

Expenses of the Federal Reserve Banks include costs of $626 for two regional meetings in connection with the Treasury Department Savings Bond program.

Holdings of loans and securities. Average daily holdings of loans and securities during 1961 amounted to $27,517 million, $670 million more than during 1960. Average holdings of discounts and advances were considerably less in 1961 than in 1960; holdings of U.S. Government securities increased $1,022 million. Mainly because the 3 per cent discount rate established in August-September 1960 was continued throughout 1961, the average interest rate on discounts and advances was only 3.01 per cent in 1961 compared with 3.80 per cent in 1960. The average rate of interest earned on Government securities declined substantially, from 4.11 to 3.42 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 3 years.

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1959-61

Item and year	Total	Discounts and advances	Acceptances	U.S. Government securities
	In millions of dollars			
Average daily holdings:[1]				
1959	27,036	811	32	26,193
1960	26,847	438	39	26,371
1961	27,517	83	41	27,393
Earnings:				
1959	886	28	1.1	857
1960	1,103	17	1.4	1,085
1961	941	3	1.2	938
	In per cent			
Average rate of interest:				
1959	3.28	3.42	3.34	3.27
1960	4.11	3.80	3.60	4.11
1961	3.42	3.01	2.83	3.42

[1] Based on holdings at opening of business.

Foreign and international accounts. In 1961 gold and dollar assets held for foreign account at the Federal Reserve Banks increased $496 million. At the end of the year holdings amounted to $17,169 million, consisting of $10,215 million of earmarked gold, $6,006 million of U.S. Government securities (largely Treasury bills), $279 million in dollar deposits, $126 million of bankers' acceptances purchased through Federal Reserve Banks, and $543 million of miscellaneous assets. The latter item includes mainly dollar bonds issued by foreign countries and international organizations. Gold and dollar assets held for international organizations rose $9 million to $7,048 million.

New accounts were opened in 1961 for the monetary authorities of Kuwait, Liberia, and Saudi Arabia.

Gold collateral loans of $8 million outstanding at the beginning of the year were repaid. New arrangements, including a stand-by commitment, amounted to $42 million, of which $15 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 international organizations. As fiscal agent of the United States, the Bank continued to operate the Exchange Stabilization Fund pursuant to authorization and instructions of the Secretary of the Treasury. Also on behalf of the Treasury Department it continued to administer foreign assets control regulations pertaining to assets in the United States of Communist China and North Korea and their nationals, and transactions with those countries and their nationals.

Bank premises. With the approval of the Board, property adjoining the Federal Reserve Branch in Louisville was acquired for future expansion.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The accounts of the Board for the year 1961 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, 1961, 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 6, D. C.
January 29, 1962

Assets, Liabilities and Fund Balances—December 31, 1961

Assets

Cash, exclusive of $197,817 representing withheld taxes		$ 544,048
Miscellaneous receivables and travel advances		10,445
Stockroom and cafeteria inventories, at cost		16,841
Total assets of operating fund		571,334
Property and equipment, at cost:		
Land and improvements		792,852
Building		3,966,501
Furniture and equipment		651,794
Total assets of property and equipment fund		5,411,147
Total assets		5,982,481

Liabilities and Fund Balances

Accounts payable and accrued expenses		$ 234,624
Fund balances:		
Operating fund —		
Balance December 31, 1960	$ 603,271	
Excess of expenditures over assessments for the year	266,561	336,710
		571,334
Property and equipment fund —		
Balance December 31, 1960	5,391,637	
Expenditures for additions	39,307	
Cost of assets disposed of less trade-in allowances	(19,797)	5,411,147
Total liabilities and fund balances		5,982,481

ASSESSMENTS AND EXPENDITURES

YEAR ENDED DECEMBER 31, 1961

ASSESSMENTS LEVIED ON FEDERAL RESERVE BANKS:		
For Board expenses and additions to property and equipment		$ 6,265,100
For expenditures made on behalf of the Federal Reserve Banks		5,684,984
Total assessments		11,950,084
EXPENDITURES:		
For printing, issue and redemption of Federal Reserve Notes, paid on behalf of the Federal Reserve Banks		5,684,984
For expenses of the Board:		
Salaries	$4,325,164	
Retirement and insurance contributions	718,848	
Traveling expenses	321,463	
Professional and contractual services:		
Economic surveys	185,791	
Legal, consultant and audit fees	78,389	
Other	49,037	
Printing and binding, net	217,298	
Telephone and telegraph	98,734	
Postage and expressage	87,391	
Equipment and other rentals	163,099	
Operation of cafeteria, net	52,628	
Heat, light and power	52,625	
Stationery and office and other supplies	56,207	
Repairs, maintenance and alterations	30,120	
Books and subscriptions	19,907	
Insurance	9,237	
Miscellaneous, net	26,416	6,492,354
For property and equipment		39,307
Total expenditures		12,216,645
EXCESS OF EXPENDITURES OVER ASSESSMENTS FOR THE YEAR		266,561

The Board's expenses for 1961 include the following special items: (1) an expenditure of $132,000 for Quarterly Surveys of Consumer Buying Intentions; and (2) an expenditure of $52,196 incident to Civil and Defense Mobilization.

ORGANIZATION AND PROCEDURE

Effective November 1, 1961, the Board of Governors amended its Rules of Procedure to add new provisions regarding procedures followed by the Board with respect to bank holding company and bank merger applications. Effective December 15, 1961, the Board's Rules of Organization and Rules of Procedure, first adopted in 1946 pursuant to the Administrative Procedure Act, were revised to make them more clear and specific. Effective January 12, 1962, the Rules of Procedure were amended in a minor respect.

1. DETAILED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS COMBINED, DECEMBER 31, 1961

[In thousands of dollars; amounts in boldface type are those shown in the Board's weekly statement in millions 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		6,053,588		
Federal Reserve Agents' Fund		6,575,000	**15,444,643**	
Redemption fund for Federal Reserve notes			**1,170,495**	
Total gold certificate reserves				**16,615,138**
Federal Reserve notes of other Federal Reserve Banks				**503,117**
Other cash:				
United States notes			28,167	
Silver certificates			247,210	
Standard silver dollars			11,041	
National bank notes and Federal Reserve Bank notes			698	
Subsidiary silver, nickels, and cents			33,950	
Total other cash				**321,066**
Discounts and advances secured by U.S. Govt. securities:				
Discounted for member banks		113,639		
Discounted for others		....	113,639	
Other discounts and advances:				
Discounted for member banks		295		
Foreign loans on gold		15,000	15,295	
Total discounts and advances			**128,934**	
Acceptances:				
Bought outright			**48,515**	
Held under repurchase agreement			**3,008**	
U.S. Government securities:				
Bought outright:				
Bills	**3,193,086**			
Certificates	**1,699,500**			
Notes	**19,983,842**			
Bonds	**3,845,721**			
Total bought outright		**28,722,149**		
Held under repurchase agreement		**159,000**		
Total U.S. Government securities			**28,881,149**	
Total loans and securities				**29,061,606**
Cash items in process of collection:				
Transit items			6,681,682	
Exchanges for clearing house			354,978	
Other cash items			445,359	
Total cash items in process of collection				**7,482,019**
Bank premises:				
Land			24,720	
Buildings (including vaults)		103,998		
Fixed machinery and equipment		55,140		
Total buildings		159,138		
Less depreciation allowances		74,686	84,452	
Total bank premises				**109,172**
Other assets:				
Due from foreign banks		....	14	
Assets acquired—industrial loans		25		
Less valuation allowances		25		
Net			....	
Reimbursable expenses and other items receivable			3,085	
Interest accrued			205,307	
Premium on securities			26,147	
Deferred charges			1,869	
Real estate acquired for banking house purposes			1,498	
Suspense account			533	
All other			875	
Total other assets				**239,328**
Total assets				**54,331,446**

1. DETAILED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS COMBINED, DECEMBER 31, 1961 — Continued

LIABILITIES

Federal Reserve notes:			
Outstanding (issued to Federal Reserve Banks)		30,593,408	
Less: Held by issuing Federal Reserve Banks	1,177,609		
Forwarded for redemption	110,594	1,288,203	
Federal Reserve notes, net (includes notes held by U.S. Treasury and by Federal Reserve Banks other than issuing Bank)			29,305,205
Deposits:			
Member bank reserves		17,387,089	
U.S. Treasurer—general account		465,390	
Foreign		278,859	
Other deposits:			
Nonmember bank—clearing accounts	55,344		
Officers' and certified checks	10,982		
Reserves of corporations doing foreign banking or financing	24,577		
International organizations [1]	62,042		
All other	166,965		
Total other deposits		319,910	
Total deposits			18,451,248
Deferred availability cash items			5,180,848
Other liabilities:			
Accrued dividends unpaid		....	
Unearned discount		168	
Discount on securities		55,358	
Sundry items payable		5,803	
Suspense account		339	
All other		7	
Total other liabilities			61,675
Total liabilities			52,998,976

CAPITAL ACCOUNTS

Capital paid in	444,157
Surplus	888,313
Other capital accounts [2]	....
Total liabilities and capital accounts	54,331,446
Contingent liability on acceptances purchased for foreign correspondents	126,004

[1] Includes Inter-American Development Bank, International Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, etc.
[2] During the year this item includes the net of earnings, expenses, profits, etc., which are closed out on December 31; see Table 7, pp. 134-135.

2. STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK, DECEMBER 31, 1961 AND 1960

[In millions of dollars unless otherwise indicated]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1961	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961	1960
ASSETS												
Gold certificate account	15,445	16,413	936	833	3,479	3,819	907	1,056	1,306	1,357	1,088	1,035
Redemption fund for Federal Reserve notes	1,170	1,066	70	62	279	255	71	66	105	92	95	81
Total gold certificate reserves	16,615	17,479	1,006	895	3,758	4,074	978	1,122	1,411	1,449	1,183	1,116
Federal Reserve notes of other Banks	503	525	35	53	108	118	44	43	35	31	41	43
Other cash	320	363	20	25	55	59	12	11	26	33	21	22
Discounts and advances:												
Secured by U.S. Govt. securities	115	25	(1)	(1)	102	(1)	1	4	1	....	(1)	(1)
Other	15	8	1	1	4	2	1	(1)	1	1	1	1
Acceptances:												
Bought outright	48	54	....	....	48	54	....	....	....	....	....	....
Held under repurchase agreement	3	20	....	....	3	20	....	....	....	....	....	....
U.S. Government securities:												
Bought outright	28,722	26,984	1,351	1,450	7,103	6,731	1,659	1,545	2,435	2,318	1,862	1,708
Held under repurchase agreement	159	400	....	....	159	400	....	....	....	....	....	....
Total loans and securities	29,062	27,491	1,352	1,451	7,419	7,207	1,661	1,549	2,437	2,319	1,863	1,709
Cash items in process of collection	7,481	6,809	569	483	1,644	1,457	439	412	581	556	514	482
Bank premises	111	108	4	4	9	9	4	4	8	9	6	6
Other assets [2]	237	209	11	11	57	52	14	12	21	18	15	13
Total assets	54,329	52,984	2,997	2,922	13,050	12,976	3,152	3,153	4,519	4,415	3,643	3,391

LIABILITIES												
Federal Reserve notes	29,305	28,449	1,704	1,625	6,751	6,663	1,890	1,867	2,625	2,575	2,380	2,185
Deposits:												
Member bank reserves	17,387	17,080	789	778	4,517	4,582	829	832	1,301	1,254	760	727
U.S. Treasurer—general account	465	485	16	36	129	72	11	27	37	38	50	24
Foreign	279	217	13	11	[3] 88	[3] 64	16	12	25	20	12	10
Other	320	554	3	4	229	397	3	6	4	6	6	6
Total deposits	18,451	18,336	821	829	4,963	5,115	859	877	1,367	1,318	828	767
Deferred availability cash items	5,181	4,941	406	406	956	844	323	335	398	406	371	381
Other liabilities	59	32	3	2	16	10	3	2	4	3	4	2
Total liabilities	52,996	51,758	2,934	2,862	12,686	12,632	3,075	3,081	4,394	4,302	3,583	3,335
CAPITAL ACCOUNTS												
Capital paid in	445	409	21	20	121	115	26	24	42	38	20	19
Surplus	888	817	42	40	243	229	51	48	83	75	40	37
Other capital accounts	....	....	....	....	....	....	....	....	....	....	....	....
Total liabilities and capital accounts	54,329	52,984	2,997	2,922	13,050	12,976	3,152	3,153	4,519	4,415	3,643	3,391
Ratio of gold certificate reserves to deposit and F.R. note liabilities combined	34.8%	37.4%	39.8%	36.5%	32.1%	34.6%	35.6%	40.9%	35.3%	37.2%	36.9%	37.8%
Contingent liability on acceptances purchased for foreign correspondents	126	230	6	11	[4] 36	[4] 64	7	14	12	22	6	10
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	30,593	29,730	1,768	1,692	7,046	6,993	1,962	1,937	2,789	2,722	2,460	2,269
Less held by issuing Bank, and forwarded for redemption	1,288	1,281	64	67	295	330	72	70	164	147	80	84
Federal Reserve notes, net [5]	29,305	28,449	1,704	1,625	6,751	6,663	1,890	1,867	2,625	2,575	2,380	2,185
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificate account	8,375	9,385	585	500	1,600	2,000	570	650	770	920	755	700
Eligible paper	10	19	....	....	....	....	1	4	....	....	....	....
U.S. Government securities	22,925	21,065	1,235	1,250	5,600	5,100	1,500	1,325	2,050	1,830	1,715	1,590
Total collateral	31,310	30,469	1,820	1,750	7,200	7,100	2,071	1,979	2,820	2,750	2,470	2,290

[1] Less than $500,000.
[2] Includes amounts due from foreign banks, in which all Reserve Banks participate: $13,652 on Dec. 31, 1961, and $14,074 on Dec. 31, 1960.
[3] After deducting $191 million participations of other Federal Reserve Banks on Dec. 31, 1961, and $153 million on Dec. 31, 1960.
[4] After deducting $90 million participations of other Federal Reserve Banks on Dec. 31, 1961, and $166 million on Dec. 31, 1960.
[5] Includes Federal Reserve notes held by U.S. Treasury and by Federal Reserve Banks other than the issuing Bank.

2. STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK, DECEMBER 31, 1961 AND 1960 — Continued

[In millions of dollars unless otherwise indicated]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1961	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961	1960
ASSETS														
Gold certificate account	863	918	2,565	2,790	631	675	346	344	665	776	587	731	2,072	2,079
Redemption fund for Federal Reserve notes	70	64	212	189	48	47	27	26	51	49	35	33	107	102
Total gold certificate reserves	933	982	2,777	2,979	679	722	373	370	716	825	622	764	2,179	2,181
Federal Reserve notes of other Banks	57	60	39	40	22	22	18	20	17	20	29	24	58	51
Other cash	26	28	58	64	18	23	9	8	11	16	15	16	49	58
Discounts and advances:														
Secured by U.S. Govt. securities	1	2	1	2	2	7	....	2	7	8	....	(1)	....	....
Other	1	(1)	2	1	(1)	(1)	(1)	(1)	1	1	1	(1)	2	1
Acceptances:														
Bought outright	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U.S. Government securities:														
Bought outright	1,579	1,480	4,907	4,618	1,166	1,091	616	626	1,316	1,158	1,167	1,088	3,561	3,171
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,581	1,482	4,910	4,621	1,168	1,098	616	628	1,324	1,167	1,168	1,088	3,563	3,172
Cash items in process of collection	531	517	1,239	1,112	306	329	200	181	342	329	296	259	820	692
Bank premises	14	11	24	22	7	7	5	5	6	5	13	14	11	12
Other assets [2]	14	12	40	35	10	8	5	5	11	9	10	9	29	25
Total assets	3,156	3,092	9,087	8,873	2,210	2,209	1,226	1,217	2,427	2,371	2,153	2,174	6,709	6,191

LIABILITIES														
Federal Reserve notes	1,717	1,641	5,362	5,302	1,269	1,232	579	595	1,193	1,153	869	836	2,966	2,775
Deposits:														
Member bank reserves	892	906	2,540	2,495	628	651	443	419	872	863	932	971	2,884	2,602
U.S. Treasurer—general account	12	32	66	63	18	27	16	23	37	30	23	54	50	59
Foreign	14	11	37	30	9	7	6	5	12	9	15	12	32	26
Other	5	4	13	13	2	47	1	2	5	4	3	3	46	62
Total deposits	923	953	2,656	2,601	657	732	466	449	926	906	973	1,040	3,012	2,749
Deferred availability cash items	442	431	874	791	235	203	148	144	250	259	234	227	544	514
Other liabilities	3	1	9	5	3	1	3	1	2	1	2	1	7	3
Total liabilities	3,085	3,026	8,901	8,699	2,164	2,168	1,196	1,189	2,371	2,319	2,078	2,104	6,529	6,041
CAPITAL ACCOUNTS														
Capital paid in	24	22	62	58	15	14	10	9	19	17	25	23	60	50
Surplus	47	44	124	116	31	27	20	19	37	35	50	47	120	100
Other capital accounts	......	......	......	......	......	......	......	......	......	......	......	......	......	......
Total liabilities and capital accounts	3,156	3,092	9,087	8,873	2,210	2,209	1,226	1,217	2,427	2,371	2,153	2,174	6,709	6,191
Ratio of gold certificate reserves to deposit and F.R. note liabilities combined	35.3%	37.9%	34.6%	37.7%	35.3%	36.8%	35.7%	35.5%	33.8%	40.1%	33.8%	40.7%	36.5%	39.5%
Contingent liability on acceptances purchased for foreign correspondents	7	12	18	32	4	8	3	5	5	10	7	13	15	29
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent and outstanding	1,792	1,718	5,522	5,452	1,333	1,279	659	674	1,227	1,185	918	882	3,117	2,927
Less held by issuing Bank, and forwarded for redemption	75	77	160	150	64	47	80	79	34	32	49	46	151	152
Federal Reserve notes, net [3]	1,717	1,641	5,362	5,302	1,269	1,232	579	595	1,193	1,153	869	836	2,966	2,775
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificate account	475	550	1,500	1,800	400	410	160	180	325	300	235	275	1,000	1,100
Eligible paper	......	......	......	......	2	7	......	......	7	8	......	......	......	......
U.S. Government securities	1,400	1,200	4,100	3,800	960	935	510	510	950	900	705	625	2,200	2,000
Total collateral	1,875	1,750	5,600	5,600	1,362	1,352	670	690	1,282	1,208	940	900	3,200	3,100

1 Less than $500,000.
2 Includes amounts due from foreign banks, in which all Reserve Banks participate: $13,652 on Dec. 31, 1961, and $14,074 on Dec. 31, 1960.
3 Includes Federal Reserve notes held by U.S. Treasury and by Federal Reserve Banks other than the issuing Bank.

3. HOLDINGS OF U.S. GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS, DECEMBER 31, 1961, 1960, AND 1959

[In thousands of dollars]

Type of issue and date	Rate of interest (per cent)	December 31			Increase or decrease (−) during:	
		1961	1960	1959	1961	1960
Treasury bonds:						
1959-62 June	2¼	395,849	319,849	319,849	76,000	....
1959-62 Dec.	2¼	375,765	693,765	693,765	−318,000	....
1961 Sept.	2¾	....	16,500	....	−16,500	16,500
1961 Nov.	2½	....	42,800	....	−42,800	42,800
1962-67	2½	81,110	56,610	56,610	24,500	....
1963 Aug.	2½	16,500	....	....	16,500	....
1963-68	2½	143,085	122,585	122,585	20,500	....
1964 Feb.	3	88,250	....	....	88,250	....
1964-69 June	2½	261,340	203,890	203,890	57,450	....
1964-69 Dec.	2½	315,199	266,999	266,999	48,200	....
1965 Feb.	2⅝	234,600	20,300	20,300	214,300	....
1965-70	2½	561,540	521,490	521,490	40,050	....
1966-71	2½	140,007	132,707	132,707	7,300	....
1966 May	3¾	113,500	....	....	113,500	....
1966 Aug.	3	17,850	7,000	7,000	10,850	....
1966 Nov.	3⅜	109,600	....	....	109,600	....
1967-72 June	2½	52,766	49,266	49,266	3,500	....
1967-72 Sept.	2½	20,052	2,552	2,552	17,500	....
1967 Nov.	3⅝	496,450	....	....	496,450	....
1967-72 Dec.	2½	76,958	58,758	58,758	18,200	....
1968 May	3⅞	210,200	....	....	210,200	....
1969 Oct.	4	18,450	....	....	18,450	....
1974 Nov.	3⅞	31,400	....	....	31,400	....
1975-85	4¼	4,250	....	....	4,250	....
1978-83	3¼	500	....	....	500	....
1980 Feb.	4	7,600	....	....	7,600	....
1980 Nov.	3½	14,900	....	....	14,900	....
1985 May	3¼	8,800	5,200	5,200	3,600	....
1990 Feb.	3½	41,450	22,800	22,800	18,650	....
1998 Nov.	3½	7,750	....	....	7,750	....
Total	....	3,845,721	2,543,071	2,483,771	1,302,650	59,300
Treasury notes:						
Aug. 15, 1960—C	4¾	....	....	5,500,000	....	−5,500,000
May 15, 1961—B	3⅝	....	2,815,565	2,857,565	−2,815,565	−42,000
Aug. 1, 1961—A	4	....	15,000	....	−15,000	15,000
Oct. 1, 1961—EO	1½	....	5,000	....	−5,000	5,000
Feb. 15, 1962—A	3⅝	13,000	....	....	13,000	....
Feb. 15, 1962—D	4	11,500	....	....	11,500	....
Feb. 15, 1962—F	3¼	4,756,982	4,993,000	....	−236,018	4,993,000
Apr. 1, 1962—EA	1½	25,000	....	....	25,000	....
May 15, 1962—E	4	139,300	....	....	139,300	....
Aug. 15, 1962—G	3¼	3,641,493	....	....	3,641,493	....
Nov. 15, 1962—C	3¾	10,600	....	....	10,600	....
Nov. 15, 1962—H	3¼	3,228,950	....	....	3,228,950	....
Feb. 15, 1963—A	2⅝	142,500	10,000	10,000	132,500	....
Feb. 15, 1963—E	3¼	43,500	....	....	43,500	....
May 15, 1963—B	4	30,500	....	....	30,500	....
May 15, 1963—D	3¼	743,600	....	....	743,600	....
Nov. 15, 1963—C	4⅞	15,584	....	....	15,584	....
May 15, 1964—A	4¾	2,777,383	2,642,733	2,642,733	134,650	....
May 15, 1964—D	3¾	201,500	....	....	201,500	....
Aug. 15, 1964—B	5	91,550	....	....	91,550	....
Aug. 15, 1964—E	3¾	1,700,900	....	....	1,700,900	....
Nov. 15, 1964—C	4⅞	2,266,400	2,000,000	....	266,400	2,000,000
May 15, 1965—A	4⅝	143,600	....	....	143,600	....
Total	....	19,983,842	12,481,298	11,010,298	7,502,544	1,471,000

3. HOLDINGS OF U.S. GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS, DECEMBER 31, 1961, 1960, AND 1959 — Continued

[In thousands of dollars]

Type of issue and date	Rate of interest (per cent)	December 31			Increase or decrease (−) during:	
		1961	1960	1959	1961	1960
Certificates:						
Feb. 15, 1960	3¾			5,506,993		−5,506,993
Nov. 15, 1960	4¾			5,000,000		−5,000,000
Feb. 15, 1961	4⅞		3,582,993		−3,582,993	3,582,993
May 15, 1961	4⅜		34,500		−34,500	34,500
Aug. 1, 1961	3⅛		5,442,250		−5,442,250	5,442,250
May 15, 1962	3	1,699,500			1,699,500	
Total		1,699,500	9,059,743	10,506,993	−7,360,243	−1,447,250
Treasury bills:						
Tax anticipation		174,500	65,623	47,000	108,877	18,623
Other, due:						
Within 3 mos.		2,158,281	2,035,400	2,162,000	122,881	−126,600
3-6 mos.		692,305	652,350	380,365	39,955	271,985
After 6 mos.		168,000	146,800	16,400	21,200	130,400
Total		3,193,086	2,900,173	2,605,765	292,913	294,408
Repurchase agreements		159,000	400,000	41,500	−241,000	358,500
Total holdings		28,881,149	27,384,285	26,648,327	1,496,864	735,958
Maturing:						
Within 90 days		7,196,763	6,069,016	7,728,493	1,127,747	−1,659,477
91 days to 1 year		10,453,262	9,185,765	10,925,765	1,267,497	−1,740,000
Over 1 year to 5 years		8,737,317	10,679,647	6,523,912	−1,942,330	4,155,735
Over 5 yrs. to 10 yrs.		2,227,381	1,178,574	677,384	1,048,807	501,190
Over 10 years		266,426	271,283	792,773	−4,857	−521,490

4. FEDERAL RESERVE BANK HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES PURCHASED DIRECTLY FROM THE UNITED STATES, 1953-61 [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	1955	
19	104	12	506	15	169	1956 no transactions	
20	189	13	506	16	169	1957	
21	189	14*	506	17*	169		
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	
9	491	24	296	Mar. 15	134	1960 no transactions	
10	451			16	190	1961	

* 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.

5. OPEN MARKET TRANSACTIONS OF THE FEDERAL RESERVE SYSTEM DURING 1961

[In millions of dollars]

Month	Outright transactions in U.S. Government securities by maturity								
	Total			Treasury bills			Others within 1 year		
	Gross purchases	Gross sales	Redemptions	Gross purchases	Gross sales	Redemptions	Gross purchases	Gross sales	Exch., maturity shift, or redemp.
January	7	421	....	7	383	....	....	32	....
February	284	187	....	166	94	....	13	83	1,415
March	447	360	67	71	274	67	3	86	....
April	1,283	1,149	50	842	637	50	....	512	....
May	814	395	305	345	166	10	....	229	−947
June	772	405	....	563	374	....	52	31	320
July	771	505	330	223	505	330	123	....	....
August	1,247	634	104	1,001	465	104	40	170	−1,179
September	1,147	788	268	986	418	268	66	300	....
October	929	276	173	700	244	173	100	32	....
November	1,150	194	13	697	184	13	169	....	3,234
December	254	742	....	193	742	....	35	....	376
Total	9,105	6,057	1,310	5,794	4,486	1,015	600	1,474	3,218

Month	1–5 years			5–10 years			Over 10 years		
	Gross purchases	Gross sales	Exch. or maturity shifts	Gross purchases	Gross sales	Exch. or maturity shifts	Gross purchases	Gross sales	Exch. or maturity shifts
January	....	7	....	....	....	....	....	....	....
February	95	10	−1,415	10	....	....	....	....	....
March	312	....	−350	61	....	483	....	....	−133
April	298	....	....	130	....	....	13	....	....
May	210	....	657	259	....	−5	....	....	....
June	118	....	−320	25	....	....	15	....	....
July	306	....	....	77	....	....	42	....	....
August	146	....	1,193	48	....	−14	12	....	....
September	64	70	....	22	....	....	10	....	....
October	108	....	....	13	....	....	9	....	....
November	244	11	−3,159	12	....	−75	29	....	....
December	22	....	−376	4	....	....	....	....	....
Total	1,923	97	−3,769	660	....	389	128	....	−133

Month	Repurchase agreements (U.S. Govt. securities)		Net change in U.S. Govt. securities	Bankers' acceptances		Net change in U.S. Govt. securities and acceptances
	Gross purchases	Gross sales		Net outright	Net repurchases	
January	161	561	−814	−8	−20	−842
February	1,246	1,246	97	....	....	97
March	97	97	21	....	....	21
April	285	285	84	−1	....	83
May	314	313	115	−8	....	107
June	130	131	366	−2	....	364
July	301	67	169	−3	....	165
August	404	637	275	1	....	277
September	116	105	102	1	....	103
October	429	440	469	3	....	472
November	780	780	943	5	....	947
December	358	199	−329	6	3	−321
Total	4,620	4,861	1,497	−5	−17	1,475

NOTE.—Sales, redemptions, and negative figures reduce System holdings; all other figures increase such holdings. Details may not add to totals because of rounding.

6. BANK PREMISES OF FEDERAL RESERVE BANKS AND BRANCHES, DECEMBER 31, 1961

[In dollars]

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	3,554,801
New York	5,215,656	12,183,528	4,886,521	22,285,705	4,378,612
Annex	592,679	1,451,569	673,458	2,717,706	752,253
Buffalo	406,069	2,555,197	1,565,400	4,526,666	3,767,100
Philadelphia	1,884,357	4,839,506	2,154,452	8,878,315	3,520,682
Cleveland	1,295,490	6,605,285	3,341,853	11,242,628	1,964,529
Cincinnati	400,891	1,288,700	1,437,194	3,126,785	1,296,885
Pittsburgh	1,656,418	2,954,916	2,431,261	7,042,595	4,752,922
Richmond	469,944	4,164,663	2,428,966	7,063,573	2,483,613
Baltimore	250,487	2,009,381	1,068,445	3,328,313	1,865,245
Charlotte	117,479	1,069,026	625,121	1,811,626	1,241,043
Atlanta	633,387	6,401,861	379,315	7,414,563	5,748,666
Annex	93,931	137,100	103,867	334,898	272,602
Birmingham	338,917	1,982,184	948,236	3,269,337	2,739,919
Jacksonville	164,004	1,712,909	694,291	2,571,204	1,652,500
Nashville	592,342	1,474,678	1,016,213	3,083,233	2,691,423
New Orleans	277,078	762,456	265,700	1,305,234	360,737
Chicago	6,275,467	17,984,278	8,424,105	32,683,850	21,185,677
Detroit	1,147,734	2,844,847	1,226,576	5,219,157	3,064,279
St. Louis	1,675,780	3,171,719	2,154,782	7,002,281	1,884,227
Little Rock	241,105	391,611	206,575	839,291	432,246
Louisville	700,075	2,859,819	1,003,708	4,563,602	4,018,512
Memphis	128,542	287,469	167,755	583,766	227,793
Minneapolis	600,521	4,689,718	2,688,921	7,979,160	4,561,791
Helena	15,709	126,401	62,977	205,087	67,951
Kansas City	545,764	3,521,181	1,316,319	5,383,264	1,202,327
Denver	592,271	523,041	86,910	1,202,222	743,046
Oklahoma City	[2] 563,025	1,893,920	97,589	2,554,534	2,116,432
Omaha	445,663	1,491,117	723,843	2,660,623	2,207,666
Dallas	713,302	4,639,660	3,570,804	8,923,766	7,590,696
El Paso	262,477	787,728	393,301	1,443,506	1,223,168
Houston	695,615	1,408,574	744,758	2,848,947	2,464,020
San Antonio	448,596	1,400,390	570,847	2,419,833	1,994,628
San Francisco	476,768	3,783,530	1,458,028	5,718,326	996,311
Annex	247,201	124,000	30,000	401,201	363,761
Los Angeles	777,614	4,103,844	1,592,708	6,474,166	3,765,129
Portland	207,380	1,678,512	649,432	2,535,324	1,527,810
Salt Lake City	480,222	1,878,238	707,575	3,066,035	2,741,068
Seattle	274,772	1,891,564	661,987	2,828,323	1,750,195
Total	33,532,864	119,003,289	55,525,909	208,062,062	109,172,265

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Richmond	157,953			157,953	157,953
New Orleans	842,829			842,829	842,829
Kansas City	[3] 396,219			396,219	396,219
Houston	78,812	317,336	112,111	508,259	101,416
Total	1,475,813	317,336	112,111	1,905,260	1,498,417

[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.

7. EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1961

[In dollars]

Item	Total	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounts and advances	2,501,911	119,549	541,164	155,499	167,325	152,703	181,830	608,563	110,934	51,912	259,677	62,759	89,996
Acceptances	1,158,715	....	1,158,715	....	....	....	....	....	....	....	....	....	....
U.S. Govt. securities	937,615,388	49,919,319	233,462,107	53,954,441	79,646,880	59,258,665	51,437,412	160,030,217	37,728,445	21,648,273	40,664,794	37,950,208	111,914,627
All other	372,156	20,532	80,349	24,012	32,568	17,151	28,831	46,602	13,140	10,893	43,007	19,095	35,976
Total	941,648,170	50,059,400	235,242,335	54,133,952	79,846,773	59,428,519	51,648,073	160,685,382	37,852,519	21,711,078	40,967,478	38,032,062	112,040,599
CURRENT EXPENSES													
Salaries:													
Officers	6,770,735	385,419	1,260,376	473,974	580,607	545,206	518,148	610,759	556,902	369,711	501,305	433,354	534,974
Employees	90,399,810	5,550,114	21,032,410	4,729,101	7,630,557	5,867,073	5,444,152	13,441,879	4,976,857	2,975,110	4,732,344	3,941,885	10,078,328
Fees—Directors and others	581,918	22,575	96,432	27,780	48,787	53,440	76,721	44,761	29,926	26,772	67,464	38,702	48,558
Retirement contributions	11,528,404	694,447	2,539,754	614,910	975,650	774,239	737,652	1,699,893	654,728	384,392	647,005	548,008	1,257,726
Traveling expenses	2,013,258	123,328	330,530	96,560	185,617	143,174	160,791	234,931	124,705	101,236	124,258	122,764	265,364
Postage and expressage	19,091,805	1,659,060	2,654,200	944,001	1,528,235	1,747,008	1,642,814	2,628,666	1,009,214	693,614	1,216,365	956,680	2,411,948
Telephone and telegraph	1,637,677	86,986	350,389	75,789	124,206	114,641	171,246	189,648	90,811	58,220	99,657	114,037	162,047
Printing, stationery, and supplies	7,215,682	540,717	1,398,485	415,575	506,146	497,895	522,134	1,168,938	448,656	236,608	453,208	346,393	680,927
Insurance	2,120,408	125,391	413,268	85,854	183,885	180,347	155,610	293,998	129,770	95,214	143,290	102,790	210,991
Taxes on real estate	4,670,609	648,870	832,771	153,968	400,731	195,188	259,113	736,081	176,031	323,879	194,978	265,621	483,378
Depreciation (building)	6,303,861	413,761	488,050	270,538	920,652	544,024	425,171	1,257,636	239,226	344,193	168,853	692,698	539,059
Light, heat, power, and water	1,814,544	118,057	256,131	101,466	169,349	157,116	110,599	290,517	136,099	87,923	130,535	123,131	133,621
Repairs and alterations	1,404,673	37,124	147,422	56,629	144,798	204,608	55,223	322,733	58,174	40,184	71,866	162,425	103,487
Rent	124,713	4,330	6,954	18,323	27,998	2,744	3,038	48,377	1,557	163	3,926	2,120	5,183
Furniture and equipment:													
Purchases	2,816,139	129,767	709,805	354,072	135,857	132,834	200,116	551,512	97,281	122,053	85,233	115,102	182,507
Rentals	7,162,138	579,686	847,909	505,192	514,642	445,756	473,693	1,273,963	370,426	224,840	468,261	341,159	1,116,611
All other	2,307,012	91,764	496,116	71,584	378,686	92,262	110,127	438,566	77,778	92,845	121,425	169,321	166,538
Inter-Bank expenses	....	45,411	−623,148	53,369	86,098	−11,677	52,884	130,906	33,369	21,902	42,098	54,779	114,010
Subtotal	167,963,387	11,256,807	33,237,854	9,048,685	14,542,501	11,685,878	11,119,232	25,363,764	9,211,510	6,198,859	9,272,071	8,530,969	18,495,257
F.R. currency	6,755,756	309,893	1,121,829	623,455	631,211	697,279	781,383	1,040,334	321,713	108,016	216,028	412,767	491,848
Assessment for expenses of Board of Governors	6,265,100	308,300	1,749,500	364,300	579,200	287,400	336,100	886,200	210,900	144,000	266,500	359,200	773,500
Total	180,984,243	11,875,000	36,109,183	10,036,440	15,752,912	12,670,557	12,236,715	27,290,298	9,744,123	6,450,875	9,754,599	9,302,936	19,760,605

Less reimbursement for certain fiscal agency and other expenses	19,709,668	1,089,896	3,333,099	929,849	1,920,194	1,104,336	1,392,877	3,726,826	1,230,975	655,147	1,470,632	935,083	1,920,754
Net expenses	161,274,575	10,785,104	32,776,084	9,106,591	13,832,718	11,566,221	10,843,838	23,563,472	8,513,148	5,795,728	8,283,967	8,367,853	17,839,851
PROFIT AND LOSS													
Current net earnings	780,373,596	39,274,296	202,466,251	45,027,360	66,014,056	47,862,298	40,804,234	137,121,910	29,339,372	15,915,350	32,683,511	29,664,209	94,200,748
Additions to current net earnings:													
Profits on sales of U.S. Govt. securities (net)	3,465,859	184,956	859,086	199,723	294,917	219,354	190,421	592,468	139,634	80,994	150,470	140,482	413,354
All other	56,738	842	10,733	566	1,157	515	83	40,031	1,026	175	1,076	94	440
Total additions	3,522,598	185,798	869,819	200,289	296,075	219,869	190,504	632,499	140,659	81,169	151,547	140,576	413,794
Deductions from current net earnings	40,969	2,835	3,827	727	4,355	3,595	929	2,851	3,283	1,921	1,047	1,979	13,620
Net additions	3,481,627	182,963	865,992	199,562	291,720	216,274	189,575	629,648	137,376	79,248	150,499	138,597	400,173
Net earnings before payments to U.S. Treasury	783,855,223	39,457,259	203,332,243	45,226,922	66,305,776	48,078,572	40,993,809	137,751,558	29,476,748	15,994,598	32,834,010	29,802,806	94,600,921
Dividends paid	25,569,541	1,236,205	7,043,136	1,472,374	2,360,707	1,168,329	1,392,341	3,613,523	862,261	582,284	1,081,952	1,454,690	3,301,738
Paid U.S. Treasury (interest on F.R. notes)	687,393,382	36,439,253	182,395,607	40,136,348	56,273,169	44,327,343	35,824,668	126,275,435	25,741,888	14,005,314	29,207,957	25,547,016	71,219,383
Transferred to surplus	70,892,300	1,781,800	13,893,500	3,618,200	7,671,900	2,582,900	3,776,800	7,862,600	2,872,600	1,407,000	2,544,100	2,801,100	20,079,800
Surplus, January 1	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
Surplus, December 31	888,313,200	42,112,000	242,996,100	51,281,600	83,271,900	40,141,400	47,453,600	123,515,200	30,403,400	20,232,500	37,383,900	49,808,900	119,712,700

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

8. EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, 1914-61

[In dollars]

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
1961	941,648,170	161,274,575	783,855,223	25,569,541	....	....	687,393,382	....	70,892,300
Total 1914-61	10,221,927,008	2,597,099,964	7,683,310,004	502,723,665	149,138,300	2,188,893	6,012,277,401	−3,657	[2]1,016,985,402
Aggregate for each Federal Reserve Bank, 1914-61:									
Boston	608,370,143	183,571,083	430,143,686	30,778,538	7,111,395	280,843	339,630,670	135,411	52,206,825
New York	2,601,434,856	570,996,338	2,049,910,093	162,330,383	68,006,262	369,116	1,539,385,073	−433,413	280,252,671
Philadelphia	648,244,393	168,953,713	486,864,340	39,184,363	5,558,901	722,406	375,496,186	290,661	65,611,822
Cleveland	908,736,724	237,056,661	675,230,169	49,154,258	4,842,447	82,930	524,654,747	−9,906	96,505,693
Richmond	623,362,263	173,341,913	454,039,429	21,819,192	6,200,189	172,493	379,897,863	−71,517	46,021,208
Atlanta	536,329,933	150,316,076	387,013,778	20,631,254	8,950,561	79,264	304,627,066	5,491	52,720,140
Chicago	1,643,978,923	365,698,075	1,282,632,279	62,787,515	25,313,526	151,045	1,055,524,556	11,682	138,843,954
St. Louis	452,145,790	142,694,892	310,272,232	17,287,476	2,755,629	7,464	254,725,151	−26,515	35,523,028
Minneapolis	269,943,171	89,198,204	183,137,193	11,739,315	5,202,900	55,615	141,964,780	64,874	24,109,713
Kansas City	461,683,984	139,082,216	324,668,173	18,293,416	6,939,100	64,213	257,856,267	−8,674	41,523,850
Dallas	413,007,238	120,222,819	294,946,582	21,133,927	560,049	102,083	219,008,808	55,337	54,086,378
San Francisco	1,054,689,591	255,967,976	804,452,045	47,584,023	7,697,341	101,421	619,506,233	−17,089	129,580,117
Total	10,221,927,008	2,597,099,964	7,683,310,004	502,723,665	149,138,300	2,188,893	6,012,277,401	−3,657	1,016,985,402

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

[2] The $1,016,985,402 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 $888,313,200 on Dec. 31, 1961.

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

9. NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF FEDERAL RESERVE BANKS, DECEMBER 31, 1961

Federal Reserve Bank (including branches)	President	Other officers		Employees [1]		Total	
	Annual salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston	$30,000	24	$ 350,500	1,361	$ 5,539,265	1,386	$ 5,919,765
New York	60,000	65	1,193,500	3,992	21,206,210	4,058	22,459,710
Philadelphia	35,000	29	422,500	1,003	4,509,226	1,033	4,966,726
Cleveland	35,000	35	518,000	1,507	7,520,344	1,543	8,073,344
Richmond	35,000	34	487,000	1,367	5,986,820	1,402	6,508,820
Atlanta	35,000	37	483,100	1,323	5,324,495	1,361	5,842,595
Chicago	50,000	39	567,000	2,947	13,058,168	2,987	13,675,168
St. Louis	35,000	35	513,200	1,121	4,759,667	1,157	5,307,867
Minneapolis	35,000	23	329,750	684	2,865,933	708	3,230,683
Kansas City	30,000	34	467,700	1,106	4,604,110	1,141	5,101,810
Dallas	35,000	28	382,600	956	3,931,786	985	4,349,386
San Francisco	30,000	39	496,000	2,222	9,547,632	2,262	10,073,632
Total	$445,000	422	$6,210,850	19,589	$88,853,656	20,023	$95,509,506

[1] Includes 940 part-time employees.

10. VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1958-61

[Number in thousands; amounts in thousands of dollars]

Operation	1961	1960	1959	1958
NUMBER OF PIECES HANDLED [1]				
Discounts and advances	7	19	26	14
Currency received and counted	4,618,346	4,746,665	4,631,081	4,547,668
Coin received and counted	10,276,927	9,767,544	9,929,912	9,574,474
Checks handled:				
U.S. Govt. checks	430,829	407,333	393,860	388,541
Postal money orders	259,209	270,307	279,939	295,350
All other [2]	3,630,936	3,419,093	3,257,839	3,085,185
Collection items handled:				
U.S. Govt. coupons paid	16,431	16,357	13,915	13,564
All other	23,144	21,513	20,853	20,429
Issues, redemptions, and exchanges of U.S. Govt. securities	192,366	197,825	196,063	193,665
Transfers of funds	3,038	2,918	2,695	2,426
AMOUNTS HANDLED				
Discounts and advances	14,657,545	58,057,685	105,058,505	41,306,072
Currency received and counted	30,670,620	31,553,482	30,730,461	29,596,570
Coin received and counted	1,133,470	1,095,870	1,022,660	956,235
Checks handled:				
U.S. Govt. checks	115,009,063	105,212,842	106,724,118	99,942,372
Postal money orders	4,860,182	5,029,890	5,078,641	5,297,341
All other [2]	1,198,461,186	1,154,120,907	1,130,235,860	1,044,984,066
Collection items handled:				
U.S. Govt. coupons paid	4,717,259	4,798,446	3,866,402	3,695,458
All other	6,553,424	5,793,218	5,838,199	5,663,684
Issues, redemptions, and exchanges of U.S. Govt. securities	560,263,435	527,444,784	545,489,154	526,037,271
Transfers of funds	2,706,716,007	2,428,083,100	1,882,069,626	1,643,532,069

[1] Packaged items handled as a single item are counted as one piece.
[2] Exclusive of checks drawn on the Federal Reserve Banks.

11. FEDERAL RESERVE BANK DISCOUNT RATES, DECEMBER 31, 1961

[Per cent per annum]

Federal Reserve Bank	Discounts for and advances to member banks		Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of the U.S. (last par. Sec. 13)
	Advances secured by Government obligations and discounts of and advances secured by eligible paper (Secs. 13 and 13a)[1]	Other secured advances [Sec. 10(b)]	
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] 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.

12. MAXIMUM INTEREST RATES PAYABLE ON TIME AND SAVINGS 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	Jan. 1, 1957—Dec. 31, 1961[1]
Savings deposits	3	2½	2½	3
Postal savings deposits	3	2½	2½	3
Other time deposits payable:				
In 6 months or more	3	2½	2½	3
In 90 days to 6 months	3	2½	2	2½
In less than 90 days	3	2½	1	1

[1] For maximum rates beginning with 1962, see p. 101.

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 FDIC, have been the same as those in effect for member banks.

13. MARGIN REQUIREMENTS

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

[Effective date of change; percentage requirement]

	Nov. 1, 1937	Feb. 5, 1945	July 5, 1945	Jan. 21, 1946	Feb. 1, 1947	Mar. 30, 1949	Jan. 17, 1951
Regulation T:							
For extension of credit by brokers and dealers on listed securities	40	50	75	100	75	50	75
For short sales	50	50	75	100	75	50	75
Regulation U:							
For loans by banks on stocks	40	50	75	100	75	50	75
	Feb. 20, 1953	Jan. 4, 1955	Apr. 23, 1955	Jan. 16, 1958	Aug. 5, 1958	Oct. 16, 1958	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

NOTE.—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.

For earlier data, see *Banking and Monetary Statistics*, Table 145, p. 504.

14. FEES AND RATES UNDER REGULATION V ON LOANS GUARANTEED PURSUANT TO DEFENSE PRODUCTION ACT OF 1950, DECEMBER 31, 1961

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

Interest rate	6 per cent per annum
Commitment rate	½ per cent per annum

15. MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Effective date of change	Net demand deposits [1]			Time deposits	
	Central reserve city banks	Reserve city banks	Country banks	Central reserve and reserve city banks	Country banks
1917—June 21	13	10	7	3	3
1936—Aug. 16	19½	15	10½	4½	4½
1937—Mar. 1	22¾	17½	12¼	5¼	5¼
May 1	26	20	14	6	6
1938—Apr. 16	22¾	17½	12	5	5
1941—Nov. 1	26	20	14	6	6
1942—Aug. 20	24	...	...	...	...
Sept. 14	22	...	...	...	...
Oct. 3	20	...	...	...	...
1948—Feb. 27	22	...	...	...	...
June 11	24	...	...	...	...
Sept. 16	...	...	16	...	7½
24	26	22	...	7½	...
1949—May 1	...	...	15	...	7
5	24	21	...	7	...
June 30	...	20	...	6	...
July 1	...	...	14	...	6
Aug. 1	...	...	13	...	...
11	23½	19½	...	5	...
16	...	...	12	...	5
18	23	19	...	...	...
25	22½	18½	...	...	...
Sept. 1	22	18	...	...	...
1951—Jan. 11	23	19	...	6	...
16	...	...	13	...	6
25	24	20	...	...	...
Feb. 1	...	...	14	...	...
1953—July 1	...	...	13	...	...
9	22	19	...	...	...
1954—June 16	...	...	...	...	5
24	21	...	...	5	...
July 29	20	18	...	...	...
Aug. 1	...	...	12	...	...
1958—Feb. 27	19½	17½	...	...	...
Mar. 1	...	...	11½	...	...
20	19	17	...	...	...
Apr. 1	...	...	11	...	...
17	18½	...	...	...	...
24	18	16½	...	...	...
1960—Sept. 1	17½	...	...	...	...
Nov. 24	...	...	12	...	...
Dec. 1	16½	...	...	...	...
In effect Jan. 1, 1962	16½	16½	12	5	5
Present legal requirements:					
Minimum	[2] 10	10	7	3	3
Maximum	[2] 22	[2] 22	14	6	6

[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 Aug. 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.

NOTE.—All required reserves were held on deposit with Federal Reserve Banks, June 21, 1917, until late 1959. Since then, member banks have also been allowed to count vault cash as reserves, as follows: Country banks—in excess of 4 and 2½ per cent of net demand deposits effective Dec. 1, 1959, and Aug. 25, 1960, respectively. Central reserve city and reserve city banks—in excess of 2 and 2½ per cent effective Dec. 3, 1959, and Sept. 1, 1960, respectively. Effective Nov. 24, 1960, all vault cash.

16. MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS — END OF YEAR 1918-61 AND END OF MONTH 1961

[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: Currency and coin [6]	Member bank reserves: Required [7]	Member bank reserves: Excess [7]
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	r18,619	r−135
1960....	27,384	26,984	400	33	[8] 1,847	74	29,338	17,767	5,398	32,869	377	485	217	[8] 533	941	17,081	r2,544	r18,988	r637
1961—																			
Jan....	26,570	26,570	....	60	884	46	27,560	17,441	5,401	31,776	418	588	238	376	940	16,066	2,742	18,410	398
Feb....	26,667	26,667	....	53	1,100	46	27,866	17,373	5,403	31,770	424	467	207	404	1,092	16,277	2,745	18,366	656
Mar....	26,688	26,688	....	115	938	46	27,787	17,388	5,410	31,891	392	443	271	401	1,028	16,158	2,483	18,166	475
Apr....	26,772	26,772	....	67	1,066	45	27,950	17,390	5,419	31,830	399	633	230	280	964	16,419	2,164	18,307	276
May..	26,887	26,886	1	111	771	37	27,806	17,403	5,431	32,197	408	372	210	277	1,071	16,107	2,743	18,226	624
June..	27,253	27,253	....	36	1,171	36	28,496	17,550	5,437	32,405	379	408	220	350	1,004	16,716	2,798	18,582	932
July...	27,422	27,188	234	59	1,115	32	28,628	17,527	5,540	32,477	465	415	226	303	951	16,856	2,369	18,734	491
Aug...	27,697	27,697	....	47	1,057	34	28,835	17,451	5,551	32,609	394	543	270	291	1,111	16,620	2,899	18,580	939
Sept...	27,799	27,788	11	28	1,351	35	29,213	17,376	5,563	32,658	400	348	312	273	1,057	17,105	p2,338	p19,116	p327
Oct....	28,268	28,268	....	59	1,178	38	29,543	17,300	5,577	32,836	407	502	249	550	988	16,888	p2,835	p19,227	p496
Nov...	29,210	29,210	....	39	1,364	43	30,656	16,975	5,585	33,538	398	489	198	249	1,144	17,200	p3,092	p19,234	p1,058
Dec...	28,881	28,722	159	130	2,300	51	31,362	16,889	5,585	33,918	422	465	279	320	1,044	17,387	p2,864	p20,113	p138

p Preliminary. r Revised.

[1] Principally acceptances and industrial loans; authority for industrial loans expired Aug. 21, 1959.

[2] Before 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] Part allowed fractionally as reserves Dec. 1, 1959–Nov. 23, 1960; all allowed thereafter.

[7] These figures are estimated through 1958. Before 1929 available only on call dates (in 1920 and 1922, the call dates were December 29).

[8] Excludes $21 million due to other F.R. Banks—collected funds; minor change in concept beginning with 1960.

NOTE.—For description of figures and discussion of their significance, see *Banking and Monetary Statistics*, Section 10, pp. 360-66; and "Member Bank Reserves and Related Items," Section 10 of *Supplement to Banking and Monetary Statistics*, January 1962.

17. PRINCIPAL ASSETS AND LIABILITIES, AND NUMBER OF ALL BANKS, BY CLASSES, DECEMBER 31, 1961 AND 1960[1]

[In millions of dollars]

Item	All banks	Commercial banks: Total[2]	Member banks: Total	Member banks: National	Member banks: State	Insured nonmember	Non-insured	Mutual savings banks: Total	Insured	Non-insured
					December 31, 1961[3]					
Loans and investments, total	254,810	213,610	178,100	115,490	62,610	33,940	1,590	41,200	35,530	5,670
Loans	152,550	123,230	104,550	66,570	37,980	18,110	580	29,320	25,800	3,520
Investments	102,260	90,380	73,550	48,920	24,630	15,830	1,010	11,880	9,730	2,150
U.S. Govt. obligations	72,630	66,480	54,180	35,920	18,260	11,740	570	6,150	4,630	1,520
Other securities	29,630	23,900	19,370	13,000	6,370	4,090	440	5,730	5,100	630
Cash assets	58,300	57,330	50,990	32,530	18,460	6,040	300	970	900	70
Deposits, total	285,530	247,100	208,770	135,790	72,980	36,850	1,500	38,430	33,020	5,410
Interbank	18,170	18,170	17,330	10,550	6,780	490	350	....	....	....
Other demand	147,030	146,970	124,590	80,180	44,410	21,550	830	60	60	....
Other time	120,330	81,960	66,850	45,060	21,790	14,810	320	38,370	32,960	5,410
Total capital accounts	25,970	22,220	18,410	11,720	6,690	3,430	380	3,750	3,200	550
Number of banks	13,946	13,432	6,113	4,513	1,600	6,997	323	514	330	184
					December 31, 1960					
Loans and investments, total	238,623	199,509	165,619	107,546	58,073	32,411	1,498	39,114	33,794	5,320
Loans	144,764	117,642	99,933	63,694	36,240	17,169	550	27,122	23,852	3,270
Investments	93,859	81,867	65,685	43,852	21,833	15,242	949	11,992	9,942	2,050
U.S. Govt. obligations	67,242	61,003	49,106	32,712	16,394	11,368	535	6,239	4,787	1,453
Other securities	26,617	20,864	16,579	11,140	5,439	3,874	413	5,752	5,155	597
Cash assets	53,022	52,150	45,756	28,675	17,081	6,082	314	872	766	107
Deposits, total	266,196	229,843	193,029	124,911	68,118	35,391	1,443	36,353	31,502	4,850
Interbank	18,880	18,878	18,076	10,439	7,636	512	291	2	2	....
Other demand	139,357	139,324	117,681	74,926	42,755	20,785	859	33	32	....
Other time	107,959	71,641	57,272	39,546	17,727	14,095	293	36,318	31,468	4,850
Total capital accounts	24,539	20,986	17,398	11,098	6,299	3,232	358	3,553	2,998	555
Number of banks	13,986	13,472	6,174	4,530	1,644	6,948	352	514	325	189

[1] All banks in the United States.
[2] Excludes 2 member mutual savings banks in 1960 and 1 in 1961.
[3] Estimated.

18. MEMBER BANK INCOME, EXPENSES, AND DIVIDENDS, BY CLASS OF BANK, 1961 AND 1960[1]

Item	Total		Central reserve city banks				Reserve city banks		Country banks	
			New York		Chicago					
	1961	1960	1961	1960	1961	1960	1961	1960	1961	1960
	In millions of dollars									
Revenue	9,213	8,928	1,492	1,474	354	353	3,587	3,471	3,780	3,630
On U.S. Govt. securities	1,533	1,414	215	187	60	56	551	477	706	695
On other securities	510	467	81	70	23	20	169	154	237	223
On loans	5,866	5,730	918	941	221	225	2,369	2,329	2,358	2,235
All other	1,303	1,316	278	276	50	52	498	511	478	477
Expenses	6,062	5,655	848	774	188	181	2,338	2,180	2,688	2,519
Salaries and wages	2,371	2,289	360	345	75	75	925	891	1,011	978
Interest on deposits	1,716	1,434	188	131	49	39	681	559	798	705
All other	1,975	1,932	300	298	64	67	732	730	879	836
Net current earnings before income taxes	3,151	3,273	643	700	166	172	1,249	1,291	1,092	1,111
Recoveries and profits[2]	......	460	......	86	......	19	......	181	......	174
Losses and charge-offs[3]	......	593	......	128	......	33	......	223	......	208
Net increase (or decrease, +) in valuation reserves	......	212	......	21	......	7	......	87	......	97
Net income before related taxes	2,966	2,929	593	637	155	150	1,204	1,162	1,014	980
Taxes on net income	1,253	1,241	257	293	76	65	534	530	386	352
Net income	1,713	1,689	336	344	79	84	670	633	628	628
Cash dividends declared[4]	790	735	182	175	31	29	322	297	254	234
	In per cent									
Ratios:										
Net current earnings before income taxes to—										
Average total capital accounts	17.5	19.5	17.7	20.3	19.7	22.1	18.7	20.7	16.0	17.5
Average total assets	1.46	1.62	1.66	1.99	1.80	1.97	1.50	1.65	1.29	1.39
Net income to—										
Average total capital accounts	9.5	10.0	9.3	10.0	9.4	10.9	10.0	10.1	9.2	9.9
Average total assets	.80	.84	.87	.98	.86	.97	.81	.81	.74	.79
Average return on U.S. Govt. securities	2.99	3.10	2.87	3.31	2.92	3.06	2.99	2.98	3.02	3.14
Average return on loans	5.82	5.93	5.04	5.30	5.09	5.29	5.87	5.96	6.23	6.28

[1] Data for 1961 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.

19. ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES IN THE UNITED STATES DURING 1961 [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 [2]	Insured	Noninsured [2]	Insured [2]	Noninsured
Number of banks, Dec. 31, 1960	**13,986**	**13,472**	**4,530**	**1,644**	**6,948**	**352**	**325**	**189**
Changes during 1961								
New banks [3]	+113	+112	+26	+2	+71	+13	+1	....
Suspensions	−9	−9	−2	−1	−2	−4	....	....
Reopening	+1	+1	....	....	....	+1	....	....
Consolidations and absorptions:								
Banks converted into branches	−127	−126	−44	−27	−53	−2	....	−1
Other	−13	−13	−5	−2	−5	−1	....	....
Voluntary liquidations [4]	−5	−5	....	....	....	−5	....	....
Conversions:								
National into State	....	....	−1	....	+1	....	....	....
State into national	....	....	+9	−4	−5	....	....	....
Federal Reserve membership: [5]								
Admissions of State banks	....	....	....	+5	−4	−1	....	....
Withdrawals of State banks	....	....	....	−17	+16	....	....	....
Federal Deposit Insurance: [6]								
Admissions of State banks	....	....	....	....	+30	−30	+4	−4
Net increase or decrease	−40	−40	−17	−44	+49	−29	+5	−5
Number of banks, Dec. 31, 1961	**13,946**	**13,432**	**4,513**	**1,600**	**6,997**	**323**	**330**	**184**
Number of branches and additional offices, except banking facilities Dec. 31, 1960 [7]	**10,702**	**10,216**	**5,298**	**2,597**	**2,274**	**47**	**381**	**105**
Changes during 1961								
De novo branches	+846	+788	+431	+176	+181	....	+46	+12
Banks converted into branches	+127	+126	+71	+29	+26	....	....	+1
Discontinued	−55	−53	−32	−10	−11	....	−2	....
Interclass changes—net [8]	....	....	+59	+34	−90	−3	+2	−2
Net increase or decrease	+918	+861	+529	+229	+106	−3	+46	+11
Number of branches and additional offices, except banking facilities, Dec. 31, 1961 [7]	**11,620**	**11,077**	**5,827**	**2,826**	**2,380**	**44**	**427**	**116**
Number of banking facilities, Dec. 31, 1960 [7]	**267**	**267**	**211**	**27**	**29**	....	....	....
Changes during 1961								
Established	+14	+14	+11	+2	+1	....	....	....
Discontinued	−5	−5	−5	....	....	....	....	....
Interclass changes:								
National to nonmember	....	....	−1	....	+1	....	....	....
Nonmember to national	....	....	+1	....	−1	....	....	....
Net increase	+9	+9	+6	+2	+1	....	....	....
Number of banking facilities, Dec. 31, 1961 [7]	**276**	**276**	**217**	**29**	**30**	....	....	....

[1] Includes a national bank in the Virgin Islands with 2 branches; other banks in possessions are excluded.

[2] State member bank and insured mutual savings bank figures for December 31, 1960 both include 2 member mutual savings banks not included in the total for commercial banks; and subsequent figures reflect the withdrawal of 1 from membership in 1961. State member bank figures also include 1 noninsured trust company without deposits.

[3] Exclusive of new banks organized to succeed operating banks; includes 8 existing noninsured nonmember banks added to the count.

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

[8] For details of interclass branch changes see *Federal Reserve Bulletin* for February 1962, p. 236.

20. NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, DECEMBER 31, 1961 [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	398	814	398	814	260	650	138	164	......	....
New York [2]	570	2,045	570	2,045	475	1,793	95	252	......	....
Philadelphia	616	748	616	748	474	598	142	150	......	....
Cleveland	909	1,051	909	1,051	551	914	358	137	......	....
Richmond	909	1,371	778	1,233	428	792	350	441	131	138
Atlanta	1,382	599	836	547	420	447	416	100	546	52
Chicago	2,479	1,212	2,479	1,212	1,002	747	1,477	465	......	....
St. Louis	1,472	399	1,192	324	478	218	714	106	280	75
Minneapolis	1,309	147	711	102	476	53	235	49	598	45
Kansas City	1,779	141	1,775	141	756	105	1,019	36	4	....
Dallas	1,149	174	1,074	162	630	115	444	47	75	12
San Francisco	373	2,764	371	2,764	160	2,485	211	279	2	....
Total	**13,345**	**11,465**	**11,709**	**11,143**	**6,110**	**8,917**	**5,599**	**2,226**	**1,636**	**322**
STATE										
Alabama	238	98	156	97	93	90	63	7	82	1
Alaska	14	35	12	35	7	33	5	2	2	....
Arizona	11	190	11	190	4	154	7	36	......	....
Arkansas	237	56	132	37	78	33	54	4	105	19
California	117	1,787	117	1,787	59	1,657	58	130	......	....
Colorado	166	7	166	7	97	6	69	1	......	....
Connecticut	63	219	63	219	30	171	33	48	......	....
Delaware	20	54	20	54	5	25	15	29	......	....
District of Columbia	11	69	11	69	8	63	3	6	......	....
Florida	315	15	275	14	131	12	144	2	40	1
Georgia	420	126	143	123	68	103	75	20	277	3
Hawaii	7	90	7	90	2	32	5	58	......	....
Idaho	32	88	32	88	18	81	14	7	......	....
Illinois	973	4	972	4	525	4	447	....	1	....
Indiana	441	340	441	340	225	233	216	107	......	....
Iowa	673	190	673	190	164	20	509	170	......	....
Kansas	590	32	590	32	213	23	377	9	......	....
Kentucky	351	165	351	165	101	113	250	52	......	....
Louisiana	192	189	88	157	53	124	35	33	104	32
Maine	46	138	46	138	29	96	17	42	......	....
Maryland	132	266	132	266	60	159	72	107	......	....
Massachusetts	166	409	166	409	118	342	48	67	......	....
Michigan	373	617	373	617	213	501	160	116	......	....
Minnesota	688	6	291	6	209	6	82	....	397	....
Mississippi	193	149	56	78	34	48	22	30	137	71
Missouri	622	37	569	37	170	24	399	13	53	....
Montana	122	1	122	1	88	1	34	....	......	....
Nebraska	420	17	420	17	138	15	282	2	......	....
Nevada	7	41	7	41	5	35	2	6	......	....
New Hampshire	73	3	73	3	52	2	21	1	......	....
New Jersey	244	471	244	471	210	420	34	51	......	....
New Mexico	57	64	57	64	37	38	20	26	......	....
New York	388	1,482	388	1,482	335	1,409	53	73	......	....
North Carolina	163	550	96	421	34	228	62	193	67	129
North Dakota	156	31	58	10	40	4	18	6	98	21

20. NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, DECEMBER 31, 1961 [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	576	696	576	696	365	604	211	92	......	....
Oklahoma	387	32	382	32	226	28	156	4	5	....
Oregon	48	206	48	206	13	177	35	29	......	....
Pennsylvania	671	874	671	874	515	745	156	129	......	....
Rhode Island	9	91	9	91	5	69	4	22	......	....
South Carolina	144	166	81	157	31	114	50	43	63	9
SouthDakota	174	62	71	38	59	30	12	8	103	24
Tennessee	294	236	222	224	82	161	140	63	72	12
Texas	1,017	32	988	32	572	28	416	4	29	....
Utah	50	77	50	77	20	66	30	11	......	....
Vermont	52	37	52	37	30	19	22	18	......	....
Virginia	302	320	301	320	196	228	105	92	1	....
Washington	89	305	89	305	33	292	56	13	......	....
West Virginia	181	....	181	....	110	....	71	....	......	....
Wisconsin	564	159	564	159	159	29	405	130	......	....
Wyoming	55	1	55	1	40	1	15	....	......	....
OTHER AREA										
Puerto Rico [2]	10	129	10	129	......	15	10	114	......	....
Virgin Islands [2]	1	6	1	6	1	6	......	....	......	....

[1] Comprises all commercial banking offices on which checks are drawn, including 276 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 1 mutual savings member bank.

[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 2 in the Virgin Islands are branches of New York banks.

21. DESCRIPTION OF EACH MERGER, CONSOLIDATION, ACQUISITION OF ASSETS OR ASSUMPTION OF LIABILITIES APPROVED BY THE BOARD OF GOVERNORS DURING 1961[1]

Name of bank, and type of transaction [2] (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 1—**The Oregon Bank,** Portland, Oreg.	34.6	6	8
to merge with			
Rogue Valley State Bank, Medford, Oreg.	6.4	2	

SUMMARY REPORT BY ATTORNEY GENERAL (12-8-60)

The Oregon Bank, Portland, Oreg., and the Rogue Valley State Bank, Medford, Oreg., operate in areas which are 285 miles apart and therefore do not appear to be in competition with each other. Apparently the merging banks' only competitors are the two largest banks in Oregon. As a result of the merger the acquiring bank will become a competitor, although still a relatively small competitor, to Oregon's two large banking systems in an additional banking area.

It is our conclusion that the proposed merger will not adversely affect competition.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (1-5-61)

Portland and Medford, Oreg., are 285 miles apart, and competition between The Oregon Bank, Portland, Oreg., and Rogue Valley State Bank, Medford, Oreg., is nonexistent. The proposed merger of these two banks would have virtually no impact on competition in the Portland area. It would, however, provide customers of Rogue Valley Bank with expanded banking services and a larger source of credit and would also increase competition in Medford where the two largest Oregon banks have offices.

No. 2—**Long Island Trust Company,** Garden City, N.Y.	107.5	12	13
to merge with			
The Lindenhurst Bank, Lindenhurst, N.Y.	11.6	1	

SUMMARY REPORT BY ATTORNEY GENERAL (12-22-60)

The merging bank was founded in 1929. It has never applied for a branch. The charter bank has 11 branches in Nassau County, one in Suffolk County, and one application pending. Nine of its branches were established de novo and two by merger.

The application shows the merging bank to have deposits of $10,608,000 and loans and discounts of $3,282,000; and the charter bank to have deposits of $92,056,000 and loans and discounts of $53,265,000.

In addition to the merging bank, the Franklin National Bank, the Security National Bank of Long Island, and the Bank of Babylon each has branches in its service area.

The charter bank has no branch in the area. Although it is a large institution, it is much smaller than either the Franklin National Bank,

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

with 28 branches in Nassau and seven branches in Suffolk County, or the Security National Bank of Long Island, with seven branches in Nassau and eight branches in Suffolk County.

Substituting the Long Island Trust Company for the Lindenhurst Bank will still leave branches of the two much larger banks in the primary service area of the merging bank and a local bank, the Bank of Babylon, in the secondary service area as well as branches of the larger banks in such area.

It does not appear, therefore, that the proposed merger will have an adverse effect on competition in the service area of the merging bank nor does it appear that it will result in a tendency toward monopoly.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (1-12-61)

Lindenhurst Bank, located within the metropolitan area of New York City and about 15 miles from the Long Island Trust Company, has been operated in an ultraconservative manner by an elderly management and has not provided the services required by an area that is experiencing rapid growth. The merger of Lindenhurst Bank and Long Island Trust Company would make available to the Lindenhurst area needed additional resources, skills, and banking services. Competition with the larger institutions serving the area would be increased.

No. 3—**California Bank,** Los Angeles, Calif. *to merge with*	1,296.7	70	[3] 118
First Western Bank and Trust Company, San Francisco, Calif., and change its title to United California Bank.	1,124.5	113	

SUMMARY REPORT BY ATTORNEY GENERAL (12-21-60)

First Western Bank and Trust Company, San Francisco, Calif., proposes to merge into California Bank, Los Angeles, Calif., under the charter of the latter and with the title of United California Bank. A majority of the outstanding stock of both banks is held by Firstamerica Corporation, a registered bank holding company. Firstamerica's stock interest in California Bank was acquired, effective April 1, 1959.

Prior to the merger, a new bank, headquartered in Los Angeles, will be organized which will acquire, at the time of merger, the name First Western Bank and Trust Company. At the consummation of the merger there will be transferred to this new bank all right, title, and interest in 65 banking offices operated by the present First Western and all rights held by the present First Western under certain applications to establish ten additional offices. New Bank's assets will be about $500 million. After a

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

period of two years, Firstamerica is to endeavor to dispose of its interest in New Bank so that it will then be an independent competitor in banking in California. If Firstamerica should be unsuccessful in its efforts to divest itself of the stock or assets of New Bank within six years after approval of the merger by the appropriate regulatory agencies and Firstamerica's acquisition of the stock of New Bank, it will then distribute the stock of New Bank to Firstamerica's stockholders.

All 70 of the banking offices of California Bank are located in what may be described as the metropolitan Los Angeles area. Thirty-one of Firstamerica's offices are located in the same area, the balance being located in other areas within the State of California. Thus, the principal area of competition between the two banks, prior to the acquisition of California Bank by Firstamerica, was in the metropolitan Los Angeles area. This serious anticompetitive effect will be removed by the transfer of First Western's 31 banking offices in the metropolitan Los Angeles area to New Bank which is to be created and later separated from Firstamerica. And since there will remain a number of large banks in the metropolitan Los Angeles area, including the first and second largest banks in California, it is not believed that United California Bank will have a substantial competitive advantage (in addition to the advantages now held by California Bank) over small competitors in this area.

Bank of America, the nation's largest bank, and by far the largest bank in California, operates throughout the State. It has more than 600 offices in 380 communities in every one of the State's 58 counties. The only other so-called statewide bank is the present and much smaller First Western.

Thus, the transfer by Firstamerica of 65 offices located in various areas of California, to New Bank and the transfer of the remaining offices of First Western to United California Bank will result in three so-called statewide banking systems instead of two such systems.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (1-19-61)

The proposed merger of California Bank and First Western Bank and Trust Company is part of a compromise of litigation between Firstamerica Corporation and the United States Department of Justice regarding the acquisition of California Bank by Firstamerica. Prior to the merger of these two banks a new bank, headquartered in Los Angeles, will be organized, and at the time this merger is consummated the new bank will acquire 65 offices now operated by First Western Bank and Trust Company. The 65 offices, scattered throughout the State, to be acquired by the new bank have been carefully selected so that the limited amount of competition presently existing between the merging banks will be retained. Within six years after approval of the merger, Firstamerica Corporation is to dispose of the new bank. Competition by a new bank operating on a statewide basis will introduce a new competitive factor into California

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

banking. Both California Bank (name to be changed to United California Bank) and the proposed new bank will have broad geographic bases of operations and will be competitive with each other and Bank of America NT & SA on a statewide basis. The proposed transactions, of which this merger is a part, probably will tend to enhance competition in the State.

No. 4—**Linden Trust Company,** Linden, N.J. *to merge with*	36.9	3	10
Union County Trust Company, Elizabeth, N.J., under the charter of Linden Trust Company and title Union County Trust Company.	90.4	7	

SUMMARY REPORT BY ATTORNEY GENERAL (12-30-60)

Because of the control exercised by Union County Trust over Linden Trust since 1926, it may well be that competition between the two banks has been eliminated since Linden Trust's inception.

On the other hand, Linden Trust holds itself out as a separate competing bank, appears to conduct its business considerably separate from the Elizabeth bank, and may in fact compete, at least to a degree, in the Elizabeth-Linden-Cranford local banking area. If such be the case, the merger would reduce substantial competition between the two banks, eliminate a formidable competitor in the local banking area, and increase substantially Union County Trust's size among other banks in the county. Such increase would create in Union County Trust a substantial competitive strength and advantage over the remaining smaller banks in Union County which may lead to further attempts by such banks toward merger and consolidation.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-1-61)

Through the ownership of stock and stock options, Union County Trust Company exercises control of the Linden Trust Company. The latter, 3.8 miles from Union, was organized and established by Union and for all practical purposes has been operated as an office of Union through common management and policies. Competition between the two banks is nominal. The effect of the merger would be to combine into unified corporate form an affiliate relationship which has existed for many years. The formalizing of this relationship would have little effect on competition. The resulting bank, with its greater resources, broader banking services, and increased facilities would be in a better position to serve the banking needs of Elizabeth and Linden, particularly the latter, and to compete with the nearby New York City banks.

For notes see p. 183.

Name of bank, and type of transaction [2] (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 5—**Petersburg Savings and American Trust Company,** Petersburg, Va.	19.9	5	6
to merge with			
The Bank of Hopewell, Hopewell, Va.	1.9	1	

SUMMARY REPORT BY ATTORNEY GENERAL (1-12-61)

The Department of Justice reports that the proposed merger of The Bank of Hopewell, into the Petersburg Savings and American Trust Company, would not have significant adverse competitive effects.

Competition between the two banks does not appear to exist in a real sense since The Bank of Hopewell, from its organization, has been in reality under the same ownership and management as the Petersburg Savings and American Trust Company. While this fact would not be sufficient to justify the merger between the two banks, the competition affected appears otherwise to be insubstantial.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-1-61)

Very little competition exists between these commonly owned and managed banks which are nine miles apart and located in an industrial area approximately 25 miles south of Richmond. As a merger of these closely affiliated institutions would have virtually no effect on competition, it appears that combining them into a single unit would be in the public interest.

No. 6—**Riverside Trust Company,** Hartford, Conn.	35.4	8	9
to merge with			
Broad Brook Bank and Trust Company, East Windsor, Conn.	3.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (1-12-61)

The Riverside Trust Company of Hartford, Conn. (Riverside Trust), proposes to merge with The Broad Brook Bank and Trust Company at East Windsor, Conn. (Broad Brook Bank), and to continue to operate the latter as its Broad Brook office. Riverside has deposits of $31,345,000. Broad Brook has deposits of $2,892,000.

There is at present no competition between the two banks which transact business in two different communities approximately 15 miles apart. Riverside Trust is the third largest bank in its service area and the resulting bank will remain the third largest bank in the downtown Hartford area. Broad Brook Bank is the only bank in East Windsor. The nearest bank, approximately 3½ miles from Broad Brook, is the First National Bank of Windsor Locks. It does not appear that the merger of Riverside Trust with Broad Brook Bank will lessen competition unduly or tend to create a monopoly.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-2-61)

The proposed merger of Broad Brook Bank and Trust Company, East Windsor, Conn., and Riverside Trust Company, Hartford, Conn., would eliminate very little competition as there is virtually no existing competition between these two banks which are about 15 miles apart. Competition with the large Hartford banks operating in the trade area probably would be intensified rather than diminished, as Riverside Trust Company would provide the East Windsor area with a wider range of banking services and a larger credit source. This merger would also solve a management succession problem now existing at Broad Brook Bank and Trust Company.

No. 7—**Montgomery County Bank and Trust Company,** Norristown, Pa.	97.9	11	13
to merge with			
The National Bank and Trust Company of Spring City, Spring City, Pa.	7.6	2	

SUMMARY REPORT BY ATTORNEY GENERAL (1-19-61)

The proposed merger would have the effect of eliminating competition between Montgomery County Bank and Trust Company and The National Bank and Trust Company of Spring City in the service area of the latter bank. Although the information furnished by the applicant does not permit an accurate evaluation of the extent of this competition, it appears that a substantial amount of competition now exists with respect to deposits, mortgages, and other loans. In addition, the acquisition by Montgomery County Bank and Trust Company of the two Spring City offices would create, for the former, an unfair competitive advantage over the remaining banks now doing business in the service area of the National Bank and Trust Company of Spring City by increasing an already-existing substantial disparity in size between the acquiring bank and these remaining smaller banks. For this reason it is probable that the merger would be conducive to a further concentration of commercial banking facilities within the service area of the National Bank and Trust Company of Spring City by suggesting to these smaller banks the need for their merger with or acquisition by larger commercial banks in order to compete effectively with the Montgomery County Bank and Trust Company.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-15-61)

Merging these two banks will provide the Spring City area with improved banking services. Offices of these two banks are about seven miles apart; however, competition between them is not so great as might appear on the surface, for although the applicant has a fairly substantial volume of business originating in the Spring City area, much of it is in larger

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

loans and trust business of the type which the smaller bank is not able to handle. No banking offices are being eliminated and alternative banking sources are within a reasonable distance of Spring City.

While the proposed merger will add but very little to the size of Montgomery County Bank, it will enable it to compete somewhat more effectively with the large Philadelphia banks operating in Montgomery County which are its principal competitors. The over-all effect on competition would not be great as branches of larger banks are already somewhat competitive throughout most of the service area. The small bank most immediately concerned indicated that the proposed merger would have no adverse effect on it.

No. 8—**The Liberty Bank of Buffalo,** Buffalo, N.Y.	172.7	23	24
to merge with			
Erie County Trust Company, East Aurora, N.Y.	15.0	1	

SUMMARY REPORT BY ATTORNEY GENERAL (2-9-61)

Competition between Liberty Bank and Erie County Trust Co. is small at present, but may be expected to grow; it appears that the Erie County Bank could continue to operate successfully as an independent bank. This acquisition by the third largest of five commercial banks having head offices in Buffalo would increase its share of deposits and of loans and discounts for the combined service areas of the merging banks by less than 1 per cent. Thus the proposed merger would not appear to have a substantial impact on banking competition in the service area of the acquiring bank.

In the service area of the merging bank, the effect of the merger would be to replace an effective independent bank with a branch of a much larger institution to compete with a branch bank of the largest bank in western New York. However, this development may add to the competitive handicaps of two smaller banks in the nearby towns of Holland and Orchard Park, located ten and five miles respectively from East Aurora, the location of the merging bank and a branch of western New York's largest bank.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-27-61)

Liberty Bank is the third largest bank in the Ninth Banking District of New York State, but does not have a district-wide branch system as have the two largest banks. In the past this bank has restricted its operations primarily to Buffalo. By extending its scope of operations into suburban and outlying areas it will be able to provide more effective competition to the two large Buffalo banks.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

While this merger would eliminate competition now existing between the two banks involved, such competition is not strong at this time. The positive benefits inuring from this merger such as an increased lending limit and expanded services for customers of Erie Trust, enhanced competition for the local branch of the district's largest bank, Marine Trust Company of Western New York, and a needed strengthening of the management of Liberty Bank—more than offset the elimination of competition between the two banks involved.

No. 9—**The Liberty Bank of Buffalo,** Buffalo, N.Y.	172.7	[4] 24	26
to merge with			
The National Bank of Fredonia, Fredonia, N.Y.	7.9	2	

SUMMARY REPORT BY ATTORNEY GENERAL (1-19-61)

The proposed merger involves the third ranking bank among five commercial banks with principal offices in Buffalo, N.Y., and one of two relatively small independent banks competing with branches of much larger banks in a different service area—Fredonia, Brocton, Dunkirk, New York area.

There appears to be no competition existing between the merging banks; thus no elimination of competition between them.

The merging bank, with total resources of $169,656,000, is much smaller than its two major competitors in its service area. The addition of the relatively small resources ($7,942,000) of the merging bank would not appear to adversely affect banking competition in the Buffalo, New York service area.

In the service area of the merging bank the combined bank will face competition from branch offices of two much larger banking institutions. However, the entry of an additional large banking organization into the service area of the merging bank may further endanger the ability of the remaining small independent bank, with deposits of $12,413,000, to effectively compete with branches of three much larger banking institutions.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (2-27-61)

There is virtually no competition between these two banks whose nearest offices are about 30 miles apart. Liberty Bank, third largest bank in the Ninth Banking District of New York State, in the past restricted its operations primarily to Buffalo. A merger of these two banks would provide broader banking services and a larger lending limit to present customers of Fredonia National, would solve an acute management succession problem existing at Fredonia National, and should provide significantly stronger

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

competition for the Fredonia branch of Manufacturers and Traders Trust Company, Buffalo, New York, second largest bank in the Ninth Banking District. The proposed merger should not have any detrimental effect on the small independent banks in the Fredonia area as they have demonstrated ability to compete successfully with branches of large banks.

No. 10—**Genesee Merchants Bank & Trust Co.,** Flint, Mich. *to consolidate with*	139.2	18	20
The Vernon State Bank, Vernon, Mich.	4.2	2	

SUMMARY REPORT BY ATTORNEY GENERAL (1-27-61)

The Genesee Merchants Bank & Trust Co. (applicant bank for consolidation), with total assets of $141,666,880 is the third largest bank in its service area. It is much smaller, however, than the dominant bank in the area.

The Vernon State Bank, with total assets of just over $4 million is the smallest of several banks operating in its service area.

There appears to be little competition between the two banks seeking to consolidate. Thus the consolidation would not appreciably affect competition between the consolidating banks. Nor would it materially increase the size of the Genesee Merchants Bank. However, an independent factor would be eliminated and the relatively smaller bank remaining in the service area of The Vernon State Bank may find it increasingly difficult to compete with branches of much larger banks, including the branch of the Genesee Merchants Bank in such service area.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (3-1-61)

There appears to be little competition between the two banks involved in the proposed consolidation. Merging these two banks will provide Vernon, 22 miles southwest of Flint, and the immediate area with broader banking services and will make available loanable funds to satisfy demands which cannot now be satisfied by the heavily loaned Vernon bank. It will also provide management succession for the small bank.

While adding but very little to the size of the area's second largest bank, the consolidation will enable it to compete directly in one more area with the largest bank. The over-all effect on small banks in this area should not be significantly adverse as the largest bank now has a branch in the vicinity and competes throughout much of the same area. Small area banks located in Corunna, Owosso, Swartz, and Linden are well established and cater principally to local farmers. Consummation of this consolidation could well stimulate competition in the area.

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

The Peoples Bank of Hamburg was incorporated on May 22, 1891. It has loans of $6,860,103 and total deposits are $12,787,473, as of June 30, 1960.

The Bank of North Collins was incorporated on August 31, 1895. It has loans of $1,626,646 and total deposits are $3,535,743, as of June 30, 1960.

The amount of competition that may be eliminated by the merger does not appear to be substantial since the banks only compete with each other to a limited extent. And the advantages of the merged bank over its smaller competitors do not appear to be pronounced.

It does not appear that this transaction will have a substantial adverse effect on competition or tend to create a monopoly.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (3-15-61)

There is only a small amount of competition between these two banks whose contiguous trade areas overlap slightly. Two of the three largest banks in the Ninth Banking District of New York have branches in the areas served by the two banks involved; although the merged bank would be vastly smaller than either of these large Buffalo institutions, it would be a more effective competitor, particularly in the North Collins area.

This proposal would provide needed strengthening of executive management for the continuing institution, for under the proposed realignment of officers the present chief executive of North Collins Bank would become president of the continuing bank. This individual is an experienced and capable banker who has had a considerable amount of service with both banks.

No. 13—**State Street Bank and Trust Company,** Boston, Mass.	453.1	7	14
to merge with			
Rockland-Atlas National Bank of Boston, Boston, Mass.	145.8	7	

SUMMARY REPORT BY ATTORNEY GENERAL (2-24-61)

The proposed merger would unite the third and the fifth largest commercial banks in Boston, and advance the applicant bank to the position of second largest bank by a small margin. This would enhance its ability to compete with Boston's largest bank which has assets in excess of all other Boston banks combined.

However, other recent combinations in the area together with the one currently under consideration will leave Boston in the position of having four large banks with 79 offices and, contrastingly, four relatively small banks with only six offices. Thus a high degree of banking concentration will be further enhanced.

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

Such consolidations are indicative of a trend in the area which will place the smaller banks in increasingly disadvantageous competitive positions, and give rise to further consolidations with substantially adverse competitive results.

The proposed consolidation will unite banks with $402,719,000 and $128,738,000 in total resources, $350,767,000 and $113,607,000 in total deposits and $199,865,000 and $72,147,000 in total loans and discounts. These banks have 13.60 and 4.13 per cent of IPC [individuals, partnerships, and corporations] loans and 13.78 and 4.62 per cent of IPC deposits among the commercial banks in the Boston area. It is obvious that a combination of such active competitors will eliminate very substantial competition in commercial banking in such area. It is also a further step toward oligopoly in banking in Boston. Thus the proposed consolidation will have substantial adverse effects on competition in commercial banking in the important Boston area.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (4-11-61)

The nine commercial banks headquartered in Boston operate 87 offices in Suffolk County with aggregate IPC deposits exceeding $2.2 billion. In terms of IPC deposits of these nine commercial banks, the proposed merger would combine the third and fifth largest banks; the resulting bank, with 18.7 per cent of these IPC deposits, would rank second by a small margin, but would be only about one-third the size of the largest commercial bank in Boston.

While the proposed merger would eliminate the smallest of the five large commercial banks in the city and the present competition between State Street Bank and Rockland-Atlas National Bank, the resulting bank could, because of its increased size, larger lending capacity, and broader banking services, as well as strengthened management, stimulate competition in Boston—and particularly in the larger Boston Metropolitan Area. The proposed merger would enable the resulting bank to compete on more effective terms with the significantly larger First National Bank of Boston, with Baystate Corporation's seven area banks, and with the thirteen area banks in the Shawmut Group.

Insofar as the Boston Standard Metropolitan Statistical Area is concerned, the resulting bank would have total deposits greater than those of the Baystate Group, but significantly less than those of either the Shawmut Group or The First National Bank of Boston. Moreover, The First National Bank, the Shawmut Group, and the Baystate Group all have decided competitive advantages arising from their large numbers of branches. The three groups operate about two, four, and five times, respectively, as many offices in the Boston Standard Metropolitan Statistical Area as will the resulting bank.

For notes see p. 183.

Name of bank, and type of transaction [2] (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 11—**Wells Fargo Bank American Trust Company,** San Francisco, Calif.	2,677.3	124	126
to merge with			
Pajaro Valley Bank, Watsonville, Calif.	32.9	2	

Summary Report by Attorney General (2-1-61)

The merger of Wells Fargo Bank American Trust Company and Pajaro Valley Bank would unite the third largest bank in California and a local bank in the city of Watsonville. It would eliminate some existing and potential competition between the two banks, and would further increase concentration in commercial banking in a State with a high degree of existing concentration, which is due in substantial measure to past acquisitions by the applicant.

Basis for Approval by Board of Governors (3-2-61)

Wells Fargo Bank American Trust Company, headquartered in San Francisco, operates 124 offices and has deposits of approximately $2.3 billion. Watsonville, population 13,550, located about 72 miles southeast of San Francisco, is the center of a fertile agricultural area, and its trade area contains approximately 32,000 residents.

There are three banking offices in Watsonville: the head office and branch of Pajaro Valley Bank and a branch of Bank of America NT & SA. The applicant operates no branch nearer than ten miles from Watsonville, and this branch is not considered to be in the area served by Pajaro Valley Bank. Competition between the Wells Fargo Bank American Trust Company and Pajaro Valley Bank is virtually nonexistent. The proposed merger would not alter the competitive position of Wells Fargo Bank American Trust Company in the State of California or in San Francisco.

The Pajaro Valley Bank has experienced difficulty in adequately servicing Watsonville and the surrounding area. Replacing the offices of Pajaro Valley Bank with branches of Wells Fargo Bank American Trust Company would provide customers in the Watsonville area with a wider range of banking services and a larger credit source. Competition in Watsonville will probably be increased through the entry of this larger bank, able to compete more effectively with the local branch of Bank of America NT & SA.

No. 12—**The Peoples Bank of Hamburg,** Hamburg, N.Y.	14.2	1	2
to merge with			
The Bank of North Collins, North Collins, N.Y.	3.9	1	

Summary Report by Attorney General (1-11-61)

Each of the banks involved are comparatively small independent banks of long standing serving the needs of their respective agricultural and residential communities.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

The accompanying table compares banking offices, total deposits, and IPC deposits of the participants, First National Bank of Boston, the Baystate and Shawmut Groups and other commercial banks in the Boston Standard Metropolitan Statistical Area as of June 15, 1960.

Name of bank or group	Offices		Total deposits		IPC deposits	
	Number	Per cent	Amount (in millions of dollars)	Per cent	Amount (in millions of dollars)	Per cent
State Street Bk. & Tr. Co.	[a] 7	2.5	330.8	9.0	262.0	9.1
Rockland-Atlas National Bk.	7	2.5	116.9	3.2	95.9	3.3
RESULTING BANK	14	5.0	447.7	12.2	357.9	12.4
The First N/B of Boston	26	9.3	1,401.6	38.3	1,071.3	37.2
Baystate group (7 banks)	74	26.4	366.0	10.0	317.9	11.1
Shawmut group (13 banks)[b]	59	21.1	541.4	14.8	412.4	14.4
Other (55 banks)	107	38.2	904.8	24.7	715.3	24.9
Total—all banks	280	100.0	3,661.5	100.0	2,874.8	100.0

[a] Excludes one branch, which is not open to the general public, currently being used as a central office for maintaining records pertaining to consumer credit business.
[b] Includes The National Shawmut Bank of Boston, second largest in the area, with 32 offices, $400.5 million in total deposits, and $292.2 million in IPC deposits.

The proposed merger can be expected to result in intensified competition among the four large commercial banks which will exist subsequent to the proposed transaction. There will remain a number of alternative commercial banking outlets as well as many mutual savings banks which actively compete in the area; furthermore, the proposed merger probably will not create an environment in which small banks will find it more difficult to operate.

Name of bank	Resources	In operation	To be operated
No. 14—**First Trust Company of Albany,** Albany, N.Y.	93.1	6	7
to merge with			
The Johnstown Bank, Johnstown, N.Y.	10.0	1	

SUMMARY REPORT BY ATTORNEY GENERAL (3-7-61)

The application for prior written consent to effect the merger gives the following figures (December 31, 1960) concerning the size of the charter and merging banks:

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

	Charter bank	Merging bank
IPC deposits	$40,540,748	$8,151,549
Total deposits	86,076,000	9,197,000
Loans and discounts (net)	30,208,000	4,341,000

The application shows the banks and comparative sizes thereof in the service area of the merging bank as follows:

	Total loans (in millions of dollars)	Total IPC deposits (in millions of dollars)
Johnstown Bank	4.3	8.2
State Bank of Albany	208.9	193.8
State Bank of Albany (Johnstown Branch)	....	15.0
Trust Co. of Fulton County	5.5	8.6
Fulton County Natl. Bank & Trust Co. of Gloversville	8.6	12.6
City Natl. Bank & Trust Co. of Gloversville	9.8	15.2
Central Natl. Bank of Canajoharie	14.9	22.1
Central Natl. Bank of Canajoharie (Fonda Branch)	....	3.2
Natl. Com. Bk. & Tr. Co. of Albany	169.6	168.4
Natl. Com. Bk. & Tr. Co. of Albany (Fultonville Branch)	....	1.5

In the City of Johnstown, The Johnstown Bank, a bank having IPC deposits of only $8,150,000, must presently compete with the State Bank of Albany, a bank having IPC deposits of over $193,000,000. The Johnstown branch of this latter bank, alone, has IPC deposits of $15,000,000, almost twice those of the merging bank. The merging bank also competes with a branch of a second large bank, National Commercial Bank & Trust Company of Albany, located some five miles away. Further, the merging bank, in its service area, is competing with four additional local independent banks, all of which are larger than itself.

Although the merger will eliminate a small independent bank in the service area involved, there will still remain therein a number of larger independents. However, the entry of another large commercial bank into the service area of the four remaining smaller independent banks may further affect adversely the ability of such banks to effectively compete. The application shows that one of the main reasons for the merging bank seeking merger with a large bank is its difficulties in trying to compete with branches of much larger banks which have recently moved into its service area by means of mergers and acquisition of other independent banks.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (4-13-61)

The proposed merger would combine two banks about 45 miles apart which are not in direct competition. As a branch of a larger institution, The Johnstown Bank would be able to provide more effective competition to the branches of the two large Albany banks with which it is now in direct competition. The capacity of The Johnstown Bank has proven insufficient to meet the requirements of the large industrial accounts in the area, the bank's growth has been sluggish, it has a management succession problem, and its earnings have been adversely affected by heavy interest expense on savings and the necessity for employing outside assistance to manage certain aspects of its instalment loan portfolio.

Although the merger reflects a continuation of the trend toward greater concentration of area resources into the larger Albany commercial banks, there is no indication it will work any hardship on existing unit banks. Substituting a branch of a progressive bank for a bank with rather serious problems should stimulate competition in the Johnstown area, particularly in Johnstown where the largest bank in the area operates a branch.

No. 15—**Commonwealth Trust Company of Pittsburgh,** Pittsburgh, Pa.	117.7	7	[5] 11
to merge with			
Butler Savings and Trust Company, Butler, Pa.	38.4	5	

SUMMARY REPORT BY ATTORNEY GENERAL (5-8-61)

While no banking factors would require a merger of these banks, with equal force there would be no apparent adverse effect upon competition. This merger would seem to promote increased competition between these banks and the two large banks, Mellon National Bank & Trust Company and Pittsburgh National Bank, which compete in the service areas of both the acquiring and merging banks.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (5-29-61)

There is virtually no competition between these two banks whose service areas are separated by a heavily populated area containing several offices of commercial banks. The continuing bank would provide broader services, and these together with its increased capacity would probably stimulate competition in the Butler area, which is currently served by branches of both Mellon National Bank & Trust Company and Pittsburgh National Bank, major Pittsburgh institutions.

For notes see p. 183.

Name of bank, and type of transaction [2] (in chronological order of determination)	Resources (in millions of dollars)	Banking offices	
		In operation	To be operated
No. 16—**Gloucester Safe Deposit & Trust Company,** Gloucester, Mass.	9.5	2	4
to merge with			
The Cape Ann National Bank of Gloucester, Gloucester, Mass.	7.1	2	

SUMMARY REPORT BY ATTORNEY GENERAL (3-23-61)

It is our view that the proposed merger would have the effect of eliminating substantial competition between the participating banks and would tend to create a monopoly in commercial banking in the Gloucester area. The main offices of the banks are at 154 Main Street and 191 Main Street, respectively, and both banks transact substantially the same type of commercial banking business.

The similarity of the banking businesses of each, the proximity of their main offices to each other, the fact that the customers of both banks come from the same service area, and the figures regarding common depositors and borrowers with deposits in or loans from both banks, all indicate that competition between these banks is substantial. The merger would, of course, eliminate this competition.

In addition, the merger would tend to create a monopoly of the commercial banking business in the Gloucester area. Gloucester Safe Deposit & Trust Company is the largest commercial bank in the area, with IPC deposits of approximately 29.9 per cent and loans and discounts of approximately 28.6 per cent. Cape Ann National Bank is the second largest bank in the area, with IPC deposits of 22.7 per cent of those in the area and loans and discounts of 23.4 per cent. The resulting bank, with IPC deposits of 52.6 per cent and loans and discounts of 52 per cent of those in the service area would be substantially more than three times the size of its nearest competitor. By increasing an already-existing substantial advantage in size which each of the participating banks enjoys over all other competitors, the merger also would promote a tendency toward further concentration of commercial banking.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (5-31-61)

There are at the present time three commercial banks, a savings bank, and a cooperative bank (State-chartered savings and loan association) located in the city of Gloucester, while within the Gloucester service area two offices of commercial banks and an office of a mutual savings bank provide additional competition for Gloucester financial institutions. The following schedule shows the offices, total IPC deposits, and loans of commercial and savings banks situated in Gloucester and in the service area of the two participants as of December 31, 1960.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

Bank	Number of offices	Total IPC deposits			Loans		
		Amount (in millions of dollars)	Per cent in service area		Amount (in millions of dollars)	Per cent in service area	
			Com. banks	All banks		Com. banks	All banks
Gloucester Safe Deposit	2	7.3	30.4	16.6	4.9	28.8	15.7
Cape Ann Natl. Bank	2	5.6	23.4	12.7	4.0	23.3	12.8
Resulting Bank	4	12.9	53.8	29.3	8.9	52.1	28.5
Gloucester Natl. Bank	1	4.1	17.1	9.3	2.6	15.3	8.3
Rockport Natl. Bank	1	3.8	15.8	8.6	2.6	15.3	8.4
First Natl. Bk. of Ipswich[a] (Branch at Essex)	1	3.2	13.3	7.2	3.0	17.3	9.5
Total—com. banks	7	24.0	100.0	54.4	17.1	100.0	54.7
Cape Ann Savings Bank	1	16.7	....	37.8	11.6	....	37.3
Granite Savings Bank, Rockport	1	3.4	....	7.8	2.5	....	8.0
Total—all banks	9	44.1	....	100.0	31.2	....	100.0

[a] Deposits and loans for this bank include both head office and branch totals, although the head office is located outside the service area of the participants.

Gloucester Safe Deposit & Trust Company is the largest commercial bank in the city and in the service area which includes most of the Cape Ann Peninsula. The other participant, The Cape Ann National Bank of Gloucester, is the second largest commercial bank in the area. While the proposed merger would eliminate present and potential competition between these two banks, the larger resulting institution would provide expanded commercial banking services in the Gloucester service area and would provide increased competition with savings institutions, particularly mutual savings banks. In Massachusetts mutual savings banks are particularly effective competitors for commercial banks as they exercise somewhat broader powers than mutual savings banks in most other States.

The Cape Ann Savings Bank is now and would remain the largest financial institution in the area holding about 38 per cent of total IPC deposits

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

of commercial and savings banks in the area. Competition between savings banks and commercial banks is very keen, and in the Gloucester area deposits of savings banks increased 20 times as rapidly as did deposits of commercial banks during the period 1950 to 1960.

Name of bank, and type of transaction	Resources	In operation	To be operated
No. 17—**The Farmers & Merchants Bank of Spencer,** Spencer, N.Y.	3.9	1	2
to merge with			
The First National Bank of Candor, Candor, N.Y.	1.8	1	

SUMMARY REPORT BY ATTORNEY GENERAL (3-30-61)

The Department of Justice has reported to the Board of Governors of the Federal Reserve System that the proposed merger of The Farmers & Merchants Bank of Spencer and The First National Bank of Candor would not have substantial adverse effects on competition.

The Farmers & Merchants Bank is the only bank in the town of Spencer, a town with a population of 1,795 persons, located in Tioga County. Farmers & Merchants Bank offers banking services to a trade area in and around Spencer with the reported population of approximately 3,073 persons. As of October 3, 1960, Farmers & Merchants Bank reported total assets of $3,891,000, demand deposits of $1,173,000, time deposits of $2,364,000, and a capital account totaling $304,000.

The First National Bank of Candor is the only bank in Candor, a town approximately nine miles east of Spencer in Tioga County. Population of Candor is listed as 802 persons, and the bank service area surrounding Candor is reported to have a population of 3,484 persons. First National, as of October 3, 1960, reported total assets of $1,778,000, demand deposits of $791,000, time deposits of $750,000, and a capital account totaling $237,000.

The First National Bank of Candor has not been a vigorous competitive factor in its area in recent years. The Farmers & Merchants Bank of Spencer, on the other hand, has been receiving deposits and making loans to the Candor area, in such amounts that it considered it advisable to merge with the Spencer bank to better serve that area. Following these efforts, the individuals owning and managing the Spencer Bank acquired stock in, and control of, the Candor bank.

In view of the size of the banks and the existence of substantial banking services available in nearby cities, it does not appear that a merger of The First National Bank of Candor and The Farmers & Merchants Bank of Spencer would have a substantial adverse effect upon competition.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (5-31-61)

In September 1960 stockholders of The Farmers & Merchants Bank of Spencer acquired control of The First National Bank of Candor as the elderly management of that bank had indicated a desire to sell the controlling interest in the bank. The Candor bank, about 10 miles from Spencer, had been operated very conservatively for a number of years during which time the Spencer bank had obtained a significant amount of business originating in the immediate area of Candor; the Candor bank had very little business originating in the immediate area of Spencer.

Younger and aggressive management has been installed in the Candor bank since stockholders of the Spencer bank acquired control of the bank in Candor. The proposed merger will unite two affiliated corporate entities, and the resulting bank should be able to compete more effectively with the larger banks in the area without adversely affecting the local independent banks.

No. 18—**United California Bank,** Los Angeles, Calif.	2,030.7	122	125
to merge with			
Bank of Encino, Los Angeles, Calif.	20.4	3	

SUMMARY REPORT BY ATTORNEY GENERAL (5-1-61)

United California Bank operating 122 offices throughout the State, including five in San Fernando Valley, proposes to acquire Bank of Encino operating three offices in the San Fernando Valley area of Los Angeles. In addition, Bank of Encino has obtained approval to establish a branch bank in a community in which United has a branch, and United has pending an application for a branch bank in a community in which Bank of Encino has a branch bank. United also has received approval for a branch and applied for another branch in the San Fernando Valley area. Bank of Encino, with assets of $20,400,000, had experienced rapid growth for four years but has not progressed much since 1957. It faces strong competition from numerous branches of Bank of America and Security-First National, California's two largest banks, among others. The same applies to other small banks in the area.

The acquisition would increase United California's share of estimated bank deposits in the San Fernando Valley from 10 per cent to 13 per cent. Moreover, it would eliminate substantial actual and potential competition between the merging banks.

The acquisition is also another step in the continuing disappearance of independent banking in California brought about through mergers and acquisitions. The effect upon competition of this acquisition would appear to be adverse and would contribute to the growing concentration in banking in the State of California.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-16-61)

At the present time there are 12 banks operating a total of 63 offices in the San Fernando Valley, a densely populated residential area of the city of Los Angeles approximately 18 miles north of the downtown business district. Bank deposits in this area total approximately $516.4 million. Also, eight savings and loan associations with aggregate withdrawable balances exceeding $1,447.8 million and loans exceeding $1,451.1 million provide keen competition.

In the San Fernando Valley, United California Bank and Bank of Encino are currently operating five and three offices, respectively, and each has one other office approved but not yet established. The existing offices of each of these banks are no nearer than two miles from offices of the other. The proposed merger would not reduce the number of banking offices available to the public and there would remain in the area a number of alternative sources of banking services.

While an independent bank would be eliminated, Bank of Encino, through its reluctance to provide needed capital and its failure to establish additional offices, is not adequately serving the needs of the area. The resulting bank would provide the community and present and potential customers of Bank of Encino with a stronger banking institution offering a wider range of banking services, greater capital, and resources. The proposed merger would intensify competition among the large banks in the areas now served by Bank of Encino without adverse effect on the present banking situation.

No. 19—**Bank of Powhatan, Incorporated,** Powhatan, Va.	10.3	1	2
to merge with			
Cumberland County Bank, Cumberland, Va.	1.3	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-25-61)

Bank of Powhatan, Inc. (Powhatan) and Cumberland County Bank (Cumberland), both relatively small banks operating in rural areas, seek approval to merge.

The combination of Powhatan and Cumberland will increase the size of the resulting bank to a point where its former competitors, and potential entrants, may be at a competitive disadvantage. However, in view of the fact that both banks are controlled by the same parties, and the merging bank is quite small, it does not appear that the effect on competition would be substantial.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (6-29-61)

Powhatan is about 30 miles west of Richmond and 20 miles east of Cumberland. Both Bank of Powhatan and Cumberland County Bank serve

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

rural areas and, due largely to a very close relationship, do not compete. Twenty-three stockholders with equity interests in both banks own 31 per cent of the stock of Bank of Powhatan and 45 per cent of the stock of Cumberland County Bank. The two banks have the same president and are served by other directors in a common capacity. Cumberland County Bank was organized by officers and directors of Bank of Powhatan and has, for practical purposes, been operated since its organization as a branch of Bank of Powhatan. The proposed merger will formally incorporate into a single entity an existing branch-bank relationship which operates as two separate corporations and will permit economies of operation. Merging these two banks probably will have no adverse effect on smaller banks in the area.

No. 20—**United California Bank,** Los Angeles, Calif.	2,030.7	122	123
to merge with			
Farmers and Merchants Bank, Hemet, Calif.	6.0	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-12-61)

In cognizance of the position of United California and the danger to the whole of its continuing the practice of small acquisitions, this merger would appear to have significant adverse competitive effects as well as contributing to the further decrease of commercial banking in the State of California to a dangerous degree. It is the opinion of this Department that the merger would lessen existing and potential competition in the Hemet service area and would further increase concentration in commercial banking in the State of California.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (7-10-61)

Farmers and Merchants Bank, Hemet, is situated about 85 miles east of downtown Los Angeles and separated from the Los Angeles metropolitan area by natural barriers and lack of highway access. The primary service area of the bank has a population of about 22,000 and is contained entirely within the Hemet-San Jacinto Valley in Riverside County. Although Farmers is the oldest bank in the area, its growth has been less than other banks serving the same area and Riverside County as a whole. This lack of growth has been due primarily to ultraconservative lending policies and unprogressive methods of management. In addition, the chief executive officer, who owns more than 25 per cent of the outstanding capital stock of the bank, is over 70 years of age and is eager to retire at an early date. Provision for adequate management succession has not been made up to this time.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

The Hemet office of Security-First National Bank, Los Angeles, is the principal competitor within the service area of Farmers Bank, and offers a complete range of banking and trust services. Security-First National, the second largest commercial bank in the State, also has an office at Perris, 16 miles west of Hemet, and although not in the same primary service area, this office competes at the western edge of the Hemet-San Jacinto Valley.

The United California Bank office at San Jacinto, three miles north of Hemet, is its nearest competing office to Farmers Bank. Subsequent to the proposed merger the applicant would hold less than 6 per cent of total deposits and would operate four of 37 banking offices in Riverside County, including offices at Riverside and Corona, 28 and 45 miles from Hemet, respectively.

The proposed merger would, to a minute degree, increase the concentration of banking resources in the State of California held by one of its largest banks. However, the resulting bank would be a more active competitor in the area while providing the community and present and potential customers of Farmers and Merchants Bank with a stronger, more aggressive banking institution offering a complete range of public services.

No. 21—**Dauphin Deposit Trust Company,** Harrisburg, Pa.	95.1	6	10
to merge with			
Camp Curtin Trust Company, Harrisburg, Pa.	19.7	4	

SUMMARY REPORT BY ATTORNEY GENERAL (12-16-60)

It is our view that the proposed merger would have the effect of eliminating a substantial amount of competition in Harrisburg between the two banks. Although the main offices of the banks are approximately 1.8 miles apart, the intermediate area is a well-settled residential and business area. Total borrowings of loan accounts common to both banks exceed $2,500,000, the deposits of common depositors total approximately $7,000-000, and the banking services offered by both banks are substantially similar. Dauphin indicates that following the merger, in order to accomplish centralized and uniform accounting operations, the higher charges of Dauphin will be made on certain loans and account activity at the Camp Curtin offices.

In addition, the merger would tend to create in Dauphin a monopoly of the commercial banking business in Harrisburg. Dauphin is now the largest commercial bank and trust company in Central Pennsylvania, with 22.56 per cent of deposits and 25.98 per cent of trust funds in its service area. The resulting bank would have approximately 27 per cent of deposits and trust funds in its service area. By increasing an already-existing sub-

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

stantial advantage in size which Dauphin enjoys over its closest competitors, the merger would promote a tendency toward monopoly and would also encourage the existing tendency toward further concentration of commercial banking in the area.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (7-12-61)

While Dauphin Deposit Trust Company and Camp Curtin Trust Company are both located in Harrisburg, their nearest offices are 1.8 miles apart and separated from each other by a well-established residential and business area. Although competition existing between these two banks would be eliminated by the proposed merger, such competition is not particularly keen as the principal areas of service are somewhat different and since Dauphin specializes in large loans to industry and business whereas Camp Curtin extends primarily consumer credits. The consolidated institution would be the largest commercial bank headquartered in Harrisburg; however, such concentration of banking resources into one bank probably would not create an atmosphere in which smaller banks would find it unduly difficult to operate profitably.

Dauphin Deposit has been denied State supervisory permission to establish an original branch in the area now served primarily by Camp Curtin; thus it is only by merging that Dauphin Deposit can enter Camp Curtin's area to provide the broader banking services and increased capacity needed to serve more fully and effectively the expanding needs of this growing suburban area. There would remain a number of alternative banking sources in Harrisburg; moreover, this merger would solve a management succession problem which now exists at Camp Curtin Trust Company.

No. 22—**Wachovia Bank and Trust Company,** Winston-Salem, N.C.	819.6	79	80
to merge with			
First National Bank of Thomasville, Thomasville, N.C.	13.2	1	

SUMMARY REPORT BY ATTORNEY GENERAL (5-16-61)

Wachovia Bank and Trust Company, the largest bank in the southeast, proposes to merge with the First National Bank of Thomasville. First National operates one office and has total assets of $13,196,000, total net loans and discounts of $5,800,000, total deposits of $11,475,000, and total capital accounts of $1,391,733.

Wachovia has a recent history of mergers and acquisitions which has contributed substantially to the wave of bank mergers in North Carolina, a State which permits branch banking. This merger would eliminate still another independent unit bank which provides substantial competition to Wachovia. We, therefore, conclude that the effect on competition would be adverse.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (7-27-61)

Wachovia Bank and Trust Company with total resources in excess of $800 million on December 31, 1960, is the largest bank in North Carolina. It operates on a local, regional, national, and international scale and has 79 offices operating or approved in 28 counties located in a somewhat scattered pattern from east to west across the State. First National Bank of Thomasville, with resources in excess of $11 million as of December 31, 1960, has its main and only office in Davidson County. There are five other commercial banks in Davidson County with seven offices; the banks range in size from about $1 million to about $14 million in total deposits and have about $31 million deposits among them.

Wachovia has offices in three of the six counties bordering on Davidson County but has no offices in Davidson County. Although this merger would eliminate a degree of competition and an alternative banking outlet, these factors are more than offset by the positive benefits flowing from the merger. This merger would make available to the residents of Thomasville substantially broadened banking services and also solve a rather serious management succession problem confronting the national bank.

There would remain a number of other banking outlets, including offices of the second and third largest banks in the State, reasonably convenient to residents of Thomasville, providing continuing competitive services. Smaller banks in the area probably will not experience undue adverse effects from the merger.

No. 23—**First Bank and Trust Company,** Perth Amboy, N.J.	41.3	1	2
to acquire the assets and assume the liabilities of			
The Fords National Bank, Fords, N.J.	12.8	1	

SUMMARY REPORT BY ATTORNEY GENERAL (7-6-61)

First Bank and Trust Company, the leading bank in its immediate service area with 62.4 per cent of IPC deposits and 46.6 per cent of loans, had as of April 12, 1961, total assets of $41,295,000, total deposits of $36,581,000, and loans and discounts of $18,120,000. The Fords National Bank is also the dominant bank in its immediate service area controlling 42.9 per cent of IPC deposits and this bank had, as of April 12, 1961, total assets of $12,844,000, total deposits of $11,812,000 and loans and discounts of $3,883,000.

The resulting bank in the combined and expanded trade area would rank first in size with 43 per cent of IPC deposits and 41.5 per cent of loans while the second largest bank would have only 14.9 per cent of IPC deposits and 23.1 per cent of loans.

Both banks have grown substantially in recent years and the merger appears to be unnecessary for their normal development. The merger

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

would serve to remove another independent bank and thereby eliminate the competition presently existing between the participating banks. The substantial increase in concentration of banking resources in the area would adversely affect the remaining smaller competitors which inevitably will lead toward further concentration in the general banking area.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (8-7-61)

There are 22 banks with head offices in Middlesex County operating 37 offices and holding total deposits of $333,545,000. The purchase of assets and assumption of liabilities of The Fords National Bank, Fords, New Jersey, by First Bank and Trust Company, Perth Amboy, would combine the second and tenth largest banks in the county and the continuing bank would become the largest bank in Middlesex County. Although this proposal would eliminate one competing bank and a fairly significant degree of competition, the continuing bank with its increased size, broader banking services, and new management more inclined to utilize the branching privileges of State law, would be likely to serve more effectively the growing needs of an expanding residential and industrial area. There would remain a number of alternative banking outlets, and it does not appear that consummation of this proposal would create an environment wherein smaller area banks would find it more difficult to compete.

No. 24—**The Home Banking Company,** Gibsonburg, Ohio.	5.6	1	[6] 1
to consolidate with			
The Gibsonburg Banking Company, Gibsonburg, Ohio.	1.7	1	

SUMMARY REPORT BY ATTORNEY GENERAL (7-13-61)

The Home Banking Company has deposits of $5,075,000, loans and discounts of $2,359,000, and assets of $5,580,000. Gibsonburg Banking Company has deposits of $1,575,000 of which over two-thirds are time deposits, loans and discounts of $478,000 and assets of $1,748,000. Both banks are located in Gibsonburg, a small town about 20 miles south of Toledo.

In our view the merger would eliminate a degree of existing competition between Home and Gibsonburg and increase the concentration of banking resources in the trade area. Because of the relative unimportance of Gibsonburg as a competitor in such commercial banking services as demand deposits and loans, it is not believed these effects on competition would be significantly adverse.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (8-23-61)

While the proposed consolidation of The Gibsonburg Banking Company with The Home Banking Company would eliminate one of Gibsonburg's two banks, in view of the smaller bank's relative unimportance as a competitor, a local lessening of competition would not be significant, nor should the enhanced competitive ability of the merged bank be adverse to the banks situated in the immediate trade area. The continuing bank would be able to compete more effectively with the larger banks in Fremont, 13 miles distant, and its customers would have a larger source of credit at their disposal.

The continuing bank will be able to provide somewhat expanded banking services in Gibsonburg, and the proposed consolidation will solve a management succession problem confronting The Gibsonburg Banking Company.

No. 25—**State Bank of Albany,** Albany, N.Y.	424.0	21	22
to merge with			
The Fort Plain National Bank, Fort Plain, N.Y.	8.1	1	

SUMMARY REPORT BY ATTORNEY GENERAL (4-20-61)

State Bank of Albany, with 21 offices and $423,982,000 in total assets, proposes to acquire The Fort Plain National Bank, with one office, located about 40 miles west of Albany, and total assets of $8,055,000. State Bank now has three branches immediately adjacent to and surrounding the service area of Fort Plain, and in another application, has recently sought to acquire three additional branches 20 miles north of Fort Plain. The merger would eliminate one of the two local competitors and give State Bank a dominant position in the Fort Plain area. It would also greatly enhance State Bank's already leading position in the several counties west of Albany. The competitive disadvantage thus forced upon the one remaining small competitor in the Fort Plain area would result in a tendency toward monopoly in commercial banking in that area.

The proposed acquisition is only one of several other acquisitions recently proposed or consummated in this area by large Albany banks, a pattern of activity that appears to threaten the existence of local banks in the region.

ADDITIONAL COMMENT BY ATTORNEY GENERAL (6-30-61)

(Based on supplemental information furnished by the Applicant.)

It is also noted that State Bank presently proposes to acquire The Fulton County National Bank and Trust Company of Gloversville, which will give State Bank two additional offices in the Johnstown-Gloversville area,

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

and that on May 1, 1961, the Johnstown Bank was merged into the First Trust Company of Albany. As we stated in our supplemental June 20, 1961, letter to you, State Bank's acquisition of The Fulton County National Bank would leave only three independent unit banks in Fulton County. Moreover, it is noted that on February 20, 1961, The National Bank of Amsterdam merged into The National Commercial Bank and Trust Company of Albany. The result of this merger, as pointed out in the letter of Mr. Karl A. Wohlgemuth to the Department of Justice, a copy of which was mailed to the Board of Governors on May 23, 1961, is to leave only three independent banks in Montgomery County, one of which would be eliminated by State Bank's acquisition of Fort Plain.

We also refer again, as we did in our June 20, 1961, letter, to the competitive advantages enjoyed by a large, multiunit bank by virtue of having a number of widely separated branches, particularly the advantage of great flexibility in the use of loanable funds. As its supplemental information shows, State Bank has made extensive use of this advantage; the loan-deposit ratios of its offices range from 21.8 per cent to 112.7 per cent. The competitive advantage thus enjoyed by State Bank has developed largely through acquisitions and will be considerably enhanced by State Bank's proposed acquisitions of Fort Plain and the Fulton County National Bank.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (9-6-61)

State Bank of Albany, the largest bank in New York's Fourth Banking District, competes generally throughout the district. However, competition between it and Fort Plain National is not particularly keen primarily because it has no offices within 20 miles of Fort Plain. The moderate amount of competition eliminated would be more than offset by such positive benefits flowing from the merger as improved banking services and a larger lending base available to Fort Plain National's customers, solution of Fort Plain's rather severe management problem, and improvement of the national bank's earnings. There would remain alternate banking facilities in the area, and while competition in the Fort Plain area would be greater, banks in the area have competed successfully with branches of large banks for some time.

No. 26—**Manufacturers Trust Company,** New York, N.Y.	3,845.4	120	130
to merge with			
The Hanover Bank, New York, N.Y.	2,156.4	10	

SUMMARY REPORT BY ATTORNEY GENERAL (5-19-61)

Two of New York City's leading commercial banks seek approval to merge. If approval is granted, Manufacturers Trust Company will merge with the Hanover Bank.

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

There are numerous adverse competitive effects which would result from the proposed consolidation. They include the following:

1. Local markets (New York City and the New York Metropolitan Area)
   a. The deposit and loan concentration indices in New York City are unduly high.
      (1) Five banks account for:
         (a) 70.59 per cent of demand deposits.
         (b) 73.09 per cent of commercial and industrial loans.
         (c) 70.29 per cent of total deposits.
         (d) 72.24 per cent of total loans.
   b. Concentration of deposits and loans in New York City will be unduly augmented if the proposed merger is consummated:
      (1) Five banks will account for:
         (a) 76.02 per cent of demand deposits (an increase of 5.43 per cent).
         (b) 78.36 per cent of commercial and industrial loans (an increase of 5.27 per cent).
         (c) 75.22 per cent of total deposits (an increase of 4.93 per cent).
         (d) 77.19 per cent of total loans (an increase of 4.95 per cent).
   c. Substantial actual and potential competition between the merging banks will be eliminated in at least the following services.
      (1) Demand deposits.
      (2) Commercial and industrial loans.
2. National market
   a. Concentration of deposits, loans, and capital in the United States as a whole will also be increased if the proposed merger is consummated.

This proposed merger is but the latest of a series of mergers among major New York City banks in recent years which have eliminated the competition between the merging banks and substantially increased concentration in commercial banking in that leading financial center of the nation. The proposed merger will eliminate another substantial factor in competition, eliminate substantial existing and potential competition between the merging banks, increase the trend toward oligopoly in commercial banking, and further adversely affect the ability of the smaller banks to effectively compete unless they too merge or consolidate with other banks.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (9-6-61)

As of December 31, 1960, there were in New York City 33 banks conducting a general commercial banking business; they operated 569 banking

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

offices and had aggregate deposits of approximately $37.3 billion. In terms of deposits, Manufacturers Trust Company and Hanover Bank were the fifth and eighth largest of the commercial banks; they held, respectively, 9.3 per cent and 5.1 per cent of the deposits of such banks and 21.1 per cent and 1.8 per cent of commercial banking offices. The proposed merger would combine these two banks to form the third largest commercial bank in New York City, which would hold 14.4 per cent of total commercial deposits and 22.9 per cent of commercial banking offices.

While banking comparisons on a national basis are in general less significant than local or regional comparisons, it may be noted that in terms of deposits Manufacturers and Hanover ranked sixth and fourteenth among all commercial banks of the country, and held 1.5 per cent and .8 per cent, respectively, of the deposits of those banks. The total deposits of the 22 commercial banks in the United States having deposits of $1 billion or more aggregated $68.9 billion, of which Manufacturers had 5.0 per cent and Hanover 2.7 per cent. The resulting bank would rank fourth in size nationally, with 2.3 per cent of deposits of all commercial banks and 7.8 per cent of deposits held by the $1 billion group.

Although Manufacturers Trust Company has many large accounts, through its widespread branch system it has long emphasized "retail banking," that is, the serving of large numbers of relatively small depositors and small borrowers. The business of Hanover Bank is confined almost exclusively to banks and large corporate customers, and it is characterized as a "wholesale bank." The combining of these two generally different and complementary banking functions would serve the public interest and the convenience and needs of the community through greater opportunity for diversification of risks, improved specialization, and broader banking services. While the proposed merger would increase the percentage of deposits held by the five largest commercial banks in the city from 71.9 per cent to 77.0 per cent and the offices of these banks from 73.5 per cent to 75.3 per cent, this is more than offset by the resulting advantages. The continuing bank, with its increased diversification and larger lending limit, would be able to compete more effectively, particularly in the national and international fields, with the two largest banks in New York. The merger would tend to stimulate competition without significantly affecting the number or competitive strength of alternative sources of banking services.

No. 27—**Farmers State Bank of Alto,** Alto, Mich.	1.5	1	2
to consolidate with			
The Edwin Nash State Bank, Clarksville, Mich.	1.1	1	

SUMMARY REPORT BY ATTORNEY GENERAL (9-1-61)

The consolidating banks are located seven miles apart, in a predominately rural area. Within a radius of twenty miles are an additional seven

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

small communities with a total of eight commercial banks. The data presented indicates that each of these banks services primarily the small community wherein it is situated, together with the surrounding rural area. There appears to be little present competition between the consolidating banks, and, although the merger will result in the elimination of one independent bank while increasing the concentration of bank resources, it does not appear that the proposed consolidation will have a substantial adverse effect on competition.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (9-26-61)

Farmers State Bank of Alto and The Edwin Nash State Bank, two small banks seven miles apart, have common management and common major stockholders and there is little competition between them. Consolidating these two institutions would result in a bigger bank able to provide increased services and a larger lending limit for its customers. Although the continuing bank will remain the smallest in the area, it could provide more effective competition to other area banks.

No. 28—**Liberty Bank and Trust Company,** Buffalo, N.Y.	194.2	25	26
to merge with			
Exchange Bank, Oakfield, N.Y.	5.5	1	

SUMMARY REPORT BY ATTORNEY GENERAL (8-24-61)

The Liberty Bank and Trust Company operates its main office in Buffalo with 24 branches in Erie, Chautauqua, and Niagara Counties. It does not presently operate a branch in Genesee County, in which the Exchange Bank is located. As of April 12, 1961, Liberty had total deposits of $176,539,000, net loans and discounts of $107,901,000, and total assets of $194,155,000. Thus far in 1961, Liberty has already acquired the National Bank of Fredonia, New York, and the Erie County Trust Company, East Aurora, New York. These mergers added deposits of over $20 million and loans of over $12 million to Liberty's resources.

The Exchange Bank is located in Oakfield, an agricultural and residential area some 43 miles northwest of Buffalo. It has only one office and has participated in no mergers. As of April 12, 1961, it had total deposits of $5,012,000, net loans and discounts of $3,027,000, and total assets of $5,491,000.

The merger appears to be part of an extensive program of acquisitions contemplated by Liberty. It would eliminate the Exchange Bank which appears to be a strong unit bank in its own area. The possibility that Liberty may be able to offer certain improved services to Exchange's customers is at least partially offset by Liberty's plan to increase checking account charges to the higher level commanded by the large Buffalo banks.

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

Furthermore, the proposed merger would leave the Oakfield area with only three other unit banks. While the history of the area does not clearly show that these banks would be placed at an immediate disadvantage by Liberty's entry, approval of the present application would create a climate favorable to further mergers resulting in the disappearance of the few remaining unit banks. We therefore believe that the effect of this merger on competition would be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (10-10-61)

Liberty Bank and Trust Company, the third largest of the three major banks in Buffalo, has in the past restricted its operations primarily to Buffalo and the immediate surrounding area. It has only recently begun to expand its branch system into the suburban and outlying areas in an effort to strengthen its competitive position with the widespread branch systems of the two substantially larger Buffalo banks. Consummation of the proposed merger would combine Liberty Bank and Trust Company with a small independent bank located about 43 miles from Buffalo which is not in direct competition with the Liberty Bank. The merger would provide the latter with an office in an area in which it is not now represented but in which the two larger Buffalo banks have long been established. The continuing Liberty Bank with its broader banking services and greater resources would be able to provide present and potential customers of the small Oakfield bank with banking services which are not now made available by the Oakfield bank. Moreover, Liberty with a substantially larger lending limit would be in a better position to satisfy the credit needs of the Oakfield area and would provide a third source of credit for large borrowers. Its entry into the area would intensify competition without creating an environment in which the smaller banks would find it difficult to operate profitably.

No. 29—**Elston Bank & Trust Company,** Crawfordsville, Ind.	15.2	3	4
to acquire the assets and assume the liabilities of			
The Waynetown State Bank, Waynetown, Ind.	2.1	1	

SUMMARY REPORT BY ATTORNEY GENERAL (8-2-61)

Elston Bank & Trust Company has total assets of $15,183,000, total deposits of $13,815,000, and net loans and discounts of $7,117,000. Its main office and one branch are located in Crawfordsville, Indiana, with a third branch located in Waveland, approximately ten miles to the south. The Waynetown State Bank has total assets of $2,101,000, total deposits of $1,868,000, and net loans and discounts of $941,000. Its only office is located in Waynetown, approximately eight miles west of Crawfordsville.

For notes see p. 183.

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

SUMMARY REPORT BY ATTORNEY GENERAL—CONT.

In our view the proposed merger would have the following effects on competition: Direct competition between Elston and Waynetown would be eliminated; one of nine independent factors in competition in the Montgomery area would be eliminated; the size of the Elston Bank would be increased by over 10 per cent, greatly strengthening its dominant position and raising serious questions of tendency to monopoly. The application reveals, however, that individual stockholders of Elston have already purchased 84.33 per cent of the shares of Waynetown. An amendment of the application states that the premium paid by these shareholders for Waynetown's stock will "be ultimately charged to undivided profits of Elston Bank & Trust Company." In view of the control of Waynetown by stockholders of Elston, competition between Elston and Waynetown will be eliminated regardless of the action taken on this application.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (10-13-61)

Montgomery County, with a population of approximately 32,000 of which 14,000 reside in Crawfordsville, is served by eight banks operating eleven offices. Elston Bank & Trust Company, the largest bank in the county, competes generally throughout the county. The Waynetown State Bank, about 8 miles from Crawfordsville, is the only bank in a small community of approximately 900 persons. Competition between these two banks was virtually eliminated when stockholders and directors owning approximately 36 per cent of stock of the Crawfordsville bank purchased over one-half of the outstanding stock of The Waynetown State Bank. Although consummation of this proposal would add slightly to the size of the largest bank in the area, this unfavorable factor is more than offset by such benefits as expanded banking services in the Waynetown area and the ability to make larger loans for which a degree of need exists. Competition for the First National Bank of Crawfordsville's Wingate branch, six miles from Waynetown, may be increased; however, the national bank is the second largest in the area and well able to compete on even terms.

No. 30—**The Elyria Savings and Trust Company,** Elyria, Ohio	34.4	4	5
to consolidate with			
The First Wellington Bank, Wellington, Ohio.	5.8	1	

SUMMARY REPORT BY ATTORNEY GENERAL (10-19-61)

The proposed merger of The First Wellington Bank, Wellington, Ohio, into The Elyria Savings and Trust Company, Elyria, Ohio, would result in the merged bank having approximately 33 per cent of loans and about 32 per cent of IPC deposits in the combined service area of the two banks. The merger would result in two banks sharing about 75 per cent of the banking business in the Elyria-Wellington area. Thus, the effect on competition would be adverse.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (12-18-61)

The proposed consolidation of The Elyria Savings and Trust Company and The First Wellington Bank would eliminate very little competition as virtually none exists between these two institutions which are 17 miles apart. A consolidation of these banks will provide broader banking services to the Wellington area. The applicant would become the second largest bank in Lorain County with IPC deposits increasing from $30,233-000 to $35,200,000 or from 16.2 per cent to 19.0 per cent of total county IPC deposits of $185,332,000. As the second largest bank in Lorain County, the continuing bank could provide more effective competition for the largest bank in the county, without, however, creating an environment in which smaller banks will find it difficult to operate profitably.

No. 31—**The Fifth Third Union Trust Company,** Cincinnati, Ohio.	313.1	27	29
to acquire the assets and assume the liabilities of			
The Norwood-Hyde Park Bank and Trust Company, Norwood, Ohio.	21.0	2	

SUMMARY REPORT BY ATTORNEY GENERAL (8-24-61)

The Fifth Third Union Trust Company, Cincinnati, Ohio, proposes to acquire the assets and assume the liabilities to pay the deposits made in The Norwood-Hyde Park Bank and Trust Company, Norwood, Ohio, under the charter and title of The Fifth Third Union Trust Company.

The proposed merger would eliminate substantial existing and potential competition between the two banks; combine the second and sixth largest banks in the Cincinnati area and add to the concentration of commercial banking resources in the hands of four large institutions. For these reasons the effect on competition would be adverse.

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (12-22-61)

Of the ten banks headquartered in Hamilton County, the four largest ones have main offices in downtown Cincinnati. These four large banks hold $1,146,461,000 of total county deposits of $1,231,032,000. The Fifth Third Union Trust Company, second largest bank in Cincinnati, operates 27 offices and holds 26 per cent ($316,268,000) of total deposits of Hamilton County banks. Upon consummation of this proposal, Fifth Third would remain the second largest bank in Cincinnati with its share of county deposits being increased by less than 2 per cent. Fifth Third would continue, on the basis of total deposits, approximately $70 million smaller than the largest bank and about $49 million larger than the third largest bank.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS—CONT.

While the moderate amount of competition existing between the Norwood-Hyde Park Bank and Trust Company and Fifth Third would be eliminated, this would be more than offset by a significant increase in competition resulting from consummation of the proposal. The First National Bank of Cincinnati, largest bank in the city, has direct representation in both the Norwood and Hyde Park areas, and this proposal, which would enable Fifth Third to compete directly in an area where it does not now have offices, should increase competition between the two largest Cincinnati banks. The proposal would not reduce the number of alternate banking sources available in either Hyde Park or Norwood, as Fifth Third has no office in either of these areas. This proposal would solve a management succession problem existing at Norwood-Hyde Park Bank and Trust Company.

No. 32—**Wells Fargo Bank American Trust Company,** San Francisco, Calif.	2,733.2	128	130
to merge with			
The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, Calif.	15.6	2	

SUMMARY REPORT BY ATTORNEY GENERAL (7-3-61)

Wells Fargo Bank American Trust Company, the third largest bank in California, operates in nineteen counties with 125 banking offices and has, as of April 12, 1961, assets of $2,733,248,000, total deposits of $2,478-980,000, and loans and discounts of $1,428,211,000. Acquisitions and mergers during the last ten years have been responsible for over one-fourth of Wells Fargo's present deposit total.

The Farmers and Merchants National Bank operates solely in the County of Santa Cruz and has, as of April 12, 1961, assets of $15,616,000, total deposits of $14,271,000, and loans and discounts of $7,888,000.

A high degree of banking concentration exists in California with three large banks controlling 65.9 per cent of total deposits and 67.2 per cent of total loans and the nine largest controlling 89.6 per cent and 90.3 per cent of total deposits and loans, respectively. This pronounced concentration is due in large part to mergers and acquisitions and if the pattern continues independent banking in California threatens to be eliminated.

The merger if approved would, by eliminating another independent bank, increase to a greater degree the already intense concentration of banking resources in the State of California. It would also eliminate the substantial effective competition presently existing between the banks seeking merger and would lessen existing and potential competition in the County of Santa Cruz.

For notes see p. 183.

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

BASIS FOR APPROVAL BY BOARD OF GOVERNORS (12-22-61)

The Farmers and Merchants National Bank of Santa Cruz, Calif., is situated 79 miles south-southeast of San Francisco and serves, generally, the western half of Santa Cruz County. Its primary service area contains about 45,000 persons and is separated from the eastern section of the county by the Santa Cruz mountains. The projected increase in residential and industrial activity in Santa Cruz County within the next few years is quite substantial.

There are 14 banking offices of four banks with aggregate deposits of $135,699,000 operating in Santa Cruz County. Farmers and Merchants has its head office and one branch in Santa Cruz and Wells Fargo Bank has two offices at Watsonville, 16 miles east of Santa Cruz, serving only the eastern half of the county. Three of the remaining offices are operated by Bank of America NT & SA and seven by County Bank of Santa Cruz.

There is virtually no overlapping of the areas served by Farmers and Merchants and the Watsonville offices of Wells Fargo Bank. The proposed merger would not alter significantly the competitive position of Wells Fargo Bank in its present 19-county service area, or in the State of California. Competition in Santa Cruz would probably be increased through the entry of Wells Fargo Bank, which would be able to compete more effectively with Bank of America and County Bank.

While the proposed merger would to a very small degree increase the concentration of banking resources in California held by one of the largest banks in that State, the resulting bank would provide the community and the present and potential customers of Farmers and Merchants with a stronger, more aggressive banking institution offering a complete range of banking services, greater capital, and a larger credit source.

[1] During 1961 the Board disapproved four mergers, etc. However, under Section 18(c) of the Federal Deposit Insurance Act, only those transactions approved by the Board must be described in its annual report to the Congress.

[2] Except where specifically stated the merger, etc., was effected under the charter of the first named bank.

[3] Sixty-five branches of First Western Bank and Trust Company will be transferred at the time of merger to a newly chartered bank of the same title to be organized before the merger.

[4] Includes one branch to be acquired by The Liberty Bank of Buffalo in its merger with Erie County Trust Company, East Aurora, N.Y., listed as case No. 8.

[5] East Brady branch of Butler Savings and Trust Company will be sold before the merger as it cannot legally be operated by Commonwealth Trust Company of Pittsburgh.

[6] Head office of The Gibsonburg Banking Company will be closed.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1961]

	Term expires
WM. MCC. MARTIN, JR., of New York, *Chairman*	January 31, 1970
C. CANBY BALDERSTON of Pennsylvania, *Vice Chairman*	January 31, 1966
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
GEORGE W. MITCHELL of Illinois	January 31, 1962

WOODLIEF THOMAS, *Adviser to the Board*
RALPH A. YOUNG, *Adviser to the Board*
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*
- JEROME W. SHAY, *Assistant General Counsel*
- WILSON L. HOOFF, *Assistant General Counsel*

DIVISION OF RESEARCH AND STATISTICS
- GUY E. NOYES, *Director*
- FRANK R. GARFIELD, *Adviser*
- ROBERT C. HOLLAND, *Adviser*
- ALBERT R. KOCH, *Adviser*
- DANIEL H. BRILL, *Associate Adviser*
- LEWIS N. DEMBITZ, *Associate Adviser*
- KENNETH B. WILLIAMS, *Associate Adviser*

DIVISION OF INTERNATIONAL FINANCE
- RALPH A. YOUNG, *Director*
- J. HERBERT FURTH, *Adviser*
- A. B. HERSEY, *Adviser*
- ROBERT L. SAMMONS, *Adviser*
- SAMUEL I. KATZ, *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*
GLENN M. GOODMAN, *Assistant Director*
HENRY BENNER, *Assistant Director*
JAMES C. SMITH, *Assistant Director*
BRENTON C. LEAVITT, *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, 1961]

MEMBERS

WM. McC. MARTIN, JR., *Chairman* (Board of Governors)
ALFRED HAYES, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
CARL E. ALLEN (Elected by Federal Reserve Banks of Cleveland and Chicago)
C. CANBY BALDERSTON (Board of Governors)
WATROUS H. IRONS (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
G. H. KING, JR. (Board of Governors)
A. L. MILLS, JR. (Board of Governors)
GEORGE W. MITCHELL (Board of Governors)
J. L. ROBERTSON (Board of Governors)
CHAS. N. SHEPARDSON (Board of Governors)
ELIOT J. SWAN (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
EDWARD A. WAYNE (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)

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*

ERNEST T. BAUGHMAN, *Associate Economist*
P. E. COLDWELL, *Associate Economist*
ROBERT S. EINZIG, *Associate Economist*
GEORGE GARVY, *Associate Economist*
GUY E. NOYES, *Associate Economist*
BENJAMIN U. RATCHFORD, *Associate Economist*

AGENT

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

During 1961 the Federal Open Market Committee met approximately every three weeks as indicated in the Record of Policy Actions taken by the Committee (see pp. 33-99 of this Report).

FEDERAL ADVISORY COUNCIL

[December 31, 1961]

MEMBERS

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

District No. 2—GEORGE A. MURPHY, Chairman of the Board, Irving Trust Company, New York, New York.

District No. 3—HOWARD C. PETERSEN, President, Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania.

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

District No. 5—ROBERT B. HOBBS, Chairman of the Board, First National Bank of Baltimore, Baltimore, Maryland.

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, The First National Bank of Chicago, Chicago, Illinois.

District No. 8—NORFLEET TURNER, Chairman, 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

GORDON MURRAY, Vice President

HERBERT V. PROCHNOW, Secretary

WILLIAM J. KORSVIK, Assistant Secretary

EXECUTIVE COMMITTEE

HOMER J. LIVINGSTON, *ex officio*

GORDON MURRAY, *ex officio*

OSTROM ENDERS

GEORGE A. MURPHY

REUBEN B. HAYS

Meetings of the Federal Advisory Council were held on February 20-21, May 15-16, September 18-19, and November 20-21, 1961. The Board of Governors met with the Council on February 21, May 16, September 19, and November 21. 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, 1961]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Nils Y. Wessell	Erwin D. Canham
New York	Philip D. Reed	James DeCamp Wise
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	Robert P. Briggs	James H. Hilton
St. Louis	Pierre B. McBride	J. H. Longwell
Minneapolis	Atherton Bean	Judson Bemis
Kansas City	Raymond W. Hall	Homer A. Scott
Dallas	Robert O. Anderson	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 with and advise the Board of Governors. A meeting of the Conference of Chairmen was held on November 30-December 1, 1961, and was attended by members of the Board of Governors and also by the Deputy Chairmen of the Federal Reserve Banks.

Mr. Van Buskirk, Chairman of the Federal Reserve Bank of Cleveland, who was elected Chairman of the Conference and of the Executive Committee in December 1960, served in that capacity until the close of the 1961 meeting. Mr. McBride, Chairman of the Federal Reserve Bank of St. Louis,

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

and Mr. Whitman, Chairman of the Federal Reserve Bank of San Francisco, served in 1961 with Mr. Van Buskirk as members of the Executive Committee, Mr. McBride also serving as Vice Chairman of the Conference.

At the meeting held on December 1, 1961, Mr. Reed, Chairman of the Federal Reserve Bank of New York, was elected Chairman of the Conference and a member of the Executive Committee to serve for the succeeding year; Mr. Decker, Chairman of the Federal Reserve Bank of Richmond, was elected Vice Chairman and a member of the Executive Committee; and Mr. Whitman was re-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	District 1—Boston	*Term expires Dec. 31*
Class A:		
William M. Lockwood	President, The Howard National Bank and Trust Company, Burlington, Vt.	1961
William D. Ireland	Chairman of the Executive Committee, State Street Bank and Trust Company, Boston, Mass.	1962
Arthur F. Maxwell	President, The First National Bank of Biddeford, Maine	1963

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961—Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Class B:		
Eugene B. Whittemore	President and Treasurer, The Morley Company, Portsmouth, N. H.	1961
Milton P. Higgins	Chairman of the Board, Norton Company, Worcester, Mass.	1962
William R. Robbins	Vice President and Controller, United Aircraft Corporation, East Hartford, Conn.	1963
Class C:		
Erwin D. Canham	Editor, The Christian Science Monitor, Boston, Mass.	1961
Nils Y. Wessell	President, Tufts University, Medford, Mass.	1962
William Webster	President, New England Electric System, Boston, Mass.	1963

District 2—New York

Class A:		
Henry C. Alexander	Chairman of the Board, Morgan Guaranty Trust Company of New York, N. Y.	1961
César J. Bertheau	Chairman of the Board, Peoples Trust Company of Bergen County, Hackensack, N. J.	1962
A. Leonard Mott	President, The First National Bank of Moravia, N.Y.	1963
Class B:		
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
Albert L. Nickerson	Chairman of the Board, Socony Mobil Oil Company, Inc., New York, N.Y.	1963
Class C:		
James DeCamp Wise	Formerly Chairman of the Board, Bigelow-Sanford, Inc., Frenchtown, N.J.	1961
Philip D. Reed	Formerly Chairman of the Board, General Electric Company, New York, N.Y.	1962
Everett N. Case	President, Colgate University, Hamilton, N.Y.	1963

Buffalo Branch

Appointed by Federal Reserve Bank:		
John W. Remington	Chairman of the Board, Lincoln Rochester Trust Company, Rochester, N.Y.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Anson F. Sherman	President, The Citizens Central Bank, Arcade, N.Y.	1961
Howard N. Donovan	President, Bank of Jamestown, N.Y.	1962
Francis A. Smith	President, The Marine Trust Company of Western New York, Buffalo, N.Y.	1963
Appointed by Board of Governors:		
Whitworth Ferguson	President, Ferguson Electric Construction Co., Inc., Buffalo, N.Y.	1961
Raymond E. Olson	President, Taylor Instrument Companies, Rochester, N.Y.	1962
Thomas E. LaMont	Farmer, Albion, N.Y.	1963
District 3—Philadelphia		
Class A:		
O. Albert Johnson	President, The First National Bank of Eldred, Pa.	1961
Frederic A. Potts	President, The Philadelphia National Bank, Philadelphia, Pa.	1962
J. Milton Featherer	Executive Vice President and Trust Officer, The Penn's Grove National Bank and Trust Company, Penns Grove, N.J.	1963
Class B:		
Frank R. Palmer	Chairman of the Board, The Carpenter Steel Company, Reading, Pa.	1961
R. Russell Pippin	Treasurer, E. I. du Pont de Nemours and Company, Wilmington, Del.	1962
Leonard P. Pool	President, Air Products, Inc., Allentown, Pa.	1963
Class C:		
Henderson Supplee, Jr.	President, The Atlantic Refining Company, Philadelphia, Pa.	1961
David C. Bevan	Vice President, Finance, The Pennsylvania Railroad Company, Philadelphia, Pa.	1962
Walter E. Hoadley	Vice President and Treasurer, Armstrong Cork Company, Lancaster, Pa.	1963
District 4—Cleveland		
Class A:		
Ray H. Adkins	President, The National Bank of Dover, Ohio	1961
Francis H. Beam	Chairman of the Board, The National City Bank of Cleveland, Ohio	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		Term expires Dec. 31
Paul A. Warner	President, The Oberlin Savings Bank Company, Oberlin, Ohio	1963
Class B:		
Charles Z. Hardwick	Executive Vice President, The Ohio Oil Company, Findlay, Ohio	1961
W. Cordes Snyder, Jr.	Chairman of the Board and President, Blaw-Knox Company, Pittsburgh, Pa.	1962
Edwin J. Thomas	Chairman of the Board and Chief Executive Officer, The Goodyear Tire & Rubber Company, Akron, Ohio	1963
Class C:		
Arthur B. Van Buskirk	Vice President and Governor, T. Mellon and Sons, Pittsburgh, Pa.	1961
Joseph H. Thompson	Chairman of the Board, The Hanna Mining Company, Cleveland, Ohio	1962
Aubrey J. Brown	Professor of Agricultural Marketing and Head of Department of Agricultural Economics, University of Kentucky, Lexington, Ky.	1963

Cincinnati Branch

Appointed by Federal Reserve Bank:		
Frank J. Van Lahr	President, The Provident Bank, Cincinnati, Ohio	1961
LeRoy M. Miles	President, First Security National Bank and Trust Company of Lexington, Ky.	1962
Logan T. Johnston	President, Armco Steel Corporation, Middletown, Ohio	1963
H. W. Gillaugh	President, The Third National Bank and Trust Company of Dayton, Ohio	1963
Appointed by Board of Governors:		
Ivan Jett	Farmer, Georgetown, Ky.	1961
Howard E. Whitaker	Chairman of the Board, The Mead Corporation, Dayton, Ohio	1962
Walter C. Langsam	President, University of Cincinnati, Cincinnati, Ohio	1963

Pittsburgh Branch

Appointed by Federal Reserve Bank:		
A. Bruce Bowden	Vice President, Mellon National Bank and Trust Company, Pittsburgh, Pa.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Samuel R. Evans	President and Trust Officer, Windber Trust Company, Windber, Pa.	1962
Chas. J. Heimberger	President, The First National Bank of Erie, Pa.	1963
S. L. Drumm	President, West Penn Power Company, Greensburg, Pa.	1963
Appointed by Board of Governors:		
William A. Steele	Chairman of the Board and President, Wheeling Steel Corporation, Wheeling, W.Va.	1961
John T. Ryan, Jr.	President, Mine Safety Appliances Company, Pittsburgh, Pa.	1962
G. L. Bach	Dean, Graduate School of Industrial Administration, Carnegie Institute of Technology, Pittsburgh, Pa.	1963

District 5—Richmond

Class A:		
A. Scott Offutt	Chairman of the Board and President, The First National Bank of Washington, D.C.	1961
H. H. Cooley	President, The Round Hill National Bank, Round Hill, Va.	1962
Addison H. Reese	President, North Carolina National Bank, Charlotte, N.C.	1963
Class B:		
L. Vinton Hershey	President, Hagerstown Shoe Company, Hagerstown, Md.	1961
R. E. Salvati	Chairman of the Board, Island Creek Coal Company, Huntington, W.Va.	1962
Robert E. L. Johnson	Chairman of the Board, Woodward & Lothrop, Incorporated, Washington, D.C.	1963
Class C:		
Edwin Hyde	President, Miller & Rhoads, Inc., Richmond, Va.	1961
Alonzo G. Decker, Jr.	President, The Black & Decker Manufacturing Company, Towson, Md.	1962
William H. Grier	President, Rock Hill Printing & Finishing Company, Rock Hill, S.C.	1963

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.

Baltimore Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank:		
Harvey E. Emmart	Senior Vice President and Cashier, Maryland National Bank, Baltimore, Md.	1961
John W. Stout	President, The Parkersburg National Bank, Parkersburg, W.Va.	1961
James W. McElroy	Director, First National Bank of Baltimore, Md.	1962
J. N. Shumate	President, The Farmers National Bank of Annapolis, Md.	1963
Appointed by Board of Governors:		
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
Harry B. Cummings	Vice President & General Manager, Metal Products Division, Koppers Company, Inc., Baltimore, Md.	1963

Charlotte Branch

Appointed by Federal Reserve Bank:		
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
G. Harold Myrick	Executive Vice President and Trust Officer, First National Bank of Lincolnton, N.C.	1962
W. W. McEachern	President, The South Carolina National Bank, Greenville, S.C.	1963
Appointed by Board of Governors:		
Clarence P. Street	President, McDevitt & Street Company, Charlotte, N.C.	1961
J. C. Cowan, Jr.	Vice Chairman of the Board, Burlington Industries, Inc., Greensboro, N.C.	1962
George H. Aull	Agricultural Economist, Clemson College, Clemson, S.C.	1963

District 6—Atlanta

Class A:		
William C. Carter	Chairman of the Board and President, Gulf National Bank, Gulfport, Miss.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
M. M. Kimbrel	Chairman of the Board, First National Bank, Thomson, Ga.	1962
George S. Craft	President, Trust Company of Georgia, Atlanta, Ga.	1963
Class B:		
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1961
McGregor Smith	Chairman of the Board, Florida Power & Light Company, Miami, Fla.	1962
W. Maxey Jarman	Chairman, Genesco, Inc., Nashville, Tenn.	1963
Class C:		
Walter M. Mitchell	Vice President, The Draper Corporation, Atlanta, Ga.	1961
J. M. Cheatham	President, Dundee Mills, Incorporated, Griffin, Ga.	1962
Henry G. Chalkley, Jr.	President, The Sweet Lake Land & Oil Company, Lake Charles, La.	1963

Birmingham Branch

Appointed by Federal Reserve Bank:		
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
Frank A. Plummer	Chairman of the Board and President, Birmingham Trust National Bank, Birmingham, Ala.	1963
Appointed by Board of Governors:		
John E. Urquhart	Chairman of the Board, Woodward Iron Company, Woodward, Ala.	1961
Jack W. Warner	Chairman of the Board and President, Gulf States Paper Corporation, Tuscaloosa, Ala.	1962
Selden Sheffield	Cattleman, Greensboro, Ala.	1963

Jacksonville Branch

Appointed by Federal Reserve Bank:		
Roger L. Main	Chairman, Jacksonville Expressway Authority, Jacksonville, Fla.	1961

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
A. L. Ellis	Chairman of the Board, First National Bank in Tarpon Springs, Fla.	1961
Leonard A. Usina	Chairman of the Board, Peoples National Bank of Miami Shores, Fla.	1962
Godfrey Smith	President, Capital City National Bank of Tallahassee, Fla.	1963
Appointed by Board of Governors:		
Harry T. Vaughn	President, United States Sugar Corporation, Clewiston, Fla.	1961
Claude J. Yates	Vice President and General Manager, Southern Bell Telephone and Telegraph Company, Jacksonville, Fla.	1962
J. Ollie Edmunds	President, Stetson University, DeLand, Fla.	1963

Nashville Branch

Appointed by Federal Reserve Bank:		
C. A. Whelchel	President, First Farmers and Merchants National Bank of Columbia, Tenn.	1961
W. E. Newell	President, The First National Bank, Kingsport, Tenn.	1961
D. L. Earnest	President, The Blount National Bank of Maryville, Tenn.	1962
D. W. Johnston	Executive Vice President, Third National Bank in Nashville, Tenn.	1963
Appointed by Board of Governors:		
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
W. N. Krauth	President and General Manager, Colonial Baking Company of Nashville, Tenn.	1963

New Orleans Branch

Appointed by Federal Reserve Bank:		
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, La.	1961
Frank A. Gallaugher	President, Jeff Davis Bank & Trust Company, Jennings, La.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Giles W. Patty	President, First National Bank, Meridian, Miss.	1963
Appointed by Board of Governors:		
Gerald L. Andrus	President, New Orleans Public Service Inc., New Orleans, La.	1961
J. O. Emmerich	Editor, Enterprise Journal, McComb, Miss.	1962
Frank A. Godchaux, III	Vice President, Louisiana State Rice Milling Company, Inc., Abbeville, La.	1963

District 7—Chicago

Class A:		
John H. Crocker	Chairman of the Board, The Citizens National Bank of Decatur, Ill.	1961
Vivian W. Johnson	Chairman of the Board, First National Bank, Cedar Falls, Iowa	1962
David M. Kennedy	Chairman of the Board, Continental Illinois National Bank and Trust Company of Chicago, Ill.	1963
Class B:		
William J. Grede	President, J. I. Case Co., Racine, Wis.	1961
William A. Hanley	Director, Eli Lilly and Company, Indianapolis, Ind.	1962
G. F. Langenohl	Treasurer and Assistant Secretary, Allis-Chalmers Manufacturing Company, Milwaukee, Wis.	1963
Class C:		
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
John W. Sheldon	President, Chas. A. Stevens & Co., Chicago, Ill.	1963

Detroit Branch

Appointed by Federal Reserve Bank:		
Donald F. Valley	Chairman of the Board, National Bank of Detroit, Mich.	1961
C. Lincoln Linderholm	President, Central Bank, Grand Rapids, Mich.	1962
William A. Mayberry	Chairman of the Board, Manufacturers National Bank of Detroit, Mich.	1963
Franklin H. Moore	President, The Commercial and Savings Bank, St. Clair, Mich.	1963

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Appointed by Board of Governors:		
C. V. Patterson	Director, The Upjohn Company, Kalamazoo, Mich.	1961
J. Thomas Smith	President, Dura Corporation, Oak Park, Mich.	1962
Carl A. Gerstacker	Chairman of the Board, The Dow Chemical Company, Midland, Mich.	1963

District 8—St. Louis

Class A:		
Arthur Werre, Jr.	Executive Vice President, First National Bank of Steeleville, Ill.	1961
Kenton R. Cravens	President, Mercantile Trust Company, St. Louis, Mo.	1962
H. Lee Cooper	President, Ohio Valley National Bank of Henderson, Ky.	1963
Class B:		
S. J. Beauchamp, Jr.	President, Terminal Warehouse Co., Little Rock, Ark.	1961
Harold O. McCutchan	Executive Vice President, Mead Johnson & Company, Evansville, Ind.	1962
Edgar M. Queeny	Chairman of the Finance Committee and member of Board of Directors, Monsanto Chemical Company, St. Louis, Mo.	1963
Class C:		
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
Jesse D. Wooten	Executive Vice President, Mid-South Chemical Corporation, Memphis, Tenn.	1963

Little Rock Branch

Appointed by Federal Reserve Bank:		
J. V. Satterfield, Jr.	President, The First National Bank in Little Rock, Ark.	1961
H. C. Adams	Executive Vice President, The First National Bank of De Witt, Ark.	1962
J. W. Bellamy	President, National Bank of Commerce of Pine Bluff, Ark.	1963

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
R. M. LaGrone, Jr.	President, The Citizens National Bank of Hope, Ark.	1963
Appointed by Board of Governors:		
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
Frederick P. Blanks	Planter, Parkdale, Ark.	1963
Louisville Branch		
Appointed by Federal Reserve Bank:		
John R. Stroud	Executive Vice President, The First National Bank of Mitchell, Ind.	1961
Merle E. Robertson	Chairman of the Board and President, Liberty National Bank and Trust Company of Louisville, Ky.	1962
Ray A. Barrett	President, The State Bank of Salem, Ind.	1963
John G. Russell	President, The Peoples First National Bank & Trust Company of Paducah, Ky.	1963
Appointed by Board of Governors:		
J. D. Monin, Jr.	Farmer, Oakland, Ky.	1961
William H. Harrison	President, Taylor Drug Stores, Inc., Louisville, Ky.	1962
Philip Davidson	President, University of Louisville, Ky.	1963
Memphis Branch		
Appointed by Federal Reserve Bank:		
J. H. Harris	Chairman of the Board, The First National Bank of Wynne, Ark.	1961
Charles R. Caviness	President, National Bank of Commerce of Corinth, Miss.	1962
John E. Brown	President, Union Planters National Bank of Memphis, Tenn.	1963
Simpson Russell	Chairman of the Board, The National Bank of Commerce of Jackson, Tenn.	1963
Appointed by Board of Governors:		
Frank Lee Wesson	President, Wesson Farms, Inc., Victoria, Ark.	1961
William King Self	President, Riverside Industries, Marks, Miss.	1962
Edward B. LeMaster	President, Edward LeMaster Company, Inc., Memphis, Tenn.	1963

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.

		Term expires Dec. 31
District 9—Minneapolis		
Class A:		
John A. Moorhead	President, Northwestern National Bank of Minneapolis, Minn.	1961
Harold N. Thomson	Vice President, Farmers & Merchants Bank, Presho, S.D.	1962
Harold C. Refling	Cashier, First National Bank in Bottineau, N.D.	1963
Class B:		
T. G. Harrison	Chairman of the Board, Super Valu Stores, Inc., Minneapolis, Minn.	1961
Alexander Warden	Publisher, Great Falls Tribune-Leader, Great Falls, Mont.	1962
Ray C. Lange	President, Chippewa Canning Company, Inc., Chippewa Falls, Wis.	1963
Class C:		
John H. Warden	President, Upper Peninsula Power Company, Houghton, Mich.	1961
Atherton Bean	President, International Milling Company, Minneapolis, Minn.	1962
Judson Bemis	President, Bemis Bro. Bag Co., Minneapolis, Minn.	1963
Helena Branch		
Appointed by Federal Reserve Bank:		
O. M. Jorgenson	Chairman of the Board, Security Trust and Savings Bank, Billings, Mont.	1961
Roy G. Monroe	Chairman of the Board and President, The First State Bank of Malta, Mont.	1962
Harald E. Olsson	President, Ronan State Bank, Ronan, Mont.	1962
Appointed by Board of Governors:		
John M. Otten	Farmer and rancher, Lewistown, Mont.	1961
Harry K. Newburn	President, Montana State University, Missoula, Mont.	1962
District 10—Kansas City		
Class A:		
W. S. Kennedy	President and Chairman of the Board, The First National Bank of Junction City, Kans.	1961
Burton L. Lohmuller	President, The First National Bank of Centralia, Kans.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Harold Kountze	Chairman of the Board, The Colorado National Bank of Denver, Colo.	1963
Class B:		
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
Max A. Miller	Livestock rancher, Omaha, Neb.	1963
Class C:		
Raymond W. Hall	Hillix, Hall, Hasburgh, Brown & Hoffhaus, Attorneys, Kansas City, Mo.	1961
Oliver S. Willham	President, Oklahoma State University, Stillwater, Okla.	1962
Homer A. Scott	Vice President and District Manager, Peter Kiewit Sons' Company, Sheridan, Wyo.	1963

Denver Branch

Appointed by Federal Reserve Bank:		
Stewart Cosgriff	Director, Denver United States National Bank, Denver, Colo.	1961
J. H. Bloedorn	President, The Farmers State Bank of Fort Morgan, Colo.	1962
Cale W. Carson	President, First National Bank in Albuquerque, N. Mex.	1962
Appointed by Board of Governors:		
Robert T. Person	President, Public Service Company of Colorado, Denver, Colo.	1961
R. A. Burghart	Ingle Land and Cattle Company, Colorado Springs, Colo.	1962

Oklahoma City Branch

Appointed by Federal Reserve Bank:		
C. P. Stuart	Chairman of the Board, The Fidelity National Bank & Trust Company, Oklahoma City, Okla.	1961
R. L. Kelsay	Chairman of the Board and President, The First National Bank in Hobart, Okla.	1962
C. L. Priddy	President, The National Bank of McAlester, Okla.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Appointed by Board of Governors:		
James E. Allison	President, Warren Petroleum Corporation, Tulsa, Okla.	1961
Otto C. Barby	Attorney and rancher, Beaver, Okla.	1962

Omaha Branch

Appointed by Federal Reserve Bank:		
R. E. Barton	President, The Wyoming National Bank of Casper, Wyo.	1961
C. Wheaton Battey	Chairman of the Board, First Continental National Bank & Trust Company, Lincoln, Neb.	1961
John F. Davis	President, First National Bank, Omaha, Neb.	1962
Appointed by Board of Governors:		
James L. Paxton, Jr.	President, Paxton-Mitchell Company, Omaha, Neb.	1961
Clifford Morris Hardin	Chancellor, The University of Nebraska, Lincoln, Neb.	1962

District 11—Dallas

Class A:		
J. Edd McLaughlin	President, Security State Bank & Trust Company, Ralls, Tex.	1961
John M. Griffith	President, The City National Bank of Taylor, Tex.	1962
Roy Riddel	President, First National Bank at Lubbock, Tex.	1963
Class B:		
H. B. Zachry	President and Chairman of the Board, H. B. Zachry Co., San Antonio, Tex.	1961
J. B. Perry, Jr.	President and General Manager, Perry Brothers, Inc., Lufkin, Tex.	1962
D. A. Hulcy	Chairman of the Board, Lone Star Gas Company, Dallas, Tex.	1963
Class C:		
Lamar Fleming, Jr.	Member, Board of Directors, Anderson, Clayton & Co., Inc., Houston, Tex.	1961
Robert O. Anderson	President, Hondo Oil & Gas Company, Roswell, N. Mex.	1962
Morgan J. Davis	Chairman of the Board, Humble Oil & Refining Company, Houston, Tex.	1963

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
El Paso Branch		
Appointed by Federal Reserve Bank:		
Joseph F. Irvin	President, Southwest National Bank of El Paso, Tex.	1961
Chas. B. Perry	President, First State Bank, Odessa, Tex.	1962
Floyd Childress	Vice President, The First National Bank of Roswell, N. Mex.	1963
Dick Rogers	President, First National Bank in Alpine, Tex.	1963
Appointed by Board of Governors:		
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
William R. Mathews	Editor and Publisher, The Arizona Daily Star, Tucson, Ariz.	1963
Houston Branch		
Appointed by Federal Reserve Bank:		
J. W. McLean	President, Texas National Bank of Houston, Tex.	1961
M. M. Galloway	President, First Capitol Bank, West Columbia, Tex.	1962
J. A. Elkins, Jr.	President, First City National Bank of Houston, Tex.	1963
John E. Gray	President, First Security National Bank of Beaumont, Tex.	1963
Appointed by Board of Governors:		
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
Max Levine	President, Foley's, Houston, Tex.	1963
San Antonio Branch		
Appointed by Federal Reserve Bank:		
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

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Donald D. James	Vice President, The Austin National Bank, Austin, Tex.	1963
Forrest M. Smith	President, National Bank of Commerce of San Antonio, Tex.	1963
Appointed by Board of Governors:		
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
G. C. Hagelstein	President and General Manager, Union Stock Yards San Antonio, Tex.	1963

District 12—San Francisco

Class A:		
John A. Schoonover	Director, 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, Calif.	1962
Carroll F. Byrd	Chairman of the Board and President, The First National Bank of Willows, Calif.	1963
Class B:		
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
Joseph Rosenblatt	President, The Eimco Corporation, Salt Lake City, Utah	1963
Class C:		
Y. Frank Freeman	Vice President, Paramount Pictures Corporation, Hollywood, Calif.	1961
F. B. Whitman	President, The Western Pacific Railroad Company, San Francisco, Calif.	1962
John D. Fredericks	President, Pacific Clay Products, Los Angeles, Calif.	1963

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.		*Term expires Dec. 31*
Los Angeles Branch		
Appointed by Federal Reserve Bank:		
Joe D. Paxton	Chairman of the Advisory Board, Santa Barbara Main Office, Crocker-Anglo National Bank, Santa Barbara, Calif.	1961
(Vacancy)		1962
Roy A. Britt	President, Citizens National Bank, Los Angeles, Calif.	1962
Appointed by Board of Governors:		
Robert J. Cannon	President, Cannon Electric Company, Los Angeles, Calif.	1961
S. Alfred Halgren	Vice President and Director, Carnation Company, Los Angeles, Calif.	1962
Portland Branch		
Appointed by Federal Reserve Bank:		
C. B. Stephenson	Chairman of the Board, The First National Bank of Oregon, Portland, Ore.	1961
D. S. Baker	President, The Baker-Boyer National Bank, Walla Walla, Wash.	1962
E. M. Flohr	President, The First National Bank of Wallace, Idaho	1962
Appointed by Board of Governors:		
Graham J. Barbey	President, Barbey Packing Corporation, Astoria, Ore.	1961
Raymond R. Reter	Reter Fruit Company, Medford, Ore.	1962
Salt Lake City Branch		
Appointed by Federal Reserve Bank:		
Oscar Hiller	President, Butte County Bank, Arco, Idaho	1961
J. E. Brinton	President, The First National Bank of Ely, Nev.	1962
Reed E. Holt	President, Walker Bank & Trust Company, Salt Lake City, Utah	1962
Appointed by Board of Governors:		
Howard W. Price	Executive Vice President, The Salt Lake Hardware Co., Salt Lake City, Utah	1961
Thomas B. Rowland	Manager, Co-Owner, Rowland Bros. Dairy, Pocatello, Idaho	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961 — Cont.

DIRECTORS—Cont.

Seattle Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank:		
Joshua Green, Jr.	President, Peoples National Bank of Washington, Seattle, Wash.	1961
Chas. H. Parks	Executive Vice President, Seattle-First National Bank, Spokane and Eastern Division, Spokane, Wash.	1962
M. F. Hastings	President, The First National Bank of Ferndale, Wash.	1962
Appointed by Board of Governors:		
Henry N. Anderson	President, Twin Harbors Lumber Company, Aberdeen, Wash.	1961
Lyman J. Bunting	President, Artificial Ice & Fuel Company, Yakima, Wash.	1962

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961—Cont.

PRESIDENTS AND VICE PRESIDENTS

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston	George H. Ellis E. O. Latham	D. H. Angney Ansgar R. Berge 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 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 Norman G. Dash	David P. Eastburn Murdoch K. Goodwin 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 Fred O. Kiel Martin Morrison John E. Orin Paul C. Stetzelberger
Richmond	Edw. A. Wayne Aubrey N. Heflin	J. G. Dickerson, Jr. Upton S. Martin John L. Nosker	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 Charles T. Taylor
Chicago	Carl E. Allen C. J. Scanlon	E. T. Baughman A. M. Gustavson H. J. Helmer Paul C. Hodge	L. H. Jones C. T. Laibly R. A. Moffatt 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

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961—Cont.

PRESIDENTS AND VICE PRESIDENTS—Cont.

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Minneapolis	Frederick L. Deming A. W. Mills	Kyle K. Fossum C. W. Groth M. B. Holmgren	A. W. Johnson H. G. McConnell F. L. Parsons M. H. Strothman, Jr.
Kansas City	George H. Clay Henry O. Koppang	John T. Boysen C. A. Cravens J. R. Euans F. H. Larson	L. F. Mills E. U. Sherman Clarence W. Tow J. T. White
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 W. M. Pritchett
San Francisco	Eliot J. Swan H. E. Hemmings	J. L. Barbonchielli R. S. Einzig	E. H. Galvin A. B. Merritt John A. O'Kane

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.

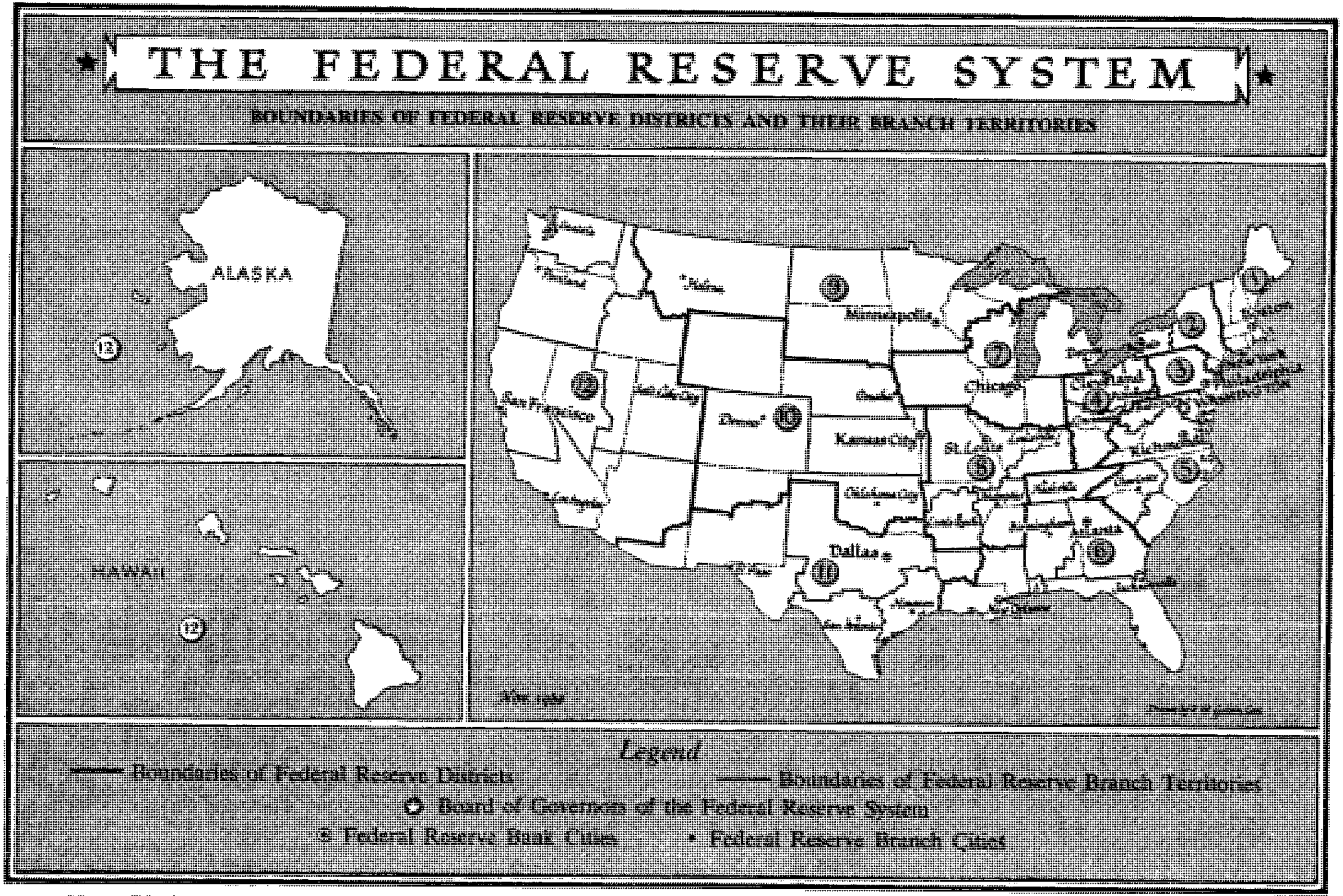
Mr. Bryan, President of the Federal Reserve Bank of Atlanta, and Mr. Fulton, President of the Federal Reserve Bank of Cleveland, were elected Chairman of the Conference and Vice Chairman, respectively, in March 1961, and served in those capacities during 1961.

Mr. Basil A. Wapensky of the Federal Reserve Bank of Atlanta was appointed Secretary of the Conference in March 1961 and served as such during the remainder of 1961.

FEDERAL RESERVE BANKS AND BRANCHES, Dec. 31, 1961—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	(vacant)
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	A. L. Price
	Seattle	E. R. Barglebaugh



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