MONTHLY

8th DISTRICT

ST. LOUIS LOUISVILLE MEMPHIS LITTLE ROCK

Review

FEDERAL RESERVE BANK
OF ST. LOUIS • P. O. BOX 442 • ST. LOUIS 66, MO.

This issue released on February 26

VOL. 42 · No. 2 · FEBRUARY '60

Growth in the Money Supply

SOME QUESTION has been raised as to whether the rate of expansion in the money supply in recent years has been adequate for optimum economic growth. However, with higher interest rates and with a sizeable increase in the volume of near moneys, especially short-term Government securities, the total work of the money supply has risen more sharply than the data on the quantity of money, i.e., currency and demand deposits, alone indicate. Expansion in the total flow of money payments has exceeded a rather large growth in real economic activity. This article presents some of the facts bearing on the adequacy of the supply of money.

Money Supply

During recent years growth in the nation's currency and demand deposits has been modest compared with increases in incomes and production. With the exception of recessionary periods when demand deposits adjusted and currency outside banks have been markedly expanded, there has been only a slight rise in the money supply (see chart). Preliminary data indicate that the net rise in the money supply was less than 1 per cent during 1959, whereas total production of all goods and services increased about 6 per cent.

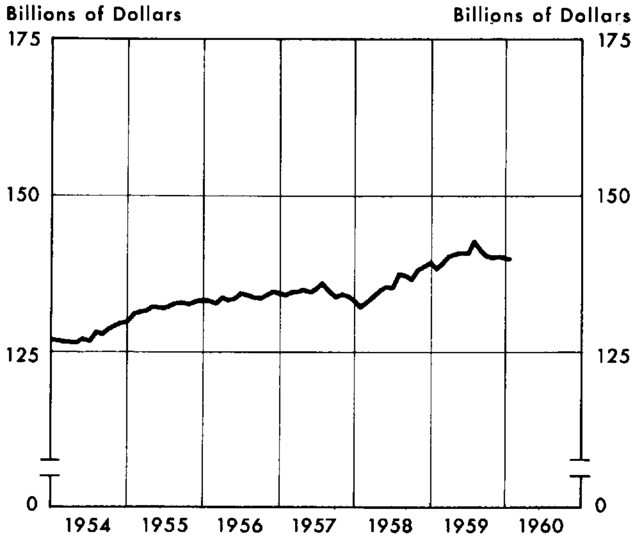
Over the past two years (including the recessionary period in 1958) the money supply has risen at an average annual rate of 2.6 per cent. In the past three years the supply has increased at an annual rate of 1.4 per cent, and over the past four years (since December 1955) the rate of increase has been 1.3 per cent per year. Over this same four-year period total production of goods and services expanded at an annual rate of about 5 per cent. As a result gross national product which was 3 times as large as the average money supply in the last quarter of 1955 was an estimated 3½ times as large in the final quarter of 1959.

Some individuals have expressed concern over the relatively slow rate of growth in the stock of money, fearing that total business activity may be hampered by a shortage of dollars. Yet, in view of the fact that consumer prices have been rising at an average annual rate of between 2 and 3 per cent over the past four years, it might be said that even the 1.3 per cent per annum expansion in the money supply has been inflationary. It appears that sufficient money has been created by the banking system to allow real output to rise at a 3 or 4 per cent per year rate in recent years and for the price level to rise as well.

Turnover of Money

A relatively small growth in the supply of money compared with the increase in the dollar amount of goods and services purchased with these dollars is

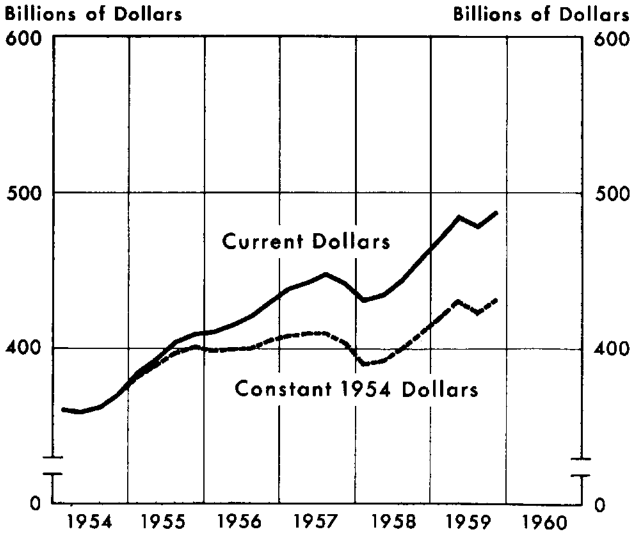
Money Supply



Latest data plotted: January, preliminary

Gross National Product

Seasonally Adjusted Quarterly Totals at Annual Rates

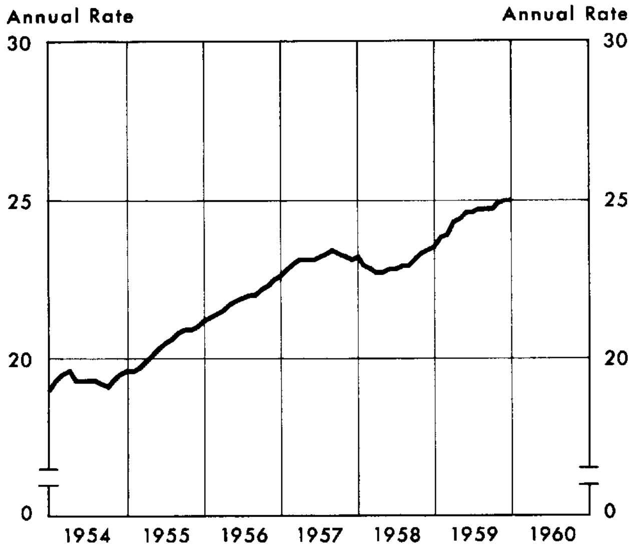


Latest data plotted: 4th Qtr. 1959, preliminary explained by a marked increase in the velocity of money. Although complete data on the rate of turnover of money are not available, debits to deposit accounts at commercial banks clearly indicate that a sharp increase has been taking place in the use of money during the postwar period.

Turnover of demand deposits (except interbank and U.S. Government) at reporting banks outside the seven large financial centers was at the annual rate of about 25.0 times in the final quarter of 1959 (see chart).

Turnover of Demand Deposits

Reporting Centers (outside seven large financial cities)



Latest data plotted: December, which includes preliminary January data

A year earlier turnover was at the annual rate of 23.4 times; thus, in the past year velocity of deposits has risen 6.8 per cent. In the final quarter of 1955 deposits turned over at an annual rate of 21.0 times; hence, the increase in the use of money has been at the rate of 4.8 per cent per year over the last four years.

Total payments have increased at an annual rate of about 7.3 per cent per annum since late 1955, as indicated by bank records on the volume of checks cashed and other debits to deposit accounts. Roughly 20 per cent of the increase was made possible by an expansion in the money supply, and about 80 per cent reflected a more intensive use of the existing stock of money. In retrospect it appears that the total flow of dollar payments has expanded substantially and that this has been accomplished primarily by a higher rate of money turnover.

Interest Rates

Unfortunately, it is not possible to forecast accurately how fast the money supply will turn over, or even to isolate precisely the determining factors. Each individual and each business firm that holds cash balances makes the decision when or at what rate these balances will be transferred to others. Myriads of factors may influence these decisions. For example, growth in the use of trade and consumer credit has probably reduced the need for holding large cash balances. An expectation that prices will rise might have caused some individuals and businesses to increase their spending relative to their cash balances. In addition, it seems reasonable that as interest rates have risen (making the alternative cost of holding idle cash balances greater) the velocity of money would have increased. In the past there has been a correlation between the level of interest rates and the turnover of the money supply.

Interest rates have been working up in recent years. In December 1959, average yield on three month Treasury bills was about 4.50 per cent, compared with roughly 2.75 per cent a year earlier and about 2.50 per cent at the end of 1955. Similarly, interest rates on long-term Government bonds averaged over 4.25 per cent in December 1959, as against 3.80 per cent in December 1958, and less than 3.00 per cent in December 1955. These changes have been typical of the entire interest rate structure. Interest rates worked lower in January and early February; on February 18 three-month Treasury bills yielded 4.06 per cent and long-term bonds yielded 4.14 per cent.

Liquidity

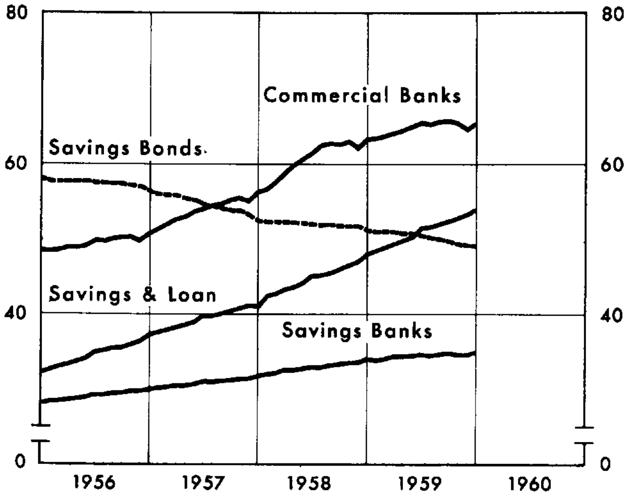
Another factor that probably has had a significant impact on the velocity of money has been the volume of close substitutes for money available. As people and businesses hold more assets that are readily convertible into cash to meet seasonal, planned, or emergency needs it seems reasonable that they will permit their cash balances to decline relative to their expenditures.

Savings Balances

Individuals generally look upon savings accounts in financial institutions as a reserve stock of cash, since they can usually be converted to money easily, quickly, and without financial loss. Thus, as these balances rise (everything else equal) the need for money declines. In recent years there has been a substantial increase in these balances (see chart page 4).

Time and savings deposits in commercial banks have risen from $48.4 billion at the end of 1955 to about $65.4 billion at the end of 1959, an average rise of 8.8 per cent per year. Deposits in mutual savings banks have increased from $28.1 billion to about $35.0 billion over the same four-year period, a gain of 6.2 per cent per year. The sharpest gain was in share accounts in savings and loan associations which rose from $32.2 billion at the end of 1955 to an estimated $54.0 billion at the close of 1959, an average increase of 16.9 per cent per annum. By contrast, investments in U.S. Savings Bonds have declined from $57.9 billion on December 31, 1955 to about $49.2 billion on December 31, 1959. In the aggregate, savings held in these four forms rose from $166.6 billion to $203.6 billion in the four-year span or at an annual rate of 5.6 per cent. By contrast, income after taxes rose at an average rate of about 5.0 per cent per year over the same four-year period.

Savings Balances



Latest data plotted: December, preliminary

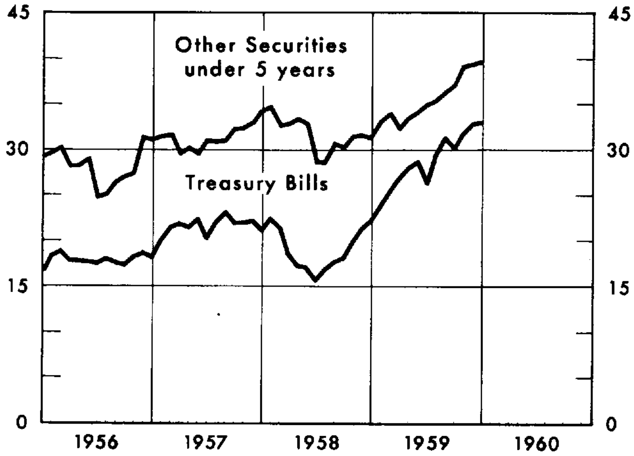
Short-term Government Securities

Many business firms, local governments, and individuals make considerable use of Treasury bills or other short-term marketable Government securities as alternatives to cash. Although information is sketchy, it is believed that holdings of short-term Government securities are converted into money by holders more frequently than savings accounts in banks or in savings and loan associations. Short-term Government securities are high grade, readily marketable, and not subject to the wide price fluctuations that longer term securities experience. In addition, they now yield the holder a relatively high return—about 4 to 5 per cent at present.

At the end of 1955, there were $16.7 billion Treasury bills (very short-term Government securities) held outside the U. S. Government agencies and trust funds and the banking system. By the end of 1959, these securities had risen to an estimated $33 billion (see chart). This was a virtual doubling in the four years, or an average annual rate of increase of 24.4 per cent. This sharp rise in high-grade short-term securities has probably contributed to the acceleration in the velocity of money.

Short-Term Government Securities Outstanding*

By Maturity Classes



*Except those held by Government Investment Accounts and the Banking System

Latest data plotted: December 1959 (Nov. & Dec. prel.)

Other short-term Treasury marketable issues have probably contributed, but to a lesser extent than Treasury bills, to an increased liquidity of the nation. These issues have not expanded as rapidly as Treasury bills, and they are more frequently treated as permanent investments by holders. Treasury issues (other than bills) within one year of maturity held outside U. S. Government accounts and the banking system rose from $15.0 billion at the end of 1955 to $18.9 billion in May 1958, but since have declined to about the December 1955 level. Holdings (except Government and banks) of the less liquid Treasury securities in the one-to-five year maturity range rose from $14.3 billion at the end of 1955 to an estimated $24.5 billion at the end of 1959.

Summary

In the last four years the money supply has risen at a relatively slow rate compared with the volume of business activity. Nevertheless, the flow of money payments has probably expanded at a faster pace than productive capacity of the country, and upward pressures on prices have developed. The sharp increase in spending was facilitated primarily by a higher rate of turnover of the money supply.

The velocity of the money supply has been influenced by many factors. Higher interest rates available on securities and on savings and time balances make the alternative cost of holding idle cash greater. The growth in savings accounts over the period 1955-59 reduces the need for maintaining large money balances. An even more important factor during the past four years contributing to an increase in the velocity of money may have been the rapid increase in the supply of marketable short-term Government securities, especially Treasury bills. Businesses, local governments, and certain individuals readily shift funds between these obligations and money, considering them very close substitutes.

In judging the appropriateness of the growth rate in the money supply, the rate of turnover in money must be considered as well as other factors such as the level of business activity, price developments, and unused resources. Turnover of money, in turn, is influenced by the level of interest rates and the volume of liquid holdings (other than money) of the public. A more rapid growth in these liquid holdings (such as savings accounts or Treasury bills) normally calls for a somewhat smaller rate of increase in the money supply. Conversely, if savings balances decline or if the Treasury refunds a portion of its near-term debt into longer term obligations, a larger increase in the money supply may be appropriate.

Business and Financial Developments

BUSINESS ACTIVITY in January and early February continued to expand. Industrial production rose to a new high, as output of steel and steel-using industries increased sharply. Electric power output in January set a new record. There was a small increase in seasonally adjusted nonagricultural employment as the auto industry and other steel-using industries added workers. The seasonally adjusted rate of unemployment remained at 5.2 per cent of the labor force. Although sales of new automobiles in January were 10 per cent larger than in January 1959, inventories of new automobiles and of steel have risen more rapidly than expected. New housing starts declined to a seasonally adjusted rate of 1.21 million. The average rate in 1959 was 1.34 million. Average wholesale prices moved up in January because of a strengthening in prices of agricultural products.

Supplies of credit were larger relative to demands during January and early February. Average yields on three-month Treasury bills declined from over 4½ per cent in the first week of January to a level of less than 4 per cent on February 15. Similarly, interest rates on 3-5 year Government issues decreased from 5 per cent to less than 4¾ per cent over the same period.

Total bank credit declined more than seasonally in January according to preliminary indications. Apparently, total loans were reduced about the seasonal amount, large net repayments by brokers and dealers and by financial institutions being partially matched by net borrowings by metal manufacturers. Banks were net sellers of Government securities.

Money supply of the country may have contracted more than seasonally during January, reflecting the drop in the volume of bank credit. Since the peak last July, the money supply, adjusted for seasonal influences, has contracted at an annual rate of about 4 per cent. At the same time the velocity of money was rising enough to permit an increase in total money payments. Over the past twelve months the money supply has risen 0.9 per cent, and over the past two years (ending with January 1960) it has risen at the annual rate of 2.9 per cent.

The turnover of money has been rising in recent months. In the fourth quarter of 1959 turnover of demand deposits (except interbank and U.S. Government accounts) at reporting banks outside the seven large financial centers was at the annual rate of 25.0 times per year compared with 24.7 times per year in the previous quarter and 23.4 times in the fourth quarter of 1958. The rise in business activity during January indicates that the velocity of money continued at a high level in the month.

The Role of a Federal Reserve Bank:
AN ANNUAL REVIEW

IN THE UNITED STATES the function of managing the nation's money supply has been delegated by Congress to a central bank, called the Federal Reserve System. In addition to its primary responsibility, the Federal Reserve System, in order to make the monetary mechanism work more smoothly, is required to perform many services for the Federal Government and the public. The central bank also assumes responsibility in supervising some commercial banks. For purposes of administration the country is divided into twelve districts with each one serviced by a Federal Reserve Bank.

Role of an Individual Reserve Bank in Monetary Policy: In the Past

This "decentralization" of central banking operations among twelve regional banks is a unique feature of the American monetary system. Most other nations have a single institution acting as a central banking unit. A brief glance into the history of the Federal Reserve System beginning in 1913 reveals that the regional structure reflected a longstanding American tradition against centralization. It was also felt that control of the money supply was largely mechanical within the framework of an operating gold standard and prescribed banking rules. The central bank did not give explicit attention to the objective of contributing to national economic growth and stabilization, as it does today. Its chief objective was to provide a flexible currency to meet the needs of agriculture, commerce, and industry which, it was felt, could better be dealt with on a regional basis. The primary instrument of credit policy was the establishment of the re-discount rate by each Federal Reserve Bank on its loans to member banks. In the opinion of most people at that time, such rates were to reflect conditions in the various districts of the country, and, as such, might vary from district to district.

In the twenties and thirties there was a shift from a regional to a national concept of monetary policy. This evolution reflected the development of a national money market, and the Banking Acts of 1933 and 1935 which centralized to some extent authority within the System. The individual Reserve Banks were retained and their functions continued, but responsibility for establishing a more unified policy became more clearly centered in the Board of Governors and the Federal Open Market Committee. Reflecting this shift, open market operations (purchase and sale of securities), conducted in the main money market of the country (New York City), became the major tool of monetary policy. Even the setting of discount rates became primarily a national function because of the more highly developed national money market. The importance of this shift increased when member banks began borrowing in the fifties.

The Role of a Reserve Bank in Monetary Policy: Today

With the current emphasis on the national scope of monetary policy, the role of an individual Federal Reserve Bank warrants examination. Through participation on the Federal Open Market Committee the Federal Reserve Banks bring an independent judgment and channel information and attitudes from the many parts of the nation into the System as a whole. Moreover, the Federal Reserve Banks in establishing discount rates subject to the review and determination by the Board of Governors must continue to inquire into local conditions although rates have usually been uniform throughout the nation. The present regional system provides an established channel of contact between the monetary authorities and the banks, businesses, and public, both for obtaining information and for adapting national credit policies to regional conditions. The individual Reserve Banks, for instance, must administer the discounting function.

System Monetary Actions During 1959

The major credit control functions of the Federal Reserve System are reflected in the combined balance sheet of the twelve Federal Reserve Banks.

STATEMENT OF CONDITION
THE TWELVE FEDERAL RESERVE BANKS
(In thousands of dollars)

Assets

	December 31, 1959	December 31, 1958
Gold certificate account	$18,185,642	$19,012,893
Redemption fund for F. R. notes	978,083	937,919
Total Gold Certificate Reserves	19,163,725	19,950,812
F. R. notes of other F. R. Banks	524,450	476,993
Other cash	359,396	336,474
Discounts and advances	457,726	63,963
Industrial loans	—	336
Acceptances:		
Bought outright	44,168	43,290
Held under repurchase agreement	31,173	5,799
U. S. Govt. securities:		
Bought outright:		
Bills	2,605,765	2,250,450
Certificates: Special	—	—
Certificates: Other	10,506,993	18,649,726
Notes	11,010,298	2,867,565
Bonds	2,483,771	2,483,771
Total bought outright	26,606,827	26,251,512
Held under repurchase agreement	41,500	95,000
Total U. S. Govt. Securities	26,648,327	26,346,512
Total Loans and Securities	27,181,394	26,459,900
Due from foreign banks	15	15
Cash items in process of collection	6,437,306	5,630,684
Bank premises	99,575	93,636
Other assets	261,740	146,641
Total Assets	$54,027,601	$53,095,155

Liabilities and Capital Accounts

Liabilities	December 31, 1959	December 31, 1958
Federal Reserve notes	$28,261,967	$27,872,023
Deposits:		
Member bank—reserve accounts	18,173,970	18,503,991
U. S. Treasurer—general account	503,778	358,364
Foreign	344,788	272,485
Other deposits	693,735	390,851
Total Deposits	19,716,271	19,525,691
Defered availability cash items	4,847,216	4,335,126
Other liabilities and accrued dividends	28,620	21,683
Total Liabilities	52,854,074	51,754,523
Capital Accounts		
Capital paid in	387,404	363,098
Surplus	774,808	868,410
Other capital accounts	11,316	109,124
Total Liabilities and Capital Accounts	$54,027,601	$53,095,155
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined (percent)	39.9	42.1
Contingent liability on acceptances purchased for foreign coresspondents	82,006	67,799

The above statement of condition of the twelve Federal Reserve Banks shows the assets and liabilities of the Federal Reserve System as of December 31, 1959, and the assets and liabilities at the end of 1958. The Federal Reserve condition statement is necessarily complex because its purpose is to provide a summary of the many factors which enter into the nation's reserve banking position. A detailed review and analysis of System actions during 1959 will be published in the *Annual Report* of the Board of Governors.

During 1959 the Federal Reserve System in its open market operations (i.e., net buying of Government securities) provided reserves to member banks. These reserves were used primarily to offset a large gold outflow and to increase the money supply of the country about ½ of 1 per cent.

A strong demand for credit by governments, businesses, and individuals during 1959 tended to exceed the amount of the nation's saving plus the modest increase in the money supply, and as a result interest rates moved up almost steadily. The Federal Reserve System, in part to make its open market actions more effective and to keep the discount rates in line with other money market rates, marked discount rates up three times during 1959, from a level of 2½ per cent at the beginning of the year to 4 per cent at the end of the year. At the Federal Reserve Bank of St. Louis the discount rate adjustments were made effective March 13, May 29, and September 11.

There were no changes in reserve requirements during 1959. However, in early December Regulation D was amended by the Board of Governors so that member banks having relatively large holdings of vault cash could count a part of this cash in meeting their reserve requirements. This action had the effect of freeing about $230 million of reserves for all member banks and about $5 million for member banks in the district.[1]

Although the major central banking functions relating to credit policy are better reflected in the combined balance sheet of the twelve Federal Reserve Banks, the balance sheet of the Federal Reserve Bank of St. Louis is presented on page 8 for those interested in a picture of the St. Louis Bank's share of the System's assets and liabilities.

Service Functions of a Reserve Bank

In order to provide for a more smoothly functioning monetary system, to establish a fiscal agent for the Federal Government, to promote sound banking practices, and for other purposes, the Federal Reserve System has the responsibility of providing a wide variety of services. The officers and employees of a Federal Reserve Bank, directly or indirectly, devote most of their efforts to performing such services. These services cover a wide range of activities including: check collecting, supplying currency and coin, issuing and redeeming Government securities, lending to member banks, safekeeping securities, examining state member banks, and collecting and publishing statistics.

[1] See "Vault Cash as Bank Reserves" in *Monthly Review* of this Bank for December, 1959.

Just as in the case of monetary policy, the service functions of the Reserve Banks were largely local in nature in the early years of the System. But as the population, commerce, and industry of the country have grown, as the marketing of many products has broadened to a national scope, as transportation, communications, and general mobility have improved there has been a coordination of the service activities of the various Reserve Banks. Today there is a systemwide approach to these functions with more responsibility placed in the Board of Governors and the Conference of Presidents. Nevertheless, the individual Reserve Banks play a major role in policy formation by advising and by acting as a liaison between the regional "grass roots" and the Board in Washington, and in adapting and applying the Regulations of the Board to local conditions.

STATEMENT OF CONDITION
FEDERAL RESERVE BANK OF ST. LOUIS
(In thousands of dollars)

Assets

	December 31, 1959	December 31, 1958
Gold Certificate Reserves		
Gold Certificate Account	$ 723,963	$ 753,490
Redemption fund for F. R. notes	46,241	44,661
Total Gold Certificate Reserves	770,204	798,151
Federal Reserve Notes of Other Banks	20,751	23,286
Other Cash	23,922	26,514
Discounts and Advances	14,785	2,262
Industrial Loans	--------	--------
Acceptances	--------	--------
U. S. Government Securities		
Bills	105,977	91,805
Certificates	427,319	760,797
Notes	447,789	116,979
Bonds	101,015	101,323
Total U. S. Government Securities	1,082,100	1,070,904
Total Loans and Securities	1,096,885	1,073,166
Due From Foreign Banks	1	1
Cash Items in Process of Collection	270,271	232,400
Bank Premises (Net)	7,036	6,862
Other Assets	10,528	5,917
Total Assets	$2,199,598	$2,166,297

Liabilities and Capital Accounts

Liabilities	December 31, 1959	December 31, 1958
Federal Reserve Notes (Net)	$1,245,164	$1,238,270
Deposits		
Member banks—reserve accounts	620,895	669,057
U. S. Treasurer—general account	41,413	19,283
Foreign	12,876	8,695
Other deposits	20,532	3,140
Total Deposits	695,716	700,175
Deferred Availability Items	218,371	174,787
Other Liabilities and Accrued Dividends	1,084	793
Total Liabilities	$2,160,335	$2,114,025
Capital Accounts		
Capital Paid in	12,931	12,348
Surplus	25,862	33,746
Other Capital Accounts	470	6,178
Total Capital Accounts	39,263	52,272
Total Liabilities and Capital Accounts	$2,199,598	$2,166,297

MEMORANDA: Contingent liabilities on acceptances purchased for foreign correspondents increased from $2,509,000 on December 31, 1958 to $3,045,000 on December 31, 1959. The ratio of gold certificate reserves to deposit and F. R. Note liabilities combined was 41.2% on December 31, 1958 and 39.7% on December 31, 1959.

Service Functions During 1959

Since a Reserve Bank performs duties for the Federal Government and the community at large, the volume of activities of a Reserve Bank generally rise and fall with the overall level of business conditions. During 1959 there was a marked improvement in most lines of business with total activity reaching a new record. Similarly, the total volume of operations performed at the Reserve Banks increased substantially over the 1958 level.

One should refer to the Board of Governors' forthcoming *Annual Report* for 1959, if an overall picture of the service activities of the Federal Reserve System is to be obtained. Even though the volume of operations is better analyzed in the aggregate, Table 1 presents, for those interested in regional activity, many statistics on the volume of operations at the St. Louis Bank and its Louisville, Memphis, and Little Rock Branches in 1959 and 1958. In addition to those activities listed the Bank performed many other services which are not so easily quantified such as, examining member banks, collecting statistics, visiting member banks, publishing a *Monthly Review*, and analyzing economic conditions.

In any large organization many employees perform duties which aid others in their work. In this line, it should be pointed out that the operations of the Reserve Bank and its branches ran more smoothly because of the efficient work of those in the Personnel, Audit, Planning, Machine Tabulation, and Purchasing Departments, the legal counsel, librarians,

Number of City and Country Checks Handled
Federal Reserve Bank of St. Louis
1947—1959

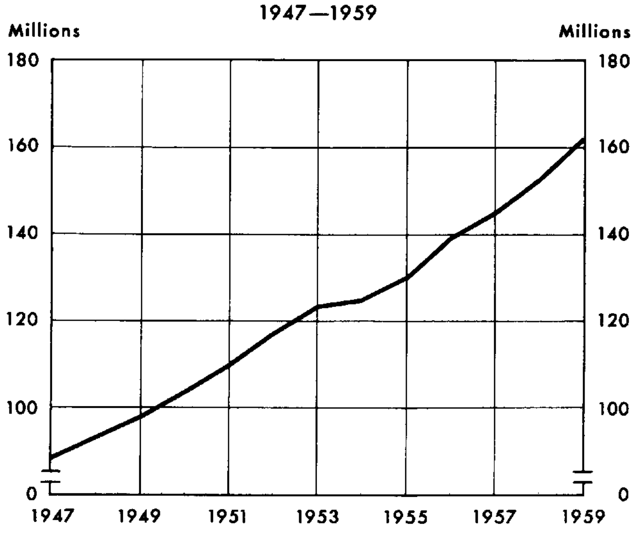


Table 1

COMBINED VOLUME OF OPERATIONS[1]

AT THE ST. LOUIS BANK AND THE LOUISVILLE, MEMPHIS, AND LITTLE ROCK BRANCHES IN 1959 AND 1958

NUMBER OF PIECES HANDLED

CHECK COLLECTIONS AND RELATED OPERATIONS	1959	1958	Percentage Change
Checks (Total)	195,121,000	186,360,000	+ 5
City Checks	32,685,000	31,141,000	+ 5
Country Checks	129,203,000	121,259,000	+ 7
Government Checks	21,009,000	21,019,000	–0–
Postal Money Orders	12,224,000	12,940,000	— 6
Transfer of Funds	148,000	139,000	+ 6
Non-cash Collections	566,000	507,000	+12
OPERATIONS AS FISCAL AGENT OF THE GOVERNMENT			
U. S. Savings Bonds Issued, Exchanged and Redeemed	7,186,000	7,224,000	— 1
Other Government Issues	437,000	396,000	+10
Withheld Tax Depository Receipts Processed[2]	690,354	717,000	— 4
Treasury Tax and Loan Account Transactions	177,503	175,000	+ 1
U. S. Gov't. Interest Coupons Paid	757,000	715,000	+ 6
MONEY HANDLING			
Currency	205,025,000	196,441,000	+ 4
Coin[3]	395,759,000	373,168,000	+ 6
SAFEKEEPING SERVICES			
Securities Received and Released	171,000	179,000	— 4
Coupons Detached	363,000	343,000	+ 6
DISCOUNTING OPERATIONS			
Discounts and Advances	1,293	769	+68

DOLLAR VOLUME

CHECK COLLECTIONS AND RELATED OPERATIONS	1959	1958	Percentage Change
Checks Handled (Total)	$70,388,402,000	$63,711,653,000	+10
City Checks	44,939,071,000	40,967,866,000	+10
Country Checks	20,565,886,000	18,472,164,000	+11
Government Checks	4,663,851,000	4,042,023,000	+15
Postal Money Orders	219,594,000	229,601,000	— 4
Transfer of Funds	51,446,854,000	46,113,194,000	+12
Non-cash Collections	379,683,000	369,297,000	+ 3
OPERATIONS AS FISCAL AGENT OF THE GOVERNMENT			
U. S. Savings Bonds Issued, Exchanged and Redeemed	710,147,000	691,288,000	+ 3
Other Government Issues	11,540,833,000	11,161,259,000	+ 3
U. S. Gov't. Interest Coupons Paid	105,267,000	91,859,000	+15
MONEY HANDLING			
Currency	1,198,275,000	1,169,222,000	+ 2
Coin[3]	38,446,000	35,364,000	+ 9
SAFEKEEPING SERVICES			
Coupons Detached	45,367,000	39,464,000	+15
DISCOUNTING OPERATIONS			
Discounts and Advances	3,770,982,000	1,974,193,000	+91

[1] Figures are rounded to nearest thousand except for number of discounts and advances.
[2] Includes validated receipts received from Directors of Internal Revenue which were previously received as deposits of taxes.
[3] Does not include 81 million unverified coins proved in connection with wrapping.

cafeteria workers, guards, maintenance men, porters, cleaning force, and telephone operators.

Despite the larger volume of operations conducted by the Federal Reserve Bank of St. Louis, total employment at the end of 1959 was virtually the same as a year earlier. (Table 2)

Table 2

Employment

	Dec. 31, 1959	Dec. 31, 1958
St. Louis Office	707	707
Little Rock Branch	99	95
Louisville Branch	171	170
Memphis Branch	121	128
Total	1,098	1,100

Banks in the Eighth District

There were 488 member banks in the Eighth Federal Reserve District as of December 31, 1959, of which 320 were National banks and 168 were state member banks. Two new National banks joined the System in the district during the year:

The American National Bank of Granite City, Granite City, Illinois

The Fulton National Bank, Fulton, Missouri

Two district banks left the System during the year. One consolidated with another member bank, and the other withdrew from membership and became a state nonmember bank. Nonmember banks in the district at year's end totaled 988, making a total of 1,476 banks within the district.

Table 3

Banks in Eighth Federal Reserve District

December 31, 1959

		Member		Nonmember	
	Total	National	State	Par	Non Par
Arkansas	237	55	20	55	107
Illinois	271	119	30	121	1
Indiana	107	37	23	47	0
Kentucky	205	39	12	154	0
Mississippi	101	11	2	13	75
Missouri	459	49	79	276	55
Tennessee	96	10	2	32	52
Total	1,476	320	168	698	290

Directors

Structure of the Board—Each Federal Reserve Bank has a board of directors consisting of nine members, divided into three classes, designated as Classes A, B, and C. The six Class A and B directors are elected by the member banks, and the three Class C directors are appointed by the Board of Governors of the Federal Reserve System. One of the three Class C directors is designated Chairman of the Board and Federal Reserve Agent by the Board of Governors, and another is named Deputy Chairman. The terms of two of the elected directors and one of the appointed directors expire at the end of each year. Each branch of the Federal Reserve Bank of St. Louis has a board of directors of seven members, four of whom are appointed by the directors of the bank and three by the Board of Governors. The names of all directors as of February 1, 1960, their classifications, and their occupational affiliations are shown on page 11.

St. Louis—Mr. Pierre B. McBride was again designated as Chairman of the Board and Federal Reserve Agent at the Federal Reserve Bank of St. Louis for the year 1960 by the Board of Governors of the Federal Reserve System. Mr. McBride has served in these offices since his appointment as Class C director in January 1957. During the six years immediately preceding his appointment to the St. Louis Board, he served as a director of the Louisville Branch.

Mr. J. H. Longwell was reappointed by the Board of Governors as Deputy Chairman of the Board of Directors for 1960. He has been a Class C director of the Bank since January 1957 and has served as Deputy Chairman of the Board since January 1958.

Mr. Norfleet Turner, President, The First National Bank of Memphis, Memphis, Tennessee, was selected by the Board of Directors of the Federal Reserve Bank of St. Louis to serve as a member of the Federal Advisory Council of the Federal Reserve System for the year 1960. He succeeded Mr. William A. McDonnell.

There has been no change in the personnel of the directors of the St. Louis bank since last year's report, because the three directors whose terms of office expired, Mr. Kenton R. Cravens, Mr. Harold O. McCutchan, and Mr. McBride, were re-elected or reappointed to new terms of office.

Branches—There were four new appointments including new chairmen for all three branch boards:

Mr. H. C. Adams, Executive Vice President, The First National Bank of De Witt, De Witt, Arkansas, was appointed as a member of the Little Rock Branch Board for a three-year term beginning January 1, 1960. He succeeded Mr. Donald Barger.

Mr. William K. Harrison, President, T. P. Taylor & Co., Inc., Louisville, Kentucky, was appointed as a member of the Louisville Branch Board for a three-year term beginning January 1, 1960. He succeeded Mr. David F. Cocks.

Dr. Clay Lyle, Dean and Director, Division of Agriculture, Mississippi State University, State College, Mississippi, was appointed as a member of the Memphis Branch Board for a three-year term beginning January 1, 1960. He succeeded Mr. John D. Williams.

Mr. C. R. Caviness, President, National Bank of Commerce of Corinth, Corinth, Mississippi, was appointed as a member of the Memphis Branch Board for a three-year term beginning January 1, 1960. He succeeded Mr. John K. Wilson.

Mr. T. Winfred Bell, and Mr. Merle E. Robertson were reappointed on the Little Rock and Louisville Branch Boards, respectively, for a three-year term beginning January 1, 1960.

Officers

During the year, Mr. Darryl R. Francis was promoted from Vice President and Manager of the Memphis Branch to First Vice President of the Federal Reserve Bank of St. Louis. Mr. E. Francis DeVos was promoted from the position of Cashier of the Memphis Branch to Vice President of the Bank and designated Manager of the Memphis Branch, and Mr. Benjamin B. Monaghan was promoted from the position of Assistant Cashier to Cashier of the Memphis Branch.

Mr. Marvin L. Bennett was promoted from Assistant Vice President to Vice President of the Bank at St. Louis.

Five new officers were appointed during the year:

Mr. Carl T. Arlt was appointed as an Assistant Vice President. He assumed responsibilities in the Research Department under the direction of the Vice President in charge of that function.

Mr. Paul I. Black, Jr. was appointed an Assistant Cashier of the Memphis Branch.

Mr. John F. Breen, Jr. was appointed an Assistant Cashier of the Memphis Branch.

Mr. George W. Dennison, formerly Assistant Manager of the Fiscal Agency Department, was appointed an Assistant Vice President.

Mr. Richard O. Kaley, formerly Manager of the Planning Department, was appointed an Assistant Vice President.

A list of officers as of February 1, 1960 is given on page 12.

DIRECTORS

February 1, 1960

BOARD OF DIRECTORS

Pierre B. McBride
Chairman of the Board and Federal Reserve Agent

J. H. Longwell
Deputy Chairman of the Board

CLASS A DIRECTORS

Elected by Member Banks (May be bankers)	Elected by Group*	Term Expires Dec. 31
H. Lee Cooper, President, Ohio Valley National Bank of Henderson, (140-42 No. Main St.), P. O. Drawer 5, Henderson, Kentucky	2	1960
Arthur Werre, Jr., Executive Vice President, First National Bank of Steeleville, Steeleville, Illinois	3	1961
Kenton R. Cravens, President, Mercantile Trust Company, (721 Locust St.) Drawer 524—Main P. O., St. Louis 66, Mo.	1	1962

CLASS B DIRECTORS

Elected by Member Banks

(Must be actively engaged in the district in business, agriculture, or some other commercial pursuit, and must not be officers, directors, or employees of any bank)

Leo J. Wieck, Vice President and Treasurer, The May Department Stores Co., 6th and Olive Sts., St. Louis 1, Mo.	1	1960
S. J. Beauchamp, Jr., President, Terminal Warehouse Co., 500 Block East Markham, Little Rock, Ark.	2	1961
Harold O. McCutchan, Executive Vice President, Mead Johnson & Company, Evansville 21, Ind.	3	1962

CLASS C DIRECTORS

Appointed by the Board of Governors

(Must not be officers, directors, employees, or stockholders of any bank)

Jesse D. Wooten, Executive Vice President, Mid-South Chemical Corporation, (1222 Riverside Blvd.), P. O. Box 346, Memphis 1, Tenn.	1960
J. H. Longwell, Director, Division of Agricultural Sciences, University of Missouri, Columbia, Mo.	1961
Pierre B. McBride, President, Porcelain Metals Corporation, 1400 South Thirteenth St., Louisville 10, Ky.	1962

Member, Federal Advisory Council

Norfleet Turner, Chairman of the Board, The First National Bank of Memphis, P. O. Box 84, Memphis 3, Tennessee.

* Group 1—Consists of banks with combined capital and surplus of $1,500,000 and over.
Group 2—Consists of banks with combined capital and surplus of $300,000 and over, but under $1,500,000.
Group 3—Consists of banks with combined capital and surplus under $300,000.
Group classifications are subject to change by the Board of Governors of the Federal Reserve System.

LITTLE ROCK BRANCH DIRECTORS

Appointed by the Board of Governors	Term Expires Dec. 31
Waldo E. Tiller, *Chairman*, President, Tiller Tie and Lumber Company, Inc. (901 Union Life Bldg.), P. O. Box 586, Little Rock, Ark.	1961
VACANCY	1960
T. Winfred Bell, President, Bush-Caldwell Company and Arkansas Electric Company, 123 Main St., Little Rock, Ark.	1962
Appointed by the Directors of Federal Reserve Bank	
J. W. Bellamy, Jr., President, National Bank of Commerce of Pine Bluff, (424 Main St.), P. O. Box 2052, Pine Bluff, Ark.	1960
E. C. Benton, President, Fordyce Bank and Trust Company, P. O. Box 352, Fordyce, Ark.	1960
J. V. Satterfield, Jr., Chairman of the Board and President, The First National Bank in Little Rock, (3rd and Louisiana Sts.), P. O. Box 1471, Little Rock, Ark.	1961
H. C. Adams, Executive Vice President, The First National Bank of De Witt, Box 511, De Witt, Ark.	1962

LOUISVILLE BRANCH DIRECTORS

Appointed by the Board of Governors	
J. D. Monin, Jr., *Chairman*, Farmer, R.F.D. 1, Oakland, Ky.	1961
Philip Davidson, President, University of Louisville, 2301 South 3rd St., Louisville 8, Ky.	1960
William H. Harrison, President, T. P. Taylor & Co., (4010 Crittenden), P. O. Box 1884, Louisville 1, Ky.	1962
Appointed by the Directors of Federal Reserve Bank	
W. Scott McIntosh, President, State Bank of Hardinsburg, Hardinsburg, Ind.	1960
John G. Russell, President, The Peoples First National Bank & Trust Company of Paducah, 300 Broadway, Paducah, Ky.	1960
John R. Stroud, Executive Vice President, The First National Bank of Mitchell, (628 Main St.), Box 37, Mitchell, Ind.	1961
Merle E. Robertson, Chairman of the Board and President, Liberty National Bank and Trust Company of Louisville, (201 W. Market St.), P. O. Box 1499, Louisville 1, Ky.	1962

MEMPHIS BRANCH DIRECTORS

Appointed by the Board of Governors	
S. L. Kopald, Jr., *Chairman*, Executive Vice President, Humko Division, National Dairy Products Corporation, (1702 Thomas St.), P. O. Box 398, Memphis 1, Tenn.	1960
Frank Lee Wesson, President, Wesson Farms, Inc., Victoria, Ark.	1961
Clay Lyle, Dean and Director, Division of Agriculture, Mississippi State University, Box 1564, State College, Miss.	1962
Appointed by the Directors of Federal Reserve Bank	
John E. Brown, President, Union Planters National Bank of Memphis (Madison Ave. at Front St.), P. O. Box 387, Memphis 1, Tenn.	1960
Simpson Russell, President, The National Bank of Commerce of Jackson, Jackson, Tenn.	1960
J. H. Harris, Chairman of the Board, The First National Bank of Wynne, P. O. Box 111, Wynne, Ark.	1961
Charles R. Caviness, President, National Bank of Commerce of Corinth, P. O. Box 869, Corinth, Miss.	1962

OFFICERS

February 1, 1960

Delos C. Johns, *President*

Darryl R. Francis, *First Vice President*

Howard H. Weigel, *Vice President and Secretary*

BUILDING DEPARTMENT, PURCHASING DEPARTMENT
J. M. Geiger, *Assistant Vice President*

PERSONNEL DEPARTMENT, PROTECTION DEPARTMENT
Willis L. Johns, *Assistant Vice President*

Joseph C. Wotawa, *Vice President*

ACCOUNTING DEPARTMENT
Paul Salzman, *Assistant Vice President*

COLLECTION DEPARTMENT
Earl R. Billen, *Assistant Vice President*

DATA PROCESSING DEPARTMENT
Richard O. Kaley, *Assistant Vice President*

PLANNING DEPARTMENT
Woodrow W. Gilmore, *Assistant Vice President*

Dale M. Lewis, *Vice President*

CREDIT-DISCOUNT DEPARTMENT
Stephen Koptis, *Assistant Vice President*

FIELD SERVICE DEPARTMENT
W. E. Walker, *Assistant Vice President*

MONEY DEPARTMENT, SAFEKEEPING DEPARTMENT
John J. Hofer, *Assistant Vice President*

George E. Kroner, *Vice President*

EXAMINATION DEPARTMENT
Orville O. Wyrick, *Chief Examiner*
Wilbur H. Isbell. *Assistant Chief Examiner*

Homer Jones, *Vice President*

RESEARCH DEPARTMENT
William J. Abbott, *Adviser*
Carl T. Arlt, *Assistant Vice President*

Marvin L. Bennett, *Vice President*

FISCAL AGENCY DEPARTMENT
George W. Dennison, *Assistant Vice President*

LEGAL DEPARTMENT
Gerald T. Dunne, *Counsel and Assistant Secretary*

AUDIT DEPARTMENT
George W. Hirshman, *General Auditor*

LITTLE ROCK BRANCH

Fred Burton, *Vice President and Manager*

S. C. Davis, *Cashier*

Clifford Wood, *Assistant Cashier*

W. J. Bryan, *Assistant Cashier*

LOUISVILLE BRANCH

Donald L. Henry, *Vice President and Manager*

John W. Menges, *Cashier*

Clarence J. Woertz, *Assistant Cashier*

Louis A. Nelson, *Assistant Cashier*

MEMPHIS BRANCH

E. Francis DeVos, *Vice President and Manager*

Benjamin B. Monaghan, *Cashier*

John F. Breen, Jr., *Assistant Cashier*

Paul I. Black, Jr., *Assistant Cashier*