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MONEY MARKET IN SEPTEMBER

The tone of the money market was easier in September, although the average amount of free reserves held by member banks was slightly below the amount held in August (752 million dollars for the five weeks ended September 29, compared with 812 million in the preceding four). During August much of the supply of available funds had appeared to be immobilized in the "country" banks, and the central reserve city banks had found it necessary, week by week, to borrow from other banks and occasionally from the Reserve Banks to cover their reserve requirements. The central money markets continued firm early in September when the substantial Labor Day currency demands and other factors absorbed reserves. By mid-September, however, funds had become more freely available in the central money markets as bank reserve positions eased in the country as a whole. In the latter part of September, the usual month-end influences and an increase in the Treasury's deposits at the Reserve Banks led to a moderate tightening of the money markets.

Federal Reserve open market operations, continuing existing policy, moderated the fluctuations in the volume of bank reserves. They also had the effect of partly offsetting the shifts of funds between the money market and the rest of the country. The System purchased Treasury bills early in the month, reduced its holdings in the middle of the month, and then purchased again in the final statement week. Over the five weeks ended September 29, the System Account added 221 million dollars of bills to its portfolio, while the Federal Reserve Bank of New York reduced its holdings of short-term Government securities under repurchase agreements by 84 million dollars, reflecting the withdrawal of securities by dealers after the Labor Day week end.

The easing of bank reserve positions after the middle of the month was quickly reflected in money market rates. Quotations on Federal funds, which had been in a range of 1¼-1 7/16 per cent on September 2 and 1-1⅛ per cent on the 15th, subsequently fell to as low as ¼ to ½ of 1 per cent by the 22nd. For the first time since early August, a preferential rate was posted on September 17 on loans to Government security dealers secured by Treasury bills. Rates on outstanding Treasury bills eased, after having edged upward to above 1 per cent discount by the middle of the month, and the average weekly issuing rate for bills, which had been climbing almost steadily since June, declined slightly. Bids and offers in the short-term Government securities market developed a better balance than had existed for some weeks. There was some firming of the money market and money rates in the last week of the month, but the tone in the market was noticeably easier at the end of September than it had been at the beginning, even though the level of free reserves was lower.

The most significant development in the Government securities market during September was the Treasury's announcement on September 20 of a cash offering of 4 billion dollars of 1⅝ per cent Treasury notes to be dated October 4, 1954 and to mature on May 15, 1957. Subscription books for this offering were open on September 23 only. Commercial bank subscriptions were limited to one half of their combined capital, surplus, and undivided profits as of June 30, 1954, as they had been for the offer of tax anticipation certificates in July. On September 28, the Treasury announced that 8.2 billion dollars of subscriptions had been received and that all subscriptions for $50,000 or less would be allotted and that

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subscriptions for larger amounts would be allotted on a 50 per cent basis, with the minimum allotment $50,000.

Figures for the weekly reporting banks through September 22 indicate that, outside the central money markets, a seasonal demand for business loans of roughly normal proportions began to develop in August and continued through September. Some borrowers at the banks in the largest cities, however, have continued to reduce their short-term indebtedness to banks, in some instances repaying bank loans with funds raised in the commercial paper market or through the sale of marketable securities.

Member Bank Reserve Positions

Bank reserve positions in the aggregate remained comfortable throughout September. Excess reserves, which temporarily rose to above 1 billion dollars around the middle of the month, averaged 822 million for the month as a whole, 110 million below the August average. Mainly because of an improved distribution of reserves as between the central money markets and the rest of the country, and the favorable timing of changes in the availability of reserves within most weeks, member banks were able to reduce their average borrowings for the month by 50 million dollars, so that daily average free reserves declined by only 60 million.

Fluctuations in float and in currency in circulation, and shifts from day to day in the Treasury's balance at the Reserve Banks, were the most important factors causing changes in bank reserves (see Table I). During the two statement weeks ended September 8, month-end and Labor Day holiday demands for currency withdrew 329 million dollars of reserves, and a drop in float absorbed a further 131 million. In the week ended September 15, however, the normal midmonth reserve gains from float and currency aggregated 445 million, or almost as much as had been lost in the preceding two weeks. After the 15th of the month, float increased still further to more than a billion dollars as a result of the usual temporary accumulation of uncollected checks following a quarterly tax date, but it then contracted sharply to show a net decline for the week ended the 22nd, and fell still further during the last week of the month. Also toward the end of the month, a reserve drain developed from a sizable withdrawal of funds from the market by the Treasury.

Table I

Weekly Changes in Factors Tending to Increase or Decrease Member Bank Reserves

(In millions of dollars; (+) denotes increase, (—) decrease in excess reserves)

Factor	Statement weeks ended					Five weeks ended Sept. 29
	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29	
Operating transactions						
Treasury operations*	+ 12	+148	− 53	− 8	−246	−147
Federal Reserve float	− 64	− 67	+328	−125	−198	−126
Currency in circulation	−137	−192	+117	+110	− 34	−136
Gold and foreign account	+ 30	− 41	+ 18	− 17	+ 35	+ 25
Other deposits, etc.	+ 16	+ 14	− 30	+ 22	− 8	+ 14
Total	−144	−138	+381	− 18	−452	−371
Direct Federal Reserve credit transactions						
Government securities						
Direct market purchases or sales	+ 70	+150	− 57	−217	+275	+221
Held under repurchase agreements	+ 45	−129	—	—	—	− 84
Loans, discounts, and advances	− 20	−139	+ 44	− 28	+129	− 14
Total	+ 95	−118	− 13	−245	+404	+123
Total reserves	− 49	−256	+368	−263	− 48	−248
Effect of change in required reserves†	+ 29	+ 75	− 74	− 58	− 38	− 66
Excess reserves†	− 20	−181	+294	−321	− 86	−314
Daily average level of member bank:						
Borrowings from Reserve Banks	95	57	84	36	78	70
Excess reserves†	778	845	870	983	632	822

Note: Because of rounding, figures do not necessarily add to totals.

* Includes changes in Treasury currency and cash.

† These figures are estimated.

The fluctuation in Treasury balances around the mid-September income tax date was smaller this year than in other recent years. The reason was that under the Mills plan only 5 per cent of corporate income taxes on the previous year's income was payable this September, as against 10 per cent a year ago and larger percentages in previous years. Treasury deposits at the Reserve Banks, which had amounted to 591 million dollars on September 1, were permitted to run down somewhat before the tax date, and calls on Tax and Loan Accounts at the commercial banks were suspended for the week ended the 22nd. But tax collections paid into the Reserve Banks did not greatly exceed the Government's expenditures at this time, and as a consequence, the net effect of the tax payments on bank reserves was relatively small. In the week of September 29, however, as tax receipts continued in unexpected volume, the Treasury's balance rose by 254 million.

System open market operations during the month were designed to moderate the fluctuations in member bank reserve positions, while maintaining ready availability of reserve funds. In the earlier part of the month, when the banking system as a whole was losing reserves, and the money market banks were still under pressure, Treasury bills were purchased for System Account and this Bank increased its Government security holdings under repurchase agreements with dealers. The repurchase accounts were drawn down by September 8. Subsequently, as reserve positions eased, the System Open Market Account reduced its Treasury bill holdings to absorb some of the surplus funds in the banking system. The bulk of the sales and redemptions from the System Account, 217 million, took place early in the week ended the 22nd, when the high level of float related to midmonth and tax-date payments patterns caused excess reserves to rise above 1 billion dollars, even after the System Account operations. In the last week of the month, the System again purchased bills in substantial volume in order to compensate for the funds lost by the banks as float declined and the Treasury's balance increased, and to assist the banks in preparing to meet the increase in required reserves that would result from their payment for the Treasury's offering of new notes.

Government Securities Market

The market for United States Government securities was generally inactive during September until the closing week of the month, when trading expanded somewhat under the stimulus of the Treasury's cash offering of 4 billion dollars of 1⅝ per cent notes of May 1957, announced on September 20. Prices of most issues moved irregularly lower for the month as a whole, with declines ranging to as much as ⅝ of a point in the intermediate area.

For roughly the first half of September, prices of most Treasury bonds and notes registered little change, although the longer-term maturities had been under slight pressure early in the month from the growing calendar of prospective new corporate and municipal offerings this fall. Yields on corporate and municipal securities increased somewhat at this time as underwriters marked prices lower on unsold blocks of issues still "on their shelves", in preparation for the expected substantial volume of new offerings. The effects of this realignment were reflected briefly in the intermediate and long-term sectors of the Government securities market, but by Friday, September 17, the longer-term Government bonds had recovered their earlier small losses.

Beginning on Monday, September 20, the day the Treasury announced the terms of its cash offering, prices of Treasury bonds and notes were marked lower throughout the list. The size of the new issue, and especially the decision not to offer a choice of maturities (including one due within one year), came as a surprise to some investors and, as a precautionary move, dealers marked prices lower. The largest declines were on those issues with maturities close to that of the new issue, which were marked down to reflect a market yield more nearly in line with the 1⅝ per cent rate offered on the new two-year, seven-month notes. The 2⅞ per cent notes of March 1957 were marked 7/32 lower on Monday and declined another 6/32 during the balance of that week. Trading was not unusually active at this time, but a fairly sizable volume of offerings of outstanding bonds and notes in the 1957 through 1961 maturity range reached the market from commercial banks and other investors making room in their portfolios for the new issue. The substantial premiums on some of the outstanding issues encouraged liquidation to raise funds for the new issue while simultaneously taking capital gains. A supply of long-term issues also reached the market from institutional investors and some pension funds which planned to employ the funds in other investment media, including new corporate and tax-exempt issues.

When-issued trading in the 1⅝ per cent notes opened with bid quotations at a 1/32 premium, and subsequent trading through the close of business on September 30 took place at or slightly above par. The 50 per cent allotment to subscribers was approximately what the market had anticipated, and there was little price reaction to the Treasury's announcement of allotments on September 28. During the closing days of September, prices of Treasury bonds and notes stabilized and moved in a narrow range.

Rates on Treasury bills tended to remain at approximately their end-of-August quotations during the first half of September, but in the last half of the month, as central money market conditions eased moderately, yields moved slightly lower. Average yields on new issues of Treasury bills were 1.023 per cent, 1.016 per cent, and 1.024 per cent on the issues dated September 2, 9, and 16, respectively. The average rate then fell to 0.986 per cent on the September 23 issue and 0.984 per cent on the issue dated September 30. Yields on the longer certificates of indebtedness and other short-term issues edged upward throughout the month.

Rates on call loans to Government securities dealers were quoted in a 1¼-1½ per cent range throughout the first half of September. With bill rates holding close to 1 per cent, dealers were reluctant to absorb offerings reaching the market. As a result, although selling pressure at this period was at no time particularly heavy, the demand was unusually light and the market for these short-term issues tended to be sluggish. The tone of the Treasury bill market improved shortly after the middle of the month, however, both as a result of the easier money conditions in the central money markets and in reaction to the Treasury's financing announcement. The market had anticipated that a short-term issue, possibly a tax anticipation certificate, might be included in the Treasury's cash offering, and this anticipation had influenced the demand for outstanding short-term issues. When the Treasury announcement did not confirm this expectation, the demand for Treasury bills broadened somewhat. Part of the net demand at this time represented commercial bank purchases of short-term issues against the liquidation of short-intermediate securities.

Member Bank Credit

Total loans and investments of the weekly reporting banks increased by 119 million dollars during the five statement weeks ended September 22, a 277 million decline in Government security holdings being outweighed by a rise in loans and by net purchases of "other securities". Most of the reduction in Government securities took place in the two weeks ended September 8, when the reserve positions of banks in the money market centers were somewhat strained; thereafter, however, the banks were net buyers. The increases in loans and in holdings of "other securities" largely reflect seasonal increases in the demand for business loans and in the supply of newly offered municipal and corporate securities.

The anticipated seasonal upswing in commercial, industrial, and agricultural loans at the weekly reporting banks, which in

previous years has often begun in late July or early August, and which failed to do so this year, appeared to be getting under way in September. For the five weeks ended September 22, business loans rose by 246 million dollars, actually 151 million more than during the corresponding weeks a year ago (but 558 million less than in 1952). The largest loan increases were recorded for the food, liquor, and tobacco industries (100 million dollars) and for commodity dealers (93 million), but most of the major industrial classifications shared in the advance. The notable exceptions were the metal and metal products industries, which reduced their bank indebtedness by 132 million, and the sales finance companies, down 56 million.

The behavior of business loans in New York City continues to compare unfavorably with the rest of the country: business loans in New York City rose only 19 million, net, during the five weeks, as against a 227 million increase at reporting banks in other principal cities. A year ago, the reverse was true: for the five weeks ended September 23, 1953, business loans in New York City were up 66 million, while for the rest of the reporting banks the increase was only 29 million. Since September 23, 1953, business loans at the weekly reporting banks have declined by 2,030 million dollars; 1,139 million—or 56 per cent—of the reduction has come in New York City.

Table II

Weekly Changes in Principal Assets and Liabilities of the Weekly Reporting Member Banks

(In millions of dollars)

Item	Statement weeks ended					Change from Dec. 30, 1953 to Sept. 22, 1954
	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	
Assets						
Loans and investments:						
Loans:*						
Commercial, industrial, and agricultural loans	+ 14	+ 25	+ 31	+194	− 18	−2,375
Security loans	− 32	− 51	+ 37	−111	−127	− 185
Real estate loans	+ 22	+ 8	+ 7	+ 33	+ 13	+ 403
Loans to banks	+153	− 35	+ 76	− 6	− 45	− 47
All other loans (largely consumer)	+ 8	+ 27	− 10	+ 26	− 24	− 161
Total loans, net*	+167	− 31	+143	+135	−202	−2,403
Investments:						
U. S. Government securities:						
Treasury bills	+ 9	−288	−259	+214	+ 34	+ 555
Other	− 87	+ 43	− 77	+ 50	+ 84	+2,553
Total	− 78	−245	−336	+264	+118	+3,108
Other securities	+ 27	+ 77	+ 85	+ 15	− 20	+ 973
Total investments	− 51	−168	−251	+279	+ 98	+4,081
Total loans and investments	+116	−199	−108	+414	−104	+1,678
Loans, net, and "other" s ities	+194	+ 46	+228	+150	−222	−1,430
Liabilities						
Demand deposits, adjusted	+467	−149	− 53	+477	+ 57	−1,670
Time deposits except Government	+ 43	− 3	+ 56	− 49	+ 16	+1,744
U. S. Government deposits	−194	−247	−516	−330	+232	+ 97
Interbank demand deposits:						
Domestic	−405	+201	+443	+616	−693	− 291
Foreign	− 27	+ 4	− 29	− 20	+ 5	− 35

* Figures for various loan items are shown gross (i.e., before deduction of valuation reserves); they therefore may not add to the total, which is shown net.

RECENT MONETARY POLICY CHANGES ABROAD

An easing of monetary controls has been the chief characteristic of foreign monetary developments during the past year.[1] To be sure, new or additional monetary restrictions have been introduced in a few countries where the money supply and prices were clearly being propelled upward by inflationary forces. But in most of the countries in which inflation had been brought under control—particularly the industrial countries of Western Europe—the restraint measures that had been imposed from 1950 through mid-1952 have now been substantially modified in an effort to facilitate a renewed or continued expansion in production and trade.

Prosperity and Increased Competition

To be seen in proper perspective, recent changes in monetary policy must be viewed against the background of the remarkable prosperity abroad during the past year. Especially notable has been the rise of production in Western European countries, in some of which output had remained stable, or had even fallen, in 1952. In many, if not most, of these countries industrial production has recently reached new peaks. The stimulus for this increase in output has come from higher aggregate consumption, investment, and government expenditures, with increases in private outlays generally exceeding those in public outlays and with the rise in consumption generally outweighing that in investment. Moreover, rising production has not only tended to foster high and rising employment and productivity, but has also contributed, in a cumulative fashion, to the generation of additional income and spending and, through these, to further increases in production and employment.

At the same time, despite the inflationary potential inherent in rising income and expenditure and in the accompanying expansion in credit and the money supply, both wholesale and retail prices have remained virtually stable in almost all industrial countries. This relative price stability has been partly attributable to the increased availability of goods and services stemming from higher production and enlarged imports, but it has also been due in important measure to more competitive marketing efforts and to increased personal savings. In the environment of such price stability, the moderate increases in money wage rates that occurred in most of these countries have brought about a further rise in the standard of living.

Among the primary-producing countries, economic trends have been more diverse. Yet aggregate production has also

[1] For a discussion of earlier monetary policies abroad, see the *Monthly Review* of March 1951 and July 1952.

risen in virtually all of these countries, with the output of many types of raw materials reaching new peaks and with agricultural production being, on the whole, fairly well sustained. Even though certain countries experienced difficulties in marketing larger supplies of some food products and industrial raw materials, such adverse developments have been either cushioned or offset in a number of cases by other influences, including enlarged investment and consumption expenditures and reduced imports. Moreover, despite the downturn in production in the United States after mid-1953, the buoyant levels of business activity in most other industrial countries led to well-maintained over-all demand for raw materials, with the result that commodity prices generally ceased to fall in the latter part of 1953 and have actually risen during 1954. As to internal prices, although there appears to have been somewhat greater price stability among the primary-producing countries over the past year than in the three preceding years, the internal price level rose in almost all of these countries; and in a number of the South American and Middle Eastern countries—Bolivia, Brazil, Chile, Iran, Israel, Paraguay, and Turkey—these increases have been quite sharp.

One of the outstanding features of the past year has been the increase in competition. This has appeared not only within the domestic economies of many countries, especially the industrial ones, but also in the world markets for food, industrial raw materials, and manufactures. This increased competition has reflected, in considerable measure, the substantial progress in relaxing both internal and external direct governmental controls and the accompanying heavier reliance upon indirect monetary measures and fiscal changes. But, in addition, it has also reflected two other sets of factors. First, on the external side, there has been a substantial growth in nondollar sources of supply of certain food and other primary products, as well as the emergence of bolder challenges to United States and Canadian producers by finished-goods exporters in other industrial countries, especially Germany and Japan. Secondly, on the internal side, competition has been stimulated by the growth of productivity and the enlargement of industrial capacity, as well as by economies in production costs stemming in part from the post-Korea decline in raw material prices.

Money Supply, Credit, and Interest Rates

The money supply has expanded in most countries during the past year (see Table I). In most industrial countries this expansion was almost entirely limited to demand deposits; elsewhere there were increases in both deposits and circulating currency. In Western Europe, the increases in the money supply seem to have been confined largely to a 5-10 per cent range (although they were much more substantial in Austria and Greece). Most primary-producing countries experienced a much larger expansion, in many cases over 20 per cent. On the other hand, there was relative monetary stability in the British Commonwealth countries.

Table I

Net Changes in the Money Supply of Selected Countries Year Ended June 1954

Country	Per cent change	Country	Per cent change
Western Europe:		Latin America:	
France	+11	Bolivia	+ 80*
West Germany	+10	Chile	+ 52†
Netherlands	+10	Colombia	+ 27
United Kingdom	+ 4	Argentina	+ 22‡
Switzerland	0	Brazil	+ 18
British Commonwealth countries:		Other areas:	
Australia	+ 5	Turkey	+ 26§
India	+ 2#	Israel	+ 23
Canada	0	Indonesia	+ 22
South Africa	0	Iran	+ 8
New Zealand	0	Japan	+ 5
Ceylon	− 1	Philippines	+ 2

* Year ended February 1954.
† Year ended April 1954.
‡ Year ended November 1953.
§ Year ended December 1953.
\# Year ended May 1954.

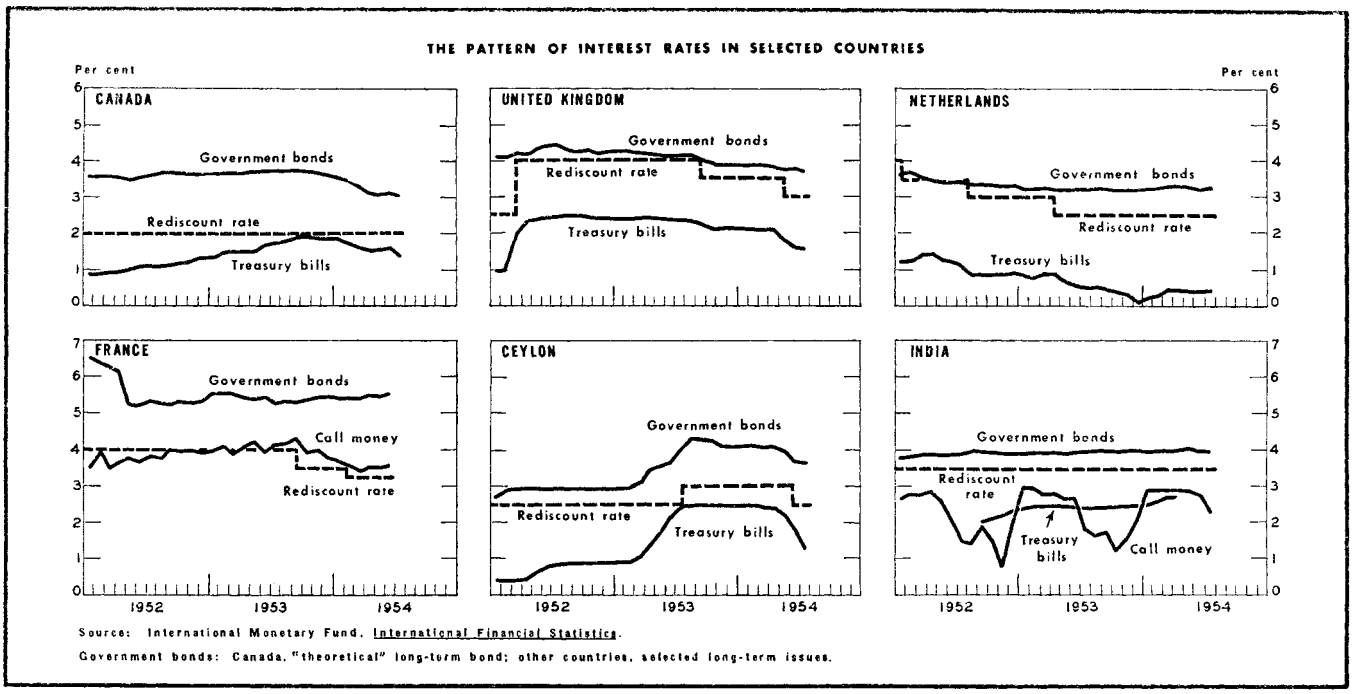
Source: International Monetary Fund, *International Financial Statistics.*

The increases in the money supply in Europe arose chiefly from enlarged credit demands that accompanied the rise in production and trade, with the increase in gold and foreign exchange earnings providing the reserve base for the credit expansion.[2] In contrast to preceding years, government spending seems as a rule to have played only a minor role. Defense spending either leveled off or declined slightly, while the buoyant levels of economic activity and the rising incomes and profits tended to increase tax revenues. Government deficits thus were generally reduced and were financed, to a larger extent than before, through genuine private savings.

On the other hand, among the primary-producing countries, monetary expansion appears to have been of a predominantly inflationary character, with the increase in most cases well in excess of the expansion in the physical volume of production and trade. Sharply rising prices of certain raw materials, governmental economic development programs, and the easy lending conditions created in some of these countries by enlarged foreign exchange earnings seem to have been the principal forces behind these monetary trends. In some countries, moreover, a price-wage spiral has been a further aggravating factor. Nevertheless, as compared with previous years, there appears on the whole to have been some tempering of the pace of monetary expansion among these countries.

Interest rates, which in most countries had been trending higher during the postwar period, and which had generally increased markedly after 1950, appear to have declined or remained relatively stable throughout the world during the past year (see chart). The declines were especially noticeable in Western Europe, reflecting the easier monetary conditions arising from improved international payments positions and the relaxations of monetary restraints. Interest rates have also declined in Canada, partly as a corollary of the easier monetary conditions that emerged with a slight downturn in economic activity, and partly in response to lower interest rates

[2] The improvement in the gold and dollar accounts of foreign countries that was indicated in the article on "International Gold and Dollar Movements in 1953", in the February 1954 issue of this *Review,* has generally been continued during 1954.



in the United States. Despite these declines, however, interest rates in most industrial countries are still above the low levels of the early postwar period.

As regards the primary-producing countries, the increases in interest rates that had also occurred in many of these during 1951 and 1952 were brought to a halt in 1953. Over the past year, interest rates in these countries have tended, on the whole, either to remain relatively stable or to decline slightly.

Flexible Monetary Policies

The gradual easing of inflationary pressures in the earlier postwar period, which had been accompanied by a slow-paced relaxation of wartime economic restrictions, was abruptly reversed as a result of the far-flung economic repercussions of the outbreak of hostilities in Korea. Yet not only was there a widespread reluctance among Western countries to reimpose direct controls, but there also was a widespread feeling that the re-emerging inflationary forces could be tackled effectively by monetary restraints, along with appropriate fiscal policies.

The latter view has apparently been vindicated by subsequent developments: in those countries in which vigorous anti-inflationary monetary policies were implemented, internal economic stability was restored before the end of 1952. In varying degrees, it is true, other controls and other developments also played roles in this achievement, but on the whole the policies of monetary restraint seem to have been of salient importance.

Nevertheless, the abatement of inflationary pressures in a number of countries, especially in some of the more or less precariously balanced economies of Western Europe, was followed by a reaction in the form of a slackening in business activity, moderate declines in production, and marginal increases in unemployment. In order to counter these adverse developments and to sustain a continuing growth in production and productivity, many of the remaining direct controls originally imposed during World War II or the post-Korea inflation have been lifted and monetary restraint (and, in a number of countries, fiscal restraints as well) have been gradually relaxed.

The record shows, however, that the monetary authorities in these countries have not attempted to replace monetary restraint with outright monetary ease; it suggests rather that the authorities have aimed at modifying the restraint policies sufficiently to eliminate any adverse effects of these policies upon production, and to provide an appropriate climate for the resumption or continuation of rising trends in business activity. Thus, the authorities have not undertaken dramatic actions or massive operations but, rather, flexible adjustments of monetary policy in response to changed conditions. Indeed, against the background of certain forces tending to produce easier monetary conditions—in particular, improvements in the balance of payments leading to the growth in domestic money supplies and enlarged private savings—the above adjustments did not require a significant expansion in central bank credit. The main thing needed, in terms of central bank action, was to demonstrate that the authorities would not attempt to offset the impact of these easing forces.

This may account for the key role of reductions in rediscount rates during the past year. While these changes are designed to convey to the money and capital markets a shift in the emphasis or direction of monetary policies, they represent a signal of such a shift rather than an active attempt by the

authorities to make the new policy emphasis effective. They therefore differ significantly from other types of monetary measures such as changes in legal reserve requirements or credit ceilings.

Rediscount rates have been lowered in no less than ten Western European countries since the beginning of 1953—Austria, Belgium, Denmark, France, West Germany, Greece, the Netherlands, Spain, Sweden, and the United Kingdom (see Table II). In Austria, the rate was lowered four times during this period, in West Germany three times, and in two others (France and the United Kingdom) twice.

Central bank acquisitions of government securities, although notable in the United Kingdom as a means of easing money market tightness from time to time, have not been used as a major instrument of relaxation. Central bank portfolios of government securities have actually tended to decline in these countries (including the United Kingdom) over the past year. Similarly—apart from the easing of consumer credit restraints in the United Kingdom—there has been no significant relaxation of monetary restraint by lowering reserve requirements, by altering selective credit controls, or by modifying direct controls over loans, investments, or interest rates in the countries in which easing actions of these types could have been undertaken.

Within Western Europe, however, there were two important exceptions to these general trends. First, in the early part of 1954, the Netherlands introduced (and subsequently raised) cash reserve requirements for banks, funded a part of the government's floating debt, and set the stage for a possible later use of supplementary monetary controls, mainly secondary reserve requirements and credit ceilings. These measures were partly aimed at offsetting the inflationary potential stemming from the impact on the banks' liquidity positions of very substantial foreign exchange acquisitions, and they were also designed to equip the central bank with the means to implement more effective monetary measures in the future. Secondly, in June, the National Bank of Denmark raised its discount rate in an effort to counter a deterioration in the country's payments position.

Table II

Changes in Central Bank Rediscount Rates in 1953-54

Country	New rate	Date of change	Previous rate
Western Europe:			
Austria	3½	June 3, 1954	4
	4	Sept. 24, 1953	5
	5	Mar. 26, 1953	5½
	5½	Jan. 22, 1953	6
Belgium	2¾	Oct. 29, 1953	3
Denmark	5½	June 23, 1954	4½
	4½	Sept. 23, 1953	5
France	3¼	Feb. 4, 1954	3½
	3½	Sept. 17, 1953	4
West Germany*	3	May 20, 1954	3½
	3½	June 11, 1953	4
	4	Jan. 8, 1953	4½
Greece	10	Jan. 1, 1954	12
Netherlands	2½	Apr. 7, 1953	3
Spain	3¾	July 1, 1954	4
Sweden	2¾	Nov. 20, 1953	3
United Kingdom	3	May 13, 1954	3½
	3½	Sept. 17, 1953	4
Other areas:			
Ceylon	2½	June 11, 1954	3
	3	July 23, 1953	2½
New Zealand	3½	Apr. 12, 1954	1½
Philippines	1½	Feb. 12, 1954	2

* Rate established for the Land central banks.

In Canada, where monetary restraint had been maintained through 1953 against a background of expansionary forces, the downturn in over-all business activity has brought an easing of restraint during 1954. Japan, on the other hand, which is the most industrialized of the Asian countries, has recently initiated monetary restraint measures—primarily in an effort to combat the deterioration in its external position.

Monetary Policy in Primary-Producing Countries

The diversity of the recent changes in monetary conditions and monetary policies among the primary-producing countries makes difficult any generalization regarding them. There was some easing of monetary restraint policies in a number of these countries during the past year—notably Ceylon, India, and the Philippines. In the Philippines and Ceylon, central bank discount rates were lowered in 1954, while bank reserve requirements were reduced in Ceylon in the latter part of 1953; these easing actions in Ceylon followed the raising of the rediscount rate in mid-1953 as part of a comprehensive program to combat strong inflationary forces. In many primary-producing countries, however, monetary restraint had not been used as a major anti-inflationary instrument to the same extent as in Western Europe; hence, the recent relaxations have necessarily been of smaller significance.

On the other hand, restraint measures have recently been introduced or reinforced in some other primary-producing countries that either have continued to suffer from inflationary forces or have been confronted with pronounced fluctuations in foreign exchange reserves; among these are Colombia, Nicaragua, Peru, and Turkey. Some of these countries—Colombia and Peru—have used traditional monetary weapons (increases in reserve requirements or central bank rediscount rates), while Turkey and others have used selective controls. In New Zealand, there was a tightening of controls early in 1954, involving an increase in the central bank discount rate as well as higher reserve requirements; but in September reserve requirements were reduced again.

An Enlarged Role for Monetary Policy

Monetary policy has clearly assumed a larger role during the past few years in the world's industrial countries, as well as in some of the less industrially developed nations. Moreover, the success that seems to have attended its use in combating inflationary forces and adverse payments positions has generated widespread interest in its employment as a flexible

instrument to foster balanced economic expansion. This has in turn given rise in many countries to a growing desire to undertake institutional and legal changes that would augment its effectiveness.

These developments must not, of course, be overstated. In the first place, recent experience suggests that, while monetary policy can be flexibly and quickly adapted to counter incipient disturbances, it is necessary to employ other types of measures in conjunction with it to rectify serious imbalances. Secondly, it is still true that, among most primary-producing countries, monetary measures play a largely subsidiary role relative to other measures in combating inflationary conditions and balance-of-payments disorders. This is attributable, to a considerable exent, to the relatively undeveloped state in many of these countries of the market and financial mechanisms upon which the effectiveness of monetary control must rest.

Yet it is true that the enlarged role of financial, as distinct from barter, transactions has been a prominent feature of many primary-producing countries over the postwar period. This development has, of course, increased the potential usefulness of monetary policy. Moreover, in some cases—including both primary-producing and industrial countries—these market and financial developments have come not merely as normal consequences of economic expansion and diversification, but also as the result of conscious efforts on the part of governments and monetary authorities to foster such developments. In Canada, action has been taken to enlarge the role of money market transactions; India has increased the opportunities for commercial bank rediscounting of commercial paper; and a number of countries are now attempting to establish central banks.

The role of monetary policy has also been enhanced by certain other recent developments. For instance, there appear to have been more conscious efforts in some countries to support monetary policy with other forms of economic policy. Financial observers have suggested, for example, that debt-management operations in Britain in 1954 have been partly directed toward the fulfillment of certain monetary objectives —in particular, a reduction in interest rates. Furthermore, some countries, such as the Netherlands, as already noted above, have recently made efforts to provide a firm base for more effective monetary measures in the future. In Canada, legislative changes have been effected in the powers of both the central bank and the chartered banks, including provisions for variable bank reserve requirements and for enlarging the potential scope of central bank open market operations.

The above considerations thus underscore the enlarged role of monetary policy during recent years as well as the development of conditions that have been conducive to its more effective use. They also point, moreover, to the conclusion that monetary policy may very well become even more important than in the recent past. The scope for its employment will undoubtedly be broadened in the developing countries by the growth of financial markets. In addition, opportunities for its more intensive use will probably emerge among the world's more mature economies, as financial institutions and other groups tend to become increasingly aware of the objectives of the monetary authorities and increasingly sensitive to the actual measures used to attain these objectives. Finally, an increased reliance on monetary policy will almost inevitably follow in the wake of further progress in relaxing domestic and external direct controls.

THE INTERDISTRICT SETTLEMENT FUND

One of the basic motives for establishing the Federal Reserve System was to provide an efficient countrywide clearing and collection system for checks and other cash items. Prior to 1914, the transfer of funds between distant areas within the United States was costly and time-consuming. There was available no satisfactory means of transmitting checks and other claims directly to the banks on which they were drawn in other sections of the country, nor was there a system whereby counterbalancing claims between localities could be offset against each other to minimize the need for the physical movement of cash. The absence of such facilities caused considerable delays in the transfer of funds within the United States and involved expenses in shipping funds for the settlement of adverse balances.

The Federal Reserve Interdistrict Settlement Fund was designed to improve this situation by providing the commercial banks and the United States Treasury at minimum cost with a nationwide check clearance service and a system for rapid transfer of funds among Federal Reserve districts. In its present form, the Interdistrict Settlement Fund consists of a common gold-certificate fund held by the Treasurer of the United States for the Federal Reserve Banks. Each Federal Reserve Bank owns a share of the fund, and this share is counted as part of its legal reserve maintained against outstanding Federal Reserve notes and deposit liabilities. The books of the fund are maintained by the Board of Governors of the Federal Reserve System. Under present operating procedure, the Federal Reserve Banks and their branches telegraph to the Board at the close of each business day the amounts due to the accounts of each of the other Federal Reserve Banks and their branches as a result of transactions on that day. Rediscounts between Reserve Banks (a rare occurrence today) and transfers by one Reserve Bank to another for the Treasurer's Account (which occur frequently) are telegraphed independently. Upon receipt of the telegrams from the Reserve Banks and their branches, the fund on that same day effects the settlement on its books, adjusting the Banks' shares in the total Settlement Fund. Before the start of the next business

day each of the Reserve Banks and branches is notified by wire of the amount paid to it by each of the others.

After receiving wire advice from the Board of Governors on the next business day, showing the payments from the other Banks, the Reserve Bank makes the appropriate entries on its own books. The closing entries are then made as of the previous day and the books immediately closed. Thus, balances arising out of inter-Reserve Bank transactions for their own account and for member banks and other depositors are economically and expeditiously settled by transferring ownership of the gold certificates maintained on the books of the fund. In order to facilitate the administration of the fund, each head office and each branch notifies the Board of Governors separately of its payments. However, branches do not actually participate in the fund, their position being netted against that of the head office in making final settlements.

History of the Interdistrict Settlement Fund

Although the Federal Reserve Act of 1914 provided for the clearing and collection of checks through the Reserve Banks, it set up no special machinery to effect settlements between Federal Reserve Banks. It was the general understanding that reciprocal balances would be maintained and that any Federal Reserve Bank had the right to require a remittance in gold from another Federal Reserve Bank if such payment was needed to settle accounts between them. Prior to the formal organization of the Reserve Banks, a preliminary committee was appointed to study the clearings problem and to devise a plan for settling all accounts between Reserve Banks arising out of interdistrict transfers. As adopted and put into operation in May 1915, this plan called for each Reserve Bank to deposit directly with the Treasury Department or the nearest Sub-Treasury an amount in gold or gold certificates that would exceed its debit balances of that moment with other Reserve Banks by at least one million dollars. The Treasury was to place gold or gold certificates covering the amount so deposited in safekeeping for the account of the Federal Reserve Board (as it was then called). Thereafter each Reserve Bank was to wire the Board at the close of business on Wednesday afternoons the amount due from it to each other Bank as of that date, and the Board was to make the appropriate settlements on Thursdays. The first such settlement occurred on May 20, 1915. Under the plan, no Reserve Bank's credit balance was to be allowed to fall below one million dollars, but the Banks were to be authorized to restore their minimum credit balance by borrowing from another Reserve Bank that showed an excess balance with the Settlement Fund. The Federal Reserve Board reserved the right to impose a charge on any Reserve Bank failing to make good any deficiency promptly.

Increased pressure on the fund in 1918, arising from the growth in business and financing activity that resulted from World War I, necessitated the introduction of daily settlements between Federal Reserve Banks. A leased telegraph system connecting all the Federal Reserve Banks and their branches with the Board was initiated at this time to expedite these daily settlements. Each Federal Reserve Bank telegraphed to the Board as soon as possible after the close of the business day the amounts due to the other Reserve Banks. However, actual settlement between Reserve Banks was not effected until the following business day. In this way, the net balances due to other Reserve Banks were not transferred for at least one day, and possibly two or more days when a Sunday or holiday occurred, and inter-Federal Reserve Bank "float" was created. As the volume of settlements through the fund increased, the size of the "float", of course, rose commensurately. In order to eliminate this delayed settlement of balances, the procedure was revised on March 1, 1920. Thereafter, the Reserve Banks continued to report the amounts due to the other Reserve Banks as soon as possible after the close of the business day, and in no event later than 7:30 p.m. Washington time; but the closing of the Reserve Banks' books was delayed until the next morning pending receipt of wire advices from the Board indicating the amounts credited to their Gold Settlement Fund balances from the accounts of the other Reserve Banks.

The last major change in the structure of the fund occurred when the Gold Reserve Act of 1934, enacted January 30, 1934, transferred to the United States the ownership and possession of all Federal Reserve Bank gold. The Interdistrict Settlement Fund, as the clearing system was thereafter called, received in exchange for its gold an equivalent amount of gold certificates, which remained on deposit with the Treasury.

Type of Transactions

Under existing arrangements, the Federal Reserve Banks use the Interdistrict Settlement Fund for clearing two broad types of interregional transactions.

1. *Transit clearings*[1]

a. Check clearings. As authorized by the Federal Reserve Act, each Federal Reserve Bank exercises the functions of a clearing house and collects checks for member banks and the Treasurer of the United States. Furthermore, under special arrangements similar services are sometimes rendered nonmember State banks and trust companies and others that find it advantageous to maintain sufficient balances with the Reserve Banks to qualify them to send items to Federal Reserve Banks for purposes of exchange or collection.

The clearing and collection of checks between banks within a Federal Reserve district are effected by appropriate

[1] Prior to the amendment of the Federal Reserve Act on July 19, 1954, this category included settlements for interdistrict movements of Federal Reserve currency. The law had provided a penalty for any Federal Reserve Bank paying out the notes of any other Reserve Bank, a provision originally inserted in the Federal Reserve Act to prevent the overissue of Federal Reserve notes. Federal Reserve notes issued by one Bank that found their way into the hands of another Federal Reserve Bank were either returned to the bank of issue, or sent to the Treasury for destruction. In either case, the receiving Bank was reimbursed by the issuing Bank through the Interdistrict Settlement Fund for the notes shipped back. This amendment does not preclude the continued settlement by the fund of balances arising out of the return to the bank of issue of unfit Federal Reserve currency.

entries on the books of the Reserve Bank of that district. Even when local clearing houses are in operation, final settlement for clearing is made on the books of the Reserve Bank. Those checks which require payment between banks located in different Reserve districts are handled through the books of the respective Reserve Banks, and the transfer of the resulting balances is effected through the books of the Settlement Fund. Through this clearing and collection system, the public and the banks of the country are offered a direct, expeditious, and economical system of check collection.

b. Wire transfers. Member banks and nonmember banks are able to transfer balances maintained with the Reserve Banks to any other bank through the Federal Reserve wire transfer service. Bank balances are transferred for various reasons. Among these are: transfers of balances between country banks and their city correspondent banks located in different Federal Reserve districts; the purchase and sale of Federal funds between different banking centers; and movements of funds in the settlement of customers' transactions that require payment in immediately available money.

c. In addition to check clearings for member and nonmember banks and the wire transfers of bank balances, the broad classification "transit clearings" includes the collection of noncash items. The latter comprises maturing notes and acceptances, certificates of deposit, drafts and orders on savings deposits, maturing bonds and coupons (other than United States Government obligations, which are redeemed by Federal Reserve Banks in their capacity as fiscal agents), and State and municipal warrants. The allocation among the Reserve Banks of changes in the security holdings of the System Open Market Account is another operation performed through the fund, as is the allocation among the twelve Reserve Banks of deposits of foreign central banks or governments.

2. *Treasury transfers*

When Treasury receipts from borrowing and taxes in one district exceed disbursements there, funds tend to accumulate in the Treasury's account in the local Reserve Bank. At the same time, the Treasury must sometimes make disbursements greater than receipts in another district. It therefore transfers its excess funds from the Reserve Bank showing the surplus to the one showing the deficit. This movement of Treasury funds is effected by the transfer of gold certificates from the account of one Federal Reserve Bank to the credit of the second on the books of the Settlement Fund.

Size of Transactions

The remarkable development and growth of the Settlement Fund can best be realized by reviewing the volume of transactions flowing through its books. In 1916, the Settlement Fund's first full year of operation, the value of such transactions reached about 5.6 billion dollars. World War I, with its accompaniment of emergency Treasury financing and expenditures and of high business activity and rising prices, brought about a dramatic increase in the aggregate value of items cleared through the fund's books. Transactions rose steadily to a total of 92.7 billion dollars in 1920. In the 1921 depression, the aggregate declined somewhat, but the generally high levels of business activity for several years following 1921 were accompanied by a further growth in transactions through the fund. By 1930, a total of 153.6 billion dollars was reached; by 1933, it had dropped considerably to about 78.9 billion. The value of items handled through the fund moved roughly parallel to over-all economic activity through the later 1930's, reaching 109.7 billion dollars in 1937. Rapid increases occurred in the aggregate value of items transacted through the fund beginning in 1939 and continuing up through the postwar period, so that by 1953 the aggregate annual volume of items cleared and transferred through the fund reached a record high of 788.3 billion dollars (755.6 billion dollars in transit and Federal Reserve note clearings, and 32.7 billion in Treasury transfers).

The increase in the volume of transactions handled by the fund is the result of a number of factors. Among the more important of these are the growth in the economy and in the dollar value of the nation's output, the growth in the membership of the Reserve System and the degree to which the member banks have used the clearing or wire transfer facilities, and the abolition of the Sub-Treasury system in 1921, which increased the volume of Treasury operations handled by the System.

The volume of transactions passing through the Settlement Fund, of course, varies from time to time. In certain months of the year, such as the quarterly months when tax payments, interest payments, and other financial transactions generally occur in large volume, a strong seasonal increase is usually evident. However, these regular patterns are often obscured by changes in volume resulting from other factors, such as Treasury financing operations and redistributions of securities in the System Open Market Account.

Conclusion

Operations of the fund have greatly facilitated Government fiscal operations, and have helped to eliminate the delays and waste of earlier methods of clearing checks and other items within the United States. Most important, establishment of the fund has helped to mobilize the available money supply; it is probable that the rapid development of an efficient nationwide clearing and collection system would not have been possible without the existence of the Settlement Fund. Thus, within a framework made possible by, but not actually provided for in, the Federal Reserve Act, the Board of Governors and the Federal Reserve Banks have been instrumental in developing a clearing and collection system, with the Interdistrict Settlement Fund at its apex, that has facilitated the growth and flow of interregional commerce. In so doing, the Federal Reserve System has provided a vital service that is essential for an economy that is both expanding and becoming more highly integrated.

DEPARTMENT STORE TRADE

Seasonally adjusted sales at Second District department stores in September dropped 3 per cent below the August level, according to preliminary data, but were 4 per cent higher than in September of last year. In New York City, sales are estimated to have declined 1 per cent below the preceding month, though they exceeded the September 1953 level by 6 per cent. During the first nine months of the year, sales in the District were approximately the same as in the corresponding period of 1953.

In August, Second District department store sales substantially exceeded the year-ago level for the first time since April (when sales were stimulated by Easter buying and excise tax reductions). However, the 6 per cent increase in sales this August is measured from a relatively low level of sales in August 1953, when extremely hot weather discouraged shopping during the latter part of the month.

Among major departmental groups, basement sales (which have generally shown greater strength this year than main store sales) registered the largest year-to-year gain—14 per cent—in August. Basement sales of homefurnishings, men's clothing, and women's and misses' apparel—blouses, skirts, and sportswear, girls' wear, and coats and suits—accounted for the major part of the increase.

Main store sales bulk much larger in total department store trade figures than basement sales, however. "Upstairs" departments account for 89 per cent of total Second District department store sales, and basement sales for only 11 per cent. Main store sales rose almost 6 per cent in August, on a year-to-year basis, and each of the major "upstairs" merchandise groups shared in the increase.

Up to August, men's and boys' wear, and women's and girls' wear, had been contributing a smaller proportion of total store sales this year than in 1953. But in August, sales of men's and boys' wear rose 8 per cent, while purchases of women's and misses' ready-to-wear apparel rose 5 per cent above the level of a year ago.

In homefurnishings departments, household appliances, radios and phonographs, draperies, and furniture "moved" well in August, and increases in their sales more than offset declines in sales of floor coverings, records, and television sets. Sales of "miscellaneous" merchandise (for example, toys and groceries) were 4 per cent higher than last August, while sales of household textiles and piece goods were 6 per cent greater this August than last, and sales of "small wares" (which include notions, toilet articles, and drug sundries) were up 6 per cent.

Inventories of Second District department stores at the end of August were 5 per cent below the level of the previous year. The ratio of inventories to sales (3.5) was also smaller than in the same month last year, when stocks were 3.9 times the value of the month's sales.

In some important merchandise lines, ratios of inventories to sales fell considerably below year-earlier levels in August, as the accompanying table shows. The ratio declined the most (almost one third) for major household appliances.

Indexes of Department Store Sales and Stocks
Second Federal Reserve District
(1947-49 average=100 per cent)

Item	1954			1953
	August	July	June	August
Sales (average daily), unadjusted	80	73	99	75
Sales (average daily), seasonally adjusted	105	101	102	99
Stocks, unadjusted	111	104	107	117r
Stocks, seasonally adjusted	115	117	114	121r

r Revised.

"Stocks-Sales" Ratios for Second District Department Stores
1953 and 1954

Total stocks to total sales			Selected departments	August	
Month	1954	1953		1954	1953
January	3.2	3.2	Piece goods	5.2	6.3
February	3.6	3.8	Millinery	1.8	2.1
March	3.3	3.2	Furs	3.6	4.4
April	3.0	3.2	Boys' wear	6.7	8.2
May	3.2	3.1	Furniture and bedding	2.9	3.7
June	2.7	2.8	Major household appliances	2.8	4.1
July	3.6	3.6	Radios, pianos, and television	4.6	5.7
August	3.5	3.9	Basement store	2.8	3.3

Department and Apparel Store Sales and Stocks, Second Federal Reserve District, Percentage Change from the Preceding Year

Area	Net sales			Stocks on hand Aug. 31, 1954
	Aug. 1954	Jan. through Aug. 1954	Feb. through Aug. 1954	
Department stores, Second District	+ 6	0	0	− 5
New York—Northeastern New Jersey Metropolitan Area	+ 8	+1	+1	− 5
New York City	+ 6	0	+1	− 7
Nassau County	—	—	—	—
Westchester County	+10	+5	+5	+ 1
Northern New Jersey	+ 8	−1	0	− 2
Newark	+11	−1	0	− 2
Fairfield County	− 4	−6	−5	− 8
Bridgeport	− 7	−7	−6	—
Lower Hudson River Valley	+ 6	+2	+2	− 2
Poughkeepsie	+ 2	+1	+1	− 3
Upper Hudson River Valley	+ 3	−3	−2	−12
Albany-Schenectady-Troy Metropolitan Area	+ 3	−2	−1	−13
Albany	+ 3	−2	−2	−20
Schenectady	+ 4	−2	−1	− 4
Central New York State	+ 7	−2	−2	− 6
Utica-Rome Metropolitan Area	− 4	−5	−4	− 6
Utica	+ 1	−1	0	− 9
Syracuse Metropolitan Area	+11	−1	−1	− 6
Northern New York State	− 9	−8	−7	− 5
Southern New York State	− 1	−2	−2	− 3
Binghamton Metropolitan Area	− 1	−2	−2	+ 1
Elmira	− 5	−7	−6	−14
Western New York State	+ 4	−1	0	− 1
Buffalo Metropolitan Area	− 1	−3	−3	− 1
Buffalo	− 1	−3	−3	− 1
Niagara Falls	+ 4	+2	+3	—
Rochester Metropolitan Area	+15	+4	+4	− 2
Apparel stores (chiefly New York City)	+10	0	0	− 4

SELECTED ECONOMIC INDICATORS
United States and Second Federal Reserve District

Item	Unit	1954			1953	Percentage change	
		August	July	June	August	Latest month from previous month	Latest month from year earlier
UNITED STATES							
Production and trade							
Industrial production*	1947-49 = 100	124*p*	124	124	136	#	− 9
Electric power output*	1947-49 = 100	176	176	173	169	#	+ 4
Ton-miles of railway freight*	1947-49 = 100	—	90*p*	90	104	#	−12
Manufacturers' sales*	billions of $	23.7*p*	24.1	24.3*r*	25.1	− 2	− 6
Manufacturers' inventories*	billions of $	43.9*p*	44.2	44.5	46.9	− 1	− 6
Manufacturers' new orders, total*	billions of $	22.7*p*	22.6	22.9	22.3	#	+ 2
Manufacturers' new orders, durable goods*	billions of $	10.0*p*	9.7	10.0	10.1	+ 3	− 1
Retail sales*	billions of $	—	14.3*p*	14.4	14.1	− 1	− 1
Residential construction contracts*	1947-49 = 100	232*p*	233	227	184	#	+26
Nonresidential construction contracts*	1947-49 = 100	197*p*	188	193	220	+ 5	−10
Prices, wages, and employment							
Basic commodity prices†	1947-49 = 100	91.2	91.5	92.3	88.8	#	+ 3
Wholesale prices†	1947-49 = 100	110.5*p*	110.4	110.0	110.6	#	#
Consumer prices†	1947-49 = 100	115.0	115.2	115.1	115.0	#	#
Personal income (annual rate)*§	billions of $	—	286.5*p*	286.5	286.4	#	− 1
Composite index of wages and salaries*	1939 = 100	—	257*p*	257	250	#	+ 3
Nonagricultural employment*	thousands	47,909*p*	47,997*p*	48,102	49,849	#	− 4
Manufacturing employment*	thousands	15,752*p*	15,785*p*	15,994	17,400	#	− 9
Average hours worked per week, manufacturing†	hours	39.7*p*	39.4	39.6	40.5	+ 1	− 2
Unemployment‡	thousands	3,245	3,346	3,347	1,240	− 3	—
Banking and finance							
Total investments of all commercial banks	millions of $	83,040*p*	79,990*p*	79,046*p*	77,090	+ 4	+ 8
Total loans of all commercial banks	millions of $	66,450*p*	67,290*p*	67,337*p*	66,040	− 1	+ 1
Total demand deposits adjusted	millions of $	99,370*p*	99,930*p*	98,117*p*	97,480	− 1	+ 2
Currency outside the Treasury and Federal Reserve Banks*	millions of $	29,986*p*	30,028	30,006	30,258	#	− 1
Bank debits (338 centers)*	millions of $	63,591	63,416	64,335	60,735	#	+ 5
Velocity of demand deposits (338 centers)*	1947-49 = 100	123.1*p*	119.4	123.1	118.1	+ 3	+ 4
Consumer instalment credit outstanding†	millions of $	21,310	21,246	21,122*r*	21,218	#	#
United States Government finance (other than borrowing)							
Cash income	millions of $	5,376	2,956	11,265	5,526	+82	− 3
Cash outgo	millions of $	7,788	5,142	6,881	6,720	+51	+16
National defense expenditures	millions of $	3,761	3,635	3,929	3,926	+ 3	− 4
SECOND FEDERAL RESERVE DISTRICT							
Electric power output (New York and New Jersey)*	1947-49 = 100	137	138	139	142	− 1	− 4
Residential construction contracts*	1947-49 = 100	—	180*p*	221	155	−19	+12
Nonresidential construction contracts*	1947-49 = 100	—	180*p*	213	225	−15	−12
Consumer prices (New York City)†	1947-49 = 100	113.0	113.3	112.9	112.7	#	#
Nonagricultural employment*	thousands	—	7,467.2*p*	7,465.8	7,646.3	#	− 3
Manufacturing employment*	thousands	—	2,607.4*p*	2,621.6	2,828.0	− 1	− 9
Bank debits (New York City)*	millions of $	67,030	63,046	60,153	52,317	+ 6	+28
Bank debits (Second District excluding New York City)*	millions of $	4,177	4,304	4,347	4,104*r*	− 3	+ 2
Velocity of demand deposits (New York City)*	1947-49 = 100	176.3	163.0	156.1	142.0	+ 8	+24

Note: Latest data available as of noon, October 1, 1954.

p Preliminary. *r* Revised.
* Adjusted for seasonal variation.
† Seasonal variations believed to be minor; no adjustment made.
§ Revised series.
\# Change of less than 0.5 per cent.
‡ Unemployment figures for July 1953 are on the basis of the old sample and, therefore, *not* necessarily comparable with the figures shown for 1954 which are on the new sample basis; consequently, a percentage change from a year ago is not shown.

Source: A description of these series and their sources is available from the Domestic Research Division, Federal Reserve Bank of New York, on request.