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August 1959

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM

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Saving and Financial Flows

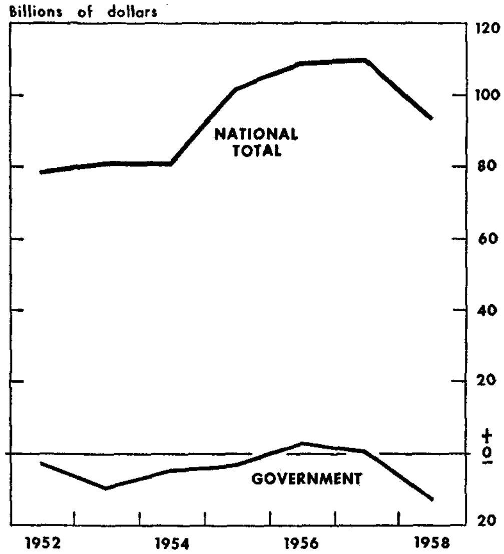
GROSS NATIONAL SAVING has returned to high levels this year. In the first quarter of 1959 such saving totaled $30 billion, about $5 billion or one-fifth larger than a year earlier. The increase accompanied recovery in economic activity that began in the spring of 1958. Analysis in this article is based mainly on the Board's new quarterly flow-of-funds and saving data given on pages 1046-62 of this BULLETIN. Concepts and measures are discussed in the article "A Quarterly Presentation of Flow of Funds, Saving, and Investment," pages 828-59.

A large part of gross saving is offset by estimates of capital consumption related to the nation's stock of reproducible tangible assets, or capital goods. After charges for such consumption, net national saving also increased in 1959 from the reduced level of 1958. Available estimates indicate that capital consumption charges accounted for $75 billion of the $93 billion of gross national saving for the year 1958, and that almost half of these charges represented depreciation on consumer durable goods. Emphasis in this article is placed on gross saving and gross investment, however, because of the limitations of currently available measures of capital consumption charges.

The nation's saving originates in many sectors of the economy. In recent years, as the accompanying chart shows, total saving of consumers, nonfinancial businesses, and other private sectors has usually exceeded the figure for national saving because governments—Federal, State, and local—in the aggregate have had negative saving, or have dissaved; that is, their current receipts have fallen short of their expenditures. Statistically, dissaving by governments results from the treatment of their capital expenditures in the flow-of-funds and saving accounts. Because of conceptual and statistical problems government outlays on capital goods are treated as current expenditures rather than as part of national investment. (See subscript to chart.)

A decline of about $17 billion in gross national saving in 1958 was made up of a $3 billion decrease in private saving and

GROSS NATIONAL SAVING
Billions of dollars



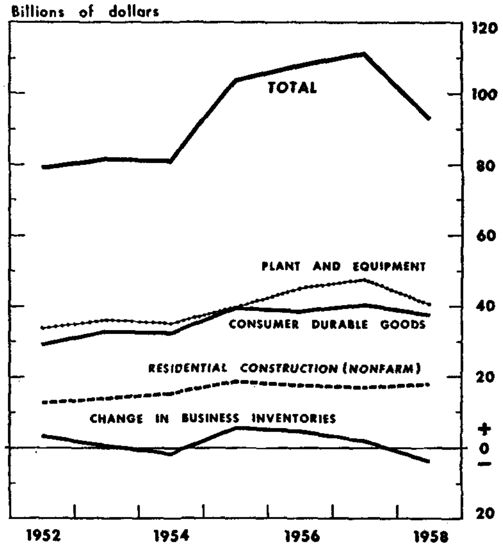
NOTE.—For additional detail, see Table 2, p. 1047. The consumer sector includes personal trusts and nonprofit organizations serving individuals.

Coverage of government saving is not comparable with that of private saving. Because of conceptual and statistical problems, government outlays on capital goods are treated as current outlays rather than as part of national investment. If currently available data on government construction expenditures were treated as capital outlays, government gross saving would be positive in each of the past 10 years, ranging from a low of $2 billion in 1953 to a high of $16 billion in 1956, and national saving and investment would be correspondingly higher. If estimates of government equipment outlays were also included, both government and national saving and investment would be even higher. For further discussion, see pp. 834-35.

a $13 billion increase in government dissaving, almost entirely accounted for by the Federal Government. The shift in financial position of the Federal Government from small saving in 1957 to large dissaving in 1958 resulted from a $3 billion decrease in current receipts and a $9 billion rise in outlays. The greater part of the decrease in private saving occurred in the nonfinancial business sectors.

Consumers, as usual, provided the bulk —more than 60 per cent—of gross private saving in 1958, while nonfinancial businesses accounted for 35 per cent. Fluctuations in these shares over the preceding decade were relatively limited.

GROSS NATIONAL INVESTMENT



NOTE.—The detail of this chart is based mainly on the national income and product accounts data of the Department of Commerce. Consumer durable goods, however, are not shown as investment in the national income accounts. Plant and equipment expenditures are the sum of producers' durable equipment and construction other than nonfarm residential, as shown in the national income accounts, and of business purchases of used equipment from the Government. Net change in claims on foreigners does not correspond statistically to net foreign investment in national income accounts; for further comment on this point, see p. 859.

NATIONAL INVESTMENT

Gross national investment embodies the resources released by saving, and conceptually is equal to gross national saving. Because of statistical discrepancies, however, the dollar measures may not be equal. National investment totaled $93 billion in 1958, $18 billion below the record of the previous year. As defined in this article, national investment includes purchases of houses and durable goods by consumers as well as capital outlays by businesses and the change in U. S. net financial claims on the rest of the world; as already indicated, it excludes expenditures on capital goods by governments.

Most major components shared in the recovery of investment after mid-1958, but the timing and magnitude of movement differed. Recovery was accompanied by a sharp expansion in residential construction and by rising purchases of consumer durable goods, particularly in the fourth quarter as buying of automobiles accelerated. Business investment in fixed capital remained near its recession low longer and recovered more slowly than consumer capital expenditures. Liquidation of business inventories ceased by the year-end, and in early 1959 accumulation proceeded at a high rate.

CONSUMER GROSS SAVING AND INVESTMENT

Consumer gross saving in 1958 was $67 billion, only $1 billion less than in the previous year. The ratio of gross saving to consumer disposable receipts, which fluctuates near one-fourth, declined slightly from 1957 to 1958, reflecting a greater rise in current expenditures than in disposable receipts.

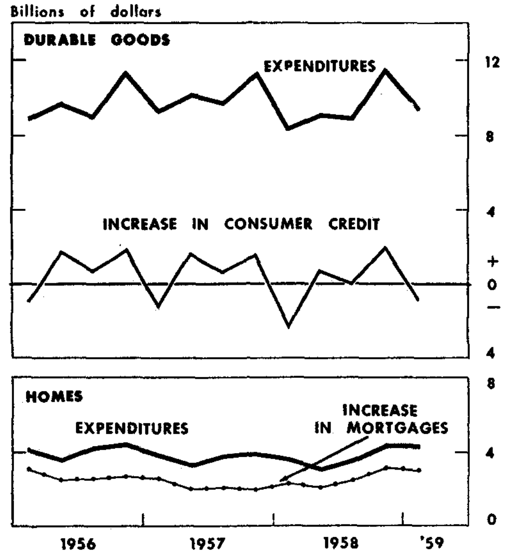
The small decline in consumer gross saving last year was accompanied by shifts in consumer investment. Capital outlays were smaller for the year as a whole. On the other hand, net funds obtained by borrowing increased slightly, as greater use was made of mortgage and security credit and smaller use of consumer credit. The net amount of financial assets acquired increased somewhat but preferences for assets changed. Additions to demand deposits and fixed-value redeemable claims increased, while net purchases of credit and equity market instruments declined sharply.

With recovery to high levels of economic activity, the pattern of consumer investment in early 1959 differed from that a year earlier when the recession was at or close to its low. Consumer capital expenditures were larger and borrowing rose more than acquisitions of financial assets. Compared with the previous year, the increase in time deposits was considerably smaller in the first quarter of 1959, while net purchases of credit and equity market instruments were larger. Aggregate consumer investment was $19 billion, or 7 per cent, larger than a year earlier.

Capital expenditures and debts. Consumers spent about as much on new houses in 1958 as in 1957, reflecting recovery of home buying in the second half of the year. With greater availability of mortgage funds, consumer mortgage indebtedness rose $6 billion in the last half of 1958, two-fifths more than in the same period of 1957. In the first half of 1959 mortgage debt expansion was substantially larger than a year earlier.

A decline in consumer outlays for durable goods last year was accompanied by a sharp reduction in extensions of short- and intermediate-term consumer credit. With repayments maintained at high levels, the increase in outstanding consumer credit was only $300 million for the year, the smallest of the postwar period and more than $2 billion less than in 1957. Expansion of consumer credit resumed in the fourth quarter of last year along with a resurgence of spending on durable goods. These tendencies have continued. First-quarter contraction in consumer credit was considerably

CONSUMER CAPITAL EXPENDITURES AND DEBTS

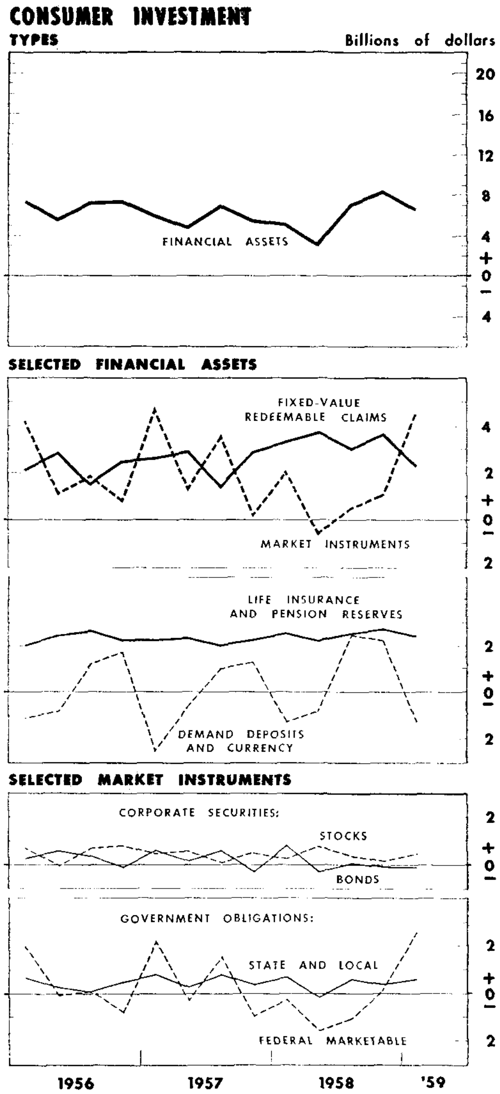


NOTE.—Quarterly data. The consumer sector includes personal trusts and nonprofit organizations serving individuals. Depreciation on durable goods, estimated by the Federal Reserve, is on a current-cost basis—that is, allowance has been made for price changes after purchase. Depreciation on homes is based on data in the national income and product accounts of the Department of Commerce and reflects depreciation on an original-cost basis.

less, and second-quarter expansion much greater, in 1959 than in 1958.

Acquisition of financial assets. The decline in purchases of credit and equity market instruments by consumers last year took place primarily in private and government bonds; net acquisitions of mortgages and corporate stocks were only slightly smaller than in 1957. Consumer holdings of marketable Federal obligations declined in 1958, as compared with an increase in the previous year, while acquisitions of State and local government and corporate bonds were smaller than in 1957. In the first quarter of 1959 consumers were net purchasers of Federal obligations, but net sellers of corporate bonds.

Consumers added larger amounts to their holdings of fixed-value redeemable claims in 1958 than in 1957. They increased the flow of funds into time deposits and savings shares and reduced substantially net redemption of U. S. savings bonds. The accelerated flow of consumer funds into time deposits at commercial banks began in early 1957, after the maximum permissible interest rate on such deposits was raised, continued through most of 1958, and tapered off toward the year-end. Also, after three years of relatively steady growth, deposits at mutual savings banks and shares in savings and loan associations increased by exceptionally large amounts last year. In the first quarter of 1959 consumer holdings of fixed-value redeemable claims rose at a considerably slower rate than a year earlier.



NOTE.—Quarterly data. The consumer sector includes personal trusts and nonprofit organizations serving individuals. For additional detail, see Table 4 (A), p. 1049.

BUSINESS SAVING AND INVESTMENT

Gross saving of nonfinancial businesses totaled $36 billion in 1958, $2 billion less than in 1957. The reduction was almost in proportion to the decline in business income before taxes. Business inventory accumulation and fixed capital outlays were each about $6 billion smaller than in 1957. Since capital expenditures declined more than gross saving, business need for funds from other sectors was much smaller in 1958 than in the previous year.

In the first half of 1958 the contraction in need for funds was reflected primarily in reduced borrowing. In the second half borrowing recovered to prerecession rates and businesses increased their acquisitions of liquid assets. Corporate holdings of cash and U. S. Government securities rose about $8 billion in the last half of 1958, more than twice as much as in the last half of 1957.

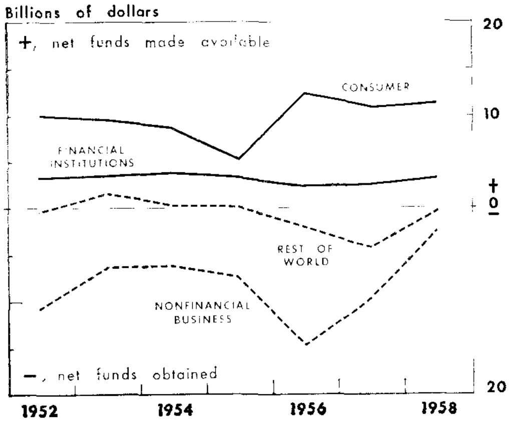
Capital expenditures in early 1959 were larger than a year earlier, primarily for inventory accumulation, and business borrowing was also larger. With larger profits before taxes and relatively small profits tax payments, corporate holdings of cash and U. S. Government securities declined much less than usual in the first quarter.

NET FINANCIAL INVESTMENT

In the postwar period consumers and financial institutions have generated a larger amount of saving than they have absorbed in their own purchases of capital goods. As

NET FINANCIAL INVESTMENT

Billions of dollars



NOTE.—Net financial investment for a sector is equal to the increase in its financial assets less the increase in its liabilities; when positive, it represents the net amount of funds made available to other sectors; when negative, the net amount obtained from other sectors.

a result, they have made funds available on balance to other sectors through their net financial investment. In other words, their net acquisitions of financial assets have exceeded the net increase in their liabilities. On the other hand, governments in the aggregate and nonfinancial businesses typically have been deficit sectors that obtained funds on balance.

The changing pattern of net financial investment by the various sectors, in addition to reflecting nonfinancial flows, summarizes the complex of financial flows among sectors as they mutually adjust their demands for and supplies of credit, preferences for financial assets, and liquidity needs. In 1958, as the accompanying chart shows, the net funds obtained from other sectors by governments—that is, the excess of borrowing over acquisition of financial assets—was $13 billion compared with a near balance the year before. This increased need for funds last year was matched in large part by a decrease in net need for outside funds by nonfinancial businesses and foreigners. Meanwhile, net funds made available by consumers, at $12 billion, were slightly larger than in 1957.

DEMAND FOR FUNDS IN CREDIT MARKETS

Much of the nation's saving and investment is effected by the flow of funds into and out of credit and equity markets. The major part of financing among sectors goes through these markets, either in the form of direct flows between ultimate lenders and borrowers or in the form of flows through financial institutions. In 1958 net funds raised in such markets (that is, the excess of borrowings over repayments) totaled $45 billion, a postwar high. The $9 billion, or 25 per cent, increment over 1957 was equal to the increase in government borrowing, almost all of which was by the Federal Government.

In the first half of 1959 funds raised in credit markets, according to preliminary estimates, reached $25 billion, a postwar high for the first half of the year. More than half of the increment over the year-earlier amount was in consumer borrowing. Funds raised by other private sectors were also larger, while total government borrowing was little changed.

The record amount of borrowing in the year 1958 is attributable to strong private credit demands as well as the increase in government borrowing. Increased borrowing by consumers and foreigners offset decreased borrowing by the nonfinancial business and financial institutions sectors. The maintenance of private borrowing contrasted with the $14 billion reduction in private capital outlays and the $9 billion increase in private saving in financial form.

Mortgage borrowing by consumers rose sharply in the second half of 1958 and was at high levels in the first half of 1959, as already indicated. The increase in mortgage debt in the second half of last year was much greater relative to consumer purchases

FLOW OF FUNDS IN CREDIT AND EQUITY MARKETS

[In billions of dollars]

Flow-of-funds sector	1957		1958		1959
	1st half	2d half	1st half	2d half	1st half[p]
Funds raised, total	12.1	24.6	16.4	28.8	25.0
Government	*−3.7*	*9.5*	*3.9*	*11.3*	*4.3*
Federal	−6.1	7.1	.3	9.1	1.3
State and local	2.4	2.4	3.6	2.2	3.0
Private domestic	*15.2*	*14.2*	*11.4*	*16.2*	*20.1*
Consumer	5.4	6.3	4.3	7.7	8.9
Business	8.7	6.3	6.0	8.1	8.5
Financial institutions	1.1	1.6	1.1	.4	2.7
Rest of the world	.6	.7	1.1	1.2	.6
Funds advanced, total	12.1	24.5	16.7	28.7	25.0
Commercial banking[1]	−2.4	6.7	9.7	7.4	−1.1
Other financial institutions	9.3	8.4	9.9	9.9	12.6
Other	*5.2*	*9.4*	*−2.8*	*11.4*	*13.5*
Consumer	6.0	3.7	1.4	1.6	9.0
Business	−3.5	2.5	−4.4	5.8	
Government	2.6	2.7	1.3	2.9	3.7
Rest of the world	.1	.5	−1.1	1.1	.8

[p] Preliminary.

[1] Includes Federal Reserve System and certain Treasury monetary funds.

NOTE.—For coverage of credit and equity market instruments and further details, see Table 3, p. 1048. Funds raised are the excess of borrowing through market instruments over repayments, etc.; funds advanced are the excess of lending through market instruments over repayments, etc. Total of funds raised may differ from total of funds advanced because of statistical discrepancies.

of new houses than in 1957. Mortgage credit had become more readily obtainable, and FHA-insured loans were made on existing houses at double the 1957 rate.

Increased use of security credit by consumers last year accompanied active trading in the stock market. Changes in credit during the year also reflected activity in the Government bond market. In the first half of 1959 security credit increased less than a year earlier.

Business demand for funds in credit and equity markets was relatively small in the first half of 1958. Although capital outlays, and need for outside funds, remained relatively small in the last half, business borrowing from banks expanded. In this period, and in early 1959, business demand for credit was above that a year earlier.

State and local governments borrowed a record amount of almost $6 billion in 1958, $1 billion more than in 1957. The increase was about the same as that in construction outlays by these governments. The timing was different, however, as the increase in borrowing occurred in the first half and the greater part of the rise in outlays in the second half of the year.

SUPPLY OF FUNDS TO CREDIT MARKETS

The funds flowing into credit and equity markets in 1958 came predominantly from financial sectors—commercial banks, savings institutions, insurance companies, and other financial organizations—as the immediate source, and reflected an increase in indirect advances of nonfinancial sectors through financial institutions. In the first half of 1959 the flow of funds from nonfinancial through financial sectors slowed down, and financial institutions supplied a smaller volume of funds. The total of funds advanced directly to credit markets by the nonfinancial sectors, which declined in the year 1958, rose in the first half of 1959 to a level considerably above that a year earlier.

In 1958, as shown in the table on this page, funds placed through credit and equity markets totaled $45 billion of which $37 billion was advanced by financial institutions. These institutions supplied $15 billion more than a year earlier, while nonfinancial sectors advanced directly $6 billion less. The fall-off in funds advanced directly by consumers exceeded the reduction for nonfinancial sectors as a whole. The increase from nonfinancial businesses, as their liquidity positions improved, was partly offset by decreases from governments and foreigners.

Investments by financial institutions. About four-fifths of the $15 billion increase in investments by financial institutions in 1958 went into Federal Government obligations, purchased mainly by the commercial banking sector in the first half of the year, but

FLOW OF FUNDS THROUGH FINANCIAL INSTITUTIONS INTO CREDIT AND EQUITY MARKETS

[In billions of dollars]

Type of market instrument, and source of funds	1957 1st half	1957 2d half	1958 1st half	1958 2d half	1959 1st half[p]
Market instruments acquired, total	6.9	15.3	19.4	17.3	11.5
Federal obligations	−5.5	4.6	7.4	3.7	−5.8
State and local obligations	1.0	1.0	2.7	1.0	1.1
Corporate and foreign bonds	2.5	2.8	2.5	2.1	2.0
Corporate stocks	1.1	1.0	1.1	1.4	1.5
Mortgages	3.8	4.5	5.2	7.2	7.2
Consumer credit	1.3	1.0	−.6	.2	2.4
Security credit	(1)	−.3	1.8	−.8	−.2
Other	2.7	.7	−.7	2.5	3.3
Sources of funds, total	7.0	15.7	18.8	17.2	11.0
Increase in liabilities, total[2]	*6.2*	*14.9*	*17.1*	*14.7*	*8.0*
Demand deposits and currency:					
Federal Govt. deposits	1.0	−.8	5.0	−4.9	.1
Other	−6.3	5.3	−3.8	9.5	−4.9
Time deposits and savings shares	6.9	5.2	10.8	5.9	6.0
Life insurance and pension reserves	3.4	3.4	3.4	4.1	3.7
Securities and borrowing	1.1	1.6	1.1	.4	2.7
Decrease in gold assets	−.6	−.1	1.5	.8	.8
Other[3]	1.4	.9	.2	1.7	2.2

[p] Preliminary.
[1] Less than $50 million.
[2] Includes miscellaneous liabilities not shown separately.
[3] Gross saving and net decreases in assets other than market instruments and gold.

NOTE.—Financial institutions include Federal Reserve System and certain Treasury monetary funds. Total of net purchases differs from total of sources because of statistical discrepancies.

also by other financial organizations. Net purchases of $11 billion of Federal obligations by financial institutions in 1958 exceeded the $9 billion increase in such obligations outstanding as consumers on balance sold Federal securities.

Commercial banks and other financial institutions also increased substantially their net purchases of State and local obligations and 1- to 4-family mortgages. Partly offsetting these increased flows was a marked reduction in net extensions of short- and intermediate-term credit to consumers.

The market for equity securities also reflected the greater availability of institutional funds last year. Net purchases of corporate stocks by financial institutions, notably by noninsured pension funds and open-end investment companies, totaled $2.5 billion, more than $500 million larger than in 1957. Consumers purchased only $200 million net, a smaller amount than in 1957, of stocks other than those of open-end investment companies, but increased their purchases of shares in such companies.

Commercial banking sector. The commercial banking sector, which includes Federal Reserve Banks and certain Treasury monetary funds, accounted for more than four-fifths of the increase from 1957 to 1958 in total credit flow from financial institutions. In the first half of 1959 the total flow was smaller than a year earlier and reflected a reduction in funds advanced by commercial banks. Marked expansion in bank credit in 1958 reflected a Federal Reserve policy of monetary ease during a period of reduced economic activity, while the slower increase in bank credit in early 1959 reflected a shift in policy toward restraint in a period of vigorous economic expansion.

The increase in privately held demand deposits and currency—the active money supply—in 1958 was about $7 billion greater than in 1957. The active money supply declined in the first half of 1959, the usual seasonal movement. The decline was larger than a year earlier, but at mid-year the active money supply was $5 billion above that in mid-1958.

The increase in bank loans and investments in 1958 also reflected a record growth in time deposits at commercial banks, which amounted to $8 billion, or 45 per cent more than in 1957. In addition, Federal Reserve actions to offset the $2 billion decrease in gold assets last year—in contrast to the gold inflow of 1957—were also reflected in the sector's loans and investments. In the first half of 1959 both the inflow of time deposits and the decrease in gold assets were smaller than a year earlier.

A Quarterly Presentation of Flow of Funds, Saving, and Investment

INTERACTIONS of financial and nonfinancial developments are important elements in the determination of the course of economic events, both in the short run and over longer sweeps of economic activity. Patterns of financial and nonfinancial flows of funds through the economy and patterns of saving and investment play significant roles both in determining and in revealing these interactions. An understanding of these patterns is thus vital in economic analysis and in formation of monetary and other economic policies. Such understanding is greatly facilitated when it is based upon a firm statistical foundation and an appropriate statistical framework.

The Board of Governors of the Federal Reserve System has long been concerned with the quality and pertinence of statistics in these areas. One expression of this interest has been its development of the flow-of-funds system of national accounts, first published in 1955.[1] Developmental work since 1955 has stemmed both from a continuing program to improve the flow-of-funds accounts and from work in connection with saving statistics undertaken at the request of the Office of Statistical Standards of the Bureau of the Budget. The Budget Bureau asked the Board to assume more responsibility in the area of saving statistics and to explore various problems related to the measurement and publication of estimates of national and sector saving and investment.

As the latest step in these programs, the Board's Division of Research and Statistics presents in this issue of the BULLETIN a new version of the flow-of-funds accounts. The most significant advances in the new version are the placing of the accounts on a current quarterly basis and the presentation of saving and investment series for both individual sectors and the economy as a whole as integral elements of the flow-of-funds structure of accounts.

Quarterly estimates. Beginning with this issue of the BULLETIN the flow-of-funds system of accounts will be published regularly on a quarterly basis, with about a four-month lag in publication of estimates for the latest quarter. The quarterly flows are shown, in general, without adjustment for seasonal variation. Quarterly estimates on the new basis have been prepared for the years beginning with 1952.[2]

[1] The pioneering work in this area was conducted by Professor Morris A. Copeland, now of Cornell University. The results of his work were published in his book, *A Study of Moneyflows in the United States* (National Bureau of Economic Research, New York, 1952). Structural and statistical development of the system was continued by the staff of the Board; the first publication of the Board's work was in the Federal Reserve BULLETIN, October 1955, pp. 1085-1124, and in *Flow of Funds in the United States, 1939-1953* (Board of Governors of the Federal Reserve System, Washington, D.C., 1955). Statistical revisions and later annual data have appeared in the BULLETINS for April and October 1957, pp. 376-85 and 1190-94, respectively, and in mimeographed form.

[2] Annual estimates on the new basis begin with 1946 for transaction flows and with year-end 1945 for amounts outstanding of financial assets and liabilities.

Detailed descriptions of the form and time coverage of the tables presented in this BULLETIN are given on p. 843.

Saving and investment estimates. Another important development in the accounts is the presentation of totals of saving and investment for each domestic sector and for the nation as a whole as integral elements of the system of accounts. This is part of a broader set of changes, introduced over time, whereby current and capital elements of the accounts are separated more sharply and "internal" entries between current and capital accounts are recorded.

To a great extent, introduction of saving and investment totals into the flow-of-funds system could be accomplished by striking subtotals of flows already recorded in the accounts. In some instances, however, treatments of transactions were modified to accommodate the desired concepts of saving and investment.[3]

Placing saving and investment totals within the framework of the flow-of-funds system of accounts provides perspective for these totals in terms of sector transactions and in terms of financial market developments that are important both as determinants and as consequences of the patterns of saving and investment. Similarly, the explicit recording of saving and investment totals in the accounts provides convenient summaries of current flows and of capital flows in terms of concepts that are often used as strategic elements in analyzing the levels and fluctuations of total demand, income, and employment, as well as growth in income and productive capacity.

ANALYTIC ORIENTATION OF THE ACCOUNTS

Developments and decisions in the financial sphere of the economy and developments and decisions with respect to income, production, and the markets for goods and services are interdependent and mutually determining. Liquidity position, portfolio composition, credit availability, and changes in each are reflected in markets for goods and services and thereby in the changing total and composition of spending and output; at the same time, changes in income, prices, expenditures, and output influence saving and investment decisions, borrowing and liquidity needs, and thus flows through financial channels.

The flow-of-funds system of accounts is designed to provide a statistical framework appropriate to the analysis of problems involving relationships among financial and nonfinancial developments and to permit the tieing together of sector and financial market analyses into an integrated analysis for the economy as a whole. The major characteristics of the system with respect to scope and with respect to organization of transaction entries into sector and transaction accounts stem from the general requirements of such integrated analysis.

Thus the accounts encompass estimates of both financial and nonfinancial flows arranged in a single internally consistent structure. Since mutual interactions occur through decisions of economic units made in light of their whole pattern of receipts and outlays, borrowing and lending, and saving and investment, analytic emphasis is placed on the behavior of groups of economic units. An explicit sector organization of the accounts follows from this emphasis; all transactions—current and capital, financial and nonfinancial—of a given group of economic units are recorded in a sector account of sources and uses of funds, which covers current income of all types, current expenditures, capital expenditures,

[3] The place of the saving and investment totals in the structure of accounts and the concepts of saving and investment used are discussed in later sections of this article.

borrowing, and lending and other acquisitions of financial assets.

The transactions of the various sectors are classified in a standard way throughout all sector accounts. Each payment by one economic unit is also a receipt of another, and each debt of one unit also a financial asset of another; with both sides of each transaction or claim classified similarly, the transactions of one sector can be related to those of other sectors, and transaction accounts can be set up showing the amounts various sectors put into, and receive from, various broad markets. In the financial area, standardization of transaction classification provides a consistent structure of all financial flows. Estimates of outstanding amounts of financial assets and liabilities similarly provide an over-all picture of the structure of debt relationships.

While the individual sector and transaction accounts provide a statistical basis for examining separate parts of the economy, the system of accounts is oriented primarily, through its interlocking of sector and market perspective, toward analysis of relations among all the parts and, through these relations, toward analysis of developments in the economy as a whole.[4] It finds its major use in problems that involve both financial and nonfinancial variables and that relate to the interactions of the decisions of various groups in the economy and to interrelations among various financial markets.

[4] The interlocking of sector and transaction perspective in the accounts is highlighted, particularly for financial flows, in Table 1 (p. 1046) of the BULLETIN flow-of-funds tables. Sector accounts are shown vertically and market or transaction accounts are presented, simultaneously with the sector accounts, horizontally in the table. In order to keep the table to manageable proportions, current account receipts and outlays for each sector are summarized into a single entry for saving, but more of the current account detail is shown in the sector accounts of Table 4.

To the analysis of this wide range of problems, which economists have long dealt with on the basis of less comprehensive arrays of statistical resources, the flow-of-funds system of accounts contributes a controlled statistical approach and an internally consistent body of data that highlight the complex of transactions in the economy. The constraints provided by a system in which every flow is consistently recorded both as receipt and payment and in which explicitly recorded sources and uses of funds balance for each sector enforce a consistency of analysis not easily achieved otherwise.

While the accounts are an aid to analysis, they do not, by themselves, constitute analysis or offer automatic answers to problems. Examination of the accounts may provide some insight into the functional relations between variables, may suggest workable hypotheses, and may permit the screening out of obviously implausible hypotheses, but each user must supply his own analysis and adapt the accounts to his own purposes and methods.

In designing the accounts, effort was made to keep the structure of the system adaptable and flexible so as not to restrict unduly the user's freedom to select hypotheses for testing or his freedom to combine or correlate data in testing. The structure of the system is thus not geared to any particular problem within the wide range of analysis for which the accounts are appropriate; nor is it geared to any specialized theory, hypothesis, or approach. For any given use it may be desirable to condense or otherwise rearrange the accounts to fit the specific analytic objective. Different problems and approaches may require different rearrangements. The value of the system of accounts is thus enhanced by its presentation in a form detailed enough to permit such rearrangements.

STRUCTURE OF THE ACCOUNTS

The basic form of the presentation is a set of interlocking, internally consistent sources and uses of funds statements for the major sectors into which the economy has been divided.

Sector and transaction classifications. The economy has been divided into 11 sectors: (1) consumers and nonprofit organizations; three nonfinancial business sectors—(2) farm business, (3) nonfarm noncorporate business, and (4) corporate business; two government sectors—(5) Federal Government, and (6) State and local government; four financial sectors—(7) commercial banking and monetary authorities, (8) savings institutions (mutual savings banks, savings and loan associations, and credit unions), (9) insurance companies and private pension plans, and (10) finance not elsewhere classified (security brokers and dealers, open-end investment companies, sales finance companies, etc.); and (11) a sector for the rest of the world (that is, for foreign transactions with the United States).[5]

The statement for each sector records all the financial and nonfinancial flows for that sector arising from its transactions—flows of means of payment, purchases and sales, transfers and gifts, and borrowing and advance of funds. Each sector account is divided into a current transactions subaccount, which records current nonfinancial flows, and a capital transactions subaccount, which records nonfinancial capital flows and financial flows. Internal transfers of value between the subaccounts of any given sector are also recorded.

Current account transactions specifically shown in the BULLETIN tables differ from one sector statement to another in kind and amount of detail and in extent to which the transactions are netted.[6] The greatest amount of such detail is recorded in the consumer and government accounts.

Nonfinancial capital flows are shown in the private domestic sector statements in the following categories: purchases of consumer durable goods, residential construction, plant and equipment expenditures, and net change in inventories.[7] No nonfinancial capital flows are entered in the capital transactions subaccounts of the government sectors; they are recorded, together with other purchases of goods and services, in the government current transactions subaccounts.

Financial flows for each sector are shown in the following categories, which are defined consistently for all sectors:[7]

- Gold and Treasury currency
- Demand deposits and currency
- Fixed-value redeemable claims:
  - Time deposits
  - Savings shares
  - U. S. savings bonds (consumer-held)
- Saving through life insurance
- Saving through pension funds
- Credit and equity market instruments:
  - Federal obligations
  - State and local obligations
  - Corporate and foreign bonds
  - Corporate stock
  - Mortgages on 1- to 4-family properties
  - Other mortgages
  - Consumer credit
  - Security credit
  - Bank loans not elsewhere classified
  - Other loans
- Trade credit
- Proprietors' net investment in noncorporate business
- Miscellaneous financial transactions

[5] Subsector statements are also prepared for the major components of the financial sectors but are not presented in the BULLETIN. Detailed definitions and coverage of the sectors are given on pp. 846-48.

[6] For a list of nonfinancial transaction categories underlying the present estimates, see p. 848.

[7] For description of these categories, see p. 852.

Financial flows for each sector are recorded on a net transaction basis for each financial transaction category; that is, for each sector for each financial transaction category the asset entry represents funds used to acquire assets of that type in the accounting period less funds realized from the disposition of assets of that type in the accounting period; and the liability entry represents funds raised by borrowing less funds used in repayment in the accounting period.[8]

In two respects, however, entries for financial flows are on a gross basis: (1) Liabilities (assets) of one transaction category are not netted against assets (liabilities) of another. For example, consumer borrowing to purchase securities is not netted against consumer purchase of the securities; both are shown in the consumer account. (2) For any sector, asset and liability entries within a single transaction category are not netted; both are shown (except for internal holdings in consolidated sector accounts). For example, consumer mortgage assets are not netted against consumer mortgage liabilities.

In addition to estimates of financial flows, estimates of amounts of financial assets and liabilities outstanding are provided in the form of partial balance sheets for the various sectors.[9] These estimates are shown in the same structure of sector and financial transaction categories as is used in the flow accounts.[10]

Saving and investment in the structure of accounts. Within this structure of sector and transaction accounts, saving and investment for each domestic sector and for the economy as a whole are shown as subtotals of pertinent flows in the accounts.[11] Saving is defined in terms of current transactions, that is, as the excess of current receipts over current expenditures.[12] It is shown both gross and net of capital consumption. For each sector, gross saving—the balancing use of funds within its current transactions account—is carried to its capital transactions account as a source of funds for that account. Investment for each sector is defined in terms of capital transactions, that is, as the sum of net purchases of tangible assets (expenditures for both newly produced and previously existing tangible assets less sales of tangible assets) and net acquisitions of financial assets less net increases in liabilities. Government net tangible capital expenditures, however, are omitted from government sector and national investment totals for the present due to unresolved conceptual and statistical problems in this area.[13]

Saving and investment for the economy as a whole are shown as the sums of saving and of investment, respectively, for all do-

[8] To simplify terminology and table form, the term "liability" is used to cover both equity and debt claims.

[9] The balance sheets shown are partial in that they do not include estimates for the value of tangible assets either by sector or for the economy as a whole. Correspondingly, no levels are shown for net worth or for net equity of owners in sector's assets. At the present time, the statistical basis for estimates of tangible wealth is insufficient to warrant incorporating such estimates in the accounts.

[10] Financial flows are recorded on a transaction basis, while amounts outstanding reflect valuation changes as well as transactions; hence annual changes in amounts outstanding are not necessarily equal to the corresponding figures on flows.

[11] For a description of the main features of the saving and investment series for the various sectors, see p. 849 of this BULLETIN.

[12] A subtotal of "current surplus" is also shown for each sector. Current surplus is measured before depreciation and before certain net imputations incident to the treatment of life insurance and pension funds, as discussed on p. 849 of this BULLETIN.

[13] See discussion on p. 834.

mestic sectors.[14] In the measure of investment for any group of economic units, financial flows among the units cancel out. Thus, in the measure of total national investment, financial claims owed and held within the domestic economy, which are important components of sector investment, cancel out and the financial component of national investment consists of the increase in net financial claims on foreigners.[15] Similarly transactions in previously existing tangible assets among domestic sectors cancel out (if both the purchase and the sale are recorded in capital transactions accounts) in the measure of the tangible component of national investment.

For each sector and for the economy as a whole, saving measured from the current transactions account is conceptually equal to investment measured from the capital transactions account. In practice, however, the two measures are not necessarily equal because of statistical discrepancies.[16] The conceptual equality of saving and investment in these accounts is an alternative statement of the conceptual equality of sources and uses of funds or of credits and debits. Regrouping sources and uses of funds into two categories—current and capital flows—and striking subtotals does not destroy this conceptual equality.[17]

The fact that saving is in concept equal to investment means that as a statistical matter either item can be estimated from the current transactions account or from the capital transactions account. The procedure followed here of estimating both saving and investment in terms of their basic definitions seems less conducive to semantic confusion than if the alternative procedure of estimating one of them in terms of its statistical equivalent were used.[18]

CONCEPTS AND DEFINITIONS OF SAVING AND INVESTMENT

Presenting saving and investment within the framework of a comprehensive structure of national accounts clarifies many conceptual

[14] Stated alternatively, the capital transactions account for the economy as a whole represents a consolidation of the capital transactions accounts for the domestic sectors.

[15] While the domestic financial components of sector investment—that is, the financial flows among domestic sectors—cancel out in the *measure* of national investment, they are significant elements in the *determination* of national investment. The forms in which people save, the extent to which funds from savers are channeled through financial markets and financial institutions to the purchasers of investment goods, the pattern of financial flows in the economy, and the state of the financial markets all have effect on sector decisions to purchase investment goods and on foreign financial transactions and thus on the amount and form of national investment.

[16] See pp. 857-59 of this BULLETIN for a discussion of discrepancies in the accounts.

[17] It is sometimes considered convenient to record certain transfers, gifts, or grants as "capital transfers," that is, as transfers out of capital account rather than out of current account. Examples of items suggested for such treatment are estate taxes, gifts of capital to charitable institutions, parts of foreign aid. In such cases, the definitional equality for each sector is not "saving = investment," but "saving = investment + net capital transfers paid." If all capital transfers were between domestic sectors, with both the receipt and payment recorded in capital transactions accounts, such capital transfers would be offsetting for the economy as a whole and the national definitional equality would be "saving = investment." To the extent that the capital transfers are from or to foreign countries or that one side of a domestic capital transfer is recorded in a current account, the equality for the economy as a whole is "saving = investment + net capital transfers." In the present accounts, all taxes and transfers are treated as current transactions and thus "saving = investment" by definition.

[18] The conceptual equality of saving and investment and the consequent possibility of estimating saving through investment has resulted in an increasing tendency to identify saving and investment terminologically, that is, to label investment series as "saving." Investment is the "form that saving takes," and it is the "uses to which saving is put," but it is not saving. To apply the term "saving" both to the current sources of funds in the capital transactions account and to the capital uses of funds is to blur a distinction that is as analytically significant, for example, as that between sources and uses of funds, or between supply and demand.

issues and helps to prevent inconsistencies in treatment and definition. It does not determine the basic concepts and definitions of saving and investment. Rather, within the structure of the national accounts, the concepts of saving and investment influence the boundaries between current transactions and capital transactions, the form of relationship between various sectors, the extent to which certain transaction complexes are reflected in financial flows, and the need for imputations. In general, the structure of the flow-of-funds accounts can be adapted to accommodate any desired concept of saving and investment.

Specific measures of saving and investment are determined mainly by decisions on the coverage of investment. Since all transactions are classed as either capital or current, decisions as to the coverage of investment also determine the scope of current transactions and thus of saving.

Investment in tangible assets. In this presentation, the basic emphasis in the coverage of investment in tangible assets is on the acquisition of goods that yield services over time, that is, beyond the current accounting period. Under this general criterion, national investment in tangible form in the accounts consists of capital formation in the following forms: private business purchases of plant and equipment, including business purchases of residential construction; net change in private business inventories; consumer purchases of residential construction for owner-occupancy and of consumer durable goods; and nonprofit organization expenditures for plant and equipment.

Specific areas of decision. The general criterion for investment in tangible assets, that is, the yielding of services over time, does not in practice result in a unique demarcation between those uses of resources that satisfy the criterion and those that do not. The borderline is not sharp, and any selection of items will to some extent be arbitrary. The following paragraphs discuss some of the areas of specific decision.

(1) Government investment. Government tangible investment, including that by both general government and government enterprises, is the most important class of items excluded from the present total of national investment. This exclusion stems from both conceptual and statistical problems: Although a significant part of purchases of goods and services by government can properly be considered as representing capital formation and thus as part of total national investment, unresolved conceptual problems involved in drawing the line between the current and capital expenditures of the government sectors justify omitting series on government tangible investment.[19] Despite the availability of many pieces of pertinent data, there are also many statistical problems in compiling consistent quarterly series for government expenditures on tangible capital assets. Some of these problems relate to estimates of capital consumption.

Much work remains to be done on these problems before satisfactory series for government tangible capital can be constructed. When these problems are settled, tangible capital expenditures will be broken out of current transactions in the government accounts and added to government capital transactions accounts. Until then, govern-

[19] An alternative would be to show tangible capital series that consist of a limited group of capital expenditures, such as government construction outlays, for which data are published currently. Aside from the possibly misleading aspects of such a partial series, the absence of related depreciation estimates leads to the rejection of this alternative. Government construction outlays, however, are identified in the government sector accounts.

ment investment as shown in the flow-of-funds accounts will cover only the financial transactions—net lending less net borrowing—of the government sectors.

(2) Expenditures on research and education. Expenditures on research and development, and by extension all expenditures on training and education, also present unresolved problems for measures of investment. Many such expenditures yield their "services" over time, and many result in increased production and productivity. The extent to which it is desirable or meaningful to treat such uses of resources as capital expenditures is an unsettled question. Probably even more troublesome is the question of the proper pattern of depreciation involved if research and development are made part of capital outlays. At the present time outlays on research, development, education, and training are not included in the national investment series, except insofar as they take the form of private expenditures on plant and equipment.

(3) Consumer tangible investment. Tangible investment expenditures for consumers cover purchases of consumer durable goods as classified in the national income accounts and of residential housing. Some goods classified as nondurable (for example, clothing and other textile goods) and some services (ranging from education to shoe repairs and clothing alterations) yield their services over time and thus in principle are part of capital formation. For reasons of statistical convenience, however, the published series on consumer expenditures for durable goods has been used with no additions or deletions. For the same reason, changes in consumer inventories of nondurable goods have been excluded from national investment. Even though change in inventories anywhere in the economy might properly be considered part of investment, only changes in private business inventories are so treated.

(4) Transactions in existing assets. Transactions in land and other previously existing assets present other statistical problems. In principle, investment expenditures of each sector should include all such items as purchases and sales of land and existing plant and equipment as positive and negative elements, respectively. Data for these items are extremely poor and the accounts include only a few items for which estimates are available, namely business purchases of used plant and equipment from the Government and business lease-back transactions with insurance companies. Other existing asset transactions have not been entered in the capital transactions accounts.

When both the purchase and the sale entries for transactions in previously existing assets are recorded in capital transactions accounts of domestic sectors, such transactions do not enter the total of national investment, and statistical inadequacies in their measurement do not affect the estimates of total investments.[20] However, to the extent that the existing asset transactions take place across sector lines, statistical inadequacies affect the measures of distribution of national investment by sector and contribute to sector discrepancies between saving and investment. Transactions in existing houses are not a major problem in this respect because most of these trans-

[20] Because net tangible capital expenditures of government do not appear in the national investment total, private business purchases of existing assets from government appear in the measure of total national investment recorded in the accounts. When government net tangible capital expenditures are added to the government capital transactions accounts (and thus to national investment), business purchases of existing assets from government will be eliminated by offset from the total of national investment.

actions take place within the consumer sector.

Capital consumption charges. Capital consumption charges are an important element in the calculation of measures of net saving and net investment to be used in analyses of economic capacity and of economic growth.

In this presentation, capital consumption charges against reproducible tangible assets consist of depreciation, accidental damage to fixed capital, and capital outlays charged to current account in business usage. Saving is shown both gross and net of capital consumption charges, but investment is shown only in gross form. Depreciation on consumer durable goods is estimated by the Federal Reserve on a current-cost basis; all other annual capital consumption charges in the accounts are based on figures in the national income and product accounts of the Department of Commerce and are on the valuation basis used in those accounts, mainly original cost with the principal exception of farm depreciation, which is on a current-cost basis.

Most of the elements of present data on capital consumption have significance primarily as allowable tax deductions or as allocations of acquisition costs over time. For a number of reasons, they may be inappropriate for purposes of measuring net saving and net increments to the economy's physical capital and for the analysis of the relation of saving and investment to economic growth. For such purposes, capital consumption charges for a given accounting period should represent asset values lost during that period through use and passage of time. There is some question as to whether capital consumption in this sense can really be measured, but a closer working approximation than that now available can probably be developed.

For the purposes of measuring increments to capital and analyzing the relation of saving and investment to economic growth, many of the present data are deficient in both the valuation basis and the time patterns used in calculating depreciation. Valuation bases and lengths of life that are appropriate for tax purposes are not necessarily significant for such measurement purposes. One step toward a working approximation suitable for the latter purposes might be to shift all elements of depreciation now on an original-cost basis to a current-cost basis. Another step might be the determination and adoption of estimates of the useful life of each class of asset that would be appropriate for measuring net saving and investment.

Other problems with taxed-based depreciation series stem from discontinuities introduced by occasional use of rapid amortization schedules and recent shifts from straight-line depreciation to declining-balance and other methods that concentrate depreciation relatively more in the early life of the asset. Mixed valuation bases and varying methods of allocating charges over time in the depreciation estimates now available tend to restrict the comparability of measures of net saving and investment both over time and as between sectors.

Estimates of capital consumption that are more appropriate for measuring net saving and net capital formation will be added to the presentation if they are developed. At least until then, estimates of gross saving and gross investment are statistically more significant than estimates of net saving and net investment.

Financial investment. The financial relationships that determine the content of financial investment for each sector and for the economy as a whole are indicated by the structure of accounts, the list of financial categories, and the descriptions of these categories on pages 851-57 of this BULLETIN. In most instances, decisions as to what does or does not constitute a financial relationship were clear, but in the instances discussed in this section alternative treatments were possible.

Financial flows among domestic sectors cancel out in the measurement of national investment. Thus, except to the extent that financial relationships with foreign countries are involved, definitional decisions relating to financial relationships affect domestic sector totals of saving and investment and the distribution of saving and investment among the domestic sectors, but not the measures of national saving and investment. In principle most of the relationships discussed below might affect measures of foreign financial flows and thus measures of national investment, but as a matter of fact, mainly because of lack of information, they are treated in these accounts as involving only intradomestic relationships.[21]

Life insurance. Life insurance, government as well as private, is reflected in the financial assets of the consumer sector and in liabilities of life insurance companies and the Federal Government. The problem in this area relates not to the existence of a claim but to the exact nature of the claim and how to measure it.

Four means of measuring the life insurance claim are available—net premiums, cash surrender values, total assets of insurance funds, and policy reserves.[22] Net premiums (that is, premiums less benefits) are not a satisfactory measure of policyholders' investment in life insurance because the value of the claim is also affected by investment income and costs of operations of the insurance funds. Cash surrender values provide a measure of the liquid part of investment in life insurance but in some cases, such as matured annuities, they fail to give even an approximate indication of the total claim involved.

The use of total assets as a measure of insurance claims also involves difficulties: Private life insurance companies usually conduct operations other than life insurance through nonlife insurance and pension departments, and the assets of most companies are not segregated by department. Moreover, some of the assets reflect internal saving by the companies in the form of retained earnings, reserves for special contingencies, and unassigned surplus. While such internal saving strengthens the company's financial position, it does not under normal circumstances reflect a claim of the individual policyholder against the company.

Policy reserves appear to be the best basis for estimating the financial claims involved in life insurance. For private life insurance, the claim is estimated as equal to changes in reserves against life policies and supplementary contracts and in dividend accumulations. The difference between total assets and the total of these items is a measure of the saving and investment of the life insurance companies themselves. Similarly, with respect to Government life insurance, the claim has been estimated as equal to policy reserves and liabilities for matured contracts.

The asset side of the life insurance finan-

[21] The main error in this assumption probably involves the area of insurance relationships across national boundaries.

[22] For a discussion of the relations between financial claims and current flows involved in life insurance, see p. 849 of this BULLETIN.

cial claim has been attributed entirely to consumers. As a matter of fact, businesses are beneficiaries of some life insurance policies and therefore the holders of the claim. Because the amounts are relatively small and estimates are not available, these business claims have not been separated from consumer claims.

Pension plans. Both private pension plans and government employee retirement and railroad retirement plans are reflected in consumer investment in financial assets and in liabilities of the government and insurance sectors.[23] On the other hand, social security transactions in connection with old age and survivors insurance and unemployment compensation programs are treated as current, not investment, transactions.

The basis for treating claims on pension funds as financial claims in the accounts is not so clearcut as it is for life insurance. While there is an element of saving that is being done by or for the employees covered in the funds, neither the nature of the claims nor the relationship between the size of the funds and the ultimate claims against them is clear for the funds taken in the aggregate. Despite the uncertainty of the measurement of the employees' claims against the funds, it is more convenient to show the saving as being done by the ultimate beneficiaries rather than by the funds themselves. Thus, the estimate for the financial claims involved—change in reserves in the case of plans administered by life insurance companies and change in total assets for private noninsured plans (those not administered by life insurance companies), government employee retirement funds, and the railroad retirement fund—is one of convenience; it does not necessarily represent an estimate of the ultimate value of the claims.

The old age and survivors insurance program (OASI) also generates claims to future income, but in this case it was decided to treat the tax and transfer flows entirely on a current basis, as is done in the case of payments of veterans' and military pensions (for which no Government trust funds have been established). Hence the claims arising out of the OASI program are not reflected in any financial instruments in the accounts. The same treatment is used for the unemployment compensation system, where the case for it is even stronger; because of the contingent nature of the claim, unemployment insurance is more akin to nonlife insurance than it is to the life insurance and pension relationships that are expressible as financial claims.

Noncorporate business saving. The problems involved in dividing saving and investment between unincorporated enterprises and their proprietors are part of a broader range of statistical and conceptual problems centering on the relations between such businesses and proprietors. Depending upon the nature of the entry shown for income withdrawals by proprietors from the businesses, the amount of saving done out of the net income of the business can be recorded in the noncorporate business sector accounts or in the consumer account or divided between them. If it were possible to define operationally and to measure actual current income withdrawals by proprietors (including amounts for payment of income taxes on business income), the difference between these withdrawals and the net income of the business would provide a measure of business retained earnings or the net saving of the business. In turn, the difference between this business net saving and the excess of business investment expenditures (for both tangible and financial investment) over de-

[23] For a discussion of the relations between the financial claims and the current flows involved in retirement plans, see p. 849 of this BULLETIN.

preciation and net borrowing would provide a measure of the flow of new equity funds into unincorporated business net of capital funds withdrawn. However, there is no statistical basis for such a separation of unincorporated business net income into proprietors' current withdrawals and business net saving.

In the present accounts, "income withdrawals by proprietors" for each year as a whole is treated as equal to the total net income of unincorporated businesses, both farm and nonfarm, and accordingly unincorporated business retained income, or net saving, is shown as zero on an annual basis.[24] As a correlate of this treatment, the financial category "proprietors' net investment in noncorporate business" covers not only the net flow of new equity funds into unincorporated business but also the net earnings retained in the business. "Proprietors' net investment in noncorporate business" is thus equal statistically to the investment expenditures (for both tangible and financial investments) of such businesses less increases in liabilities other than proprietors' net investment and less capital consumption charges.

In this treatment, net retained earnings of unincorporated businesses for the year as a whole are reflected in consumer saving rather than in business saving. The financial and current transactions recorded between unincorporated enterprises and their owners thus have the effect of showing zero annual net investment and zero annual net saving for noncorporate business; these transactions transfer noncorporate business net saving and net investment to the consumer sector for the year as a whole, leaving gross noncorporate business saving and investment equal to capital consumption charges.[25]

There are also serious conceptual and statistical problems in allocating certain financial instruments between the consumer sector and noncorporate business. In the present accounts, the allocation in these cases has been made entirely to the consumer sector except where there is specific indication of noncorporate business participation. Such allocation decisions affect the distribution of consumer and noncorporate investment by type, but they do not affect the totals of saving and investment for any of the sectors involved, since any changes in such allocations are offset by equal changes in the item for proprietors' net investment in noncorporate business.

Profits tax accruals. No financial relationship is recorded between corporate business and the government sectors with respect to corporate profits tax accruals; the saving figures of corporate business and of the government sectors reflect tax payments and tax receipts, respectively, rather than tax accruals. Corporate profits tax accruals, particularly as currently accruing, are more a unilateral internal segregation of reserves in recognition of future payments than a financial flow or a specific debt instrument between corporations and government. The amount as currently accrued is not agreed upon by the "creditor"; the current accruals may in specific cases bear little relation to the amounts that will actually be paid. The amount of accrual influences portfolio and

[24] It seems reasonable to assume that income withdrawals by proprietors have a smoother pattern within the year than business net income, which has large seasonal fluctuations. A consequence of this assumption is that in some quarters of the year proprietors' withdrawals are larger than income and in other quarters are smaller than income. The data therefore show seasonal movements of noncorporate business net saving and dissaving that add to zero over each year.

[25] Net saving and investment of the farm business sector reflect the retained earnings of corporate farms, which are not transferred to the consumer sector in this manner.

other decisions and is needed in analysis, but for these purposes it is preferable to record it as an internal charge rather than as government receipts involving financial relations. (The internal charge is shown in a memorandum line in the corporate business sector account.)

Commodity Credit Corporation loans. CCC nonrecourse price-support loans (both direct loans and guaranteed loans held by banks) can be treated as (1) borrowing (secured by inventories) that does not have to be repaid in cash (and on which the interest need not be paid) except at the option of the borrower or as (2) sales to the CCC, with the seller having an option to repurchase at a minor penalty rate. The latter treatment has been adopted for this presentation.[26] Under this treatment, Government purchases include the net change in crop inventories securing direct and guaranteed CCC nonrecourse price-support loans as well as the net change in inventories held directly by the CCC; these crops appear in farm marketings at the time they are put under CCC loan; and no farm debt is shown for the CCC loans.[27] All CCC-guaranteed loans held by banks are recorded as debts of the CCC and hence of the Federal Government sector.

The choice of treatment of CCC loans does not affect total saving and total investment of the farm sector, but it does affect the composition of farm investment as between tangible and financial investments; in the treatment adopted, tangible investment is smaller and financial investment larger (because liabilities are smaller) than in the alternative. Since Government investment includes Government net lending but not Government purchases of tangible assets, the alternative treatments yield different totals of Government investment and of national investment. In the purchase treatment adopted, Government investment and national investment are both less—by the amount of the net increase in crops under CCC nonrecourse loans—than they would be in the loan treatment.[28]

Alternative definitions. The criterion used here in defining investment—acquisition of assets that yield services over time—is not the only one that has been suggested as the core of an investment concept. In some cases, narrower versions of the same criterion are sought, for example, a concept of capital formation that would be restricted in some sense to business capital, or to capital that yields services in production for sale. It is not necessary to discuss here the concepts of capital, production, and economic goods implicit in the narrower criteria; it should be pointed out, however, that the detail on capital expenditures by type and by sector shown in this presentation permits the construction of a number of subtotals that can serve either as measures of narrower concepts of capital formation or as measures useful in analyses of particular aspects of capital formation.

Other criteria that have been suggested or used, explicitly or implicitly, as the basis for definitions and measures of saving and in-

[26] This treatment is also used in the national income accounts and by the Department of Agriculture in its farm income statistics.

[27] However, CCC loans for storage facilities are treated as financial transactions and CCC loans on tobacco (owed entirely by cooperatives) are an exception to the general treatment of nonrecourse price-support loans. CCC loans not included in farm debt are shown in a memorandum line in Table 8 (B).

[28] To the extent that the loans are not repaid in cash and the crops are taken over by the CCC, the difference between the two treatments is merely one of timing.

If Government tangible investment were recorded in the capital transactions account of the Government sector, total Government and national investment would be unaffected by the choice of treatment, with only the breakdown in the Government sector between tangible and financial investment differing.

vestment relate not to the role of investment in production but to the relation of investment to other economic variables, for example, to financing or to various forms of income. Thus investment is sometimes defined in terms of purchases that are generally financed through borrowing, or that are not wholly financed out of current income. Alternatively, investment is sometimes defined indirectly as an "offset" to saving where saving or consumption is defined in terms of stability in relation to certain forms of income.

Without discussing the problems involved in basing saving or investment concepts on such criteria, it may be noted that the analytic significance of groupings of transactions based on such criteria does not depend upon the groupings being labeled "saving" and "investment." The flow-of-funds accounts are constructed and presented in considerable detail so as to permit the ready rearrangement of the specific flows into categories of significance for many different problems and hypotheses. The concepts of saving and investment adopted for this presentation in no way restrict or limit such rearrangements or the analyses in which they are to play a role.

COMPARISON WITH OTHER PRESENTATIONS

The material presented in this version of the flow-of-funds accounts differs both from earlier versions of the accounts and from saving series published in other compilations.

Earlier flow-of-funds accounts. The shift to a quarterly basis and the incorporation of saving and investment totals have already been discussed. In addition to these general developments and to the general process of statistical revision, there have been several specific changes in the structure of the accounts from the form previously published.

In the sector structure, a cleaner separation of private financial and nonfinancial business has been provided by shifting finance companies and security brokers and dealers from the business sectors to a finance sector. The sector accounts covering financial businesses have been rearranged into more significant groupings. Thus, mutual savings banks and the Postal Savings System have been separated from the commercial banking system (that is, commercial banks and monetary authorities); and a new sector has been set up to cover private savings institutions.

Financial instruments have been regrouped to provide more homogeneous and, in some cases, more detailed transaction categories. Examples of such changes relate to savings deposits and shares, savings bonds, corporate securities, mortgages, consumer credit, security credit, and bank loans. Some transaction complexes—insurance, pensions, and flows between unincorporated enterprises and their proprietors—formerly handled entirely as nonfinancial flows are now also recorded in new financial transaction categories.

Other changes have been dictated by lack of adequate data. Thus consumers and nonprofit organizations have been combined into a single sector account because of statistical difficulties in separating them. Lack of data has caused curtailment in entries for transactions in existing tangible assets.

A major difference from the earlier form of the flow-of-funds accounts occurs in the presentation of current nonfinancial flows. In the earlier form, these flows were shown on a gross basis for a number of transaction categories, with consistent classification for all sectors. In the present version, the amount of detail shown for current nonfinancial flows varies from sector to sector, but in general there is less detail and more netting than formerly. The basic data for estimating many elements of the gross detailed flows are not available quarterly; shifting to a quarterly publication basis has also resulted in the elimination of many elements of the annual gross nonfinancial flows. It is hoped that the preparation of such details in a form consistent with the new structure of accounts can be resumed in the future.

Other saving series. Saving and investment series in the flow-of-funds accounts differ in several respects from corresponding series published by the U. S. Department of Commerce in the national income and product accounts and by the Securities and Exchange Commission. The following discussion indicates some of the major differences. Reconciliation tables detailing many of the differences between the flow-of-funds accounts and the national income and product accounts will be made available later.

Consumer net saving in the flow-of-funds accounts differs from net personal saving in the national income accounts as presently published in several respects. It is larger by the amount of three items not reflected in the Commerce personal saving figure: (1) purchases of consumer durable goods, net of depreciation on such goods; (2) saving through Government life insurance; (3) saving through government employee retirement funds and through the railroad retirement fund. It is less than the Commerce series by the amount of the internal saving of life insurance companies and of mutual financial institutions, which is reflected in the Commerce series.

A form of comparison can also be made on the investment side of the consumer account because the Department of Commerce, while not showing sector capital transactions subaccounts or financial flows as part of an internally consistent structure of accounts, publishes a table showing estimates of the investment equivalent of net personal saving.[29] The financial elements in that table are based on Securities and Exchange Commission estimates of individuals' saving.

In the comparison of the investment side of the flow-of-funds account for the consumer sector and the Department of Commerce table the differences listed above for the saving side also appear. In addition there are the following differences: (1) the flow-of-funds account records on a gross basis some items that are recorded on a consolidated or other net basis in the Commerce table (for example, consumer credit, mortgages); (2) assets and liabilities of unincorporated businesses enter the two presentations differently—in the flow-of-funds consumer table, they are reflected in the category "proprietors' net investment in noncorporate business"; in the Commerce table, the specific business assets and liabilities themselves are entered; and (3) amounts estimated for individual items differ. Of these additional differences, only the last results in different investment totals.

Differences also exist between corporate sector saving, saving of the government sectors, and net foreign investment as presented in the two systems. These differences stem mainly from treatments relating to business sectoring, the internal saving of life insurance companies and mutual financial institutions, corporate profits taxes, timing of Government receipts of personal income taxes, Government life insurance, government employee retirement, railroad retire-

[29] *U. S. Income and Output—A Supplement to the Survey of Current Business* (Government Printing Office, Washington, D. C., 1958), Table V-9.

ment, sale of Government plant and equipment to business, government purchases of land, choice of control totals in Treasury statistics, and the "errors and omissions" in the balance-of-payments statement of the Department of Commerce.[30]

Many of the differences mentioned in connection with the saving of various sectors affect only the distribution of saving as among sectors, but a few of them result in differences between the two presentations in coverage and in estimates of national saving and investment. Thus, gross national investment in the flow-of-funds accounts includes two items—purchases of consumer durable goods and business purchases of used plant and equipment from the Federal Government—not in gross investment in the income and product accounts.[31] In addition, the investment totals in the two sets of accounts differ by the amount of the entry for errors and omissions in the balance-of-payments statement.[32]

There are also statistical differences, as well as a few conceptual ones, between the Securities and Exchange Commission series on the "Volume and Composition of Individuals' Saving" and the financial components of the investment side of the consumer account in the flow-of-funds accounts. Work is now under way at the SEC and Federal Reserve to eliminate as many of these differences as possible. This work, when completed, may result in revisions in both sets of data.

[30] The quarterly estimates for the corresponding series also differ because the Commerce figures are at annual rates and in general are on a seasonally adjusted basis while the flow-of-funds estimates are quarterly totals and in general are not adjusted for seasonal variation.

[31] See note 20, p. 835.

[32] In the national income accounts, net foreign investment is measured from the current side of the balance-of-payments statement; in the flow-of-funds accounts, from the capital side. The discrepancy between the two sides of the balance-of-payments statement, "errors and omissions," thus appears as a difference between the national investment totals in the two sets of accounts. This item is not a difference between national saving totals in the two systems.

TABULAR PRESENTATION

Tables showing estimates for the flow-of-funds system of accounts are in three parts: a set of quarterly BULLETIN tables, a set of annual BULLETIN tables, and supplementary tables to be made available in some other form.

The tables on pages 1046-62 of this issue of the BULLETIN constitute the first presentation of both the regular quarterly and the regular annual BULLETIN tables. The tables on flows in this issue present quarterly figures for 1957 and 1958 and the first quarter of 1959, together with annual figures for 1954-58; the tables on amounts outstanding show annual data for the entire period 1945-58. Quarterly data for 1952-56 and annual flow data for 1946-53 will be available for distribution later.

Quarterly tables. Tables 1 through 4 on pages 1046-53 will appear in the BULLETIN once each quarter. These tables are all in terms of flows. The four tables record the same basic estimates in the same categories, but with differences in emphasis, degree of summarization, and time periods covered. Detailed descriptions of the various sector and transaction categories used in these tables are given in the "Technical Notes," pages 846-59, and more briefly in footnotes to the tables.

Table 1 presents a detailed sector-by-transaction matrix of the saving, tangible capital, and financial flows for the entire economy for the latest quarter for which estimates are available; current nonfinancial transaction flows are summarized in a line for saving but are not recorded in detail in this table. (Details on current nonfinancial flows are presented in Table 4.) Table 1 is the basic table of the presentation in that it portrays the structure of the accounts and gives an over-all view of the pattern of financial flows among sectors. It provides a single period panorama or directory of the system. While analysis of individual parts of the system can be done on the basis of the other tables, which show the movements through time of elements of Table 1 (both in summarized and expanded forms), the interrelations and mutual impacts among sectors and markets are approached more effectively through the matrix. This table also shows most clearly the relations between the totals of saving and investment and the structure of capital flows, and between sector and national totals for saving and investment.

Table 2 presents a time series summary of the saving and investment series in Table 1. The table shows net national saving, national capital consumption, and gross national saving by sector; and gross national investment by type of investment and by sector.

Table 3 presents a time series summary of the major types of financial flows recorded in Table 1. The table is in four parts—demand deposits and currency, fixed-value redeemable claims, saving through life insurance and pension funds, and credit and equity market instruments. For each part the table presents detail by type, by debtor sector, and by holder sector. This table does not contain cross-classifications by sector by type; such cross-classifications may be obtained from Tables 1 and 4.

Table 4 presents in time series form the individual sector sources-and-uses-of-funds accounts contained in Table 1. The table is in nine parts with a sector statement for each sector except the three nonbank financial sectors (savings institutions, insurance, and finance n.e.c.), which are shown in a single combined statement (but with some sector detail and identification).

Annual tables. Tables 5 through 8 on pages 1054-62 contain annual estimates and will appear in the BULLETIN once each year. Table 5 presents a flow matrix for the latest year in the same form as Table 1. Tables 6-8 present estimates of amounts outstanding of financial assets and liabilities for year-end dates. Table 6 is a matrix of amounts outstanding for the latest year-end and corresponds in form to the financial parts of Tables 1 and 5. Tables 7 and 8 are time series tables of amounts outstanding and correspond in form to Table 3 and the financial parts of Table 4, respectively. Tables 6 and 8 present more detail by type of financial instrument than the corresponding flow tables. In addition, Table 8, which shows partial balance sheets for each sector, presents separate statements for each of the subsectors of the commercial banking system and for each of the three nonbank financial sectors.

Supplementary tables. In addition to the material regularly published in the BULLETIN, tables of supplementary data will be made available, from time to time, in some other form. Availability of supplementary material will be announced in the BULLETIN.

Several groups of such material are now being prepared and will be released later. These include: (1) annual estimates for 1946-53 and quarterly estimates for 1952-56, which are not presented here; (2) financial sector and subsector statements not shown separately in Tables 4 and 8; (3) financial transaction accounts in time series form (that is, separate tables for each category showing sector participation on the asset and liability sides);[33] and (4) detailed statements of reconciliation to (a) corresponding series on saving, investment, income, and expenditures in the national income and product accounts, and (b) corresponding series in Treasury and banking statistics.

Revisions. The many types of data used in the accounts are subject to statistical revision at various intervals and with varying frequencies. The nonfinancial flows in the accounts are derived mainly from national income and product accounts of the Department of Commerce and such flows will in general be revised once a year in accordance with the revision policy of the National Income Division. Such annual revisions ordinarily apply to the preceding three years but may cover much longer periods as Census benchmarks become available.

For the financial flows, a larger number and variety of data sources are used. Many of these maintain quarterly, and even monthly, revision schedules as they shift from preliminary and sample type information to firmer and more complete tabulations. Moreover, in several instances, the first estimates used in the flow-of-funds tables must be based on rough approximations and these are replaced as soon as data from the usual sources become available. The desirability of keeping the financial estimates as consistent as possible with published sources has resulted in a policy of frequent revision with respect to the financial flows. In addition to the current short-run revisions, the financial flows are also subject to longer run adjustments to benchmarks, such as those derived from final Statistics of Income tabulations (which are annual but with a three-year lag) or from infrequent bank loan surveys, etc.

The time series tables (Tables 2-4 and 7-8) will be revised each quarter or year as required, with revisions entered for all quarters and years currently carried in the BULLETIN. Revisions for quarters or years earlier than those carried currently in the BULLETIN will be made available from time to time in some other form. The sector-transaction matrices (Tables 1, 5, and 6) are presented only for the most recent quarter (Table 1) and for the most recent year (Tables 5 and 6). For any given quarter or year, they will not ordinarily be repeated in the BULLETIN in revised form. Thus a running file of Tables 1, 5, and 6 as they appear in the BULLETIN would reflect no revisions; and since some revisions will occur in the next succeeding quarterly publication, these tables should be used as data sources only for the most recent quarter or year, unless they have been kept up to date by entering in them the revisions for corresponding entries appearing in the revised Tables 2-4 and 7-8 as published each quarter and year.

FUTURE DEVELOPMENTS

Estimates in this presentation are based on data collected, compiled, and processed by a large number of sources, both governmental and private. The principal Governmental sources are the Securities and Exchange Commission, the Office of Business Economics and the Census Bureau of the Department of Commerce, the Treasury Department, the Federal Deposit Insurance Corporation, and the Federal Reserve System. The principal nongovernmental sources are insurance publications, the Institute of Life Insurance, National As-

[33] The transaction accounts are valuable aids to analysis when used in conjunction with the sector accounts and the matrices. Tables 3 and 7 represent very summary financial transaction accounts and the supplementary tables showing the transaction accounts can be considered detailed breakdowns of these tables.

sociation of Investment Companies, National Association of Mutual Savings Banks, United States Savings and Loan League, and various private research organizations. In addition to providing some of the basic data and estimates, the statistical work of the Federal Reserve in preparing this presentation has consisted of evaluating available statistics, selecting the series to be used, and making the many adjustments of timing, valuation, sector and transaction coverage, and sector allocation required to fit the series into a consistent over-all framework.

There are many inadequacies in the data available for constructing a comprehensive presentation of flow of funds, saving, and investment. Because of the large number of sources and series involved in the construction of the accounts, statistical improvement of estimates of flow of funds, saving, and investment is a matter of achieving detailed improvements throughout a wide range of economic statistics. Future improvements in basic data in many areas will make possible desirable statistical and structural changes in the accounts. Among the aspects of the accounts in need of improvement and development are depreciation, government capital formation, separation of nonprofit organizations and personal trusts from the consumer account, noncorporate financial transactions, gross financial flows, gross nonfinancial flows, transactions in existing assets, distribution of bank debt by debtor sector, quarterly patterns of deposit ownership, quarterly nonfinancial flows, the area of seasonal adjustment, and full sector balance sheets.

In addition to structural developments dependent upon statistical improvements, there will undoubtedly be conceptual changes in form of presentation as progress is made in work on the problems of constructing a single national accounting system that fully integrates the income and product accounts and the flow-of-funds accounts. When this work comes to fruition, it is likely to affect the form and nature of all bodies of data to be incorporated into the single integrated system. Exploratory work on such integrated accounts is currently under way at the Federal Reserve, at the Department of Commerce, at statistical agencies of the United Nations, other international organizations, and some foreign countries, and at private research agencies.

TECHNICAL NOTES

These notes define the sector and transaction groupings and the saving and investment concepts used in Tables 1-8 on pages 1046-62. The present flow-of-funds sector and transaction categories differ in several instances from those used in previous publications of flow-of-funds estimates and described in those publications.[1]

SECTOR COVERAGE

The *consumer and nonprofit organization sector* covers (1) persons in their capacity as members of households, (2) personal trusts, and (3) nonprofit organizations serving individuals, for example, foundations, private schools and hospitals, labor unions, and charitable, welfare, and religious organizations. The sector excludes the business activities of individuals as proprietors of unincorporated businesses, both farm and nonfarm, and the lessorship activities of individuals acting as landlords; these are covered by the farm and noncorporate business sectors.

The *farm business sector* covers all farm operating activities in the United States. It includes unincorporated farm enterprises, corporate farms, and, on a consolidated basis, farm credit cooperatives (national farm loan associations and produc-

[1] *Flow of Funds in the United States, 1939-1953* (Board of Governors of the Federal Reserve System, Washington, D.C., 1955); and "Summary Flow-of-Funds Accounts, 1950-55," Federal Reserve BULLETIN, April 1957, pp. 372-91.

tion credit associations) and the farm activities of nonfarm landlords of farm property. The sector excludes farm marketing, purchasing, and utility cooperatives and the nonfarm business activities of farm families, all of which are in the nonfarm business sectors. It also excludes most of the consumer transactions, other than housing, of farmers.

The *nonfarm noncorporate business sector* covers unincorporated nonfinancial enterprises, predominantly those in trade, construction, and the professions. It includes mutual organizations engaged in production or commerce—such as farm marketing, purchasing, and utility cooperatives—but not farm credit cooperatives. The lessorship activities of individuals are included, as are nonprofit organizations serving business, for example, trade associations. The sector excludes farms; security and commodity-exchange brokers and dealers, finance companies, factoring firms, and mortgage companies (all in the finance n.e.c. sector); mutual financial institutions such as credit unions (in the savings institutions sector); and nonprofit institutions serving individuals and the consumer activities of business proprietors (in the consumer sector).

The *corporate business sector* comprises private nonfinancial, nonfarm corporations. It includes, on a consolidated basis, holding companies and closed-end investment companies (other corporations in finance industries are classified in the banking, savings institutions, insurance, and finance n.e.c. sectors). The activities of pension, welfare, and profit-sharing plans established by corporate business are excluded from this sector insofar as identifiable.

The *Federal Government sector* covers, with certain exceptions, all departments and branches of the Government, including trust funds, deposit fund accounts, the Postal Savings System, Government corporations and credit agencies, and other Federal enterprise funds, whether wholly or partly owned by the Government. It includes two Government-sponsored institutions—the Federal land banks and Federal home loan banks—that became wholly privately owned when the Treasury capital investment in them was retired. The following instrumentalities of the Government are not included in this sector: (1) the Exchange Stabilization Fund, the Federal Reserve System, and certain monetary accounts, all of which are in the commercial banking sector, and (2) the District of Columbia, which is included in the sector for State and local governments. The sector account is consolidated; transactions between components of the sector are not shown.

The *State and local government sector* comprises all political subdivisions in the United States, including the government of the District of Columbia. It includes all departments, trust and sinking funds, corporations and enterprises (such as State liquor monopolies and municipally owned utilities), and authorities (such as toll road and port authorities) of such governmental units. The sector account is a combined statement of consolidated accounts for individual governmental units. The latter consolidations are not complete, however, with respect to debt and interest transactions between governmental units and their own trust and sinking funds. The securities of a government held by trust or sinking funds of that government are included in both the assets and liabilities of the sector account.

The *commercial banking and monetary authorities sector* consists of the following elements: (1) commercial banks in the United States excluding territories and possessions,[2] (2) the Federal Reserve System, and (3) Treasury monetary funds, which consist of the Exchange Stabilization Fund, the gold account, the silver account, and an account constructed from various Treasury data to record currency liabilities of the Federal Government not elsewhere classified and the assets underlying these liabilities.[3] The sector account is on a consolidated basis; that is, loans, reserve balances, deposits, and other financial claims among elements of the sector are eliminated.

Subsector accounts for commercial banks and for monetary authorities (the Federal Reserve and the Treasury monetary funds) are also prepared but are not presented in the BULLETIN quarterly

[2] Discontinuities in the banking sector coverage and in each of the banking series result from the admission of new States. Banks in Alaska are covered in the banking sector, instead of in the finance n.e.c. sector, beginning with the first quarter of 1959. Banks in Hawaii will be transferred to the banking sector beginning with the third quarter of 1959.

[3] See *Flow of Funds in the United States, 1939-1953*, Ch. 8, for further detail. The present sector differs from the description given there mainly because it excludes mutual savings banks and the Postal Savings System.

flow tables. In addition to the annual partial balance sheets for the consolidated sector, summarized partial balance sheets are presented for the two subsectors. These highlight the intersubsector financial relations eliminated in consolidating the full sector account. Each subsector statement is also a consolidated account for that subsector; thus loans from one commercial bank to another and deposits of one commercial bank with another are excluded from the totals of loans and deposits in the commercial bank subsector account; similarly in the monetary authorities subsector, intrasector relations are not recorded.

The *savings institutions sector* consists of mutual savings banks, savings and loan associations, and credit unions. Subsector flow statements are also prepared but are not presented in the BULLETIN.

The *insurance sector* consists of all domestic insurance companies (life and nonlife), private noninsured pension and retirement plans (that is, those not administered by insurance companies), and the insurance activities of fraternal orders. It excludes governmental insurance and retirement programs, which are in the government sectors. Subsector accounts are also prepared but are not presented in the BULLETIN.

The *finance n.e.c. sector* consists of finance companies, such as sales finance companies, industrial and personal finance companies, mortgage companies, and short-term business finance companies; open-end investment companies; security and commodity-exchange brokers and dealers; banks in U.S. territories and possessions; and agencies of foreign banks in the United States. Closed-end investment companies are in the corporate business sector.

The *rest-of-the-world sector* comprises the residents and governments of countries outside the United States and its territories and possessions. It includes international organizations (such as the International Monetary Fund, the International Bank for Reconstruction and Development, and the United Nations) and employees of these organizations who are not citizens of the United States. The definition of the rest of the world is approximately the same as that in the U. S. balance-of-payments statements, although the classification and coverage of transactions are somewhat different. The sector account is consolidated; it records only transactions of the rest of the world with the United States and not transactions within the rest-of-the-world sector, that is, within and among other countries.

CLASSIFICATION OF TRANSACTION CATEGORIES

Transactions in the accounts are arranged in three major transaction groups—current nonfinancial flows, capital nonfinancial flows, and financial flows. In addition there are several internal entries, subtotals, and transfers between current and capital subaccounts, such as capital consumption charges, current surplus, saving, investment, corporate profits, and unincorporated business net income.

Current nonfinancial transaction categories. Detailed categories of current nonfinancial transactions are not shown on a systematic basis in the BULLETIN presentation of the accounts. The amount of detail shown is restricted by limited availability of both quarterly data and publication space. In Table 1, no detail on these flows is shown, the current transaction categories being represented by a single net figure for each sector. In Table 4, where more detail is given, both the amount and kind of detail vary from sector to sector: For the consumer sector and the government sectors, considerable detail is shown; for the nonbank financial sectors, only a single net current flow is given; and for the business and commercial banking sectors, an intermediate amount of detail is shown. An attempt has been made to record, within the space available for each sector, groupings of current nonfinancial flows that are of interest for that particular sector. The notes to Table 4 indicate the contents of most of the current nonfinancial transactions groupings used in the sector statements in that table.

The full list of current nonfinancial transaction categories underlying the detail, subtotals, and net amounts shown in Table 4 is as follows: payrolls, interest, rents and royalties, dividends and branch profits, income withdrawals by proprietors,[4] various insurance premium and benefit categories,[5] grants and donations, income taxes and tax refunds, other taxes and tax refunds, sales and current purchases of other goods and services, and credits imputed to consumers in connection with life insurance and pension funds.[5]

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[4] See discussion on p. 856.

[5] See discussion on following page.

With the major exception of the last category—credits imputed, etc.—the transaction categories, in general, exclude imputations and exchanges in kind. Many of the current flows are on an accrual rather than a cash basis, notably in the categories of interest, income withdrawals by proprietors, other goods and services, and credits to consumers in connection with life insurance and pension funds. Taxes, however, are on a payments and receipts basis, not on an accrual basis.

Business net income is recorded for each business sector. The line for this item summarizes and nets current business receipts and costs (including capital consumption) before distribution of income to owners and payment of direct taxes. For the farm business sector, the annual figures for this entry are equal to farm net income in the national income accounts of the Department of Commerce less noncash income (home rental values, home consumption, and perquisites). For the nonfarm noncorporate business sector, the annual figures are equal to the national income series on business and professional proprietors' income (after inventory valuation adjustment) and rental income of persons, excluding net imputed rental income in connection with owner-occupied nonfarm homes. For the corporate nonfinancial business sector, the annual figures are equal to the national income series "corporate profits and inventory valuation adjustment" after removal of financial, farm, and foreign components of this Commerce series. The quarterly figures for the series are on an estimated, seasonally unadjusted basis.

Life insurance and pension transactions enter the accounts in several ways. Premiums and benefits in connection with life insurance, individual annuities, private pension plans, government employee retirement funds, and railroad retirement funds have characteristics of both capital transactions and current transactions. On the one hand, they can, in large part, be considered financial flows representing increased claims (or liquidation of claims) on insurance, pension, and retirement funds. On the other hand, they can also, to a great extent, be considered current outlays (many of them on a payroll deduction basis) and current income to consumers.

The present treatment recognizes the ambivalent nature of these transaction complexes and they are reflected in both current and capital transactions.[6] Total premiums (including payroll deductions) and total benefits are included in the pertinent transaction categories (indicated by notes to Table 4) as current flows in the consumer, Federal Government, State and local government, and insurance sectors. The net accrual of equity in insurance and pension funds is imputed as a current flow from these funds to consumers in the category "credits imputed to consumers in connection with life insurance and pension plans." As a counterpart to these income credits, consumers are shown as investing these accrued values back in the funds through the financial transaction categories "saving through life insurance" and "saving through pension funds."[7] The net accrual flows, "credits to consumers, etc.," differ from the net of the corresponding premium and benefit flows, being larger by the amount of the investment income of the funds and employer contributions to the funds and smaller by the amount of the operating expenses of the funds (including the pertinent internal saving of life insurance companies).

Current surplus is a net total of all current flows other than "credits imputed to consumers in connection with life insurance and pension plans" and capital consumption charges. It thus includes all insurance premiums and benefits as current transactions. For all sectors other than the consumer, Federal Government, State and local government, and insurance sectors, current surplus is the same as gross saving.

Capital consumption charges are discussed on page 836 of this BULLETIN.

Saving and investment, shown for each domestic sector and for the economy as a whole, are summaries of current and capital transactions, respectively.[8] Saving, presented both net and

[6] Social insurance operations such as OASI and unemployment compensation are reflected only in current transactions.

[7] In addition to the investing of the income credits, "saving through life insurance" covers financial flows related to policyholder dividend accumulations and supplementary contracts not involving life contingencies. See p. 854 for a description of the statistical content of these flows.

[8] For the rest-of-the-world sector, current surplus rather than gross saving is a more appropriate label for Line A of Table 1.

gross of capital consumption charges, is the excess of current receipts over current outlays. As the balancing item in the sector current transactions subaccount, gross saving is carried down from this subaccount to the sector capital transactions subaccount.[9] Investment, presented gross of capital consumption charges, is the sum of net purchases of tangible assets and net acquisitions of financial assets less net increases in liabilities. Investment as measured in the capital transactions subaccounts and saving as measured in the current transactions subaccounts are equal in concept, but statistical discrepancies between the two exist in practice.[10]

The following descriptions of saving and investment series for particular sectors stress certain highlights or features rather than the detailed make-up of each series. Complete definitions of saving and investment for the various sectors and for the economy are indicated by the specific current receipts and outlays that are netted together to derive the saving measures as shown in Table 4 and by the specific tangible and financial capital flows recorded in the tables and described in following paragraphs. The concepts of saving and investment used in this presentation and their role in the structure of accounts are discussed further on pages 832-41 of this BULLETIN.

(1) Consumer and nonprofit sector. Tangible investment consists of net purchases of consumer durable goods, purchases of residential construction for owner-occupancy, and plant and equipment expenditures by nonprofit organizations; net financial investment includes *inter alia* saving through life insurance, both private and Government, saving through private pension plans and government employee and railroad retirement funds (but not through the OASI program), and proprietors' net investment in unincorporated businesses. On an annual basis, consumer saving reflects retained earnings of unincorporated businesses, net of depreciation.

(2) Farm and noncorporate business sectors. The income and investment transactions recorded between unincorporated businesses in both these sectors and the consumer sector have the effect of showing zero annual net saving and investment for the unincorporated businesses, and annual gross saving and investment for them equal to capital consumption charges. Farm sector saving, in addition, includes the retained earnings of corporate farms. Quarterly net saving of unincorporated businesses, adding to zero for the year as a whole, is equal to the difference between business net income and the income withdrawals by proprietors, which are shown with a smoother quarterly pattern than the business net income series.

(3) Corporate business sector. Saving is retained earnings after tax payments. The series is after inventory valuation adjustment.

(4) Government sectors. Saving of government sectors is the excess of all nonfinancial receipts over all nonfinancial expenditures including net purchases of tangible assets. Government investment thus consists only of net financial investment —net acquisitions of financial assets less net increases in liabilities (including liabilities for consumer claims on Government life insurance and government and railroad employee retirement funds)—government tangible capital expenditures being grouped with current nonfinancial expenditures.

(5) Insurance sector. Saving of the insurance sector consists of the following: for life insurance companies and fraternal orders—change in surplus and other reserves except legal reserves on life insurance and pension plan contracts; and for nonlife insurance companies—total change in surplus and other reserves, since no financial claim against the companies is recorded for policyholders' prepayments of premiums. (Saving of nonlife insurance companies thus equals the subsector's net acquisition of assets, plus the subsector discrepancy.) No saving is recorded for the noninsured pension plans subsector since consumer claims against the subsector are estimated as equal to its total assets.

Capital nonfinancial transaction categories. Capital nonfinancial transaction categories, as shown in the accounts, cover private purchases of tangible assets; government nonfinancial capital outlays are

[9] In order to save space in the tabular presentation, gross saving is shown only once rather than as both a current account use of funds and a capital account source of funds.

[10] For discussion of discrepancies in the accounts, see pp. 857-59; for further comments on the definitional equality of saving and investment, see p. 833.

included with government current transactions.[11] Capital expenditures are shown gross of capital consumption charges, but in general are net of sales of capital assets. In principle, net capital expenditures cover purchases and sales of land and other previously existing tangible assets as well as purchases of newly produced assets, but, because of statistical inadequacies, no transactions in land and only a few in other previously existing assets are explicitly recorded in capital expenditures.[12]

In presenting nonfinancial capital expenditures, a standard system of classification is used in all accounts and tables.

Capital expenditures is the sum, in each private domestic sector, of net purchases of tangible assets, as described in following paragraphs. The government and rest-of-the-world sectors have no entries for this total.

Consumer durable goods consists of purchases of new and used consumer durable goods net of sales of used durable goods; this category is shown only for the consumer sector. Figures shown are the same as the consumer durable goods component of gross national product.

Nonfarm residential construction consists of the following items: For the consumer sector, purchases of newly constructed nonfarm dwelling units (and major alterations and repairs) for owner-occupancy; transactions in existing homes among consumers are netted out. For the corporate and nonfarm noncorporate business sectors, purchases of newly constructed nonfarm dwelling units (and major alterations and repairs and nonhousekeeping construction, for example, hotels) for tenant-occupancy and net change in work-in-process on all nonfarm residential construction. For the insurance sector, construction of multifamily units. The total for all sectors is the same as the nonfarm residential construction component of gross national product. For statistical reasons, the series exclude the net value of land transferred with these properties.

Plant and equipment expenditures covers private fixed capital outlays for other than nonfarm residential construction. Amounts shown for the corporate sector include purchases of existing plants from the Federal Government and are net of sales of plant and equipment on leaseback agreements. Estimates for the insurance sector include purchases of properties in leaseback agreements. The sum for all sectors is equal to the sum of producers' durable equipment and construction other than nonfarm residential as shown in gross national product estimates plus business purchases of used equipment from the Government.[13]

Net change in inventories is shown only for the three nonfinancial business sectors. Inventory change is after valuation adjustment. The series shown are the same as the inventory component of gross national product.

Farm inventories exclude crops pledged as collateral for CCC direct and guaranteed nonrecourse price-support loans. Net increases in such pledged crops are treated as Government purchases.[14]

Financial transaction categories. Financial transaction categories are presented in terms of quarterly net flows and of annual net flows in the tables published quarterly. Estimates of amounts of financial assets and liabilities outstanding for year-end dates are presented in the tables published annually. The following notes apply, in general, to both flows and amounts outstanding; any major differences between flows and outstandings are noted in the appropriate descriptions.

Financial uses and sources of funds for each sector are recorded on a net transaction basis; that is, for each sector the entry for each financial asset for any given period represents funds put into the acquisition of that type of asset in that period less funds realized from the disposition of that asset in that period; and the entry for each liability represents funds raised by borrowing in that period less funds used in repayment in that period. In Tables 1 and 5, each sector's net acquisitions of financial assets (both increases and decreases) are shown

[11] See discussion on p. 834. Government construction expenditures are identified as specific elements of current purchases.

[12] See also discussion on p. 835.

[13] Ordinarily, capital transactions in existing assets are not reflected in the national totals because the purchase and sale offset each other. However, government nonfinancial capital transactions are not recorded in a capital account and do not enter the national totals; private business purchases of existing plant from the government are thus not offset in the national totals. See discussion on p. 835.

[14] See discussion on p. 840.

under uses of funds (with appropriate sign), and net increases in liabilities, under sources of funds (with appropriate sign). To simplify terminology and table form, the term "liability" in this presentation is used to cover both equity and debt claims.

The financial flow entries are gross in two respects: (1) Liabilities (assets) in one category are not netted against assets (liabilities) in other categories. For example, consumer borrowing to purchase securities is not netted against the purchase of the securities; both are shown. Similarly, Government holdings of demand deposits and currency are not netted against Government debt to the banking system. (2) For any one sector, asset and liability entries within the same transaction category are not netted; both are shown (except for internal holdings in consolidated accounts). For example, consumer mortgage assets are not netted against consumer mortgage liabilities.

Net financial investment for each sector is the net of all financial flows—the net acquisitions of financial assets less the net increases in liabilities. It measures the net funds advanced by each sector to all other sectors. The net financial investment for each sector plus the statistical discrepancy for that sector equals the sector net surplus on all nonfinancial transactions.

Gold and Treasury currency is a single entry in the flow matrix (Table 1), but the individual items are shown in the sector flow accounts in Table 4 and in the tables on amounts outstanding.

Gold consists of gold held as a monetary reserve. Transaction flows for the gold category, which exclude commercial and industrial purchases and sales, are recorded only for the commercial banking and rest-of-the-world sectors.[15] Commercial banking sector uses of funds are net increases in monetary gold stock, including the active gold of the Exchange Stabilization Fund. Rest-of-the-world uses of funds are gold transactions with the United States.

Rest-of-the-world gold assets in the tables on amounts outstanding reflect net foreign gold production (output plus net gold exports of the U.S.S.R., less consumption and net increase in private holdings) in addition to gold transactions with the United States. Annual changes in this figure differ from the corresponding figures in the flow tables by the amount of this net foreign gold production.

Treasury currency consists of silver held as monetary reserve by the domestic economy and certain asset-debt relationships between the banking system and the Federal Government in connection with the monetary system—seigniorage on silver, deposits with Federal Government for redemption of Federal Reserve Bank notes and national bank notes, and liability of Federal Government in connection with minor coin and U.S. notes not backed by gold reserve.[16] The transaction flows for this category occur only in the commercial banking and Federal Government sectors. Commercial and industrial purchases and sales of silver and foreign transactions in silver are excluded from the category. Commercial banking sector uses of funds in the category are net increases in monetary silver and in claims on the Federal Government sector that represent the nonmetallic backing for U.S. currency other than Federal Reserve notes. Federal Government sector sources of funds are seigniorage on silver and changes in the liabilities corresponding to the nonsilver banking assets in this category; Federal Government sector uses of funds consist of changes in Treasury holdings of silver bullion valued at cost.[17]

The large difference between total assets and total liabilities in the estimates of amounts outstanding in the gold and Treasury currency category results from the fact that gold and silver are shown in the accounts as assets of the sectors holding them, but no sector is shown as bearing corresponding liabilities (except for seigniorage revaluations on silver, which are treated as a Federal Government liability). In this respect gold and silver are treated as tangible rather than financial assets.

Demand deposits and currency covers demand deposits at commercial banks in the United States (excluding territories and possessions); Govern-

[15] Both the gold and the Treasury currency transactions of the commercial banking system occur in that part of the monetary authorities subsector that consists of the Treasury monetary funds.

[16] For a detailed discussion of these relationships, see *Flow of Funds in the United States, 1939-1953*, Ch. 17.

[17] This silver is not part of the silver account and is not classified as an asset of the commercial banking sector.

ment and foreign deposits at Federal Reserve Banks; and United States currency.[18]

The consolidated banking sector's liability for demand deposits and currency differs from the sum of amounts held by all other sectors principally because of mail float (that is, checks in the mail from drawer to drawee). The liability figure is a bank-record figure adjusted for checks in process of collection through the banking system, that is, for total bank float, which is measured by the sum of cash items in process of collection as reported by commercial banks and Federal Reserve float. The asset figures are on varying bases: Demand deposit assets of State and local governments and of the rest-of-the-world sector are derived from bank records without float adjustments. Holdings of all other sectors except the consumer sector are on an estimated holder-record basis.

Because of the lack of direct information, estimates for most of the consumer sector transactions appear in the accounts not with the timing they would have in consumer records but with the timing with which they appear in the records of the other parties to the transactions. To be consistent with the rest of the consumer account, consumer demand deposits are estimated on an other-party-record basis rather than a holder-record basis. The other-party-record basis differs from a consumer holder-record basis by the inclusion in consumer demand deposit assets of checks in the mail from nonconsumers to consumers and from consumers to nonconsumers and consumers.

The other-party-record basis for consumer holdings of demand deposits differs from a gross bank-record basis (that is, before adjustment for bank float) by (1) the inclusion of checks from nonconsumers to consumers not yet deposited or received by consumers, and (2) the exclusion of all checks from consumers in process of collection through the banking system and of consumer checks to nonconsumers received but still held undeposited by the nonconsumers. No information is available on the magnitudes of these offsetting differences between the other-party-record and the gross bank-record bases, but it appears reasonable that they are not too dissimilar in size. On the basis of the simplifying assumption that they are approximately equal, the other-party-record basis is estimated as equal to the gross bank-record basis.

For the demand deposit and currency account as a whole, this treatment results in a difference between the liability side (on a net bank-record basis) and the asset side (partly on a holder-record, partly on a bank-record, and partly on an other-party-record basis) that is roughly equal to nonconsumer checks to nonconsumers still in the mail from drawer to drawee. This difference is only part of the total mail float. The discrepancy in the demand deposit and currency account also contains several other elements of much smaller magnitude.

In the commercial banking sector portion of Tables 4 and 8, details are shown under the liability entry for demand deposits and currency on amounts due to U.S. Government, due to rest of the world, and due to others. This allocation of the liability side of the demand deposit and currency account differs from the corresponding estimates on the asset side of the demand deposit and currency account in the following respects: (1) The item "due to U.S. Government" (shown in Tables 4 (G) and 8 (G)) is taken from banking statistics and differs from the asset entry for the Federal Government sector holdings of demand deposits and currency (shown in Tables 1, 3, 4(E) and 8(E)), which is derived from U.S. Treasury data. (2) The item "due to rest of the world" equals rest-of-the-world demand deposit and currency assets, since both are on a bank-record basis. (3) The entry "due to others" is on a bank-record basis, net of bank float; it differs from the corresponding asset figures for demand deposits and currency, which are estimated partly on a holder-record basis and partly on an other-party-record basis, as described in the preceding paragraphs.

Fixed-value redeemable claims is a summary grouping of time deposits, savings shares, and consumer-held savings bonds. It represents fixed-value instruments (other than currency and demand deposits) that are readily redeemable.

Time deposits consists of deposits at mutual savings banks (in the savings institutions sector),

[18] In the statements for the subsectors of the banking sector (shown in annual presentation of amounts outstanding), the category includes the following deposit and currency relationships between various elements of the commercial banking system that do not appear as part of the category for the consolidated banking system (and are not part of the category totals): (1) member bank reserves and other commercial bank deposits at the Federal Reserve, (2) commercial bank currency holdings, and (3) Federal Reserve float.

time deposits at commercial banks, and deposits in the Postal Savings System (in the Federal Government sector). For purposes of statistical simplification, the small amount of demand deposit liabilities of mutual savings banks is grouped with this category rather than with demand deposits.

Savings shares consists of savings and loan association shares and credit union shares.

Savings bonds covers (1) consumer holdings of U.S. savings bonds, including the accrued interest on these bonds, and (2) for years prior to 1954, armed forces leave bonds. U.S. savings bonds held by other sectors are included in the Federal obligations category.

Saving through life insurance covers saving through private life policies, annuity contracts other than those connected with pension plans, and Government life insurance policies. The category also covers deposit claims of policyholders and beneficiaries against insurance companies arising out of dividend accumulations and supplementary contracts not involving life contingencies. Policyholders' borrowing on policies from insurance companies and from Government insurance programs is a positive element of the "other loans" category rather than a negative element here. All assets in the category are attributed to the consumer sector; the liabilities are those of the insurance and Federal Government sectors. Statistically, the category is estimated as equal to changes in policy reserves against private and Federal Government life insurance policies, including individual annuities and supplementary contracts, and changes in policy dividend accumulations.[19]

Saving through pension funds covers saving through private pension plans (both those administered by insurance companies and other private plans), government employee retirement funds, and the railroad retirement fund. It does not cover the OASI social insurance program. Only the consumer sector holds assets in this category; liabilities are those of the insurance sector and the two government sectors. Statistically, the category is estimated as equal to changes in reserves of private plans administered by insurance companies and changes in assets of other private plans, government employee retirement funds, and the railroad retirement fund.[20]

[19] See discussion on p. 837.
[20] See discussion on p. 838.

Credit and equity market instruments is a summary grouping of loans and securities. It covers government obligations, business and foreign securities, mortgages, consumer credit, security credit, and bank and other loans. It excludes trade credit, proprietors' investment in unincorporated enterprises, and miscellaneous financial transactions.

Federal obligations covers all marketable Treasury and Federal agency (including Federal land bank and Federal home loan bank) securities—direct, fully guaranteed, and nonguaranteed—net of holdings by agencies and funds that are part of the Federal Government sector. The category includes some nonmarketable securities, such as savings bonds held by others than consumers, investment series bonds, savings notes prior to their retirement in 1956, depositary bonds, and matured debt. It also includes accrued interest on outstanding Treasury bills and on savings bonds not held by consumers.

A breakdown of Federal obligations into short-term direct, other direct and guaranteed, and nonguaranteed components is shown in several of the sector accounts. Beginning with 1951 the subcategory "short-term" covers direct marketable Treasury debt maturing within one year, and prior to 1956 it covers savings notes. Prior to 1951 Government securities were, in practice, redeemed at the first call date and for that period short-term covers debt callable or maturing within one year.

Not all liabilities of the Federal Government sector are covered by the Federal obligations category. Some of them are included in other financial transaction categories, as the accompanying tabulation indicates.

Federal Government liability	*Transaction category*
Consumer-held U. S. savings bonds Armed forces leave bonds (prior to 1954)	Savings bonds
Special notes issued to the International Monetary Fund Trust and deposit liabilities Certain accrued interest (beginning with fiscal year 1956)	Miscellaneous financial
Currency items in the public debt Other Treasury currency liabilities	Treasury currency
Certain accounts payable	Trade debt
CCC liability for CCC-guaranteed loans and certificates of interest held by commercial banks	Other loans

State and local obligations covers the total debt of all State and local government units, except loans from the Federal Government (in "other loans") and trade debt. State and local obligations held by State and local governments and their agencies, including holdings of their own debt, are included in both the assets and the liabilities of the State and local government sector.

Corporate and foreign bonds consists of the bonded debt of U.S. private corporations and foreign (private, governmental, and international agency) bonds held in the United States. Annual changes in amounts outstanding are less than the corresponding annual flows because they reflect writedowns of defaulted securities as well as net funds raised.

Corporate stock represents net issues and sales and purchases of equity securities of private domestic corporations and net U.S. purchases of stocks of foreign corporations. The category includes investment company shares. It covers both common and preferred stock. Figures for asset levels of sector holdings are stated at market value, and annual changes in levels differ from net purchases because of fluctuations in market price. No estimates of amounts outstanding of corporate stock are shown for issuing sectors.

Mortgages on 1- to 4-family properties covers all debt and holdings of debt secured by 1- to 4-family nonfarm residential properties. The category has the same coverage as the corresponding series published monthly in the Federal Reserve BULLETIN.

Other mortgages consists of all debt and holdings of debt secured by multifamily residential properties, commercial properties, and farm properties. The category has the same coverage as the corresponding series that are published monthly in the Federal Reserve BULLETIN.

Consumer credit comprises short- and intermediate-term consumer instalment and noninstalment credit, including both bank and nonbank credit. The category has the same coverage as the consumer credit series published monthly in the Federal Reserve BULLETIN.

Security credit is made up of customers' net free credit and net debit balances with security brokers and dealers and bank loans for purchasing or carrying securities.

Bank loans n.e.c. (not elsewhere classified) covers the following types of bank loans:

(1) By commercial banks in the United States excluding territories and possessions (in terms of call report classifications):
 - (a) Commercial and industrial loans, except open market paper (in the flow-of-funds "other loans" category);
 - (b) Agricultural loans, except CCC-guaranteed loans and CCC certificates of interest (in the "other loans" category);
 - (c) Other loans to individuals, except consumer credit loans (in the consumer credit category);
 - (d) Loans to foreign banks (loans to domestic commercial banks are eliminated in consolidating the banking sector statement); and
 - (e) Other loans.

(2) By Federal Reserve Banks:
 - (a) Foreign loans on gold; and
 - (b) Industrial loans.

All bank loans in the call report classifications of mortgage loans and security loans are excluded from the bank loans n.e.c. category and are covered in the flow-of-funds mortgage and security credit categories.

Both the asset and liability sides of the category are measured gross of bank valuation reserves for bad debts, etc.

The sectors that appear as debtors in the bank loans n.e.c. category are listed in the accompanying tabulation. This tabulation indicates both the call report classification of the debts of each sector in the financial category and the part of the sector owing this type of debt.

Flow-of-funds sector	*Call report category*
Consumer (nonprofit organizations)	Other loans
Farm business	Other loans to farmers in agricultural loans
Noncorporate business	Commercial and industrial loans Other loans to individuals
Corporate business	Commercial and industrial loans
Savings institutions (savings and loan associations)	Other loans
Finance n.e.c.:	
Sales finance companies, factors, and mortgage companies	Commercial and industrial loans
Personal finance companies	Other loans
Rest of the world	Commercial and industrial loans Loans to banks Federal Reserve loans on gold

Other loans consists of the following types of loans:

(1) Finance company paper;

(2) Bankers' acceptances;

(3) Other open market paper;
(4) Finance company loans to business;
(5) Federal Government loans (other than mortgages and trade credit, both included in other financial categories, and most CCC direct nonrecourse loans, treated as purchases of inventories);[21]
(6) Bank loans guaranteed by the CCC and bank holdings of CCC certificates of interest (both of which are liabilities of the Federal Government sector);
(7) Loans (other than mortgages) by banks in U.S. territories and possessions;
(8) Loans (other than mortgages and consumer credit) by mutual savings banks; and
(9) Policy loans on life insurance policies.

Trade credit is an approach to a book credit category; it consists of receivables and payables (other than consumer credit, finance company paper, business debt to finance companies, bankers' acceptances, and other open market paper). As direct loans and notes payable in the trade credit category are further identified, they will be shifted to more appropriate categories. In the flow tables noncorporate receivables are netted against payables, but in the annual sector tables on amounts outstanding they are shown separately.

Proprietors' net investment in noncorporate business covers net flows of equity funds invested by proprietors in unincorporated businesses, both farm and nonfarm. No figures on amounts outstanding are presented.

Given the statistical and conceptual problems involved in distinguishing household and business accounts of proprietors of unincorporated businesses and in allocating certain financial assets to noncorporate business, the measure of proprietors' net investment must be arbitrary to some extent. For the annual estimates in the present treatment, income withdrawals by proprietors are taken to be equal to the net income of unincorporated businesses (that is, including any retained business earnings), and the net investment of proprietors in their businesses includes retained earnings of the business as well as flows of new equity funds and capital withdrawals. In this treatment any net retained earnings of unincorporated businesses are reflected in consumer sector saving rather than in business net saving. Net investment by proprietors is equal statistically to the net investment expenditures for both tangible and financial assets by the business less increase in liabilities and less capital consumption charges. (Any errors in allocating assets as between proprietors and consumers and their businesses are reflected in the net investment figure but do not affect total consumer investment or result in any discrepancies in the flow-of-funds system.) Proprietors' net investment so calculated does not necessarily reflect the change in total equity of owners in the business, for changes in equity resulting from revaluation of assets (that is, capital gains and losses) do not affect this measure.

For the quarterly estimates, a somewhat different procedure is used. It is assumed that income withdrawals by proprietors over the year do not reflect the quarterly seasonal movement of the net income of unincorporated businesses (this is particularly important for unincorporated farm enterprises); the income withdrawals are estimated to occur more smoothly throughout the year. The resulting quarterly differences between business net income and owner withdrawals represent seasonal net saving by unincorporated businesses. This seasonal net saving adds to zero for the year as a whole. For each quarter, then, proprietors' net investment is equal to business investment expenditures net of increases in liabilities and of capital consumption charges less the quarterly business net saving.

Miscellaneous financial transactions consists of:

(1) Miscellaneous equity items:[22]
 (a) Privately owned interest in Government corporations;
 (b) Capital stock of the Exchange Stabilization Fund;

[21] CCC loans to cooperatives on tobacco and CCC storage facility loans are treated as loans and included in the "other loans" category.

[22] In addition to the items listed, the subsector statements of the commercial banking sector show a miscellaneous equity item—capital stock of the Federal Reserve Banks—that is eliminated in the consolidated sector account and that does not enter the category totals.

(c) Federal Government subscription to capital stock of production credit associations;

(d) Federal Government subscription to the International Monetary Fund and the International Bank for Reconstruction and Development; and

(e) Direct investment claims between U.S. and foreign companies and branches.

(2) Miscellaneous deposits:

(a) Trust and deposit liabilities of the Federal Government;

(b) Special notes issued by the Federal Government to the International Monetary Fund;

(c) Foreign deposits and currency held by domestic sectors;

(d) Deposits with agencies of foreign banks in the United States;

(e) Commercial bank balances due to and due from own foreign branches; and

(f) Deposit liabilities of banks in U.S. territories and possessions.

(3) Other:

(a) Unidentified financial assets and liabilities of the rest of the world; and

(b) Due and accrued interest on U.S. Government debt, beginning with 1956.[23]

No estimates of amounts outstanding are made for the two items listed under "other" miscellaneous; annual changes in amounts outstanding of the miscellaneous financial category thus differ from the corresponding figures in the flow tables.

Each sector's participation in the various elements of the miscellaneous category is shown in the following tabulation.

Sector	*Participation in miscellaneous financial category*
Consumer	*Assets:* Holdings of Federal Government trust and deposit liabilities
Farm business	*Assets:* National farm loan associations' holdings of capital stock of Federal land banks *Liabilities:* Capital stock of production credit associations held by the Federal Government
Noncorporate business	*Assets:* Cooperatives' holdings of capital stock of the banks for cooperatives
Corporate business	*Assets:* Holdings of foreign deposits and currency *Assets and liabilities:* Direct investment claims between U.S. and foreign companies and branches
Federal Government	*Assets:* Subscriptions to the International Monetary Fund and the International Bank for Reconstruction and Development Capital stock of the Exchange Stabilization Fund and of production credit associations Holdings of foreign deposits and currency *Liabilities:* Private interest in Government corporations Special notes issued to the International Monetary Fund Trust and deposit liabilities Interest due and accrued
Commercial banking and monetary authorities	*Assets:* Foreign deposits and currency Exchange Stabilization Fund deposits with U.S. Treasury Balances due from own foreign branches *Liabilities:* Capital stock of Exchange Stabilization Fund Balances due to own foreign branches *Assets and liabilities* (unconsolidated subsector statements only): Capital stock of Federal Reserve Banks
Savings institutions	*Assets:* Savings and loan association holdings of capital stock of and deposits at Federal home loan banks
Finance n.e.c.	*Liabilities:* Liabilities for foreign deposits with agencies of foreign banks in the United States Deposit liabilities of banks in U.S. territories and possessions
Rest of the world	*Assets:* Foreign deposits with agencies of foreign banks in the United States Special U.S. Government notes held by the International Monetary Fund *Liabilities:* Federal Government subscriptions to the International Monetary Fund and the International Bank for Reconstruction and Development Foreign deposits and currency held by U.S. domestic sectors *Assets and liabilities:* Direct investment claims between U. S. and foreign companies and branches Balances due to and from own foreign branches of U.S. commercial banks Unidentified assets and liabilities of the rest of the world

Discrepancies. In principle, the flow-of-funds system constitutes an interlocking and balancing set of sector and transaction accounts with total sources of funds equal to total uses of funds for each sector account and with total receipts equal to total payments for each transaction account. Discrepancies exist, however, because many of the

[23] This Federal Government liability reflects the difference between the monthly interest accruals that have been the basis of recording Federal Government interest payments in Treasury reports since fiscal year 1956 and interest payments as reflected in cash outgo and (in the case of savings bonds and Treasury bills) in increases in the public debt. The interest accruals on savings bonds and Treasury bills that are classified as part of the public debt are in the categories for Federal obligations and consumer-held savings bonds rather than in this part of the miscellaneous category.

sector and transaction accounts as constructed do not in fact balance statistically.[24]

Discrepancies arise from many factors—inconsistencies in timing, valuation, coverage, and classification, and such statistical inadequacies as errors in the basic data or omissions of pertinent transactions or transactors.

The relation between the incidence of errors and inconsistencies and the appearance of discrepancies depends upon the detailed statistical procedure used in constructing the accounts. In any social accounting system, the constructor of the accounts in effect chooses where to show discrepancies or whether to show them at all. For this and other reasons, there is low correlation between errors and discrepancies.

Discrepancies may appear both in sector and in transaction accounts; and the transaction account discrepancies may appear both in nonfinancial and in financial transaction accounts. Since the structure of accounts, including the discrepancy entries, is a closed system, the sum of sector account discrepancies must be equal to the sum of transaction account discrepancies. Discrepancy elements in the accounts occur in pairs—each element in a sector account discrepancy is matched by an element of opposite sign in another sector account discrepancy or by an element of the same sign in a transaction account discrepancy.

A sector (transaction) account that has one of its entries estimated as a residual on that whole account shows no discrepancies. The residual calculation, in effect, transfers any discrepancy elements to a transaction (sector) account, where another residual calculation may transfer the discrepancy elements to still another sector (transaction) account.

The farm, noncorporate business, and Federal Government sector accounts show no discrepancies because of residual entries. The consumer sector account usually shows the largest of the sector discrepancies. Because so many of the transaction entries in the consumer account are computed as residuals on other accounts, the consumer account discrepancy is one of the major resting places for inconsistencies occurring throughout the system of accounts. The corporate sector account contains the other major sector discrepancy. The remaining sector accounts usually show more moderate discrepancies. Some of the sector accounts show marked seasonal patterns in their discrepancies; these stem from timing problems and inconsistencies in the available measures on seasonally unadjusted flows.

The BULLETIN presentation of the accounts does not show detailed categories of nonfinancial transactions in the form of complete transaction accounts. Of the underlying detailed categories only two—other goods and services and, to a much lesser extent, taxes—show any significant discrepancies. In Table 1 all nonfinancial transactions, in effect shown as a single transaction category, are recorded on two lines—all current nonfinancial transactions (on a net receipts basis for each sector) on line A, and all capital nonfinancial transactions (on a net expenditures basis for each sector) on line E. The difference between lines A and E in the "all sectors" column is the total discrepancy for the nonfinancial transaction categories. This discrepancy is recorded for convenience on line A in the discrepancy column.

Of the financial transaction categories, the following transaction accounts have no discrepancies because of residual calculations: savings shares, U.S. savings bonds, saving through life insurance, saving through pension funds, State and local obligations, corporate bonds, corporate stock, mortgages, consumer credit, security credit, and proprietors' net investment in noncorporate business. The flow accounts for several other categories—gold and Treasury currency, time deposits, Federal obligations, bank loans n.e.c., other loans, and miscellaneous financial transactions—have relatively small discrepancies.

The largest financial account discrepancies occur in the demand deposit and currency account and in the trade credit account. The discrepancy in the former account, mainly a timing discrepancy attributable to mail float (that is, to checks in the mail between drawer and drawee), was discussed on pages 852-53. The discrepancy in the trade credit account relates partly to timing or float but it also reflects deficiencies in the basic statistics for this account.

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[24] The presence of discrepancies does not really affect the closed, balancing characteristics of the system. The system of accounts includes a "discrepancy sector account" recording the transaction account discrepancies and a "discrepancy transaction account" recording the sector account discrepancies. For a more detailed discussion of the origin of the discrepancies and their role in the accounts see *Flow of Funds in the United States, 1939-1953,* Appendix A.

The discrepancy in each sector cannot in general be attributed to particular entries; it reflects all the inconsistencies in the sector account. Since the individual items in a sector account can be grouped and summarized in different ways, the discrepancy can be viewed in several ways: as the difference between total sources and total uses of funds recorded for the sector, or between the net sum of nonfinancial transactions and the net sum of financial transactions, or between the net sum of current transactions and the net sum of capital transactions (both financial and nonfinancial), or between saving and investment of the sector. These are all equivalent statements and no one of them has more or different significance than the others. The one that is used depends entirely on the form of tabular presentation adopted. In the BULLETIN tables the sector discrepancies appear as the difference between gross saving and gross investment.

In the computation of national investment, the discrepancies in the financial transaction accounts are attributed entirely to domestic transactions in these accounts. The financial component of national investment thus equals the sum of the domestic sectors' financial investment plus the sum of financial transaction discrepancies (or alternatively to the negative of the net financial investment of the rest-of-the-world sector in the United States as recorded in the rest-of-the-world account). If national investment were simply the sum of domestic sectors' investment, the discrepancy between national saving and investment would be equal to the sum of domestic sector discrepancies. With the treatment of the financial transaction discrepancies just described, the discrepancy between national saving and national investment, as shown in both Tables 1 and 2, is equal to the sum of the domestic sector discrepancies minus the sum of the financial transaction discrepancies. This net sum is also equal to the nonfinancial transaction discrepancy (line A in the discrepancy column) minus the sector discrepancy in the rest-of-the-world account.

The sector discrepancy in the rest-of-the-world account is equal to "errors and omissions" in the U.S. balance-of-payments statement as published by the Department of Commerce. In the calculation of net foreign investment in the national income accounts the errors and omissions item is ignored (or alternatively all errors and omissions are assumed to affect only financial flows) and net foreign investment is estimated from the current transactions side of the balance-of-payments statement. The financial component of national investment in the flow-of-funds presentation, on the other hand, is estimated from the capital side of the balance-of-payments statement. These series in the two systems of accounts thus differ by the amount of the errors and omissions in the balance-of-payments statement, that is, by the sector discrepancy in the rest-of-the-world sector account.

The Government Securities Market

SUMMARY OF TREASURY-FEDERAL RESERVE STUDY

(Joint Statement Relating to the Treasury-Federal Reserve Study of the Government Securities Market by Robert B. Anderson, Secretary of the Treasury, and William McChesney Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System (presented for the record in connection with Secretary Anderson's appearance before the Joint Economic Committee, 10 a.m., EDT, July 24, 1959).)

The objectives of national financial policy as pursued by both the Treasury and the Federal Reserve System have meaning, of course, only as they contribute to the sound functioning of our nation's economy. For our economy to remain healthy and growing, market mechanisms must perform their essential function of providing a meeting place where the forces of supply and demand can operate to achieve the best utilization of resources. One of the problems which has constantly confronted us as a nation has been how to protect freely competitive markets from forces which would hamper or restrict the performance of this essential function. Only as everyone concerned remains alert to new developments in marketing techniques and organization can we be assured that distortions and restrictive practices have not crept in, to the detriment of healthy growth. This is, of course, just as important and necessary in the financial sector as it is in other areas of the economy.

Developments in the Government securities market a year ago led the Treasury and the Federal Reserve System to undertake a joint study of current techniques and organization in that market. This joint statement is devoted to a discussion of the progress of the study thus far.

OBJECTIVES AND CONDUCT OF STUDY

The immediate background of our joint study was the wide and rapid price fluctuation in the Government securities market during the economic recession and revival of 1957-58. These market movements were naturally a matter of concern to the Treasury in view of its debt management responsibilities. They were of equal concern to the Federal Reserve because of its responsibilities for over-all credit and monetary conditions.

In undertaking the study our purposes were to find out how organization and techniques in the Government securities market might be improved, and by what means the danger of future speculative excesses in this market might be lessened. The first step, we felt, was to provide the widest possible basis of factual information. Accordingly, we undertook a detailed and analytic study of the underlying causes of the 1957-58 movements. At the same time we undertook a broad re-examination and reconsideration of the market's general organization.

While experience of the Government securities market during a particular recent period thus provided a specific occasion for initiating this special study, both the Treasury and the Federal Reserve have recognized for some time the need for such a study. The last such study, with somewhat more restricted objectives, was made in 1952 under the auspices of the Federal Reserve's Open Market Committee. The Treasury did not participate in that study since it was primarily concerned with the interrelationship of the market and Federal Reserve operations. Since that time there have been many new developments in the market's machinery and practices, and both the Treasury and the Federal Reserve felt that these developments needed careful evaluation.

The published version of our study will consist of three parts. Part I, which is being made available for public release next Monday, consists, first, of a summary of informal consultations—some conducted in person and some through written communication—held with informed observers of the Government securities market and important participants in that market. Part I also includes a special technical study of the possibilities of an organized exchange, or auction market, to take care of the major part of the huge volume of Government securities transactions. These are handled at present, as you know, in the over-the-counter or dealer market, where more than $1 billion of transactions are handled in a typical trading day.

The informal consultations represented one of the major phases of our study program. These consultations had three objectives: first, to obtain informed impressions and judgments on basic causes of last year's market experience, especially toward midyear and after; second, to find out how market observers and participants viewed and appraised existing market processes and mechanisms; and third, to get the benefit of whatever suggestions might be made for improving and strengthening the market. While our consultations were limited by the special purposes of the study to those who were thoroughly acquainted with market practices, our aim throughout was to seek out the means whereby the Government securities market could function best in the public interest. In our inquiry the needs of the small buyers and sellers were considered carefully, along with those of the Government and of institutional and other large investors.

Consultants included various officials of large commercial banks, of insurance companies and savings banks, and of investment banking firms; primary dealers and intermediary brokers in the Government securities market; financial officers of several large nonfinancial corporations; a number of members and officials of the New York Stock Exchange; a group of financial economists; and a group of academic economists. In all, approximately 75 persons participated in individual or group consultation and about 30 others provided written comments. The individual and group consultations were held in Washington, D. C. and in New York City, and each lasted from an hour to a full day. The discussions with financial and academic economists were on a panel basis, but the remaining consultations were held separately on an informal basis with one or more individuals from a single organization.

Part II of our study is a factual analysis of the performance of the Government securities market from late 1957 to late 1958. Rapidly changing market conditions in this period presented an unusually wide range of problems. To obtain the most complete information possible on the market forces at work, special questionnaire surveys were addressed to all major lenders and participants in the market. On the basis of the answers received, we were able to compile much new data relating especially to market developments from spring through early fall of 1958.

Concerning this second part of the study, it is gratifying to report that the responses to our detailed requests for new statistical information were exceptionally good—indeed, virtually 100 per cent.

Part III of the joint project consists of four supplementary and technical studies growing out of the suggestions and findings of the first two parts. We comment later on their particular focus and scope. Neither Part II nor Part III has been printed as yet, but both are being made available in preliminary form also for release Monday morning.

Before turning to the substance of the entire study itself, a word should be added about how the project was staffed. Both the Treasury and the Federal Reserve System assigned to the study senior personnel experienced in the observation and analysis of the Government securities market. In addition, the Treasury retained the services of a former staff official, having both debt management experience in the Treasury and practical experience in the market, as technical consultant on the study. Federal Reserve personnel were drawn mainly from staffs of the Board of Governors and the New York Federal Reserve Bank, but selected personnel from other Reserve Banks also shared in the work. A central Treasury-Federal Reserve staff group was given full responsibility for carrying out the project, and since early spring the members of this group have devoted a major share of their time to it.

INTERPRETATION OF THE 1957-58 MARKET EXPERIENCE

As noted earlier, our study of the Government securities market was focused on the wide swings in market prices and yields of Government securities from late 1957 through the fall of 1958, with special attention paid to the mid-1958 market experience. Through systematic re-examination of available data and the development of new data, we endeavored to find out what lessons could be derived from this experience which would be of benefit to investors generally as well as to those who are responsible for fiscal policy, debt management policy, and monetary policy.

We have not had sufficient time as yet to make a complete evaluation of all the data which have been brought to light by the joint study. Four general observations relating to private investment and credit extension, fiscal policy, debt management, and monetary policy, however, are pointed out by the staff group, as follows:

First, for purchasers of marketable Government securities and for lenders, the risks of speculation on anticipated cyclical price movements of fixed-income Government securities, and particularly of speculation on slim margin, credit-financed holdings, have been widely learned.

Second, in the area of fiscal policy, there is the problem that recession deficits often run to very large size and are delayed beyond the turn in the economy; as a result they provide stiff financing competition when growing demands for the financing of recovery must be satisfied from a more slowly growing savings supply, and this competition for savings funds may have significant, but largely unavoidable, effects on securities prices and interest rates.

Third, in the area of debt management, there is the problem as to whether, in periods when easy credit conditions lend investor favor to longer term, higher yielding issues, a large and rapid shift in the maturity structure of the debt may result in supply and demand distortions, which may later have upsetting and disruptive effects on the market.

Fourth, in the area of monetary policy, there is the problem as to whether easy credit conditions and accelerating monetary expansion for counter-cyclical objectives may be carried to the point where banks and other lenders respond too actively to speculative demands for credit, so that lenders, in their zeal to keep their funds employed to fullest advantage, may too easily relax the credit standards which long experience has taught to be sound.

These broad conclusions arising out of our study point up a major financial dilemma which is faced in coping with recession in a free enterprise, market economy.

We all agree that reduction of economic instability is one of our major objectives. National financial policy—which refers to fiscal policy, debt management policy, and monetary policy in combination—is the primary means available to the Federal Government for cushioning recession and stimulating recovery.

Yet, the vigorous use of financial policy to promote economic stability runs the risk of being accompanied by instability in the financial markets, where flexible movement is an essential part of market mechanism. This appears to be a risk which we must take, while doing everything we can to minimize the incidence of instability in these markets.

We know, of course, that many difficulties arise in the effective use of fiscal policy in recession. Deficits in recession are incurred either automatically because of reduced tax receipts and increased social insurance payments or because of specific public policy actions taken to combat recession. These in turn have a direct impact on the prices of Government securities.

The additional burden of increasing debt in such periods—particularly when preceded by inadequate budget surpluses for debt reduction during the preceding rise in the economy—may also have a psychological effect on investors. This may be expected because of the fact that investors are concerned about future budgetary policies as well as the size of the particular financing needs of the moment.

There are other perplexing dilemmas in periods of general economic instability which arise from the very flexibility of our market mechanisms. Investors, for example, are faced in recessionary periods with either keeping their funds highly liquid (with low earnings) or attempting to obtain higher yields available only on longer term investments and thus sacrificing liquidity. Concentration on liquidity would, of course, accentuate recession tendencies, while emphasis on higher yields would help to counteract such tendencies.

The Treasury faces difficult choices during a recession. The orthodox theory of debt management emphasizes short-term financing when resources are not fully employed. At such times, however, the long-term market is receptive to offerings—perhaps for the first time since the middle part of the previous upswing in the business cycle. When the Treasury enters such a period with a large and growing floating debt, it would seem advantageous to refinance some part of this debt at longer term. Such a course is also desirable to provide greater leeway in choosing financing alternatives when the recession-induced deficit is sooner or later encountered. And since a recession deficit when it occurs must be financed within a relatively short period of time, the Treasury must look forward to making heavy calls on available savings during the deficit financing period. In the second half of 1958, for instance—a recovery period, but one coinciding with heavy deficit financing requirements—the Treasury was obliged to absorb the equivalent of a third or more of the total new savings funds then available. The Treasury's problem of maintaining a debt structure adaptable to changing circumstances without itself contributing to instability of the economy is a formidable one.

Monetary policies, if they are to contribute to resolving our problems of general economic instability, must be deliberately and appropriately adjusted to combating recession and they must be shifted when an upturn is evident. The timing and extent of monetary actions—like those in the fiscal field—must surely be determined by other considerations in addition to their impact upon interest rates and the prices of securities. Again, however, such effects are not to be ignored.

SOME FINDINGS ABOUT MARKET FUNCTIONING

While the study indicated certain broad lessons from the 1957-58 experience for both investors and national financial policy, and also highlighted some of the fundamental and conflicting dilemmas inherent in such a period, it focused on the functional and mechanical aspects of the Government securities market in a setting of recession and recovery. A specific interest was the speculative and credit excesses that developed. Our objective in studying these developments was to arrive at possible adaptations of public policy and also of market institutions which might lessen the market's exposure to such excesses in the future.

The excesses which occurred last year were associated with the build-up in the Government securities market prior to the Treasury's offering in late May 1958 of a 2⅝ per cent, seven-year bond as one option available in its June 15 refinancing of $9.5 billion of maturing obligations held by the public. The other option was a one-year 1¼ per cent certificate. Altogether the holders of about $7.5 billion of the maturing issues preferred the 2⅝ per cent bonds—a figure which was more than double what had been estimated by the financial community or by Government agencies as true investor demand. This was a surprise to the market and suggested that a sizable amount of the newly acquired securities were speculatively held. Nevertheless, there was general market agreement after the announcement was made that the market would be able to absorb the excess supply over a period of time.

About this same time, however, market observers were beginning to realize that the Federal deficit in the year ahead would be the largest since World War II, and that most of it would have to be financed in the second half of 1958, coinciding with the period of heavy Treasury seasonal borrowing. At least part of the flow of economic information in the first half of June had been mildly encouraging; but it was not until around mid-June that market observers took into account that economic recovery might already have begun and that conditions of active ease in credit markets might be coming to an end. In this setting, liquidation of temporary holdings of 2⅝ per cent bonds began and gathered rapid momentum, with an accompanying sharp decline in market prices of Government securities and an associated sharp rise in security yields. As you know, the opportunity for either profits or losses on the price behavior of a longer term bond is much greater than on short-term securities for a given change in interest rates.

This liquidation period, you may recall, occasioned intervention in the market, first by the Treasury in late June and early July to relieve the market of some of the excess supply of 2⅝ per cent bonds issued at mid-June, and second by the Federal Reserve later in July to correct a disorderly condition which developed around the time of the international crisis in the Middle East and a Treasury financing.

Many observers have placed principal blame for this upsetting market episode on excessive speculation in the June refundings, financed by the use of credit extended on unduly thin margins. Our study shows that there was indeed a substantial volume of credit-financed participation in the June refunding—about $1.2 billion. Considering that $7.5 billion of the 2⅝ per cent bonds were issued, it is obvious that at least four-fifths of the subscriptions represented outright holdings. A significant share of these were probably also temporary holdings purchased in the hope of speculative gain. The outright holdings largely represented subscriptions on the part of commercial banks and business corporations.

In retrospect, one key to this widespread speculation may have been the absence of adequate information about current tendencies in the Government securities market itself, which is, of course, the pivotal market in this economy's financial organization. Much more important, however, is the fact that too many speculatively motivated exchanges into the 2⅝ per cent bonds were apparently based on investor judgments that recession would continue for some time, and that long-term interest yields would decline further.

Speculation financed by credit created a particular problem in this instance because there were large blocks of holdings acquired by newcomers to the market who bought or made commitments to buy Government securities on very thin margin—or in many cases on no margin at all. Several Stock Exchange houses made large commitments themselves and acted between lenders and speculators. Some commercial banks and business corporations, actively seeking higher yielding outlets for funds than were provided by Treasury bills and other short-dated securities, directly or indirectly helped to finance these operations.

The activities of one Stock Exchange member specializing in money brokerage facilitated the financing of a substantial volume of the June rights. These operations were found to be in violation of Stock Exchange rules. The enforced unwinding of these very large positions came at a particularly sensitive stage of the market decline and, combined with other liquidation of speculative holdings, put the market under severe supply pressure. The New York Stock Exchange has since modified its rules so as to prevent a repetition of this kind of speculative financing activity in the future.

While positions financed on credit were not the largest speculative element in the market at the time of the June refunding, they were certainly important in initiating and accentuating the June-July decline in market prices which accompanied the economic upturn. Once liquidation of the new Treasury bonds was under way and prices were declining sharply, it was inevitable that some margin calls and related selling to protect lenders' positions would occur. At the same time, there was substantial liquidation by holders who had done no borrowing at all as they realized that profits were not in prospect and sought to minimize or avoid losses by selling out. The development of the Lebanon crisis in mid-July and the growing awareness of the prospects of large Treasury deficit financing in a period of rising private demand for loan funds and accompanying expectations of tightening credit conditions, based in part on rumors of a shift in Federal Reserve policy, heightened market uncertainties during this period of liquidation. There also was considerable uneasiness due to fears that the large budgetary deficit would induce renewed inflationary pressures.

Over this entire period of rapid market change, the figures compiled for the study indicate that dealers operated chiefly in their normal primary function as intermediaries. As the June financing approached, dealers were called upon to absorb large amounts of short-term issues that were being sold to meet corporate liquidity needs over dividend dates and the June tax period. As a result, dealers' holdings of Government securities increased substantially. The enlargement occurred mainly in Treasury bills and in June "rights" (maturing issues eligible for the exchange), and these rights were largely exchanged for the 2⅝ per cent bonds.

To make matters more difficult over the period covered by the June financing, dealers had to meet large maturities of repurchase agreements which they had made with nonfinancial business corporations. Under these agreements, corporations accumulating funds in earlier months invested a large portion of them by arrangements to buy Government securities and, at the same time, agreeing to resell the securities to dealers on a fixed date in June—again to cover cash needs related to dividend and income tax disbursements at that time. The short-term securities underlying these arrangements had to be refinanced in June through placement by dealers with banks or other lenders.

When the June exchanges were completed dealers undertook to accomplish a distribution of their underwriting holdings of the new 2⅝ per cent bonds. Such underwriting can result in losses as well as profits to dealers because of the market risks assumed by them. These risks proved to be real in the June financing. Normally, the distribution of the securities acquired in underwriting would have proceeded throughout the remainder of June and July. In view of the then-existing market uncertainties, dealers intensified their distribution efforts and cut back on their total positions generally. These acivities also contributed to supply pressures in the market.

Once market decline had set in, investors, speculators, and dealers were obliged to make market judgments in the light of their own portfolio and speculative situations and their individual appraisal of current and future uncertainties. There were times in this period, we were told by market participants, when dealers in order to protect their own capital positions would accept large-size orders to sell only on an agency basis, promising to make the best effort possible to carry out the customers' requests. The volume of Government security transactions by the dealer market, however, continued large throughout the decline.

The question still to be answered from our examination of the 1957-58 market experience is just what specific findings and interpretations may be drawn about market excesses and mechanisms. While any specific conclusions at this stage are subject to later modifications or supplement, the following are the main ones drawn by the study group in the preliminary version of Part II of the study (Chapter VIII).

"(1) Investor and speculator judgments in the late spring period preceding the June refunding were made largely in the light of information pertaining to an economic situation of one to two months earlier. This lag in the flow of economic information was a factor of basic import in conditioning expectations in this critical period of market development. The role of changing market expectations as to the economic outlook in this period of 1958 clearly emphasizes the need for an adequate supply of current information about trends in the economy generally to facilitate the orderly functioning of financial markets.

"(2) Underlying the late spring speculative positioning of Government securities was a very low absolute level of short-term market interest rates, as well as an unusually wide spread between short- and long-term market yields. This low short-term rate level, together with the prevailing yield structure, vitally influenced the shaping of market expectations of further increases in Government bond prices. It further provided the incentives that led to unusual adaptations of customary credit instruments and terms, which facilitated a rapid swelling in the market's use of credit. This development made the market vulnerable to liquidation pressures.

"(3) These conditions in the market, along with investor expectations of still higher prices of Government bonds, resulted in a situation whereby market participants in the June refunding were encouraged to convert an undue amount of short-term issues into longer term issues, thus oversupplying the longer term area of the market and at the same time sharply reducing the market supply of short-term instruments. Pressure on earnings created by the low level of short-term yields led many banks and some corporations to reach out for the higher yields available in the June financing in an effort to protect their earnings.

"(4) Speculative positioning of 'rights' to the June refunding on the part of outright owners, together with the conversion into 2⅝ per cent bonds of a disproportionate amount of their investment holdings of the maturing issues, was of greater volume than speculative positioning by investors who financed by credit. A large number of banks and business corporations participated in this outright speculative positioning.

"(5) Although speculation on an outright basis in the June financing was larger than credit-financed speculation, the latter was excessive considering the size of the refunding operation. Moreover, liquidation of credit-financed positions appeared almost immediately upon the settlement date for the refunding for various reasons and both triggered and accentuated the declining phase of the market.

"(6) The equity margins put up in this period by credit speculators were, in too many instances, either nonexistent or too thin. Despite the low margins, the losses suffered on credit-financed transactions were incurred chiefly by the borrowers rather than the lenders.

"(7) In the speculative market build-up, the use of the repurchase form of credit financing as a vehicle to carry the speculative positions of nonprofessional and unsophisticated participants proved to be unsound. Use of this particular type of financing instrument, in effect, resulted in lenders' advancing credit to unknown borrowers of unknown credit standing or capacity.

"(8) Even among known borrowers of professional standing, the use of the repurchase agreement device was stretched in terms of the types of the security which it covered. In the past, this instrument was employed in the dealer market mainly to finance securities of the shortest term. In its 1958 market usage, the instrument was extended in numerous instances to longer term securities where the maturity bore little or no relationship to the date of termination of the agreement.

"(9) Where used in the mid-1958 period to finance holdings of longer term securities, the repurchase agreement technique in some cases provided a convenient means to circumvent owners' equity requirements that would have been applicable on loans, through margins required by lenders.

"(10) The use of forward delivery contracts in the pre-June market build-up involving 'rights' to the June exchange offerings, though of lesser magnitude than repurchase financing, nevertheless facilitated an excessive amount of speculative positioning in this issue without any commitment of purchaser funds.

"(11) In the pre-June market build-up, dealers and brokers were not always aware that their credit standing was in effect used by others to underwrite speculation with no equity. The preponderance of June 'rights' among the forward delivery contracts would suggest a strong preference for 'new' Treasury issues as the mechanism for this speculation.

"(12) The total number of commercial banks outside New York City and also the total number of nonfinancial corporations drawn into the credit financing of the mid-1958 speculative build-up was relatively small, and the major portion of the credit extended was from only a few banks and business corporations.

"(13) In the late spring market build-up, some lending by New York City banks, collateralled by Government securities, was at rates and margins that, under the prevailing market psychology and the then-existing conditions, were conducive to the financing of speculative positions.

"(14) The sizable increase in dealer positions prior to the Treasury's June 1958 financing was partly associated with the heavy volume of market trading in that period. Although largely concentrated in short-term securities, the expanded dealer positions did provide a market for these issues which facilitated the lengthening of portfolios and speculative positioning by many investors during the period, particularly banks.

"(15) Even though dealer positions at the time of the June refunding were heaviest in the short-term maturities in the market, liquidation of these positions in the following three months, though largely necessary to protect dealer capital positions, did add significantly to the supply pressures otherwise present in the market during this liquidation phase.

"(16) The extensive use of the repurchase instrument for financing all types of Government securities in late spring of 1958 resulted in very large repurchase maturities in mid-June coincident with other churning in the money market in connection with settlement for the Treasury refunding. The necessity of refinancing the securities underlying these repurchase transactions put the Government securities market under heavy internal strain at that time.

"(17) The absence of a Treasury tax anticipation security maturing at mid-June led to much corporate interest in the June maturities as corporations made use of these issues to invest accumulating funds to meet their June tax and dividend needs. This accounted for a considerable part of the market churning at the time of the refunding.

"(18) The availability of regularly issued statistical information about the market itself might have succeeded to some extent in forewarning market participants and interested public agencies of potential speculative dangers around mid-1958. The fact of the matter, however, is that no such objective information was available to either group to gauge the extent of the speculative forces that were present in the market.

"(19) In the closing months of 1958, when many commercial banks were experiencing seasonal credit demands, study data show a movement of funds from the Government securities market to the banks effected through the vehicle of the repurchase agreement. In other words, some dealers were functioning as money brokers, acting as principals in obtaining funds from business corporations under repurchase arrangement and in turn supplying funds to banks under a reverse repurchase arrangement (resale agreement) with them. Question can be raised regarding the appropriateness of a money brokerage function as part of the dealer operation.

"(20) Most of the decline in market interest rates on Government securities, following confirmation in the late fall of 1957 that economic recession had set in, was effected within a short time span—less than four months. The sharp rise in market rates on Treasury issues, following confirmation after mid-1958 that economic recovery had begun, was likewise effected in a short time span—about four months. Although liquidation of Government security positions, built up in hopes of speculative gains in the June refunding, played a central role in accentuating the rise in market interest rates after mid-1958, it does not necessarily follow that the upward interest rate movement of the entire recovery period would have been smaller if the earlier speculative distortions had been avoided. Upward pressures on interest rates from cyclical Federal deficit financing in combination with expanding private demands for financing, given the savings supply over these months, would still have resulted in a substantial, if not identical, rise in market interest rates."

AN ORGANIZED EXCHANGE OR A DEALER MARKET?

At the hearing of the Joint Economic Committee earlier this year on the President's Economic Report, there was some discussion of the functioning of the Government securities market. The question was raised whether the market might not be more effective if it were a formally organized exchange or auction-type market, with maximum current publicity on transactions, rather than an informal over-the-counter dealer market, subject to more limited public observation.

As part of this current study of the Government securities market, accordingly, we not only raised this question with market participants but asked our study group to provide a special technical evaluation of the suggestion. The New York Stock Exchange also gave very careful consideration to the question and reported its conclusions to us.

A specialized market tends to develop in a particular form as the individual participants compete to serve more efficiently and economically the needs of buyers and sellers of the kind of security or commodity traded. The present market mechanism for Government securities has grown as a specialized market ever since World War I. Transactions in Treasury issues in the 1920's were carried out both on the New York Stock Exchange and through the over-the-counter dealer market. Even during the early 1920's, however, a steady decline in transactions on the auction market represented by the Exchange and a steady rise in the volume handled on dealer markets was taking place. By the mid-1920's, the dealer market was dominant and agency transactions of the Federal Reserve Bank of New York for the account of the Treasury were moved to the dealer market.

Only marketable Treasury bonds are listed on the New York Stock Exchange and this has been true throughout its history. Therefore, the introduction of the Treasury bill in 1929 and its subsequent development as the primary liquidity instrument of the money market—a development accelerated by war and postwar financial trends—further added to the importance of the over-the-counter dealer market. The growth in the Federal debt in the 1930's and during the war years, together with the broader participation of large financial institutions in the market, greatly increased the size of typical market transactions in Governments. Large transactions are more efficiently managed in a dealer-type market, and consequently the number of transactions that could be effectively handled through the auction mechanism of the Exchange continued to decline. By 1958 trading in Government bonds on the Exchange had dwindled to an insignificant volume in comparison with trading in such securities in the over-the-counter dealer market.

The standards of performance to be applied in evaluating the present dealer market are, of course, related to the specific job which the market has to do as well as to the public interest in a well-functioning market economy. The job to be done first of all is the matching up of purchases and sales by investors and traders. But it also involves the Treasury as issuer of new securities and the Federal Reserve through the execution of its monetary policies. It is the conclusion of our joint study to date that both the broad public interest and the special interests of the Treasury and the Federal Reserve—which are, of course, designed only to serve the public interest—are being effectively served through the present market. Those who participated in our study, including a broad range of investors as well as dealers and brokers, were virtually unanimous in the view that the present type of over-the-counter dealer market in Government securities is preferable to an exchange, auction-type market. Even if confined to bonds, and therefore excluding bills, certificates and notes, the exchange-type market was regarded as an unsatisfactory alternative.

Probably the most important standard of performance required of the Government securities market in serving existing interests is its ability to handle without disruptive price effects the typically large transactions that arise as large institutional holders adjust their liquidity and investment positions. These individual transactions—by commercial banks in adjusting their reserve and portfolio positions, by corporations in adjusting to their cash flow needs around dividend and tax dates, or by savings institutions or other institutional investors in making portfolio changes—often run to many millions of dollars, particularly in short-term issues. If these holders were unable to purchase and sell readily in such large amounts, their interest in Treasury issues would decline.

The dealers in Government securities appear to have developed better facilities and techniques for handling large transactions promptly and without excessive price effects than would be possible in an organized exchange. They do this by purchasing and selling for their own account; by maintaining substantial inventories of securities in different maturity categories; by a chain of transactions with other dealers—purchases, sales, and exchanges or swaps; and by keeping themselves informed, through their nationwide organizations or correspondent networks, of major sources of supply and demand for Government securities throughout the country. In its operations, the dealer market acts as a buffer to equalize hourly and daily movements in supply and demand, and to absorb the impact of large individual transactions that might otherwise result in abrupt price effects or undue delays in execution of orders.

The specialized dealer market provides a number of other services that institutional customers consider to be valuable. The cost of a transaction in this market is very small because of the large volume of business, because of keen competition among dealers, and because dealer profits do not depend solely on trading margins. A significant part of dealers' earnings is derived from managing their own portfolios and from supplying, through repurchase agreements, investment instruments which have the exact maturity date needed by customers. Such operations also, of course, involve risk of loss.

The dealer market is effectively organized to serve customers throughout the country even though its organization is informal. Transactions are completed promptly by telephone and customers know the price or price range when the order is placed for execution. Moreover, through their intimate experience with the highly technical aspects of each Treasury issue as well as the ways in which the Treasury, the Federal Reserve, and the money market operate generally, dealers provide specialized market advice that customers value. The primary dealers further provide important services in the secondary distribution of new Treasury issues. They also provide a convenient point of contact for Federal Reserve open market operations in short-term Government securities.

The major defects attributed by some critics to the dealer market in U. S. Government securities reflect three features: first, the market is concentrated in a relatively small group of primary dealers and therefore may not be as competitive as an organized exchange market; second, there is little information about its operations, without supervision or formal rules governing its practices, despite its special public interest; and third, the market is not geared to handling small and odd-lot transactions nor is it especially interested in them.

As to competition, there is no question that the primary dealer market is very highly competitive, even though it comprises only twelve nonbank firms and five bank dealers, most of whom have central offices in New

York City. There is necessarily spirited competition between the dealers for the available volume of trading business. Any offers to sell at a price even slightly below the market usually are quickly taken advantage of, as are offers to buy at anything above whatever the price may be at the moment. In volume, the Government securities market is by far the largest financial market in the country. It handles each year a dollar volume of transactions approximating $200 billion, or more than five times as much as the dollar volume of transactions in all corporate stocks as well as bonds on the New York Stock Exchange.

The dealers are principally wholesalers and their customers consist of several hundred nonfinancial corporations, several thousand commercial banks who submit orders both for their own account and for customers, other security brokers and dealers handling transactions for customers, hundreds of insurance companies, mutual savings banks, pension funds, and savings and loan associations throughout the country, the special funds of State and local governments, personal trust accounts, and some individual investors of substantial means. These investors and traders who use the market to buy or sell are generally themselves expertly informed and experienced in investment matters: each is seeking the best return on the funds he places in Government securities; each is continuously comparing these returns with those on alternative investment opportunities; and each of the larger investors, who regularly use the services of several dealers, is constantly comparing the relative performance of the dealers with whom he is in contact.

In this type of highly competitive market, the dealer who succeeds must execute the buy or sell orders of these numerous and varied investors promptly and efficiently and the business must be handled in accordance with high ethical standards. Moreover, if he is to obtain future business, such investment advisory services as the dealer renders his customers must stand the test of time.

Each of the primary dealers, through one means or another, operates throughout the country because broad coverage is essential to the maintenance of a sufficient volume of business for profitable operations. This is probably a major reason why there are not more dealer firms active in the market. Another reason, according to information received in this study, is that the number of qualified and experienced personnel available to staff new firms is relatively small.

Regarding the criticism of market mechanics, it is true that the dealer market makes available to the public practically no information on its operations other than market bid and offer quotations. There is no requirement for making available either to the public or to a duly constituted authority the records of dealer net positions in securities or amounts borrowed, such as are required of members of the New York Stock Exchange.

The lack of formal rules, supervision, and adequate information leaves the market open on occasion to suspicion that it may not always be operating in the public interest. It has been suggested that in instances dealers' interests may conflict with those of customers, that dealer operations may unduly accentuate swings in securities prices, and that dealer advice may not be entirely accurate. There was, however, little or no evidence gathered in the study that such problems are common in the dealer market. All of the market customers consulted in the present study expressed their full confidence in the Government securities dealers, individually and as a group, and testified to their high standards of integrity and business practice.

Concerning small transactions in the market, consultants to the study have indicated that they generally go through other brokers and dealers and commercial banks, and that when they reach the market they are handled promptly by dealers at a relatively low cost that is in part subsidized by the large transaction. As the dealers are organized primarily to handle large transactions, it is understandable that they view the small deals as an accommodation, and do not actively encourage them. It seems clear that if facilities designed more specifically to serve small investors' interests in marketable bonds are to be established, there would have to be some additional incentive provided.

The New York Stock Exchange, prompted by our study, reviewed the potentialities for re-establishing a vigorous auction-type market in Government securities on the Exchange. After extended consideration of the matter, however, Exchange officials concluded that, even though such a development was theoretically possible, problems raised by the suggestion would be insurmountable unless both the Government and the Exchange shifted a number of fundamental policies.

One specific problem to be resolved is the difficulty under existing conditions of encouraging Exchange specialists to take the financial risk of making a market in Government securities. The specialist would be in competition with established Government securities dealers. In addition, they might on many occasions need to build up very large positions in Government securities, since this is a heavy volume market and, when sharp price movements occur, quotations on maturities throughout the list tend to move together much more so than in the market for specific corporate stocks or bonds. Finally, because of the public nature of transactions at Exchange trading posts, specialists taking positions to make orderly and continuous markets would be unduly exposed to possible raids by nonmember dealers and other large traders.

There is also the problem of developing an adequate incentive for handling Government securities on the Exchange through a commission schedule that would be competitive with narrow spreads prevailing in the dealer market.

Other conditions set by the Exchange for an effective auction market under its auspices would be:

(a) A larger supply of long-term Government bonds in the market, especially of bonds attractive to individual investors through tax exemption or other special features since these investors now find only limited interest in Governments other than savings bonds.

(b) The placing on the Exchange of all Federal Reserve agency transactions in bonds, possibly plus official support of the Exchange market; and

(c) A potential requirement for the execution of all transactions of member firms in Government bonds on the Exchange, except for some "off-floor" trades in special circumstances.

(d) Some protection of the position of member firms who are acting as Government security dealers.

The Exchange did not suggest that its facilities could be adaptable at all to trading in Treasury bills, certificates of indebtedness, or notes, which together constitute more than half of the outstanding marketable Federal debt and are also the issues in which the overwhelming volume of market transactions takes place.

These conditions make it clear to us that it would be difficult to develop an auction-type market for Government securities on a broad scale under the existing organized exchange mechanism.

The alternative approach of improving the mechanism and institutions of the present Government securities market, by carefully studying and remedying defects in the dealer market as they come to light, appears to us to promise results that will serve the public interest. At the same time, the New York Stock Exchange should be encouraged to develop further the auction facilities it now provides for transactions in Government bonds. The total market cannot be harmed and may indeed be improved by more active competition between the Exchange market and the dealer market in bond trading.

AREAS FOR IMPROVING MARKET MECHANISMS AND FUNCTIONING

Our study was launched, as stated earlier, in the hope that the suggestions advanced and problems revealed might indicate certain improvements in the way the Government securities market operates, with particular emphasis on the prevention of future speculative excesses in the market. In the light of consultants' suggestions and of findings of our factual review of the 1957-58 market experience, our study group initiated four supplementary studies to evaluate possible means of improving the market's functioning. These are in the nature of working papers for consideration by Treasury and Federal Reserve officials. As their preparation has just been completed in preliminary form, they have not yet been reviewed. Hence, they cannot be interpreted as reflecting any official recommendations for market improvement. There may also be other supplementary studies undertaken as we re-examine market processes and mechanisms and we naturally intend to pursue this phase of our inquiry as far as will serve a constructive purpose.

A first area of supplementary study pertains to the adequacy of statistical and other information relating to the dealer market. As mentioned earlier, it is commonly recognized that openly competitive and efficient markets are characterized by informed buyers and sellers. A broad range of objective information needs to be available to serve effectively the interests of all market participants, including the Treasury as issuer of securities for the market and the Federal Reserve as it participates in the market in regulating over-all credit and monetary conditions. In this light the present flow of information relating to the market is inadequate, a point that was agreed to by many of our study consultants.

As a result, our study group undertook a thorough analysis of the information that ought to be regularly available. We were encouraged in this by the excellent cooperation received from dealers and other market participants in supplying information for our review of market experience in 1957-58. We believe, therefore, that a reporting program can be worked out by the Federal Reserve and Treasury staffs to put an adequate information program into active operation in the not too distant future.

A second area of supplementary study is the credit financing of Government securities transactions. Last year's market experience has clearly indicated that at times an undue amount of speculation financed on thinly margined credit can be detrimental to the market and that competition of lenders in extending credit to prospective holders may result in deterioration in appropriate equity margin standards. This experience raises the question of the need for some action to assure that sound credit standards will be consistently maintained by lenders in credit extension backed by Government securities and also to keep the total volume of such credit from expanding unduly at times.

Our study has indicated that there are three approaches which the Government might consider in dealing with this problem: first, a statement by bank supervisors to each lending institution within its jurisdiction indicating minimum margins to be adhered to as standard; second, a requirement that each investor participating in the exchange of maturing Treasury issues for new issues state his equity position in those securities in compliance with Treasury standards (plus the continuing requirement by the Treasury of appropriate deposits on subscription to its new issues offered for cash); and third, the introduction of special margin regulation, similar to that now applicable under the Federal Reserve Board Regulations T and U to the purchasing or carrying of corporate securities. The latter type of regulation would, of course, require Congressional action, since present law specifically exempts Government securities from this type of credit regulation. It must be reemphasized here that these are merely possible approaches; they have not yet been fully appraised by either Treasury or Federal Reserve officials and other alternatives may be developed in the light of additional study.

A third area for special study is the use of the repurchase arrangement in credit financing of Government securities. This is not a new method of credit financing, but it is a method that is easy to apply to Government securities transactions and, because of its flexibility and adaptability, has become much more popular in recent years. Government securities market activity last year brought to light certain uses of repurchases that were not in the public interest when such financing was arranged without the borrower putting up adequate margin. The study discusses various alternatives which might be applied to prevent future abuse.

A fourth area of special study of the existing mechanism of the Government securities market relates to its present lack of formal organization. In our consultations, a number of market participants and observers suggested that the market might be improved and strengthened through cooperative action of primary dealers themselves, working through a dealers' association. Various specific functions that an association might perform to improve the market's functioning were indicated, including: (a) the adoption of standard rules to assure fair treatment of buyers and sellers in both large and small transactions; (b) the development of standard practices to help maintain dealer solvency; and (c) greater liaison between the Treasury and the dealers in Treasury financing operations. It was also suggested that a dealers' association could be useful in identifying primary dealers in Government securities both to improve dealer service and to apply any market rules which may be adjudged in the public interest. Since the possible advantages of such an organization as well as its possible disadvantages obviously require careful and detailed examination, the task of this supplementary study has been to makes this much-needed evaluation.

A question that naturally arises at this point is whether in the light of the present study there will be any occasion later for special legislative requests pertaining to the operation of the Government securities market. This question cannot be answered yet. Before it is, we must try to determine what can be accomplished in improving market processes and mechanisms without legislative action and then ask whether these improvements are enough. The fact of the study itself, together with educational efforts undertaken by the Treasury and Federal Reserve System, has already set in process a fuller appreciation on the part of market participants of the undesirable effects of certain market practices. If we find that desired improvement of market mechanisms and institutions requires new statutory authority, we will propose appropriate legislation to the Congress.

Markets are dynamic economic institutions. They require successive adaptation to changing needs. From the standpoint of the public interest, study of these adaptations is never ending. Study efforts may be intensified from time to time, as in the case of the present Treasury-Federal Reserve study, but they are basically continuous. Continuing observation and study of the Government securities market is a responsibility which both the Treasury and the Federal Reserve recognize.

In conclusion, we repeat that improvement in the processes and mechanisms of the Government securities market will in no way solve our problems of fiscal imbalance. Nor can they correct our problems of too much short-term public debt; of our need for continuous flexibility in our approach to monetary policies; of attaining a volume of savings which will match our expanding investment needs; or of the cyclical instability of our financial markets. These are basic problems. We must all work toward their ultimate solution in the public interest.

THE GOVERNMENT SECURITIES MARKET AND ECONOMIC GROWTH

(Statement of William McChesney Martin, Jr., Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee, July 27, 1959.)

In this opening statement, I would like to comment first on one aspect of the problem you are considering—the importance of freely competitive markets to maximum economic growth. In so doing, I do not wish to understress the importance of any other conditions necessary to healthy economic growth. Indeed, if there is one essential for sustained growth that stands out above all others, it is the maintenance of a volume of real saving and investment sufficient to support continuous renewal, adjustment, and expansion of our total capital resources. As you know, the maintenance of adequate saving and investment depends upon broadly based and justified confidence in a reasonably stable dollar.

ROLE OF FREE MARKETS

No one here would deny that free markets are essential to the vital and vigorous performance of our economy. No one would urge that we encourage monopolistic practices or administered pricing, and few would advocate Government interference with the market process as a general principle. On the contrary, nearly everyone would agree that such developments are injurious to the best use of our resources, that they distort the equitable distribution of final product, and that they interfere with economic progress.

Differences of viewpoint on free markets arise only when the complexities of specific market situations make it difficult to discern whether markets are, in fact, functioning as efficiently as we might reasonably expect. Well-informed and well-intentioned observers will disagree as to whether an appropriate degree of competition exists in particular markets and, if not, as to what corrective steps, if any, it is appropriate for Government to take.

If the policies we follow in the financial field are to be fully effective in promoting growth and stability, they must be able to permeate the economy through the mechanism of efficient markets. This generalization applies to all markets, for all types of goods and services. Naturally, the Treasury and the Federal Reserve are most immediately concerned with financial markets, both because we have some direct responsibility for these markets, and because they represent the main channel through which the Government financial policies to foster growth and stability must pass.

THE MARKET FOR GOVERMENT SECURITIES

We are especially concerned with the market for U. S. Government securities. With a Federal debt of $285 billion, Government securities are a common and important asset in the portfolios of businesses, financial institutions, and individuals. An efficient market for Government securities is obviously needed for the functioning of our financial mechanism. We are fortunate in this country to have such a market. From the standpoint of the Federal Reserve, it is hard to conceive of the effective regulation of the reserve position of the banking system without some such facility through which to conduct open market operations of large magnitude.

The initial results of our study of this market with the Treasury are encouraging in many ways. As was pointed out in the summary of the study made available to you on Friday, huge transactions are carried out every day in an orderly fashion and at very small cost to ultimate investors. One cannot fail to be impressed by the fact that there are dealers who stand ready, at their own initiative and at their own risk, to buy or sell large blocks of securities. Frequently, single transactions run into millions of dollars. Despite the absence of any assurance that a given purchase will be followed by an offsetting sale, dealers quote bid and ask prices that typically have a spread of less than one-fourth of 1 per cent on the price of long-term bonds and range down to a few one-hundredths of 1 per cent on Treasury bill yields.

If you have had an opportunity to examine the preliminary study manuscripts, you are aware that they do suggest that some improvements in the Government securities market may be in order. We would hope that these improvements can be made within the framework of existing authority and through voluntary cooperation with various market participants. There is, however, a possibility that further authority might be necessary or desirable. We expect to have a clearer idea about how to accomplish desirable improvements after we have had an opportunity to consider carefully the findings of the staff study just completed last week.

There is one possible change in the organization of the Government securities market that would not, as I view it, lead to improvement. That change would be the enforced conversion of the present over-the-counter dealer market into an organized exchange market. The reasons why this change would not be constructive or even practicable are set forth in the joint statement on the study's findings. On the other hand, any efforts on the part of existing organized exchanges to extend or strengthen the facilities now made available to buyers and sellers of Government securities should certainly be encouraged. There is no reason why better exchange facilities would not prove to be a helpful supplement to those provided by the present dealer market.

Another change affecting the Government securities market that has been suggested relates to Federal Reserve participation in it, and pertains in particular to the extension to longer term maturities of Federal Reserve open market operations. Some discussion of this suggested change is appropriate here, for it is not a matter encompassed by the Treasury-Federal Reserve study.

SYSTEM OPERATIONS IN SHORT-TERM GOVERNMENT SECURITIES

Since the Treasury-Federal Reserve accord in 1951, the System's day-to-day trading in Government securities has largely been in short-term issues. In 1953, after extensive re-examination of System operations in the open market, the Federal Open Market Committee formally resolved to make this a continuing practice.

I think that nearly everyone who has studied these matters would agree that the bulk of Federal Reserve operations must be conducted in short-term securities; that necessarily means largely in Treasury bills. The short-term sector of the market is where the greater part of the volume of all trading occurs. Dealer positions are characteristically and understandably concentrated in these shorter issues. Differences of view on whether System trading should extend outside the short-term area hinge upon whether or not some small part of our regular buying and selling should be done in the longer term area.

To appraise this difference in viewpoint, we need first to consider the basic economics of System open market operations. Federal Reserve operations in Government securities influence prices and yields of outstanding securities in three fundamentally different ways:

(1) They change the volume of reserves otherwise available to member banks for making loans and investments or paying off debts;

(2) They affect the volume of securities available for trading and investment; and

(3) They influence the expectations of professional traders and investors regarding market trends.

Of these effects, the first is by far the most important. Under our fractional reserve banking system, additions to or subtractions from commercial bank reserves have a multiple expansive or contractive effect on bank lending and investing power. Other things being equal, this means that any given change in System holdings of securities will tend to be accompanied by a change in commercial bank portfolios of loans and investments several times as large. Unlike many other institutional investors, commercial banks maintain Government security portfolios with a wide maturity distribution although the largest component will be short-term securities. Hence, the major effect on market prices and interest rates will result from the actions subsequently taken by commercial banks to expand or contract their asset portfolios, and the impact will be distributed throughout the market.

With regard to the effect on the availability of securities in the market, substantial System purchases or sales of short-term securities exert a minimum influence on the market supply. For example, most of the $35 billion of bills outstanding is in the hands of potential traders. On the other hand, much the largest part of the marketable longer term issues is in the hands of permanent investors. Current trading in them is confined to a very small fraction of the outstanding volume. For this reason, the long-term area of the market shows greater temporary reaction than the short-term area to large purchase or sale orders.

Any attempt to use System operations to influence the maturity pattern of interest rates to help debt management would not, in my opinion, produce lasting benefits —I emphasize the word "lasting"—and would produce real difficulties. If an attempt were made to lower long-term interest rates by System purchases of bonds and to offset the effect on reserves by accompanying sales of short-term issues, market holdings of participants would shift by a corresponding amount from long-term securities to short ones. This process could continue until the System's portfolio consisted largely of long-term securities. Accordingly, the System would have put itself into a frozen portfolio position.

The effect of thus endeavoring to lower long-term yields, without affecting bank reserves, would be to increase the over-all liquidity of the economy. Not only would the supply of short-term issues in the market be increased, but also all Government bonds outstanding would be made more liquid because they could be more readily converted into cash. The problem of excess liquidity in the economy, already a serious one, would be intensified. The Treasury now, even with the present interest rate ceiling, would have no difficulty in reaching the same result. It has merely to issue some $20 billion of short-term securities and use the proceeds to retire outstanding long-term debt. Fortunately, it is not contemplating any such action.

The effect of System open market operations on the expectations of market professionals can be of critical importance depending upon the market area in which the operations are conducted. In the longer term area of the market, dealers, traders, and portfolio managers are particularly sensitive to unusual changes in supply and demand. One important reason is that long-term securities are subject to wider price fluctuation relative to given changes in interest rates than are short-term issues. Therefore, trading or portfolio positions in them incur a greater price risk.

These traders and investors in long-term securities are aware that the System holds the economy's largest single portfolio of Government securities. They also know that the System is the only investor of virtually unlimited means. Consequently, if the System regularly engaged in open market operations in longer term securities with uncertain price effects, the professionals would either withdraw from active trading or endeavor to operate on the same side of the market as they believed, rightly or wrongly, that the System was operating.

If the professionals in the market did the former, the Federal Reserve would become in fact the price and yield administrator of the long-term Government securities market. If they did the latter, the total effect might be to encourage artificially bullish or bearish expectations as to prices and yields on long-term securities. This could lead to unsustainable price and yield levels which would not reflect basic supply and demand forces. The dangerous potentialities of such a development are illustrated by the speculative build-up and liquidation of mid-1958, described in detail in the Treasury-Federal Reserve study.

Either of these effects would permeate, and tend to be disturbing to, the whole capital market. Accordingly, instead of working as a stabilizing force for the economy, such open market operations in long-term securities could have the opposite result. In other words, if the Federal Reserve were to intrude in the adjustment of supply and demand in order directly to influence prices and yields on long-term securities or in a way that resulted in unsustainable prices and yields, it would impair the functioning of a vitally important market process.

Some public discussion of the Federal Reserve's present practice of conducting open market operations in short-term securities implies, it seems to me, that the System has assumed an intractable and doctrinaire position on this matter. This is not a correct interpretation of what we have done. We adopted this practice after a careful study of experience and of the effects of our operations upon the market and the banking system. In this review, we were naturally mindful of the specific tasks of the System, namely, to regulate the growth of the money supply in accordance with the economy's needs and to help maintain a stable value for the dollar.

The practice or technique was adopted, not as an iron rule, but as a general procedure for the conduct of current operations. It is subject to change at any time and is formally reconsidered once each year by the Federal Open Market Committee in the light of recent experience. Exceptions can be, and have been, authorized by the Committee in situations where either Treasury financing needs, conditions in the money market, or the requirements of monetary policy call for such variations. The System at times has been a subscriber to longer term issues in Treasury exchange offerings when appropriate, and at other times has purchased such securities in the market.

In other words, we endeavor to apply this practice flexibly as we do all of our practices in the administration of monetary policy. As I have stated to this Committee on other occasions, flexibility is an essential ingredient of our entire reserve banking operation. When reserve banking loses flexibility, it will no longer be able to do the job that is required of the central bank in the market economies of the free world.

MEASUREMENT OF ECONOMIC GROWTH

Before concluding my statement, I want to mention one entirely different matter that has special relevance to the broad scope of this Committee's interest. That is the measurement of growth. As you know, one of the frequently used indicators of growth in the industrial sector has been the Board's index of industrial production. One of the great lessons we learn from the compilation of this index, which we try to do as carefully and competently as we know how, is that the mere matter of measuring growth is a very tricky thing.

As the structure of the economy keeps changing, the job of combining measures of its many parts into a single index cannot be done, despite our best efforts, without having to make major revisions every few years. We again have under way a basic revision, the final results of which will be available soon. The nub of what this revision shows is that the growth rate in the sectors covered by the Board's index has been materially greater over the past decade than has appeared from the unrevised index.

The statistical data that we have to use from month to month can only be cross-checked in a comprehensive way when we have available the results of a full census. Congress authorized the Department of Commerce to conduct one of these in 1947, and another as of 1954. The immense task of digesting and reappraising the results of these censuses, and then refitting all of the monthly data into these basic benchmarks, has now progressed far enough to indicate that the revised index, with the 1947-49 period as the starting point at 100, will show a level of around 165 at mid-1959. That is 10 points higher than the figure shown by our unrevised index for June.

Some of this difference results because we are now able to include, with appropriate proportional weight alongside other items, more of the fuel and energy production that has been going on all the time without being represented in the index. More than half of the difference, however, results from improvements in measurement of presently included industries. The monthly movements of the revised and present indexes are quite similar, so that the main effect of the revision in the total is to tilt upward this measure of industrial growth over the past decade. For example, it now appears that industrial output of consumer goods on a revised basis has risen at an average annual rate of 3.8 per cent as compared with 3.2 per cent shown by the unrevised index for the consumer goods sector. Population growth has been at a rate of 1.7 per cent per year.

Industrial production, to be sure, is only one of the ways that growth might be measured, but it is a measure in real terms and so is free of price influences. Crude measurements of growth in aggregate dollar terms can be seriously misleading, not only with respect to what the economy has done but also in marking out guidelines as to how we may reasonably expect the economy to grow in the years ahead. It is no achievement to have a rise of 10 per cent in the general price level such as occurred in the months after the Korean outbreak—even though that does puff up the figures on gross national product quite handsomely. The increase of 15 per cent in the current dollar value of gross national product from 1955 to 1957 was only half of what it seemed to be because it was inflated by a general price increase of 7 per cent.

Throughout its entire history, this economy has grown by staggering magnitudes. It is because I, for one, want to do everything I can to keep it growing that I urge the maintenance of free markets and reasonably stable prices as primary objectives of public policy.

Proposed Housing Legislation, S. 57

The vital social importance of accommodating the needs of the public for good housing is unquestionable. A decade has already passed since the Congress underlined this fact by declaring that "the general welfare and security of the nation and the health and living standards of its people require . . . the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family . . ."

A basic question, however, raised by S. 57, the "Housing Act of 1959," is this: How far and how fast we can move toward that objective and at the same time meet without undue strain the many other pressing demands upon our economy?

We have already made considerable housing progress in the postwar years. Since 1950, well over 11 million dwelling units have been placed under construction. This is an impressive achievement—a total exceeding the inventory of all housing in existence at the turn of the century.

Progress has been recorded, too, in conserving and improving the older habitable portion of our housing stock which comprises an important share of our national wealth and in which the majority of our households live. As a result of the construction of millions of new dwellings and marked improvements to existing ones, our housing supply today consists of more units than ever before. The average quality of these homes is the highest in history.

Despite the fact that we have moved closer in recent years to the goal of decent housing for everyone, the number of persons quartered in inadequate accommodations is still a matter of serious concern. Here again, the question arises: To what extent can we accelerate our progress further in the present period of broad economic expansion and mounting inflationary pressures and expectations?

Unfortunately, the rapid growth and improvement of the housing supply in the postwar period has been accompanied by a sharp rise in costs. For the entire period since World War II, prices of building materials, as well as prices of homes, have risen more than general wholesale prices or prices of all consumer goods and services. The relative inflation of building materials prices and of residential construction costs has intensified over the past year.

This inflationary advance in housing costs and prices, coupled with a liberalization in lending terms, has been associated with unprecedented demands for mortgage credit to help finance the purchase of new houses and the transfer of existing ones. Home mortgage needs have dominated the capital markets since World War II and represented the largest single use of capital funds. In the postwar period, nonfarm home mortgages have accounted for more than one-third of the over-all increase in outstanding net debt, including all mortgages, securities, and other obligations. Since the end of 1949, the volume of nonfarm home mort-

NOTE.—Statement of William McChesney Martin, Jr., Chairman, Board of Governors of the Federal Reserve System, before the Housing Subcommittee of the Senate Banking and Currency Committee, July 29, 1959.

gage debt outstanding has more than tripled to well over $120 billion.

To preserve the integrity of this debt structure as well as to meet housing needs in the future requires more than ever before the maintenance of sound standards of mortgage finance, as well as stability of prices and capital values generally in the economy. Overdrafts upon capital markets for home mortgage funds or over-stimulation of building activity under currently developing boom conditions in the economy could precipitate or intensify a later downturn. Even now, the Federal Government has assumed a huge volume of commitments in underwriting FHA-insured and VA-guaranteed home mortgage loans and in insuring deposits and shares in financial institutions which hold a major portion of all mortgage debt.

In the light of these general observations, I should like to examine some of the provisions of S. 57 which have a significant bearing upon mortgage finance and economic growth and stability. The Board believes that certain features of the bill are desirable and necessary at this time to the continuance of vital housing programs under way. Among such provisions are the extensions of the FHA Title I property improvement loan insurance program, the FHA mortgage insurance program for armed services housing, the Voluntary Home Mortgage Credit Program, and the increase in general mortgage insurance authorization for the Federal Housing Administration. With regard to the latter, it would be preferable to remove all limits on FHA insurance in force. Such limitations serve no useful purpose. Moreover, should that step be taken, Congress would still have an opportunity, through the appropriations process, to review annually the standards under which the program is carried on.

Raising maximum interest rates on insured mortgages under several FHA programs, as authorized under certain sections of S. 57, would also be a desirable step. Complete flexibility of interest rates might be even better. Mortgage insurance reduces investment risk to lenders. Experience suggests that under flexible interest rates, market forces would set a lower rate on insured than on uninsured mortgages with otherwise similar terms. Interest rates fluctuating freely according to market conditions would in fact be desirable for all housing programs.

Certain other features of S. 57 appear to the Board to be inappropriate for enactment at this time when mortgage lending and housing starts are at or near record levels and when growing pressures in the capital markets are being reflected in high and rising interest rates. I refer specifically to provisions which would provide discretionary authority to reduce again minimum downpayments on homes with FHA-insured mortgage loans, and to extend further the maximum term on Federally underwritten home mortgages.

The former proposal, if put into effect, would permit a 5 per cent reduction in the downpayment on a $14,000 house with an FHA mortgage, to a minimum of $455. On an $18,000 house, the reduction would be 38 per cent, to a minimum of $855. You will note from the following table that minimum downpayments proposed in S. 57 are well below the ones authorized by statute in earlier years, but exceeded from time to time by administrative regulation. On a new $14,000 house with an FHA-insured mortgage loan, for example, the minimum downpayment requirement enacted early in 1950 was $2,800. This statutory limit was reduced in 1954 to $1,700, in1957 to $900, and in 1958 to the present figure of $480.

MINIMUM STATUTORY DOWNPAYMENTS ON NEW HOMES WITH MORTGAGES INSURED BY THE FHA

[Under Sec. 203 (b) (2) of the National Housing Act, 1950 to date]

Appraised value of new home	Date of enactment				
	April 1950	August 1954	July 1957	April 1958	Proposed in S. 57
$10,000	$1,250	$ 700	$ 300	$ 300	$ 300
12,000	2,400	1,200	600	360	360
14,000	2,800	1,700	900	480	455
16,000	3,200	2,200	1,200	780	655
18,000	3,600	2,700	1,800	1,380	855
20,000	4,000	3,200	2,400	1,980	1,455

NOTE.—Statutory minima have been exceeded at times by higher minimum requirements imposed by administrative regulation. Limits given in the table exclude Presidential discretionary authority, authorized at certain times, to permit certain further reductions under specified circumstances. Recently, the statutory minima given in this table have also applied to existing houses.

As mentioned earlier, S. 57 would reduce the limit further to $455.

The latter proposal would extend the maximum term on FHA-insured and VA-guaranteed home mortgages and on VA direct home loans to 35 years from the present limit of 30 years. If effective in the market, such an extension would tend to increase the amount of outstanding mortgage debt by lowering repayment rates, even though the number and amount of credit transactions remained unchanged.

This is no time for measures to encourage additional borrowing either by home buyers or by the Treasury that would place additional demands upon our strained capital markets. During the first half of 1959, nonfarm home mortgage debt outstanding climbed an unparalleled amount. In only six months it rose about $7 billion compared with an increase of $10 billion in the entire year of 1958, and $12.5 billion in the record year of 1955. The current threat to sustained housing activity is not that mortgage lending terms are too strict, but that savings may be inadequate to accommodate the volume of housing demanded under current financing terms.

The unprecedented growth so far this year in nonfarm home mortgage debt outstanding has been sustained in part through a high level of mortgage warehousing, a record volume of mortgage purchases by the Federal National Mortgage Association, and a record amount of outstanding Federal Home Loan Bank advances. To place capital markets under additional pressure through any further reduction in downpayments or any further extension in maturities would be untimely and unwarranted. Now is the time to encourage a higher rate of saving—not a higher rate of borrowing.

Now is the time, in fact, for the Federal Government of this, the most advanced country in the world, to continue to demonstrate its capacity for leadership by exercising financial discipline. This would make clear to all peoples that its economic policy is wisely directed to the maintenance of that economic stability essential to sustained economic growth. As a nation, we must continue to serve as an anchor to which other democracies can tie without any doubt about the strength of that anchor to hold firm against the tides of inflationary forces.

Nearly a century ago, Benjamin Disraeli said: "The best security for civilization is the dwelling, and upon proper and becoming dwellings depends more than anything else the improvement of mankind. Such dwellings are the nursery of all domestic virtues, and without a becoming home the exercise of those virtues is impossible."

That statement is as true now as it was then. In striving toward the end of "proper and becoming dwellings," however, we must be certain that the means we use and their timing are also "proper and becoming" to our over-all goals of long-run economic stability and sustained economic growth. That is what the Board had in mind in considering some of the provisions of S. 57.

Revisions for Weekly Reporting Banks

BEGINNING WITH THE DATA for July 8, 1959, the weekly series of statistics reported by member banks in leading cities and published by the Board of Governors reflects revisions to increase and improve the coverage of the series and to provide a more adequate classification of loans and investments. This is the first major revision in the weekly series since 1947 (see Federal Reserve BULLETIN for June 1947, pages 692-93).

COVERAGE

Over the decade since the last revision in the weekly reporting series, banking has expanded more in some areas than in others. This has made it advisable to change the reporting groups in many areas to improve the usefulness of the series for regional analysis. On July 8, 1959, the number of cities, including only the head-office cities of branch systems, was increased from 94 to 107, while the number of banks was increased from 357 to 368, a net expansion in coverage of 11 banks (37 added and 26 eliminated). For the most part the banks that were added were of substantial size, while those taken out were relatively small. As a result of these changes, the proportion of total commercial bank deposits represented by the weekly reporting member bank series increased from about 55 to 60 per cent, while the proportion of total member bank deposits represented increased from about 65 to 70 per cent.

In the process of revising the coverage of the series, adjustments that had been made in the series over the years were eliminated. These adjustments had been made to prevent distortions that would otherwise have resulted from mergers of nonreporting banks with reporting banks. This revision alone accounted for about two-fifths of the $10 billion of assets added to the series.

REVISED FORM OF REPORT

The new report form adopted for weekly reporting member banks is designed to provide a more adequate breakdown of loans and to show more information on the maturities of U. S. Government security holdings.

Loans. The most important change among loan categories is the segregation of loans to financial institutions. Loans to these institutions, which previously were included in commercial and industrial loans, in "other" loans, and, to a lesser extent, in loans to banks will be shown for four types of institutions:

(1) Domestic commercial banks
(2) Foreign banks
(3) Sales finance, personal finance, factors, and other business credit companies
(4) Other financial institutions (mutual savings banks, insurance companies, mortgage companies, savings and loan associations, and Federal lending agencies)

Users of bank data have felt for some time that inadequacies in the loan classification seriously limited the analytical value of the data. In the first place, the commercial and industrial loan category was not a clean measure of business loans because it included loans to sales finance companies and to mortgage companies. In some weeks, changes in loans to sales finance companies alone were larger than the net change in loans to all other business borrowers combined.

Secondly, no category reflected the volume of bank credit being extended to the foregoing financial intermediaries nor to other types such as personal loan and finance companies, insurance companies, and savings and loan associations. Loans to the latter types of institutions were reported with "other" loans, along with loans to churches, charitable and educational institutions, etc. At times, the volume of credit to these financing institutions expanded sharply and was not identifiable except through special surveys.

Segregation of loans to financial institutions and redefinitions of other loan categories to remove the loans to these institutions will provide users of the series with a more accurate measure of the amount of bank credit that is being channeled from banks through nonbank financial intermediaries and will improve the usefulness of all loan categories, particularly the commercial and industrial loan segment. Availability of figures for loans to domestic commercial banks will provide an accurate measure of domestic interbank transactions. Heretofore it was difficult to measure such loans, for they were combined with loans to mutual savings banks and loans to foreign banks; loans to the latter have become increasingly important.

A less important change in loan classifications is the provision of more information on the types of securities for which loans for purchasing or carrying securities are being made. In the past, all reporting banks showed loans to brokers and dealers separately from those to others, but only New York and Chicago banks reported loans for purchasing or carrying U. S. Government obligations separately from loans for purchasing or carrying other securities. Henceforth, all weekly reporting banks will show this breakdown. Such a breakdown will help to identify the amounts of credit being used to finance these two groups of securities.

U. S. Government securities. According to the new form, each bank will report its combined holdings of Treasury notes and U. S. Government bonds for the following maturities:

Within 1 year
After 1 year but within 5 years
After 5 years

This maturity breakdown will furnish data for studies of current developments in bank liquidity and will show the extent to which city banks participate in, or otherwise rearrange their portfolios at times of, major Treasury financing operations.

BACK DATA AND RECONCILIATION

For all items that have not been reclassified, year-ago data are being compiled to reflect the added coverage of cities and banks. These data will be published in a later issue of the BULLETIN. Some of the banks added were already reporting weekly to the Federal Reserve Bank in their district, but in many cases weekly figures for the period July 1958–June 1959 had to be estimated from less frequent reports of condition, deposit reports for reserve computation purposes, and other sources. The portion estimated is small in relation to the total.

No data are available prior to July 1, 1959, however, for the revised loan classifications or subdivided items; these include commercial and industrial loans, loans to banks, other loans, loans to financial institutions, the breakdown of loans for purchasing or carrying securities (except at New York and Chicago banks), or the maturity distribution of U. S. Government bonds and notes. For the loan items affected by reclassification, there is a reconciliation for only one date—July 1, 1959, when the banks were requested to provide a reconciliation between the old and the new forms.

The accompanying table shows the extent to which the revised loan items were affected by reclassification as well as by the changes in coverage on that date. Other balance-sheet items were affected only by the changes in coverage.

EFFECT ON LOANS OF RECLASSIFICATION AND CHANGES IN COVERAGE, JULY 1, 1959

[In millions of dollars]

Loan category	Old series	Effect of:		New series
		Re-classification	Added coverage	
Commercial and industrial	32,012	−4,424	+894	28,482
Nonbank financial institutions:				
Sales finance, personal finance, etc.	....	+3,746	+86	3,832
Other	....	+1,413	+49	1,462
Foreign banks	2,111	−2	+6	596
Domestic commercial banks				1,519
"Other"	12,992	−733	+1,381	13,640

The reclassifications consisted of the following transfers: (1) from commercial and industrial loans—$3,241 million of loans to sales finance companies, factors, etc., to the new item for sales finance and personal finance companies, and $1,183 million of loans to mortgage companies and other real estate lenders to the new item of "other" nonbank financial institutions; (2) $2 million of loans to mutual savings banks from loans to banks to "other" nonbank financial institutions; (3) $505 million of loans to personal finance and loan companies from "other" loans to the new item for sales finance and personal finance companies; and (4) the following from "other" loans to "other" nonbank financial institutions: $74 million of loans to savings and loan and similar associations, $112 million of loans to insurance and investment (that is, those holding stock of operating companies for management or developmental purposes) companies, and $42 million of loans to Federal lending agencies.

RELATED CHANGES IN OTHER REPORTS

In order to reduce classification problems and to enable banks to establish a consistent system for record keeping and reporting, the loan schedule (Schedule A) of the member bank call report of condition is also being revised to include an item for loans to financial institutions other than banks. Other loan items are being redefined to agree with the loan classification used in the weekly reporting series.

Changes in the types of loans reported as commercial and industrial will affect the figures published in the Board's weekly release, "Changes in Commercial and Industrial Loans by Industry." This release will continue to reflect the weekly changes in commercial and industrial loans as reported by more than 200 of the larger banks in the weekly reporting series, but data beginning with July 8, 1959, will not be comparable with those published earlier because of the reclassification of loans previously included therein, mainly loans to sales finance and mortgage companies.

Law Department

Administrative interpretations, new regulations, and similar material

Reserves of Member Banks

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

AN ACT

To amend the National Bank Act and the Federal Reserve Act with respect to the reserves required to be maintained by member banks of the Federal Reserve System against deposits and to eliminate the classification "central reserve city."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 19 of the Federal Reserve Act, as amended, is further amended by striking out the provisos in the fourth and fifth paragraphs of such section, lettered (b) and (c), respectively (U.S.C., Title 12, Sec. 462), by changing the colon in each such paragraph to a period, and by adding after such fifth paragraph the following:

"Notwithstanding the other provisions of this section—

"(1) the Board of Governors, under such regulations as it may prescribe, may permit member banks to count all or part of their currency and coin as reserves required under this section; and

"(2) a member bank in a reserve city may hold and maintain the reserve balances which are in effect under this section for member banks described in paragraph (a), and a member bank in a central reserve city may hold and maintain the reserve balances which are in effect under this section for member banks described in paragraph (a) or (b), if permission for the holding and maintaining of such lower reserve balances is granted by the Board of Governors of the Federal Reserve System, either in individual cases or under regulations of the Board, on such basis as the Board may deem reasonable and appropriate in view of the character of business transacted by the member bank."

SEC. 2. (a) The fifth paragraph of Section 19 of the Federal Reserve Act, lettered (c) (U.S.C., Title 12, Sec. 462), is amended by striking out the word "thirteen" in such paragraph and substituting in lieu thereof the word "ten".

(b) The sixth paragraph of Section 19 of the Federal Reserve Act (U.S.C., Title 12, Sec. 462b) is amended by striking out the words "on the date of enactment of the Banking Act of 1935", and by inserting before the period at the end thereof the following: ", except that in the case of member banks in reserve cities and central reserve cities the maximum amount of reserves which may be required to be maintained against demand deposits shall be 22 per centum".

SEC. 3. (a) The amendments made by the first two sections of this Act shall be effective on the date of the enactment of this Act.

(b) Effective three years after the date of the enactment of this Act—

(1) New York and Chicago are reclassified as reserve cities under the Federal Reserve Act;

(2) the classification "central reserve city" under the Federal Reserve Act, and the authority of the Board of Governors of the Federal Reserve System to classify or reclassify cities as "central reserve cities" under such Act, are terminated;

(3) Section 5192 of the Revised Statutes of the United States (12 U.S.C., Sec. 144) is amended by striking out "central reserve or";

(4) Section 2 of the Act of March 3, 1887 (ch. 378; 24 Stat. 560) is repealed;

(5) the last paragraph of Section 2 of the Federal Reserve Act (12 U.S.C., Sec. 224) is amended by striking out "and central reserve cities";

(6) Section 11(e) of the Federal Reserve Act (12 U.S.C., Sec. 248e) is amended by striking out "and central reserve" each place it appears;

(7) the third paragraph (lettered (a)) of Section 19 of the Federal Reserve Act (12 U.S.C., Sec. 462) is amended by striking out "or central reserve";

(8) the fifth paragraph (lettered (c)) of such Section 19 is repealed;

(9) subparagraph (2) of the sixth paragraph of such Section 19 (as added by the first section of this Act) is amended by striking out "and a member bank in a central reserve city may hold and maintain the reserve balances which are in effect under this section for member banks described in paragraph (a) or (b),";

(10) the seventh paragraph of such Section 19 is amended by striking out clauses (1), (2), (3), and (4) and inserting in lieu thereof the following: "(1) by member banks in reserve cities, (2) by member banks not in reserve cities, or (3) by all member banks"; and

(11) the seventh paragraph of such section is further amended by striking out "and central reserve cities".

SEC. 4. Paragraph (c) of Section 5144 of the Revised Statutes (12 U.S.C. 61(c)) is amended by inserting before the semicolon at the end thereof a period and the following: "In any case in which there is more than one holding company affiliate with respect to the same bank or group of banks the establishment and maintenance of the reserve of readily marketable assets required by this paragraph by only one of such holding company affiliates, designated by the Board under such conditions as the Board may prescribe, shall constitute compliance with such reserve requirement: *Provided,* That all of the stock of the banks affiliated with such holding company affiliates which is directly or indirectly owned or controlled by them shall be owned or controlled, directly or indirectly, by the one so designated by the Board. This proviso shall not be interpreted as authorizing the Board to require any such designated company to own such stock directly".

Approved July 28, 1959.

Order under Section 3 of Bank Holding Company Act

The Board of Governors of the Federal Reserve System, on July 23, 1959, issued the following Order and Statements with respect to an application by a holding company for approval of the acquisition of voting shares of a bank:

CITIZENS AND SOUTHERN NATIONAL BANK AND CITIZENS AND SOUTHERN HOLDING COMPANY

In the Matter of the Applications of Citizens and Southern National Bank and Citizens and Southern Holding Company for prior approval of acquisition of voting shares of American National Bank of Brunswick, Brunswick, Georgia.

ORDER APPROVING APPLICATIONS UNDER BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to Section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843) and Section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), applications on behalf of Citizens and Southern National Bank and Citizens and Southern Holding Company, whose respective principal office is in Savannah, Georgia, for the Board's prior approval of the acquisition of 2,500 of the outstanding voting shares of American National Bank of Brunswick, Brunswick, Georgia; a Notice of Tentative Decision referring to a Tentative Statement on said applications having been published in the Federal Register on June 30, 1959 (24 F.R. 5319); the said Notice having provided interested persons an opportunity, before issuance of the Board's final order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative Statement; and the time for filing such objections and comments having expired and no such objections or comments having been filed;

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said applications be and hereby are granted and the acquisition by Citizens and Southern National Bank and Citizens and Southern Holding Company of 2,500 of the outstanding voting shares of American National Bank of Brunswick, Brunswick, Georgia, is hereby approved, provided that such acquisition is completed within three months from the date hereof, and that no action be taken by Citizens and Southern National Bank or Citizens and Southern Holding Company that will result in the termination of the corporate existence of American National Bank of Brunswick as a separate functioning banking institution until after 60 days following the date of this Order.

Dated at Washington, D. C., this 23rd day of July, 1959.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston, and Governors Szymczak, Mills and Shepardson. Voting against this action: Governors Robertson and King.

(Signed) MERRITT SHERMAN,
(SEAL) *Secretary.*

STATEMENT

Citizens and Southern National Bank, Savannah, Georgia ("National"), and Citizens and Southern Holding Company, Savannah, Georgia ("Citizens"), both of which are bank holding companies, have applied, pursuant to Section 3 (a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of Citizens' acquisition of 2,500 of the 20,000 outstanding voting shares of American National Bank of Brunswick, Brunswick, Georgia.

Views and recommendations of the Comptroller of the Currency. As required by Section 3(b) of the Act, the Board gave notice of the applications to the Comptroller of the Currency. The Comptroller recommended that the applications be approved by the Board.

Statutory factors. Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. Citizens is a bank holding company under Section 2(a)(1) of the Act because of its ownership of more than 25 per cent (in fact, a large majority) of the stock of each of 10 banks, with deposits ranging from $2.5 million to $27.4 million, and aggregating over $100 million, located in 10 communities in Georgia. National, a bank with its head office in Savannah, Georgia, and its center of operations in Atlanta, operates 12 offices holding aggregate deposits of $470 million. It is a bank holding company as defined in Section 2(a)(3) of the Act, since all of the outstanding shares of Citizens are held by trustees for the benefit of the shareholders of National.

American National Bank, with deposits of $12.2 million, has its head office in Brunswick, the county seat of Glynn County, and a branch office in Jesup, the county seat of Wayne County.

It appears that the financial history and condition, the prospects, and the management of American and the two holding companies are satisfactory and would not be adversely affected by the proposed acquisition.

The City of Brunswick (population about 20,-700) is served by three banks, and there is one other bank in Glynn County. Wayne County has two banking offices, both in Jesup, one of them being a branch of American. American holds about one-third of all bank deposits in Glynn County and a majority of the deposits in Wayne County.

The Brunswick and Jesup offices of American are about 77 miles and 66 miles, respectively, southwest of Savannah, the location of the nearest banking offices of the Citizens and Southern group. Existing competition between American and the banking offices of the group is negligible, and this situation would not be changed by the proposed stock acquisition. It is to be noted that the proposed acquisition involves only 12½ per cent of the outstanding stock of American, so that American will not become a "subsidiary" of the holding companies; subsidiary status, under Sections 2(d)(1) and 2(d)(3) of the Act, is based on ownership of 25 per cent or more of the voting shares of the bank concerned.

In the opinion of the Board, the proposed transaction would not have any significant effect on the convenience, needs, and welfare of the communities and the area concerned, and would not expand the Citizens and Southern holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Conclusion. The above views were incorporated in the Tentative Statement issued in connection with the Notice of Tentative Decision published in the Federal Register on June 30, 1959 (24 F.R. 5319), affording interested persons an opportunity to submit comments on or objections to the Board's proposed action, and no such comments or objections were received within the period specified for their submission.

Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in Section 3(c), it is the judgment of the Board that the proposed acquisition would not be inconsistent with the statutory objectives and the public interest and that, accordingly, the applications should be approved. IT IS SO ORDERED.

DISSENTING STATEMENT OF GOVERNORS ROBERTSON AND KING

Section 3(a)(2) of the Bank Holding Company Act permits a holding company to acquire, without Board approval, up to 5 per cent of the voting shares of additional banks. This reflects Congress' view that acquisition of *more than* 5 per cent of a bank's stock cannot be regarded as an insignificant acquisition; that is the reason why, under the Act, such an acquisition may not be consummated without the Board's approval.

We believe that approval of an application to purchase more than 5 per cent of the stock of an additional bank must be based on evidence that the public interest will be better served by such acquisition.

It is not contended by the applicants, in this case, that the proposed acquisition will have any favorable effect on the convenience, needs, or welfare of the community or area concerned. It is true that the transaction will not increase the number of statutory "subsidiaries" in the Citizens and Southern holding company system, but this does not mean that the sphere of influence of the holding companies will not be expanded. We believe that it will be.

The absence of prospective benefits that would justify the acquisition gives this matter importance that reaches beyond the immediate transaction. We are concerned lest approval in this case may establish a general principle that a holding company can acquire substantial minority interests in any banks that are not in direct competition with banks that are already members of its system. In view of the Board's decision in this case, it is difficult to see how any such application could hereafter be denied without making an arbitrary distinction from this case.

As previously indicated, the acquisition will expand the holding companies' sphere of influence. In the absence of evidence that the transaction would contribute to the convenience, needs, or welfare of the community or area, it is our judgment that such expansion would not be consistent with the purposes of the Bank Holding Company Act or with the public interest in the field of banking. Therefore, we conclude that the applications should be denied.

Orders under Section 4(c)(6) of Bank Holding Company Act

The Board of Governors of the Federal Reserve System on July 21, 1959, issued Orders relating to requests by four bank holding companies for determinations under Section 4(c)(6) of the Bank Holding Company Act of 1956 for exemption of subsidiary corporations. The Board's Orders and accompanying Statements and Reports and Recommended Decisions read as follows:

OTTO BREMER COMPANY

In the Matter of the Requests of Otto Bremer Company for Determinations under Section 4(c)(6) of the Bank Holding Company Act of 1956. Docket Numbers BHC-29, BHC-31, BHC-32, BHC-33, BHC-35.

ORDER

Otto Bremer Company, St. Paul, Minnesota, a bank holding company within the meaning of Section 2(a) of the Bank Holding Company Act of 1956, has filed requests for determinations by the Board of Governors of the Federal Reserve System that the corporations hereinafter named and their activities are of the kind described in Section 4(c)(6) of the Bank Holding Company Act of 1956 (12 U.S.C. §1843) and Section 5(b) of the Board's Regulation Y (12 CFR 222.5(b)), so as to make it unnecessary for the prohibitions of Section 4 of the Act with respect to retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act. The corporations with respect to which the requests were filed with the hearing Docket Nos. of each are:

Citizens Agency, Inc.	(BHC-29)
Western State Agency, Inc.	(BHC-31)
New England Insurance Agency	(BHC-32)
Drovers Exchange Agency & Realty, Inc.	(BHC-33)
Willmar Investment Company	(BHC-35)

A hearing having been held pursuant to Section 4(c)(6) of the Act and in accordance with Sections 5(b) and 7(a) of the Board's Regulation Y (12 CFR 222.5(b) and 222.7(a)), the Hearing Examiner filed his Report and Recommended Decision wherein he recommended that Applicant's requests designated BHC Nos. 29, 31, 33, and 35 be approved, and that Applicant's request designated BHC No. 32 be denied unless Applicant, with the written consent of that subsidiary to which the request is related, gives proper assurance, as a condition of exemption, that the said subsidiary will cease to engage in the business of buying and selling real estate, and that, the foregoing assurance being given, such requests be approved. Oral argument having been heard before the Board; the Board having given due consideration to all relevant aspects of the matter; and all such steps having been in accordance with the Board's Rules of Practice for Formal Hearings (12 CFR 263):

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date and on the basis of the record made at the hearing in this matter, that:

1. The activities of Western State Agency, Inc., with the exception of its lending activities, are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's request with respect to Western State Agency, Inc. shall be, and hereby is, granted *on the condition that* Western State Agency, Inc. takes appropriate action to discontinue its lending activities within a reasonable period of time; and

2. The activities of Citizens Agency, Inc. are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's request with respect to Citizens Agency, Inc. shall be, and hereby is, granted; and

3. The insurance activities of Willmar Investment Company are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act; the remaining activities of Willmar Investment Company, with the exception of its real estate business activities, do not bar that Company from exemption under Section 4(c)(6); and, therefore, Applicant's request with respect to Willmar Investment Company shall be, and hereby is, granted *on the condition*

that within a reasonable period of time the real estate business activities of that Company be discontinued; and

4. The insurance activities of Drovers Exchange Agency & Realty, Inc. are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act; the remaining activities of Drovers Exchange Agency & Realty, Inc. do not bar that Company from exemption under Section 4(c)(6); and, therefore, Applicant's request with respect to Drovers Exchange Agency & Realty, Inc. shall be, and hereby is, granted; and

5. The activities of New England Insurance Agency, with the exception of its real estate business activities, are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act; and, therefore, Applicant's request with respect to New England Insurance Agency, shall be, and hereby is, granted *on the condition that* within a reasonable period of time, New England Insurance Agency ceases to engage in its real estate business activities.

Dated at Washington, D.C., this 21st day of July, 1959.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston and Governors Szymczak, Mills, Robertson, Shepardson and King.

(Signed) MERRITT SHERMAN,
(SEAL) *Secretary.*

STATEMENT

BACKGROUND OF THE CASE

On June 17, 1957, Otto Bremer Company, herein the Applicant, a Minnesota corporation with its principal office and place of business in St. Paul, Minnesota, and a bank holding company as defined in Section 2(a) of the Bank Holding Company Act of 1956 ("Act"), filed with the Board of Governors of the Federal Reserve System (the "Board") requests for determinations that the shares held by it in certain nonbanking subsidiaries are exempt under Section 4(c)(6) of the Act from the prohibitions of Section 4(a)(2) of the Act. The nonbanking subsidiaries involved are Western State Agency, Inc., Citizens Agency, Inc., Willmar Investment Company, Drovers Exchange Agency and Realty, Inc., and New England Insurance Agency.

On July 12, 1957, the Board ordered a consolidation of the aforesaid applications. Pursuant to order for and notice of hearing published in the Federal Register, a hearing on these applications was held in Minneapolis, Minnesota, on August 20 and 21, 1957, and on October 8 and 9, 1957, before a duly designated Hearing Examiner. On October 15, 1958, following the conclusion of this hearing, Applicant filed proposed findings of fact and conclusions of law, with a brief in support thereof. On November 25, 1959, the Hearing Examiner filed with the Board his Report and Recommended Decision wherein, on the basis of findings of fact and conclusions of law set forth therein, he recommended that the requests of Applicant be granted as to four of its five nonbanking subsidiaries, but that Applicant's request as to New England Insurance Agency be denied. However, in reference to the New England Insurance Agency, the Hearing Examiner further recommended that if, prior to the expiration of the time for filing exceptions to his Report, the Applicant, with the written consent of New England Insurance Agency, should advise the Board that the Agency will discontinue its activities in buying and selling real estate, the Board should grant the Applicant's request for exemption as to that Agency.

By letter dated May 8, 1959, Applicant submitted to the Board a Memorandum Brief in Support of Hearing Examiner's Report and Recommended Decision and, on May 11, 1959, presented oral argument before the Board in support of the Recommended Decision of the Hearing Examiner.

The Board's findings and conclusions with respect to each of the nonbanking subsidiaries involved are set forth hereafter. Additional facts relating to the activities of such subsidiaries are contained in the Hearing Examiner's Report and Recommended Decision attached hereto; and to the extent not inconsistent with this statement, the findings of fact of the Hearing Examiner are hereby adopted.

I. Western State Agency, Inc.

Factual summary. Western State Agency, Inc. ("Western Agency") is a Minnesota corporation, organized in 1956, and located in the premises of Western State Bank of Marshall, Minnesota, ("Western Bank"), a subsidiary of Applicant. The city of Marshall, with a population of approximately 7,000, has one other bank. In addition, there are approximately 15 other banks in the general area of Marshall.

Western Agency is engaged almost exclusively in the business of an insurance agency. With the exception of occasional loans made to customers of Western Bank resulting in interest income during the 19-month period preceding this hearing totaling $164, all of the Agency's income was derived from its insurance business.

Preliminary requirement as to nature of activities. Since it appears from the record that Western Agency is engaged solely in insurance and lending activities, it is clear that it meets the initial requirement for exemption under Section 4(c)(6) of the Act that all of the activities of a company must be of a "financial, fiduciary, or insurance nature."

Relationship of insurance activities to bank business. Having met the preliminary requirement for exemption to which reference has just been made, Western Agency is entitled to exemption under the statute and Section 5(b) of the Board's Regulation Y issued pursuant to the statute, only if its activities are so closely related to the business of banking or of managing or controlling banks, as conducted by the Applicant and its subsidiary banks, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

It appears from the record that prior to the incorporation of Western Agency, Western Bank itself conducted an insurance business through its President as licensed insurance agent. The present manner of conducting the insurance business is essentially identical with its operation prior to 1956, with the exception that net profits are now retained by the Agency for distribution to its shareholders (who are the same as Western Bank's shareholders), whereas formerly net profits were distributed directly to Western Bank.

The present offices of Western Agency are physically located in the premises of Western Bank. Western Bank's employees carry on the activities of Western Agency, all insurance policies being issued in the name of the Agency and countersigned by the President of Western Bank and Western Agency, the two offices being held by the same person. Applicant owns a majority of the outstanding shares of both Western Bank and Western Agency, the stock of both organizations being tied together by a shareholders' agreement precluding transfer of any shares of either Western Bank or Western Agency without simultaneous pro rata transfer of the stock of the other. Western Agency and Western Bank have common officers and directors. Western Bank is paid a fixed sum per year by Western Agency as compensation for administrative expenses connected with operation of the insurance agency, and the Agency's advertising is done in conjunction with that of the Bank, i.e., a joint ad, the cost of which is borne by the Bank.

In the six months preceding the hearing on this application, Western Agency derived about 93 per cent of its gross income from premiums on sale of hail insurance and of automobile, fire and casualty insurance, a majority of which was written for persons doing business with Western Bank, either as borrowers or depositors.

In the twelve months preceding July 1957, the date of notice of hearing, approximately 33 per cent of Western Agency's total premiums collected represented insurance written on collateral held by Western Bank; approximately 50 per cent of such total premiums represented insurance written for Western Bank borrowers on property not securing loans made by that Bank; approximately 16 per cent of such total premiums represented insurance written for non-borrowing customers of Western Bank; and approximately 2 per cent of such total premiums covered insurance written for persons not customers of Western Bank.

While the figures set forth above reflect that less than a major portion of the total premiums received by Western Agency represent insurance written on collateral securing loans made by Western Bank, that portion of the total insurance written which does represent insurance or collateral securing such loans by the Bank constitutes, in the Board's opinion, a substantial part of the Agency's total insurance writings. The significance of this connection is enhanced by the finding that in excess of 90 per cent of Western Agency's customers are also customers, in one form or another, of Western Bank. The fact of common customers, while not decisive, may be given weight as a cumulative factor where other circumstances indicate the existence of the statutorily required relationship. Similar cumulative weight may be given to the physical and personnel integration of the Agency with the Bank.

The presence of the requisite relationship is further supported by the fact that the relationship between Western Bank and the insurance agency conforms with long-settled area practice. As set forth in the Board's statement of this date in connection with First Bank Stock Corporation's application relating to *First Service Agencies, Inc.*, the practice of operating insurance agencies in connection with banks has prevailed for many years in the area concerned, without evidence of objection on the part of the bank supervisory authorities.

In the State of Minnesota, it was shown that 87 per cent of all the banking offices have connected insurance agencies. In this case, the Hearing Examiner found this extensive area practice to be decisively favorable to approval of Applicant's request. While the Board does not give conclusive weight to such area practice, it believes that it may be given strong weight as supporting a finding that the relationship shown is an "incident" to the banking business in that area. Thus, as to Western Agency, the Board finds that the existence of such area practice, when taken together with other facts found to exist and previously discussed, sufficiently supports a finding that the insurance activities of Western Agency are so closely related to the business of banking as conducted by Applicant's subsidiary bank as to be an "incident" thereto.

"Proper" incident. As discussed at greater length in the Board's statement of this date relating to the application of First Bank Stock Corporation for exemption of First Service Agencies, Inc., the Board believes that Section 4 of the Act was directed at those potential sources of evil found to be inherent only in bank holding company operations. If "potential evils" are found to exist that are prevalent among all banks, both holding company banks and nonholding company banks, then any such "potential evils" are not of the nature against which Section 4 of the Act was directed. In this case, the practice of operating insurance agencies in connection with banks is sufficiently prevalent and accepted as to justify the conclusion that the particular relationship here involved is a "proper incident" to banking as conducted in the area concerned and is not inconsistent with the purposes of the Act.

Lending activities. The single question remains as to whether the lending activities of Western Agency are such as to preclude the granting of an exemption to which Western Agency appears otherwise to be entitled. The record reflects that Western Agency on infrequent occasions has made loans for the purpose of accommodating Western Bank customers who, either because of loan limit restrictions or for other reasons, have not qualified for loans from that Bank. The Agency's interest income on such loans in the year and a half preceding the hearing on this application totaled $164. As to this activity, the Hearing Examiner concluded that it was "clearly related to the banking business conducted by its affiliate" and that "in any event this segment of the company's business is so small as to be considered *de minimis.*" For these reasons, the Hearing Examiner concluded that the operations of Western Agency, "in their totality, satisfy the Section 4(c)(6) requirements for exemption."

While the income from Western Agency's lending activities appears to be but a very minor portion of the Agency's total income, this fact alone cannot be the basis for a decision as to the nature of this activity and whether or not it is sufficiently closely related to the business of banking as to escape the divestiture requirement. Moreover, the Board cannot agree, on the basis of the record, that the lending activities of Western Agency are clearly related to the banking business conducted by Western Bank. The record gives no evidence that the loans made had any direct connection with the Bank's business other than that they were made because the Bank did not make them. This does not constitute a transaction by or for the Bank. It differs in no respect, in the Board's view, from a loan that might be made by the Agency to a person having no connection or contact with the Agency's affiliated bank.

Apart from the fact that the loans made had no direct connection with the business of Western Bank, it should be noted that the record is void of any suggestion that the practice described is engaged in, to any extent, by other banks in the area. Clearly, the competitive advantage thus gained by Western Bank over other banks in the area might well be regarded as an evil intended to be precluded by the divestment provisions of the Bank Holding Company Act.

Conclusions. On the basis of the facts established by the Applicant as to the substantial direct connection between the *insurance* activities of Western Agency and the business of banking as conducted by Western Bank, existence of common customers, other facts evidencing physical and personnel integration, and the showing that the operation of bank-connected insurance agencies is a prevalent practice in the area involved and has been sanctioned by bank supervisory authorities, the Board finds that such insurance activities of Western Agency are so closely related to the business of banking as conducted by Western Bank as to be a proper incident thereto and as to make unnecessary the application of the prohibition of Section 4 in order to carry out the purposes of the Act. To the extent that the findings and conclusions and recommendations of the Hearing Examiner are consistent with the aforestated findings and conclusions, they are hereby adopted.

It is the judgment of the Board, for the reasons heretofore stated, that the lending activities of Western Agency are not sufficiently "closely related" to the business of banking as conducted by Western Bank so as to be qualified for exemption from divestiture, and further, that the nature of these activities precludes a finding that they are a "proper incident" to that business.

Accordingly, it is the Board's judgment that the requested exemption with respect to Western State Agency, Inc. should be granted *on the condition that* Western State Agency, Inc. take appropriate action to discontinue its lending activities within a reasonable period of time.

As indicated in the Board's Order, its approval of this request is based solely on the facts disclosed by the record; and if those facts should substantially change in the future in such manner as to make the reasons for the Board's conclusion no longer applicable, the statutory exemption resulting from the Board's present determination would, of course, cease to obtain.

II. Citizens Agency, Inc.

Factual summary. Citizens Agency, Inc. ("Citizens Agency") is a Minnesota corporation organized in 1955, and located in the premises of Citizens State Bank of Brainerd, Minnesota, ("Citizens Bank"), a subsidiary of Applicant. The city of Brainerd, with a population of approximately 14,000, has one other bank. It does not presently have a connected insurance agency. According to the testimony of record, except for that one bank, all the other banks in towns neighboring Brainerd operate insurance agency departments in one form or another.

Preliminary requirement as to nature of activities. The activities of Citizens Agency are confined to the writing of various types of property and credit life insurance and fiduciary bonds. Accordingly, the preliminary requirement for exemption under Section 4(c)(6) of the Act is satisfied.

Relationship of insurance activities to banking business. As stated in connection with the Board's consideration of Applicant's request for exemption of Western Agency, the fact that an agency's activities are of a "financial, fiduciary, or insurance nature" is not alone sufficient to warrant exemption. In addition, it must be established, after a hearing, that the Agency's activities are so closely related to the business of banking or of managing banks, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

In essence, a similar degree of organizational, physical, and operational integration exists between Citizens Agency and Citizens Bank as was found to exist between Western State Agency, Inc. and Western State Bank of Marshall, hereinbefore described. The facts supporting this finding as to Citizens Agency and Citizens Bank are set forth in detail in the Hearing Examiner's Report and are herein incorporated by reference.

Another factor, quantitative in nature, bearing on a determination of the closeness of relationship, is the proportion of the nonbanking organization's activities that are directly related to bank transactions and the extent to which the bank's business is dependent upon, or directly related to, the activities of the nonbanking organization. As to the proportion of Citizens Agency's total insurance activities that may be said to be directly or indirectly related to the business of Citizens Bank, the record reflects that in the 18-month period preceding the hearing on this application, Citizens Agency derived approximately 40 per cent of its total income from premiums on insurance written on collateral securing loans made by Citizens Bank.

In the same period, about 33 per cent of its total premiums represented insurance written for borrowers from Citizens Bank but *not* on property securing loans from that Bank. Approximately 16 per cent of the total premiums received in this period represented insurance written for nonborrowing customers of Citizens Bank and approximately 7 per cent thereof represented insurance written for noncustomers of that Bank. Five per cent of the Agency's total premiums received in this period represented insurance under which Citizens Bank was the named insured. Thus, approximately 45 per cent of the Agency's total premiums received from January 1956 to July 1957 represented insurance directly related to the business of banking as conducted by Citizens Bank.

The record does not contain a showing as to what proportion of the total insurance required by Citizens Bank on collateral securing loans made by it is or was written by Citizens Agency. Less significant in gauging the degree to which the business activities of each of these affiliates is related to the other, but nevertheless relevant, is the testimony of the President of Citizens Bank to the effect that he estimated that in excess of 75 per cent of the insurance customers of Citizens Agency were also customers of Citizens Bank. This estimate finds substantiation in the figures set forth in the Hearing Examiner's Report.

From the legislative history of Section 4(c)(6) of the Act, it seems clear that Congress did not intend that the Board should make determinations under that provision on the basis of any set or all-inclusive standard or formula. Whether the activities of a particular nonbanking company are of such a nature and/or scope as to be considered sufficiently closely related to the business of banking as conducted by an affiliated bank, and thus exempt from the prohibitions of Section 4, is a matter to be determined in the light of the facts surrounding each particular case, and in each instance must reflect consideration of multiple factors.

Thus, in the instant case, the fact that approximately 45 per cent of Citizens Agency's business is directly related to the banking transactions of Citizens Bank, while indicative of the requisite relationship, is not alone determinative. However, further evidence of satisfaction of this requirement is reflected in the finding of the manner in and extent to which organizational, physical, and operational integration exists between Citizens Bank and Citizens Agency.

The evidence of close relationship thus far established finds further support in the fact that in the period from January 3, 1956 to July 31, 1957, approximately 88 per cent of the total insurance writings of Citizens Agency were for customers of Citizens Bank, and that an additional 5 per cent of that total represented insurance written directly for that Bank.

The Hearing Examiner attached "no special significance" to the large proportion of Citizens Agency's insurance activities related to customers of Citizens Bank, other than to that proportion thereof *directly* related to insurance on property securing loans made by Citizens Bank. While no great significance should be attributed to the existence of common customers, the conclusion appears reasonable that a finding of a large number of common customers, when supported, as here, by other evidence indicating a close relationship, should be given appropriate cumulative weight.

The requisite close relationship is further evidenced in this case, as it was in the case of *Western State Agency, Inc., supra,* by the existence in the area involved, both in neighboring towns and in the State as a whole, of the practice among banks of offering to their banking customers various insurance services. Not only does such area practice support a finding that the insurance activities of Citizens Agency are incidental to the business of Citizens Bank, but more, negatives the existence of the "potential sources of evil" at which Section 4 of the Act appears to be directed.

Conclusion. For the reasons heretofore given, the Board concurs in the conclusion reached by the Hearing Examiner that all of the activities of Citizens Agency are of an insurance nature and are so closely related to the business of banking, as conducted by Applicant's subsidiary bank, Citizens Bank, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act.

III. Willmar Investment Company

Factual summary. Willmar Investment Company ("Willmar Co.") is a Minnesota corporation, organized in 1948, with its place of business at Willmar, Minnesota, a city with a population of about 12,000. Willmar Co. occupies rented offices on the same street as and about 200 feet from the Bank of Willmar, a subsidiary of Applicant. From 1948 until March 1957, Willmar Co. occupied an office at the Bank of Willmar.

The record reflects, and the Hearing Examiner found, that Willmar Co. is engaged principally in the writing of fire, general coverage, casualty, sickness, accident and life insurance. It also conducts noninsurance activities consisting of (1) the liquidation of assets acquired from the Bank of Willmar, (2) the holding of properties acquired for the future use of its related bank, and (3) the operation of a real estate agency.

The circumstances asserted to have given rise to Willmar Co.'s engagement in the above activities are set forth in the Hearing Examiner's Report. They are briefly hereafter summarized inasmuch as they appear to bear directly on the questions of the nature of those activities and their relation, if any, to the business of banking as conducted by Bank of Willmar.

During the course of a reorganization of the Bank of Willmar in 1933, certain bank assets were transferred to trustees for liquidation, the proceeds from which were to be paid to depositor-creditors who were given certificates to evidence their interest in the trust property. A portion of these assets remained yet to be liquidated as of 1948. Willmar Co. was organized for the primary purpose of purchasing these assets from the trustees, the proceeds of the purchase to redeem the remaining certificates evidencing indebtedness. The funds used by Willmar to purchase these assets were supplied by subscription to Willmar Co. stock by stockholders of the Bank of Willmar and by a loan from that Bank to Willmar Co. At the same time, Bank of Willmar transferred to Willmar Co. an unincorporated insurance agency and real estate business formerly operated by the Bank. The transfer was allegedly made to provide Willmar Co. with a source of operating funds while in the course of liquidating the assets purchased from the trustees.

Insurance activities. The record supports the finding of the Hearing Examiner that by far the greatest portion of Willmar Co.'s income results from its insurance agency activities. To this extent, Willmar Co. meets the preliminary requirement for exemption under Section 4(c)(6) that all of a company's activities be of a "financial, fiduciary, or insurance nature."

Relative to the further requirement of that section that such activities be so closely related to the business of banking, as conducted by the Applicant and its subsidiary banks, so as to be a proper incident thereto and as to make unnecessary the application of the prohibitions of Section 4 in order to carry out the purposes of the Act, the Board is of the opinion that the record supports a finding that such a relationship exists in this case. There are present in the case of Willmar Co. substantially identical facts with respect to physical and personnel relationship as have been found to exist in the cases of Western State Agency, Inc. and Citizens Agency, Inc. These facts are set forth in detail in the attached Hearing Examiner's Report and need not be recited here. In addition to this evidence of the existence of the required relationship, the record contains statistical evidence bearing on the volume and type of insurance written by Willmar Co. during a specified period.

From January 1, 1956 through August 31, 1957, 39 per cent of the total premium receipts of Willmar Co. represented insurance written on collateral securing loans made by Bank of Willmar. During the same period, approximately 29 per cent of such total premiums received represented insurance written for borrowers from Bank of

Willmar but not on property then securing loans. About 31 per cent of the premiums received in the same period represented insurance written for customers of the Bank of Willmar other than borrowers, while approximately 1 per cent of such premiums were on insurance written for persons not customers of the connected bank.

While the Hearing Examiner accurately characterized as "a minor percentage" the portion of Willmar Co.'s total writings that represent insurance on collateral securing loans of its related bank, it should be noted that, as stated by the Board in its statement of this date regarding the application of First Bank Stock Corporation for exemption of First Service Agencies, Inc., the Bank Holding Company Act does not require that a majority or even a substantial part of the business of a company be directly connected with transactions of a related bank in order to qualify for exemption under Section 4(c)(6). A determination by the Board as to whether a particular company is entitled to exemption must rest upon consideration of all facts and circumstances evidenced by the record of the hearing on the request. Thus, in the instant matter, in addition to the 39 per cent of its total premiums that represented insurance on property securing loans made by Bank of Willmar, an additional 59 per cent of the premiums represented insurance written for customers of Bank of Willmar, some of whom were former borrowers, others of whom were depositors and users of other bank services.

While a conclusion as to the existence or not of the requisite close relationship between the insurance activities of Willmar Co. and the business of banking as conducted by Bank of Willmar might not be justified by any one of the facts heretofore discussed, it is the judgment of the Board that these facts—the physical and personnel relationship, the significant portion of the insurance business directly and functionally related to the business of the Bank of Willmar, and the extent to which the remainder of the Agency's writings represents a service rendered to the Bank's customers—when taken together, sufficiently establish the requisite closeness of relationship.

Further, as in the case of the activities of Western State Agency, Inc. and Citizens Agency, Inc., the closeness of the relationship is confirmed by the existence in the area involved, on the part of most banks, of the practice of offering to their banking customers insurance services and advice as part of a well-rounded financial service. The fact that such a relationship between insurance agencies and banks has been sanctioned by the bank supervisory authorities and has become recognized as a legitimate competitive device, supports the Board's conclusion that the insurance activities under consideration are "closely related" to the business of banking. Such area practice also negatives existence of the "potential sources of evil" at which Section 4 of the Act was apparently directed and supports the adoption of the Hearing Examiner's finding that the insurance activities of Willmar Co. are a *proper* incident to the banking business as conducted by the Bank of Willmar and are consistent with the purposes of the Act. The Board's statements on this subject as applied to Western State Agency, Inc. and Citizens Agency, Inc. are equally applicable here.

Other activities. Willmar Co.'s noninsurance activities include liquidation of assets as hereinbefore described, the holding of properties for the future use of Bank of Willmar and for its own future use, and the operation of a real estate business. The statements of record concerning these activities make it clear that they are not of a "financial, fiduciary, or insurance nature" so as to fall within the exemption grant of Section 4(c)(6). The question is then presented as to whether these other activities are such as to preclude exemption of Willmar Co. under Section 4(c)(6).

Section 4(c)(1) of the Act exempts from the retention prohibitions of Section 4, *inter alia,* shares of any subsidiary nonbanking company engaged solely in liquidating assets acquired from an affiliated holding company bank. Also exempt are shares of bank holding company subsidiaries that are "engaged solely in holding or operating properties used wholly or substantially by any [holding company] bank . . . or acquired for such future use."

Clearly, Willmar Co.'s activities in liquidating assets acquired from the Bank of Willmar and of acquiring and holding properties for the future use of that Bank are of a nature expressly exempt under Section 4(c)(1). For reasons fully set forth in the Board's statement of this date in connection with the application of First Bank Stock Corporation with respect to First Bancredit Corporation, the Board is of the opinion that, by engaging in activities that are exempt under Section 4(c)(1), a company is not disqualified from exemption consideration under Section 4(c)(6). Thus, the Hearing Examiner's conclusion that neither Willmar Co.'s liquidation activities nor its activities in acquiring and holding properties for the future use of the Bank of Willmar barred it from exemption otherwise determined under Section 4(c)(6), is hereby adopted.

Further, the Company's acquisition and retention of three other parcels of real estate similarly do not constitute a bar from exemption consideration. Two of these parcels of land were acquired for future use in connection with the business operations of the Bank of Willmar and thus are exempt under Section 4(c)(1). The third parcel of real estate was acquired by Willmar Co. for its own use as a situs for the insurance agency's business and, as found by the Hearing Examiner, "must be viewed as an integrated part of the Company's insurance activities."

The real estate agency activities of Willmar Co. present a different problem. The record reflects that Willmar Co., from the date of its organization, has held itself out as being engaged in a general real estate agency business. Applicant asserts that this business is now being conducted for the primary purpose of providing a source of funds to help finance retirement payments made by the Company to a former employee-manager of the Company's insurance business who is now retired but continues to lend his services to Willmar Co. as a real estate agent. Under this arrangement, Willmar Co. allows this former employee to draw a monthly sum which the Company describes as a form of pension intended to supplement his Social Security benefits. Applicant states that the sum thus paid is not in any manner dependent upon the amount of commissions earned from the sale of real estate, all such commissions being paid to Willmar Co. The commissions earned have consistently exceeded the amount paid by the Company to the former employee, although Applicant asserts that such excesses of commissions over payments are in fact overstated when various business and administrative expenses are taken into consideration.

On the basis of these facts and others set forth in the Hearing Examiner's Report, Applicant asserts that the real estate agency operations must be regarded as an "insurance activity" since it is being conducted in order to provide a source of funds for the employee who formerly managed the Company's insurance business.

The Hearing Examiner concluded that the real estate activities of Willmar Co. could not be regarded as an "insurance activity." However, he concluded that this activity on the part of Willmar Co. was properly classifiable as "fiduciary" within the broad meaning of that term, thus satisfying the preliminary requirement of Section 4(c)(6). As to whether this "fiduciary" activity was sufficiently "closely related" to the business of banking as conducted by the Bank of Willmar, the Hearing Examiner concluded that he did not read Section 4(c)(6) as requiring, as a condition of exemption, that each particular activity of a particular company must satisfy the statutory requirement of close relationship. The requirement of "close relationship" should be "relaxed," he felt, "where special circumstances warrant a departure." It was his judgment that such special circumstances were here present in view of the insubstantial portion of Willmar Co.'s total income represented by the real estate agency business, the asserted temporary nature of the business, together with the purpose for which it was being conducted, and the assurance given by Applicant that upon the death or full retirement of the former employee, the real estate business would be discontinued entirely. Thus, the Hearing Examiner concluded that the real estate activities were not of sufficient substantiality to make necessary the application of the prohibitions of Section 4 in order to carry out the purposes of the Act.

As stated, the Board finds no relationship between the real estate activities of Willmar Co. and that Company's insurance activities or the banking operations of the Applicant's subsidiary banks. Further, despite Applicant's assertion of the *de minimis* character of the income produced by the real estate business and despite Applicant's assertion of eventual discontinuance of this business, it appears quite clear that at any time prior to cessation of the real estate activities, a major portion of Willmar Co's income *could* represent income from the sale of real estate. To the extent that this potentiality exists, there also exists the potentiality of evil found by Congress to be inherent in combinations of banking and nonbanking business, thus requiring divestiture. In the Board's judgment, Applicant has failed to establish any proper justification for the continuance of Willmar Co.'s real estate activities.

Conclusion. For the reasons given, it is the judgment of the Board that, with the exception of the real estate sales and brokerage activities of Willmar Company, all of its activities are of such a nature as to qualify for exemption under Section 4(c)(6) or as not to preclude such exemption; but that, for the reasons heretofore stated, the real estate sales and brokerage activities of Willmar Company do not satisfy the exemption requirements of Section 4(c)(6) and that, if continued, they would make necessary the application of the prohibitions of Section 4 to the Company as a whole in order to carry out the purposes of the Act. For this reason, exemption of Willmar Company, as requested, will be conditioned upon its disengagement, within a reasonable time, of all real estate sales and brokerage activities and cessation of such activities so long as Applicant is subject to the provisions of the Bank Holding Company Act or holds more than 5 per cent of the voting shares of Willmar Investment Company.

As indicated in the Board's Order, its approval of this request is based solely on the facts disclosed by the record; and if those facts should substantially change in the future in such manner as to make the reasons for the Board's conclusion no longer applicable, the statutory exemption resulting from the Board's present determination would, of course, cease to obtain.

IV. Drovers Exchange Agency and Realty, Inc.

Factual summary. Drovers Exchange Agency and Realty, Inc. ("Drovers Agency") is a Minnesota corporation, the offices of which are located in a section reserved for it in the lobby of Drovers Exchange State Bank ("Drovers Bank"), a subsidiary of Applicant, located in South St. Paul, Minnesota. That city has a population of approximately 20,000. Within the city there is one other bank on the premises of which there is also operated a bank-related agency.

The record reflects that Drovers Agency is engaged in the writing and selling of various types of insurance and indemnity bonds, and that it also engages in certain real estate activities as hereafter described.

As in the case of each of Applicant's nonbanking subsidiaries heretofore discussed, a substantial degree of organizational, physical, and operational integration has been established between Drovers Agency and Drovers Bank. Two distinguishing characteristics, of minor significance, relating to the ownership and operation of Drovers Agency, are the facts that all shares of the Agency's capital stock are held by trustees for the benefit of the stockholders of Drovers Bank and that the Agency has its own paid employees.

Insurance activities. During the period from December 1, 1955, through July 31, 1957, Drovers Agency derived 14 per cent of its total income from premiums on insurance written on collateral held by Drovers Bank incident to loans made by it. In addition to this "directly related" business, approximately 37 per cent of the Agency's total premium receipts during the same period represented insurance written for borrowers from Drovers Bank, not covering property securing loans made by that Bank; approximately 31 per cent of its total premiums represented insurance written for customers of Drovers Bank other than the borrowers; and approximately 17 per cent of this total represented insurance written for noncustomers of that Bank.

While the percentage of Drovers Agency's business related to bank transactions is somewhat less than the comparable percentages with respect to other bank-related agency subsidiaries of Applicant, hereinbefore discussed, the former percentage cannot be said to be insignificant. Further, and most significant, the 14 per cent of the Agency's premiums representing "directly related" insurance activities, simultaneously represented, according to the Hearing Examiner's finding, about 25 per cent of all insurance covering automobiles on which the Bank held a chattel mortgage, and about 10 per cent of all fire insurance written on other collateral held by the Bank.

The sum of the facts thus found—physical, personnel, and organizational connections between the two organizations, the large percentage of customers common to both Bank and Agency, and the portion of the Agency's total income that represents insurance "directly related" to the business of the bank, as well as the proportion of the insurance required by the Bank that is written by the Agency—warrants the Board's adoption of the Hearing Examiner's finding that the insurance activities of Drovers Agency are "closely related" to the business of Drovers Bank to a degree sufficient to justify exemption. The validity of this view is supported by the finding in the Hearing Examiner's Report that of approximately 26 banks located in the general area of St. Paul, South St. Paul and White Bear, Minnesota, 20 or more such banks have insurance agencies located on their premises, thus reflecting the prevalence of area practice in this regard previously found to exist.

The fact that the Board has found Drovers Agency's activities closely related to the business of its affiliated bank is not alone sufficient basis upon which to grant the Applicant's request for exemption as to that Agency. As in the Board's consideration of the activities of each of the Applicant's agencies here involved, it must be further established that the activities of the particular agency are "so closely related" as to be a "proper incident" to the business of banking as conducted by its affiliated bank and as to make it unnecessary for the prohibitions of Section 4 to apply. This requirement is here satisfied as to the insurance business by the absence in this record of evidence indicating that the bank-agency relationship has been established for any other primary purpose than to immunize the bank from responsibility for agency conduct and to provide a broader scope of service to banking customers than could be provided by the bank itself. Moreover, the propriety of the relationship is strongly supported by the fact that area practice followed for many years sanctions such relationships between banks and insurance agencies. In this connection, the Minnesota Commissioner of Banking testified that his department preferred to have an insurance agency department separately incorporated so as to immunize its related bank from any liability resulting from the Agency's operations.

For the above reasons, the Board finds that the insurance activities of Drovers Agency are so closely related to the business of banking, as conducted by Drovers Bank, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to effectuate the purposes of this Act.

Other activities. Testimony and financial data of record reveal that Drovers Agency's real estate and property dealings have been restricted to the acquisition of various properties from Drovers Bank or from customers of that Bank for the sole purpose of aiding Drovers Bank in liquidating those assets, their nature being such that the Bank itself could not retain them. The circumstances surrounding the Agency's dealings in real estate and other property, together with a description of the property involved, are set forth in the Hearing Examiner's Report. Suffice it to say that these details substantiate the finding that such dealings have been for the sole purpose of liquidation of those assets. In this light, what has been said previously relative to the noninsurance activities of Willmar Investment Company is equally applicable here. In brief, the Board concludes that Sections 4(c)(1) and 4(c)(6) of the Act are to be read as mutually complementary. Thus, a company otherwise qualified for exemption consideration under Section 4(c)(6) is not disqualified therefrom because it is also engaged in an added activity which, had it stood alone, would have entitled that company to exemption under Section 4(c)(1).

The approval hereinafter given by the Board to Applicant's retention of its interest in Drovers Agency, will be given subject to the requirement that there be no substantial variance in the nature of the real estate transactions conducted by that Agency from that found to exist at the time of this hearing.

V. New England Insurance Agency

Factual summary. New England Insurance Agency ("New England Agency") is a North Dakota corporation organized in 1955, and located on the premises of the Citizens State Bank of New England, New England, North Dakota ("Citizens State Bank"), a subsidiary of Applicant. The town of New England has a population of approximately 1,200 and has no other banks. However, in southwestern North Dakota, the area in which Citizens State Bank and New England Agency are located, there are approximately 12 other banks, each of which, according to the testimony of record, has a related insurance agency operating on the bank premises.

Applicant owns a majority of the capital stock of New England Agency and Citizens State Bank. Both corporations have the same principal officers. In these respects, as well as other physical and operational arrangements, a similar degree of integration exists between the banking and nonbanking organizations here involved as was found to exist between Applicant's other banking and nonbanking subsidiaries hereinbefore discussed. The extent of this integration is reflected by the facts contained in the attached Hearing Examiner's Report.

Preliminary requirement as to nature of activities. New England Agency is engaged primarily in the sale of insurance—fire, automobile, life, crop-hail, casualty and hospitalization—and indemnity bonds. According to the testimony, it also deals in the purchase of discounted conditional sales contracts and notes, and, on occasion, has made direct loans to individual borrowers. It has also engaged, to some extent, in the purchase and sale of real estate. The Hearing Examiner found that the insurance activities of New England Agency and its activities in buying conditional sales contracts and making loans are of a nature contemplated by the provisions of Section 4(c)(6) of the Act, thus satisfying the preliminary requirement for exemption under that section; but that the Agency's real estate transactions are not of such a qualifying nature.

For the reasons hereinafter set forth, the Board agrees with this finding and accordingly so holds.

Relationship of insurance activities to bank business. As in the cases of Applicant's other subsidiaries involved in these requests, the fact of a close relationship between the nonbanking organization and its related bank is suggested by the organizational, physical and personnel integration found to exist.

The existence of a close relationship is further confirmed by analysis of the insurance writings of New England Agency for the 19-month period from January 1, 1956 through July 31, 1957. During this period, the Agency received $145,500 in premiums on insurance written by it. In the same 19-month period, approximately 7 per cent of these premiums received represented insurance written on property securing loans made by Citizens State Bank; and approximately 85 per cent of the total premiums represented insurance covering property not securing bank loans but placed by persons who were borrowers from the Bank at one time or another. Normally, the former figure would be an indication that but a minor fraction of the Agency's insurance writings were *directly* related to the business of banking as conducted by its related bank.

However, not included as insurance written on bank collateral during the above-mentioned 19-month period, was that insurance written by the Agency insuring crops against hail damage. These writings represented premium receipts totaling $102,910. Under North Dakota law a bank may not take a mortgage on growing crops. However, as stated in the Report of the Hearing Examiner, the record shows that, in determining the creditworthiness of a farmer loan applicant, the bank considers, among other factors, whether or not the applicant's crop is protected by insurance against hail damage. North Dakota law allows hail insurance policies to carry a loss-payable clause running to the bank in an amount equal to the premium charges for the hail insurance. Thus, in reality, hail insurance is properly considered as insurance directly related to bank loans. So considered, the percentage of New England Agency's total premiums attributable to insurance written on collateral held by its related bank would be increased to a point where a great majority of its total insurance writings are directly related to loans made by its connected bank.

On the basis of the foregoing conclusion as to the high percentage of New England Agency's total premiums that, for all practical purposes, represent insurance written on property securing loans made by Citizens State Bank, in view of the extent to which the activities of the related organizations are integrated, and considering the area-wide practice found by the Hearing Examiner to exist as to other banks in having insurance agencies located in the bank premises, and, apparently, operated as departments of the banks, the Board finds that the insurance business, as conducted by New England Agency, is so closely related to the business of banking as conducted by Citizens State Bank as to be a proper incident thereto, and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act.

Other activities. Apart from its insurance activities, the Hearing Examiner found that New England Agency has engaged in the purchase of conditional sales contracts and other third-party paper and, on occasions, has made direct loans to individual borrowers. In addition, according to the testimony of its President, New England Agency regards itself as engaged in the business of buying and selling real estate. As to the activities other than the real estate transactions, the Hearing Examiner concluded that they were "clearly of a financial nature." The Board agrees and for this reason finds that they meet the preliminary exemption requirements of Section 4(c)(6).

The Hearing Examiner found further that these "financial" transactions were related directly or indirectly to the business conducted by its affiliated bank. This finding was premised on the fact that the purchase of the conditional sales contracts and other paper was, for the most part, to accommodate the interests of Citizens State Bank, in that, the Bank was either precluded from directly purchasing the contracts or paper, or, for policy reasons, chose not to do so.

The Board concurs in the finding of the Hearing Examiner as to the nature of the activities above described and in the further finding that, on the basis of the testimony given concerning the circumstances surrounding these activities, they are sufficiently closely related to the business of the Agency's related Bank as to be a proper incident thereto. This finding is necessarily premised on the nature and scope of the purchasing and lending activities as of this date. Any substantial increase or change therefrom rendering the reasons for the Board's conclusion no longer applicable would result in the inapplicability of the exemption granted.

As to the real estate dealings of New England Agency, the Hearing Examiner found that this activity "plainly does not meet the 'financial, fiduciary or insurance' preliminary requirement of Section 4(c)(6), nor is it such as to be otherwise allowable under the statute." On review of the facts relating to the real estate operation of New England Agency as set forth in the Hearing Examiner's Report, the Board agrees that such operation fails in all respects to meet the requirements for exemption.

In view of this finding, the Hearing Examiner stated he was obliged to disqualify the Company's total activities from exemption consideration under Section 4(c)(6) unless, prior to the expiration of the time for filing exceptions to his Report, the Applicant, with the written consent of the Agency, should advise the Board that "as a condition to exemption, it will not engage in the business of buying and selling real estate."

On December 2, 1958, Applicant submitted to the Board a written agreement providing that, in the event the Board shall grant Applicant's request for exemption of New England Insurance Agency from the prohibitions of Section 4 of the Act, New England Agency will cease to engage in the business of buying and selling real estate and Applicant will so vote its shares in New England Agency as to prohibit that Agency from engaging in that business, so long as Applicant is subject to the provisions of the Act or is a stockholder in New England Insurance Agency.

Conclusion. In view of the statement submitted by Applicant with reference to the discontinuance by New England Agency of its real estate business, and with the understanding that such business will be discontinued within a reasonable period of time, it is the judgment of the Board that the other activities of New England Agency are all of an insurance or financial nature and are so closely related to the business of banking as conducted by Citizens State Bank as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act, and that, therefore, Applicant's request for exemption of New England Agency should be approved.

As indicated in the Board's Order, its approval of this request is based solely on the facts disclosed by the record; and if those facts should substantially change in the future in such manner as to make the reasons for the Board's conclusion no longer applicable, the statutory exemption resulting from the Board's present determination would, of course, cease to obtain.

Report and Recommended Decision

Statement of the Case

On June 17, 1957, Otto Bremer Company, herein the Applicant, filed with the Board of Governors of the Federal Reserve System, herein the Board, applications requesting the Board to determine, pursuant to Section 4(c)(6) of the Bank Holding Company Act of 1956, 70 Stat. 133, herein the Act, that the shares held by the Applicant in certain nonbanking companies listed below are exempt from the prohibitions of Section 4(a)(2) of the Act.[1] The applications now pending before the Board, with hearing docket number of each, cover the following subsidiary corporations:

Citizens Agency, Inc.	(BHC-29)
Western State Agency, Inc.	(BHC-31)
New England Insurance Agency	(BHC-32)
Drovers Exchange Agency & Realty, Inc.	(BHC-33)
Willmar Investment Company	(BHC-35)

On July 12, 1957, the Board ordered a consolidated hearing on the aforesaid applications. Pursuant to the aforesaid order and a notice of hearing published in the Federal Register on July 18, 1957 [22 Federal Register 5726], a hearing was held at Minneapolis, Minnesota, on August 20 and 21, 1957, and on October 8 and 9, 1957, before the undersigned duly designated hearing examiner. The Applicant and the Board—the latter in a nonadversary capacity—were represented at the hearing by counsel, and were afforded full opportunity to be heard, to examine and cross-examine witnesses, to introduce evidence bearing on the issues, and to file briefs and proposed findings. On October 15, 1958, the Applicant submitted proposed findings of fact and conclusions of law, along with a brief in support thereof.[2]

Upon the entire record in the case and from my observation of the witnesses, I make the following:

FINDINGS OF FACT

I. Introduction

1. The Applicant, Otto Bremer Company, a Minnesota corporation with its principal office at St. Paul, Minnesota, is a bank holding company within the meaning of Section 2(a) of the Act, and has duly registered as such with the Board. All of the Applicant's shares of stock are owned by Otto Bremer Foundation, a charitable foundation exempt from income tax exemption pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954.[3]

2. At present, the Applicant owns a stock interest in 39 banks, located mainly in Minnesota and North Dakota. It has a majority interest in 21 of such banks and a minority interest in 18. It owns 25 per cent or more of the total voting stock of each of 30 of such banks. Of the 39 banks in which the Applicant owns a stock interest, 26 banks operate *unincorporated* insurance departments in connection with their banking operations.

3. In addition to its bank stockholdings, the Applicant owns voting shares in 7 nonbanking companies. Included are the 5 nonbanking companies for which divestiture exemption is sought in this consolidated proceeding.[4] The activities of each of the 5 companies and their relationship to the business of banking or of managing and controlling banks, as conducted by the Applicant and its banking subsidiaries, will be described below.

II. The Activities of the Nonbanking Subsidiaries Here Involved and Their Relationship to Affiliated Bank Activities

A. Western State Agency, Inc.

1. Western State Agency, Inc., is a Minnesota corporation organized in April 1956. The exemption application states that it is engaged in

> "conducting a business soliciting and selling insurance in Marshall and vicinity as an agent for various companies licensed to do business in the State of Minnesota."

The Agency's capital and surplus as of July 31, 1957 amounted to $7,869.

2. The Agency is located on the premises of Western State Bank of Marshall, Minnesota, a city of approximately 7,000 population.[5] There is one other bank in the city. It is affiliated with Northwest Bancorporation. That bank also has a bank-connected insurance agency. There are approximately 15 additional banks in the general area of Marshall, Minnesota. All operate insurance departments or have bank-connected insurance agencies.

3. The Applicant owns or controls 96 per cent of the outstanding stock of Western State Bank and a like percentage of the outstanding stock of the Agency. The minority stockholders of the Bank and of the Agency are also identical. The stock of both the Bank and the Agency is tied together by a shareholders' agreement conditioning the transfer of stock of either upon a simultaneous like transfer of a pro

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[1] The particular sections of the Act here applicable are:
Sec. 4. (a) Except as otherwise provided in this Act, no bank holding company shall—

* * * * *

(2) after two years from the date of enactment of this Act . . . retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company. . . .

* * * * *

(c) The prohibitions in this section shall not apply—

* * * * *

(6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, and on the basis of the record made at such hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act; . . . .

[2] The proposed findings and conclusions are adopted to the extent that their terms or substance are included in or are consistent with the findings made below, and to the extent not so adopted are rejected.

[3] Under Section 2(b)(2) of the Act, the Foundation as a charitable organization is exempt from the application of the Act. The Applicant, in a request earlier made to the Board for an advisory opinion, contended that it, too, ought to be considered exempt under that section, since it is a "feeder" corporation which has been declared by the Treasury Department to be exempt from income taxation pursuant to the provisions of Section 501(c)(2) of the Internal Revenue Code of 1954. The Board in its advisory opinion rejected the Applicant's contention, expressing the view that Section 2(b)(2) of the Act, as it reads, does not reach "feeder" corporations.

[4] The remaining two are the Saulpaugh Corporation and Williston Realty Company, each of which, according to the Applicant, is engaged in holding and operating properties occupied wholly or partly by a banking subsidiary of the Applicant. Originally, Section 4(c)(6) exemption requests were also filed for Saulpaugh and Williston, but such requests were withdrawn prior to the hearing.

[5] As of June 6, 1957, Western State Bank of Marshall had total capital accounts of $305,973.

rata amount of the stock of the other. Both the Bank and the Agency have common directors and officers.

4. The Agency has no separate employees of its own. It conducts its activities through Bank employees. Usually, the loan officers of the Bank handle the insurance transactions although occasionally a teller may do so as well.[6] All policies placed through the Agency are countersigned by Arthur Persons, the individual licensed by the State to act as agent.[7] Persons is president of both the Bank and the Agency. The Bank normally pays the full salaries of those who, among their other duties, handle insurance agency transactions, and the Agency pays the Bank an agreed-upon flat annual amount—last fixed at $4,000—to compensate it for the services of its employees and for other administrative expenses. Persons, however, is allowed to retain part of the commissions produced by the Agency's business in order to supplement his earnings as Bank president.

5. Prior to the Agency's incorporation in 1956, the Bank itself conducted an insurance agency business through Persons as the licensed agent. The business was conducted then in substantially the same manner as it is now. The only material difference was that the net profits then were turned over to the Bank, instead of being retained by the Agency for ultimate distribution to its shareholders, who are the same as the Bank's shareholders. The Agency was incorporated for the purpose of immunizing the Bank from liability that might flow from errors or omissions in the conduct of the Agency's business.

6. During the period from January 1, 1957, through July 31, 1957, the Agency derived its gross income from the following sources:

Source of income	Amount of income	Percentage of income
Premiums on sale of hail insurance	$29,171.58	42
Premiums on sale of automobile, fire, and casualty insurance	35,651.23	51
Premiums on sale of credit life insurance	4,801.84	7
Interest income	164.01	0
Other income	6.50	0
Total	$69,795.16	100

7. The Agency does not confine its activities to the placement of insurance required in connection with bank loans, but holds itself out to the public as engaged in the general insurance agency business. However, most of its placements are handled for those who do business with the Bank, either as borrowers or depositors. The following analysis submitted by the Applicant, covering the period from May 22, 1956, through July 31, 1957, reflects the extent to which the Agency's business is directly related to loan activities of its related banks or is written for those who have other business contacts with the Bank:

Classification	Amount of premiums	Percentage of total
On insurance written on collateral held by Western State Bank	$32,092.90	32.53
On insurance written for borrowers from Western State Bank on property *not* securing Bank loans.[8]	48,881.87	49.56
On insurance written for nonborrowing customers of Western State Bank (i.e., depositors and safe-deposit box renters)	15,428.68	15.64
On insurance written for persons who are not customers of Western State Bank	2,237.72	2.27
Total	$98,641.17	100.00

8. Aside from its insurance agency activities, the Agency on infrequent occasions has made loans to accommodate Bank customers who, either because of loan limit restrictions or for other reasons, were considered not qualified for Bank loans. At the time of the hearing, only a few loans of small amount were outstanding. The Agency's interest income on such loans during the period from January 1, 1957 to July 31, 1957, amounted to $164.

B. CITIZENS AGENCY, INC.

1. Citizens Agency, Inc. is a Minnesota corporation organized in 1955. The exemption application states, and the record shows, that it is engaged solely in conducting an agency for the placement of various types of insurance and bonds. The Agency, as of July 31, 1957, had capital and surplus of $11,846.

2. The Agency is located in the premises of Citizens State Bank of Brainerd, in Brainerd, Minnesota, a city of approximately 14,000 population.[9] There is one other bank in Brainerd, a national bank. That bank does not have a bank-connected insurance agency at the present time. Except for that one bank, all other banks in towns neighboring Brainerd operate insurance agency departments in one form or another.

3. The Applicant owns 65.3 per cent of the capital stock of the Bank and a like percentage of the capital stock of the Agency. The stock of both corporations is tied together by an agreement prohibiting transfer of the shares of one without an accompanying transfer of a proportionate amount of the shares of the other. The Bank and the Agency have common officers and directors.

4. Prior to the Agency's incorporation, an insurance agency business was conducted in the Bank's premises through two bank employees licensed as agents who now serve the Agency in a like capacity. At that time the profits of the Agency business inured directly to the Bank. The only difference since incorporation is that the Agency now retains its profits for ultimate distribution to its shareholders, who are the same as the Bank's shareholders. The insurance agency was incorporated for the purpose of limiting liability.

5. The Agency has no separate employees of its own, conducting all of its activities through employees of its affiliate. The Agency pays part of the salaries of the two bank employees who are licensed agents. It also pays the Bank $600 a year as compensation for postage and clerical services provided. Advertising by the Agency is done jointly with the Bank.

[6] If a customer applying for a secured loan does not have insurance to support the collateral, the loan-officer will suggest that the borrower obtain it from the Agency. But the Bank never makes it a condition to the granting of a loan that a borrower purchase insurance through the Agency. Such coercion is specifically prohibited by Minnesota law. (See Section 72.34 Minnesota Statutes Annotated)

[7] Minnesota grants insurance agents' licenses only to individuals. But it is a common practice for agents to work through agencies, including incorporated agencies. This is an accepted method of doing business, recognized and approved by the State insurance authorities.

[8] This category includes those who were Bank borrowers at some time or other during the period covered, but not necessarily at the time the insurance was placed.

[9] As of June 6, 1957, Citizens State Bank of Brainerd had total capital accounts of $542,710.

6. The Agency does not confine itself to the placement of any particular kinds of insurance, but holds itself out to the public as engaged in a general insurance agency business. The following table shows the sources and distribution of the Agency's gross premium income during the period from January 1, 1957 through July 31, 1957:

Source	Amount	Percentage
Premiums on sale of fire insurance	$12,466.50	28½
Premiums on sale of automobile insurance	14,922.15	34½
Premiums on sale of bonds	4,104.71	9
Premiums on sale of credit life insurance	2,903.33	6½
Premiums on sale of turkey insurance	6,294.00	14½
Premiums on sale of marine and other insurance	3,003.52	7
Total	$43,694.21	100

Of the foregoing items, only the credit life and the turkey insurance were entirely related to the affiliated bank's lending activities.

7. The extent to which the Agency's over-all writings are related to its affiliated bank's lending activities, or are otherwise derived from the customers of that bank, is reflected by the following table covering the period from January 3, 1956 through July 31, 1957:

Classification	Amount of premiums	Percentage of total
On insurance written on collateral held by Citizens State Bank of Brainerd	$44,224.05	39.65
On insurance written for Bank borrowers, *not* covering property securing loans	36,645.42	32.85
On insurance written for nonborrowing customers of Bank (i.e., depositors and safe-deposit renters)	17,343.65	15.55
On insurance written for persons who are not customers of Bank	7,511.35	6.73
On insurance written directly for Bank	5,817.72	5.22
Total	$111,542.19	100.00

C. Willmar Investment Company

1. Willmar Investment Company, a Minnesota corporation incorporated in 1948, has its place of business at Willmar, Minnesota, a city with a population of about 12,000. Until March 1957, when it was forced to move for lack of space, the Company occupied an office at the Bank of Willmar. It now occupies rented offices located on the same street as the Bank, about 200 feet distant from it. The Applicant owns 1,491 of the 2,000 outstanding shares of capital stock of the Bank, and 117 of the 150 outstanding shares of stock of the Company. The same individuals are the principal officers of both the Bank and the Company. The Bank, as of June 6, 1957, had total capital accounts of $485,719. The Company's capital and surplus, as of June 30, 1957, came to $44,756.

2. The background of the Company is as follows:

(a) In 1933 the Bank suffered financial difficulties and was reorganized under the supervision of State and Federal banking authorities. As part of the reorganization, the Bank segregated and transferred to trustees certain of its assets. The trustees were to liquidate the assets for the benefit of depositor-creditors who were given certificates to evidence their interest in the trust property. By 1948, about 90 per cent of the outstanding amount of the trust certificates had been paid. The trustees, however, still held unliquidated assets.

(b) In 1948, the Bank's principal stockholders caused the Company to be organized primarily for the purpose of purchasing from the trustees the remaining unliquidated assets so that immediate payment might be made of the balance due trust certificate holders. To finance the purchase, Bank stockholders subscribed for $15,000 of the Company's capital, paying in that amount, and the Bank then made a loan to the Company of an additional $25,000. To provide the Company with a source of operating income, the Bank simultaneously transferred to the Company an unincorporated general insurance agency and real estate business theretofore owned by the Bank and operated by it under a trade name similar to the name the Company now bears. In consideration of the transfer, the Company delivered to the Bank its non-negotiable promissory note for $5,000.

(c) At the same time, the Company, its subscribing stockholders and the Bank entered into an agreement spelling out the arrangements made for the repayment of the Bank loan and for the eventual repayment to the subscribing stockholders of the amounts they had paid in for the Company's stock. The agreement provides that all funds realized from the liquidation of the segregated assets and from the operating net income of the acquired business is to be applied first to the repayment of the Bank loan, and then toward repayment to the subscribing stockholders of the amounts paid in for the Company's capital stock. Following repayment to the subscribing stockholders, the Company's capital stock is to be transferred to the Bank or its nominee. At the same time the $5,000 note given the Bank for the acquisition of the agency business is to be cancelled.

(d) The Company's $25,000 debt to the Bank has already been paid, but the subscribing stockholders have not yet been reimbursed for the amounts they paid in. The capital stock of the Company, including the shares owned by the Company, thus remains subject to the restrictions and other conditions of the agreement adverted to above.

3. The Company now owns 12 tracts of real property, some of which produce rental income. Of those, 9 tracts represent the residue of the segregated assets acquired from the liquidating trustees. It is the Company's intention to dispose of them under the liquidation arrangements as soon as buyers are found who will purchase them on favorable terms. The remaining three parcels of real estate were acquired by the Company after 1948. They were purchased for future use in connection with regular business operations of the Company or its affiliated bank.[10]

4. Apart from its ownership and management of the aforesaid properties, the Company's only business activities—as described in the Applicant's exemption request—are as follows:

[10] Two parcels, both located in the block in which the Bank is situated, but not contiguous to the Bank premises, were purchased for the accommodation of the Bank. It is planned to put one of such parcels to future use as a parking lot for Bank customers. The other was purchased with a view toward trading it for a parcel of land lying next to the Bank premises that the Bank requires for expansion purposes. Such a trade was pending at the time of the hearing. It was explained that the purchase of the two parcels mentioned above was made by the Company rather than by the Bank because the State banking authorities might have objected to the Bank itself purchasing land that was not contiguous to its own premises. The third parcel purchased by the Company consists of an improved lot across the street from the Bank. This was purchased with a view to providing a future home for the Company in the event the Company is required to relinquish its present rented quarters.

"Writing various kinds of insurance—fire, general coverage, casualty, sickness, accident and life insurance—also handles the sale of real estate on which commissions are paid on sales of property."

5. The Company's insurance agency operations constitute by far the greatest part of its income producing activities. Although the Company is housed in a separate building, almost all of its insurance placements are made for persons who are also Bank customers. However, only a minor percentage of the insurance written covers property securing bank loans. The following analysis, covering the period from January 1, 1956 through August 31, 1957 shows the distribution of the Company's premium volume along the lines just indicated:

Source of premiums	Amount	Percentage of total
On insurance written on collateral held by Bank of Willmar	$ 51,499.01	38.53
On insurance written for persons who at some time or other are borrowers of Bank	39,208.30	29.34
On insurance written for nonborrowing customers of Bank	41,304.96	30.91
On insurance written for persons who are not customers of Bank	1,633.45	1.22
Total	$133,645.72	100.00

6. The Company's real estate agency operation is a side line that the Company eventually expects to discontinue. The Company since its beginning has held itself out to the public as an agency engaged in listing real property for sale and in handling the sale of such property on a commission basis. In terms of dollar volume, however, the Company's income from this branch of its business has represented a very small fraction of its total gross income.[11] At the hearing, Norman Tallakson, the President of both the Company and the Bank, testified that the Company now regards the real estate agency branch of its business as a temporary and special purpose operation. The Company—as appears from Tallakson's testimony—is now continuing its real estate agency operations as an accommodation for an old-time employee, J. Albert Peterson, now 66 years of age. Until March 1957, Peterson managed the Company's insurance agency and real estate agency operations. In March 1957, Peterson retired as manager of the insurance agency branch of the Company's business, and was supplanted by another manager. At that time Peterson began to draw old age social security benefits. In order to help finance Peterson's retirement, the Company made arrangements with Peterson under which he is to draw $200 a month from the Company as a sort of pension to supplement his social security benefits. In return, Peterson has agreed to lend his services to the Company as a real estate agent. Under the arrangements made, Peterson's drawings are not made dependent upon the commissions he earns, but are to remain constant whether they exceed or fall below the commissions he brings in. All commissions earned by Peterson go into the Company's general account. Since the special arrangement went into effect—at least up until the time of the hearing—Peterson's commission's have actually exceeded his drawings, but there is no assurance that this will continue to be so. At present, Peterson alone handles the Company's real estate agency activities. Upon Peterson's death or full retirement, the Company intends to discontinue entirely the real estate agency branch of its business.

D. Drovers Exchange Agency and Realty, Inc.

1. Drovers Exchange and Realty, Inc., is located in the premises of Drovers Exchange State Bank in South St. Paul, Minnesota, a city of approximately 20,000 population.[12] The Company was organized in 1950, obtaining its initial capital from an extra dividend paid to the stockholders of the Bank. All shares of the Company's capital stock are held in the names of three trustees who are also officers of the Bank. Under the terms of the Trust Agreement, the trustees are required to distribute all Company dividends to Bank shareholders, pro rata according to their ownership of stock in the Bank. The Applicant owns 66 per cent of the outstanding capital stock of the Bank, and has a like beneficial ownership interest in the capital stock of the Company. The Bank and the Company have common officers and directors.

2. The Company's activities are described in the Applicant's exemption request as follows:

"Writing and selling of various types of insurance policies, also indemnity bonds. The Corporation also deals in real estate and property."

3. The Company's primary business is that of an insurance agency. Substantially all its income is derived from that source.[13] The Company has a separate section reserved for its operations in the lobby of the Bank. There it is engaged in the sale of all forms of insurance, including, *inter alia,* fire and extended coverage insurance, automobile insurance, casualty insurance, life insurance and indemnity bonds. Business is solicited from the public at large through advertisements that identify the operations of the Company with the operations of the Bank. The Agency has is own paid employees. It pays the Bank a monthly rent for use of Bank space and reimburses the Bank for other expenses incurred in its behalf.

4. Prior to the Company's incorporation the Bank itself operated an insurance agency business in much the same manner as the one now operated by the Company. The only other bank in South St. Paul, a subsidiary of Northwest Bancorporation, also operates a bank-related agency on its banking premises. In the general area of St. Paul, South St. Paul and White Bear, Minnesota, there are approximately 26 banks. Some 20 or more of them, according to testimony in this record, have insurance agencies located on their bank premises.

5. The extent to which insurance written through the Company is related to bank loans or is otherwise placed for common customers of the Company and the Bank is reflected by the following analysis covering the period from December 1, 1955 through July 31, 1957:

[11] In 1949 its commissions from this source amounted to $3,075; in 1950—$2,446; in 1951—$1,175; in 1952—$1,125; in 1953—$1,075; in 1954—$1,905; in 1955—$1,965; in 1956—$1,406; and in 1957 (first 9 months)—$3,235.

[12] As of June 6, 1957, the Bank had total capital accounts of $730,032, and as of July 31, 1957 the Company had capital and surplus of $30,081.

[13] For example, during the year ended November 30, 1956, the Company had a gross income of $43,285, all but $900 of which was realized from insurance commissions. The $900 represented rental income.

Classification	Amount of premiums	Percentage of total
On insurance written on collateral held by Drovers Exchange State Bank	$ 30,453.69	14.01
On insurance written for Bank borrowers on property *not* securing bank loans	81,180.24	37.34
On insurance written for nonborrowing customers of Bank (i.e., depositors and safe deposit box renters)	68,072.97	31.31
On insurance written for persons who are not customers of Bank	37,695.64	17.34
Total	$217,402.54	100.00

The record further reflects that the Company places about 25 per cent of all insurance covering automobiles on which the Bank holds a chattel mortgage, and about 10 per cent of all fire insurance written on other collateral held by the Bank.

6. The Company's dealings in real estate and other property are sporadic. To date, such dealings have been confined to situations where the Company has acquired property from the Bank or from Bank borrowers in order to aid the Bank in liquidating assets which the Bank could not itself retain. Thus, the Company's last balance sheet in evidence —that of July 31, 1957—shows that the Company then held only three assets which were not directly related to the conduct of its insurance agency business. One—designated as a contract receivable amounting to $243—represented a balance due on the sale by the Company of real property which the Company had acquired from the Bank and which the Bank in turn had acquired as a result of a foreclosed real estate loan. Another—consisting of five shares of stock valued at $500—represented property which a borrower had originally pledged with the Bank as collateral for a loan and had later transferred to the Bank in settlement of his indebtedness. The stock was sold by the Bank to the Company because the Bank could not itself retain it as an unliquidated asset. The third and largest item—consisting of real estate valued at $3,347—represented property foreclosed by the Bank and then sold to the Company, also because the Bank was precluded from retaining that property as an asset. All of the aforesaid items were acquired by the Company for the purposes of liquidation.

7. Between the years 1951 and 1956, approximately $45,000 paid out by the Company in dividends went to the shareholders of the Bank.

E. New England Insurance Agency

1. New England Insurance Agency is a North Dakota corporation organized in 1955. The exemption application describes its activities as follows:

> "Promoting the sale of fire, auto, life, crop-hail, casualty and hospitalization insurance; also sale of indemnity bonds. This agency has also dealt in the purchase of discounted Conditional Sales Contracts and notes."

2. The Agency is located on the premises of the Citizens State Bank of New England, in New England, North Dakota, a town of approximately 1,200 population. There is no other bank in New England. As of June 6, 1957, the Bank had total capital accounts of $232,084, and as of June 30, 1957, the Agency had capital and surplus of $15,255.

3. The Applicant owns approximately 60 per cent of the capital stock of the Agency and a like percentage of the capital stock of its related bank. The minority stockholders of the Bank and of the Agency are also identical. To assure inseparable ownership, the shareholders of both the Agency and the Bank have bound themselves by agreement not to dispose of their stock in one corporation without at the same time disposing of their stock in the other. Both corporatioins have the same principal officers.

4. Prior to the Agency's incorporation, the Bank operated an insurance department in the names of its president and cashier, the licensed agents now attached to the Agency. The Agency's insurance operations then were conducted in precisely the same manner that they are now, except that its profits inured to the benefit of he Bank. The Agency was incorporated for the purpose of limiting liability. In southwestern North Dakota—the area in which the Bank and the Agency are located—there are approximately 12 banks. Each of them has a related insurance agency operating on the bank premises to all appearances as a department of the bank, according to testimony in this record.

5. The Agency solicits all types of insurance business, whether or not related to bank lending activities. The following table, covering the 19-month period from January 1, 1956, through July 31, 1957, reflects the range of the Agency's placements, the gross premiums received on each type of insurance sold, and the commissions realized thereon:

Type of insurance sold	Gross premium	Gross commission
Fire	$ 23,775.52	$ 4,841.40
Auto	13,075.80	3,212.92
Inland marine	1,055.00	321.26
Public liability	1,028.77	158.54
Bonds	1,981.06	369.71
Specific disease	55.00	10.00
Travel	56.32	18.05
Polio	50.00	12.50
Hospitalization	617.61	92.70
Life	688.31	545.21
Health and accident	168.00	25.20
Plate glass	39.04	9.76
Hail	102,910.27	12,512.23
Total	$145,500.70	$18,721.70

6. As the foregoing table discloses, the placement of hail insurance constitutes the bulk of the Agency's business. The Bank frequently finances the Agency's hail insurance customers by advancing them amounts equal to the premium charges.[14] The loans are made interest free to the customers until September 1, the beginning of the harvesting season. The interim interest is paid to the Bank by the Agency. The Agency is in a position to do this because of the profits it earns on the insurance. There is an unwritten understanding between the Agency and the Bank, under which the Bank has recourse against the Agency upon any defaulted note given by a customer to finance hail insurance.

7. Though the Agency solicits insurance business from the public at large, it obtains the greatest part of its business from persons who do business with its affiliated bank, either as borrowers or depositors or in some other capacity. The following analysis submitted by the Applicant, covering the 19-month period from January 1, 1956, through July 31, 1957,

[14] The loans are unsecured. The hail insurance policies, however, carry loss payable clauses running to the bank for the amount of the premiums advanced. It is unlawful in North Dakota for a bank to take a mortgage on growing crops. But North Dakota allows hail insurance policies to carry such loss payable clauses, provided they are limited in amount to premiums advanced.

shows the allocation percentagewise of the Agency's total premium volume as derived from the various sources therein classified:

Premiums received	Percentage of total premiums
On insurance written on collateral held by Citizens State Bank of New England	6.90
On insurance covering property *not* securing bank loans placed for persons who are borrowers from the Bank at one time or another but not necessarily at the time the insurance is placed	85.10
On insurance written for nonborrowing Bank customers (i.e., depositors and others who avail themselves of banking services)	5.00
On insurance placed for persons who otherwise have no business relations with the Bank	3.00
Total	100.00

It is to be noted that the foregoing table does not include hail insurance as insurance written on bank collateral. This is because, as observed above, it is unlawful in North Dakota for a bank to take growing crops as security for loans. However, the record shows that in determining the creditworthiness of a farmer loan applicant seeking an advance to carry him over to the harvesting season, the Bank considers among other factors whether or not the applicant's crop is protected by insurance against hail damage. If hail insurance were included in the table above as insurance directly related to bank loans, the first percentage item of the table would be substantially increased, and the second percentage item correspondingly reduced.

8. As noted above, the Agency does not confine itself to insurance agency activities. It also at times purchases conditional sales contracts or other third-party paper and occasionally makes direct loans. It conducts that extra line of business partially as a means of accommodating the interests of the Bank in certain situations, and partially to provide an extra source of income for the Agency. During the two-year period preceding the hearing, the Agency engaged in some 14 discount transactions of one kind or another. The Agency's balance sheet as of June 30, 1957, reflects that there was then due to the Agency as a result of such transactions the sum of $4,392.[15] Included among the paper then held by the Agency were (a) a number of conditional sales contracts purchased from automobile dealers; (b) two overdue hail insurance notes purchased from the Bank pursuant to the recourse agreement referred to above; (c) a number of unsecured notes, one made by an employee of the Bank. As to at least some of the foregoing transactions, the evidence indicates that the advances were made by the Agency rather than by the Bank, because the Bank considered itself precluded by legal or policy restrictions from itself making the advances.

9. Maurice O'Connell, President of both the Agency and the Bank, testified that the Agency also regards itself as engaged in the business of buying and selling real estate. Since its incorporation in 1955, however, the Agency has had only one transaction of this kind —involving the purchase of a lot in 1957 and its resale two weeks later at a profit. O'Connell testified at first that the Agency engaged in that transaction as a speculative venture, but later stated that the purchase was also designed in part to accommodate its affiliated bank. As appears from O'Connell's further testimony, the property purchased had previously been mortgaged to the Bank, payments on the mortgage loan were in arrears, and the purchase price paid by the Agency was applied in part by the seller to pay off his indebtedness to the Bank. Concerning the Agency's future plans, O'Connell testified that the Company as part of its business intended to engage in further purchases and sales of real estate if and when suitable opportunities arose. But later he qualified his testimony by stating that the Agency would refrain from that type of activity if it were advised by its attorney that it would otherwise be disqualified for exemption under Section 4(c) (6) of the Act.

[15] The Agency's gross interest income for the 6-month period ending June 30, 1957, amounted to $75. During the same period the Agency had insurance premium receipts of approximately $14,500, of which approximately $10,500 was paid or payable to insurance companies.

III. Area Practices and Other General Considerations Bearing on the Relationship of Insurance to the Business of Banking as Conducted by the Banks Here Involved

A. Area Practices

1. Although banks organized under the laws of Minnesota and North Dakota are not granted express corporate power to sell insurance, it is a normal and accepted practice for such State banks to offer insurance agency services in conjunction with their banking operations. That practice is almost universally followed by such State banks located in the smaller cities and towns. In the larger cities the proportion thins out somewhat, and banks in the largest of them are more apt not to have related insurance agencies, though even in cities as large as St. Paul and Minneapolis there are some banks that do. More than 80 per cent of *all* State banks in Minnesota have bank-connected agencies. The proportion is about the same in North Dakota.

2. Most usually the related insurance agencies are operated on the banking premises, to all appearances as departments of the bank, with officers or other employees of the bank as the licensed agents. Beyond that, the specific arrangements vary. Thus, in some instances banks allow the officer holding the agent's license to conduct an agency business on the bank premises entirely for his own benefit. In others, the bank receives part or all of the insurance agency's earnings through rent and other charges made for the use of bank quarters, facilities, and services of bank employees. In still others, arrangements are made to have the net earnings of the insurance agency paid directly to the bank's stockholders. This at times is accomplished through the separate incorporation of the insurance agency business coupled with a stock tie-in agreement designed to assure continued common ownership of ratable equity interests in both the bank and the agency. The most common arrangement, however, is to have the insurance agency business conducted for the direct benefit of the bank, with payment to the bank of all, or at least a substantial percentage of, the agency's net profits.

3. Insurance agency operations, even where conducted on banking premises and for the direct benefit of a bank, are not subject to supervision and examination by State banking authorities. But the prevalent practice of coupling banking and insurance agency operations is well known to the banking and insurance authorities of the States of Minnesota and North Dakota and has long been acquiesced in by them as a proper practice. The Applicant called Irving C. Rasmussen, the Minnesota Commissioner of Banking, as a witness. Commissioner Rasmussen testified that it was

a "normal and customary part of the banking business in this area to offer an insurance service", and that there was no State law or policy making it unlawful or improper for a State bank in Minnesota to operate an insurance agency department.[16] Commissioner Rasmussen's North Dakota counterpart was not called to testify. Independent examination of the North Dakota statutes, however, has disclosed no specific statutory provision or expressed policy prohibiting the operation of an insurance agency on banking premises or for the benefit of its related bank.

B. Other Considerations

1. The Applicant makes no claim that the affiliated agencies herein involved are an indispensable adjunct to the operations of their related banks. The record shows that the various types of insurance sold through such agencies are all readily available through competing independent agents and agencies that are engaged in business in the same localities.

2. The Applicant does claim, however, that the agencies are of substantial benefit to their affiliated banks, and to the stockholders and customers of such banks. Among the considerations to which it points are the following: (a) The agency earnings provide an additional income to the banks' stockholders, a form of income that has become recognized and accepted in the area as incidental to the business of banking. (b) The agencies facilitate and expedite the making of certain loans where insurance on collateral is required, thus providing a service not only to the banks, but to the banks' customers as well. (c) Through the facilities of their affiliated agencies the banks are in a better position to follow up insurance on bank collateral to assure that proper loss payable clauses are obtained and that policies are promptly renewed and kept in force during the life of a loan. (d) The furnishing of insurance services attracts customers and promotes business for the banks. (e) Because of area practices, it has become a competitive factor for banks to be in a position to offer their customers insurance services and advice.

IV. Analyses and Concluding Findings

A. The Statutory Requirements

Under the terms of Section 4(c)(6) of the Act, as clarified by Section 5(b) of the Board's Regulation Y, the ownership by a bank holding company of a nonbanking company is exempted from the prohibitions of Section 4 of the Act only if the following conditions are met:

(1) All the company's activities must be of a financial, fiduciary or insurance nature, and

(2) The company must be determined by the Board to be so closely related to the business of banking or of managing or controlling banks, as conducted by such bank holding company or its banking subsidiaries, (a) as to be a proper incident thereto, and (b) as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

B. As to the Companies' Eligibility for Exemption Consideration under the Preliminary Requirement of Section 4(c)(6)

Each of the five nonbanking subsidiaries here involved is engaged in business primarily as an insurance agency. One of the companies does not engage in any other activity. Each of the others engages in one or more additional activities of kinds not classifiable as insurance in character. The initial question to be decided is whether such companies, notwithstanding their added activities, satisfy the preliminary statutory requirement for exemption consideration. That question will now be considered as to each company separately.

1. *Western State Agency, Inc.:* The Company, in addition to its insurance activities, occasionally makes loans to customers of its affiliated bank who for one reason or another are not considered qualified for direct bank loans. This added activity is clearly classifiable as "financial".

2. *Citizen's Agency, Inc.:* All its activities are of an insurance nature.

3. *Willmar Investment Company:* The noninsurance activities of this Company consist of (1) the liquidation of assets acquired from the Bank of Willmar, (2) the acquisition and holding of properties for the future use of the Bank and for its own future use, and (3) the operation of a small real estate brokerage business.

(a) The liquidation of bank assets, even if not classifiable as "financial", is a type of activity that Congress regarded as so "obviously incidental" to the business of banking as to require no hearing to establish that fact.[17] Section 4(c)(1) automatically exempts from the prohibitions of Section 4, *inter alia,* the shares of any subsidiary nonbanking company engaged solely in liquidating assets acquired from an affiliated holding company bank. I am satisfied that Congress intended in an appropriate situation to allow a coupling of Section 4(c)(1) and 4(c)(6). Both sections are harmonious parts of an integrated statutory scheme. They are not reasonably to be read as if each were an independent enactment unrelated to the other. If full scope is to be given to both exceptions, they must be read as mutually complementary. It would achieve an obviously absurd result, and one that Congress could not reasonably have intended, to hold that a company, otherwise qualified for exemption consideration under Section 4(c)(6), becomes disqualified therefrom simply because it is also engaged in an added activity which, had it stood alone, would have entitled the Company to automatic exemption under Section 4(c)(1). I conclude that the Company's liquidation activities do not bar it from exemption consideration under Section 4(c)(6).

(b) What has just been said applies equally to Willmar's activities in acquiring and holding properties for the future use of its affiliated bank. Section 4(c)(1) similarly automatically exempts the shares of bank holding company subsidiaries that are "engaged solely in holding or operating properties used wholly or substantially by any [holding company] bank . . . or acquired for such future use." As for Willmar's acquisition of the single parcel of property which it plans to put to future use as a home for its insurance agency business, this must be viewed as an integrated part of the Company's insurance activities.

(c) The real estate agency branch of Willmar Investment Company's operations presents a more difficult question. I am unable to agree with the Applicant's contention that the real estate agency operation must be regarded as an "insurance activity" because it

[16] Commissioner Rasmussen further testified that, although not required by Minnesota law, his department preferred to have an insurance agency department separately incorporated so as to immunize its related bank from any liability resulting from the agency's operations.

[17] See, e.g., H. Rep. 609, 84th Cong., 1st Sess., pp. 17, 24; S. Rep. 1095, 84th Cong., 1st Sess., p. 12.

is now being conducted on a temporary basis to provide a source of funds to help finance the retirement of an old-time employee who formerly managed the Company's insurance business.[18] But though not "insurance" in nature, the real estate agency activities are nevertheless classifiable as "fiduciary" within the broad meaning of that term. The term "fiduciary" as used in law is not confined to formal fiduciaries (such as express trustees; it extends to persons who undertake to act for others in capacities involving trust and confidence and requiring the exercise of good faith and candor in their dealings with those for whom they act.[19] A real estate broker, whose normal function it is to act as an agent for owners seeking purchasers for their property, falls within that category. It has long been recognized that such a broker occupies *vis-a-vis* the owner for whom he acts a position of trust and confidence calling for a high degree of fidelity and making him in the eyes of the law a fiduciary as to matters within the scope of his agency.[20] Indeed, the validity of State laws regulating the business of real estate brokers and fixing qualifications of persons who may engage in it, has been upheld largely upon the ground that such brokers are deemed to act for others in a fiduciary capacity.[21]

Accordingly, I find that all the activities of Willmar Investment Company are such as to make it eligible for exemption consideration under Section 4(c)(6). Whether they are also such as to satisfy in all their aspects the "closely related" requirement of that section is of course a different question, and one that I reach later.

4. *Drovers Exchange Agency and Realty, Inc.:* This Company, in addition to its insurance agency activities, engages, according to its exemption application, in dealings in real estate and other property. As found above, however, such dealings to date have been rare and have in all instances been restricted to situations involving the acquisition for purposes of liquidation of property from its affiliated bank or bank borrowers. What was said above with respect to Willmar Investment Company's liquidation activities is equally applicable here. On the record made, and on the assumption that the Company's future dealings in property will likewise be limited to the liquidation of bank assets, I find that all the Company's activities are such as to make it eligible for exemption consideration under the statute.

5. *New England Insurance Agency:* Apart from the sale of insurance, this Agency on occasions has engaged in the purchase of conditional sales contracts and other third-party paper—activities clearly of a financial nature. In addition, as appears from the testimony of its president, the Agency also regards itself as now engaged in the business of buying and selling real estate. The type of activity last mentioned plainly does not meet the "financial, fiduciary or insurance" preliminary requirement of Section 4(c)(6), nor is it such as to be otherwise allowable under the statute. It is true that the Agency has had only one transaction of this sort in the approximately two-year period that elapsed from the date of its incorporation to the date of the hearing. But on the basis of the record showing that the Agency considers itself at present to be engaged in the real estate business, I am obliged to find that the Company's total activities are such as to disqualify it from exemption consideration under Section 4(c)(6). It is noted, however, that during the course of the hearing the Agency indicated a willingness to refrain in the future from engaging in real estate activities, provided it were advised by its attorney that continuation of such activities would disqualify it for exemption under Section 4(c)(6). It will therefore be recommended that if, prior to the expiration of the time for filing exceptions to this Report, the Applicant, with the written consent of the Agency, advises the Board that, as a condition to exemption, it will not engage in the business of buying and selling real estate, the Board revise the foregoing finding and find instead that the Agency on the basis of its remaining activities meets the qualifying standards of the preliminary requirement of Section 4(c)(6).

C. As to the Companies' Qualifications for Exemption Under the "Closely Related" Requirement of Section 4(c)(6)

As each of the nonbanking subsidiaries is engaged primarily in insurance agency activities, I shall first consider the "closely related" issue with respect to such activities alone, and shall later consider whether the conclusion reached need be altered in the case of any of the companies because of any added activities in which it may be engaged.

1. *Insurance Agency Operations*

It is clear, of course, that in an organizational, physical and operational sense the insurance agencies are closely related to the banks to which they are respectively attached. Thus, their businesses are conducted for the profit of affiliated bank stockholders; they are managed and controlled by the officers and directors of their related banks; they occupy space in banking quarters or close thereto; they utilize at least in some instances bank personnel to carry on their day-to-day operations; and they are held out to the public as identified with the banks to which they are respectively attached. But such organizational, physical and operational integration, while a factor to be considered, is not alone enough to satisfy the statutory exemption requirement. The statute speaks not in terms of a close relationship to a banking organization, but in terms of a close relationship to the *business* of banking, or to the *business* of managing and controlling banks.

The close relationship, moreover, must be of a special kind. It must be such as to support a conclusion that under all the circumstances of a given case, as reflected by the record made therein, the business of the nonbanking company is a "proper incident" to the business of banking or of managing or controlling banks, as conducted by the applicant bank

[18] As the record shows, the Company has always held itself out—even before the retirement of the employee—as engaged in a real estate agency business; indeed, the Company's regular business operations are so described in its exemption application. Moreover, though that branch of the Company's business is now being continued mainly for the benefit of the employee, it is still being conducted as a company activity, functionally unrelated to the insurance agency operations.

[19] See Black's Law Dictionary, 4th Ed., p. 753; Restatement of Trusts, § 2b.

[20] See Restatement of Agency § 13 and comments thereunder, particularly comment b; also § 1d. And see, too, *Hamby* v. *St. Paul Mercury Indem. Co.*, 217 F. 2d 78, 80 (CA 4); *Rattray* v. *Scudder*. 28 Cal. 2d 214, 169 P. 2d 371, 376; *Kurtz* v. *Farrington*, 104 Conn. 257, 132 A. 540, 544; *Dolvin Realty Co.* v. *Holley*, 203 Ga. 618, 48 SE 2d 109, 112; *Berenson* v. *Nirenstein*, 326 Mass. 285, 93 NE 2nd 610, 611; *Wold* v. *Patterson*, 229 Minn. 361, 39 NW 2d 162; *Utlaut* v. *Glick*, 246 SW 2d 760 (Mo.); *Rosenberg* v. *Cohen*, 370 Pa. 507, 88 A 2d 767; *Barnard* v. *Gardner Inv. Corp.*, 129 Va. 346, 106 SE 346, 348.

[21] See, e.g., *Riley* v. *Chambers*, 181 Cal. 589, 185 P. 855; *Roman* v. Lobe, 243 NY, 152 NE 461.

holding company or its banking subsidiaries. And it must also be such as to warrant a conclusion that it is "unnecessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act." In other words, the keys to a "closely related" determination are to be found in the "proper incident" and the "statutory purposes" requirements of Section 4(c)(6).[22]

As the Board pointed out in the *Transamerica* case, the "proper incident" and "statutory purposes" requirements are both "somewhat similar in character and tend to reinforce each other." In clarification of the "proper incident" requirement, the Board in that case stated:

> ". . . both legal and nonlegal dictionaries show that the term 'incident' is used to describe something that 'usually' or 'naturally' 'depends upon', 'appertains to', or follows another more important thing. It is clear that Section 4(c)(6) is intended to exempt only those nonbanking businesses that 'usually' or 'naturally' 'depend upon' or 'appertain to' the business of banking or of managing or controlling banks. The section requires that a nonbanking business, in order to be exempted under the provision, must be not merely an 'incident' but a 'proper incident' to banking or managing or controlling banks."

In clarification of the "statutory purposes" requirement, the Board noted that the "clear purpose" of Section 4 was to remove the potential sources of evil that Congress thought were inherent in common control of banks and nonbanking organizations, by restricting bank holding systems to banking activities, subject to only limited exceptions. The Board stated:

> "This clear purpose of Section 4 . . . provides a helpful guide to applying the requirements of Section 4(c)(6). If a nonbanking business is a 'proper incident' to banking or to managing or controlling banks . . . it is less likely to cause a bank to be influenced by the 'unnatural' or extraneous considerations or temptations that are 'potential sources of evil'. Hence, it is more likely to accord with the 'purposes of this Act.'"

What has just been said may also be expressed in another way. As the legislative history shows, a primary purpose of the Act was to confine bank holding company systems to business activities connected with banking or with the management or control of banks, on the theory that it is in the public interest to keep bank ventures in a field of their own, separate and apart from nonbanking enterprises.[23] Where the business of a nonbanking subsidiary is not *so* "closely related" to an affiliated banking business as to be considered a "usual" or "natural," and also a "proper," adjunct thereto, its retention in a bank holding company system cannot be reconciled with the statutory objective and the public interest noted above. But the situation is different where the nonbanking subsidiary, otherwise qualified under the preliminary requirements of Section 4(c)(6), is engaged in a business which is so substantially integrated with, required for, or otherwise identified with the banking or bank management business to which it is related as to make it in effect part and parcel of that business. In the latter situation, retention of the nonbanking subsidiary in the holding company system may reasonably be disassociated from the statutory objective of keeping banking and nonbanking ventures in fields of their own, and, consequently, justified as in accord with the purposes of the Act.

Is the business relationship between the herein involved insurance agencies and their affiliated banking organizations such as to satisfy the statutory criteria as elucidated above?

Were it not for the record proof that it is a normal, customary and approved practice for State banks in Minnesota and North Dakota to offer insurance agency services in conjunction with their banking operation, I would hesitate long before answering that question affirmatively. It is clear, of course, that the agencies' activities are in part directly related to their affiliated banks' lending operations. It is clear, too, that as an incidental aspect of their activities, the agencies provide some services that are of benefit to such banks. But the agencies' activities in their totality extend far beyond what is reasonably required for or even connected with, affiliated banking operations. Each of them is engaged in a general insurance agency business, involving the writing of all kinds of insurance and the solicitation of business from the public at large, without regard to whether or not such insurance is needed in connection with bank lending activities. Only a minor part of their total writings, in terms of premium volume, is referable to insurance on property securing affiliated bank loans—in no case quite as much as 40 per cent, and in some cases substantially less.[24] No showing has been made that the affiliated banks have any special need for insurance agencies of their own to obtain insurance coverage on property securing bank loans. All insurance written through the bank-connected agencies is readily available through outside agents or agencies with whom the bank-connected agencies compete for business in the localities where they are situated. The business of selling general insurance is one that may be, and generally is, conducted independently of the banking business and without any particular reliance on it. It is not a type of business that characteristically or by reason of its nature "depends upon" or *must* "follow" the business of banking.

But the "proper incident" and "statutory purposes" requirements are not restricted to dependent relationships. Section 4(c)(6), as explained in *Transamerica,* is broad enough also to cover exemption of "those nonbanking businesses that *'usually'* . . . *'appertain*

[22] See, *Matter of Transamerica Corporation,* Federal Reserve BULLETIN, September 1957, p. 1014. See, also, Section 5(b) of the Board's Regulation Y.

[23] H. Rep. 609, 84th Cong., 1st Sess., pp. 1, 11, 16; S. Rep. 1095, 84th Cong., 1st Sess., pp. 1, 2, 5.

[24] I attach no special significance—except possibly in the case of New England Insurance Agency—to the fact that most of the remaining premium volume is referable to insurance placed for other bank customers. It is to be expected that an insurance agency operating on a bank floor, or otherwise closely identified with a bank, will attract a large proportion of its customers from those doing business with the bank; but this does not establish that such writings have a relationship to the *business* of banking as such. In the case of New England Insurance Agency, which writes principally hail insurance, a substantial part of such insurance, though covering unpledged property, may be viewed as referable to bank lending activities, for reasons stated in the findings made above dealing specifically with that case.

to' the business of banking or of managing or controlling banks."

The insurance agencies in this proceeding are attached to State banks in the States of Minnesota and North Dakota. In such States, as has been found, the operation in conjunction with State banks of what are in effect insurance agency departments thereof is a common and accepted practice. That practice is so rooted in tradition and so prevalent—at least in the smaller cities and towns—as to be considered "a normal and customary part of the banking business", in the words of the Minnesota Commissioner of Banking. Measured against State custom and policy as applicable to State banks in Minnesota and North Dakota, the activities of the insurance agencies here involved, and the relationship of such agencies to their affiliated banks, fits into the framework of the criteria outlined above—that is, it is of a kind that " 'usually' . . . 'appertains to' the business of banking, or of managing or controlling banks".

The question at once arises: Is such a measurement an appropriate one where, as here, a Federal statute is being administered? To take into account State practices and policies where State banking businesses are involved might quite possibly lead to different 4(c)(6) determinations in different States, though the same kind of company and the same type of relationship is involved—allowing, for example, retention of an incorporated bank-connected insurance agency in a State such as Minnesota, while compelling divestiture of a comparable agency in a State such as Illinois.[25] But that possibility is not objectionable in itself. The principle that a Federal law must be uniformly applied does not preclude deviations in application based upon valid factual distinctions. What is a proper incident of banking is essentially a question not of law but of fact. The Board has been charged to make its determination in each case upon the record made in that case, that is, on the basis of the particular factual considerations there present. If the Board is to determine in a given case what is a "proper incident" to the business of banking, it must ascertain, *inter alia,* what is usual and what is allowable. Since this to some extent may vary from State to State, as well as among banks of different classes, the scope of activities normally associated with the conduct of the particular class of banking business involved is, I am persuaded, a factual consideration relevant and material to that inquiry.

Support for the view that Section 4(c)(6) does not compel absolute uniformity in all cases where the same type of nonbanking business is involved may be found in Section 5(b) of the Board's Regulation Y, issued pursuant to the Act. That section provides that the close relationship required by Section 4(c)(6) must be "to the business of banking or of managing or controlling banks, *as conducted by the [applicant] bank holding company or its banking subsidiaries.*" The italicized words recognize that "the business of banking or of managing or controlling banks", as referred to in the statute, is not an absolute; that the business may possess different characteristics in different cases depending on the circumstances; and that activities determined to be a "proper incident" to "the business of banking, etc." in one case need not be in another, although in each the activities of the nonbanking subsidiary are the same.

Where banks of a given class—for example national banks located in places with a population of under 5,000[26]—are themselves authorized by law to operate insurance agencies in conjunction with their banking activities, there can be no doubt that the insurance agency operations are a "proper incident" to the business of banking *as conducted by such banks.* And as a corollary proposition, it follows that where a bank holding company owns or controls banks of the same class, the operation through separate subsidiary corporations of similar insurance agencies at such banks is a "proper incident" to the business of banking or of managing or controlling banks, *as conducted by said bank holding company or its banking subsidiaries.*

The situation in the instant proceeding is not substantially different, and I think the same reasoning is applicable. The banking statutes of Minnesota and North Dakota, to be sure, do not confer express powers on their respective State banks to operate insurance agencies.[27] The fact remains that the overwhelming majority of State banks in the States of Minnesota and North Dakota do have insurance agencies operated in conjunction with the banks; that that practice has been carried on for many decades; that, although specific arrangements vary, the most common one is to have the agency profits inure directly to the agency-related banks; and that the supervisory authorities with full knowledge have acquiesced in that practice as a proper one and for all practical purposes have accepted the existence of bank controlled and operated insurance agencies as an incidental part of the business of banking, or, at least, of the business of bank management and control. In these circumstances, and in the absence of any external evidence to the contrary, the law of Minnesota and of North Dakota may appropriately be viewed by the Board as allowing, in any event as not prohibiting, the direct operation of insurance agencies by State banks in such States.[28]

In the circumstances of this case, it is difficult to see how it would effectuate the purposes of the Act to require divestiture of the bank-related agencies. As found above, the agencies, formerly operated as departments of their respectively related banks, were later incorporated primarily for the purpose of immunizing the banks from responsibility for agency conduct. This purpose to protect bank assets is clearly in the interest of bank depositors, and, moreover, the incorporated method of operation is preferred by the

[25] Illinois prohibits banks, except national banks in places of less than 5000 population, from acting as an insurance agent, and extends that prohibition to "any subsidiary, affiliate, officer or employee" contributing directly or indirectly, insurance commissions or fees to a bank. 73 Smith Hurd Ill. Stat. Anno. 1065.53.

[26] Act, Sept. 17, 1916, c. 46, 39 Stat. 753, Federal Reserve Act, Sec. 13.

[27] For purposes of decision here, I find it unnecessary to decide whether, as argued by counsel for the Applicant, such statutory authority must be deemed conferred by the general grant to Minnesota banks of "all the usual and incidental powers belonging to the business", Minn. Stat. Anno., Sec. 48.15. The North Dakota statute grants banks "all such incidental powers as shall be necessary to carry on the business of banking." North Dakota Rev. Code, 1943, Ch. 6-0302.

[28] Although perhaps not precisely apposite, an analogy may be drawn to the well known rule of statutory construction, that long, continued, contemporaneous and practical construction of an ambiguous statute by the executive officers charged with its administration and enforcement is of great importance in arriving at the proper construction of a statute. See 2 Sutherland, *Statutory Construction,* Secs. 5103, 5105 and 5107 (3rd Ed. 1943); *U. S.* v. *American Trucking Assn.,* 310 U.S. 534.

banking authorities, at least in Minnesota. Except that agency earnings now flow to bank stockholders through other channels, incorporation has brought about no change in the relationship between the agencies and the banks. As has been seen, independent banks of the same class are allowed to, and customarily do, operate insurance agencies in the same way, either directly or through affiliated corporations of their own. To hold in effect that the banks in this case, because they happen to be controlled by a bank holding company, may not do what they could do if they were independent would serve no discernible public interest. It was not a purpose of the Act to place holding company banks in a *less* favorable position than independent banks of the same class. The Act, it is true, was incidentally aimed at curbing the use of the holding company device as a means of evading restrictions imposed on banks by Federal or State laws.[29] But it has already been shown that no such evasion is here involved. The situation in this case is thus quite different from one where a bank holding company, as a subterfuge to circumvent restrictions imposed on a banking subsidiary, organizes a separate corporation through which to conduct at that bank business activities which under applicable law or declared public policy are forbidden to the bank.

There is one further aspect to be considered. In the *Transamerica* case the Board set out a number of "potential evils" that Congress considered to be inherent in common corporate control of banking and nonbanking organizations and therefore sought to remove through the general prohibitions of Section 4. Among them was

> ". . . that a holding company, in extending credit, might exert pressure on borrowers to do business with the lending bank's affiliated corporations rather than with their competitors, thus denying those borrowers an appropriate freedom of choice."

There can be no doubt, of course, that the common corporate control of the agencies and their related banks provides a potentiality for the "evil" quoted above. But, as has been seen, the common control in this case is a consequence of the customary and accepted practice for State banks in the States involved to operate insurance agencies as adjuncts of their banking business. The potentiality for such evil would have been no less if the related banks had not caused the agencies to be incorporated, but had instead allowed them to remain as before, that is, as unincorporated agencies operated by and for the benefit of the banks. The question now is whether under the circumstances here present, the possibility of such borrower coercion must, as a matter of law, or should, as a matter of discretion, be regarded as a bar to exemption. I think not, for the reasons that follow.[30]

Section 4(c) (6) does not by its terms limit exemption to situations which escape the potential sources of evil that led Congress to enact the general prohibitions of Section 4(a). Section 4 (c) (6) is an exception to the general prohibitions of 4(a). Its applicability, therefore, is not to be tested by the same considerations that induced the passage of the section it qualifies. The "potential evils" adverted to in *Transamerica* are of a broad range, and are such as might be expected to be inherent one way or another in practically every situation where banks are under common corporate control with companies of a financial, fiduciary or insurance nature. To limit narrowly the 4(c) (6) exemption to cases where there is no potentiality for such evil would make it virtually impossible, save in a most unique sort of case,[31] for any company, though of a financial, fiduciary or insurance nature, to qualify, thus making 4(c)(6) virtually a dead letter —a result Congress could not have intended. Section 4(c)(6) provides its own—and only—test for applicability. A company, to be exempted, must "be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto." In other words, as explained above, it must be one that "properly" (i.e., appropriately, allowably) [32] and "usually" or "naturally" "depends upon" or "appertains to" that business. It is true that Section 4(c)(6) also speaks of the relationship being such as to "make it unnecessary for the prohibitions of [Section 4(a)] to apply in order to carry out the purposes of the Act." But, as has also been explained above, Section 4(c)(6) subsumes that once a nonbanking company (financial, fiduciary or insurance) is determined to be a "proper incident" to banking, its retention in the holding company system will accord with the purposes of the Act. The "potential evils" which Congress found inherent in combinations of banking and nonbanking businesses were *reasons* for requiring divestiture, not statutory purposes. The *purpose* or *objective* of the Act with regard to divestiture, as earlier stated, was to keep the business of banking separate and apart from unrelated businesses. Retention of a nonbanking company that has in effect been determined under Section 4(c)(6) to be an integral part of the business of banking is thus reconcilable with that objective.[33]

As a matter of discretion—to the extent there is an allowable area for its exercise—I am similarly of the view, in the light of the particular circumstances of this case, that the potentiality of borrower coercion that is inherent in the relationship ought not be re-

[29] See, e.g., 101 Cong. Rec. 8032, 8035; 102 Cong. Rec. 6835.

[30] It is noted that in Minnesota, where 4 of the 5 agencies are located, a State statute makes it unlawful, *inter alia*, for banks to require the purchase of insurance from any particular agent as a condition precedent to a loan. Minnesota Statutes Anno. 72.34. Contrary to the Applicant's contention, however, I do not view the State law as settling the present issue. The operation of a Federal law, if applicable to a given situation, is not suspended merely because there is already in existence a State law covering that same situation.

[31] Such as *Matter of Financial Institutions, Inc.*, Federal Reserve BULLETIN, October 1958, p. 1162.

[32] "Proper" is defined in Funk and Wagnall's Dictionary, Unabridged (1952), in part, as follows:
"1. Having special adaptation or fitness . . .
"2. Conforming to a standard usage of action; right and allowable . . .
"3. Naturally or essentially belonging to a person or thing . . ."

[33] The Board's opinion in *Transamerica*, though equivocal, need not be read as inconsistent with the views expressed above. That opinion does contain *dicta* at one point that the exemption of Section 4(c)(6) is limited to "situations which substantially escape 'the potential sources of evil against which the general prohibition was directed.'" But coupling language, particularly the portion quoted earlier in this Report, may be read as indicating that the Board intended that *dicta* merely to point out a possible justification for the 4(c)(6) exception to Section 4(a), rather than to declare a required standard of proof applicable to 4(c)(6) determinations. Moreover, elsewhere in the *Transamerica* opinion, the Board appears to recognize that the "proper incident" requirement is the touchstone for a "closely related determination", and that once the "proper incident" requirement has been met, it may be inferred, without more, that divestiture is unnecessary to carry out the purposes of the Act. This, I think is the correct view of the statute.

garded as a deterrent to exemption. The reason has already been reiterated—that the operations of the bank-related insurance agencies are of a pattern that conforms to customary and accepted practices in the business of banking and bank management as conducted by State banks in the area. It may be observed, moreover, that a Board order disallowing the exemption applications in this case, if intended to eliminate the "source of potential evil" adverted to above, would be at best an exercise in futility. For, even if the incorporated agency affiliates were discontinued, the related banks could still revert to their earlier practice of having unincorporated agencies operated for their direct benefit, with resultant zero effect on the potentiality for evil sought to be eliminated.[34] The only practical difference it would make would be to deprive the related banks of the advantage gained by them through agency incorporation—immunization of the banks from liability for agency conduct.

For the reasons expressed in the foregoing analysis, I conclude that the insurance agency operations of the nonbanking subsidiaries here involved are such as to satisfy the "closely related" requirements of Section 4(c)(6).

2. *Additional Activities*

Having found that the Companies' insurance agency operations meet the "closely related" standards, I now turn to consider whether that finding need be revised in the case of any of the companies because of additional activities in which they are engaged. Of the five nonbanking companies involved, only one—*Citizens Agency, Inc.*—is engaged exclusively in insurance agency activities.

Western State Agency, Inc. occasionally makes loans to customers of its related bank who are considered by the Bank not qualified for direct bank loans. Its income from such loans during the 19-month period preceding the hearing amounted to only $164. Such activities appear to be clearly related to the banking business conducted by its affiliate. In any event this segment of the Company's business is so small as to be considered *de minimis.* It is found that the operations of this Company, in their totality, satisfy the Section 4(c)(6) requirements for exemption.

Willmar Investment Company's noninsurance activities consist of (1) the liquidation of assets acquired from its related bank, (2) the holding of properties acquired for the future use of the bank, and (3) the operation of a small real estate agency. The first two clearly meet the "closely related" standard in their own right. The third does not. The question is whether the unrelated activity precludes the Company from being found "closely related" within the meaning of Section 4(c)(6).

Section 4(c)(6), grammatically read, does not require that *all* the activities of a nonbanking company be "closely related". Where a company is engaged entirely in a business of one kind—for example, insurance—and its over-all activities are so substantially integrated with banking as to be deemed a proper incident thereto, exemption is allowable, although part of the company's business may be conducted outside the banking field. The situation is perhaps different where a company conducts two or more different kinds of business, each as a separate branch functionally independent of the other. Bearing in mind the statutory objective of keeping banking separate and apart from unrelated businesses, it may be argued with some force that in the latter situation, Section 4(c)(6) is reasonably to be interpreted to require as a condition of exemption that each branch independently satisfy the statutory requirements. But I do not think this must be applied as a hard and fast rule where special circumstances warrant a departure.

Such circumstances, I believe, are present in the Willmar case. Thus it appears (a) that Willmar's real estate agency business is of insubstantial size—with annual gross earnings never exceeding approximately $3,000 since 1949; (b) that it is a relatively insignificant part of the total business conducted by Willmar; (c) that it is now being operated on a temporary basis and for a special purpose as an accommodation for a semi-retired old-time employee who alone handles its activities; and (d) that upon the death or full retirement of that employee, now over 66 years of age, the real estate agency business is to be discontinued entirely. Willmar's primary operations have been found "closely related". In the posture of this case, I do not regard the added activities—temporary in nature and relatively inconsequential in size—as a factor sufficiently substantial to warrant revision of that finding as to the company as a whole, or to make it necessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act.[35]

Drovers Exchange Agency and Realty, Inc., in addition to its primary insurance agency activities, at times engages in dealings in real estate and other property. Its dealings to date have been restricted to transactions involving the liquidation of assets acquired from its related bank or from bank borrowers. As such, they have been closely related to the business of banking as an incident thereto. On the facts shown, and on the assumption that the Company's future dealings in real estate and property will be similarly so restricted, it is found that the Company qualifies for a 4(c)(6) exemption.

New England Insurance Agency at times purchases conditional sales contracts or other third party paper and makes direct loans. It also regards itself as engaged in the business of buying and selling real estate for profit. At least part of the Agency's financial transactions appear to be related directly or indirectly to the business conducted by its affiliated bank. The financial portion of the Agency's business is in any event insubstantial—its income from that source during the 6 months preceding the hearing amounting to $75, as contrasted to commission earnings of approximately $4,000 on its insurance business during that same period. I do not view the financial activities in their present form and volume as a deterrent to exemption. The real estate branch of the Agency's over-all business operations is another matter. Apart from being unrelated to the business of banking, it is a kind of activity that disqualifies the Agency from exemption consideration under the preliminary requirement of Section 4(c)(6), as found above. For that reason, it will be recommended that the exemption application relating to New England

[34] If, instead, distribution were made of the Applicant's shares in the agencies, the result in this case would still be the same. As has been noted, the Applicant's sole shareholder is the Otto Bremer Foundation, a charitable organization exempt from the reach of the Act by virtue of Section 2(b)(2) thereof.

[35] Should the Board disagree with this specific finding, it is recommended that it condition exemption upon Willmar discontinuing its real estate agency activities.

Insurance Agency be denied. As earlier noted, however, an opportunity will be provided the Applicant to cure the deficiency found.

Upon the basis of the foregoing findings of fact, and upon the entire record in the case, I make the following:

CONCLUSIONS

1. All of the activities of
   Citizens Agency, Inc. (BHC-29),
   Western State Agency, Inc. (BHC-31),
   Drovers Exchange Agency & Realty, Inc. (BHC-33), and
   Willmar Investment Company (BHC-35),

and of each of said companies, are of a financial, fiduciary or insurance nature, or are otherwise qualified for exemption consideration under the Act.

2. The aforesaid companies, and their business operations and activities, are so closely related to the business of banking or of managing or controlling banks, as conducted by the Applicant and its banking subsidiaries herein specificaly involved, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

3. All the activities of New England Insurance Agency (BHC-32)—more specifically, its activities with regard to the purchase and sale of real estate—are *not* of a financial, fiduciary or insurance nature, or of a kind otherwise qualified for exemption consideration under the Act.

RECOMMENDATIONS

It is recommended that the Board of Governors of the Federal Reserve System:

1. Enter an order determining the issues in this consolidated proceeding in accordance with the findings of fact and conclusions of law made above, and

2. Grant the request of the Applicant, Otto Bremer Company, in each of the cases docketed as BHC-29, 31, 33, and 35, and deny its request in the case docketed as BHC-32, for a determination that the shares of the nonbanking company therein named are exempt from application of the prohibitions of Section 4 of the Act.[36]

It is further recommended, with reference to the case of New England Insurance Agency (BHC-32), that if, prior to the expiration of the time for filing exceptions to this Report, the Applicant, with the written consent of the aforesaid Agency, advises the Board that, as a condition of exemption, the Agency will not engage in the business of buying and selling real estate, the Board revise the foregoing Conclusions and Recommendations by (a) adding the name of New England Insurance Agency to the list of companies in paragraph numbered "1" of the above Conclusions, (b) deleting paragraph numbered "3" of said Conclusions, and (c) revising paragraph numbered "2" of the Recommendations to grant the Applicant's request in Case No. BHC-32.

[36] The exemption determinations herein recommended are predicated upon the state of facts shown to exist at the time of the hearing, as reflected by the findings made above. With respect to the continued application of any such exemption determination, it is to be understood that such determination might not apply in the future should any substantial change occur in the character of the affected nonbanking company's operations or activities.

Dated at Washington, D. C. this 25th day of November, 1958.

(Signed) Arthur Leff,
Hearing Examiner.

FIRST BANK STOCK CORPORATION

In the Matter of the Requests of First Bank Stock Corporation For Determinations under Section 4(c)(6) of the Bank Holding Company Act of 1956. Docket Numbers BHC-36, BHC-37.

ORDER

First Bank Stock Corporation, having its principal office and place of business in Minneapolis, Minnesota, a bank holding company within the meaning of Section 2(a) of the Bank Holding Company Act of 1956, has filed requests for determinations by the Board of Governors of the Federal Reserve System that First Bancredit Corporation and First Service Agencies, Inc., and their activities are of the kind described in Section 4(c)(6) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1843) and Section 5 (b) of the Board's Regulation Y (12 CFR 222.5(b)), so as to make it unnecessary for the prohibitions of Section 4 of the Act with respect to acquisition and retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act.

A hearing having been held pursuant to Section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with Sections 5(b) and 7(a) of the Board's Regulation Y (12 CFR 222.5(b) and 222.7(a)); the Hearing Examiner having filed his Report and Recommended Decision wherein he recommended that both of the above requests be denied; Applicant having filed Exceptions and Brief with respect thereto; oral argument having been heard before the Board; the Board having given due consideration to all relevant aspects of the matter; and all such steps having been in accordance with the Board's Rules of Practice for Formal Hearings (12 CFR 263):

It is hereby ordered, for the reasons set forth in the Board's Statement of this date and on the basis of the record made at the hearing in this matter, that:

1. The activities of First Bancredit Corporation are determined not to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident there-

to and as to make it unnecessary for the prohibitions of Sectiton 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's request with respect to First Bancredit Corporation shall be, and hereby is, denied; and

2. The activities of First Service Agencies, Inc., are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's request with respect to First Service Agencies, Inc., shall be, and hereby is, granted.

Dated at Washington, D. C., this 21st day of July, 1959.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston, and Governors Szymczak, Mills, Robertson, Shepardson, and King.

(Signed) MERRITT SHERMAN,
(SEAL) *Secretary.*

STATEMENT

BACKGROUND OF THE CASE

On December 5, 1957, First Bank Stock Corporation (hereafter sometimes called the "Applicant"), a Delaware corporation with its principal office and place of business in Minneapolis, Minnesota, and a bank holding company as defined in Section 2(a) of the Bank Holding Company Act of 1956 (the "Act"), filed with the Board of Governors of the Federal Reserve System (the "Board") requests for determinations that two of its nonbanking subsidiaries are of such a nature as to be exempt under Section 4(c)(6) of the Act from the prohibitions of Section 4(a) of the Act. The nonbanking subsidiaries involved are First Bancredit Corporation ("Bancredit") and First Service Agencies, Inc. ("Agencies, Inc.")

Section 4(a) of the Act makes it unlawful, subject to certain exceptions, for a bank holding company (1) to *acquire* direct or indirect ownership or control of voting shares of any company that is not a bank, or (2) to *retain* direct or indirect ownership or control of voting shares of any such company after 2 years from the date of enactment (May 9, 1956) of the Act. Bancredit is a nonbanking company the stock of which was entirely owned by the Applicant on the date of the Act and is presently so owned. Pending determination of the present matter, the time allowed for divestment by the Applicant of its ownership of stock in Bancredit has been extended by the Board pursuant to provisions of the Act allowing such extensions. Agencies, Inc. is a nonbanking company of which the Applicant has never owned and does not presently own any stock, but of which the Applicant proposes to acquire stock.

The Applicant's retention of stock of Bancredit and its proposed acquisition of stock of Agencies, Inc. escape the prohibitions of the Act only if they fall within one of the exceptions provided by the Act. Section 4(c)(6) of the Act excepts shares of a nonbanking company if two requirements are met: (1) if all the activities of the company are of a financial, fiduciary, or insurance nature, and (2) if the Board determines, on the basis of the record made at a hearing, that the activities of the company are so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act.[1] Section 5(b) of the Board's Regulation Y, issued pursuant to the Act, paraphrases the provisions of the Act, but requires that the activities of a company must be closely related to the business of banking or of managing or controlling banks "as conducted by such bank holding company or its banking subsidiaries."

As required by the statute, the Board, on December 20, 1957, ordered that a hearing be held

[1] The relevant language of the Act is as follows:

"Sec. 4(a) Except as otherwise provided in this Act, no bank holding company shall—

"(1) after the date of enactment of this Act acquire direct or indirect ownership or control of any voting shares of any company which is not a bank, or

"(2) after two years from the date of enactment of this Act . . . retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company . . . .

* * * * *

"(c) The prohibitions of this section shall not apply—

* * * * *

"(6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act. . . ."

on the Applicant's requests; and such a hearing was held at Minneapolis, Minnesota, before a duly designated Hearing Examiner on January 14-22, 1958, and April 17-18, 1958. Following the conclusion of that hearing, the Applicant on May 26, 1958, submitted proposed findings with an accompanying brief. In his Report and Recommended Decision, filed with the Board on July 23, 1958, the Hearing Examiner recommended denial of both of the Applicant's requests. Subsequently, the Applicant filed with the Board exceptions to the Hearing Examiner's Report and Recommended Decision; and on May 11, 1959, the Applicant presented oral arguments before the Board.

The salient relevant facts with respect to Bancredit and Agencies, Inc., are set forth hereafter in this Statement. Additional facts with respect to their activities are contained in the Hearing Examiner's Report and Recommended Decision attached hereto; and, to the extent not inconsistent with this Statement, the findings of fact made by the Hearing Examiner are hereby adopted.

In determining whether or not the pending requests should be granted, the Board has considered solely the facts embraced in the record of the hearing held in this matter. In addition, however, the Board has considered arguments presented in the Applicant's proposed findings, the Hearing Examiner's Report and Recommended Decision, the Applicant's exceptions thereto, and the transcript of the record of the oral argument before the Board. The Board's findings and conclusions are hereafter set forth with respect to each of the companies involved.

I. First Bancredit Corporation

Factual Summary

The Applicant's first request for a determination pursuant to Section 4(c)(6) of the Act relates to First Bancredit Corporation (for convenience sometimes called "Bancredit"). Bancredit, a Delaware corporation that became a wholly owned subsidiary of FBSC in 1929, is principally engaged in the business of purchasing installment paper and reselling such paper to FBSC's affiliated banks.

Bancredit's principal office and place of business is located in the First National Bank Building, St. Paul, Minnesota. Bancredit maintains 10 branch offices in St. Paul, Chicago, Indianapolis, Dallas, Houston, Corpus Christie, Kansas City, Minneapolis, St. Louis and Tulsa. At one time Bancredit had as many as 20 offices in operation, and as recently as 1947 it had 17 offices.

About 80 per cent of the paper Bancredit has purchased has been repair and modernization paper insured under the provisions of Title I of the National Housing Act. The balance, at least in recent years, has consisted of appliance financing paper acquired from dealers through arrangements with public utility or other companies (known as "schedule" paper) and miscellaneous property improvement paper not insured under Title I of the National Housing Act. Dollar amounts for the year 1957 are set forth in the report (p. 935) of the Hearing Examiner, which is attached and made a part of this statement. Bancredit originates more Title I paper than any other single organization in the country.

Bancredit's methods of operation differ slightly as between the three different kinds of paper it handles, and are set forth in detail in the Hearing Examiner's Report. Omitting certain details that do not alter the principles applicable to the case, the operation may be briefly outlined.

Bancredit handles all details in connection with the acquisition of the paper, including the investigation and approval of the credit of the obligors. The installment notes are drawn to the order of the dealer or contractor selling the appliance or making the home improvement, and are endorsed by him to the order of Bancredit. The dealer endorsements are, with minor exceptions, on a nonrecourse basis.

In purchasing the installment paper, Bancredit pays the dealer or contractor the cash price charged the customers for the appliance sold or the improvement made. This is less than the face amount of the installment note signed by the customer. In computing that face amount there is added on to the cash price the carrying or interest charges for the term of the loan. Bancredit does not retain in its own portfolio any of the installment paper it acquires, but sells all of it shortly after acquisition to or for the account of FBSC affiliated banks. In fact, its acquisitions are geared to the investment needs of those banks. Bancredit sells all its paper directly to the affiliated First National Bank of St. Paul, which in turn sells participations or undivided interests in pools of acquired paper to other FBSC affiliated banks.

Sales made by Bancredit are on a nonrecourse basis and at a price equal to the cost of the paper to Bancredit (that is, the amount actually disbursed by Bancredit to the dealer or contractor from whom the paper was purchased). The price paid Bancredit is thus less than the face amount of the paper sold. As the Hearing Examiner stated (p. 936): "In other words, the paper is negotiated at a discount."

Bancredit continues to service all installment paper sold, and the affiliated banks have almost no work to do in connection with the paper. Their gross earnings on the paper thus represent the equivalent of a net yield. The Hearing Examiner's Report describes the carefully worked out manner in which earnings on the paper are determined and distributed among the participating banks and Bancredit.

Bancredit paper has proved a desirable form of investment for FBSC banks in terms of both yield and safety. The yield has usually been at least 1 per cent above the gross rate on prime commercial loans, and has always been substantially higher than that on bonds, or other securities. The loss on all Bancredit paper has been only 1/55 of 1 per cent of cumulative total volume, and has been covered about five times over by the loss reserves.

In conjunction with its acquisitions of paper, Bancredit offers credit life insurance to obligors on the paper. The insurance is offered under group credit life insurance policies which Bancredit has with an insurance company. The obligors have the option to elect whether or not they will be covered by such insurance. In 1957 about 35 per cent of the items and 44 per cent of the face amount of the paper had this insurance coverage.

Bancredit's only other activity is to provide certain accounting, statistical and advisory services to affiliated banks. In conducting its business of purchasing, selling and servicing installment paper, Bancredit has acquired an extensive installation of IBM tabulating machines and has developed a staff trained in providing the services facilitated by the use of such equipment. Bancredit makes its equipment and trained personnel available to affiliated banks. More specifically, Bancredit handles the accounting for the installment loan departments and pension fund of the First National Bank of St. Paul and its St. Paul affiliates; supplies accounting services for the pension fund, school division and payrolls of such affiliated banks; acts as statistical consultant for all affiliates where needed; and assists banks affiliates in the preparation of plans and contracts related to the installment loan field. All of these are services which the banks must either perform themselves or have performed by others in conducting their normal banking activities. For such services, Bancredit charges an amount substantially equal to its costs for the services rendered.

Preliminary Test

As indicated in *Matter of Transamerica Corporation* (Federal Reserve BULLETIN, September 1957, pp. 1014, 1015), Section 4(c)(6) of the Act exempts the ownership by a bank holding company of shares of a nonbanking company from the prohibitions of Section 4 of the Act only if the following conditions are met:

(1) All of the company's activities must be of a financial, fiduciary, or insurance nature, and

(2) The company must be determined by the Board to be so closely related to the business of banking or of managing or controlling banks (a) as to be a proper incident thereto and (b) as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

Bancredit's principal activities, which consist of the acquisition, sale and servicing of installment paper, clearly qualify as being of a financial nature. It is unnecessary to decide whether its credit life insurance activities should be considered to be "financial" on the one hand, or "insurance" on the other, since in either event they would meet the preliminary test of being "financial, fiduciary, or insurance." Bancredit's additional activity of rendering various accounting, statistical and advisory services to affiliated banks does not appear to be "financial, fiduciary, or insurance" in nature. However, the following analysis by the Hearing Examiner (p. 939) is adopted and approved on this point:

". . . If Bancredit were engaged solely in furnishing accounting, statistical and advisory services to FBSC affiliated banks, it would be exempted from the Act's divestiture requirements by virtue of Section 4(c)(1).[22] To the extent that Bancredit's total activities spill over the 'financial, fiduciary or insurance' lines of Section 4(c)(6), the overflow is entirely contained within the borders of Section 4(c)(1). To hold in these circumstances that Bancredit may not qualify for exemption consideration under Section 4(c)(6) because some of its activities are of a bank servicing rather than of a financial, fiduciary or insurance nature, would, in my view, both offend logic and be at odds with the legislative intent. Sections 4(c)(1) and 4(c)(6) are integrated parts of a single statutory scheme, and may not reasonably be read as if each were a separate enactment unrelated to the other. The two exemptions are in harmony, not in conflict. If full scope is to be given to both exemptions, each must be construed as supplementing the other so as to allow in an appropriate case for a combined application. I therefore find Bancredit preliminarily qualified under the first condition of Section 4(c)(6) for exemption consideration."

"Discount" Question

Examiner's views. After thus finding that Bancredit met the preliminary test of Section 4(c)(6), the Hearing Examiner concluded that Bancredit failed to meet the second test, and that it should not be granted exemption. He stated his reasons in part as follows (p. 939):

"The factual findings made above establish clearly enough that Bancredit's operations are not only substantially related to the business of banking, but are so closely integrated with FBSC banking activities as to be in effect an adjunct or incident thereto. But this alone is not sufficient to satisfy the second requirement of Section 4(c)(6), as outlined above. For, as the Board stated in the *Transamerica* case, *supra,* at pp. 1015-1016,

> 'The section requires that a nonbanking business, in order to be exempted under the provision, must be not merely an "incident", but a "*proper* incident" to banking or managing or controlling banks.'

It is in the respect just noted that Bancredit falls short of the statutory mark.

"The finding that Bancredit sustains a close relationship to FBSC banking operations is predicated mainly upon Bancredit's origination of various types of installment paper for resale to FBSC banking affiliates. In its business relations with FBSC affiliated banks, Bancredit acts as an independent contractor. It initially acquires the installment paper in its own name and then negotiates it with the FBSC affiliated First National Bank of St. Paul which acts for its own account and on behalf of other participating FBSC banking affiliates. The First National Bank of St. Paul purchases the paper from Bancredit at a discount, and without recourse.

"The transactions which give rise to the present close relationship between Bancredit and FBSC banking affiliates are bottomed on a form of self-dealing the Act condemns. Section 6(a)(4) of the Act makes it unlawful for a bank

> '. . . to make any loan, discount or extension of credit to a bank holding company of which it is a subsidiary or to any other subsidiary of such bank holding company.'

In the *General Contract Corporation* case,[23] the Board construed the term 'discount' as used in Section 6(a)(4) to include within its compass transactions identical to those present here, involving the purchase without recourse of third-party paper by a banking subsidiary of a bank holding company from a nonbanking affiliate of the same holding company. In view of the statutory proscription against this form of self-dealing, it follows virtually as a matter of law, and it is found, that the relationship between Bancredit and the FBSC banking operations is not such as to constitute a 'proper incident' to the business of banking as conducted by FBSC and its banking subsidiaries.

"The *General Contract* case provides square authority for the finding just made. The Applicant does not dispute that the factual situation presented here is indistinguishable from that ruled upon by the Board in the cited case. It contends, however, that the Board was wrong in its statutory construction of the breadth of the term 'discount' as used in 6(a)(4). In effect, the Applicant asks for reconsideration and reversal of the Board's views on that subject as earlier declared. The arguments the Applicant advances to support its position, though perhaps more fully elaborated, are basically the same as those which were presented to the Board in the Applicant's and *amicus curiae* briefs filed in the *General Contract* case. It would serve no useful purpose to detail them here as they have already been noted and ruled upon by the Board in its carefully considered opinion in that case.[24] I am persuaded that the Board's holding in the *General Contract* case rests on a solid foundation, but even if I thought otherwise, I would be obliged to follow the precedent there established. If the reasoning in that case is to be re-examined, it must be done at a higher level than mine.

"For the reasons stated, I shall recommend denial of the Applicant's exemption request relating to Bancredit."

Exceptions and arguments of applicant. Applicant takes vigorous exception to a number of the findings and conclusions of the Examiner, particularly concerning the "discount" question, and to the failure of the Examiner to make certain findings and conclusions proposed by the Applicant.

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[22] Section 4(c)(1) exempts nonbanking companies which are engaged, *inter alia,* "solely in the business of furnishing services" for a parent bank holding company or its banking subsidiaries. For a general description of the type of services considered by Congress to be of a servicing character, see S. Rep. 1095, p. 12, 84th Cong.; S. Rep. 1095, part 2, p. 3, 84th Cong.

[23] *Matter of General Contract Corporation,* Federal Reserve BULLETIN, March 1958, p. 260.

[24] The Board's opinion in that case as well as the relevant portions of the attached Hearing Examiner's Report, to the extent approved by the Board, are here incorporated by reference. See, particularly, Federal Reserve BULLETIN, March 1958, p. 260, at pp. 262-269 and at pp. 282-285."

An initial exception by the Applicant is to the Examiner's failure to accept Applicant's contention that *all* of the activities of Bancredit are exempt as "servicing" activities under Section 4(c)(1) of the Act. In this connection, the Applicant refers to an opinion of the Board (Federal Reserve BULLETIN, April 1958, p. 431) concerning the solicitation of installment paper business by a nonbanking subsidiary (called "Corporation Y") of a holding company through offices located in several States. That opinion was to the effect that such activities constituted "servicing" activities exempted by Section 4(c)(1). Applicant argues that the activities of Bancredit are in exactly the same category.

This contention by Applicant, however, is made in the face of *another* opinion of the Board which was published at the same time (Federal Reserve BULLETIN, April 1958, p. 431) and in which the Board expressly decided that the activities of Bancredit are *not* "servicing" activities under Section 4(c)(1). Copies of both these interpretations, which were published concurrently by the Board, are attached.* Although the published interpretation refers to Bancredit anonymously as "Corporation X," the opinion on which the published statement was based had previously been given directly to First Bank Stock Corporation with respect to Bancredit. The Board distinguished the *Bancredit* ("Corporation X") case from the other ("Corporation Y") case on the grounds that in the latter, the activities of the offices of the nonbanking organization are confined to the soliciting and servicing of purchases and do not include the actual "purchasing" of the paper by such offices, whereas in the *Bancredit* case the branch offices themselves purchase the paper and resell it to subsidiary banks, an activity which involves essentially a financial relationship with the affiliated banks as distinguished from a mere "servicing" relationship.

Although the question was carefully considered at the time, it has been thoroughly re-examined in the light of Applicant's exceptions and arguments in the present case. The Board has again concluded that the distinction drawn is a sound one and that Bancredit is not exempt under Section 4(c)(1) as a company engaged solely in furnishing "services" to affiliated banks.

Applicant has filed several exceptions with respect to the Hearing Examiner's conclusion that Bancredit's activities conflict with Section 6(a)(4) of the Act. These contentions may be summarized substantially as follows:

1. That the facts in this case are different from those in the *General Contract* case.
2. That an interpretation published by the Board in the Federal Reserve BULLETIN, September 1958, p. 1059, regarding acquisition of loan "participations" by subsidiary banks is applicable in the present case.
3. That in any event the Board's conclusion in the *General Contract* case that a nonrecourse purchase of paper is a discount was legally erroneous.

As to the first of these contentions Applicant argues that Bancredit sells paper to the affiliated banks at cost whereas the nonbanking subsidiaries in the *General Contract* case sold the paper to the banks at an amount greater than cost. It is believed that this is not a substantial distinction. In the *General Contract* case, the paper was sold to the banks at 1 per cent above cost, apparently for the purpose of compensating the nonbanking subsidiaries for their service; in the present case, although the paper is sold at cost, Bancredit is separately compensated by the affiliated banks for its services in connection with the paper. As stated in the *General Contract* case (Federal Reserve BULLETIN, March 1958, pp. 260, 269):

> ". . . the judicial interpretations of the word 'discount' show that the term is used very broadly. In practice the term 'bank discount' is applied broadly to transactions by which a bank computes interest in advance so that there is a possibility of compound interest, and it seems that any purchase of paper is a 'discount' in that sense since it permits such advance computation and compounding . . . ."

Similarly, other alleged factual distinctions do not affect the question here at issue.

As to the second contention, the Board's September 1958 opinion considered four different factual situations involving participations by subsidiary banks in the making of loans and held that in all four instances the banks could be regarded as "joining at the outset" in the making of such loans and that, therefore, they did not involve a "purchase" or a "discount." The Applicant contends that in the present case there is a previous contractual arrangement under which the affiliated banks participate in the paper purchased by Bancredit. (Oral argument, p. 15) How-

* Not reprinted, see reference indicated.

ever, the Board's September 1958 opinion related only to transactions between *banks* in which the prior agreement for participation covered "a specific loan or line of credit and a specific borrower" and not "a mere block of unidentified paper." That opinion depended not only upon the specific commitments for specific loans but also upon non-interest-bearing deposits owing from one bank to another, which are expressly exempted by Section 6. Both those aspects of the situations covered by the September 1958 opinion are missing in the present case. Their absence distinguishes the present case from those dealt with in the earlier opinion.

Finally, as to the basic validity of the Board's previous position on the "discount" question, Applicant urges that the Board give "de novo" consideration to this question solely on the basis of the record made in the present case. Applicant submitted a comprehensive brief *amicus curiae* in the *General Contract* case and the arguments it offers now are substantially those urged upon the Board in that case. Briefly, the principal arguments are as follows:

1. That the word "discount" has several meanings and, in construing this word in a penal statute, the Board should not adopt the meaning that it did in the *General Contract* case; and that the Board should instead give the word either its "narrowest" meaning as covering a two-party-paper discount transaction where interest is deducted from the face of the note, or at least its meaning as covering a purchase of paper *with* recourse.

2. That the language of the statute does not support the Board's view in the *General Contract* case that the "broader aim" of Section 6(a) was to prevent a holding company from misusing the resources of a subsidiary, and that when Section 6(a)(3) prohibits purchases of securities and assets *only* "under repurchase agreement" it shows an intention to permit other purchases.

3. That the word "discount" in Section 6(a)(4) is used in conjunction with "loan" and "extension of credit" and, by such association, should be read as referring only to transactions in which reliance is placed on the credit or worth of the holding company or a fellow subsidiary—in other words, a "borrowing" as indicated by the heading of Section 6.

4. That the *Danforth* case cited by the Board in the *General Contract* case was an 1891 decision under a different type of statute; and that other courts have held that "discount" does not include purchases without recourse.

5. That nonrecourse purchases and sales of paper are extremely common between banks and that Section 6(a)(4) could not have been intended to interfere with such an established banking practice. Applicant places particular stress on this point.

Notwithstanding the careful consideration that was given to the "discount" question in the *General Contract* case, the question has been thoroughly reconsidered in the light of the arguments of Applicant in the present case. Each phase of Applicant's argument as well as all other relevant aspects of the question have been carefully weighed and re-examined.

As a result of that careful reconsideration and re-examination the Board has again reached the conclusion that the term "discount" as used in Section 6(a)(4) includes nonrecourse purchases of paper. The reasons for the Board's conclusion are substantially as set forth in the portions of the Board's statement in the *General Contract* case at Federal Reserve BULLETIN, March 1958, pp. 262-269, which are attached* hereto and made a part of this statement. The conclusion follows from a careful analysis of applicable judicial utterances on the subject, from the context in which the term "discount" is used, and from the legislative history of the provision. Each of those three considerations separately, and all three together, lead to the same conclusion. As the Board stated in the *General Contract* case, *supra*, p. 266:

> "The Board is mindful of the facts, stressed by Applicant, that violations of Section 6 are misdemeanors; that criminal statutes are to be strictly construed in favor of the defendant; and that, therefore, their language cannot be enlarged to encompass prohibitions beyond its ordinary meaning. As indicated above, however, the usual meaning of the word 'discount' appears to include nonrecourse purchases of paper. As the Supreme Court of the United States said in *United States* v. *Brown,* 333 U.S. 18, 25-26:
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> > "'. . . The canon in favor of strict construction is not an inexorable command to override common sense and evident statutory purpose. It does not require magnified emphasis upon a single ambiguous word in order to give it a meaning contra-

* Not reprinted, see reference indicated.

dictory to the fair import of the whole remaining language. As was said in *United States* v. *Gaskin,* 320 U.S. 527, 530, the canon "does not require distortion or nullification of the evident meaning and purpose of the legislation." Nor does it demand that a statute be given the "narrowest meaning"; it is satisfied if the words are given their fair meaning in accord with the manifest intent of the lawmakers.' "

Applicant points out that after the Board's decision in the *General Contract* case, the Board, as required by Section 5(d) of the Bank Holding Company Act, recommended to the Congress changes in the law which in the opinion of the Board would be desirable, and that, among others, the Board recommended that nonrecourse purchases of paper between banks be exempted from the prohibitions of Section 6 of the Act. However, these views of the Board as to the desirability of such a change in the law do not alter the meaning of the law as it now stands. As pointed out in the Board's statement in the *General Contract* case, *supra,* p. 268:

"When the Bank Holding Company Act was being considered by Congress, the Board of Governors of the Federal Reserve System recommended that *all* of the provisions that became Section 6 be omitted from the bill as 'unnecessarily restrictive' . . . .

"Such considerations of policy relate more to the advisability or inadvisability of legislation than to its interpretation. Having weighed these considerations, Congress included Section 6 in the Act; and even under the narrow interpretation of 'discount' urged by Applicant, the section clearly imposes substantial prohibitions on the movement of funds within bank holding company groups. . . ."

For the reasons outlined above and more fully explained in the attached excerpt from the Board's Statement in the *General Contract* case, the Board feels constrained to agree with the Examiner's conclusion that the term "discount" in Section 6(a)(4) of the Bank Holding Company Act includes nonrecourse purchases of paper and that, accordingly, Bancredit cannot qualify for exemption under Section 4(c)(6) of the Act.

Other Aspects of "Proper Incident" and "Purposes of the Act"

Examiner's views. After setting forth his conclusion that Bancredit should be denied exemption because its activities conflict with Section 6(a)(4) of the Act, the Hearing Examiner stated that, in addition to the discount question under that section, there is a further question as to whether Bancredit's relationship to the banking business conducted by FBSC could otherwise meet the "proper incident" and "purposes of the Act" requirements of Section 4(c)(6). On this point the Hearing Examiner stated (p. 940) in part:

"As more fully appears from the factual findings made above, the installment paper that Bancredit originates and funnels into FBSC banks is acquired by it mainly through branch offices it maintains in various metropolitan centers located outside the Ninth Federal Reserve District where all FBSC banking subsidiaries are situated. At present, Bancredit has 10 branch offices, all but two of which are located outside that district. At each of the cities where Bancredit maintains branches, it competes with independent banks for the acquisition of installment paper. At one time Bancredit had as many as 20 branch offices simultaneously in operation. If the exemption application for Bancredit is allowed, there is no assurance that Bancredit will not in the future again expand its operations to reach into additional areas in which FBSC affiliated banks are not themselves permitted to maintain branch offices; certainly, there is nothing in the law that would prevent this.

"The circumstances mentioned above may raise a serious question as to whether FBSC's retention of Bancredit would accord with the purposes of the Act. The statute was pointed, *inter alia,* at preventing unfair competition and minimizing the danger of undue concentration of banking activities thought to be inherent in uncontrolled expansions of bank holding company systems.[25] It was also incidentally aimed at curbing the use of the holding company device as a means of evading restrictions imposed on banks by Federal and State laws.[26] Congress implemented the aforesaid purposes in part by restricting bank holding companies from expanding their banking interests, except under controlled conditions as set out in Section 3 of the Act. The regulatory provisions thus limiting a bank holding company's freedom to expand are, however, limited in their reach. They do not specifically apply to restrict a bank holding company from utilizing the medium of a nonbanking subsidiary, granted exemption under 4(c)(6), to enter additional areas where, in competition with independent banks serving such areas, offices may be maintained for the purpose of soliciting business to be funneled into the holding company's banking affiliates. It may be argued, I think with considerable reason, that for the Board to grant the nonbanking subsidiary a 4(c)(6) exemption under such circumstances, would be for the Board to sanction a device enabling a bank holding company to evade restrictions imposed upon it and upon its banking subsidiaries in contravention of the statutory purposes noted above. Evidence is not wanting that a bank holding company's utilization of a nonbanking subsidiary to compete for business against

[25] See, e.g., S. Rep. 1095, 84th Cong., 1st Sess., p. 8; H. Rep. No. 609, 84th Cong., 1st Sess., pp. 6, 11; 101 Cong. Rec. 8020, 8030, 8032; 102 Cong. Rec. 6750, 6853.

[26] See e.g., 101 Cong. Rec. 8032, 8035. See also 102 Cong. Rec. 6853, and particularly the following colloquy between Senators Capehart and Robertson:

"Mr. Capehart: Is the object of the bill not to make certain that bank holding companies do not expand, and that bank holding companies shall not be permitted to do that which banks cannot do? Broadly speaking, is not that what is sought to be done?

"Mr. Robertson: That is absolutely correct. . . ."

independent banks in areas closed to its banking subsidiaries was looked upon as an evil to be guarded against, not only by proponents of the bank holding company legislation,[27] but also by at least one responsible national banking official and by the House Committee on Banking and Currency as well.[28]

The Examiner indicated that a possible argument on the other side might be made on the basis of the opinion of the Board in Federal Reserve BULLETIN, April 1958, p. 431, mentioned above at p. 922. As already indicated, that opinion was to the effect that the solicitation of installment paper business (as distinguished from the actual purchase of such paper) by a nonbanking subsidiary of a holding company through offices located in several States constituted an exempted "servicing" activity under Section 4(c)(1) of the Act.

The Examiner then stated that on the general discretionary question he had discussed he would "express no judgment and make no recommendation" and that he had "raised the question only to indicate that more may be involved in the *Bancredit* case than just the 'discount' question."

Exceptions and arguments of Applicant. Applicant takes strong exception to the above views of the Examiner that, even aside from the "discount" question, the "proper incident" and "purposes of the Act" requirements of Section 4(c)(6) may bar exemption of Bancredit.

[27] "See, e.g., statement of Harry J. Harding, President of Independent Bankers Association, 12th Federal Reserve District, before the Senate Committee on Banking and Currency. Hearings on S. 880, S. 2350, and H.R. 6227, 84th Cong., 1st Sess., p. 122.

"[28] See H. Rep. 609, p. 16, where the House Committee, explaining its opposition to a provision granting the Board unrestricted discretionary authority to exempt 'closely related' businesses, stated:

"Your committee finds itself in full accord with the views expressed by former Comptroller of the Currency Preston Delano, when he testified before the Senate Banking and Currency Committee in 1950 on the Board's proposal. He stated:

"Under this provision, a holding company could engage through its subsidiaries in any other business which the Board, in its discretion, determines to be a 'proper incident' to the business of managing, operating and controlling banks.

"By way of illustrating the possible effect of this sweeping discretionary power, it might be pointed out that if the Board of Governors considered the business of acquiring consumer paper by purchase or otherwise and the servicing and sale of that paper to be a 'proper incident' to the business of . . . banking, a large bank holding company would be in a position to organize and control subsidiary companies in every city of the nation to engage in this business in competition with independent banks operating in their respective business areas, and such subsidiary companies could funnel this business into the banks of the holding company system.

"Freedom to engage in such activities would give the bank holding company systems a tremendous competitive advantage over independent banks, which cannot engage in similar activities away from their home offices except through duly authorized branches, which in no case can be established beyond State lines."

"It is to be noted that the House ultimately acquiesced in the 'closely related' exemption that was added by the Senate. But, that is a matter which goes to the *power* of the Board to grant the exemption, not to the question of whether the exemption ought to be granted by the Board in the exercise of its allowable discretion."

Applicant's principal arguments can be summarized substantially as follows:

1. That stockholders of any nonholding company bank are legally free to organize and own a company like Bancredit, "have it operate just like Bancredit anywhere they may choose, and funnel the acquired paper into such nonholding company bank."

2. That any bank could establish offices, and purchase paper at them, over several States as Bancredit does.

3. That Bancredit's activities affirmatively serve the "purposes of the Act" by contributing to competition in the various places where it buys paper.

4. That Bancredit's activities are limited to meeting the investment needs of its affiliated banks, and therefore could not be inconsistent with the "purposes of the Act."

5. That any bank "could lawfully purchase . . . paper directly from the dealers and contractors at Chicago, Tulsa, or anywhere else in the United States, and could lawfully send its agents to any and all such locations to effect such purchases directly by the bank."

6. That Bancredit's activities are essentially the same as those of the company in the "Company Y" case mentioned above (Federal Reserve BULLETIN, April 1958, p. 431) in which the Board held that a nonbanking affiliate that solicits installment paper business is exempt under Section 4(c)(1) as a "servicing" company.

After carefully considering the question of whether, aside from the "discount" question, Bancredit's activities satisfy the "proper incident" and "purposes of the Act" requirements of Section 4(c)(6), the Board has concluded that they fail to meet the test, and that Bancredit should be denied exemption under Section 4(c)(6) even if the "discount" provision of Section 6(a)(4) were not contained in the Act. In reaching this conclusion the Board has carefully weighed all aspects of the question, including all arguments offered by Applicant.

There are discussed below the reasons which led to the Board's conclusion and persuaded the Board that Applicant's arguments could not be accepted.

As stated before, Section 4(c)(6) requires the Board to determine whether or not all the activities of Bancredit are "so closely related to the business of banking or of managing or controlling banks as to be a *proper* incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the *purposes of this Act.*" The section does not permit the Board to limit its inquiry to the narrow question of whether the activities at issue are directly forbidden by law or would be an evasion of law. Rather, the section requires the Board to reach a considered judgment on the question of whether in the particular circumstance, viewed in the light of the purposes of the Act, Bancredit should be granted exemption from the general prohibition of Section 4 against the ownership of nonbank assets by a bank holding company.

The extensive geographic spread of Bancredit's operations at the present time, as well as the even broader scope of those operations in the past and their possible extension in the future, appear in practice to be largely unavailable to banks which are outside a holding company group. Although there appears to be no *legal* prohibition against the stockholders of a nonholding company bank establishing an affiliate operation like that of Bancredit, the record discloses no instance of such an operation or relationship of a nonholding company bank. This contrasts sharply with the record in FBSC's companion case of First Service Agencies, Inc., discussed below on p. 928, which shows that the insurance agency activities there in question are widely prevalent among nonholding company banks in the area. The difference probably is not accidental. Only negligible funds are needed to establish an insurance agency operation; but sizable amounts of capital, such as are more readily marshaled through a holding company, are needed for an operation like that of Bancredit.

Bancredit argues that any bank could establish its own offices in several States and purchase paper at those offices as Bancredit does. However, this contention appears to be based on a misreading of the branch banking laws.

The statute applicable to branches of national banks (R.S. 5155; 12 USC 36) states in part:

> "The term 'branch' as used in this section shall be held to *include* any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or Territory of the United States or in the District of Columbia at which *deposits are received,* or *checks paid,* or *money lent.*" (Italics supplied.)

Applicant quotes this provision and then asserts (Applicant's Exceptions and Brief, p. 33): "Thus, under the national banking laws, a bank may lawfully maintain additional offices anywhere for any purpose other than (1) receiving deposits, (2) paying checks, or (3) lending money. Purchase and servicing of third-party paper is not one of those three activities. . . ."

Putting to one side Applicant's questionable contention that operations by a bank like those at Bancredit's offices would not be one of the three activities specifically enumerated in the provision, Applicant's argument is subject to the even more basic defect that it misreads the word "include" as if it were "mean." As the Supreme Court said in *American Surety Co. of New York* v. *Marotta,* 287 U.S. 513, 516 (1933):

> "In definitive provisions of statutes and other writings, 'include' is frequently, if not generally, used as a word of extension or enlargement rather than as one of limitation or enumeration."

Thus, the Office of the Comptroller of the Currency, which charters and supervises national banks, treats as a branch an office where a national bank only exercises trust powers, a function clearly not one of the three stated in the branch provision quoted above. To the same effect is *Boatmen's National Bank of St. Louis* v. *Hughes* (Ill., 1944) 53 N.E. 2d 403. Applicant's argument that establishment by a bank of offices like those of Bancredit would not amount to the establishment of branches cannot be accepted.

Through its wide geographic coverage Bancredit and its affiliated banks can actively acquire installment paper over much wider areas than would be feasible for nonholding company banks. This can give FBSC banks a competitive advantage and tend toward a concentration of banking activities in a manner which is not readily attainable by nonholding company banks. There can be undesirable effects not only on banks that compete with FBSC banks, but also upon FBSC banks.

Bancredit as a part of its operation necessarily has a substantial investment in equipment, a body of highly competent personnel, and considerable "overhead" expense. The natural momentum of such an organization cannot fail to afford significant attractions for the funds of its affiliated banks. Without deviating in the slightest from the highest business standards, affiliation of such a company with a group of banks is likely to have subtle but important effects on the banks' credit judgment and policies. There is inevitably some tendency for affiliated banks to invest their funds through the established far-flung organization, and a somewhat lessened tendency to seek outlets for their funds in and around their respective communities.

Banking is of necessity heavily dependent on the judgment exercised by individual bankers and bank officers in passing upon particular loans and in allocating the funds entrusted to their care. Factors which tend even indirectly, and perhaps almost imperceptibly, to influence that judgment in one direction or another can be of vital importance over a period of time in the functioning of particular banks and the banking system.

The primary credit function of a bank has traditionally been to serve the credit needs of its local community, with outside investments playing a definitely secondary role. The Bank Holding Company Act was intended, among other things, to prevent undue dilution of this traditional emphasis on the meeting of local credit needs, and to prevent bank holding companies from having nonbank affiliations that might undesirably influence the credit judgment of bank officers in the holding company group. As the Board said in *Matter of Transamerica Corporation* (Federal Reserve BULLETIN, September 1957, pp. 1014, 1016):

> "To put the matter another way, Congress has recognized that banking is a unique business, with unique economic power and responsibilities. Banks hold the current funds of the economy and the demand deposits that serve as the nation's principal medium of exchange. The public interest requires that decisions as to whether or not a bank extends credit in a particular case should be based, as far as possible, solely on creditworthiness. Congress apparently felt that this objective could be furthered by laying down a general rule, subject to only limited exceptions, that no company should own or control both banks and nonbanking enterprises."

The record in the present case indicates that the operations of Bancredit have tended to adjust to the investment needs of affiliated banks, and there is no evidence that the affiliated banks have in fact altered their lending policies in order to invest funds through Bancredit. But the kinds of influences upon judgment that are here at issue are intangible, psychological, and often not clearly recognized even by the persons directly concerned. Moreover, they may become of great importance in a particular situation or at a particular time even though they may be of considerably less significance in other circumstances.

It was doubtless with such considerations in mind that the Congress in ordering the divestment of nonbanking assets did not make the requirement depend upon whether or not a particular nonbanking business had resulted in actual evils. As the Board said in *Matter of Transamerica, supra*, p. 1016:

> ". . . The language and history of the Act make it clear that Congress intended to eliminate potential evils by correcting what it considered to be unsound corporate structures in bank holding company systems, and that it did not wish to require proof of the existence of actual evil in each particular situation. . . ."

For the reasons outlined above, "potential evils" of the kind against which the Act was directed are present here, in view of such aspects as the incentives inherent in the arrangement, the lack of arm's length dealing and the multi-State operation.

Finance companies and other nonbanking organizations unaffiliated with banks or bank holding companies operate over even wider areas than does Bancredit. However, as the Hearing Examiner pointed out (p. 935), banks predominate in the field of repair and modernization loans in which Bancredit specializes. Moreover, unaffiliated nonbanking organizations are not investing depositors' funds, and the fact that they are not affiliated with banks tends to prevent any effect on the investment judgment of banks.

Nonholding company banks may acquire paper over wide geographic areas through arrangements with dealers and contractors, correspondent banks, or through agents. However, such operations are not the same as those through an affiliated company. Common control is absent; the operations are less centralized, more subject to change, more nearly at arm's length, and less likely to influence the credit judgment or policies of the bank supplying the funds. Likewise, the operations of a nonbanking company which confines its activities to "servicing," as discussed in the Federal Reserve BULLETIN, April 1958, p. 431, are different from those of a company like Bancredit which actually purchases paper and resells it to affiliated banks. Among other differences, the purely "servicing" operation is apt to be less elaborate, have less "overhead" expense, and involve less marshalling of funds; it is less likely to develop the kind of organization or relationship that can influence the credit judgment or policies of affiliated banks.

Accordingly, the Board is convinced that none of Applicant's arguments based on operations bearing some resemblance to those of Bancredit are sufficient to alter the fact that the activities conducted by Bancredit fail to meet the "proper incident" and "purposes of the Act" requirements of Section 4(c)(6).

Conclusions

For the reasons outlined above, the Board has reached the conclusions that:

1. The activities of Bancredit meet the preliminary test under Section 4(c)(6) of being entirely "of a financial, fiduciary, or insurance nature."

2. However, those activities fail to meet the further test under the section of being a "proper incident" to the business of banking or of managing or controlling banks and of being consistent with the "purposes of the Act." They fail to meet the test both (a) because they conflict with the "discount" provisions of Section 6(a)(4) of the Act, and (b) because they represent a type of corporate structure, readily available to a holding company and relatively inaccessible to nonholding company banks, which is likely to have effects of a kind which the Bank Holding Company Act was intended to prevent.

3. Applicant's exceptions to the Hearing Examiner's Report and Recommended Decision are hereby sustained to the extent that they are consistent with the foregoing Statement and rejected to the extent that they are inconsistent therewith.

4. The request of FBSC for exemption of Bancredit under Section 4(c)(6) should be denied, and IT IS SO ORDERED.

II. First Service Agencies, Inc.

Factual summary

Agencies, Inc. was organized on August 7, 1957, under the laws of Minnesota. It presently exists only on a standby basis and engages in no business; none of its stock is owned by the Applicant. However, if the present request is granted, it is contemplated that Agencies, Inc. would take over the business now carried on by 19 unincorporated insurance agencies and also the insurance activities of First Service Corporation ("First Service"), a wholly owned subsidiary of the Applicant. At that time all of the stock of Agencies, Inc. would be acquired by the Applicant.

While the language of Section 4(c)(6) is couched in the present tense, it does not, in the Board's opinion, preclude consideration of a request for exemption with respect to a corporation in which the Applicant proposes to acquire stock where, as here, the nature of the activities to be carried on by that corporation is susceptible of determination. In the present case those activities will comprise substantially the same activities as those now carried on by the 19 unincorporated insurance agencies, along with the insurance activities of First Service. Accordingly, it is appropriate to consider the present request as though all such activities were presently being carried on by Agencies, Inc. Thus, the activities of the 19 insurance agencies must be considered, not as they relate to the business of each of the banks with which they are connected, but as they relate *in the aggregate* to the business of banking as conducted by the Applicant and its subsidiary banks.

Turning first to the insurance activities of First Service, those activities are confined to group life and hospitalization insurance written for the Applicant and its affiliates; blanket policies for dealers and affiliated banks covering automobiles and other merchandise financed on a "floor plan" basis; and miscellaneous fire and automobile policies written for employees of the Applicant and its affiliates. The blanket policies are obtained from a nonaffiliated insurance company; commissions are paid to a countersigning insurance agent who may or may not be connected with a lending subsidiary bank; but such commissions find their way back to the lending banks in the form of compensation for services rendered. All of these insurance activities would be transferred to Agencies, Inc. if this request is granted. First Service would continue to perform certain advisory and administrative services for the Applicant's banking subsidiaries—services which would be of a type that would render the Applicant's ownership of shares of that corporation exempt under Section 4(c)(1) of the Act.

The nature of the activities of the 19 unincorporated insurance agencies which would be taken over by Agencies, Inc. requires more detailed consideration, since those activities, unlike the insurance business of First Service, include dealings with the general public unrelated to the business of the Applicant's subsidiary banks.

Within the holding company group there are

52 unincorporated insurance agencies associated with 51 banking subsidiaries of the Applicant. Of these agencies, 33 are connected with national banks in places of less than 5,000 population which, under provisions of Federal law to be mentioned later, may directly act as insurance agents, or with State banks in Minnesota, North Dakota, and South Dakota where the banking authorities interpose no objection to the operation of such agencies for the direct benefit and in effect as departments of State banks. These 33 agencies are not involved in this proceeding. The remaining 19—those involved in this proceeding—are connected with 17 national banks in places of over 5,000, and with 2 State banks in Montana where the State banking authorities apparently disapprove of the operation of such agencies directly for the benefit of State banks.

Each of the 19 insurance agencies here invloved is a partnership with one or more of the principal officers of the "connected" bank among its membership. Each operates under the direct supervision of the principal officer of the connected bank; and personnel of the bank are utilized in the operations of the agency. Sixteen of the agencies occupy space in the banking premises of the connected banks; the other 3 are located in the building that houses the bank or in an adjoining building.

By virtue of outstanding agreements, the business of 16 of the agencies is in effect owned by First Service; in one instance the business is owned by the Applicant directly; and in the remaining 2 cases, the business is carried on for the benefit of the stockholders of the respective connected banks, both of which are majority-owned by the Applicant.

The 19 agencies are engaged in a general insurance agency business and actively solicit business from the public at large. However, 76.8 per cent of their customers are also customers of the connected banks, i.e., borrowers, depositors, or safe deposit box renters; and, in dollar volume, about 75 per cent of the premiums are on insurance written for such bank customers.

As of December 31, 1956, about 26.4 per cent of the aggregate premiums received by the agencies were from policies covering property securing loans made, or paper purchased, by the connected subsidiary banks, and an additional .014 per cent represented premiums on life insurance securing loans by such banks.

As of August 31, 1957, about 80 per cent of the outstanding loans of the subsidiary banks with which the 19 insurance agencies are connected were secured loans; and of these secured loans 25.4 per cent in dollar amount ($11,604,728) were insured through the connected agencies. Of those loans as to which security was *required,* about 35 per cent carried insurance placed through such agencies.

A final fact of special significance is that the operation of insurance agencies in connection with banks is a practice that has prevailed for many years in the 4-State area here involved, without evidence of objection on the part of the bank supervisory authorities. From a survey made by the Applicant and relied upon by the Hearing Examiner, it appears that a very large majority of *all* banking offices in this area have bank-connected insurance agencies, as indicated by the following:

State	Percentage of banking offices with connected insurance agencies
Minnesota	87
North Dakota	84
South Dakota	89
Montana	65

For offices of *State* banks, the percentages in places of less than and over 5,000 are so follows:

State	Places under 5,000	Places over 5,000
Minnesota	97	70
North Dakota	88	50
South Dakota	93	67
Montana	87	20

Comparable percentages for *national* bank offices that have connected insurance agencies are as follows:

State	Places under 5,000	Places over 5,000
Minnesota	92	48
North Dakota	94	64
South Dakota	95	57
Montana	79	11

Thus, it seems clear that the practice of maintaining insurance agencies in close connection with banks is fairly widespread in the area involved. That it is more common in small towns than in large cities is not surprising; but even in larger cities and even among national banks in such cities the practice is not unusual.

While the practice varies, it appears that in many instances the net income of a bank-connected insurance agency is paid over directly to the connected bank, and that in other instances the insurance agency pays the connected bank for rent and services and turns over the remainder of its income to stockholders of the bank or to a nonbanking corporation owned by the bank's stockholders. The latter practice appears to prevail in the present case; after payments to the connected banks for rent and services, the income of the agencies is distributed to First Service or, in two instances, to stockholders of such banks.

Compliance with Preliminary Requirements as to Nature of Activities

Since *all* of the activities of Agencies, Inc. would be related to the conduct of an insurance agency business, it is clear that they meet the preliminary requirement for exemption under Section 4(c)(6) of the Act—that all the activities of the company involved be "of a financial, fiduciary, or insurance nature."

Relation to Banking Business

Although of an insurance nature, the activities of Agencies, Inc. do not warrant exemption under the statute and the Board's Regulation Y unless they are determined by the Board to be "so closely related" to the business of banking or of managing or controlling banks, as conducted by the Applicant and its banking subsidiaries, as to be a "proper incident" to such business and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

The law prescribes no specific standards to guide the Board in making such determinations; it does not, for example, require that a majority or even a substantial part of the business of the company involved be directly connected with transactions of subsidiary banks. In effect, it leaves the determination to be made by the Board on the basis of the record of the hearing held in each case. As stated by the Senate Banking and Currency Committee's Report on the Holding Company Act, it was deemed advisable "to provide a forum before an appropriate Federal authority in which decisions concerning the relationship of such activities to banking can be determined in each case on its merits."

For the reasons just indicated, the Board regards the statute as imposing upon it a responsibility to consider all of the relevant facts and circumstances disclosed by the record of the hearing in determining whether, in its judgment, the activities of Agencies, Inc. have a relationship to the business of the Applicant's subsidiary banks sufficient to justify granting an exemption in this case.

In general, it may be said that both Federal and State laws implicitly recognize that insurance has some general relation to the business of banking. Thus, Section 13 of the Federal Reserve Act, as amended in 1916, specifically authorizes national banks located in places of a population of not more than 5,000 to act directly as insurance agents. A number of States similarly authorize State banks to act as insurance agents; and in many other States, although there is no specific statutory language on the subject, State banks either engage directly in the insurance business or are associated with insurance agencies in a manner similar to that involved in the present case.

The fact that insurance may be considered as *generally* related to the banking business and in many respects similar to that business would not alone be sufficient to justify an exemption under Section 4(c)(6) of the Holding Company Act. In view of the language of the statute and of the Board's Regulation Y, it is essential that the activities of the company involved—the contemplated insurance activities of Agencies, Inc. in the present case—must have some direct and significant connection with the business of banking or of managing and controlling banks as conducted by the Applicant or its banking subsidiaries.

The close physical and personnel connection between the 19 insurance agencies here involved and the respectively connected subsidiary banks cannot be regarded as decisive, since obviously the statute was not designed to provide exemption for nonbanking organizations that may happen to be located in or near the premises of subsidiary banks or that may happen to have personnel connections with such banks. The Board agrees with the Hearing Examiner that "such organizational and physical integration, while a factor to be considered, does not in itself satisfy the 'closely related' requirements of Section 4(c)(6)." (Hearing Examiner's Report, p. 949) At the same time, such physical and personnel relationships may be regarded as giving rise to a presumption that the activities of the insurance agencies are "related" or incidental to the business of the subsidiary banks.

As has been indicated, approximately one quarter of the business of the insurance agencies is directly connected with the business of the subsidiary banks, and also approximately one quarter of the secured loans made by the banks are covered by insurance obtained through such agencies. The Hearing Examiner conceded that it is not necessary for *all* of the activities of a nonbanking company to be "closely related" to the business of banking, but felt that the statute carries an implication that there should be "a predominant measure of substantiality" in the relationship. (Hearing Examiner's Report, p. 949) He concluded that, in the absence of special circumstances, the requirement of "substantiality" is not met where, as here, the insurance agencies are engaged in the general business of selling all kinds of insurance to the public with only a "minor part" of their activities directly related to banking operations of the affiliate banks.

While the Hearing Examiner's views have been given careful consideration, the Board believes that, on the basis of the percentages above indicated, there is reasonable ground for concluding that a substantial and not merely a minor part of the activities of the insurance agencies have a direct functional connection with the business of the subsidiary banks. Standing alone, the degree of direct and functional connection found to exist in the present case might not be sufficient in all cases to warrant the conclusion that a company's activities are *so* closely related to the business of subsidiary banks as to be a "proper incident" thereto and as to be consistent with the purposes of the Act. Nevertheless, it is the Board's judgment that the direct connection in the present case is sufficiently great to be given strong weight, along with other pertinent factors, as suggesting the close relationship required by the statute.

The Hearing Examiner concluded that no significance should be attached to the fact that a substantial portion of the customers of the insurance agencies are also bank customers in one form or another. (Hearing Examiner's Report, p. 949) He properly pointed out that, where an insurance agency operates in the premises of a bank, it may be expected to attract a large proportion of its customers from persons doing business with that bank. Again, as in the case of physical and personnel integration, the Board agrees that the existence of common customers cannot be given decisive weight as suggesting the requisite close relationship between the activities of a nonbanking company and the business of a bank. Again, however, the Board feels that the existence of such common customers should not be completely ignored, but may be given significance as a cumulative factor if other circumstances suggest the existence of the required relationship.

In this connection, it appears from the record that, except in two places in which there are no competing banks, each of the subsidiary banks with which the 19 agencies are connected is in competition with one or more other banks in its trade area which have connected insurance agencies of their own. The Applicant urges that, with the possible exception of the larger communities, it has become a recognized competitive factor in the 4-State area for banks to be in a position to offer their customers insurance services and advice as a part of a well-rounded financial service. This contention finds support in the practice heretofore mentioned that sanctions the relationship of insurance agencies with a great majority of banks in the area concerned. In other words, area practice may properly be regarded in the present case as an important factor suggesting that the activities of the insurance agencies in question are a proper incident to the business of banking in that area.

Effect of Authority of National Banks to Act as Insurance Agents

In his Report, the Hearing Examiner concluded, as previously indicated, that, without regard to area practice, the over-all business that would be conducted by Agencies, Inc. would fall short of meeting the requirements of Section 4(c)(6). He conceded that it may be proper in certain circumstances to give weight to established customs and practices to which the supervisory authorities have not objected; but in the present case he felt that, even if the relationship here involved might be viewed as an "incident" to the business of the subsidiary banks, it should not be regarded as a "proper" incident. (Hearing Examiner's Report, p. 951)

The consideration which the Hearing Examiner felt must "control decision" in this case is the fact that Federal law empowers national banks to act as insurance agents only if located in places having a population of less than 5,000. Since 17 of the 19 banks involved in the present case are national banks located in places of *over* 5,000, the Hearing

Examiner expressed the view that granting of the request for exemption of Agencies, Inc. would have the effect of perpetuating a "subterfuge" and of placing the Board's stamp of approval upon a clear evasion of the law.

If the activities of a nonbanking company or their relation to the business of subsidiary banks would involve a violation of the Holding Company Act or of some other law, they could not, of course, be regarded as a "proper" incident to the business of banking. The Board is not persuaded, however, that the relationship between the insurance agencies and national banks in places of over 5,000 that exists in the present case involves either a violation of law or a subterfuge to evade the law.

None of the Applicant's subsidiary national banks acts as an insurance agent. Indeed, it appears that in Minnesota, North Dakota, and South Dakota no corporation may be licensed as an insurance agent. Nor does it appear that any of the insurance agencies here involved operate directly for the benefit of connected national banks in the sense that net income of such agencies is included in the income of such banks. Consequently, it seems clear that the relationships in question do not violate the language of the provision of Federal law regarding national banks acting as insurance agents.

That provision of Federal law does not prohibit the operation of insurance agencies in connection with national banks in the manner in which they operate in this case. If such operation involves a subterfuge or evasion of Federal law, it is one that has existed for many years and one that, according to the record, has been known to the Comptroller of the Currency. In these circumstances, it would be inappropriate for the Board to rest its determination in the present case upon the assumption that the operation of the insurance agencies in conjunction with national banks constitutes an evasion of statutory provisions administered by the Comptroller of the Currency.

It may be noted that adoption of the Hearing Examiner's position on this point could mean that a national bank in a holding company group, if located in a city of more than 5,000, could not avail itself of the services of a connected insurance agency, while a competing State bank in the same place or even a non-holding company national bank could have such a connected agency without objection by the bank supervisory authorities. It could also mean that a holding company controlling only State banks could make use of bank-connected insurance agencies, while a competing holding company controlling national banks could not do likewise.

Avoidance of "Potential Evils"

In reaching his conclusion—with which the Board disagrees for the reasons just indicated—that the business of connected insurance agencies is not a "proper" incident to the business of the Applicant's banks, the Hearing Examiner stated that he had not relied upon certain *dicta* in the Board's decision in the *Transamerica* case (Matter of Transamerica Corporation, Federal Reserve BULLETIN, September 1957, p. 1014) to the effect that the words "proper incident" and "purposes of this Act," as used in Section 4(c)(6), "limit the exemption of the statute to situations which substantially escape the 'potential sources of evil against which the general prohibition was directed.' " He expressed doubt as to his interpretation of this language in a previous case, apparently with the feeling that, if rigidly applied, the so-called "potential evils" principle would make it virtually impossible for any company to qualify for a Section 4(c)(6) exemption. He suggested that the Board might wish "to clarify its views on this subject for the guidance of interested persons in future cases." (Hearing Examiner's Report, p. 952)

As stated by the Board in its decision in the *Transamerica* case, the purpose of Section 4 of the Act, namely, "to remove * * * potential * * * sources of evil," provides "a helpful guide in applying the requirements of Section 4(c)(6)." However, Section 4 was clearly not intended to remove *all* potential sources of evil in the banking field; it was directed at those that may be said to arise from, or be accentuated by, the operation of *bank holding companies*. Accordingly, it is important to determine whether a particular type of relationship is peculiar to banks in holding company groups, or, on the other hand, is prevalent among both holding company and nonholding company banks. If the latter circumstance prevails, it suggests that any "potential evils" that may be inherent in the relationship are not of the kind against which Section 4 of the Holding Company Act was directed.

In the present case, the record indicates that the operation of insurance *agencies* in connection with banks—unlike the operation of an affiliated insurance *company* as in the *Transamerica* case—is widely prevalent in the area involved, not only among banks in holding company groups but among non-holding company banks as well. The existence of such an "area practice" tends to negative the potentiality of evils of the type contemplated by the Act or by the *dicta* contained in the Board's statement in the *Transamerica* case.

Conclusion

After careful consideration of all the circumstances—physical and personnel integration, the degree of direct connection between the activities of the insurance agencies and the Applicant's subsidiary banks, the existence of common customers, and particularly the fact that the operation of bank-connected insurance agencies is sanctioned by long-established practice in the area here involved—the Board has determined that the activities of Agencies, Inc. would be so closely related to the business of banking, as conducted by the Applicant's subsidiary banks, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act. To the extent that they are consistent with the foregoing statement, the Applicant's exceptions to the Hearing Examiner's Report and Recommended Decision are hereby sustained.

Accordingly, for the reasons herein set forth, it is the Board's judgment that the requested exemption with respect to Agencies, Inc. should be granted; and IT IS SO ORDERED.

As indicated in the Board's Order, its approval of this request is based solely on the facts disclosed by the record; and if the facts should substantially change in the future in such manner as to make the reasons for the Board's conclusion no longer applicable, the statutory exemption resulting from the Board's present determination would, of course, cease to obtain.

SEPARATE STATEMENT BY GOVERNOR MILLS

The conclusions of the Board that the request relating to First Bancredit Corporation should be denied and the one relating to First Service Agencies, Inc. should be granted are concurred in.

However, for the reasons set forth in the dissenting statement in the *General Contract* case (Federal Reserve BULLETIN, March 1958, p. 270) the prohibition in Section 6(a)(4) of the Act against a bank making a "discount" for a fellow subsidiary is not believed to apply to a nonrecourse purchase of paper. Accordingly, that portion of the Board's statement dealing with the "discount" question is not concurred in. On the other hand, the conclusion that Bancredit fails in other respects to meet the exemption requirements of Section 4(c)(6) seems entirely correct.

Section 4(c)(6) of the Bank Holding Company Act exempts a company from the nonbank divestment requirements of the Act only if the company meets several tests. One test, which Bancredit clearly meets, is that all activities be "of a financial, fiduciary, or insurance nature."

Another test is that all the activities must be determined by this Board "to be so closely related to the business of banking or of managing or controlling banks as to be a *proper incident* thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the *purposes of this Act*." Bancredit fails to meet this latter test of being a "*proper* incident" and of being consistent with "the *purposes of this Act*."

As indicated by its name, a "bank holding company" is a form of holding company organization whose principal activity is to engage in the banking business through the vehicle of subsidiary banks. The spirit and letter of the Bank Holding Company Act of 1956 must be construed as limiting a bank holding company's operations to the sphere of strictly banking activities, subject to only limited exceptions.

A bank holding company subsidiary such as Bancredit that engages in a form of interstate financial business (that is of itself suspect in view of the prohibitions that exist against interstate branch banking), and by way of credit arrangements that are capable of putting a non-holding company bank competing in the same trade area at a disadvantage in developing comparable types of earning assets, is not entitled to the divestment exemptions of an Act that is intended in part to preserve competition between non-holding company and holding company banks. Beyond a belief that the character of the operations engaged in by Bancredit are contrary to the purposes of the Act because of being too far outside of the purview of the closely related supervisory and service functions that are the principal ones permissible to a nonbanking subsidiary under the terms of the Act, looms the shadow of the principle of "potential evil." Objection as a "potential evil" must be raised to practices like those followed by Bancredit in originating loans and farming them out to subsidiary banks of its parent bank holding company that under unscrupulous sponsorship conceivably could expose the subsidiary banks to a kind of exploitation that might eventualy threaten their financial stability. All circumstances considered, a Section 4(c)(6) divestment exemption of Bancredit is not consistent with the provisions of the Bank Holding Company Act of 1956. The application for exemption must therefore be denied.

REPORT AND RECOMMENDED DECISION

STATEMENT OF THE CASE

On or about December 5, 1957, First Bank Stock Corporation, a duly registered bank holding company, herein called the Applicant and at times also FBSC, filed with the Board of Governors of the Federal Reserve System, herein called the Board, requests for Board determinations, pursuant to Section 4(c)(6) of the Bank Holding Company Act of 1956, 70 Stat. 133, herein the Act, exempting from the prohibitions of Sections 4(a)(1) and (2) of the Act (1) the Applicant's retention of its shares of stock in First Bancredit Corporation and (2) its proposed acquisition and retention of the shares of stock of First Service Agencies, Inc.[1] On December 20, 1957, the Board ordered a hearing on the aforesaid requests. Notice of the requests for such determinations and of the order directing a hearing thereon was published in the Federal Register on December 28, 1957. [22 Federal Register 10980] The hearing was held at Minneapolis, Minnesota, before the undersigned, Arthur Leff, a duly designated hearing examiner, on January 14 through January 22, 1958. A reopened hearing was held on April 17 and 18, 1958. The Applicant and the Board—the latter in a nonadversary capacity—were represented at the hearing by counsel, and were afforded full opportunity to be heard, to examine and cross-examine witnesses, to introduce evidence bearing on the issues, and to file briefs and proposed findings. Orders correcting errors in the transcript were entered on April 14, 1958, and on May 9, 1958. On May 26, 1958, the Applicant submitted proposed findings of fact and conclusions of law, along with a brief in support thereof, all of which have been considered.[2]

Upon the entire record in the case and from my observation of the witnesses, I make the following:

FINDINGS OF FACT

I. Introduction

1. First Bank Stock Corporation, a Delaware corporation with its principal office and place of business at Minneapolis, Minnesota, is a bank holding company as defined in Section 2(a) of the Act, and is duly registered with the Board as such. As of December 31, 1957, the outstanding capital stock of FBSC consisted of 3,493,127 shares of common stock, par value $10 per share, entitled to one vote per share. The shares were registered as of November 1, 1957, in the names of 14,440 shareholders. The assets of FBSC alone as of December 31, 1957, were $128,720,190 and the assets of FBSC and all its active affiliates on a consolidated basis as of the same date were $1,679,510,994.

2. FBSC owns approximately 95.3 per cent of the aggregate par value of the capital stock of 86 bank affiliates which maintain 92 offices, including 6 branches, in 74 communities situated in the States of Minnesota, Montana, North Dakota, South Dakota and Wisconsin, all in the Ninth Federal Reserve District. Eighty-four of the banks conduct a general commercial banking business. Of the remaining two banks, one is engaged solely in the general trust business and the other is engaged principally in the trust business but also accepts some deposits. Attached hereto as Appendix A is a list of such banks, their locations, and the deposits in each of them as of December 31, 1957. The Appendix also contains certain additional information pertinent to the exemption application relating to First Service Agencies, Inc. ("Agencies Inc.").

3. For administrative purposes, FBSC divides its banks into three groups. One is the Minneapolis group, made up of the nine FBSC subsidiary banks in the Minneapolis area and headed by the First National Bank of Minneapolis which provides the others with management guidance and assistance and otherwise services their operations in many ways. The second group is composed of 7 banks in the St. Paul area and is headed by the First National Bank of St. Paul which functions *vis-a-vis* the others in its group in like manner. The third group consists of the remaining 70 banks located outside the Twin Cities and their suburbs and is known as the First Service group. The members of this group receive guidance, assistance and services from First

[1] The particular sections of the Act here applicable are:

Sec. 4(a) Except as otherwise provided in this Act, no bank holding company shall—

(1) after the date of enactment of this Act acquire direct or indirect ownership or control of any voting shares of any company which is not a bank, or

(2) after two years from the date of enactment of this Act . . . retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company. . . .

* * * *

(c) The prohibitions of this section shall not apply—

* * * *

(6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, and on the basis of the record made at such hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act; . . . .

[2] The proposed findings to the extent they involve matters that are considered relevant and material to the issues of this proceeding are in effect ruled upon by the findings made below; they are adopted where their terms or substance are included in or are consistent with the findings made below, and are otherwise rejected.

Service Corporation, a wholly-owned nonbanking servicing corporation of FBSC.

4. In addition to its bank holdings, FBSC owns all or substantially all of the shares of stock of a number of active nonbanking subsidiaries. Several of them—evidently regarded by the Applicant as exempt from the prohibitions of Section 4(a)(2) of the Act by virtue of the provisions of Section 4(c)(1) thereof—are in no way involved in this proceeding.[3] Two other nonbanking subsidiaries are involved in this proceeding, one directly, the other peripherally. They are First Bancredit Corporation ("Bancredit") and First Service Corporation ("First Service").

(a) Bancredit, as it will more fully appear below, is engaged principally in purchasing and servicing installment paper which it sells exclusively to FBSC banking subsidiaries. Its only other activity is to provide certain incidental accounting, statistical and advisory services to FBSC affiliated banks. The Applicant has taken the position that Bancredit is qualified for exemption from the prohibitions of Section 4(a)(2) of the Act, not only under the provisions of Section 4(c)(6) of the Act, but under the provisions of Section 4(c)(1) as well. However, on the basis of the allegations contained in the Applicant's exemption request in Case No. BHC-36, the Board has heretofore expressed its opinion that the activities of Bancredit are not such as to qualify it for exemption as a servicing company within the meaning of Section 4(c)(1) of the Act. This proceeding is solely concerned with the issue of whether an exemption determination should be made under Section 4(c)(6).

(b) First Service is engaged in the business of performing various services for the Applicant and its subsidiaries. Such services include advice and administrative services with respect to bank operations, investments, taxes, banking premises, auditing, and the purchase of supplies and equipment. In addition, First Service is now also engaged in insurance agency activities. This it does both directly through certain of its officers and employees who are licensed agents, and indirectly through a number of affiliated bank-related insurance agencies in which it has a proprietary interest. In the opinion of the Applicant, all the activities of First Service, other than its insurance agency activities, are of a bank servicing character within the intendment of Section 4(c)(1). If the Applicant's Section 4(c)(6) exemption request relating to First Service Agencies, Inc., is granted, the Applicant proposes, *inter alia,* to have transferred to Agencies, Inc. both the insurance agency business which First Service now directly conducts and the assets of the bank-related insurance agencies in which First Service now has an ownership interest—as will hereinafter more fully appear. With the insurance agency aspects of First Service's activities thus out of the way, the Applicant considers that First Service will then automatically qualify for divestiture exemption as a bank servicing company under Section 4(c)(1) of the Act without need for further application to the Board.

[3] These include three companies (First Building Corporation, First Building Corporation of Montana, and First Building Corporation of North Dakota, Inc.) which own properties occupied in whole or in part by various banking subsidiaries of the Applicant, and one (First Minneapolis Company) which is engaged in liquidating assets acquired from FBSC banking subsidiaries and in managing certain real estate owned by First National Bank of Minneapolis.

II. First Bancredit Corporation

A. Description of Bancredit's Operations and Their Relationship to Affiliated Bank Activities

1. First Bancredit Corporation is a Delaware corporation, incorporated in 1928 under the name of Lumberman's Acceptance Corporation. FBSC purchased all the stock of that corporation in late 1929 and shortly thereafter by amendment to the certificate of incorporation changed the corporate name to First Bancredit Corporation. Bancredit's outstanding capital stock, entirely owned by FBSC, now consists of 10,000 shares, all of one class, without nominal or par value, and with full voting rights. Bancredit's principal office and place of business is located in the First National Bank Building, St. Paul, Minnesota. Bancredit also maintains branch offices in various parts of the country.

2. Bancredit is engaged principally in the business of purchasing and servicing installment paper of kinds eligible for investment by FBSC affiliated banks. About 80 per cent of the face amount of the paper it has purchased has been repair and modernization paper insured under the provisions of Title I of the National Housing Act. The balance, at least in recent years, has consisted of appliance financing paper acquired from dealers through arrangements with public utility or other companies (known as "schedule" paper) and miscellaneous property improvement paper not insured under Title I of the National Housing Act.[4] Bancredit is the largest single organization in the nation engaged in originating Title I paper. In the acquisition of installment paper, Bancredit competes principally with banks, but it also competes to some extent with other institutions, such as mortgage servicing companies, building and loan companies and sales finance companies.[5]

3. As will be more fully disclosed below, all installment paper purchased by Bancredit is acquired for resale to FBSC affiliated banks, and the volume of such paper is accordingly geared to the investment needs of affiliated banks. Because of the lack of large metropolitan areas in the Ninth Federal Reserve District, Bancredit considers it necessary to go outside that district to acquire on a practical basis Title I and other paper in sufficient volume to meet its affiliated banks' requirements. To assure an adequate supply of such paper, to achieve the advantages of geographical diversification, and to provide for appropriate servicing facilities at the points of origin, Bancredit maintains a number of branch offices in various metropolitan areas scattered through the nation. In the past, the number of branch offices has fluctuated according to the volume of paper required. At one time Bancredit had as many as 20 in operation at one time. As recently as 1947 it had 17 offices. Since then Bancredit has closed 7 offices including offices at Boston, Buffalo, Cleveland and Cincinnati. It now has 10 branch offices located in the cities of

[4] Thus, during 1957 Bancredit purchased installment paper in the face amount of $32,566,352, broken down as follows: Title I paper—$25,933,080 (79.6 per cent); "schedule" paper—$4,478,860 (13.7 per cent); uninsured property improvement—$2,154,411 (6.7 per cent).

[5] The extent to which banks predominate in this field is revealed by the following figures. At the end of October 1957, the total of outstanding repair and modernization loans in the nation amounted to $1,988,000,000. Of that amount, $1,531,000,000 was held by commercial banks, $23,000,000 by sales financing companies, and $434,000,000 by other financial institutions. See Federal Reserve Bulletin, December 1957, at pp. 1400-01.

Chicago, Corpus Christi, Dallas, Houston, Indianapolis, Kansas City, Minneapolis, St. Louis, St. Paul and Tulsa. The number of items and face amount of installment paper, outstanding as of December 31, 1957, that originated at each such office, and the number of Bancredit's regular employees at each such office is shown by the following table:

Outstanding Accounts December 31, 1957

Office	Number of items	Face amount	Number regular employees
Chicago	12,508	$ 4,907,650	7
Corpus Christi	5,404	1,784,105	3
Dallas	24,950	7,567,767	15
Houston	16,423	6,149,573	10
Indianapolis	14,530	5,324,293	9
Kansas City	10,490	3,765,772	6
Minneapolis	18,477	6,475,572	8
St. Louis	11,080	3,759,873	7
St. Paul	16,296	5,216,901	6
St. Paul—Home Office[6]	10,659	2,152,376	160
Tulsa	15,869	5,036,328	10
Total	156,681	$52,140,210	241

4. Bancredit's board of directors, which establishes its policies and determines the scope of its operations, is composed of principal officers of FBSC, of Bancredit, of First National Bank of Minneapolis, of First National Bank of St. Paul, and of First Service Corporation. The composition of this board is such as to provide representation by the top management not only of Bancredit and the holding company, but of each of the three divisions in which the FBSC banks are administratively grouped. At least once a year, and sometimes more often, estimates are made at board meetings as to the FBSC banks' investment requirements for installment paper of the types originated by Bancredit, and Bancredit's acquisition operations are then tailored to fit such estimates.

5. As indicated above, the types of installment paper acquired by Bancredit fall into three general categories—(a) Title I insured paper; (b) so-called "schedule" paper covering sales by dealers of gas and electric appliances pursuant to contractual arrangements made between Bancredit and utility companies;[7] and (c) other paper covering home improvements of a type similar to Title I paper but not insured. Bancredit handles all details in connection with the acquisition of such paper, including the investigation and approval of the credit of the obligors. The installment notes are drawn to the order of the dealer or contractor selling the appliance or making the home improvement, and are endorsed by him to the order of Bancredit. The dealer endorsements are on a nonrecourse basis, except in certain situations, not applicable to Title I paper, where recourse is provided for in the event of an obligor's default in the early installments of a note. In the case of the "schedule" paper, provision is customarily made for setting aside a small percentage of the discount as a reserve fund against which losses are charged and out of which the utility company is compensated for its collection services.[8] Dealer reserves of like nature may also be agreed upon in the case of other noninsured paper acquired by Bancredit.

6. In purchasing the installment paper, Bancredit pays the dealer or contractor the cash price charged the customer for the appliance sold or the improvement made. This is less than the face amount of the loan as reflected by the installment note drawn by customer. In computing the face amount of the note there is added on to the cash price the carrying or interest charges for the term of the loan.

7. Bancredit does not retain in its own portfolio any of the installment paper it acquires, but sells all of it shortly after acquisition to or for the account of FBSC affiliated banks. That has been Bancredit's consistent policy since 1933.[9] And it is the policy which both the Applicant and Bancredit state they intend to maintain in the future if the instant divestiture exemption application is granted. At present, Bancredit sells all its paper directly to the affiliated First National Bank of St. Paul, which in turn sells participation or undivided interests in pools of acquired paper to other FBSC affiliated banks in the manner to be more fully described below. Bancredit has never sold any paper to anyone other than an affiliated bank.

8. Sales made by Bancredit are on a nonrecourse basis and at a price equal to the cost of the paper to Bancredit (i.e., the amount actually disbursed by Bancredit to the dealer or contractor from whom the paper was purchased.) The price paid Bancredit is thus less than the face amount of the paper sold. In other words, the paper is negotiated at a discount.

9. Notwithstanding the sale, Bancredit continues to service all installment paper sold. Title I paper sold to the First National Bank of St. Paul is now serviced pursuant to a service agreement between that bank and Bancredit, dated December 1, 1948.[10] All paper other than Title I paper is referred to as "agency" paper and is serviced by Bancredit under a separate servicing agreement, dated August 1, 1955, made between Bancredit and the First National Bank of St. Paul as agent. Under the servicing agreements, Bancredit makes all collections, arranges for Title I insurance on behalf of the purchasing bank, files claims under Title I insurance where necessary, enforces guaranties, and performs all other operational details from the inception to the consummation of the paper. Collections on the paper are remitted to the First National Bank of St. Paul daily as received, accompanied by detailed reports. Account and other records covering the transactions involved are maintained by Bancredit. Bancredit computes the monthly earnings on the paper for the affiliated participating banks, and also provides suitable accounting for

[6] Outstanding balance of closed offices.

[7] The arrangements provide for monthly billing by the utility customers of installments payable by the customers.

[8] The reserve arrangements typically provide for payment to the utility of the excess over a stipulated percentage of the outstanding balance of all accounts being serviced by the utility company, as well as for payment to the utility company of any balance remaining in the reserve fund after all accounts have been liquidated.

[9] Prior to 1933, Bancredit retained in its own portfolio at least part of the installment paper it acquired, and financed its operations by borrowing against such paper from banks, including FBSC affiliated banks. That practice was, however, completely discontinued with the enactment that year of Section 23A of the Federal Reserve Act which imposed limitations on loans or extensions of credit that might be made by member banks to affiliates. (U.S.C. Title 12, Sec. 371c.)

[10] An identical agreement was made as of the same date between First National Bank of Minneapolis and Bancredit. Though this agreement has never been canceled, no installment paper has been directly sold under it to the First National Bank of Minneapolis since October 1954.

dealer reserves and other loss reserves.[11] In sum, the affiliated banks, apart from the auditing of reports and the receipt of earnings and other remittances, have little if any work to do in connection with their investments in Bancredit paper. Their gross earnings on such paper therefore represent the equivalent of a net yield.

10. Earnings on Bancredit paper are determined and are distributed to the participating banks and to Bancredit, respectively, in the following manner: Bancredit prepares and submits each month to the First National Bank of St. Paul computations showing the discount earnings during the previous calendar month on all outstanding paper purchased from Bancredit. (Separate computations are prepared and submitted for the Title I paper and for the "agency" paper.) From the earnings thus shown there are first deducted the FHA insurance costs and coinsurance contributions, in the case of Title I paper, and the required reserve contributions, in the case of the "agency" paper. There is then set aside an agreed upon percentage of the average investment during the month of all participating banks in all paper subject to the computation. The amount so set aside is retained as a profit on the paper by the First National Bank of St. Paul for its own account and for distribution to the other participating affiliated banks, according to their respective interests. Whatever remains is then paid over to Bancredit as its earned compensation for servicing the paper.[12] Thus, practically speaking, both the affiliated banks and Bancredit share in the earnings on the installment paper, although the banks' yield is net, while that of Bancredit is, of course, reduced by its operating costs in acquiring and servicing the paper.

11. The banks' rate of return on their average investment in Bancredit paper is revised by agreement from time to time, fluctuating with prevailing money rates. At the time of the hearing the banks' yield was at the rate of 5½ per cent per annum. That was the high point of the banks' yield to date. At times in the past the yield has been as low as 2½ per cent.[13] Since the discount rate on the installment paper normally remains stable, the return to Bancredit diminishes as the banks' yield increases, and vice versa. During the five-year period from 1952 through 1956, the affiliated banks' share of gross earnings on Bancredit paper came to 53 per cent, insurance premiums and loss reserves absorbed 14.4 per cent, and the balance of 32.6 per cent represented the earnings remitted to Bancredit as compensation for its services. The following table shows the average bank investments in Bancredit paper during the past five-year period and the distribution of gross earnings realized thereon:

Year	Average bank investment for year	Gross discount earned	Banks' earnings on investments	Provision for FHA insurance and reserves	Bancredit service fees
1953	$65,403,846	$5,775,936	$3,252,295	$782,319	$1,741,322
1954	62,175,512	5,713,887	3,135,563	864,781	1,713,543
1955	56,104,926	5,503,619	2,788,459	845,928	1,869,232
1956	56,407,716	5,525,576	2,820,386	841,970	1,863,220
1957	50,039,471	4,946,806	2,627,072	690,496	1,629,238

12. Participations in Bancredit installment paper are sold by the First National Bank of St. Paul to other FBSC affiliated banks at original cost adjusted for collections applied and discounts earned through the date of purchase of the participation. The sales are on a nonrecourse basis.

In the case of Title I paper, the First National Bank of St. Paul grants to affiliated banks undivided percentage participations in a liquidating block of paper that has been built up and segregated by the First National Bank of St. Paul for that purpose. The segregated block is reduced daily by collections received on paper contained in the block, the collections being distributed to participants according to their respective shares in the entire block. At the end of each month the participants are given the opportunity to increase their investments by taking a larger percentage of the total block, thereby reducing *pro tanto* the shares of First National Bank of St. Paul in that block.[14] If a participating bank does not purchase additional participations, its investment in the pool continues to be reduced by collections as they are received. While a segregated block is thus being liquidated, the First National Bank of St. Paul builds up by purchases from Bancredit for its own account an additional block of Title I paper. When the previously segregated block has been reduced to a point where it is insufficient to permit the sale of additional participations, the newly built-up block is combined with the outstanding balances in the old block to form a new segregated liquidating block out of which percentage participations are offered.

Participations in so-called "agency" paper—that is, all paper other than Title I insured paper—are handled somewhat differently. Such participations are governed by an agreement between the First National Bank of St. Paul, as agent, and such First Bank Stock Corporation affiliated banks, including the First National Bank of St. Paul, as elect from time to time to participate as principals under that agreement.

[11] In the underlying agreement relating to "agency" paper, provision is made for the deduction of stipulated percentages of the earnings thereon to be held by Bancredit in an escrow fund against which all net losses on agency paper, after application of all guaranties or other reserves, are to be charged. This reserve is in addition to the collection fee and dealer reserves which in the case of some of the agency paper are set up at the source, as adverted to above. The underlying agreement relating to Title 1 paper makes provision for deduction of a stipulated percentage of the net earned discount on such paper to be held by the First National Bank of St. Paul as a coinsurance reserve against which the difference between any loss on insured paper and the 90 per cent thereof recoverable under FHA insurance may be charged.

[12] As additional compensation, Bancredit retains, without accounting therefor to the First National Bank of St. Paul, all late charges, collection charges, extension fees, reinstatement fees and attorneys' fees that may be collected from the maker of any paper in default. This comes to a substantial sum, amounting in 1957, to $213,953. It also retains for its own account credits allowed it under a group credit life insurance policy, to be described below.

[13] The banks' rate of return on Bancredit paper has usually been above their average rate of return on total loans and discounts.

[14] Bancredit at the end of each month consults with and advises representatives of each of First Bank Stock Corporation's banking groups of the availability of additional Bancredit investments and of the amount of additional purchases required to be made by their affiliates if they would maintain their outstanding investments as of the beginning of the month or otherwise meet their investment needs. The banks in the St. Paul group are individually contacted by the investment officer of the First National Bank of St. Paul. The banks in the Minneapolis group are directly contacted by an official of Bancredit who must, however, obtain approval as to new commitments from an officer of the First National Bank of Minneapolis with supervisory functions over Minneapolis affiliates. All other banks are contacted by the First Service Corporation by letters containing specific suggestions as to additional allotments of Title I paper to be taken by each participant in the First Service group. Although there have been occasions where affiliated banks have refused to purchase additional allotments so suggested, most commonly they adopt the suggestions made.

"Agency" participants invest fixed amounts in a revolving fund from which the Agent buys uninsured Bancredit paper. Principal collections on the "agency" paper are not normally distributed but are used by the Agent to repurchase like paper. Each participating bank has an undivided interest in all paper and undistributed principal funds held by the First National Bank of St. Paul, as agent, in a fraction equal to that portion which its net investment in the revolving fund bears at the time to the aggregate at the same time of the investments therein by all participating banks.[15]

13. Among the FBSC affiliated banks, the First National Bank of St. Paul has consistently been the largest investor in Bancredit paper. For several years preceding the end of World War II, its investments in Bancredit paper constituted from 35 to 65 per cent of its total loans and discounts. That percentage has since declined, but its investment in Bancredit paper has continued during the past ten years to average about $35,000,000. For a period of years from about 1948 until about 1955, the First National Bank of Minneapolis also had substantial investments in Bancredit paper. But in more recent years the Minneapolis bank has been able to meet its needs through its own direct installment lending operations, and as a result its acquisition of Bancredit paper or participations therein has appreciably fallen off. However, as the acquisitions of the First National Bank of Minneapolis has declined, the slack has been taken up by increased participations of other affiliated banks. As of the end of 1957, 75 of the 86 banks in the First Bank Stock Corporation holding company family had outstanding investments in Bancredit paper—including 7 banks in the St. Paul group, 8 banks in the Minneapolis group, and 60 banks in the First Service Corporation group. The following table shows the amount of such investments as of December 31, 1957, by the banks in each such group as well as their earnings for the year 1957:

Banking group	Investment at Dec. 31, 1957	Earnings for year 1957
St. Paul	[16]$23,568,880	$1,484,232
Minneapolis	[17]2,729,083	121,655
First Service	20,140,164	1,019,185
Total	$46,438,127	$2,627,072

14. Apart from the paper acquired from Bancredit, the FBSC banks hold substantial amounts of similar paper which they originate directly. Thus, as of August 1957, the banks held FHA Title I insured paper (exclusive of Bancredit paper) in the unpaid face amount of $14,809,421, distributed among the three banking groups as follows:

St. Paul group	$2,672,535
Minneapolis group	$5,968,991
First Service group	$6,167,895

15. At the end of 1957, Bancredit paper accounted for approximately 6½ per cent of the total net loans and discounts of all bank affiliates and for approximately 25 per cent of the aggregate of individual installment loans.[18] The ratio was, of course, much higher in the case of some of the individual bank affiliates. For example, at the end of 1957, the investment in Bancredit paper of First National Bank of St. Paul accounted for approximately 13 per cent of its total net loans and discounts and for approximately 60 per cent of its total installment loans.

16. In terms of relative yields, Bancredit paper has proved a desirable form of investment for FBSC banks. Except for the years 1946 and 1947, the rate of yield on Bancredit papers (which is net) has been at least 1 per cent above the gross rate on prime commercial loans. It has always been substantially higher than the average rate of earnings on bonds and securities. In each of the years from 1952 through 1957, the affiliated banks' net return on Bancredit paper has exceeded $2,500,000, and has accounted (in the years 1952-1956) for from 8.1 per cent to 13.9 per cent of the total interest earned on loans held by all affiliated banks.[19]

17. The purchase of Bancredit paper, or participations therein, has to date proved a safe investment for FBSC affiliated banks. Between 1934 and the end of 1956, the loss on all paper purchased from Bancredit totaled $153,527 or 1/55 of 1 per cent of the cumulative total volume ($839,866,581) purchased from Bancredit. Moreover, the loss reserves have been more than sufficient to absorb this relatively small loss. Thus, out of the total of gross earnings on all paper sold to affiliated banks, provision was made for loss reserves in the amount of $801,693, or $648,165 in excess of the actual losses incurred to December 31, 1956.

18. Bancredit's activities relating to the acquisition and servicing of installment paper, as described above, are clearly of a financial nature. In conjunction therewith, however, Bancredit engages in certain additional activities, not heretofore described, which may also be characterized as of an insurance nature. Bancredit offers credit life insurance to obligors on paper purchased by Bancredit. The insurance is offered under group credit life insurance policies which Bancredit has with an insurance carrier. The premiums on the insurance certificates are paid by the obligors to Bancredit which in turn makes monthly remittances to the agent, after deducting and retaining for itself 15 per cent of the amount of the premiums as a "predetermined advance rate credit." The obligors on Bancredit paper have the option to elect whether or not they desire to be covered by such insurance. The amounts payable by the obligors for credit life insurance are not added as a carrying charge on the installment paper sold to affiliated banks, but are handled as a separate charge payable to Bancredit. Of the paper purchased by Bancredit in 1957, 35.3 per cent of the total number of items purchased, and 43.8 per cent of the total face amount of the obligations, were covered by the credit life insurance policy.

19. Bancredit's only other activity is to provide certain accounting, statistical and advisory services to affiliated banks. In conducting its business of pur-

[15] Under the agency agreement any participating bank may give notice at any time of its desire to withdraw from further participation. In that event, the agreement provides for liquidation or purchase by other participating banks of the interest of the withdrawing bank.

[16] Of this, $20,864,894 represented the investment of the First National Bank of St. Paul.

[17] Of this, $1,048,844 represented the investment of the First National Bank of Minneapolis.

[18] The ratio of investments in Bancredit paper to total loans and discounts has gradually declined since 1952, both because of a decline in the dollar volume of Bancredit paper and because of an increase of approximately 50 per cent in other forms of loans. Thus, at the end of 1952, the unpaid balance on Bancredit paper was $73,172,707, or 15.6 per cent of the total amount of loans of all affiliated banks.

[19] No percentage ratio has been computed for 1957, because the record does not show the affiliated banks' total interest earnings on all loans for that year.

chasing, selling and servicing installment paper, Bancredit has acquired an extensive installation of IBM tabulating machines and has developed a staff trained in providing the services facilitated by the use of such equipment. Bancredit makes its equipment and trained personnel available to affiliated banks. More specifically, Bancredit handles the accounting for the installment loan departments and pension fund of the First National Bank of St. Paul and its St. Paul affiliates; supplies accounting services for the pension fund, school division and payrolls of such affiliated banks; acts as statistical consultant for all affiliates where needed; and assists bank affiliates in the preparation of plans and contracts related to the installment loan field. All of these are services which the banks must either perform themselves or have performed by others in conducting their normal banking activities. For such services, Bancredit charges an amount substantially equal to its costs for the services rendered. During 1957, Bancredit's compensation for such services amounted to $88,319, and accounted for approximately 4⅓ per cent of its operating income.

20. As of December 31, 1957, Bancredit's assets totaled $1,843,578, and its net worth was $1,286,427. Bancredit's gross income for the year 1957 came to $2,004,376, and was made up as follows: service fees, Title I paper—$1,318,241; service fees, agency paper —$310,997; compensation for statistical, accounting and advisory services—$88,319; late charges and extension fees collected—$213,953; and miscellaneous other income—$72,865.[20] Total operating and other expenses amounted to $1,763,287, leaving a net profit, before provision for profit-sharing and income taxes, of $241,089.

B. Analysis and Concluding Findings as to Bancredit

Under the terms of Section 4(c)(6) of the Act the ownership by a bank holding company of shares of a nonbanking company is exempted from the prohibitions of Section 4 of the Act only if the following conditions are met:

(1) All of the company's activities must be of a financial, fiduciary or insurance nature, and

(2) The company must be determined by the Board to be so closely related to the business of banking or of managing or controlling banks (a) as to be a proper incident thereto and (b) as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.[21]

1. It is clear, of course, that Bancredit's principal activities, which consist of the acquisition, sale, and servicing of installment paper, are of a financial nature. Bancredit, however, is also engaged in an additional activity, involving the rendering of various accounting, statistical and advisory services to affiliated banks. The Applicant contends that this activity is also "financial", since the services rendered are integrated with banking administrative operations and are of a kind that banks must either provide themselves or have provided for them by others. I am unable to agree that activities, in themselves of a servicing nature, acquire a financial character within the meaning of Section 4(c)(6) simply because they are performed for a financial institution which could, if it chose, do the same thing itself. But, though of that opinion, I do not think it matters in this case. If Bancredit were engaged solely in furnishing accounting, statistical and advisory services to FBSC affiliated banks, it would be exempted from the Act's divestiture requirements by virtue of Section 4(c)(1).[22] To the extent that Bancredit's total activities spill over the "financial, fiduciary or insurance" lines of Section 4(c)(6), the overflow is entirely contained within the borders of Section 4(c)(1). To hold in these circumstances that Bancredit may not qualify for exemption consideration under Section 4(c)(6) because some of its activities are of a bank servicing rather than of a financial, fiduciary or insurance nature, would, in my view, both offend logic and be at odds with the legislative intent. Sections 4(c)(1) and 4(c)(6) are integrated parts of a single statutory scheme, and may not reasonably be read as if each were a separate enactment unrelated to the other. The two exemptions are in harmony, not in conflict. If full scope is to be given to both exemptions, each must be construed as supplementing the other so as to allow in an appropriate case for a combined application. I therefore find Bancredit preliminarily qualified under the first condition of Section 4(c)(6) for exemption consideration.

2. The factual findings made above establish clearly enough that Bancredit's operations are not only substantially related to the business of banking, but are so closely integrated with FBSC banking activities as to be in effect an adjunct or incident thereto. But this alone is not sufficient to satisfy the second requirement of Section 4(c)(6), as outlined above. For, as the Board stated in the *Transamerica* case, *supra*, at pp. 1015-1016,

> "The section requires that a nonbanking business, in order to be exempted under the provision, must be not merely an 'incident', but a '*proper* incident' to banking or managing or controlling banks."

It is in the respect just noted that Bancredit falls short of the statutory mark.

The finding that Bancredit sustains a close relationship to FBSC banking operations is predicated mainly upon Bancredit's origination of various types of installment paper for resale to FBSC banking affiliates. In its business relations with FBSC affiliated banks, Bancredit acts as an independent contractor. It initially acquires the installment paper in its own name and then negotiates it with the FBSC affiliated First National Bank of St. Paul which acts for its own account and on behalf of other participating FBSC banking affiliates. The First National Bank of St. Paul purchases the paper from Bancredit at a discount, and without recourse.

[20] The miscellaneous items were made up largely of dividends on group life insurance coverage, earned credits on credit life insurance accruing to Bancredit under its master credit life insurance policy, and certain recoveries on items previously charged off.

[21] *Matter of Transamerica Corp.*, Federal Reserve Bulletin, September 1957, pp. 1014, 1015.

[22] Section 4(c)(1) exempts nonbanking companies which are engaged, *inter alia*, "solely in the business of furnishing services" for a parent bank holding company or its banking subsidiaries. For a general description of the type of services considered by Congress to be of a servicing character, see S. Rep. 1095, p. 12, 84th Cong.; S. Rep. 1095, Part 2, p. 3, 84th Cong.

The transactions which give rise to the present close relationship between Bancredit and FBSC banking affiliates are bottomed on a form of self-dealing the Act condemns. Section 6(a)(4) of the Act makes it unlawful for a bank

". . . to make any loan, discount or extension of credit to a bank holding company of which it is a subsidiary or to any other subsidiary of such bank holding company."

In the *General Contract Corporation* case,[23] the Board construed the term "discount" as used in Section 6(a)(4) to include within its compass transactions identical to those present here, involving the purchase without recourse of third-party paper by a banking subsidiary of a bank holding company from a nonbanking affiliate of the same holding company. In view of the statutory proscription against this form of self-dealing, it follows virtually as a matter of law, and it is found, that the relationship between Bancredit and the FBSC banking operations is not such as to constitute a "*proper* incident" to the business of banking as conducted by FBSC and its banking subsidiaries.

The *General Contract* case provides square authority for the finding just made. The Applicant does not dispute that the factual situation presented here is indistinguishable from that ruled upon by the Board in the cited case. It contends, however, that the Board was wrong in its statutory construction of the breadth of the term "discount" as used in 6(a)(4). In effect, the Applicant asks for reconsideration and reversal of the Board's views on that subject as earlier declared. The arguments the Applicant advances to support its position, though perhaps more fully elaborated, are basically the same as those which were presented to the Board in the Applicant's and *amicus curiae* briefs filed in the *General Contract* case. It would serve no useful purpose to detail them here as they have already been noted and ruled upon by the Board in its carefully considered opinion in that case.[24] I am persuaded that the Board's holding in the *General Contract* case rests on a solid foundation, but even if I thought otherwise, I would be obliged to follow the precedent there established. If the reasoning in that case is to be re-examined, it must be done at a higher level than mine.

For the reasons stated, I shall recommend denial of the Applicant's exemption request relating to Bancredit.

3. The finding made above is, of course, dispositive of the exemption application relating to Bancredit. It may be noted, however, that even if a "proper incident" finding were not precluded by Section 6(a)(4), there would still remain the question of whether the Board in the exercise of its discretionary authority should determine that Bancredit's relationship to the banking business conducted by FBSC is otherwise such as to meet the "proper incident" and "purposes of the Act" requirements of Section 4(c)(6).

As more fully appears from the factual findings made above, the installment paper that Bancredit originates and funnels into FBSC banks is acquired by it mainly through branch offices it maintains in various metropolitan centers located outside the Ninth Federal Reserve District where all FBSC banking subsidiaries are situated. At present, Bancredit has 10 branch offices, all but two of which are located outside that district. At each of the cities where Bancredit maintains branches, it competes with independent banks for the acquisition of installment paper. At one time Bancredit had as many as 20 branch offices simultaneously in operation. If the exemption application for Bancredit is allowed, there is no assurance that Bancredit will not in the future again expand its operations to reach into additional areas in which FBSC affiliated banks are not themselves permitted to maintain branch offices; certainly, there is nothing in the law that would prevent this.

The circumstances mentioned above may raise a serious question as to whether FBSC's retention of Bancredit would accord with the purposes of the Act. The statute was pointed, *inter alia,* at preventing unfair competition and minimizing the danger of undue concentration of banking activities thought to be inherent in uncontrolled expansions of bank holding company systems.[25] It was also incidentally aimed at curbing the use of the holding company device as a means of evading restrictions imposed on banks by Federal and State laws.[26] Congress implemented the aforesaid purposes in part by restricting bank holding companies from expanding their banking interests, except under controlled conditions as set out in Section 3 of the Act. The regulatory provisions thus limiting a bank holding company's freedom to expand are, however, limited in their reach. They do not specifically apply to restrict a bank holding company from utilizing the medium of a nonbanking subsidiary, granted exemption under 4(c)(6), to enter additional areas where, in competition with independent banks serving such areas, offices may be maintained for the purpose of soliciting business to be funneled into the holding company's banking affiliates. It may be argued, I think with considerable reason, that for the Board to grant the nonbanking subsidiary a 4(c)(6) exemption under such circumstances, would be for the Board to sanction a device enabling a bank holding company to evade restrictions imposed upon it and upon its banking subsidiaries in contravention of the statutory purposes noted above. Evidence is not wanting that a bank holding company's utilization of a nonbanking subsidiary to compete for business against independent banks in areas closed to its banking subsidiaries was looked upon as an evil to be guarded against, not only by proponents of the bank holding company legislation,[27] but also by at least one

[23] *Matter of General Contract Corporation,* Federal Reserve BULLETIN, March 1958, p. 260.

[24] The Board's opinion in that case as well as the relevant portions of the attached hearing examiner's report, to the extent approved by the Board, are here incorporated by reference. See, particularly, Federal Reserve BULLETIN, March 1958, p. 260, at pp. 262-269 and at pp. 282-285.

[25] See, e.g., S. Rep. 1095, 84th Cong., 1st Sess., p. 8; H. Rep. 609, 84th Cong., 1st Sess., pp. 6, 11; 101 Cong. Rec. 8020, 8030, 8032; 102 Cong. Rec. 6750, 6853.

[26] See, e.g., 101 Cong. Rec. 8032, 8035. See also 102 Cong. Rec. 6853, and particularly the following colloquy between Senators Capehart and Robertson:

Mr. Capehart: Is the object of the bill not to make certain that bank holding companies do not expand, and that bank holding companies shall not be permitted to do that which banks cannot do? Broadly speaking, is not that what is sought to be done?

Mr. Robertson: That is absolutely correct . . .

[27] See, e.g., statement of Harry J. Harding, president of Independent Bankers Association, 12th Federal Reserve District, before the Senate Committee on Banking and Currency. Hearings on S. 880, S. 2350, and H.R. 6227, 84th Cong., 1st Sess., p. 122.

responsible national banking official and by the House Committee on Banking and Currency as well.[28]

It is to be noted that the House ultimately acquiesced in the "closely related" exemption that was added by the Senate. But, that is a matter which goes to the *power* of the Board to grant the exemption, not to the question of whether the exemption ought to be granted by the Board in the exercise of its allowable discretion.

On the other side of the coin, attention should be directed to the Board's opinion summarized in Federal Reserve BULLETIN, April 1958, p. 431, involving a Section 4(c)(1) question. Corporation Y, a nonbanking subsidiary of a bank holding company which was also a bank, solicited dealer installment paper business on behalf of its parent bank through offices located in several adjoining or contiguous States. Y handled the operational details in connection with such paper in much the same manner as Bancredit does, except that it did not initially acquire the paper and did not itself discount or advance money for the time obligations. The Board, distinguishing the Bancredit situation, expressed the opinion that Y was qualified for exemption under Section 4(c)(1) as a subsidiary engaged "solely in the business of furnishing services to or performing services for" its bank holding company. Although not clearly expressed in the Board's opinion as reported, it seems to have been assumed by the Board that it was proper for the bank in that case to maintain an agency with offices outside its State for the purpose of soliciting and servicing dealer installment paper on the bank's behalf. If that assumption is a correct one, it can scarcely be said that what Bancredit does is an evasion of the banking laws. It is to be noted, moreover, that Bancredit confines its activities to the acquisition of installment paper required by its bank affiliates, and the extent of the affiliated banks' needs would thus seem to fix the limits of its possible expansion.

On the discretionary question here discussed, I express no judgment and make no recommendations. I have raised the question only to indicate that more may be involved in the Bancredit case than just the "discount" question. The conclusion stated above that Section 6(a)(4) precludes a "proper incident" finding makes it unnecessary to go further for decision in this case. Resolution of the additional question can become of decisive importance, however, if the Board's *General Contract Corporation* interpretation of Section 6(a)(4) is not adhered to or is otherwise overruled.

III. First Service Agencies, Inc.

A. THE SCOPE OF THIS APPLICATION; THE BUSINESS TO BE CONDUCTED BY FIRST SERVICE AGENCIES, INC.

1. FBSC has within its holding company system some 52 unincorporated bank-connected insurance agencies. Appendix A hereto attached indicates the 51 banks, including two branches of one bank, that have such agencies. In addition, FBSC's nonbanking subsidiary, First Service Corporation, is engaged through certain of its officers and directors in the operation of an insurance agency for the placement of certain limited forms of insurance. The First Service Corporation agency also acts in a supervisory capacity over the 52 bank-connected agencies.

2. Thirty-three of the 52 bank-connected agencies are not involved in this proceeding. As appears from Appendix A, they are connected either with national banks located in communities having populations of less than 5,000, or with State banks located in the States of Minnesota, North Dakota and South Dakota. The 33 agencies are conducted under partnership and other agreements providing for the flow of the agencies' net earnings to their respective banks. For all practical purposes they are operated as departments of the banks to which they are attached. The National Bank Act empowers national banking associations in localities having populations of less than 5,000 to act as insurance agents.[29] State banks in Minnesota, North Dakota and South Dakota do not possess similar corporate power. But the State banking authorities in such States apparently interpose no administrative objection to having the earnings of bank-related agencies enure to the benefit of banks under their supervision. FBSC perceives no legal impediment to having the 33 agencies continue under their present form of ownership and operation. Its instant application is in no wise concerned with them.

3. Directly involved in this proceeding are the remaining 19 bank-affiliated insurance agencies, along with the agency operated by First Service Corporation. Seventeen of such 19 bank-affiliated agencies are attached to national banks located in communities with populations of over 5,000, and the remaining two are attached to Montana State banks. In Montana—as in Minnesota, North Dakota and South Dakota—it is a common practice to find insurance agencies operated in conjunction with State banks. But in Montana, unlike the other States mentioned, the State supervisory authorities apparently disapprove of having such agencies directly owned by or operated for the benfit of banks.[30]

4. The following table sets forth the name and location of each of the 19 bank-affiliated agencies herein involved, the name of its related bank, the date of organization of the agency or its predecessor

[28] See H. Rep. 609, 84th Cong., 1st Sess., p. 16, where the House Committee, explaining its opposition to a provision granting the Board unrestricted discretionary authority to exempt "closely related" businesses, stated:

"Your committee finds itself in full accord with the views expressed by former Comptroller of the Currency Preston Delano, when he testified before the Senate Banking and Currency Committee in 1950 on the Board's proposal. He stated:

'Under this provision, a holding company could engage through its subsidiaries in any other business which the Board, in its discretion, determines to be a "proper incident" to the business of managing, operating and controlling banks.

'By way of illustrating the possible effect of this sweeping discretionary power, it might be pointed out that if the Board of Governors considered the business of acquiring consumer paper by purchase or otherwise and the servicing and sale of that paper to be a "proper incident" to the business of . . . banking, a large bank holding company would be in a position to organize and control subsidiary companies in every city of the nation to engage in this business in competition with independent banks operating in their respective business areas, and such subsidiary companies could funnel this business into the banks of the holding company system.

'Freedom to engage in such activities would give the bank holding company systems a tremendous competitive advantage over independent banks, which cannot engage in similar activities away from their home offices except through duly authorized branches, which in no case can be established beyond State lines.' "

[29] Act, September 7, 1916, 39 Stat. 753; Federal Reserve Act § 13; *Marshall National Bank* v. *Corder,* 169 Va. 606, 194 S.E. 606.

[30] At one time the two bank-related agencies in Montana were owned and operated for the benefit of the banks to which they are related, but on the advice of FBSC attorneys the ownership of these agencies was transferred to First Service Corporation in 1947.

where known, the date the agency was acquired by FBSC or its affiliates, and the present owner of the affiliated agency (with First Service Corporation being identified as FSC):

Name and location of affiliated agency	Name of related affiliated bank	Date organized	Date acquired	Owner
Douglas County Insurance Agency Alexandria, Minnesota	First Farmers National in Alexandria	1901	1929	FSC
Austin National Company Austin, Minnesota	The First National Bank of Austin	Prior to 1929	1929	FBSC
Cloquet Northern Insurance Agency Cloquet, Minnesota	The First National Bank of Cloquet	1924	1946	Bank stockholders[31]
East Grand Forks Insurance Agency East Grand Forks, Minnesota	The Minnesota National Bank of East Grand Forks	1930	1930	FSC
Security Insurance Agency Fairmont, Minnesota	The First National Bank of Fairmont	1929	1930	FSC
Hepworth Insurance Agency Hibbing, Minnesota	The First National Bank of Hibbing	1925	1957	FSC and FBSC
Hopkins Insurance Agency Hopkins, Minnesota	The First National Bank of Hopkins	1905	1948	FSC
Little Falls Insurance Agency Little Falls, Minnesota	The American National Bank in Little Falls	1887	1929	FSC
Northfield Insurance Agency Northfield, Minnesota	Northfield National Bank	1904	1929	FSC
Pipestone Insurance Agency Pipestone, Minnesota	The Pipestone National Bank	1879	1929	FSC
Worthington National Bank Insurance Agency Worthington, Minnesota	The Worthington National Bank	1925	1956	Bank stockholders[32]
Rosebud County Insurance Agency Forsythe, Montana	Forsythe State Bank	Prior to 1930	1930	FSC
Fort Benton Insurance Agency Fort Benton, Montana	Chouteau County Bank	Prior to 1930	1930	FSC
Stutsman County Insurance Agency Jamestown, North Dakota	Jamestown National Bank	1950	1950	FSC
Union Insurance Agency Minot, North Dakota	The Union National Bank in Minot	1930	1930	FSC
Peoples Insurance Agency Valley City, North Dakota	First National Bank of Valley City	1932	1934	FSC
Wahpeton Insurance Agency Wahpeton, North Dakota	The Wahpeton National Bank	1926	1953	FSC
South Sioux Falls Insurance Agency Sioux Falls, South Dakota	The National Bank of South Dakota, South Sioux Falls Branch	1954	1954	FSC
Vermillion Insurance Agency Vermillion, South Dakota	The National Bank of South Dakota, Vermillion Branch	Prior to 1900	1929	FSC

5. Each of the aforesaid 19 affiliated agencies is set up as a partnership, including among its members one or more officers or other employees of its related affiliated bank as well as at least one individual holding an insurance agent's license. Sixteen of the affiliated agencies now have agreements with First Service Corporation ("FSC") named as the "principal". The agreements provide (1) that the agency business is the property of FSC; (2) that no member of the partnership (with certain exceptions) shall be compensated from the insurance business; (3) that all net proceeds of the agency business will be paid over to FSC or to whomever FSC may direct; (4) that the agency's assets will upon request and without consideration be transferred to, or as directed by, FSC; (5) that the business and affairs of the insurance agency will be subject to FSC's supervision and control; and (6) that all insurance commissions or fees due or to become due to the partnership or any member thereof are assigned to FSC. Another agency (Austin National Company) now has a substantially similar agreement with FBSC as the principal. In the case of the two remaining agencies (Cloquet Northern Insurance Agency and Worthington National Bank Insurance Agency) the partners of each have executed written statements declaring that they will carry on the insurance agency business for the benefit of the stockholders of their respective affiliated banks, that they will hold the partnership assets on behalf and subject to the direction of the bank stockholders, and that they will account to such stockholders ratably for all sums derived from the operation of their agency business.

6. FBSC proposes to consolidate into a new subsidiary corporation the ownership interests now held by FSC and FBSC in the 19 bank-affiliated insurance agencies referred to above, and also to transfer to that

[31] First Bank Stock Corporation owns approximately 60 per cent of the stock of The First National Bank of Cloquet.

[32] FBSC now owns 94 per cent of the outstanding stock of this bank, the balance being directors' qualifying shares.

corporation the ownership of the insurance agency business now conducted by First Service Corporation. Toward that end FBSC caused First Service Agencies, Inc. (hereinafter referred to as Agencies, Inc.) to be incorporated on August 7, 1957, under the laws of Minnesota. Agencies, Inc. now exists on a standby basis; it has not yet issued any of its stock, and its present officers and directors are members of the law firm representing FBSC. If FBSC's instant application for a Section 4(c)(6) exemption determination is granted, FBSC intends to purchase all the shares of Agencies, Inc. to be issued and outstanding,[33] to lend that corporation such additional funds as it may require, and simultaneously and upon payment of appropriate consideration therefor to cause to be transferred to Agencies, Inc., the business, property and assets of the 19 bank-related insurance agencies along with the insurance agency business now operated at the office of First Service Corporation.[34] After transfer, the agencies are to be operated as partnerships, just as they now are, except for the changes in beneficial ownership. All of them, except Cloquet Northern Insurance Agency, will enter into agreements with Agencies, Inc. in a form substantially identical to the agreement which most of them now have with FSC. In the case of Cloquet, the operation of the partnership will be subject to the same form of statement that now governs its relationship to the stockholders of The First National Bank of Cloquet, except that the statement will be amended to name as principals Agencies, Inc. and the stockholders of the Cloquet Bank other than FBSC.[35]

7. All the activities of Agencies, Inc.—if the present exemption application is granted and Agencies, Inc. is activated—will be of an insurance nature.

8. Save for the change in the form of ownership and the elimination of certain noninsurance activities now conducted by two of the agencies,[36] the operations of the 19 bank-affiliated agencies will continue virtually unchanged. For purposes of this proceeding, it is therefore important to explore in greater detail the manner in which they now function and to examine the relationship of their activities to the business of banking as conducted by the FBSC bank affiliates. This will be done in the succeeding sections of this Report.

B. The Business and Methods of Operation of the Insurance Agencies Here Involved

1. Sixteen of the 19 affiliated agencies occupy space on the banking premises of their related affiliated banks, with various degrees of separation from the banking quarters. Some are located in a separate room or alcove off the banking quarters; others are divided from the banking quarters by partial partitions; still others by railings; while some have no marked separation at all except for an identifying sign on a desk which may or may not also be used for banking purposes. The other three agencies have separate locations, in each instance near or adjacent to the premises of its related bank.[37]

Each agency is operated under the direct supervision of a principal officer of the bank to which it is attached. Four of the agencies have no licensed agent who is engaged full time in insurance activities, two have full time agents only, and all others have both full and part time agents. The part time agents devote most of their time to the banking activities of the affiliated banks, and are compensated for all their time by the banks. The full time agents in some instances are paid by the agency and in others by the affiliated bank.

2. The 19 bank-affiliated agencies are each engaged in a general insurance agency business, writing all kinds of insurance. Although a substantial amount of their business is derived from customers of their affiliated banks, the agencies also actively solicit business from the public at large. The broad range of the types of insurance they write is reflected generally by the following table showing (except in the case of hail and auto consumer finance retail insurance) the total live premiums as of December 31, 1957, on policies placed by the 19 agencies: [38]

Types of insurance	Total premiums
Automobile	$ 615,560
Automobile, consumer finance blanket policies, retail	465,098
Fire and extended coverage—city	1,648,727
Fire and extended coverage—farm	193,649
Fire and wind—city	3,788
Fire and wind—farm	32,429
Hail	269,885
Public liability, except automobile	230,344
Personal property floater	31,251
Workmen's compensation	110,630
Fidelity and surety	76,847
Burglary and robbery	37,179
Boiler and machinery	26,439
Business interruption	175,114
Marine	46,989
Health and accident (group)	240,788
Life	2,304
Miscellaneous	38,846
Total	$4,245,867

3. The foregoing table is exclusive of the writings of the insurance agency operated by First Service Cor-

[33] At present the authorized number of shares of Agencies, Inc. is 25,000 shares, all of one class, of the par value of $1 per share, with full voting rights. However, if the instant application is granted, FBSC proposes to have the authorized capital stock increased to 50,000 shares, all to be acquired by FBSC.

[34] In the case of Cloquet Northern Insurance Agency, Agencies, Inc. would acquire the majority interest in that business now owned by FBSC by virtue of its majority shareholding in the affiliated bank.

[35] In the case of Worthington Agency, it is proposed to have Agencies, Inc. substituted for the bank stockholders as principal. All shares of stock at that bank, like that of all other banks herein involved (except Cloquet), are now owned or controlled by FBSC.

[36] Two of the agencies—Austin National Company and Union Insurance Agency—now conduct a travel bureau business in addition to their insurance activities. The travel bureau operations will not, however, be taken over by Agencies, Inc.

[37] Thus, the agency at Austin, Minnesota, is in a separate building separated by an alley from the First National Bank of Austin, the legend on its door and window making no identifying reference to its affiliated bank. At Hibbing, Minnesota, the agency is located in the building housing the bank, but has no inside access to the bank; the entrance to the agency being from the street at a point about 50 feet or more removed from the entrance to the bank. At Minot, Minnesota, the insurance agency was formerly situated within the banking premises, but because of a shortage of space was moved out some years ago and is now located in a building adjacent to the banking premises.

[38] Live premiums of a given date are defined as including all premiums paid during the year on policies in force on that date, except that in the case of term policies the entire premium for the term whether paid in the past or payable in the future is included. The figures given for hail and automobile finance insurance set out in the table include all premiums paid on such policies during 1957, regardless of whether the policies were still in force at the end of the year.

poration. That agency, unlike the bank-affiliated agencies, does not conduct a general insurance agency business. It confines its agency writings to group life and hospitalization insurance for FBSC and its affiliates, to blanket insurance policies covering the interests of dealers and affiliated banks in automobiles or other merchandise being financed on a floor plan basis, and to miscellaneous fire and automobile policies written exclusively for employees of FBSC and its affiliates. The following table shows that agency's premium volume in 1957:

Types of insurance	Premiums
Group life and hospitalization insurance for FBSC and its affiliates	$196,281
Blanket policies covering automobile and merchandise being financed by FBSC affiliated banks on a floor plan basis	70,929
Miscellaneous	11,010
Total	$278,223

4. Most of the policies written through the 19 bank-affiliated agencies are placed on an individual application basis for customers making application therefor at the office of the respective agencies. The commissions earned on such insurance are received directly by the agencies, and the agencies' net earnings therefrom—after deductions for operating expenses and charges made by related banks for rent and/or administrative expenses, as will more fully appear below—are accounted for by the agencies to their beneficial owners in accordance with the agreements mentioned above.

5. What has just been said is not true, however, as to the insurance classified above as "Automobile, consumer finance blanket policies, retail." That class of insurance and the operating procedures with respect to it require special discussion, which follows:

(a) FBSC has a master policy with St. Paul Fire and Marine Insurance Company, an unaffiliated company, providing for physical damage and related insurance coverage on automobiles sold by dealers under sales financing arrangements with FBSC affiliated banks. The policy automatically insures all automobiles encumbered by acquired finance dealer paper, except in those situations where insurance arrangements satisfactory to the financing bank have otherwise been made by the dealer or customer himself. The policy provides for double interest coverage, protecting the interests of both the purchaser and the bank from the moment the financing transaction is cleared by the bank, without any need for advance notification or approval by the insurance company. The premium for such insurance coverage is paid by the purchaser at the manual rate when he makes his financing arrangement through the dealer, and the purchaser thereafter receives from the agent a certificate to evidence coverage of his interest under the master policy.

(b) Certificates of coverage under the master policy are actually prepared at the office of the financing bank. Before transmittal to the purchaser, however, the bank sends the certificates to an FBSC bank-affiliated agency for the required countersignature of an authorized insurance agent. The agency to which the certificates are sent for countersignature is not necessarily attached to the bank which acquires the automobile paper. Many FBSC banks utilizing the master policy have no affiliated agency of their own. Thus, for example, the First National Bank of Minneapolis, which is the largest purchaser of automobile dealer paper, has its certificates countersigned through the insurance agency attached to the First Hennepin State Bank (one of the 33 agencies not involved in this proceeding). Thus, too, by way of further example, all FBSC Montana banking subsidiaries making use of the master policy have their certificates countersigned through the Rosebud County Insurance Agency, the agency connected with the Forsythe State Bank in Montana.

(c) Under FBSC's arrangements with the insurance carrier, commissions on all certificates of coverage issued under the master policy are payable to the agencies through which they are countersigned. In point of fact, however, such commissions are paid directly to First Service Corporation rather than to the countersigning agencies. This is done by virtue of assignments which the agencies have executed in favor of FSC on this class of insurance.[39] But the money thus received as commissions is not retained by FSC either. Most of the commission earnings find their way back in ratable shares to the banks originating the finance business. To illustrate, in 1956 FSC received $105,139, as a result of the retail certificate commission assignments. Of that amount, FSC paid $75,553 to the banks originating the contracts and withheld $26,282 in a special fund out of which additional distribution would later be made to the originating banks, the exact pro rata amount payable to each bank to depend in part on the loss ratios applicable to the certificates written on its particular business. The balance, amounting to $3,304, or roughly only 3 per cent of the total commissions, was remitted to the respective agencies which had countersigned the policies. Nominally, the distributions made to the originating banks are to compensate them for their clerical services in preparing the certificates. But actually, it would appear, the real purpose of the distribution is to allow the originating banks to receive most of the insurance commission earnings their business produces as an added return on their automobile retail financing transactions.

(d) Of the 19 bank-related agencies here involved, 10 were active in 1957 in writing certificates under the consumer finance retail master policy. So, too, were a number of the 33 other bank-related agencies which are not here involved. During the 12-month period ending in December 1957, all FBSC subsidiary banks purchased from dealers 44,148 automobile contracts in the face amount of $64,733,111. Of the total number of contracts so purchased, 7,689, or 17.42 per cent, were insured under certificates issued pursuant to the master retail policy. Twenty-five of the FBSC banks utilized the facilities of the 10 herein involved affiliated agencies which write certificates under the master policy. The 25 banks purchased 25,631 contracts and automobiles covered by 5,012, or 19.55 per cent, of such contracts were insured by master policy certificates countersigned through agencies here involved.

6. Much of what has been said with regard to the automobile retail consumer blanket policies applies equally to the blanket policies covering floor plan financing that are now written through the insurance agency operated by First Service Corporation. FBSC has two master policies with St. Paul Fire and Marine Insurance Company covering both its banks and dealers against physical damage losses to dealer inventory that is subject to bank lien under wholesale floor plan financing arrangements. Under these policies, FSC

[39] It is contemplated that if the application herein is granted and Agencies, Inc., is activated, such commissions would flow in the first instance to Agencies, Inc.

acts directly as the agency through which the insurance is written and commissions are payable directly to it without need of assignment from others. As in the case of the commissions received under the retail automobile finance policy, however, the monies FSC receives as commissions are not retained by it, but are distributed ratably by FSC to the banks originating the wholesale plan finance business. As of December 31, 1957, fifty of the 86 affiliated banks held floor plan loans in the aggregate amount of $14,986,389. The security on $8,761,323, or 58.46 per cent of the total of such loans, was insured under the blanket policies.

7. During 1957, the commission earnings of the 19 bank-affiliated agencies here involved aggregated $472,231.[40] Against such earnings they had total expenses of $436,100, consisting of salaries paid ($143,138); rent for quarters paid to related affiliated banks ($62,406); payments to related affiliated banks for "administrative services rendered" ($147,131); and other expenses ($83,425). Their net consolidated earnings after such deductions amounted to $36,351. In addition, the FSC agency earned during 1957, $13,777.

8. The figures just stated do not, however, provide a completely clear picture of how the commissions earned are disposed of. The individual earnings statements of the 19 bank-affiliated agencies here involved show that only 4 of them had significant net earnings during the year—Austin National Company, the agency owned by FBSC (gross commissions, $93,236; net earnings $18,432);[41] the two Montana agencies, Rosebud County Insurance Agency (gross commissions, $13,068; net earnings, $7,049) and Fort Benton Insurance Agency (gross commissions $15,041; net earnings, $8,537)[42] and Stutsman Company Insurance Agency (gross commissions, $8,473; net earnings, $2,761). In the cases of the other agencies the net earnings were nominal—less than $100 in the case of 6 agencies, and in no case more than $690. It appears that most of the earnings of the agencies, after deduction of other expenses, find their way back to the affiliated banks either in the form of rent for quarters used or in the form of payments for "administrative services rendered".[43]

The charge for "administrative services rendered" theoretically is supposed to compensate the affiliated bank for supervising the agency, auditing, providing extra help, and paying the salaries of individuals who perform services for the agency. It would seem, however, that this item, as well as the rent item to some extent, is utilized to absorb for the benefit of the related affiliated bank a substantial part or all of the agency's net earnings. Indeed, the Applicant substantially conceded as much at the hearing. Its principal witness on this phase of its case agreed while testifying that in effect it is a policy of FBSC "that the earnings of these agencies shall accrue in the main to the affiliated bank".

C. The Extent to Which the Insurance Agencies' Activities are Related to Lending and other Activities of Affiliated Banks

1. As found above, the 19 bank-connected insurance agencies here involved are each engaged in a general insurance agency business. Except for their operations under the consumer finance blanket policy, they solicit business from the public at large without regard to whether or not such business is related to banking activities. On the other hand, the insurance agency business conducted by First Service Corporation possesses more nearly a bank servicing character, since that business is restricted almost entirely to the writing of insurance that is related to the needs of the FBSC banking subsidiaries and their employees.

2. Though the 19 bank-affiliated insurance agencies solicit and accept business from all sources, a substantial proportion of their business is derived from customers who also have business contacts with affiliated banks. Thus, as of August 31, 1957, the 19 agencies together had 20,035 customers, counting as customers all those who then had outstanding policies obtained through the agencies. Of the 20,035 agency customers, 11,383, or 56 per cent of the total, were on the same date also customers of related affiliated banks—counting as "bank customers" all demand and time depositors, safe deposit renters, borrowers, and obligors on obligations held by the related affiliated banks. In addition, among the 20,035 agency customers, there were 4,009 others who, while not customers of the related affiliated banks, had dealings with other FBSC affiliated banks. The group of 4,009 was composed mainly of obligors on automobile dealer paper acquired by FBSC affiliated banks which had no related insurance agency of their own, but which utilized one or more of the 19 related agencies for countersignature purposes on certificates issued under the master retail consumer policy. If the total of 11,383 and 4,009 is taken as the figure reflecting the number of bank customers using related agency facilities, the percentage of agency customers to affiliated bank customers is enlarged to 76.8 per cent.

3. Stated in terms of dollar volume, the record shows the following relationship between total premiums written by the 19 bank-affiliated agencies and the premiums written for bank customers (with the term customers given its broadest definition as above stated):[44]

	Amount	Per cent of all premiums
Total premiums	$3,271,349	100
Total premiums on insurance written for FBSC bank customers	[45]2,466,802	75.4
Total premiums on insurance written for nonbank customers	804,547	24.6

[40] Of this amount $13,709 represented commissions on travel ticket sales. The balance was in the form of insurance commissions.

[41] The evidence reflects that in the case of this agency, FBSC periodically withdraws profits in round amounts.

[42] There is evidence indicating that in the case of the 2 Montana agencies (both affiliated with State banks) the policy is not to remit net earnings to the owner, First Service Corporation, but to add such net earnings to agency assets.

[43] To illustrate, Security Insurance Agency in 1957 earned $46,518 in commissions. It paid salaries of $20,214 and had miscellaneous expenses of $9,042, thereby reducing its earnings to $17,262. Out of that amount, it paid the First National Bank of Fairmont $11,000 for rent and $5,916 for administrative expenses, leaving it with net earnings of $346. Douglas County Insurance Agency earned $38,068 in commissions, had no salaries, paid rent of $1,200 and had miscellaneous expenses of $5,766. It paid First Farmers National Bank $31,042 for administrative expenses, leaving it with net earnings of $60. Worthington National Bank Agency received $17,868 and paid that precise amount to its affiliated bank for "administrative services rendered", leaving it with no net earnings.

[44] The premiums given are the "live premiums" as of December 31, 1956, except that hail and automobile consumer finance premiums are based on total premiums received in 1956. So, too, are all the premiums of one agency (Austin National Company) which reported on this basis only.

[45] Includes premiums on retail master policy certificates insuring automobiles securing dealer paper purchased by those FBSC banks which are not directly related to the 19 insurance agencies here involved.

The following table shows the premium distribution among various classes of bank customers of the $2,466,802 in premiums on insurance written for FBSC bank customers:

Class	Amount of premium	Per cent of all premiums	Per cent of premiums on insurance written for bank customers
Insurance on property securing FBSC bank loans or purchased paper........	[46]$864,207	26.4	35
Life insurance securing affiliated bank loans.......	468	0.014	0.019
Insurance for other borrowers (unsecured loans)...	632,685	19.3	25.6
Insurance for nonborrowing depositors or safe-deposit box renters of affiliated banks..................	969,442	29.6	39.3
	$2,466,802	75.4	100

4. As of August 31, 1957, the banks directly related to 19 insurance agencies had outstanding loans aggregating $57,284,011, of which $11,601,560 (20.2 per cent) were unsecured and $45,682,451 (79.8 per cent) were secured. The following table shows the extent to which policies issued by the affiliated insurance agencies were related to such secured loans:

	Amount	Per cent of secured loans	Per cent of all loans
Secured loans where security insured through affiliated agency.........	$11,604,728	25.4	20.3
Secured loans where security insured through other agencies...........	21,577,226	47.2	37.7
Secured loans where insurance of security not required................	12,500,497	27.4	21.8
Totals............	$45,682,451	100	79.8

It may further be noted that of the secured loans requiring insurance, 35 per cent carried insurance placed through the affiliated agencies.

5. Insurance of the types written through the 19 bank-affiliated agencies is in the main readily obtainable through other and competing independent agents or agencies that are now engaged in business in the localities where the 19 bank-affiliated agencies are located. The only insurance coverage supplied through affiliated agencies that is not readily obtainable through competing local agents under arrangements suitable to the needs of FBSC banks is that now provided by the master policies to which reference was made above, and this for the reasons that follow:

(a) Experience in the consumer installment financing field has demonstrated the importance of having a reliable and constant source of physical damage insurance that would provide continuous protection for the financing institution, the dealer, and the purchaser of financed automobiles from the time automobiles leave the factory until they reach the dealer's place of business, while they are on the dealer's floor, and from the moment they are driven from the dealer's place of business by the purchaser. There are many dealers without insurance connections of their own who expect the financing institution to arrange for such insurance; indeed, it is standard procedure for the major national sales finance companies, most of whom have their own insurance company affiliates, to offer such insurance as part of the financing package. The needs of the FBSC banks for such coverage are now met through the master policies which FBSC has with St. Paul Fire and Marine Insurance Company. Insurance of this type is not readily obtainable with any assurance of continuity on a local basis through independent agents. Experience has shown that insurance carriers are often reluctant to handle this type of business unless they are assured of a sufficient diversification of risks. FBSC has been able to maintain a steadfast connection for its banks with the St. Paul Fire and Marine Insurance Company largely because of the wide area of coverage under its master policies.

(b) The Applicant does not dispute that it might be possible for it to form through an outside insurance agency the same kind of stable insurance connection with St. Paul Fire and Marine Insurance or some comparable insurance carrier. But it points out that this would be only a partial solution to its problem. According to the Applicant, if the FBSC banks are to engage successfully in automobile sales financing, they must be in a position to offer dealers the same favorable terms as are offered by sales finance companies. The leading national sales finance companies which have insurance carrier affiliates of their own are able to take into account their insurance profits on dealer business in computing the reserve to be offered the dealers, or, as an alternative, to offer dealers who are also licensed agents commissions on the insurance premiums their business produces. The insurance commissions which the FBSC affiliated insurance agencies now earn on master policy certificates provide a means for offsetting the advantage the national sales finance companies would otherwise have. As found above, such commissions are not retained by the agencies but are almost entirely distributed to the banks originating the finance business. The banks are thus also able to take such insurance profits into account in determining the amount of the reserve to be offered dealers. Without an affiliated insurance agency, through which the flow of commission earnings could be directed back to FBSC banks, the banks would be noncompetitive with finance companies for dealer business, according to the Applicant.

6. (a) As noted above, national banks in communities of over 5,000 population may not engage in the insurance agency business. Moreover, Montana does not allow insurance agencies to be owned by or operated for the benefit of its State banks—according to legal advice received by FBSC. Disallowance of FBSC's instant application relating to First Service Agencies, Inc., would, therefore, preclude the Applicant from retaining within its holding company system ownership and control of the 19 bank-related agencies here involved. This would mean a loss to the holding company system of the earnings now derived from the insurance written through such agencies on an individual application basis—earnings which, as noted above, find their way back in substantial part to agency-related banks through charges for "administrative services rendered" or the like.

(b) It would not necessarily mean, however—except possibly in Montana—that the related banks would be precluded from the benefits and advantages of the master policies they now enjoy and which are of importance to them in the consumer finance field. As found above, those FBSC banks which have no related insurance agencies of their own are nevertheless now able to share in such benefits and advantages by having master policy certificates issued through related

[46] Ibid.

agencies of other FBSC banks. At the hearing, the Applicant indicated that if the instant exemption application is denied and it is forced to abandon the 19 insurance agencies here involved, it could and probably would apply a similar procedure in the case of the 17 national banks located in communities of over 5,000 population that now have related insurance agencies of their own. That procedure could be applied readily, though perhaps with some greater inconvenience, by arranging in each State to have one or more of the 33 not-here-involved affiliated insurance agencies issue the master policy certificates.

(c) Montana, however, presents a special problem, as the Applicant sees it. Montana does not allow its banks beneficially to own insurance agencies, and all FBSC's national banks in that State are located in cities with populations of over 5,000. FBSC's Montana banks could not utilize the agency facilities of any of the 33 unaffected agencies which are attached to FBSC banks in other States, because Montana requires the signature of a resident agent on each policy or certificate thereunder issued in its State. Nor would it provide a ready solution to the problem to have one of the unaffected 33 agencies employ a resident agent in that State. For each of such agencies is now operated for all practical purposes as a department of the bank to which it is attached, and to do so might lay the related bank open to the charge that it is maintaining a branch office outside its State. It would, of course, be possible for the Montana banks to have master policy certificates issued through an independent agency having a Montana resident agent. But the Applicant regards this as objectionable, both because it would involve a countersignature fee, and because it would not allow FBSC to control commissions in the same manner that it does now. The only other solution—suggested in the Applicant's brief—would be to convert the two banks to which the Montana agencies are attached—both located in communities with a population of less than 5,000—from State banks to national banks.

D. Area Practices with Regard to Bank Related Insurance Agencies

1. It is quite common in Minnesota, North Dakota, South Dakota and Montana, for insurance agencies to be operated on bank premises or to be otherwise identified with banks. National banking associations located in communities of 5,000 inhabitants or less are specifically authorized by statute to act as insurance agents, and in the States mentioned almost all such banks have related insurance agencies. A substantial number of national banks located in cities of over 5,000 in such States also appear to have related insurance agencies which, while not owned directly by the banks, are held out to the public as identified with them. This is not uncommon in the smaller of such cities, rare in the larger metropolitan areas. State banks in the States referred to are not expressly empowered to engage in the insurance agency business. But the operation of insurance agencies in conjunction with State banks is well known to the State banking officials of such States, and is apparently acquiesced in by them as a proper practice. Substantially all state banks in the smaller communities have bank-connected insurance agents or agencies. The proportion thins out somewhat in the larger communities, and banks in the largest of them are more apt not to have related insurance agencies, though even a city as large as Minneapolis contains a few that do.

2(a). A survey made by the Applicant, based on certain assumptions admittedly open to inaccuracies, but which nevertheless seems to provide reasonably reliable approximations, shows the following as to the number of *State banking offices* (including branches) in the area mentioned that have bank connected agents or agencies:

State	Total number of banking offices	Offices with bank-connected agents or agencies	
		Number	Per cent of total
I. Communities with population under 5,000			
Minn.	434	423	97
N. D.	138	121	88
S. D.	156	145	93
Mont.	60	52	87
II. Communities with population 5,000 and over			
Minn.	71	50	70
N. D.	4	2	50
S. D.	12	8	67
Mont.	15	3	20

(b). The same survey shows the following with regard to *national banks* located in the same States:

State	Total number of banking offices	Offices with bank-connected agents or agencies	
		Number	Per cent of total
I. Communities with population under 5,000			
Minn.	96	87	92
N. D.	16	15	94
S. D.	37	35	95
Mont.	24	19	79
II. Communities with population 5,000 and over			
Minn.	89	43	48
N. D.	22	14	64
S. D.	21	12	57
Mont.	18	2	11

(c) With regard to *all banking offices,* national and State, in the four States, the survey shows the following:

State	Total number of banking offices	Offices with bank-connected agents or agencies	
		Number	Per cent of total
Minn.	690	603	87
N. D.	180	152	84
S. D.	226	200	89
Mont.	117	76	65

3. Where insurance agency operations are conducted in conjunction with bank operations, it is usual to have one or more officers or employees of a bank licensed by the State insurance authority, but beyond that the specific arrangement made takes a variety of different forms. In some instances banks allow the officer who holds the agent's license to conduct an insurance agency business on bank premises for his own benefit, without accounting to the bank for the earnings therefrom. In others, those operating the in-

surance agency business pay rent to the bank for use of its quarters, this being the only source of income to the bank from the operation of that business. In still others, arrangements are made to have the net earnings of the insurance agency paid directly to the stockholders of the bank. This is accomplished at times through the separate incorporation of the insurance agency business coupled with a stock tie-in agreement which would assure continued common ownership of ratable shares of the stock of both the agency and the bank. Arrangements are also sometimes made to have the insurance agency pay part of the salary of the bank officer who operates or supervises the insurance agency business. In the States of Minnesota, North Dakota and South Dakota—but not in Montana—it is not unusual to arrange for the State banks to receive all or at least a percentage of the profits realized from the insurance agency business. The same is true of national banks in communities under 5,000.

4. Insurance agency activities, even where conducted on bank premises and for the direct benefit of the related bank, are regarded as distinct from banking activities. Under the laws of Minnesota, North Dakota and South Dakota, an agent's license may be issued only in the name of an individual.[47] As a result, no license may be issued to a bank, even where, as in the case of a national bank in a place of less than 5,000, the bank is itself expressly empowered to act as an insurance agent. Although Montana allows the licensing of corporations, Montana State banks may not qualify for agents' licenses, both because it is outside the banks' corporate powers and because Montana disapproves of a bank directly owning an insurance agency or having it operated for its direct benefit. Unlike Montana, the other States here involved do not object to having insurance agency earnings flow directly to a bank. But even those States look upon insurance agency activities as separate and apart from banking activities, and therefore not subject to examination or supervision by State banking authorities.

E. COMPETITIVE FACTORS

1. With two exceptions, each of the 19 FBSC banking offices with affiliated agencies herein involved has in the trade area where it does business one or more competing banks with connected insurance agencies of their own. The two exceptions concern banks which have no competing banks at all in their respective trade areas.

2. The Applicant urges that, except perhaps for the larger communities, it has become a recognized competitive factor in the four States in question for banks to be in a position to offer their customers insurance services and advice, as part of a well-rounded financial counseling service. It expresses the fear that at least some of its bank customers, if deprived of access to such services and advice, may tend to gravitate toward competing banks with insurance agency facilities, thus placing the FBSC banks at a competitive disadvantage.[48]

3. The Applicant also points to the fact that the insurance agencies, through payment of rent and fees for administrative services, help carry the overhead and contribute to the income of the banks to which they are related. It believes it should not be deprived of this added source of income which is available to competing banks or their stockholders.

F. ANALYSIS AND CONCLUSIONS AS TO FIRST SERVICE AGENCIES, INC.

1. All the proposed activities of Agencies, Inc., are of an insurance nature, and so the preliminary requirement of Section 4(c)(6) presents no problem. The question to be determined is whether Agencies, Inc., if activated, will meet the remaining requirements of the section. That question may appropriately be considered in the light of the cumulative present activities of the 19-bank affiliated agencies and the First Service agency which are to be taken over by Agencies, Inc., if the instant application is granted. For, as found above, save for the change in the form of ownership, the activities of the aforesaid agencies, their methods of doing business and their relationship to FBSC banking operations are to remain virtually the same as they are now.

2. The points stressed by the Applicant to support its "closely related" contention, in broad outline, are (1) that the activities of the agencies are identified, organizationally, physically, and operationally, with FBSC banking subsidiaries; (2) that the agencies provide insurance coverages required in connection with bank loans; (3) that insurance written through the agencies in connection with consumer finance and floor plan loans is essential to the affiliated banks to enable them to compete with finance companies for such loans; (4) that the agencies provide an added service for the benefit of bank customers; (5) that the agencies are of value to the affiliated banks in that they provide trained personnel who are able to advise and aid the banks on insurance matters related to banking transactions; and (6) that in the area in which FBSC banks operate the offering of insurance services in conjunction with banking operations is a traditional and accepted practice and a recognized competitive factor in the conduct of a banking business. The point last mentioned is the one most strongly emphasized.

There can be no doubt, of course, that the affiliated insurance agencies are closely identified with FBSC banking subsidiaries. Except for the First Service agency which now functions as part of a system-wide servicing subsidiary, each of the insurance agencies is operated as a venture specifically associated with the particular bank to which it is attached. The agencies are housed in the banking quarters of their related bank or closely adjacent thereto; include among their partners one or more officers of their related bank; utilize to a substantial measure bank personnel in the conduct of their operations; and are under the direct

[47] It is, however, a common practice, and one not disapproved by the State insurance authorities, for licensed agents to enter into employment or other relationships with incorporated or unincorporated insurance agencies to which they assign their commissions.

[48] Apropos of this argument, it is to be noted that 36 banks and four branches of banks affiliated with FBSC banks do not have insurance agencies operated in conjunction with them or for their benefit. As appears from Appendix A, many of such 36 banks are located in relatively small communities. Yet they are apparently able to withstand competition from other banks. According to the Applicant, many of the banks without related insurance agencies have as important customers insurance agents with whom as a matter of policy they do not desire to compete for insurance business.

management of a partner who is also an officer of the related bank. But such organizational and physical integration, while a factor to be considered, does not itself satisfy the "closely related" requirements of Section 4(c)(6). As the statute itself makes clear, and as the Board ruled in the *Transamerica* case,[49] it is not every type of relationship that will pass muster under that section. The statute speaks not in terms of a close relationship to a *banking organization*, but in terms of a close relationship to the *business of banking*. The close relationship, moreover, must be of a special kind; it must be such as to make the business of the nonbanking subsidiary a "proper incident" to the banking business, and it must be such as to make it unnecessary for the prohibition of Section 4 to apply in order to carry out the purposes of the Act.

Only one of the agencies here involved—the First Service agency—confines its operations to activities that are related in a functional or servicing sense to the business of banking or bank management as conducted by FBSC or its banking subsidiaries. The remaining 19 agencies—all bank connected—are each engaged in a general insurance business, involving the writing of all kinds of insurance and the solicitation of business from the public at large without regard to whether or not such insurance is required in connection with bank lending or other activities. In terms of premium volume—by the last count—only 26.4 per cent of the total writings of such agencies was referable to insurance on property securing FBSC bank loans or purchased paper. Except to a limited extent, all insurance written through the bank-connected agencies is readily available through outside agents or agencies with whom the bank-connected agencies compete for business in the localities where they are situated.

The only insurance written through any of the agencies for which the Applicant has shown a special need for an agency of its own is that provided by the blanket policies relating to consumer finance and floor plan loans. The consumer finance insurance accounts for only about 10 per cent of the agencies' total premium volume, and the floor plan insurance—administered exclusively by the First Service Agency—accounts for less than 2 per cent. The bank-related agencies do not themselves arrange for the placement of the master policy relating to consumer finance loans. Their only function is to act as countersignataries of policy certificates and to serve as a conduit for commissions in the manner described in the factual findings made above. Though the record shows a need for such consumer finance insurance, it does not persuasively establish that there is likewise a need for a separate *general* insurance agency at each bank to administer the blanket policy; if anything, it indicates the contrary. Significantly, a single agency—the First Service Agency—handles all insurance certificates issued under the comparable blanket policies providing coverage for automobiles and merchandise financed by FBSC banks on a floor plan basis.

A general insurance agency operating on a banking floor may be viewed as providing banking customers with an added service, but this does not prove that the service is a banking service or one integrated with the *business* of banking as such, save to the extent that it is otherwise functionally related to actual banking operations. And, as noted above, only about 26 per cent of the business done by the agencies may reasonably be found to be thus directly related. Moreover, I am unpersuaded that the primary purpose for which the agencies were established was to serve the convenience of bank customers. I believe that the larger purpose was to create an additional source of income through the operation of an added business catering to the public at large. I do not attach significance to the point stressed by the Applicant, that a substantial proportion of the agencies' customers are also bank customers in one form or another.[50] It is to be expected that an insurance agency operating on a bank floor will attract a large proportion of its customers from those doing business with the bank. But this has no material bearing on the question of whether the insurance agencies are related to the business of banking as an incident thereto.

It is undoubtedly true, as the Applicant further contends, that the proximity of an insurance agency is of some value to a related bank because of the aid and advice the trained insurance agency personnel are able to render the bank on insurance matters relating to banking transactions. It is also true that the service thus provided may be classified as related to the business of banking. But the rendering of that service is but an incidental aspect of the business in which the agencies are engaged. Moreover, as the Applicant concedes, it is not essential that those providing such advice themselves be insurance agents or affiliated with insurance agencies. Bank personnel may be similarly trained, as indeed they are both at those FBSC banks that have no affiliated agencies of their own and at those that do. As has been shown, the work of the agencies is handled largely and in the case of some exclusively by bank personnel. The Applicant argues in its brief that, without the related agencies, the banks would not be "able to permit such persons to produce income through the sale of insurance". The Applicant's desire for an added source of income to compensate it for a service requirement is an understandable one, but the profit factor is in itself of no materiality in determining whether the business producing the income meets the statutory standards for exemption.

On the basis of what has been stated thus far, it is clear that the activities of the 19 bank-affiliated agencies, although pertaining in part to the business of banking as conducted by affiliated banks, extend in their totality, far beyond what is reasonably required for, or even connected with, affiliated banking operations. Section 4(c)(6) by its terms does not require that *all* the activities of a nonbanking business be "closely related" in the statutory sense to the business of banking. But it does imply that there at least be a predominant measure of substantiality in that relationship. This is evident from the additional requirements circumscribing the "closely related" provision. Thus, the section requires that the relationship be such as to make the nonbanking company as a whole—not simply some of its activities—a "proper incident" to the business of banking. Thus, too, the section requires that the relationship be such "as to make it unnecessary for the prohibitions of [Section 4] to apply in order to carry out the purposes of this Act." A

[49] *Matter of Transamerica Corporation*, Federal Reserve Bulletin, September 1957, p. 1014.

[50] As found above, the figure is 56 per cent—counting as "bank customers" all those who deal with related affiliated banks as depositors, borrowers, safe deposit renters, or obligors on purchased paper—and 76 per cent, if there is added customers of other FBSC banks, mainly obligors on acquired automobile dealer paper.

primary purpose of the Act was to confine bank holding companies to activities connected with the management and control of banks, on the theory that it is in the public interest to keep bank ventures in a field of their own, separate and apart from nonbanking enterprises.[51] Divestiture exemption of nonbanking companies can be reconciled with that statutory objective and the public interest only where their overall activities are so substantially integrated with, required for, or otherwise associated with banking operations as to make them in effect part and parcel of such operations—but not otherwise. Absent special circumstances, I do not believe that the requirement of substantiality is met where, as here, a bank-connected insurance agency is engaged in the general business of selling all kinds of insurance to the public at large, with only a minor part of its total activities directly related to the banking operations of its affiliated bank.

In the *Transamerica* case, the Board, construing the "proper incident" requirement of Section 4(c)(6), stated:

> "It is clear that Section 4(c)(6) is intended to exempt only those nonbanking businesses that 'usually' or 'naturally' 'depend upon' or 'appertain to' the business of banking or of managing or controlling banks. The section requires that a nonbanking business, in order to be exempted under the provision, must be not merely an 'incident' but a 'proper incident' to banking or managing or controlling banks."

But for the area practices to be considered below, there could be no doubt that the overall business to be conducted by Agencies, Inc., would fall short of that standard. The type of general insurance business engaged in by the 19 bank-connected agencies is not one which, characteristically or by its nature, is identified with the business of banking.[52] The sale of general insurance is normally regarded as a business separate and distinct from the business of banking, and it is generally conducted independently of the banking business and without any particular reliance upon it. The only activity of the 19 agencies that may be regarded as singularly pertaining to the business of banking is that connected with the issuance of certificates under the consumer finance blanket policies—a very minor percentage of their total activities. Otherwise, the agencies do nothing that is not commonly done by independently operated businesses of the same kind. The fact that about 26 per cent of the insurance sold by the 19 agencies carries loss payable clauses running to related banks does not particularly set the agencies apart from others engaged in the same business. It is to be expected that an appreciable proportion of the writings of any insurance agency in the general insurance field will carry similar loss payable clauses, particularly where, or here, a substantial part of the agency's business relates to real property fire and extended coverage and automobile physical damage insurance. Moreover, the protection of bank loans is not the only or even the primary purpose for which such insurance is needed. From the fact alone that banks require insurance protection on their interest in property securing bank loans, it does not follow that the business of selling insurance is one that "naturally" or "usually" depends upon or appertains to the business of banking.

Should it make a difference that as a result of long established custom and usage, apparently acquiesced in and approved by the State banking authorities, the offering of general insurance agency services has become a rather usual appurtenance to the conduct of banking businesses in the area in which the FBSC banks are located? Perhaps under certain circumstances it should. What is a proper incident to banking is basically a question of fact that the Board has been charged to determine in each case upon the record made in that case. The principle that a Federal law must be uniformly applied does not preclude deviations in application based upon valid factual distinctions. Thus, it is arguable that where banks of a given class are authorized expressly or by reasonable implication themselves to own or operate general insurance agencies in conjunction with their banking activities, the insurance agency operations must be regarded as an incident to the business of banking as conducted by such banks. And as a corollary proposition, it may be urged that where a bank holding company owns banks of the same class, its operation through a separate subsidiary corporation of general insurance agencies at such banks must likewise be regarded as an incident to "the business of banking or of managing or controlling banks, *as conducted by such bank holding company or its banking subsidiaries*,".[53] In determining whether specific banks have incidental power to operate insurance agencies, it may be permissible in certain circumstances to refer to established customs and practices and the attitude of the supervisory authorities concerning them. Such reference may be appropriate where the statutory or other grant of power to the banks in question is ambiguous as to their incidental authority to operate insurance agencies. In that situation the rule of statutory construction urged here by the Applicant might be applicable, namely, that long, continued, contemporaneous and practical construction of a statute by the administrative officers charged with its administration and enforcement is of great importance in arriving at the proper construction of the statute.[54] But that is not the situation in this case.

Significantly, the Applicant has not considered it necessary to arrange for separate corporate ownership of its bank-related agencies in those instances where, according to its understanding, the related banks themselves possess incidental power to own and operate insurance agencies in association with their banking businesses. The affiliated banks which it proposes to have Agencies, Inc. acquire are all related to banks which it admits may not own or control insurance agencies of their own; hence the need for a corporate affiliate.

What has just been said suggests a further con-

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[51] H. Rep. 602, pp. 1, 11, 16, 84th Cong.; S. Rep. 1095, pp. 1, 25, 84th Cong.

[52] It is therefore unlike the examples given in the Senate Report to illustrate the type of operations Congress thought the exemption provisions of Section 4(c)(6) ought to reach—"the operation of a credit life insurance program in connection with bank loans", or "the operation of an insurance program [to] retire the outstanding balance of a [bank held] mortgage upon the death of a mortgagor" (S. Rep. 1095, p. 13, 84th Cong.). Such operations usually and characteristically are tied in with lending transactions; outside the field of lending or credit there is no occasion for their use.

[53] See Section 5(b) of Regulation Y, issued pursuant to the Act.

[54] 2 Sutherland, *Statutory Construction*, Secs. 5103, 5105, and 5107 (3rd Ed. 1943); *United States* v. *American Trucking Association*, 310 U.S. 534.

sideration, not heretofore discussed, which I believe must control decision in this case in any event. To qualify a nonbanking company for exemption under Section 4(c)(6) the Board must determine that the company is not only an "incident" to the banking business to which it is specifically related, but a "*proper* incident" thereto. Seventeen of 19 affiliated agencies which it is planned to have Agencies, Inc. take over are related to national banks located in places with a population of over 5,000. As to such agencies at least, I am persuaded that even if what they do might be viewed as an "incident" to the business conducted by their related banks, the Board ought not to determine that it is a "proper" one—and this for the reasons that follow.

As noted above, the National Bank Act empowers only those national banks that do business in places having a population of under 5,000 to act as insurance agents, but not others. The fact that the 17 national banks here involved lack corporate power to act as insurance agents would not alone be determinative, for the exemption of 4(c)(6) was clearly not intended to be applicable only to companies that engaged in activities of a kind in which their related banks were empowered also to engage. But the dichotomy based upon population figures drawn by Congress in the National Bank Act reflects more. It clearly indicates that Congress considered it improper as a matter of national banking policy for national banks to engage in general insurance agency activities along with their banking operations, save in limited situations where Congress apparently considered that other circumstances attendant upon the small size of a banking locality justified a departure from the general rule.

It is substantially conceded by the Applicant that the separate corporate ownership of the insurance agencies affiliated with FBSC national banks in localities of over 5,000 was conceived as a device to circumvent restrictions imposed upon such banks by law. As the record reflects, the separate ownership is more a matter of form than of substance. For substantially all practical purposes, the agencies are operated by and for the profit of their related banks, and as departments thereof, in much the same manner as are the 33 FBSC bank-related agencies which are not involved in this proceeding.[55] If the instant application is granted and Agencies, Inc. is activated, Agencies, Inc. will serve to perpetuate a subterfuge. And for the Board to make a "proper incident" finding in this case would be for it in effect to place its stamp of approval on what appears to me a clear evasion of the law. The legislative history of the Act discloses that the Act was intended in part to curb the use of the holding company device as a means of evading restrictions imposed on banks by Federal and State laws.[56] I believe that purpose would be thwarted by a favorable determination of the application in this case. It is beside the point that other national banks in the area serviced by FBSC may also be chargeable with like evasions. This Act—and the Board's responsibilities under it—reaches bank holding companies and their subsidiaries; it does not reach others.

For the reasons stated above, I conclude that the record does not support a "closely related" determination within the meaning of Section 4(c)(6) as to First Service Agencies, Inc.

3. The conclusion stated above has been reached without reliance upon certain *dicta* contained in the Board's decision in the *Transamerica* case, *supra.* In that case the Board explained that the phrases "proper incident" and "purposes of the Act" as used in Section 4(c)(6) must be considered both with reference to the term "incident" as ordinarily understood and with a view to the potential sources of evil which Congress sought to remove through the general prohibitions of Section 4. The Board then stated:

> "This clear purpose of Section 4, namely 'to remove . . . potential . . . sources of evil,' provides a helpful guide in applying the requirements of Section 4(c)(6). If a nonbanking business is a 'proper incident' to banking or to managing or controlling banks, that is, if it *properly* and 'naturally appertains' thereto, it is less likely to cause a bank to be influenced by the 'unnatural' or extraneous considerations or temptations that are 'potential sources of evil'. Hence it is more likely to accord with the purposes of the Act.
>
> *"In other words, when Section 4 (c) (6) refers to 'proper incident' and to 'the purposes of this Act', it uses the terms jointly to limit the exemption of the statute to situations which substantially escape the 'potential sources of evil against which the general prohibition was directed.'"* (Emphasis supplied.)

In the *Transamerica* case, the Board recited some of the potential evils which it stated Congress considered to be inherent in common corporate control of banks and nonbanking organizations. One of them was:

> ". . . . that a holding company in extending credit, might exert pressure on borrowers to do business with the lending banks' affiliated corporations rather than with their competitors, thus denying those borrowers an appropriate freedom of choice."

The foregoing extracts from *Transamerica,* considered together, may be interpreted as precluding a Section 4(c)(6) exemption in the case of *any* insurance agency subsidiary which deals in insurance also available through other sources. For the very existence of such an insurance agency in a bank holding company family creates the potentiality of the type of "evil" specifically quoted above. And the more closely the agency is related functionally to bank lending operations—in other words, the more nearly it is an "incident" to banking operations—the greater is that potentiality and the smaller the possibility that the agency would present a situation which "substantially escape[s] the potential sources of evil against which the prohibition was directed."

In my Report and Recommended Decision in the

[55] Thus, as the record shows, the agencies related to the 17 national banks occupy space in or adjacent to bank quarters; they are supervised by bank officers; their operatoins are handled largely and sometimes entirely by bank personnel; and their commission earnings, after the deduction of other expenses, are substantially drawn off by their related banks, nominally as charges for "rent" or for "administrative services rendered", but actually, as was conceded, in effectuation of an FBSC policy to have the agencies' earnings acrrue in the main to their affiliated banks.

[56] See Footnote *26—supra.*

General Contract Corporation case,[57] I read the emphasized language of *Transamerica* quoted above as spelling out a statutory construction requiring as the touchstone for 4(c)(6) exemption a showing of substantial "escape" from the "potential sources of evil", including the specific "potential evil" adverted to above.[58] That interpretation strictly applied would be sufficient, without more, to rule out Agencies, Inc. as a company qualified for exemption. After considerable further reflection, I am no longer entirely persuaded that my previous interpretation of the *Transamerica* language precisely mirrored the Board's actual intent, or in any event, that if rigidly applied as a rule of law in all insurance agency situations, it would not be more exacting than Congress intended. As the Applicant persuasively points out in its brief, wherein it vigorously attacks the "potential evils" approach in *Transamerica*, the indicated construction, strictly applied, would make it virtually impossible for any company to qualify for a Section 4(c)(6) exemption, and would thus have the practical effect of reading that section out of the statute.

Since this case has been disposed of on other grounds, I find it unnecessary to decide one way or another whether the *Transamerica* dicta here specifically considered presents an additional basis for denial of the application relating to Agencies, Inc. The question has been raised here because it may become of importance if the conclusions I have independently reached are not adopted by the Board, and also with the thought that the Board may wish to clarify its views on this subject for the guidance of interested persons in future cases.

Upon the basis of the foregoing findings of fact and upon the entire record in the case, I make the following:

[57] Federal Reserve BULLETIN, March 1958, p. 260.

[58] *Ibid*, pp. 290-292, 295. The Board in its decision in the *General Contract* case did not pass on the correctness or incorrectness of my interpretation and application of the *Transamerica* language, as no exceptions were taken by the Applicant in that case to the related findings and conclusions in my Report.

CONCLUSIONS OF LAW

1. All the activities of First Bancredit Corporation —other than certain activities limited to furnishing services to or performing services for the Applicant and its subsidiary banks—are of a financial nature.
2. First Bancredit Corporation is not—within the meaning of Section 4(c)(6) of the Act—so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4(a)(2) of the Act to apply in order to carry out the purposes of the Act.
3. All of the proposed activities of First Service Agencies, Inc., are of an insurance nature.
4. First Service Agencies, Inc., if activated, will not be—within the meaning of Section 4(c)(6) of the Act—so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4(a)(1) of the Act to apply in order to carry out the purposes of this Act.

RECOMMENDATIONS

It is recommended that the Board of Governors of the Federal Reserve System:

1. Enter an order determining the issues in this consolidated proceeding in accordance with the findings of fact and conclusions made above.
2. Deny the requests of First Bank Stock Corporation, numbered BHC 36 and 37, for orders determining that its retention of voting shares of First Bancredit Corporation and its proposed acquisition of voting shares of First Service Agencies, Inc. are exempt from the prohibitions of Section 4 of the Act.

Dated at Washington, D. C., this 23rd day of July 1958.

(Signed) ARTHUR LEFF,
Hearing Examiner.

(Appendix A follows)

Appendix A

First Bank Stock Corporation Bank Affiliates

* Indicates banks that have related insurance agencies involved in this proceeding.
# Indicates banks that have insurance agency departments *not* involved in this proceeding.
Note: Figures in parenthesis indicate population according to 1950 census.

City and population	Name of bank	Deposits Dec. 31, 1957
Minnesota		
Minneapolis (521,718)	First National Bank:	$405,215,711
	North Side Office	
	St. Anthony Falls Office	
	West Broadway Office	
	First Bloomington Lake National Bank	14,428,488
	#First Hennepin State Bank	6,362,157
	First Minnehaha National Bank	17,713,933
	First Produce State Bank	9,259,480
	First Edina National Bank	13,674,599
	First Southdale National Bank, Edina (9,744)	2,419,882
	*First National Bank, Hopkins (7,595)	8,520,504
	#First Robbinsdale State Bank, Robbinsdale (11,289)	7,492,184
	Total for Minneapolis group	$485,086,898
St. Paul (311,349)	First National Bank	$342,594,171
	First Trust Company	2,309,556
	#First Grand Avenue State Bank	9,621,283
	#First Merchants State Bank	12,611,790
	#First Security State Bank	13,127,894
	#First State Bank	11,966,537
	#First State Bank of White Bear Lake	4,544,771
	Total for St. Paul group	$396,776,002
Albert Lea (13,545)	Freeborn National Bank	$6,769,641
Alexandria (6,319)	*First Farmers National Bank	5,847,137
Austin (23,100)	*First National Bank	19,769,837
Babbitt (2,300)	#First State Bank	580,507
Benson (3,398)	#First State Bank	2,546,323
Blue Earth (3,843)	#First and Farmers National Bank	3,144,594
Brainerd (12,637)	First National Bank	6,954,156
Cloquet (7,685)	*First National Bank	10,199,460
Duluth (104,511)	Duluth National Bank	9,689,392
	Northern City National Bank	70,295,023
East Grand Forks (5,049)	*Minnesota National Bank	6,430,360
Fairmont (8,193)	*First National Bank	5,128,512
Hibbing (16,276)	*First National Bank	13,872,836
Ivanhoe (682)	#First National Bank	2,727,278
Lakefield (1,651)	#Farmers State Bank	2,583,089
Litchfield (4,608)	#First State Bank	3,484,704
Little Falls (6,717)	*American National Bank	5,380,295
Luverne (3,650)	#First National Bank	4,506,184
Mankato (18,809)	First National Bank	14,323,825
Minneota (1,274)	#Farmers and Merchants State Bank	4,525,419
Northfield (7,487)	*Northfield National Bank	2,407,815
Owatonna (10,191)	First National Bank	7,363,894
Paynesville (1,503)	#First State Bank	2,045,407
Pipestone (5,269)	*Pipestone National Bank	2,806,726
Rochester (29,885)	First National Bank	20,385,496
Sauk Centre (3,140)	#First National Bank	2,419,013
Spring Valley (2,467)	#First National Bank	2,146,382
Virginia (12,486)	First National Bank	12,644,490
Waseca (4,942)	#Farmers National Bank	4,027,917
Wheaton (1,948)	#First State Bank	2,002,870
Willmar (9,410)	First National Bank	5,382,251
Windom (3,165)	#First National Bank	4,320,955
Worthington (7,923)	*Worthington National Bank	7,059,752
	Total for Minnesota other than Minneapolis and St. Paul groups	$273,771,540
Montana		
Billings (31,834)	Midland National Bank	$31,357,682
Bozeman (11,325)	First National Bank	11,926,063
Butte (33,251)	Metals Bank and Trust Company	39,771,636
Forsythe (1,906)	*Forsythe State Bank	4,526,234
Fort Benton (1,522)	*Chouteau County Bank	4,781,770
Great Falls (39,214)	First National Bank	43,144,327
Great Falls	First Westside National Bank	3,786,088
Havre (8,086)	First National Bank	8,846,140
Helena (17,581)	First National Bank and Trust Company	35,042,186
Helena	First Trust Company of Montana	
Lewistown (6,573)	First National Bank	10,208,022
Livingston (7,683)	First National Park Bank	7,930,304
Miles City (9,243)	First National Bank	15,289,462
Missoula (22,485)	Western Montana National Bank	18,131,713
Missoula	Southside National Bank	826,331
	Total for Montana	$235,567,958

City and population	Name of bank	Deposits Dec. 31, 1957
North Dakota		
Bismarck (18,640)	First National Bank	$19,741,254
Cando (1,530)	#First State Bank	4,424,953
Cavalier (1,459)	#Merchants and Farmers Bank	3,104,837
Cooperstown (1,189)	#First State Bank	2,697,592
Fargo (38,256)	Merchants National Bank and Trust Company	20,059,895
Grand Forks (26,836)	Red River National Bank	13,060,750
Jamestown (10,697)	*Jamestown National Bank	8,720,622
Langdon (1,838)	#Northwestern Bank	4,835,142
Lidgerwood (1,147)	#First National Bank	1,969,904
Minot (22,032)	*Union National Bank	9,469,340
Park River (1,692)	#First State Bank	2,721,944
Rolla (1,176)	#Rolette County Bank	3,349,507
Valley City (6,851)	*First National Bank	5,764,432
Wahpeton (5,125)	*Wahpeton National Bank	5,543,246
	Total for North Dakota	$105,463,418
South Dakota		
Aberdeen (21,051)	Aberdeen National Bank	$11,217,250
Clark (1,471)	#Clark County National Bank	1,917,376
Gettysburg (1,555)	#Potter County Bank	4,481,132
Highmore (1,158)	#First State Bank	2,876,338
Huron (12,788)	Branch of National Bank of South Dakota, Sioux Falls	
Lemmon (2,760)	#First National Bank	4,932,369
Miller (1,916)	#First National Bank	4,686,715
Sioux Falls (52,696)	National Bank of South Dakota with Branches at Huron, Vermillion and South Sioux Falls	24,594,714
Sioux Falls	*South Branch of National Bank of South Dakota	
Vermillion (5,337)	*Branch of National Bank of South Dakota, Sioux Falls	
	Total for South Dakota	$54,705,894
Wisconsin		
La Crosse (47,535)	Batonian National Bank	$13,860,191
	Total for all bank affiliates	$1,565,231,901

BANK SHARES, INCORPORATED

In the Matter of the Requests of Bank Shares, Incorporated For Determinations under Section 4(c)(6) of the Bank Holding Company Act of 1956. Docket Numbers BHC-38, BHC-39, BHC-40, BHC-41.

ORDER

Bank Shares, Incorporated, Minneapolis, Minnesota, a bank holding company within the meaning of Section 2(a) of the Bank Holding Company Act of 1956, has filed requests for determinations by the Board of Governors of the Federal Reserve System that the corporations hereinafter named and their activities are of the kind described in Section 4(c)(6) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1843) and Section 5(b) of the Board's Regulation Y (12 CFR 222.5(b)), so as to make it unnecessary for the prohibitions of Section 4 of the Act with respect to retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act. The corporations with respect to which the requests were filed, with the hearing docket number of each, are:

Chicago-Lake Agency, Incorporated	(BHC-38)
Columbia Heights Agency, Incorporated	(BHC-39)
Marquette Insurance Agency, Incorporated	(BHC-40)
University National Agency, Incorporated	(BHC-41)

A hearing having been held pursuant to Section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with Sections 5(b) and 7(a) of the Board's Regulation Y (12 CFR 222.5(b) and 222.7(a)); the Hearing Examiner having filed his Report and Recommended Decision wherein he recommended that the above requests be denied; Applicant having filed Exceptions and Brief with respect to each request; oral argument having been heard before the Board; the Board having given due consideration to all relevant aspects of the matter; and all such steps having been in accordance with the Board's Rules of Practice for Formal Hearings (12 CFR 263):

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date and on the basis of the record made at the hearing in this matter, that the activities of the four above-named corporations are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's requests with respect to the said four corporations shall be, and hereby are, granted.

Dated at Washington, D. C., this 21st day of July, 1959.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston and Governors Szymczak, Mills, Robertson, Shepardson, and King.

(Signed) MERRITT SHERMAN,
Secretary.

(SEAL)

STATEMENT

BACKGROUND OF THE CASE

On April 17, 1958, Bank Shares, Incorporated, Minneapolis, Minnesota, a bank holding company herein sometimes called "Applicant," filed with the Board of Governors requests for determinations that four of its nonbanking subsidiaries are of such a nature as to be exempt from the divestment requirements of the Bank Holding Company Act of 1956 (the "Act"), pursuant to Section 4(c)(6) of the Act and Section 5(b) of the Board's Regulation Y promulgated pursuant to the Act (12 CFR 222.5(b)).[1]

The subsidiaries involved consist of four insurance agencies:

Chicago-Lake Agency, Incorporated ("Chicago-Lake")
Columbia Heights Agency, Incorporated ("Columbia")
Marquette Insurance Agency, Incorporated ("Marquette")
University National Agency, Incorporated ("University")

The attached copy of the Hearing Examiner's Report and Recommended Decision describes the activities of Bank Shares, Incorporated, as well as of these subsidiaries.

As required by the statute, a formal hearing was held on all four of these requests on June 3, 4, and 5, 1958, pursuant to the regulations of the Board and the Administrative Procedure Act. The hearing in this matter was held after due notice before a duly selected and qualified hearing examiner at which opportunity was provided for presentation of evidence by the Applicant and others. Thereafter, Applicant submitted to the Hearing Examiner proposed findings of fact and conclusions of law.

The Hearing Examiner's Report and Recommended Decision was filed with the Board on December 19, 1958. The Hearing Examiner recommended that all four requests be denied. He concluded that, while the activities of the four subsidiaries are of an insurance nature, such activities are not so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4(a)(2) of the Act to apply in order to carry out the purposes of the Act. Accordingly, he recommended denial of the Applicant's requests.

On March 10, 1959, Applicant filed with the Board exceptions and brief in support thereof to the Hearing Examiner's Report and Recommended Decision, and on May 11, 1959, counsel for Applicant presented before the Board an oral argument with respect to the pending requests and

[1] The particular sections of the Act here applicable are:

"Sec. 4(a) Except as otherwise provided in this Act, no bank holding company shall—

* * *

"(2) after two years from the date of enactment of this Act . . . retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company. . . .

* * *

"(c) The prohibitions of this section shall not apply—

* * *

"(6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, and on the basis of the record made at such hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act. . . ."

* * *

Section 5(b) of the Board's Regulation Y is as follows:

"(b) *Shares of financial, fiduciary, or insurance companies.* —Any bank holding company which is of the opinion that a company all the activities of which are of a financial, fiduciary, or insurance nature is so closely related to the business of banking or of managing or controlling banks, as conducted by such bank holding company or its banking subsidiaries, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act, may request the Board for such a determination pursuant to Section 4(c)(6) of the Act. Any such request shall be filed in duplicate with the Federal Reserve Bank. After receipt of any such request, the Board will notify the bank holding company of the place and time fixed for a hearing on the requested determination; and, after the conclusion of such hearing and on the basis of the record made at the hearing, the Board will by order make or decline to make the requested determination."

the Hearing Examiner's Report and Recommended Decision.

Since all of the organizations involved are insurance agencies, and since substantially the same considerations are applicable, they may conveniently be discussed together.

Factual Summary

Chicago-Lake, a Minnesota corporation, was organized in 1942. Its office is located at 823 East Lake Street, Minneapolis, Minnesota, on the premises of the Chicago-Lake State Bank. Prior to 1942 the bank operated an insurance business as a department of the bank; the insurance department was discontinued upon incorporation of the agency.

The activities of Chicago-Lake are confined to the writing of a general line of insurance, chiefly fire and extended coverage insurance, casualty insurance and credit life insurance.

Columbia, a Minnesota corporation organized in 1948, is located at 3982 Central Avenue, Columbia Heights (adjacent to Minneapolis), and on the banking floor of the Columbia Heights State Bank. In addition, Columbia owns real estate, a substantial portion of which is used by Columbia Heights State Bank as part of its banking premises.

Columbia's insurance activities consist primarily of fire, extended coverage insurance, casualty insurance, credit life insurance, and accident and health insurance.

Marquette, a Minnesota corporation, was organized on October 9, 1923. Its office is on the banking floor of the Marquette National Bank at 7th Street and Marquette Avenue, Minneapolis, Minnesota.

Marquette's insurance activities consist principally of fire and extended coverage insurance, casualty insurance and credit life insurance.

University, a Minnesota corporation organized in 1942, maintains its office in the lobby of the University National Bank at 718 Washington Avenue, S. E., Minneapolis, Minnesota. The agency is engaged in writing insurance which consists primarily of fire and extended coverage, casualty insurance and credit life insurance.

In connection with their respective insurance activities, all of the four insurance agencies do a nominal amount of advertising.

Discussion

Preliminary requirement as to nature of activities. To qualify for exemption under Section 4(c)(6) of the Act it is first necessary that all of the activities of a company be of a "financial, fiduciary, or insurance nature." Chicago-Lake, Marquette, and University clearly meet this preliminary requirement since all of their activities are of an insurance nature.

With respect to Columbia, that agency, as previously noted, owns real estate in addition to its primary activities which are clearly of an insurance nature. Since the connected bank's occupancy of the real estate owned by Columbia is substantial, the ownership of such real estate would be, in the Board's opinion, exempt under Section 4(c)(1) if carried on by a company engaged solely in such activities. Therefore, for the reasons set forth in Part I of the Board's Statement of this date in the matter of the requests of First Bank Stock Corporation, the ownership by Columbia of the aforementioned real estate does not, in the Board's opinion, preclude exemption of its activities under Section 4(c)(6).

Closeness of relationship. Although meeting the statutory requirement as to the nature of their activities, the subsidiaries here involved must be found to be "so closely related" to the business of the Applicant's subsidiary banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

Each of the insurance agencies operates on the banking floor of the related subsidiary bank. In two cases (Chicago-Lake and Columbia) all of the clerical work of the agency is performed by employees of the related bank. In the other two (Marquette and University) the agencies have a few full-time employees, but the related bank also provides clerical help. The operations of all four agencies are supervised by the manager of Marquette. While these facts do not necessarily establish a close integration with the banking functions of the banks, they suggest at least that the operations of the insurance agencies are intimately related to the operations of the respective banks.

The agencies do a general insurance business, dealing with the general public as well as the related banks. Nevertheless, the business of the agencies is primarily with customers of the related banks, that is, depositors, borrowers, box holders, trust department clients, and other persons having dealings with the banks.

In the aggregate, according to the Hearing Examiner, about 34.8 per cent of the net premiums of the four agencies are derived from insurance directly connected with bank transactions. The percentage of premiums of each agency related to transactions of its associated bank is indicated below:

Chicago-Lake	61.6
Columbia	21.8
Marquette	44.1
University	16.1

From the point of view of the subsidiary banks, it appears that, as of May 14, 1958, 25.8 per cent in dollar amount of their secured loans was covered by insurance obtained from the affiliated agencies. As to the individual banks, the percentages of *total* loans covered by insurance obtained from the respective agencies are as follows:

Chicago-Lake State Bank	14.5
Columbia Heights State Bank	10.7
Marquette National Bank	12.6
University National Bank	22.1

Since these percentages are based on *total* loans, the percentages of *loans covered by insurance* would be somewhat higher.

In connection with the percentages set forth above, it may be noted that Applicant asserts that the aggregate amount of the net premiums of the four agencies derived from insurance directly connected with transactions of related banks should be 37.3 per cent in lieu of 34.8 per cent; that the percentage of premiums for Marquette should be 49 per cent in lieu of 44.1 per cent; and that the percentage for Columbia should be 23.8 per cent in lieu of 21.8 per cent. (Exceptions to Certain Findings of Fact of Hearing Examiner, p. 1). For reasons hereafter indicated, these differences between the percentages used by the Hearing Examiner and those advanced by the Applicant are not significant in arriving at the decision herein reached.

The Hearing Examiner concluded in his Report (p. 962) that the percentages listed above do not establish a substantial connection with bank transactions sufficient to warrant an exemption. Statements made by the Hearing Examiner seem to suggest that a substantial portion of an organization's activities must be directly connected with bank transactions in order to justify an exception and that anything less than a *majority* should not be considered "substantial". (Hearing Examiner's Report, pp. 961 and 962). It is the Board's view that Section 4(c)(6) does not make it necessary as a prerequisite to an exemption that a majority of a company's activities be directly connected with bank transactions. At the same time, the Board believes that there must be some direct and significant connection between a company's activities and the business conducted by the related subsidiary banks in order to justify a conclusion that the requisite close relationship exists. What constitutes such a connection must, it is believed, depend upon all the facts of a particular case. Mere percentages alone should not be given controlling weight. They must be considered along with other pertinent factors suggesting a close relationship.

In the judgment of the Board the percentages (61.6 and 44.1) of the business of Chicago-Lake and Marquette directly connected with bank transactions are clearly substantial; and, as to Columbia and University, the comparable percentages, although lower (21.8 and 16.1), are sufficiently substantial to be entitled to weight along with other factors in determining whether the requisite close relationship exists. Similarly, the percentages of the loan transactions of the four subsidiary banks directly connected with insurance activities of the four agencies are relatively substantial and are entitled to some weight when considered along with the other factors bearing on the closeness of the relationship required by the statute.

The Applicant stresses not only the direct functional relation of the activities of the agencies but also their value to the related banks. Thus, the agencies review insurance policies for adequacy and compliance with requirements, see that they do not lapse, and provide interim coverage where necessary. The banks would need additional personnel if these services were not provided. (Brief in support of Findings of Fact and Conclusions of Law, p. 4). Moreover, it is asserted that most, although not all, banks in the area concerned provide such insurance services to customers and that the subsidiary banks would suffer competitively if they did not do so. (Brief, *supra,* p. 7)

The Hearing Examiner held that these qualitative aspects of the relationship could not be considered as substantially identifying the business of the agencies with that of the banks. (Hearing Examiner's Report, p. 962) In the Board's opinion, such qualitative factors, while not conclusive in themselves, may be given some cumulative weight along with all other factors in reaching an over-all judgment as to whether the necessary close relationship exists between the agencies and the banks.

Propriety of relationship. In his Report the Hearing Examiner noted that, if the Federal statute (Section 13 of the Federal Reserve Act) empowering national banks in places of less than 5,000 to act as insurance agents is regarded, as argued by the Applicant, as indicating general recognition that insurance is a proper incident to banking, this fact could imply that in places of *over* 5,000—like Minneapolis—the insurance agency business is *not* a "proper" incident to banking. However, the Hearing Examiner did not pass on this question. (Hearing Examiner's Report, p. 961) For the reasons set forth in Part II of the Board's Statement of this date in the Matter of Requests by First Bank Stock Corporation, the Board believes that the national bank limitations should not be given decisive weight in the present case.

In the instant case, the Hearing Examiner apparently based his adverse recommendation primarily on a strict construction of certain statements by the Board in the *Transamerica* case regarding avoidance of "potential evils."[2] The Hearing Examiner interpreted the Board's statements in that case as meaning that potential evils are avoided only where an organization's activities are either:

"(1) . . . inherently so closely related to the business of banking or of managing or controlling banks as naturally to appertain thereto; or (2) so directly, appropriately and substantially related to bank transactions in the particular case as to be considered an aspect of the banking operation." (Hearing Examiner's Report, p. 961)

He concluded that the activities of the insurance agencies here involved are not "inherent" in the banking business; that they are not "substantially" related to banking transactions of the connected subsidiary banks; and that, therefore, they do not escape the so-called "potential evils" doctrine stated in the *Transamerica* case. He concluded also that "area practice"—the fact that about two-thirds of the banks in the area concerned have similar connections with insurance agencies—cannot be given weight "in the face of the supervening" Bank Holding Company Act. (Hearing Examiner's Report, p. 961)

The activities of an insurance agency may not, of course, be regarded as "inherent" in the banking business. It is not necessary, however, that the activities of a nonbanking organization have such an inherent relation to banking in order to warrant an exemption under Section 4(c)(6). The law requires only a determination that they are "closely related" to the banking business in the manner there set forth. Similarly, the law does not expressly require a "substantial" connection between a company's activities and the business of banking. As previously indicated, however, the Board believes that a significant functional connection must exist in order to justify a finding of the requisite close relationship, and that in the present case the activities of the insurance agencies are "substantially" related to the business of the Applicant's subsidiary banks.

As explained in Part II of the Board's Statement of this date in the Matter of Requests by First Bank Stock Corporation, the statements in the *Transamerica* case referred to by the Hearing Examiner were intended to refer to those "potential evils" that may result from the existence of common control of banks and nonbanking organizations by bank holding companies, not to all evils that may arise from relationships between banks and other organizations. In the present case, the fact that nonholding company banks as well as holding company banks in the area involved have related insurance agencies indicates that, *if* there are any potential evils in such relationships, they are not evils peculiar to holding company groups.

While area practice *alone* may not be sufficient to justify finding that an organization's activities are such as to warrant an exemption under Section 4(c)(6) of the Act, it may, in the Board's opinion, be given considerable weight as suggest-

[2] *Transamerica Corporation,* Federal Reserve BULLETIN, September 1957, p 1014.

ing, not only that such activities are an "incident" to the banking business, but that they are a *proper* incident to such business, particularly where, as here, such relationships have apparently been known to the bank supervisory authorities and have not been objected to by them.

Giving such weight to area practice might, it is true, lead to exemption of a nonbanking subsidiary in one part of the country and to denial of exemption as to a similar organization in another part of the country. Such a result, however, would not seem contrary to the purposes of Section 4(c)(6) or the Board's Regulation Y. The Regulation specifically refers to activities that are a "proper incident" to the business of banking *as conducted by the subsidiary banks involved.* This provision lends strong support to the right to consider the manner in which banks operate in a particular area, either because of local laws or because of banking practices carried on without objection by the bank supervisory authorities.

On the basis of the record in the present case, the Board concludes that the long-established practice by banks in the area—nonholding company as well as holding company banks—of maintaining connected insurance agencies, without objection by the bank supervisory authorities, may be considered as indicating that such connections are a "proper" incident to the banking business as conducted by the subsidiary banks involved.

Conclusions

In the light of all the circumstances and factors involved—particularly the substantial integration of their activities with the business of the subsidiary banks and the effect of area practice, it is the Board's view that the insurance activities of the four organizations here involved may properly be regarded as so closely related to the business of banking as conducted by the Applicant's subsidiary banks as to be a proper incident thereto and as not to be inconsistent with the purposes of the Act. To the extent that they are consistent with the foregoing statement, the Applicant's exceptions to the Hearing Examiner's Report and Recommended Decision are hereby sustained.

Accordingly, for the reasons stated above, it is the Board's judgment that the requests of Bank Shares, Incorporated, numbered BHC-38, 39, 40 and 41 for determinations under Section 4(c)(6) of the Act should be approved; and IT IS SO ORDERED.

As indicated in the Board's Order, its approval of these requests is based solely on the facts disclosed by the record; and if the facts should substantially change in the future in such manner as to make the reasons for the Board's conclusion no longer applicable, the statutory exemption resulting from the Board's present determinations would, of course, cease to obtain.

REPORT AND RECOMMENDED DECISION

STATEMENT OF THE CASE

Bank Shares, Incorporated, a duly registered bank holding company, herein called the Applicant, having filed with the Board of Governors of the Federal Reserve System requests for exemption from the prohibitions of Section 4(c)(6) of the Bank Holding Company Act of 1956, 70 Stat. 133, with respect to four subsidiary companies hereafter described, the Board, in accordance with the requirements of the statute, duly provided for a hearing thereon. Upon appropriate notice the hearing was held in Minneapolis, Minnesota, on 3, 4 and 5 June, 1958, before the undersigned Charles W. Schneider, duly designated as Hearing Examiner. The Applicant and the Board—the latter in a nonadversary capacity—were represented at the hearing by counsel, and were afforded full opportunity to be heard, to examine witnesses, to introduce evidence, and to file briefs and proposed findings. Orders correcting the transcript of record and closing the hearing were entered on 19 December 1958. On 1 December 1958 the Applicant filed a brief and proposed findings which have been considered. To the extent consistent with the findings made below the Applicant's proposed findings are accepted.

Upon the entire record in the case and from my observation of the witnesses, I make the following

FINDINGS OF FACT

I. Introduction

The particular sections of the Act here applicable are as follows:

> Sec. 4. (a) Except as otherwise provided in this Act, no bank holding company shall—
>
> (1) after the date of enactment of this Act acquire direct or indirect ownership or control of any voting shares of any company which is not a bank, or
>
> (2) after two years from the date of enactment of this Act . . . retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company. . . .
>
> * * *
>
> (c) The prohibitions in this section shall not apply—
>
> * * *
>
> (6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, and on the basis of the record made at such hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act;. . . .

Pursuant to Section 4(c)(6) Bank Shares, Incorporated seeks a determination that all the activities of four subsidiaries—Chicago-Lake Agency, Incorporated, Columbia Heights Agency, Incorporated, Marquette Insurance Agency, Incorporated, and University National Agency, Incorporated—are of an insurance nature, and so closely related to the business of banking or of managing or controlling banks as to make it unnecessary for the prohibitions of Section 4(a)(2) of the Act to apply in order to carry out the purposes of the statute.

II. The Companies

Bank Shares, Incorporated, the Applicant herein, is a Minnesota corporation and a bank holding company under the Bank Holding Company Act of 1956. It also holds a general voting permit under the Banking Act of 1933. Bank Shares, Incorporated owns the majority of shares of voting stock in each of the four subsidiaries here involved, all of them insurance agencies.

Each of the agencies operates in relation to a bank controlled by the Applicant, two of them national banks, two being state banks. Three of the banks are located in the city of Minneapolis, Minnesota, the fourth in Columbia Heights, Minnesota—adjacent to Minneapolis. The banks are as follows: Chicago-Lake State Bank, Columbia Heights State Bank, Marquette National Bank, and University National Bank.

Each agency operates from the premises of the related bank, occupying space on the banking floor. Overall the agencies write a general line of insurance consisting primarily of fire, extended coverage, casualty, credit life, and accident and health insurance. The business of the agencies is primarily with customers of the related bank—defining customers as depositors, borrowers, box holders, trust department clients, and persons having other relations with the bank.

Chicago-Lake Agency, Incorporated is a Minnesota corporation organized in 1942 and located in the premises of the Chicago-Lake State Bank at 823 East Lake Street, Minneapolis, Minnesota. Prior to 1942 the Bank operated an insurance business as a department of the Bank. When the corporation was established the insurance department was discontinued. The Agency pays the Bank $50 per month rental for the space which the Agency occupies. The clerical work of the Agency is performed by employees of the Bank—the Agency paying no salaries directly. However, it contributes towards the compensation of Bank officers. Thus in 1957 the Agency paid a total of $1,625 to three of the Bank's principal officers. In addition the Agency permits the Bank to use the Agency's automobile at a nominal charge. The Agency does a limited amount of advertising.

Columbia Heights Agency, Incorporated is a Minnesota corporation organized in 1948. The office of the Agency is located at 3982 Central Avenue, Columbia Heights, Minnesota, on the banking floor of the Columbia Heights State Bank. The Bank furnishes the Agency with clerical assistance and pays the salary of the Agency manager. In return the Agency provides certain building and parking space for the Bank.

Marquette Insurance Agency, Incorporated is a Minnesota corporation organized in 1923. Its office is located on the banking floor of The Marquette National Bank at Seventh and Marquette Avenue, Minneapolis, Minnesota. The Agency does a nominal amount of advertising. The Agency has five permanent employees, the salaries of which it pays. However, some Bank employees also do work for the Agency for which they are compensated by the Agency.

University National Agency, Incorporated is a Minnesota corporation organized in 1942. It maintains its office in the lobby of the University National Bank at 718 Washington Avenue, S. E., Minneapolis, Minnesota. The Agency does a minimum amount of advertising. The Agency pays rent to the Bank in the amount of $100 per month. The Agency has two full-time employees whose wages it pays. However, in return for payment of a sum equal to the Agency's commissions on credit life insurance the Bank provides the Agency with the clerical help required for writing such insurance.

The operations of all four agencies are supervised by the manager of the Marquette Agency, who coordinates their activities in the interest of uniformity.

Generally the Applicant's banks require insurance on collateral securing bank loans, principally in connection with real estate mortgage or automobile loans. Some of the banks may require credit life insurance in connection with certain unsecured loans. The agencies are available as a ready and convenient source of insurance where needed in connection with a loan or desired by customers generally. Some customers prefer to purchase insurance from a bank-related agency, or to secure their loans and connected insurance in a single package and in a single transaction. No compulsion is exercised upon borrowers by any of the banks to place insurance with any particular agency. Such action is contrary to law in Minnesota in connection with secured loans. *(Minnesota Statutes Annotated* § 72.34) The agencies provide a service of value to the banks by reviewing insurance policies for adequacy and compliance with requirements, and by seeing that they do not lapse, and by providing interim coverage where necessary. They also advise the bank with respect to insurance. The banks would require additional personnel if required to provide these services themselves, which other insurance agencies are presumably in a position to supply. Most banks and lending agencies in the Minneapolis-St. Paul area competitive with the Applicant's banks have affiliated insurance agencies or other related sources of insurance. Not all do, however.

RELATION BETWEEN THE AGENCIES' BUSINESS AND BANK TRANSACTIONS

A minority of the total business of the agencies is connected with bank transactions. As nearly as can be determined, the total net premiums received by the agencies in the first 11 months of 1957 were approximately $487,849. Of this amount approximately $169,782—or about 34.8%—was connected with banking transactions.[1] With respect to the individual agencies the ratios are given in the following table. It will be noted that the majority of the premium income of one agency, Chicago-Lake, is derived from insurance in connection with bank transactions.

[1] The data is drawn from Applicant's Exhibits 11 to 14, inclusive. I deem the following types of premiums to be connected with banking transactions: (1) premiums from insurance on collateral pledged to banks; (2) credit life insurance premiums; (3) premiums from insurance originating in the trust department of the banks; and (4) premiums from coverage on property of banks or of the Applicant.

	Marquette Agency	Chicago Agency	Columbia Agency	University Agency	Totals
(1) Total premiums	$232,326	$51,292	$48,281	$155,950	$487,849
(2) Premiums connected with bank transactions..........	$102,468	$31,640	$10,520	$ 25,154	$169,782
(3) Per cent of (2) to (1).........	44.1	61.6	21.8	16.1	34.8

A minority of the business of the banks is related to insurance provided by the agencies. As of 14 May 1958, 53% of the total loans of the four banks, in dollar value, was covered by insurance. Of the total loans 13.6% was protected by insurance acquired through an affiliated agency; 38.7 involved insurance acquired from other sources. Of the insured loans 25.8% in dollar amount was covered by insurance secured from an affiliated agency; the remaining 74.2% of insurance was acquired from other sources. This is illustrated by the following table taken from data in Applicant's Exhibit 17:

[In thousands of dollars]

(1)	(2)	(3)	(4)
Total loans of all 4 banks	Loans covered by insurance	Insurance acquired through affiliated agency	Insurance acquired from other sources
$37,517	$19,820 (53% of column (1))	$5,126 (13.6% of column (1)) (25.8% of column (2))	$14,537 (38.7% of column (1)) (74.2% of column (2))

With respect to the individual banks the ratios, similarly derived, are as follows:

	Amount of loans (In thousands)	Per cent of loans covered by insurance acquired through agency	Per cent of loans covered by insurance acquired through others
Marquette Nat. Bank	$26,940	12.6	36.3
University Nat. Bank	$ 3,637	22.1	50.5
Chicago-Lake State Bank	$ 4,735	14.5	47.9
Columbia Hts. State Bank	$ 2,203	10.7	36.7

III. Concluding Findings

All of the activities of the agencies here involved, so far as disclosed, are of an insurance nature, hence the case poses no problem in that respect. The question to be determined is whether the insurance agencies are so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the statute.

The case is controlled by the decision of the Board in the *Transamerica* proceeding.[2] As I interpret that case, subject to limited exceptions engagement by bank holding companies in nonbanking businesses presents possibility of potential harm or evil to the banking structure and to the public welfare. Such possibility is avoided where the activity is a proper incident of banking. The activity may be such a proper incident when either (1) it is inherently so closely related to the business of banking or of managing or controlling banks as naturally to appertain thereto; or (2) so directly, appropriately and substantially related to bank transactions in the particular case as to be considered an aspect of the banking operation.

[2] *Transamerica Corporation, Federal Reserve* BULLETIN, September 1957, p. 1014.

It would seem unnecessary to demonstrate that the business of selling a general line of insurance is not an activity inherently related to banking or the management or control of banks. If the instant companies are to be exempted from the prohibitions of Section 4 of the Act it will therefore have to be on the basis of their involvement in bank transactions.

The basic position of the Applicant is that in the State of Minnesota custom, practice and law make the business of selling insurance a proper incident of banking.

Minnesota State laws do not permit the issuance of insurance licenses to corporations; hence a bank which is a corporation cannot be licensed to be an insurance agent. Section 11 of the Federal Reserve Act (Act of 7 September 1916, 39 Stat. 753, 12 U.S.C. § 92) empowers national banks in places of under 5,000 population to act as agents for insurance companies, in conformity with regulations of the Comptroller of the Currency. This provision is not of substantial effect in Minnesota, however, since banks there cannot secure licenses as agents. Notwithstanding this, in Minnesota—and elsewhere in the region—most State and national banks in places both larger and smaller than 5,000 may conduct, have an interest in, or operate in conjunction with, insurance agencies, either in the form of a related partnership or corporation or through officers or employees of the bank. In the larger cities this manner of operation is less frequent—though still substantial. The State banking and insurance authorities are aware of the practice, and the Comptroller of the Currency presumptively so. The evidence discloses that the State authorities have no objection thereto. There is no indication as to the Comptroller's position, other than what may be inferred from what has been stated.

The Applicant urges that the provision of the law empowering national banks in places under 5,000 population to be insurance agents constitutes a general recognition by Congress of the fact that the business of insurance is a proper incident of banking. However, if that statute is to be construed as declaring what is a proper banking incident, it would perhaps be necessary to conclude by implication that in towns over 5,000—such as Minneapolis—the business of insurance is *not* a proper incident of national banking. In view of the basis for my decision, stated hereinafter, I do not find it necessary to reach that question.[3]

The Applicant relies in large measure on the foregoing history as establishing that the activities of the agencies here are closely related to and a proper incident of banking. Custom, however, cannot be dispositive in the face of the supervening statute. A determination of relationship and incidence sufficient to warrant exemption is not to be inferred merely from evidence of existence of practices. The statute places inhibitions upon bank holding companies with respect to their ownership of shares of subsidiary

[3] According to data supplied by the Applicant there are 74 banks and offices—31 national and 43 state—in the Minneapolis-St. Paul area. Of these it is said that all but 21 operate with insurance agencies of some description on the premises. The evidence does not disclose the ownership of these agencies, their form of organization, or the operating arrangements. Of the 53 banks or offices having agencies 12 are national and 41 are State Banks. The smaller proportion of national banks having agencies perhaps reflects interpretative opinion of 12 U.S.C. § 92.

companies. It is now the general policy of Congress, as it was not heretofore, to limit bank holding company systems to banking activities, subject to limited exception. To be exempt the affected companies and their activities must be related to banking, not merely to banks. The history establishes the latter, but not the former. Familial relationship is not a substitute for required identification of activity.

None of the other characteristics of the insurance agency business, as conducted by the Applicant or its banking subsidiaries, serve to impress upon the agencies inherent relationship to or incidence of banking. Various considerations advanced in this respect fall short of fulfilling the statutory standard. Thus, it is said that the agencies are of assistance to the banks; that the arrangement is a convenience to, is desired by and attracts bank customers; and that competitive institutions in the area provide package arrangements and that failure of the Applicant's banks to do the same will harm them competitively. These contentions may be accepted, but they do not tend substantially to identify the relationship of insurance sales closely with banking. The cited services or advantages do not require the maintenance of an agency controlled by the Applicant. Almost one-third of the banks in the area apparently do not find it competitively disadvantageous not to maintain affiliated insurance agencies. The Applicant's banks are doubtless as resourceful. In sum, none of the stressed considerations tend substantially to establish the agencies as inherently related to banking.

Nor are the direct relations between banks and the agencies sufficient to warrant exemption. As has been seen, with the exception of the Chicago-Lake Agency, bank transactions accounted for less than 50% of the premium income of the agencies in the period ending 30 November 1957. For the agencies as a whole the proportion of premiums so connected was 34.8%. It may be assumed that not all the activities of the subsidiary need be related to bank transactions in order to merit exemption under Section 4(c)(6). Where the non-related activities are merely incidental to the major involvement it would seem that they ought not to defeat an exemption otherwise appropriate. Here, however, the agencies are engaged in the general sale of insurance and make no attempt to restrict their activities to banking transactions. The proportion of the non-bank-connected-business of the Chicago-Lake Agency—38.4%—is more than incidental to its bank matters. That the business of the agencies is primarily with customers of the bank—in the inclusive sense in which the term has been defined, *supra*—does not connect the agencies' business with banking or banking transactions in the manner which the statute requires.

Other points raised do not affect the conclusions here reached.

Thus, that Minnesota Law (*Minnisota Statutes Annotated* § 60.68) prohibits the licensing of insurance agents if the licensee's "sole purpose" is the writing of insurance upon "his own life or property" is not dispositive. Since the Applicant's banks cannot be licensed as insurance agents the provision cannot be applicable here. Other reasons for inapplicability seem apparent from the wording of the prohibition and do not require comment. That the Applicant's policies and Minnesota law forbid the exercise of coercion upon borrowers in the placing of insurance on secured loans is also not dispositive. As the Board indicated in the *Transamerica* case, Congressional purpose was to eliminate potential for evil in the use of banking resources. That potential is not eliminated by private or local prohibitions against coercion of borrowers.

The Applicant suggests that the instant record lacks evidence "indicating the present existence of sources of potential evil" (Brief 8) and, since the Board is authorized by Section 4(c)(6) to issue orders only "on the basis of the record made at the hearing" (Senate Report No. 1095, 84th Cong., 1st Sess. page 13) no finding can be made that such potential exists here. That contention takes too limited a view of the statute. Potentiality for evil is apparent in the situation disclosed by the record, namely, the possibility of misuse of banking resources in order to gain advantage in the conduct of nonbanking activities. This is not to suggest the likelihood of such conduct by the Applicant or its banks. But proof of actual abuse is not required. The intent of Congress was to eliminate situations from which abuse could eventuate. As the Board said in the *Transamerica* case (page 1016):

"It is noteworthy that Congress, in ordering this separation of functions, did not make the requirement depend upon whether or not a particular nonbanking business of a particular bank holding company had resulted in actual abuses. The language and history of the Act make it clear that Congress intended to eliminate potential evils by correcting what it considered to be unsound corporate structures in bank holding company systems, and that it did not wish to require proof of the existence of actual evil in each particular situation."

The Applicant also appears to question the authority of the Board to establish what the Applicant refers to as a standard of "kind of closeness" for securing exemption. (Brief 10) It is not within the province of the Board's hearing examiner to review principles established by the Board. Such proposals must be directed to the Board itself. But in any event I perceive no unwarranted exercise of authority. As I interpret the *Transamerica* decision, there is scope on the basis of the principles there stated for the proper operation of insurance agencies affiliated with bank holding companies. If that latitude is insufficient the grievance must be addressed to Congress.

Upon the basis of the foregoing findings of fact, and upon the entire record in the case, I make the following:

IV. Conclusions of Law

1. All the activities of Chicago-Lake Agency, Incorporated, Columbia Heights Agency, Incorporated, Marquette Insurance Agency, Incorporated, and University National Agency, Incorporated, are of an insurance nature.

2. The aforesaid companies are not—within the meaning of Section 4(c)(6) of the Act—so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4(a)(2) of the Act to apply in order to carry out the purposes of the Act.

V. Recommendation

It is recommended that the Board of Governors of the Federal Reserve System:

1. Enter an order determining the issues in this proceeding in accordance with the findings of fact and conclusions made above.

2. Deny the request of Bank Shares, Incorporated, for an order under Section 4(c)(6) of the Act determining that the shares of Chicago-Lake Agency, Incorporated, Columbia Heights Agency, Incorporated, Marquette Insurance Agency, Incorporated, and University National Agency, Incorporated are exempt from application of the prohibitions of Section 4(a)(2) of the Act.

Dated at Washington, D. C., this 22nd day of December, 1958.

(Signed) CHARLES W. SCHNEIDER
Hearing Examiner.

NORTHWEST BANCORPORATION

In the Matter of the Requests of Northwest Bancorporation for Determination under Section 4(c)(6) of the Bank Holding Company Act of 1956. Docket Numbers BHC-42, BHC-43, BHC-44.

ORDER

Northwest Bancorporation, Minneapolis, Minnesota, a bank holding company within the meaning of Section 2(a) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1843), has filed requests for determinations by the Board of Governors of the Federal Reserve System that the corporations hereinafter named and their activities are of the kind described in Section 4(c)(6) of the Act and section 5(b) of the Board's Regulation Y (12 CFR 222.5(b)), so as to make it unnecessary for the prohibitions of Section 4 of the Act with respect to retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act. The corporations with respect to which the requests were filed, with the hearing docket number of each, are:

Northwestern Mortgage Company	(BHC-42)
South Side Insurance Agency, Inc.	(BHC-43)
Union Investment Company	(BHC-44)

A hearing having been held pursuant to Section 4(c)(6) of the Act and in accordance with Sections 5(b) and 7(a) of the Board's Regulation Y (12 CFR 222.5(b) and 222.7(a)); the Hearing Examiner having filed his Report and Recommended Decision wherein he recommended that all three of the above requests be denied; Applicant having filed Exceptions and Brief with respect to all of the said requests; oral argument having been heard before the Board; the Board having given due consideration to all relevant aspects of the matter; and all such steps having been in accordance with the Board's Rules of Practice for Formal Hearings (12 CFR 263):

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date and on the basis of the record made at the hearing in this matter, that:

1. The activities of Northwestern Mortgage Company are determined not to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's request with respect to Northwestern Mortgage Company shall be, and hereby is, denied; and

2. The activities of South Side Insurance Agency, Inc., and of Union Investment Company are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's requests with respect to South Side Insurance Agency, Inc., and Union Investment Company shall be, and hereby are, granted.

Dated at Washington, D. C., this 21st day of July, 1959.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston and Governors Szymczak, Mills, Robertson, Shepardson and King.

(Signed) MERRITT SHERMAN,
Secretary.

(SEAL)

STATEMENT

BACKGROUND OF THE CASE

On March 14, 1958, Northwest Boncorporation, (hereafter sometimes called the "Applicant"), a Delaware Corporation with its principal office and place of business in Minneapolis, Minnesota, and a bank holding company as defined in Section 2(a) of the Bank Holding Company Act of 1956 (the "Act"), filed with the Board of Governors of the Federal Reserve System (the "Board") requests for determinations that three of its nonbanking subsidiaries are of such a nature as to be exempt under Section 4(c)(6) of the Act from the prohibitions of Section 4(a) of the Act. The nonbanking subsidiaries involved are Northwestern Mortgage Company ("Mortgage"), South Side Insurance Agency, Inc. ("South Side") and Union Investment Company ("Union").

Section 4(a) of the Act makes it unlawful, subject to certain exceptions, for a bank holding company (1) to *acquire* direct or indirect ownership or control of voting shares of any company that it not a bank, or (2) to *retain* direct or indirect ownership or control of voting shares of any such company after two years from the date of enactment (May 9, 1956) of the Act. All three of the nonbanking subsidiaries are companies a majority of all of the voting shares of which were owned by the Applicant on the date of the Act and are presently so owned pending determination of the present matter. The time allowed for divestment by the Applicant of its ownership of such stock has been extended by the Board pursuant to the provisions of the Act allowing such extensions.

The Applicant's retention of stock of Mortgage, South Side, and Union escapes the prohibitions of the Act only if it falls within one of the exceptions provided by the Act. Section 4(c)(6) of the Act excepts shares of a nonbanking company if two requirements are met: (1) if all the activities of the company are of a financial, fiduciary or insurance nature, and (2) if the Board determines, on the basis of the record made at a hearing, that the activities of the company are so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act. Section 5(b) of the Board's Regulation Y, issued pursuant to the Act, paraphrases the language of the Act, but requires that the activities of a company must be closely related to the business of banking or of managing or controlling banks "as conducted by such bank holding company or by its banking subsidiaries." [1]

As required by the statute, the Board, on May 8, 1958, ordered that a hearing be held on the Applicant's requests; and such a hearing was held at Minneapolis, Minnesota, before a duly designated Hearing Examiner on July 14, 15, 16 and 17, 1958. Following the conclusion of that hearing, the Applicant on September 15, 1958, submitted proposed findings with an accompanying brief. In his Report and Recommended Decision, filed with the Board on November 18, 1958, the Hearing Examiner recommended denial of all three of the Applicant's requests. Subsequently the Applicant filed with the Board exceptions to the Hearing Examiner's Report and Recommended Decision; and on May 11, 1959, the Applicant presented oral arguments before the Board.

The salient relevant facts with respect to Mortgage, South Side and Union are set forth hereafter in this Statement. Additional facts with respect to their activities are contained in the Hearing Examiner's Report and Recommended Decision attached hereto; and, to the extent not inconsistent with this Statement, the findings of fact made by the Hearing Examiner are hereby adopted.

In determining whether or not the pending requests should be granted, the Board has considered solely the facts embraced in the record of the hearing held in this matter. In addition, however, the Board has considered arguments presented in the Applicant's proposed findings, the Hearing Examiner's Report and Recommended

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[1] The relevant language of the Act and the regulation is as follows:

"Sec. 4(a) Except as otherwise provided in this Act, no bank holding company shall—

* * *

"(2) after two years from the date of enactment of this Act . . . retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company. . . .

* * *

"(c) The prohibitions of this section shall not apply—

* * *

"(6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, and on the basis of the record made at such hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act. . . ."

* * *

"Section 5(b) of the Board's Regulation Y is as follows:

"(b) *Shares of financial, fiduciary, or insurance companies.*—Any bank holding company which is of the opinion that a company all of the activities of which are of a financial, fiduciary, or insurance nature is so closely related to the business of banking or of managing or controlling banks, as conducted by such bank holding company or its banking subsidiaries, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act, may request the Board for such a determination pursuant to Section 4(c)(6) of the Act. Any such request shall be filed in duplicate with the Federal Reserve Bank. After receipt of any such request, the Board will notify the bank holding company of the place and time fixed for a hearing on the requested determination; and, after the conclusion of such hearing and on the basis of the record made at the hearing, the Board will by order make or decline to make the requested determination."

Decision, the Applicant's exceptions thereto, and the transcript of the record of the oral argument before the Board. The Board's findings and conclusions are hereafter set forth with respect to each of the companies involved.

I. Northwestern Mortgage Company (BHC-42)

Factual Summary

Northwestern Mortgage Company ("Mortgage") was incorporated under the laws of Minnesota on June 27, 1927, under the name of the Central Company, to take over the insurance agency business of the insurance department of the Minnesota Loan and Trust Company. In 1934, when the Minnesota Loan and Trust Company was merged with the Northwestern National Bank under the name of Northwestern National Bank & Trust Company ("Bank"), the property management department which had been built up by the former was transferred to the renamed insurance agency. There are 250 shares of common stock of Mortgage outstanding, all of which are owned or controlled by the Applicant. Mortgage is authorized to do business in a six-State area also served by the Applicant.

Mortgage has offices in the Northwestern Bank Building in Minneapolis, the building which also houses Bank, the largest banking subsidiary in the Northwest system, as well as the home offices of the Applicant. Mortgage and the Applicant have several directors in common, and several officers of the Applicant are directors of Mortgage. Mortgage is more closely related to Bank than to any of the other banking subsidiaries of the Applicant, although it performs miscellaneous services for many of them. However, it is financially independent of Bank and has its own highly specialized personnel.

Activities of Mortgage may be classified generally under three headings. The first, insurance, is the least important, producing only 1.9 per cent of Mortgage's gross income, and falls into two entirely separate parts. One part represents commissions on policies written as part of the mortgage loan and real estate management and sales activities of Mortgage. The other part represents blanket coverage under the so-called "Stuyvesant plan." Affiliated banks of Northwest can and do obtain automobile insurance policies under this plan in connection with automobile loans, and can thus compete with finance companies specializing in loans of this type.

The second activity of Mortgage, producing 71.6 per cent of its gross income, comprises the management, rental and sale of city and farm properties and farm livestock as agent or broker for private individuals—almost all customers of Northwest banks—and for the trust department of Bank and other Northwest banking affiliates.

The third activity, brokerage and servicing of city real estate loans, produces 23 per cent of the gross income of Mortgage. When various Northwest banking affiliates are approached by customers for mortgage loans which they do not wish to make because money is generally tight, or because the term of the loan is too long or the amount is outside the bank's lending limit, or for any other reason, they refer these customers to Mortgage which arranges the loan with any one of a number of insurance companies. Mortgage also arranges loans of this kind for banks in the Northwest system that have excess loanable funds.

In the aggregate, 17.7 per cent of the gross income of Mortgage derives from transactions on behalf of Northwest banking subsidiaries, particularly of Bank. The proportion varies among the three categories of business listed above. Brokering mortgage loans for the affiliated banks accounts for only 8.6 per cent of the portion of the gross income deriving from this activity. Since this type of loan is made only upon request by an affiliated bank (or by the borrower), volume varies with the amount of excess loanable funds which the banks have on hand. In periods when credit was easier, the total amount of these loans, and presumably income from them, bulked much larger than at present. When money is tight, business done for the banks diminishes.

A more significant connection appears in the property management area. Forty-five per cent of gross income of Mortgage derives from city real estate and property management and 15.3 per cent of this is attributable to banking subsidiaries of the Applicant. The proportion of gross income deriving from farm loans, management and sales is 26.6 per cent, and 33 per cent of this is similarly attributable to banking subsidiaries of Applicant. Taking farm management alone, the Applicant's figures show that 14.5 per cent[2] of the farm properties managed by Mortgage in 1957 were managed for the affiliated banks and that 11 per cent of its income from farm management derived from fees for managing farm properties for these banks. Looking at the relationship from the side of the Bank, it appears from the Hearing Examiner's Report (although he made no direct finding on this point) and from the record of the hearing that Mortgage handles almost all of the property management business generated by the trust department of Bank, although very little of that arising with the other affiliated banks.

In order to have these services available to Bank at all times, wherever needed, Mortgage has further built up the staff of experts which it took over from the Minnesota Loan and Trust Company. These experts are trained in farm management and specialize in the diverse types of farming practiced over the large area served by Bank. Similarly, Mortgage has a staff of city real estate management experts. It has not been possible to maintain an organization on this scale for the benefit of trust business generated by the Northwest banks alone. In order to keep the organization functioning on an economical basis, it has been found necessary to accept business from outside sources. However, outside business in respect to property management is done almost without exception for customers of Bank and of the other banking affiliates of the Applicant. In addition, it appears that these banking affiliates frequently make use of advisory services which Mortgage is in a position to render, in connection with properties they handle in their trust departments.

Only a small fraction of the insurance income of Mortgage, 3.2 per cent, is attributable to business done for the banking affiliates. The Stuyvesant plan aspect of the insurance activity is entirely related to the business of these affiliates, but because little or no testimony was offered tending to prove the amount of business done under the plan, the Hearing Examiner was unable to make a finding on the proportionate importance of that segment of the insurance business.

No evidence was adduced at the hearing, and no finding was made by the Hearing Examiner, as to whether other banks in the area served by banking affiliates of the Applicant have similar relationships to separately incorporated agencies of the kind represented by Mortgage. The Applicant did lay considerable stress upon the high quality of the services rendered by Mortgage, and the Hearing Examiner found that it would cost Bank many times the amount paid Mortgage in fees annually to establish a comparable property management division within its own trust department. Testimony in the record tends to prove that the Minnesota Loan and Trust Company had unsatisfactory experiences with independent agents which it employed to manage its properties, and that the department whose functions were transferred to Mortgage was founded because independent agents did not provide satisfactory service.

Preliminary Requirement as to Nature of Activities

The Hearing Examiner found, and the Board agrees, that "the business of managing, renting and selling property as an agent is fiduciary in nature" and that "the brokerage and servicing of real estate loans . . . are financial in character." Accordingly, since its remaining activities are of an insurance nature, Mortgage meets the preliminary requirement of Section 4(c)(6) of the Act that all of a company's activities must be "of a financial, fiduciary, or insurance nature."

Relation to Banking Business

Even though Mortgage complies with this preliminary requirement of the law, the statute and the Board's Regulation Y further require that an exemption shall be granted only if the Board determines, after a hearing, that the activities of Mortgage are "so closely related" to the business of banking or of managing or controlling banks, as conducted by the Applicant and its banking subsidiaries, as to be a "proper incident" to such business and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act. As the Board pointed out in its Statement of this date with reference to the application of First Bank Stock Corporation for exemption of First Service Agencies, Inc., this determination is to be made on the basis of all the relevant facts and circumstances disclosed by the record of the hearing.

The Hearing Examiner in the present case expressed the view that the propriety of the incident

[2] The figure found by the Hearing Examiner, to which the Applicant took exception, was 8.7 per cent.

may be established in either of two ways: (1) by a showing that it is "inherently" so closely related to the business of banking in general as naturally to appertain thereto; or (2) by a showing that the activities are so "directly, appropriately, and substantially related to banking transactions in the particular case as to be considered an aspect of the banking operation." Thus, his first test is qualitative, relating to the nature of the activity; and his second test is quantitative, relating to the proportion of total transactions of the subsidiary banks and of Mortgage that are directly connected with each other.

Having laid down these tests, the Hearing Examiner found that property managing and loan brokering, "though activities of a kind sometimes performed by a bank in connection with its operations, are not thereby inherently related to banking." As to the substantial nature of the connection, he believed that "at least the word [substantial] embraces 'major part'." He felt that such a substantial relationship must exist both as to the proportion of the nonbanking subsidiary's business that is related to the affiliated banks or bank holding company and as to the proportion of the relevant business of the bank or banks (or bank holding company) that is related to the nonbanking subsidiary. Since less than one-fifth of the business of Mortgage is done for the affiliated banks (or for the Applicant), he concluded that exemption should be denied.

While not necessarily adopting these tests, the Board agrees with the Hearing Examiner that the decision on the present application is governed by the Board's decision in the case of *Transamerica Corporation,* Federal Reserve BULLETIN, September 1957, p. 1014. In that decision, the Board stated that

> ". . . it seems evident that Congress was of the view that, in general and subject to only limited exceptions, bank holding company systems should be restricted to banking activities and should not engage in other types of business for the reason that common control of banks and nonbanking organizations could give rise to evils of several kinds." Id. at 1016.

These limited exceptions are available only where the relationship between the banking and the nonbanking organizations is sufficiently close to establish the propriety of the connection, and to avoid the possibility that evils of the kind foreseen by Congress might arise.

The *Transamerica* decision dealt with a case in which the relationship was qualitative only, being limited to a mere similarity of function between banking and the business of an insurance company which was a holding company subsidiary. The Board held that this was not sufficient to justify granting an exception under the statute. On the other hand, in its Statement of the present date with respect to the application of First Bank Stock Corporation, the Board held that, where insurance agencies are commonly operated in connection with banks in the area involved, and where there is a significant quantitative connection between the business of agencies owned by a holding company subsidiary and the business of individual banking subsidiaries related to those agencies, shares of the nonbanking subsidiary may be exempted from the divestment requirements of Section 4. In that case, the area practice served to establish a proper qualitative relationship, i.e., that independent organizations of a particular kind are commonly operated in connection with banks in the area in question and that such operation is a proper incident of the banking business.

The area practice in that case also tended to overcome the presumption of a potentiality for evil envisaged by the statute where there is common control of banking and nonbanking organizations. The potential evils against which the Act is directed are evils which may be said to arise from, or be accentuated by, the operation of bank holding companies. Since area practice, acquiesced in by the Comptroller of the Currency and by State supervisory authorities, sanctions the operation of insurance agencies in connection with both nonholding company and holding company banks, the evils, if any, incident to such relationships cannot be said to be causally connected with the operation of bank holding companies.

While stronger than the mere similarity between banking and the business of the insurance subsidiary in the *Transamerica* case, the qualitative relationship in the case of Mortgage is limited to the fact that property management and mortgage loan brokering are functions that are frequently performed by banks. The Applicant made no showing that it is common for banks in the area in question to have related or affiliated corporations which carry on a business of this kind.

Nor is the relationship between the business of Mortgage and the business of the Applicant's subsidiary banks of a kind that would tend to negate the potential sources of evil with which Congress was concerned. On the contrary, on the Applicant's own showing, the business of Mortgage was developed to its present size and efficiency largely because of the ample resources, the volume of business to be tapped, and the planning and managerial talent made available through the holding company form of organization. In addition, the extensive geographic spread of Mortgage's operations appears in practice to be largely unavailable to banks which are outside a holding company group. Thus, any potentiality for evil in that relationship would appear to be peculiar to holding company operation. This is not to say that such evils exist at present, or that they are imminent. Congress did not, as the Hearing Examiner pointed out, "condition its prohibitions upon the occurrence of abuses. Congressional purpose . . . was to eliminate any possibility of such occurrence."

While a substantial quantitative connection may be regarded as existing between Mortgage and the Applicant's subsidiary banks, nevertheless, for the reasons heretofore indicated, it is the Board's judgment that the activities of Mortgage are not related to the business of such banks in such a manner as clearly to be a "proper" incident thereto or as to be consistent with the purposes of the Act.

Conclusion

After carefully considering all the relevant facts and circumstances developed at the hearing and discussed at the oral argument before the Board, as well as the Report and Recommended Decision of the Hearing Examiner, and the Applicant's exceptions and brief in support thereof, the Board has determined, for the reasons set forth above, that the activities of Northwestern Mortgage Company are not so closely related to the business of banking, as conducted by the Applicant's subsidiary banks, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

Accordingly, for the reasons set forth herein, it is the Board's judgment that the requested exemption with respect to Mortgage should be denied; and IT IS SO ORDERED.

II. South Side Insurance Agency, Inc. (BHC-43)

Factual Summary

South Side Insurance Agency, Inc. ("South Side") was organized in 1922 under the laws of Minnesota to take over the insurance business formerly conducted by an unincorporated agency related to the bank which in 1927 became the Fourth Northwestern National Bank of Minneapolis ("Fourth"). The Applicant acquired stock in both South Side and Fourth in 1929, and now owns all but two of the 50 outstanding shares of the first, and 92.5 per cent of the stock of the second.

Since the bank was founded in 1899, there has always been an insurance agency operated in conjunction with Fourth and its predecessors. Despite separate incorporation, the manner of operating the agency remains substantially similar and the Hearing Examiner found that because of the historical connection "many Bank customers associate the Agency with the Bank, expect insurance as a part of bank services, and place insurance with the Agency." South Side has offices on the second floor of the building which houses Fourth, and one of the two entrances to the agency is through the bank lobby. While personnel of the two are separate, they have some common directors and officers, including the president and vice-president of each.

South Side is engaged in a general insurance business but sells no life or credit life insurance. A relatively small proportion of the insurance sold by the agency is related directly to banking transactions of Fourth. Of the premiums written in 1957, only 5.9 per cent represented insurance on real estate or personal property involved in loans by Fourth, and .8 per cent policies in which the bank was the named insured. An analysis from the side of the bank gives a more significant result. Of the $4,039,236 of loans outstanding on June 21, 1958 on which Fourth required insurance of security, 20.3 per cent was insured through South Side. Of this figure, $2,145,812 represented real estate mortgages purchased by the bank, on which the agency presumably had no prior opportunity to write the insurance. Accordingly, the proportion of secured loans on which insurance was required which were insured through South Side, to the total of such loans which could have been so insured, was substantially in excess of 20 per cent.

Defining "customers" to include depositors, borrowers, deposit box renters, or persons whose obligations are held by the bank, about 50 per cent of the customers of the Agency were also customers of the bank in 1957. Premiums on insurance written for customers of Fourth, however, represented 87.7 per cent of total premiums written by the agency in that year.

Finally, as pointed out in the Board's statement accompanying its order of this date with reference to the application of First Bank Stock Corporation for exemption of First Service Agencies, Inc., it is a fact of special significance that the operation of insurance agencies in connection with banks is a practice that has prevailed for many years in Minnesota, without evidence of objection on the part of the bank supervisory authorities. From a survey made by the Applicant and relied on by the Hearing Examiner, 48 per cent of the Minnesota banks in the classification to which Fourth belongs, i.e., national banks in places of over 5,000 population, have connected insurance agencies.

Preliminary Requirements as to Nature of Activities

Since South side confines itself to selling insurance (other than life insurance) there is no question but that it meets the preliminary requirement for exemption under Section 4(c)(6) of the Act—that all the activities of the company involved be of a "financial, fiduciary, or insurance nature".

Relation to Banking Business

The statute and the Board's Regulation Y require that, after passing the preliminary test, the company's activities must be determined by the Board to be "so closely related" to the business of banking or of managing or controlling banks, as conducted by the Applicant and its banking subsidiaries, as to be a "proper incident" to such business and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act. This determination is to be made on the basis of all of the relevant facts and circumstances disclosed at a hearing held in the case.

The weight which the Board believes should be given these factors and circumstances is discussed at length in its Statement in the First Bank Stock Corporation matter referred to above. For the reasons there set forth, it is the Board's judgment that the direct connection between the activities of South Side and the activities of Fourth, considered in the light of the historical, physical, and personnel connection between the two, is sufficiently great as to be given strong weight, along with other pertinent factors, as suggesting the requisite close relationship required by the statute. The degree to which common customers make use of facilities offered by both is a cumulative factor entitled to be considered in this respect. Area practice, prevalent in Minneapolis as elsewhere throughout the region in which the Applicant operates, under which banks in these localities participate in insurance arrangements of the kind described in this Statement, as the Hearing Examiner points out, is a weighty circumstance when considered apart from the enactment of the Bank Holding Company Act. In the opinion of the Board, the enactment of that statute does not diminish the weight to be accorded such area practice.

Propriety of the Relationship and the Avoidance of Potential Evil

In the language of the Hearing Examiner,

> "In general, and subject to limited exceptions, engagement by bank holding companies in nonbanking businesses presents possibility of potential harm or evil. Such possibility is avoided only where—and Congress so provided—the activities of a financial, fiduciary, or insurance subsidiary of a bank holding company are reasonably required for and appropriate to the discharge of an associated banking function. . . . If there remains potential for evil [after the activities of such a subsidiary are shown to be so reasonably required and appropriate] it is a potential inherent in the business of banking, and—unless prohibited by Section 6 of the Act [citation omitted]—not within the reach of this statute."

It was the belief of the Hearing Examiner that the propriety of the incident might be established either by showing that it is "inherently so closely related to the business of banking in general as naturally to appertain thereto" or "by a showing that the activities are so directly, appropriately, and substantially related to banking transactions in the particular case as to be considered an aspect of the banking operation." Applying these tests to the case before him, he concluded that the prevalent area practice of having insurance agencies operated in connection with banks does not, because of the supervening policy expressed by the Bank Holding Company Act, support the propriety of the relationship. As to the substantiality of the direct connection between the two, he felt that the word "substantial" embraces at least "major part." Since connected transactions formed only 6.7 per cent of the business of the agency and less than a half, although more than a fifth, of the relevant business of the bank, he found that South Side failed to meet this test as well.

The applicant took exception to the use of both tests. While not necessarily adopting these as excluding alternative analyses, the Board differs with the Hearing Examiner as to their application. For the reasons set forth in its statement previously cited, the Board believes that the Act was directed at potential sources of evil that may be said to arise from, or be accentuated by, the operation of bank holding companies. If there is a potential for evil in the association between individual banks and related insurance agencies, this is "a potential inherent in the business of banking and . . . not within the reach of" the statute. Accordingly, the area practice may be viewed as supporting the conclusion that there is an inherent relationship between the insurance agency business and the business of banking as conducted *in this area* by this Applicant and its subsidiary banks, and that the business of South Side is a proper incident to the banking business of Fourth.

Turning to the Hearing Examiner's second test, after carefully considering his recommendation, the Board nevertheless believes that the percentages and other factors mentioned above are sufficiently significant to warrant the conclusion, in the light of the area practice just discussed, that the close relationship required by the statute may properly be regarded as existing in the present case.

Conclusion

On the basis of all the circumstances—historical, physical, and personnel relationship, the extent of direct connection between the activities of the agency and the Applicant's related subsidiary bank, the degree to which common customers are enjoyed by both, and particularly the sanction given by long-established practice in the area concerned to the operation of bank-connected insurance agencies—the Board has determined that the activities of South Side Insurance Agency are so closely related to the business of banking as conducted by Fourth Northwestern National Bank of Minneapolis as to be a proper incident thereto, and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act. To the extent that they are consistent with the foregoing statement, the Applicant's exceptions to the Hearing Examiner's Report and Recommended Decision are hereby sustained.

Accordingly, for the reasons herein set forth, it is the Board's judgment that the requested exemption with respect to South Side should be granted; and IT IS SO ORDERED.

As indicated in the Board's Order, its approval of this request is based solely on the facts diclosed by the record; and if the facts should substantially change in the future in such manner as to make the reasons for the Board's conclusion no longer applicable, the statutory exemption resulting from the Board's present determination would, of course, cease to obtain.

III. Union Investment Company (BHC-44)

Factual Summary

Union Investment Company ("Union") owns seven insurance agencies, each of which is operated in connection with a banking subsidiary of the Applicant. It has offices in the Northwestern Bank Building in Minneapolis. All the outstanding voting stock in Union is owned by the Applicant.

Union was organized under the laws of Delaware on October 29, 1903 and existed for many years as an independent bank holding company. In 1929, when it was acquired by the Applicant, Union owned stock in 31 banks in Minnesota, North Dakota, and Wisconsin. These stocks were gradually transferred to the Applicant in exchange for stocks in nonbanking subsidiaries of banks brought into the system, so that Union could liquidate these subsidiaries, or, if thought suitable for holding company ownership, retain and manage them. The seven agencies involved in the present application comprise all of those which were finally retained. In recent year Union's liquidation activities have been of minor importance and confined to the disposition of assets of questionable banking value or character. The Company is in a position to participate at any time in the liquidation of assets, however; and it now holds $58,000 in Government securities available for such purpose.

As in the case of the application by First Bank Stock Corporation with respect to First Service Agencies, Inc., decided by the Board as of this date, the issue here must depend, not upon the relationship of the business of each insurance agency to that of the bank with which it is connected, but upon the relationship of the activities of all of the insurance agencies *in the aggregate* to the business of banking as conducted by the Applicant and its subsidiary banks.

Each of the seven insurance agencies has been operated for a long time in connection with its related bank. Some, at least, were originally insurance departments of their banks, and became separate agencies, or were incorporated, at a later date. All the agencies are located on, or close to, bank premises. Five are directly accessible from the banking room during regular banking hours. The other two, both associated with stockyard banks and specializing in livestock transit insurance, must be reached by a public corridor or general building entrance and stairway.

Financial and organizational arrangements between the agencies and the connected banks vary; some agencies have their own employees, some use bank employees. In some cases, the licensed agents are bank officers, in other they are not. Two of the agencies, including one of the stockyard agencies, are self-sufficient financially. Others have varying arrangements under which a stated small percentage (one-half to one per cent) of net premium income goes to Union, while the balance is paid out to the bank in the form of rent and charges for personnel and supervision.

The agencies do a general insurance business, except that they write little or no life insurance. Two of the seven write a substantial amount of credit life insurance. Taking aggregate figures, 15.5 per cent of the agencies' premium income in 1957 derived from insurance related to transactions connected with the related banks (including 1.1 per cent derived from insurance where the bank was the named insured), while 21.2 per cent of their gross commissions derived from insurance so related. Viewing the related transaction in the same year from the side of the related banks, 37.5 per cent of the secured loans made by the banks on which insurance was required were insured through the related agencies.

Defining "customers" to include depositors, borrowers, deposit box renters, or persons whose obligations are held by the related banks, more than 60 per cent of the customers of the agencies were also customers of the related banks. The services offered by the two stockyard agencies are particularly valuable to their related banks since the banks finance the livestock and packing industries and this financing requires several highly specialized types of insurance which the agencies are peculiarly qualified to supply.

Finally, as was pointed out in the Board's Statement accompanying its order of this date with reference to the application of First Bank Stock Corporation for exemption of First Service Agencies, Inc., it is a fact of special significance that the operation of insurance agencies in connection with banks is a practice that has prevailed for many years in the area concerned, without evidence of objection on the part of the bank supervisory authorities. Each of the seven agencies is connected with a national bank which is located in a town of over 5,000 population. According to a survey made by the Applicant and relied on by the Hearing Examiner, 48 per cent, 64 per cent and 31 per cent, respectively, of banks falling into this classification in the States of Minnesota, North Dakota and Iowa, where the seven banks are located, have related insurance agencies.

Preliminary Requirements as to Nature of Activities

Except for its liquidating activities, all of the functions of Union are clearly of an insurance nature and therefore meet the preliminary requirement of Section 4(c)(6). The liquidating activities of Union would be exempted under another subsection of the statute. For the reasons set forth in the Statements accompanying the Board's decisions of this date with respect to requests by First Bank Stock Corporation, Bank Shares, Inc., and Otto Bremer Company, the Board agrees with the Hearing Examiner that the fact that part of

Union's activities may be entitled to exemption under one section of the Act and part under another creates no barrier to a favorable decision on the application. The Board agrees with the finding of the Hearing Examiner that the liquidating activities of Union would not bar exemption under Section 4(c)(6).

Closeness and Propriety of Relationship

On the basis of the record and particularly the facts heretofore stated, it is the Board's view that the activities of Union bear a direct and substantial relationship to the business of the Applicant's subsidiary banks. For reasons set forth in the Board's Statement of this date with respect to the request of First Bank Stock Corporation for exemption as to First Service Agencies, Inc., the Board believes that the activities of Union should not be regarded as an "improper" incident to the business of such subsidiary banks merely because those banks are national banks which may not themselves act as insurance agents. Also for reasons set forth in that Statement, the Board concludes that the prevalence in the area concerned of bank-connected insurance agencies with respect to nonholding company as well as holding company banks negatives the existence of the potential sources of evil contemplated by the Bank Holding Company Act, and that, therefore, the relation of Union's activities to the business of the Applicant's banks is not inconsistent with the purposes of the Act.

Conclusion

After carefully considering all the circumstances —historical, physical, and personnel relationship, the extent of direct connection between the activities of Union's insurance agencies and the Applicant's related subsidiary banks, the degree to which common customers are enjoyed by both, the peculiar importance of the two stockyard agencies to their respective related banks, and particularly the sanction given by long-established practice in Minnesota, North Dakota and Iowa to the operation of bank-connected insurance agencies—the Board has determined that the activities of Union Investment Company are so closely related to the business of banking as conducted by the seven related banking subsidiaries of the Applicant as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act. To the extent that they are consistent with the foregoing statement, the Applicant's exceptions to the Hearing Examiner's Report and Recommended Decision are hereby sustained.

Accordingly, for the reasons herein set forth, it is the Board's judgment that the requested exemption with respect to Union Investment Company should be granted; and IT IS SO ORDERED.

As indicated in the Board's Order, its approval of this request is based solely on the facts disclosed by the record; and if the facts should substantially change in the future in such manner as to make the reasons for the Board's conclusion no longer applicable, the statutory exemption resulting from the Board's present determination would, of course, cease to obtain.

REPORT AND RECOMMENDED DECISION

STATEMENT OF THE CASE

Northwest Bancorporation, a duly registered bank holding company, herein called the Applicant, having filed with the Board of Governors of the Federal Reserve System a request for exemption from the prohibitions of Section 4(c)(6) of the Bank Holding Company Act of 1956, 70 Stat. 133, with respect to three subsidiary companies hereafter described, the Board, in accordance with the requirements of the statute, duly provided for a hearing thereon. Upon appropriate notice the hearing was held in Minneapolis, Minnesota on 14, 15, 16, and 17 July 1958, before the undersigned Charles W. Schneider, duly designated as Hearing Examiner. The Applicant and the Board—the latter in a non-adversary capacity—were represented at the hearing by counsel, and were afforded full opportunity to be heard, to examine witnesses, to introduce evidence, and to file briefs and proposed findings. Orders correcting the transcript of record and closing the hearing were entered on 18 November 1958. The Applicant has filed a brief and proposed findings which have been considered. To the extent consistent with the findings made below the Applicant's proposed findings are accepted.

Upon the entire record in the case and from my observation of the witnesses, I make the following

FINDINGS OF FACT

I. Introduction

The particular sections of the Act here applicable are as folliws:

"Sec. 4. (a) Except as otherwise provided in this Act, no bank holding company shall—

"(1) after the date of enactment of this Act acquire direct or indirect ownership or control of any voting shares of any company which is not a bank, or

"(2) after two years from the date of enactment of this Act . . . retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company. . . .

* * *

"(c) The prohibitions in this section shall not apply—

* * *

"(6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, and on the basis of the record made at such hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act; . . ."

Pursuant to Section 4(c)(6) Northwest Bancorporation here seeks a determination that all the activities of three of its subsidiaries, Northwestern Mortgage Company, South Side Insurance Agency, Inc., and Union Investment Company, are of a financial, fiduciary or insurance nature, and so are so closely related to the business of banking or of managing or controlling the banks as to make it unnecessary for the prohibitions of Section 4(a)(2) of the Act to apply in order to carry out the purposes of the statute.

II. The Companies

1. *Northwest Bancorporation* is a registered bank holding company operating in the States of Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Nebraska, and Montana. Northwest Bancorporation owns the controlling stock interest in 50 national banks and 26 State banks located in those States. Subject to policies established by Northwest Bancorporation and with appropriate supervision of operations, the affiliated banks are in large measure autonomous.

From time to time Northwest Bancorporation has acquired or organized corporations which are not banks or bank holding companies. Its stated policy, however, is not to retain such enterprises unless considered of value to Northwest Bancorporation or to affiliated banks in the performance of functions closely related to banking. Thus at the present time Northwest Bancorporation has a direct stock interest in only four subsidiaries which are not banks or bank holding companies: the three here involved, and a bank building company which holds title to the building in which the affiliated bank at Rochester, Minnesota does its business. Northwest Bancorporation owns all the stock in that company. No application for exemption has been filed on behalf of the building company for the reason that the Applicant considers it exempt by operation of Section 4(c)(1) of the Act from the prohibitions of Section 4.[1]

The carrying value of the three involved subsidiaries is as follows:

South Side Insurance Agency, Inc.	$ 18,499
Union Investment Company	148,452
Northwestern Mortgage Company	195,077
Total	$362,028

Northwest Bancorporation's assets on 31 December 1957 were $128,796,851; those of Northwest Bancorporation and its affiliates on a consolidated basis, $1,806,265,799.

The income of Northwest Bancorporation is derived from interest on investments, dividends from affiliates, and service fees from affiliated banks. In consideration of the service fee Northwest Bancorporation maintains supervision over the affiliated banks and offers them a variety of services, including furnishing bank capital when needed, and advice on banking, insurance, credit analysis, operating methods, investment management, advertising, personnel, consumer credit and other related matters. Some of the insurance services are furnished through subsidiaries involved in this proceeding.

Northwest Bancorporation conducts regular examination of the operations and books of the subsidiaries. The affiliated banks are also subject to examination by the proper Federal and State authorities. All affiliated banks are members of the Federal Deposit Insurance Corporation. All the national banks and many of the State banks are members of the Federal Reserve System.

All the banks associated with the operations of the instant subsidiaries are national banks. Other banks in the system of Northwest Bancorporation maintain affiliated insurance agencies, but these are not involved in the present application. In general the banks in such cases are either national banks in towns of less than 5,000 population, or else they are State banks. National banks in places not exceeding 5,000 population are authorized by Section 11 of the Federal Reserve Act to be insurance agents or real estate loan brokers, subject to certain conditions.[2] A number of the national banks in the Applicant's system maintaining affiliated insurance agencies are in towns over 5,000. This is apparently the consequence of community growth since the establishment of the agency. The record suggests that the Applicant's general policy is not to have its national banks in towns over 5,000 population own an associated insurance agency.

2. *South Side Insurance Agency, Inc.*, is a Minnesota corporation having its office on the second floor of a building located at 401 Cedar Avenue, Minneapolis, Minnesota, one mile from the downtown business district of Minneapolis, in a somewhat closely knit and self-sufficient area known as South Minneapolis. The first floor of the building, and part of the second floor, are occupied by the Fourth Northwestern National Bank of Minneapolis, a subsidiary of Northwest Bancorporation. Northwest Bancorporation owns all but two of 50 outstanding shares of stock of the Agency and owns 92½% of the stock of the Bank. Neither the Bank nor the Agency owns any of the other's stock. However they have some common directors and officers. Thus, Clyde M.

[1] Section 4(c)(1) of the Act exempts from divestment, ". . . shares owned or acquired by a bank holding company in any company engaged solely in holding or operating properties used wholly or substantially by any bank with respect to which it is a bank holding company in its operations or acquired for such future use or engaged solely in conducting a safe deposit business, or solely in the business of furnishing services to or performing services for such holding company and banks with respect to which it is a bank holding company, or in liquidating assets acquired from such bank holding company and such banks;"

[2] The section is as follows:
". . . national banking associations organized under the laws of the United States . . . located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for such services so rendered, such fees or commissions as may be agreed upon between the said association and the insurance company for which it may act as agent; and may also act as the broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: *Provided, however,* That no such bank shall in any case guarantee either the principal or interest of any such loans or assume or guarantee the payment of any premiums on insurance policies issued through its agency by its principal: And *provided further,* That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance." (12 U.S.C. 92; Act of September 7, 1916, 39 Stat. 753)

Jorgenson and F. O. Glascoe are, respectively, president and vice-president of both the Bank and the Agency, and directors of both organizations. R. E. Myhre is treasurer of the Agency and assistant cashier of the Bank. O. H. Grettum is secretary of the Agency and an officer of the Bank.

The Agency is engaged in a general insurance business but sells no life or credit life insurance. The Bank does not require credit life insurance in connection with loans. The Agency has six employees, three of whom hold insurance licenses. They are on straight salaries, and the commissions they receive are turned over to the Agency. The Bank provides office space, furniture and essential services for the Agency, and pays all the Agency's salaries, and is recompensed by the Agency for these services and disbursements.

In 1957 premiums on insurance written by South Side Insurance Agency amounted to $239,456. Of this amount 5.9% represented insurance on real estate or personal property involved in loans by Fourth Northwestern National Bank. An additional .8% represented premiums where the Bank was the named insured. The remainder concerned insurance where the insured was either not a customer of the Bank, or was a customer as defined hereafter. This is shown by the table below. The term "customer" therein means a depositor, borrower, deposit box renter, or person whose obligation is held by the Bank.

Volume of Premiums by Source of Business
1957

	Amount of premiums	Per cent of total premiums
Written where Bank is named insured	$ 1,832	.8
Written for customers on real estate and personal property in connection with securing Bank loans	14,055	5.9
Written for customers not included above	195,936	81.8
Written for Agency customers who are not presently Bank customers	27,630	11.5
Total	$239,456	100.0

As of 21 June 1958 the amount of loans which the Fourth Northwestern National Bank had outstanding on which it required insurance of security was $4,039,236. Of this amount 20.3% was insured through South Side Insurance Agency—whether in connection with the loan or otherwise is not clear. The remaining 79.7% of insurance was provided by other sources. Of the $4 million figure given above, $2,145,812 represented real estate mortgages purchased by the Bank, on which the Agency presumably had no prior opportunity to write the insurance. The data is given in the following table.

	Total bank loans	Insurance of security required	Per cent of security loans insured through agency
Instalment	$1,194,831	$ 700,855	21.8
Real estate mortgages	3,264,811	3,264,811	19.2
Others	1,850,124	73,570	53.9
Totals	$6,309,766	$4,039,236	20.3

In 1957 about 50% of the South Side Insurance Agency's customers were also customers of the Fourth Northwestern National Bank, as the term customers is defined above. No pressure is exerted by the Bank to compel its customers to place their insurance with the South Side Agency. There are a few other insurance agencies located in the area served by the Bank, none of them large. The historical connection of the Bank and the Agency goes back many years. Partly because of this, many Bank customers associate the Agency with the Bank, expect insurance as a part of bank services, and place insurance with the Agency. The Agency advises the Bank on insurance matters in connection with bank loans. The Agency is of value to the Bank in these respects.

3. *Northwestern Mortgage Company* is a Minnesota corporation having its office in the Northwestern Bank Building in Minneapolis, which also houses the Northwestern National Bank, the largest banking affiliate of Northwestern Bancorporation. All outstanding stock of Northwestern Mortgage Company is owned by Northwest Bancorporation. The Northwestern Mortgage Company engages in three general types of business: (1) the sale of insurance other than life insurance; (2) the management, rental and sale of city and farm properties and farm livestock as agent or broker, and (3) the brokerage and servicing of real estate loans.

The Northwestern Mortgage Company dates back to 1927. At that time the Company was an insurance agency operating under another name. It acquired its real estate and mortgage loan department functions in 1934 as the result of a merger of the Minnesota Loan and Trust Company with the Northwestern National Bank. In addition to its trust and deposit operations, Minnesota Loan and Trust Company maintained a real estate and mortgage loan department which made real estate loans and managed real estate, both farm and city. When the merger occurred these functions were transferred to the Northwestern Mortgage Company. Prior to the merger Northwestern Mortgage Company relied largely on outside sources for advice, operation and sale of real estate. Depressed conditions in the 1930's and consequent accumulation of property problems necessitated the expansion and specialization of the property staff of the Northwestern Mortgage Company and the broadening of its activities in the States in which it operated: Montana, North Dakota, South Dakota, Minnesota, Iowa, and Wisconsin. Thereafter the Company maintained its own skilled staff of agricultural and real estate experts to handle the large volume of property accumulated.

As of 31 December 1957 Northwestern Mortgage Company had total assets of $391,884, and its net income for 1957 was $9,877. The gross income of Northwestern Mortgage Company in 1957 amounted to $321,824, of which 17.7% represented transactions with or on behalf of Northwest Bancorporation and affiliated banks. The following table is illustrative:

(1) Activity	(2) Gross income	(3) Per cent of (2) to total income	(4) Gross income attributable to affiliates	(5) Per cent of (4) to (2)
City mortgage loan department	$ 73,110.84	23	$ 6,305.22	8.6
City real estate and property management department	145,571.07	45	22,265.60	15.3
Farm loan, management and sales department	85,595.62	26.6	28,203.93	33
Insurance department	6,140.98	1.9	200.75	3.2
Interest on investments	11,406.10	3.5	....	....
Totals	$321,824.61	....	$56,975.50	17.7

The services performed at the present time by Northwestern Mortgage Company for Northwest Bancorporation and its affiliated banks are insufficient in volume to engage the time of the entire staff of Northwestern Mortgage Company. Northwestern Mortgage Company is able to maintain its staff and to operate profitably only by performing property management services for persons or organizations other than Banco affiliates or customers.

We turn now to a description of the various functions of Northwestern Mortgage Company.

(a) *Property Management.*

In this field Northwestern Mortgage Company rents, manages, and sells city and farm real estate. In connection with management operations it may also supervise the production and sale of farm products and livestock.

City management: In the area of city property management approximately one third of the properties which Northwestern Mortgage Company manages has in recent years been held in a fiduciary capacity by the Trust Department of the Northwestern National Bank—although in the nineteen-forties this percentage was as high as 57%. These management facilities of Northwestern Mortgage Company are available to the trust departments of other banks affiliated with Northwest Bancorporation, but are infrequently utilized because, for business reasons, those trust departments prefer to utilize the services of real estate managers who may be customers of the particular bank.

In the last full year, 1957, Northwestern Mortgage Company managed a total of 102 city properties, 37 of which were for the Trust Department of the Northwestern National Bank, and one was for another affiliated bank. Management fees from the affiliated banks amounted to $12,121; about 19% of total city management income and about 3.8% of total income from all sources.

Farm management: During the nineteen-thirties banks, both affiliated and nonaffiliated, were substantial sources of farm management accounts for Northwestern Mortgage Company. Since then the percentage of farm management business from such sources has generally declined. In 1957, of a total of 424 farm properties managed by the Mortgage Company, 36, or about 8.7%, were for affiliated banks and 8, or about 2%, for unaffiliated banks. Bank customers and insurance companies were the source of the remainder. In 1957 the affiliated banks paid Northwestern Mortgage Company $3,604 as fees for management of farm property; representing about 11% of the Mortgage Company's income from farm management, and about 1% of its total income from all sources.

It will be seen from the above that in 1957 affiliated banks paid Northwestern Mortgage Company a total of $15,725 for the management of properties, city and farm, in the custody of the banks. By far the larger part of this amount—$15,201—was paid by Northwestern National Bank. Other than the Northwestern National Bank few banks affiliated with Northwest Bancorporation have occasion to utilize the farm management services of Northwestern Mortgage, since few have farm properties in their trust accounts. And, as has been seen, the tendency in the other banks is to refer management properties to bank customers.

The Applicant estimates that for Northwestern National Bank to establish its own organization to provide the management services supplied by the Mortgage Company would cost approximately $72,000 annually, as compared with the $15,201 which it actually paid in 1957. Apart from cost, the Applicant also considers the Mortgage Company's services of especial value because of their high quality.[3]

(b) *Mortgage Loans.*

The Mortgage Loan Department of Northwestern Mortgage Company, acting as a broker, makes commitments upon authorization by the lender for loans secured by mortgages on real estate. Northwestern Mortgage Company formerly acted in such capacity on behalf of banks affiliated with Northwest Bancorporation, but no longer does so, that practice having been discontinued in accordance with Northwest Bancorporation policy. The item of $6,305.22 given in the table above as City Mortgage Loan Department income attributable to Banco affiliates may represent fees for servicing such loans—the explanation is not clear. The affiliated banks refer mortgage customers to Northwestern Mortgage Company when unable to satisfy such demands themselves. The Applicant considers these referrals of value in acquiring and retaining bank customers.

(c) *Real Estate Sales.*

During the year 1957 Northwestern Mortgage Company made 147 sales of real estate, city and farm, valued at $2,868,265, for which it received commissions of $125,401. Of these commissions $34,368—approximately 27%—were commissions on 25 sales of $801,850 in value of property on behalf of the Trust Department of the Northwestern National Bank and another affiliated bank—principally the former. The bulk of the sales, 121 in number representing $90,473 in commissions and $2,055,215 in property value, were for Bank customers.

(d) *Insurance.*

The Insurance Department of Northwestern Mortgage Company has 4 employees and conducts a general insurance agency business—other than life insurance. During 1957 it received premiums (excluding the Stuyvesant Plan explained below) amounting to $38,580.

Excluding the Stuyvesant plan, Northwestern Mortgage Company writes no insurance for banks, affiliated or otherwise. Nor—except in infrequent instances where the Mortgage Company is servicing a mortgage for an affiliated bank and the borrower requests the Mortgage Company to write the insurance—does Northwestern Mortgage Company provide insurance on any properties which it manages for the Trust Department of the Northwestern National Bank, or on which the Bank has a creditor interest. The Bank's policy is to secure through outside agents insurance on properties in which it is interested. The following table contains a breakdown of the source of 1957 premium income of Northwestern Mortgage Company. The term "borrower" therein means persons who at some time were debtors on loans which Northwestern

[3] From time to time, with fluctuation in volume of business, the Farm Department has incurred substantial losses—from 1947 to 1953 the sum of $50,000. Consideration was given to discontinuance of the operation. However, a check revealed substantial farm properties involved in wills on deposit with the Northwestern National Bank and, further, that in many instances the availability of Northwestern Mortgage Company's Farm Department was the factor responsible for naming of the bank as executor. It was consequently decided to continue the department.

Mortgage Company either owned or serviced. "Individuals" comprehends all sources other than borrowers or property management accounts.

Source of Premium Income, 1957

Borrowers	Per cent	Property management accounts	Per cent	Individuals	Per cent	Total
$9,012.19	23.4	$16,106.83	41.7	$13,461.49	34.9	$38,580.51

No pressure is exerted on borrowers to place insurance with the Insurance Department, but it is necessary to have such a department to take care of insurance requirements, particularly binders, where loans are being completed and the borrower lacks or has inadequate insurance coverage on the security for the loan. The Insurance Department is also of value to the Bank where the Bank holds a secured loan, by following up insurance renewals, paying balances from escrow funds for premiums written, keeping expiration records, and adjusting losses.

The Stuyvesant Plan is a program devised to provide insurance coverage in connection with automobile dealer financing. In this connection Northwestern Mortgage Company acts as general agent of the Stuyvesant Insurance Company of New York. Briefly, the program provides affiliated banks with an insurance arrangement which they can offer to automobile retailer dealers in connection with automobile financing. The banks can thus be competitive to sales finance companies and other institutions in the auto finance field. Under the plan the dealer is licensed as the insurance agent and receives commissions on insurance on the financed property. Northwestern Mortgage Company acts as general agent, providing necessary supplies. At present Northwestern Mortgage Company realizes no profit from this operation.

(e) *Miscellaneous.*

In addition to the foregoing, Northwestern Mortgage Company renders other services for affiliated banks and their customers. These may include the following: appraisal of property, inspection and advice on real estate investments, advice as to leasing, rental terms and other rental problems, long term financing of real estate, information as to neighborhood trends and advice as to business or residential locations for incoming bank customers. The record affords no basis, however, for a determination that these services are of substantial significance in relation to total volume of such activity, either of the Morgage Company or of the banks.

4. *Union Investment Company* is a Delaware Corporation whose office is located at 1215 Northwestern Bank Building in Minneapolis. Union Investment Company, incorporated in 1903, was originally a bank holding company. It was acquired by Northwest Bancorporation in 1929, at which time Union Investment Company owned stock in 31 banks in Minnesota, North Dakota, and Wisconsin. In 1932 the bank stock was transferred to Northwest Bancorporation. Thereafter Union Investment Company was utilized primarily as a liquidation company and in the operation of insurance agencies. All its outstanding voting stock is owned by Northwest Bancorporation.

During the depression years Union Investment Company was active in the liquidation field, participating in the disposition of over 36 nonbanking corporations acquired by Northwest Bancorporation at various times, and of bank assets valued at nearly $8 million. In recent years Union Investment Company's liquidation activities have been of minor importance and confined to the disposition of assets of questionable banking value or character acquired in bank acquisitions or mergers. The Company is in a position to participate at any time in the liquidation of assets, holding $58,000 in Government securities available for such purpose. Because of its experience Union Investment Company can carry out such operations efficiently and economically.

At the present time all but a minor percentage of the income of Union Investment Company is derived from the operation of seven insurance agencies. As of 31 December 1957 Union Investment Company had assets of $240,607. Its net earnings for that year were $11,772 on gross income of $284,554.31, practically all from insurance sources as is shown below.

Income 1957

Insurance departments	$278,808.11	98.00%
Oil and gas leases	2,636.60	.9
Interest	2,286.00	.8
Farm rentals	472.60	.2
Dividends on securities	351.00	.1
Totals	$284,554.31	100.00%

Principal direct expenses of Union Investment Company for 1957 were the following:

Salaries	$ 81,017
Fees to affiliated banks	127,104
Rent	12,942
Other expenses	45,695

Each of the seven insurance agencies operates in connection with a national bank affiliated with Northwest Bancorporation. The agencies, their location, and the related bank are as follows:

Agency	Bank	City
Minneapolis National Co.	Lake St. office Northwestern National Bank of Minneapolis	Minneapolis, Minnesota.
Central National Agency	Central Northwestern National Bank of Minneapolis	Minneapolis, Minnesota.
Security Insurance Agency	American National Bank of Valley City	Valley City, North Dakota.
James River Insurance Agency	First James River National Bank of Jamestown	Jamestown, North Dakota.
First National Company Agency	First National Bank of Grand Rapids	Grand Rapids, Minnesota.
Stock Yards Insurance Agency	Stock Yards National Bank of South St. Paul	South St. Paul, Minnesota.
Stock Yards Insurance Agency	Live Stock National Bank of Sioux City	Sioux City, Iowa.

Five of the seven agencies are located in the banking premises of their related bank in space substantially directly accessible from the banking room during regular banking hours. The two agencies not located in the banking premises are the stockyards agencies. In these 2 cases the banks and the agencies occupy space in the same structure, which is primarily an office building occupied by commission merchants and other livestock interests at the stockyards. Here the agencies are some distance removed from the banking rooms, with no access thereto except through a public corridor or general building entrance and stairway.

All types of insurance are written by the agencies except that the writing of life insurance is confined to two agencies, First National Company Agency and

James River Insurance Agency, and is in negligible amount.

Union Investment Company has differing arrangements with the affiliated banks with respect to the manner of operating the agencies. In some cases the agency has its own employees; in others the work of the agency is done by bank employees. In some cases the licensed agents are bank officers; in others they are not. There are also varying arrangements with respect to the payment of expenses of the agencies. Central National Agency pays all its own salaries and expenses and the associated bank receives only rent for the space which the agency occupies. The Stock Yards Insurance Agency of Sioux City makes no payments of any kind to the Live Stock National Bank and the bank pays no part of the expenses or furnishes any services or facilities to the agency. In the case of the other five banks the arrangement, though not uniform, results in payment to the bank of most of the earnings of the agency in the form of rent and charges for personnel and supervision. More specifically, the banks in these cases generally receive all net earnings of the agency in excess of a stated percentage (varying from ½ to 1%) of total net premium income. The excepted percentage goes to Union Investment Company. All working funds required by the agencies are supplied by Union Investment Company which, subject to the cooperation of the related bank, controls the agencies and determines their policies.

The agencies write insurance generally. They do not confine themselves to selling insurance only to bank customers, or for use in connection with bank loans. In connection with bank-required insurance bank officers may call in the agency to discuss the matter with the customer with a view to securing the business for the agency. However, no pressure is exerted upon the bank customer to place his insurance with the agency. In Minnesota it is unlawful for a bank to condition the granting of a loan on secured property upon the purchase of insurance from a particular source. (Minnesota Statutes Annotated § 72.34) The agencies also advise the bank with regard to policies submitted to the bank in connection with bank transactions and assist in the keeping of records relative to such insurance. Agency agents attend schools and keep abreast of current insurance developments. All agency employees are on a salaried and not a commission basis.

In 1957 aggregate premium income of the agencies of Union Investment Company was $1,149,642; their gross commissions earned $278,808; and the amount of secured loans by the related banks requiring insurance on property was $27,225,085. The correlation between the business of the agencies and bank transactions is given in the table below. The last column gives the percentage of bank customers, as heretofore defined, doing business with the agencies in 1957.

Per cent of agencies' premium income derived from insurance related to bank transactions	Per cent of agencies' commissions derived from insurance related to bank transactions	Per cent of secured loans where bank required insurance and agency supplied it	Per cent of agency customers also customers of related bank
[4]15.5	21.2	37.5	63.8

[4] This figure includes 14.4% from insurance on property securing bank loans, and 1.1% from insurance where the bank was the named insured.

All the affiliated banks are in competition with other banks operating in their particular areas. In most cases—but not in all—these competing banks have an insurance department or associated insurance agency. In South St. Paul and in Sioux City the affiliated banks finance livestock and packing industries requiring specialized types of insurance which the affiliated agencies in those cities can provide. Those agencies are in a position to supply such insurance because of their experience and long-standing connections with the companies which write such coverages. None of the banks require credit life insurance in connection with loans.

III. Concluding Findings

(1) *Section 4(c)(6)*

In effect, Section 4(c)(6) of the Bank Holding Company Act of 1956 permits a bank holding company to retain ownership of shares of a nonbanking company if,

(1) All the activities of the nonbanking company are of a financial, fiduciary, or insurance nature, and

(2) The company is determined by the Board to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Act to apply in order to carry out the purposes of the Act.

(2) *Nature of the Activities*

The first question is whether all the activities of the three subsidiaries here involved are of a financial, fiduciary, or insurance nature.

South Side Insurance Agency, Inc., presents no problem in this respect. It is engaged exclusively in the sale of insurance.

Northwestern Mortgage Company, as we have seen, engages in three general types of business: (1) the sale of insurance, (2) management, rental, and sale of property—principally real estate—as agent or broker, and (3) brokerage and servicing of real estate loans. The Applicant asserts, and I find correctly, that the business of managing, renting and selling property as an agent is fiduciary in nature. Black's Law Dictionary, 4th Ed. defines "fiduciary capacity" as follows:

"One is said to act in a 'fiduciary capacity' or to receive money or contract a debt in a 'fiduciary capacity', when the business which he transacts, or the money or property which he handles, is not his own or for his own benefit, but for the benefit of another person, as to whom he stands in a relation implying and necessitating great confidence and trust on the one part and a high degree of good faith on the other part."

The management, rental and sale of property as an agent involves the duty to act primarily for and on behalf of others in dealing with their property or property which they seek to acquire. Such an activity, in my opinion, is fiduciary in nature, irrespective of whether the commitment is accompanied by possession of the property.

The Restatement of Agency, § 13, states the following: "An agent is a fiduciary with respect to matters within the scope of his agency." And though the agreement in a particular case may be such as not to impose a fiduciary duty, and thus not to create an agency relationship, "A real estate broker whose sole function is to find someone who will enter into a transaction with the owner of land is ordinarily an agent. . . ." (*Id. Comment, b*) In § 1, *Comment,* *d,* of the Restatement of Agency it is said: ". . . the attorney at law, the broker, the factor, the auctioneer, and other similar persons . . . are agents. . . ." The Restatement of Trusts, § 2, *Comment, b,* declares: ". . . . Fiduciary relations include not only the relation of trustee and beneficiary, but also, among others, those of guardian and ward, agent and principal, attorney and client."

I therefore conclude that the activities of Northwestern Mortgage Company in respect to management, rental and sale of property as an agent or broker are fiduciary in nature within the meaning of Section 4(c)(6).

With respect to the brokerage and servicing of real estate loans by Northwestern Mortgage Company, those functions are financial in character. All of the activities of Northwestern Mortgage Company are therefore of a financial, fiduciary, or insurance nature.

Union Investment Company engages in the insurance business and, in addition, may perform services for Northwest Bancorporation and its affiliated banks in connection with the liquidation of assets. Under Section 4(c)(1) of the Act the prohibitions of Section 4 do not apply with respect to nonbanking subsidiaries engaged (*inter alia*) "solely" in liquidating assets acquired from bank holding companies and their banks. Union Investment Company is not solely engaged in the activities enumerated in Section 4(c)(1). However, to the extent that it so committed solely for Northwest Bancorporation and affiliated banks, I believe such engagement not incompatible with a determination that Union Investment Company would be entitled to an exemption under Section 4(c)(6)—provided that such a determination is otherwise appropriate. That is to say, if a company performs services, solely for a bank holding company or its banks, of the kind described in Section 4(c)(1), those services, even though not financial, fiduciary, or insurance in nature, will not defeat a request, otherwise in order, for exemption under Section 4(c)(6). It is believed that such a conclusion accords with statutory intent, expressed in Section 4(c)(1), to permit nonbanking subsidiaries of bank holding companies to carry out the functions there described when performed exclusively for such companies or their banks.

On the basis of the foregoing considerations it is found that all the activities of South Side Insurance Agency, Inc., Northwestern Mortgage Company, and Union Investment Company are of a financial, fiduciary or insurance nature within the meaning of Section 4(c)(6) of the Act.

(3) *The Applicable Principles*

The next question is whether the three subsidiaries are so closely related in their activities to the business of banking or of managing or controlling banks as to be proper incidents thereto and as to make it unnecessary for the prohibitions of Section 4 to apply in order to carry out the purposes of the Act.

Determination of that question is controlled by the Board's decision in the case of *Transamerica Corporation,* Federal Reserve BULLETIN, September 1957, p. 1014, involving an application by Transamerica Corporation, a bank holding company, for an exemption under Section 4(c)(6) with respect to the shares owned by Transamerica in Occidental Life Insurance Company, an insurer.

The Board denied the application in that case on the ground that under the circumstances the ownership of the life insurance company by Transamerica presented a potential source of evil of a kind which Congress sought by the Act to eliminate, and consequently the operation of Occidental was not a proper incident of banking within the meaning of Section 4(c)(6). The essential findings and conclusions of the Board are as follows.

The Board said,

> ". . . it seems evident that Congress was of the view that, in general and subject to only limited exceptions, bank holding company systems should be restricted to banking activities and should not engage in other types of business for the reason that common control of banks and nonbanking organizations could give rise to evils of several kinds." (*Transamerica Corporation, supra,* at 1016)

The basis for this prohibition, the Board indicated, was a concern on the part of Congress that a bank holding company might misuse or abuse the resources of a bank in order to gain advantage in its nonbanking activities. (See S. Rep. 1095, p. 14, 84th Cong., the Report of the Senate Committee on the Act) Thus, the Board said, the holding company might enter into transactions with a nonbanking affiliate of risky character with consequent undue hazard to the bank, its depositors and the public interest; or holding company banks might deny legitimate credit to competitors of nonbanking affiliates, thus restricting competition; or such banks might exert pressure on borrowers to do business with affiliates and thus affect the borrowers' freedom of choice.

The Board further stated that Congress did not condition its prohibitions upon the occurrence of abuses. Congressional purpose, the Board found, was to eliminate any possibility of such occurrence. In sum, the legislative intent, the Board concluded, was to "remove *potential* . . . sources of evil" (emphasis supplied) where banking and nonbanking activities were commingled within the same bank holding company system. That purpose of Congress, the Board went on to say, provided a helpful guide in determining whether a particular nonbanking activity was a proper incident of banking or of managing or controlling banks.

The Board then examined the operations of Occidental Life Insurance Company to ascertain the resemblance, if any, between insurance operations and those of banking. Some similarities were found. However, upon analysis the Board concluded that mere similarity of function was not enough to eliminate potential source of evil.

Since similarity of function alone was insufficient to justify exemption, the Board next considered the extent of Occidental's direct relations with banks. It found these, however, "a relatively insignificant part of Occidental's business" and in the circumstances "not sufficient to justify an exemption under Section 4(c)(6), either in their own right or when considered in connection with the general similarities between banking and insurance. . . ." (*Id.* 1018, 1015)

These I consider the essentials of the Transamerica decision. If I have correctly analyzed it, the applicable controlling principles may be stated as follows.

In general, and subject to limited exceptions, engagement by bank holding companies in nonbanking businesses presents possibility of potential harm or evil. Such possibility is avoided only where—and Congress so provided—the activities of a financial, fiduciary, or insurance subsidiary of a bank holding company are reasonably required for and appropriate to the discharge of an associated banking function. The propriety of the incident may be established in either of two ways: (1) by showing that it is inherently so closely related to the business of banking in general as naturally to appertain thereto; (2) by a showing that the activities are so directly, appropriately, and substantially related to banking transactions in the particular case as to be considered an aspect of the banking operation. If either of these conclusions is warranted the nonbanking activities are subsumed and absorbed in the banking operation. If there remains potential for evil it is a potential inherent in the business of banking, and—unless prohibited by Section 6 of the Act (see *General Contract Corporation,* a decision by the Board, Federal Reserve BULLETIN, March 1958 p. 260)—not within the reach of this statute. Thus the nonbanking activity need not be strictly essential to banking, if it is so "related" to the operation of banks or bank holding companies "as to be a proper incident thereto." But the required integration is of *activities,* not of *organization.* It is relationship to banking or bank management which is of importance, not mere relationship to banks or bank holding companies.

The *Transamerica* opinion does not expressly state a substantiality test. Such a holding seems implicit, however. Anything less would eliminate potential evil only partially; anything more would require that *all* the activities of the nonbanking affiliates be connected with banking transactions—a requisite which the opinion does not seem to suggest. It is consequently concluded that either inherent relationship to banking or substantial and appropriate connection with banking transactions may warrant exemption under Section 4(c)(6).

In the *Transamerica* case the activities of Occidental Life Insurance Company, though having some similarity to banking, were not of a type inherently so kindred thereto as naturally to appertain to banking. Occidental therefore was unable to qualify in that regard. And with respect to direct relations with banks, Occidental's participation in bank transactions by way of providing credit life and employee group insurance, and joining in investment and lending activities were insignificant, the Board found, in relation to the total amount of Transamerica's banks. Exemption was consequently denied.[5]

We turn then to the application of those principles to the instant case.

(4) *Relationship to the Business of Banking*

As we have seen, the nonbanking activities here are the following: (1) the operation of insurance agencies. All three subsidiaries engage in this activity: South Side Insurance Agency exclusively so, and Union Investment Company largely so, but Northwestern Mortgage Company—in terms of 1957 income—only to a minimal extent, (2) property management, including the supervision, sale, and leasing of properties, (3) brokerage and servicing of real estate loans, (4) liquidation of property in connection with bank acquisitions or mergers. Items 2 and 3 are engaged in by Northwestern Mortgage Company; item 4 by Union Investment Company, and in recent years only to a minor extent.

The position of the Applicant is that the activities of the various subsidiaries involved are so closely related to the operation of banks or bank holding companies as to be proper incidents thereto. Its contentions in that respect I believe are fairly summarized in the following discussion.

(a) *Inherent relationship.* The first question with which we are presented is whether the nonbanking companies are inherently related to banking. We turn initially to their insurance functions.

Except in the case of Northwestern Mortgage Company the insurance activities of each of the three subsidiaries are identified with a particular bank—though the activities are not necessarily related to the business of the bank. The Stuyvesant plan aside—Northwestern Mortgage Company writes no insurance for banks, affiliated or otherwise, except in rare instances. The Applicant's basic proposition is that in the geographical area here involved custom, practice and law have operated to make the business of selling insurance a proper incident of banking. The facts in that regard are as follows.

In the States of Minnesota, Iowa, and North Dakota—where the involved subsidiaries and their related banks are located—State laws do not permit the issuance of insurance licenses to corporations; hence a bank cannot be licensed to be an insurance agent. Section 11 of the Federal Reserve Act (the Act of 7 September 1916, 39 Stat. 753, 12 U.S.C. § 92) *inter alia* empowers national banks in places under 5,000 population, in conformance with rules and regulations established by the Comptroller of the Currency, to act as agents for insurance companies. But in those three States most banks, State and national, in cities both larger and smaller than 5,000 operate or have an interest in insurance agencies, either in the form of a related partnership or corporation or through officers or employees of the bank, in manner similar to that here. In the larger cities this practice is less frequently encountered. The approximate percentages of banks in the three States having such an arrangement are as follows:

	Minnesota	North Dakota	Iowa
All banks	87	84	71
National banks, 5,000 or less population	90	94	69
National banks, over 5,000 population	48	64	31

The state banking and insurance authorities are aware of these practices, and the Comptroller of the Currency presumptively so. The evidence indicates that the State authorities have no objection thereto As to the Comptroller, there is no indication as to his position, other than what may be inferred from the situation as stated.

The Applicant is of the view that in the light of this historical practice the business of selling insurance in Minnesota, Iowa, and North Dakota usually, legitimately, and naturally appertains to the business of banking. More specifically, the Applicant stresses the following points with regard to the relationship between insurance activities and banking activities, as here carried on.

[5] Less than 2% of Occidental's premium income in 1956 was derived from business originating with Transamerica banks. Credit life insurance held by Occidental in connection with loans by Transamerica banks accounted for six-tenths of one per cent of total life insurance in force by Occidental at the end of 1956. Less than 3% of the total loans of Transamerica banks were covered by credit life insurance supplied by Occidental. (*Transamerica Corporation, supra,* at 1025-26)

The agencies provide a valuable service to the banks. Being readily at hand they make insurance or insurance advice immediately available when needed by the bank, or by the customer in connection with a bank transaction. The agencies also advise the bank in connection with bank transactions and assist in keeping records relative to such insurance. Agents of the Union Investment Company attend insurance schools and keep abreast of current insurance trends. The agents specialize to an extent impracticable for bank officers. The public associates the sale of insurance with banking in the three States and has grown accustomed to the practice. Insurance underwriters and bank customers prefer bank-related agencies because, it is said, they are regarded as more responsible and provide better and more complete insurance service than independent agencies. Bank-related agencies supply a needed public service in small towns or in certain other areas because of the lack or inadequacy of such facilities in the particular area. The Applicant considers that the availability of these services attracts customers to the bank. The abandonment of the insurance activities would therefore, in its view, place the related banks at a competitive disadvantage with other banks in the area.

It seems manifestly correct that bank customers are attracted by the services which a bank has to offer. Any necessity or convenience which a bank may make available at its location, whether it be deposit box facilities, insurance, the sale of cigarettes, or public parking, will tend in some degree to draw potential customers to the bank premises. A bank, however, is not a super-market. Whether the sale of insurance is a proper incident of banking is to be determined from its relation to banking operations, and not from its ability to attract persons to a particular location.

That banks in the areas involved have for many years participated in insurance arrangements as described might be a weighty circumstance if the question of continuance of the practice involved only the prior state of the law. We are presented here, however, with a new circumstance, namely, that it is now the declared policy of Congress, as it was not heretofore, that in general and subject to limited exceptions bank holding systems should be restricted to banking activities and should not engage in other types of business. The probity of the instant relationships is to be resolved, therefore, in accordance with the policy enunciated in the Act and not on the basis of what was heretofore permitted or tolerated. Manifestly, practice is entitled to scrutiny, but in the light of the supervening statute it can no longer be considered compelling evidence of propriety. A determination that the business of selling insurance inherently bears a close relationship to banking must therefore rest, if at all, upon other factors than historical association or local custom. The record here does not reflect such factors in significant degree.

The agencies undoubtedly perform a function of value to the banks in the securing of insurance and in giving advice in connection with bank transactions or in maintaining current coverage. Those services, however, are minimal in relation to the total business of the agencies. Furthermore, they are no different in kind—and there is no reason to suppose that they are different in quality—from services regularly offered by independent insurance agencies. That underwriters and customers prefer bank-related agencies may be helpful to the agencies, but it scarcely tends to establish that insurance is an incident of banking. The services offered by the affiliated agencies are also of value and convenience to the public, but again, that fact does not relate the function closely to banking. As to competitive considerations, it has been noted that not all of the competing banks here have insurance departments or associated agencies. Hence competitive disadvantage would not seem to be a decisive consideration. In any event it is not of substantial pertinence to the issue of propriety. It can be assumed that some competitive relationships will be altered by the statute. But if competition *is* an element of importance, there is nothing to prevent an association from being maintained under some other form of organization, if in conformance with Federal and State law. If this is not possible it would seem difficult to conclude that the activities are actually proper incidents of banking.

I conclude from the foregoing that the business of operating insurance agencies is not, either in its own right or when considered in the historical and factual context described above, inherently so closely related to the business of banking in general or of managing and controlling banks as naturally to appertain thereto.

The same must be said of the other functions of the agencies. Property management, brokering, and asset liquidation, though activities of a kind sometimes performed by a bank in connection with its operations, are not thereby inherently related to banking. That a bank may, in the course of performing a banking function, have occasion to handle property does not make the business of handling property an inherent incident of banking.

We turn now to the question of the substantiality of the direct relations between the subsidiaries and banks.

(b) *Direct relations with banks.* Despite the conclusion reached above, the companies and their functions might still be deemed proper incidents of banking if appropriate to and directly, significantly, and substantially connected with banking transactions. But here too, though appropriate, the companies fall short of meeting the statutory standard. To qualify under this exception the nonbanking activities must constitute both a substantial part of the subsidiary's business, and also a substantial part of the business of the bank which falls into such category. What precise percentage is encompassed by "substantial" need not be here decided. At least the word embraces "major part." As before, we consider first the insurance aspect of the subsidiaries' businesses.

In the case of South Side Insurance Agency, Inc., approximately 7% of the agency's premium income in 1957 was derived from insurance on property involved in loans by the affiliated bank, or situations in which the bank was the named insured. This is not a significant amount. The circumstance that an insured may be a customer of the bank in other respects does not transform his insurance transaction with the agency into an incident of relations with the bank. With respect to the extent of the agency's participation in instances where the bank held a secured loan requiring insurance the percentage, though larger, is still not substantial—20.3%. That is to say, the agency insured the security in 20.3% of the cases where the bank had loans on which it required insurance on the security. The direct relations between South Side Insurance Agency and banks are thus not sufficient to justify an exemption under Section 4(c)(6).

The same conclusion must follow with respect to Union Investment Company, the major part of whose business is likewise not related to banking. As we have seen, 98% of the income of Union Investment Company in 1957 was derived from insurance. Of that amount only 15.5% of the premium income and 21.2% of the commissions were derived from insurance related to bank transactions. And of the bank loans in connection with which insurance was required by the bank, Union Investment Company supplied 37.5% of the insurance. These amounts are not adequate to support exemption.

The Applicant calls attention to the liquidation services which Union Investment Company is prepared to perform and which it has performed in the past. Such an activity would be exempt by Section 4(c)(1) if Union Investment Company were engaged solely in such business. And even if not the company's sole engagement, I think the activity may fairly be considered an exempt function under Section 4(c)(6), since performed exclusively for banks and the bank holding company. However, as we have seen, in recent years the liquidation activities of Union Investment Company have been of minor importance. Hence they are not sufficient, either by themselves or in combination with the Company's other business with affiliated banks, to meet the test of substantiality.

With respect to the insurance functions of Northwestern Mortgage Company, that organization sells no insurance for banks; nor except in rare instances on property connected with bank transactions. Its insurance income in 1957 was negligible: 1.9% ($6,140) of total gross income, and 3.2% ($200) of gross income from or through affiliated banks or the holding company. Hence, whether Northwestern Mortgage Company is entitled to exemption must depend, if warranted at all, upon the substantiality of its other relations with banks. Northwestern Mortgage Company does act as general agent in connection with the Stuyvesant plan, in which the automobile dealer is the agent and an affiliated bank the financier. The record affords no basis, however, for a finding that the amount of such business is significant, either in relation to the business of the agencies or the business of the banks.

(c) *The other functions.* What has been said above is dispositive of the cases of South Side Insurance Agency, Inc., Union Investment Company, and the insurance activities of Northwestern Mortgage Company. That leaves for consideration the property management and brokering functions of Northwestern Mortgage Company. It has already been found that those are not inherently related to banking.

For the management service the record shows a genuine need, such as in the case of management of property which Northwestern National Bank holds in a trust or other fiduciary capacity. To a lesser extent the same is perhaps true of the brokerage function. The record will support a finding that the management services of Northwestern Mortgage Company are of high quality and could not be provided by Northwestern National Bank itself except at much higher cost. However, the continuation of Northwestern Mortgage Company as source of these services does not require retention by Northwest Bancorporation of more than 25% of the Mortgage Company's voting shares. Moreover, unaffiliated organizations are available to provide apparently effective and satisfactory service. It has been seen that affiliated banks other than Northwestern National Bank tend to refer their management properties to customers of those banks. In the absence of substantial ground to conclude that continued affiliative relations between Northwestern Mortgage Company and Northwest Bancorporation banks are essential to the efficient operation of the banks, the fact that Northwestern Mortgage Company—or indeed any of the companies—may not be able to operate profitably and to maintain its present organization on the volume of business supplied by banks does not tend to establish that the activities performed for other persons are incidents of banking. The exemptions provided by the statute do not extend to operations required for the profitable operation of the subsidiary.[6]

We have seen that transactions with Northwest Bancorporation and affiliated banks in 1957 represented only 17.7% of the gross income of Northwestern Mortgage Company. City property management fees received from affiliated banks constituted only 19% of income from such source; farm management fees similarly derived amounted to about 11%.

With respect to mortgage brokering, Northwestern Mortgage Company no longer performs such services for affiliated banks. Income attributable to affiliates which perhaps represents fees for mortgage servicing is relatively minimal—about 2% of total income and 8.6% of income from operations of the mortgage loan department. In the matter of real estate brokerage sales for banks provided 27% of total income of Northwestern Mortgage Company from such type of activity, and approximately 11% of all income.

Those amounts do not meet the test of substantiality. Northwestern Mortgage Company is therefore also not eligible for exemption under Section 4(c)(6). This disposes of all the applications.

(5) *Miscellaneous Considerations*

For the reasons heretofore stated I reach the conclusion that the principles set forth by the Board in the *Transamerica* decision require the denial of the instant request for exemption. There are, of course, differences between the situation presented in the *Transamerica* case and that presented here with respect to the type and degree of evil potential in the commingled banking and nonbanking relationships. But they are not in essence differences of consequence. In both cases there exists substantial possibility of abuse of the nature envisioned by the framers of the statute.

That the Applicant's policies do not permit its subsidiaries to exercise coercion upon bank customers to do business with Applicant's subsidiaries, and that Minnesota law prohibits conditioning the financing of secured property upon the purchase of insurance

[6] The Respondent's brief (page 8) suggests that for the insurance agencies to confine themselves to selling insurance to related banks would be illegal, citing Minnesota Statutes, § 60.68. Assuming that to be so, the fact is not supportive of the conclusion that the sale of insurance is a proper incident of banking or of managing or controlling banks.

from a particular source, neither meets the whole of the possible evil nor eliminates the potentiality of abuse. For it is quite clear that the intent of Congress was to eliminate situations from which evil and abuse might eventuate; not merely to prohibit undesired action or to punish its occurrence. That the particular conduct may be otherwise disapproved or in some areas unlawful is therefore beside the point.

In view of the foregoing conclusions it will be recommended that the application for exemption of the three companies be denied. It is consequently unnecessary to determine in this case whether the application should be disapproved on the additional ground that the operation of insurance or brokering agencies in close association with national banks in places of over 5,000 population is inconsistent with the Act of 1916, 12 U.S.C. 92, set out *supra*.

It is suggested by the Applicant that the denial of exemption will lead to paradoxical results. Conceding this, the observation is not especially helpful, for no conceivable solution—including the existing situation itself—is altogether free of anomaly. In any event Congressional policy is not to be avoided because of doubts as to its wisdom or efficacy. The statute is its own measure of what is lawful in the ownership of nonbanking companies by bank holding companies. If—as may be expected—some present practices do not comport with the requirements of the Act, it is the practices and not the statute which must give way.

Upon the basis of the foregoing findings of fact, and upon the entire record in the case, I make the following:

CONCLUSIONS OF LAW

1. All the activities of Northwestern Mortgage Company, South Side Insurance Agency, Inc., and Union Investment Company, are of a financial, fiduciary, or insurance nature.
2. The aforesaid companies are not—within the meaning of Section 4(c)(6) of the Act—so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4(a)(2) of the Act to apply in order to carry out the purposes of the Act.

RECOMMENDATION

It is recommended that the Board of Governors of the Federal Reserve System:

1. Enter an order determining the issues in this proceeding in accordance with the findings of fact and conclusions made above.
2. Deny the request of Northwest Bancorporation for an order under Section 4(c)(6) of the Act determining that the shares of Northwestern Mortgage Company, South Side Insurance Agency, Inc., and Union Investment Company are exempt from application of the prohibitions of Section 4(a)(2) of the Act.

Dated at Washington, D. C., this 18th day of November, 1958.

(Signed) CHARLES W. SCHNEIDER
Hearing Examiner

Current Events and Announcements

CHANGES IN THE BOARD'S STAFF

Because of impairment of his health, Elliott Thurston, Assistant to the Board, requested that he be relieved of his duties. The Board acceded to the request, and Mr. Thurston relinquished his official duties on July 31, 1959, prior to his retirement.

Mr. Thurston became a member of the Board's staff in 1935, when he was appointed Assistant to the Chairman of the Board. Formerly a newspaper correspondent, he served as Assistant to the Members of the Board and among his duties gave special attention to matters relating to the press.

To succeed Mr. Thurston, the Board appointed Charles Molony as Assistant to the Board effective August 1, 1959. Mr. Molony joined the Board's staff in 1952 and had been serving as Special Assistant to the Board. Mr. Molony also was formerly a newspaper correspondent and his work with the Board has included various matters having to do with press and public relations.

Robert C. Masters, Director of the Division of Examinations since July 1, 1957, requested that, for reasons of health, he be relieved of his responsibilities as Director of the Division. The Board acceded to Mr. Masters' request, effective July 31, 1959, and appointed him Associate Director of the Division as of August 1, in which capacity his long and extensive experience in the field of bank supervision will continue to be available to the Federal Reserve System.

The Board appointed Frederic Solomon, Assistant General Counsel, to succeed Mr. Masters as Director of the Division of Examinations, effective August 1, 1959.

Mr. Solomon became a member of the Board's legal staff in 1934, and had served as Assistant General Counsel since 1948. In addition, he was for several years a member of a staff group studying techniques for measuring the adequacy of bank capital. He also participated in a Federal Reserve System study of foreign operations of American banks, as well as in staff missions studying the banking structures and problems of Puerto Rico and the Virgin Islands.

APPOINTMENTS OF BRANCH DIRECTORS

On July 21, 1959, the Board of Governors announced appointment of Mr. H. E. Whitaker, of Dayton, Ohio, as a director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for the unexpired portion of a term ending December 31, 1959. Mr. Whitaker is Chairman of the Mead Corporation, Dayton, Ohio. As a director of the Cincinnati Branch he succeeds Mr. Anthony Haswell, President of the Dayton Malleable Iron Company, Dayton, Ohio, who resigned recently.

On August 6, 1959, the Board of Governors announced the appointment of Mr. Howard W. Price of Salt Lake City as a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for the unexpired portion of a term ending December 31, 1959. Mr. Price is Executive Vice President and General Manager, Salt Lake Hardware Company in Salt Lake City. As a director of the Salt Lake City Branch he succeeds Mr. Joseph Rosenblatt, President of the Eimco Corporation in Salt Lake City whose election as a Class B Director of the Federal Reserve Bank of San Francisco was announced in the June BULLETIN.

On August 19, 1959, the Board of Governors announced the appointment of Mr. Gerald L. Andrus of New Orleans, Louisiana as a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of a term ending December 31, 1961. Mr. Andrus is President of New Orleans Public Service, Inc. in New Orleans. As a director of the New Orleans Branch he succeeds Mr. G. H. King, Jr., Canton, Mississippi who became a member of the Board of Governors of the Federal Reserve System in March of this year.

CHANGES IN BULLETIN TABLES

Beginning with this issue of the BULLETIN, the following changes have been made in the tables published regularly in the domestic section:

(1) Two new tables, "Mutual Savings Banks" and "Security Issues of State and Local Governments," have been added (see pages 1010 and 1015, respectively).

(2) Statistics for weekly reporting member banks have been expanded to show new breakdowns of loans and investments and to show some additional assets and liabilities (see pages 1004-06).

(3) The table on "Money Market Rates" has been expanded to include rates on 6-month and on 9- to 12-month Treasury bills (see page 1008).

(4) Tables that appeared on pages 756-68 of the BULLETIN for July 1959 have been rearranged. In this rearrangement the table "Principal Assets and Liabilities of Federal Business-Type Activities" has been moved to the end of the domestic section. Henceforth this table will appear in the BULLETIN only when new data are available, but a reference to it will be included in the table on this page that shows the most recent reference for all BULLETIN tables not published monthly.

TABLES PUBLISHED ANNUALLY, SEMIANNUALLY, AND QUARTERLY

Latest BULLETIN Reference		
Annually	Issue	Page
Earnings and expenses:		
Federal Reserve Banks	Feb. 1959	208-09
Member banks:		
Calendar year	June 1959	650-58
First half of year	Nov. 1958	1346
Insured commercial banks	June 1959	659
Banks and branches, number of, by class and State	Apr. 1959	442-43
Operating ratios, member banks	July 1959	794-96
Stock Exchange firms, detailed debit and credit balances	Nov. 1958	1347
Banking and monetary statistics, 1958	Feb. 1959	212-18
	May 1959	550-53
Bank holding companies, Dec. 31, 1958:		
List of	June 1959	660
Banking offices and deposits of group banks	Aug. 1959	1064
Semiannually		
Banking offices:		
Analysis of changes in number of	Aug. 1959	1044
On, and not on, Federal Reserve Par List, number of	Aug. 1959	1045
Quarterly		
Flow of funds	Aug. 1959	1046-62
Principal assets and liabilities of Federal business-type activities	Aug. 1959	1063

National Summary of Business Conditions

Released for publication August 14

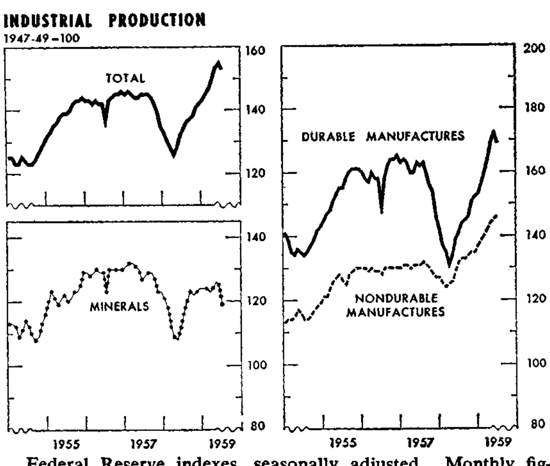
Industrial activity was curtailed by the steel strike beginning in mid-July. Consumer incomes and buying were generally maintained and wholesale commodity prices changed little. Bank credit expanded further. Interest rates declined slightly.

Industrial Production

Industrial production declined 1 per cent in July to a preliminary figure of 153 per cent of the 1947-49 average, two points below the June level of 155. The decline reflected the impact of the steel strike beginning on July 15 as activity in most other durable goods industries increased further and output of nondurable goods rose to a new peak. Utility output was maintained at 267 per cent of the 1947-49 average.

Steel mill operations in July were 42 per cent of capacity as compared with 90 in June. Work stoppages in the second half of July and the first half of August reduced mill operations to 12 per cent of capacity. Production of most nonferrous metals and building materials increased in July. In the second week of August, however, copper production was cut sharply by work stoppages.

Production of finished durable goods continued to expand in July. Output of trucks and farm machinery was at record rates and production in most other industrial and commercial machinery industries was back to the prerecession highs of early 1957. Aircraft and other ordnance lines, however, were still below 1957 levels. Output of consumer durable goods reached a new peak as production of autos and television increased further and furniture output was maintained at record levels.



Federal Reserve indexes, seasonally adjusted. Monthly figures; latest shown are for July.

Widespread gains continued in the textile, apparel, rubber, and chemical products industries in July. Output of minerals, however, declined 5 per cent reflecting sharp cutbacks in iron ore and coal because of the steel strike.

Construction

Private nonfarm dwelling units started in July changed little at a seasonally adjusted annual rate of 1.35 million units. The value of new construction put in place continued at an annual rate of nearly $55 billion, somewhat below the March peak. Gains shown in commercial and industrial building and highway construction slightly exceeded some decline in public utility and residential construction.

Employment

Employment in nonagricultural establishments increased further in July, before the onset of the steel strike, by 164,000 to a new peak of 52.6 million—110,000 above the previous high two years earlier. Employment in State and local government, service and trade reached new highs. Average weekly earnings of factory employees declined somewhat but were 8 per cent larger than a year earlier. Unemployment decreased 240,000 to 3.7 million and was at a seasonally adjusted rate of 5.1 per cent of the labor force.

Distribution

Retail sales in July continued at the record seasonally adjusted rate reached in May and were 9 per cent above a year ago. Sales at department stores showed a less than seasonal decline in July and early August. Sales at auto outlets and in a number of other lines either declined somewhat or changed little in July from earlier advanced rates. Dealer stocks of autos increased to a new high in July, partly reflecting anticipated model changeover curtailments. At department stores, new merchandise orders were sharply above the midyear levels in other recent years and stocks showed some increase.

Agriculture

Another large harvest is in prospect. Crop production this year was officially forecast as of August 1 to be only 3 per cent smaller than last year's record and 8 per cent larger than for any other year. While a decrease of about one-fourth in the wheat harvest was indicated, the corn crop was forecast to be 10 per cent larger and the cotton crop 29 per cent larger than last year.

Commodity Prices

Wholesale prices generally showed little change from mid-July to mid-August. Markets for copper, rubber, and hides strengthened again after a period of weakness. Textile prices increased further, although raw cotton prices declined 10 per cent as new Federal support levels became effective. Prices of some finished consumer products were reduced. Livestock prices also were down somewhat further at midyear.

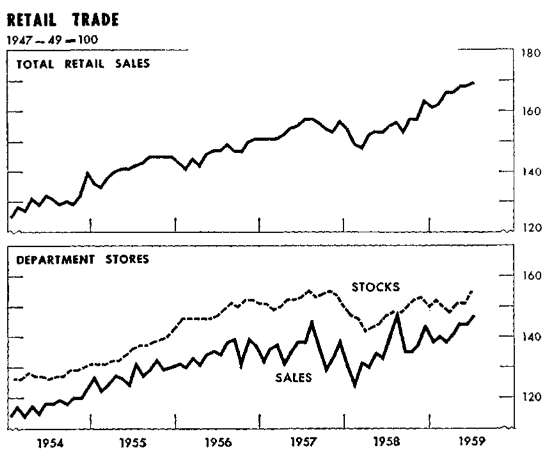
Bank Credit and Reserves

Total commercial bank credit increased in July. Loans showed further rapid expansion and holdings of U. S. Government securities rose slightly. The seasonally adjusted money supply increased \$1.4 billion following little change in May and June, and at the end of July was 3½ per cent larger than a year earlier.

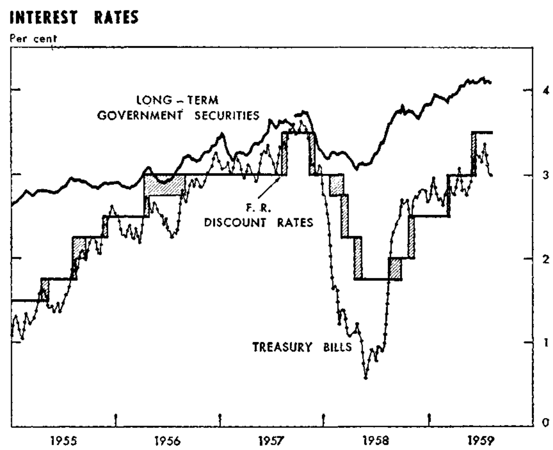
Member bank borrowings from the Federal Reserve averaged \$980 million and excess reserves \$480 million in the four weeks ending August 12. Over the period reserves were absorbed principally by further gold outflow, a build-up in Treasury deposits at the Reserve Banks, and a decrease in Reserve Bank float. Reserves were supplied by currency inflow and Federal Reserve purchases of U. S. Government securities.

Security Markets

Yields on all marketable Treasury issues have been stable to slightly lower during the past month. On August 5 the Treasury announced additional cash borrowing of \$1.7 billion in the bill market. Yields on corporate and State and local government bonds declined slightly from peaks reached in early July. Common stock prices advanced to a new peak at the beginning of August and then declined 3 per cent.



Federal Reserve indexes, seasonally adjusted; retail sales based on Department of Commerce data. Monthly figures; latest shown for stocks is June, for other series, July.



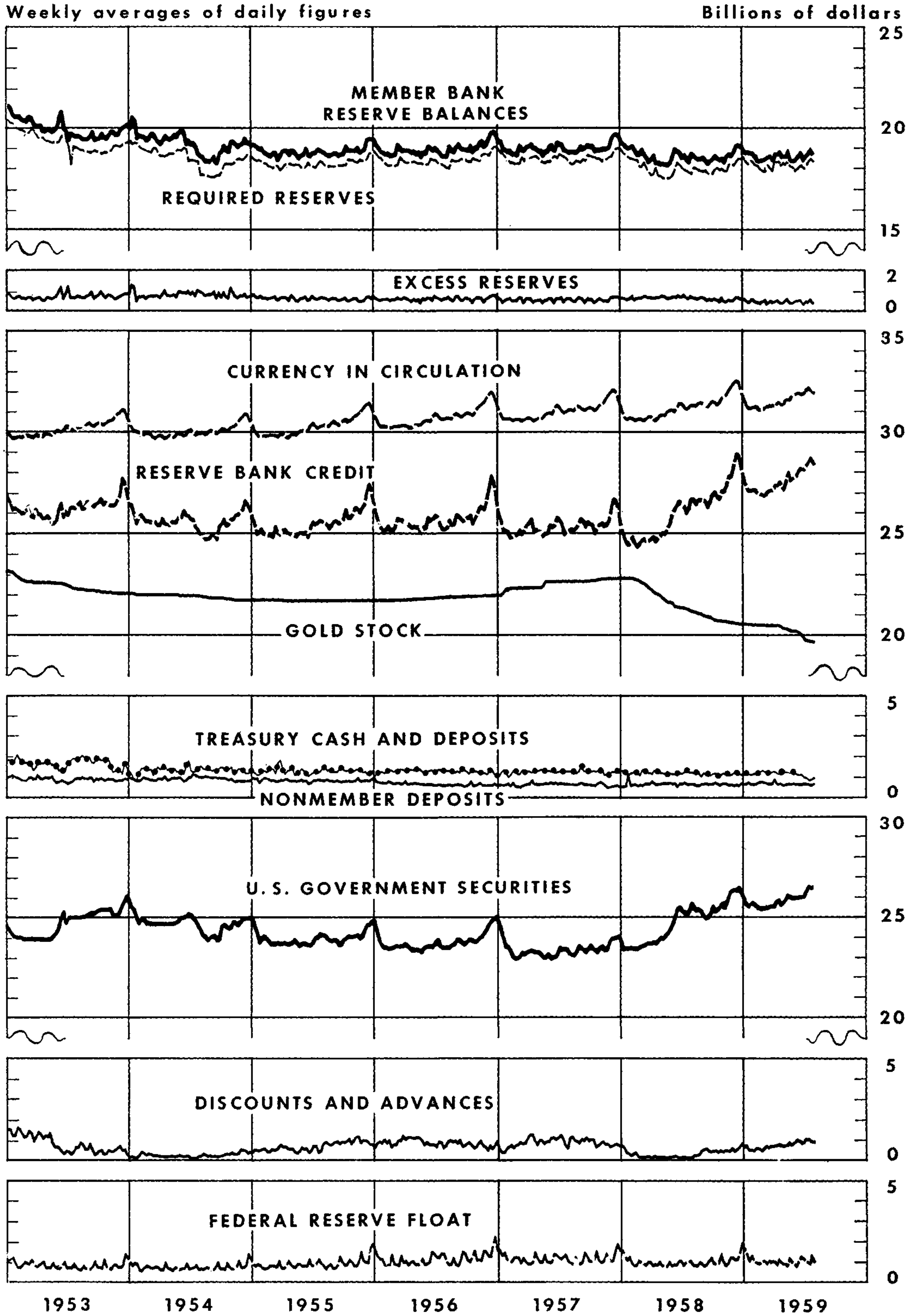
Weekly average market yields for long-term U. S. Government 2½ per cent bonds and for longest Treasury bills; latest shown are for week ending August 7.

Financial and Business Statistics

★ United States ★

Tables on the following pages include the principal statistics of current significance relating to financial and business developments in the United States. The data relating to Federal Reserve Banks, member banks of the Federal Reserve System, and department store trade, and the consumer credit estimates are derived from regular reports made to the Board; production indexes are compiled by the Board on the basis of material collected by other agencies; figures for gold stock, currency in circulation, Federal finance, and Federal credit agencies are obtained from Treasury statements; the remaining data are obtained largely from other sources. Back figures for 1941 and prior years for banking and monetary tables, together with descriptive text, may be obtained from the Board's publication, *Banking and Monetary Statistics.*

MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS



Latest averages shown are for week ending July 29. See p. 989.

[In millions of dollars]

Week ending	Reserve Bank credit outstanding						Gold stock	Treasury currency outstanding	Currency in circulation	Treasury cash holdings	Deposits, other than member bank reserves, with F. R. Banks			Other F. R. accounts	Member bank reserves		
	U. S. Govt. securities			Discounts and advances	Float	Total[1]					Treasury	Foreign	Other		Total	Required[2]	Excess[2]
	Total	Bought outright	Held under repurchase agreement														
Averages of daily figures																	
1958																	
June 4	24,194	24,194	....	135	869	25,240	21,594	5,201	30,989	709	411	238	484	1,057	18,147	17,574	573
11	24,397	24,391	6	184	815	25,440	21,594	5,203	31,052	709	424	267	370	1,139	18,274	17,687	587
18	24,682	24,581	101	175	1,036	25,939	21,540	5,204	31,070	698	459	331	359	1,146	18,619	17,984	635
25	25,002	24,891	111	99	1,024	26,170	21,374	5,204	30,975	698	440	280	229	1,144	18,983	18,314	669
July 2	25,422	25,419	3	97	815	26,380	21,349	5,203	31,163	687	446	268	405	1,105	18,859	18,204	655
9	25,456	25,456	....	143	947	26,589	21,306	5,202	31,385	677	489	265	377	1,097	18,809	18,051	758
16	25,262	25,262	....	115	979	26,398	21,300	5,202	31,375	686	497	358	371	1,095	18,518	17,949	569
23	25,157	25,157	....	85	1,045	26,328	21,280	5,203	31,217	692	465	293	340	1,091	18,712	17,924	788
30	25,035	25,035	....	108	823	26,005	21,252	5,206	31,086	697	543	300	333	1,041	18,462	17,824	638
Aug. 6	25,240	25,240	....	112	828	26,212	21,195	5,207	31,171	696	662	291	350	1,148	18,296	17,738	558
13	25,646	25,626	20	229	774	26,685	21,154	5,210	31,291	699	504	300	329	1,166	18,760	18,073	687
20	25,406	25,406	....	216	1,008	26,665	21,086	5,210	31,295	696	528	259	301	1,233	18,648	18,027	621
27	25,257	25,257	....	271	857	26,417	21,086	5,211	31,249	688	486	234	320	1,212	18,526	17,953	573
Sept. 3	25,353	25,353	....	461	792	26,638	21,011	5,211	31,381	691	539	305	324	1,175	18,446	17,899	547
10	25,233	25,233	....	514	883	26,661	21,012	5,213	31,433	694	478	330	319	1,153	18,479	17,873	606
17	25,001	25,001	....	563	1,049	26,644	20,939	5,215	31,393	694	304	397	282	1,156	18,572	17,935	637
24	24,893	24,893	....	433	1,203	26,558	20,895	5,216	31,285	683	508	308	320	1,162	18,404	17,811	593
Oct. 1	24,940	24,940	....	401	904	26,275	20,866	5,219	31,217	690	448	261	387	1,123	18,234	17,774	460
8	25,143	25,143	....	434	911	26,519	20,830	5,219	31,352	691	447	299	343	1,119	18,318	17,753	565
15	25,498	25,353	145	472	922	26,925	20,764	5,220	31,498	689	386	327	412	1,121	18,475	17,989	486
22	25,242	25,242	....	369	1,401	27,046	20,724	5,220	31,435	681	464	308	332	1,117	18,652	18,086	566
29	25,300	25,300	....	456	977	26,767	20,690	5,221	31,299	681	512	270	321	1,080	18,515	17,993	522
Nov. 5	25,459	25,380	79	403	796	26,694	20,679	5,222	31,422	681	325	283	391	1,078	18,416	18,008	408
12	25,660	25,614	46	470	934	27,100	20,652	5,225	31,660	687	371	297	375	1,078	18,510	17,891	619
19	25,411	25,392	19	453	1,188	27,087	20,680	5,225	31,754	692	475	316	341	1,074	18,340	17,900	440
26	25,734	25,578	156	430	1,199	27,399	20,616	5,225	31,825	686	455	243	337	1,063	18,631	18,225	406
Dec. 3	26,143	26,033	110	580	1,087	27,844	20,609	5,228	32,057	693	465	222	401	1,103	18,740	18,232	508
10	26,282	26,250	32	415	1,112	27,847	20,593	5,229	32,218	696	376	232	328	1,191	18,629	18,160	469
17	26,315	26,223	92	519	1,439	28,311	20,576	5,229	32,394	693	428	263	335	1,161	18,844	18,374	470
24	26,272	26,188	84	631	1,944	28,889	20,536	5,231	32,533	684	540	239	328	1,172	19,160	18,548	612
31	26,437	26,241	196	808	1,618	28,910	20,526	5,232	32,458	692	521	332	333	1,165	19,167	18,511	656
1959																	
Jan. 7	26,184	26,090	94	644	1,401	28,275	20,534	5,234	32,008	701	446	279	356	1,122	19,131	18,588	543
14	25,922	25,817	105	730	1,011	27,708	20,526	5,234	31,710	704	390	297	345	1,121	18,901	18,340	561
21	25,580	25,580	....	457	1,288	27,368	20,515	5,234	31,385	712	401	357	373	1,118	18,769	18,234	535
28	25,471	25,471	....	507	1,074	27,094	20,515	5,235	31,150	714	404	298	343	1,118	18,817	18,424	393
Feb. 4	25,673	25,592	81	433	946	27,092	20,476	5,235	31,120•	723	442	278	344	1,146	18,749	18,345	404
11	25,657	25,621	36	553	887	27,136	20,476	5,236	31,193	727	364	304	333	1,185	18,742	18,189	553
18	25,529	25,523	6	583	960	27,112	20,475	5,238	31,205	741	398	313	391	1,214	18,562	18,120	442
25	25,399	25,394	5	474	1,050	26,965	20,474	5,239	31,111	724	443	308	448	1,255	18,389	17,979	410
Mar. 4	25,355	25,294	61	548	951	26,892	20,479	5,241	31,129	721	534	298	339	1,214	18,375	17,957	418
11	25,366	25,331	35	722	849	26,976	20,448	5,242	31,215	716	454	311	336	1,212	18,421	17,868	553
18	25,471	25,419	52	543	1,000	27,048	20,442	5,244	31,287	727	437	290	340	1,214	18,439	18,051	388
25	25,510	25,461	49	619	961	27,123	20,442	5,246	31,231	714	456	295	339	1,218	18,558	18,100	458
Apr. 1	25,494	25,462	32	629	998	27,151	20,442	5,247	31,229	709	523	364	512	1,181	18,323	17,855	468
8	25,722	25,484	238	690	914	27,357	20,442	5,250	31,280	709	524	296	348	1,180	18,711	18,302	409
15	25,789	25,545	244	721	816	27,357	20,440	5,253	31,365	712	471	279	343	1,181	18,698	18,254	444
22	25,544	25,511	33	767	1,130	27,472	20,409	5,254	31,332	705	456	286	362	1,178	18,817	18,307	510
29	25,608	25,608	....	673	900	27,212	20,330	5,257	31,244	705	560	271	333	1,136	18,551	18,183	368
May 6	25,808	25,706	102	693	893	27,424	20,262	5,259	31,368	711	542	256	360	1,136	18,571	18,213	358
13	26,010	25,940	70	726	795	27,563	20,251	5,262	31,505	710	521	269	383	1,139	18,550	18,096	454
20	25,935	25,926	9	870	1,155	27,989	20,197	5,264	31,515	710	504	280	367	1,245	18,829	18,227	602
27	25,905	25,905	....	675	940	27,548	20,188	5,268	31,473	708	543	281	363	1,244	18,393	18,063	330
June 3	25,905	25,905	....	866	853	27,650	20,188	5,272	31,645	701	548	297	376	1,219	18,324	18,021	303
10	25,939	25,939	....	996	774	27,736	20,141	5,275	31,803	716	476	260	364	1,218	18,314	17,886	428
17	25,944	25,944	....	993	1,029	27,994	20,136	5,281	31,877	715	436	259	361	1,226	18,537	18,081	456
24	25,970	25,936	34	894	1,256	28,147	20,017	5,287	31,814	626	515	283	349	1,238	18,627	18,170	457
July 1	26,045	26,018	27	938	1,032	28,042	19,712	5,289	31,858	407	552	296	353	1,190	18,386	18,069	317
8	26,300	26,255	45	1,044	948	28,319	19,704	5,290	32,112	412	516	278	360	1,183	18,452	18,017	435
15	26,494	26,383	111	1,019	922	28,462	19,695	5,290	32,201	419	394	269	338	1,185	18,640	18,229	411
22	26,449	26,390	59	929	1,299	28,705	19,669	5,290	32,043	412	460	255	334	1,183	18,976	p18,445	p531
29	26,459	26,408	51	890	998	28,374	19,636	5,291	31,890	403	559	271	340	1,137	18,702	p18,310	p392

p Preliminary.

For other notes see following page.

MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS—Continued

[In millions of dollars]

Period or date	Reserve Bank credit outstanding: U. S. Govt. securities: Total	Reserve Bank credit outstanding: U. S. Govt. securities: Bought outright	Reserve Bank credit outstanding: U. S. Govt. securities: Held under repurchase agreement	Reserve Bank credit outstanding: Discounts and advances	Reserve Bank credit outstanding: Float	Reserve Bank credit outstanding: Total[1]	Gold stock	Treasury currency outstanding	Currency in circulation	Treasury cash holdings	Deposits, other than member bank reserves, with F. R. Banks: Treasury	Deposits, other than member bank reserves, with F. R. Banks: Foreign	Deposits, other than member bank reserves, with F. R. Banks: Other	Other F. R. accounts	Member bank reserves: Total	Member bank reserves: Required[2]	Member bank reserves: Excess[2]
Averages of daily figures																	
1958																	
July	25,218	25,218	......	109	942	26,310	21,285	5,203	31,264	687	498	302	358	1,081	18,609	17,953	656
Aug.	25,410	25,406	4	252	858	26,554	21,112	5,210	31,268	694	541	274	324	1,194	18,580	17,946	634
Sept.	25,051	25,051	......	476	990	26,548	20,940	5,215	31,342	691	445	325	325	1,151	18,425	17,854	571
Oct.	25,296	25,260	36	425	1,035	26,789	20,750	5,220	31,390	685	449	299	352	1,108	18,476	17,955	521
Nov.	25,650	25,562	88	488	1,039	27,211	20,648	5,225	31,732	688	410	276	369	1,068	18,540	18,034	506
Dec.	26,312	26,216	96	564	1,496	28,412	20,563	5,230	32,371	691	470	262	337	1,174	18,899	18,383	516
1959																	
Jan.	25,776	25,723	53	574	1,170	27,564	20,518	5,234	31,521	709	415	306	353	1,120	18,893	18,396	497
Feb.	25,532	25,503	29	526	961	27,059	20,475	5,238	31,158	729	417	303	378	1,211	18,577	18,117	460
Mar.	25,446	25,400	46	620	954	27,055	20,448	5,244	31,227	717	477	312	377	1,208	18,429	17,968	461
Apr.	25,661	25,538	123	694	937	27,323	20,403	5,253	31,304	708	505	283	347	1,168	18,664	18,247	417
May	25,920	25,882	38	784	935	27,669	20,217	5,265	31,490	708	532	274	369	1,197	18,580	18,132	448
June	25,963	25,949	14	938	1,009	27,937	20,030	5,282	31,816	632	495	277	359	1,219	18,451	18,043	408
July	26,422	26,354	68	969	1,023	28,441	19,674	5,290	32,049	411	490	269	344	1,170	18,671	......	......
Midyear or year-end																	
1929—June	216	148	68	1,037	52	1,400	4,037	2,019	4,459	204	36	6	21	374	2,356	2,333	23
1933—June	1,998	1,998	......	164	4	2,220	4,031	2,286	5,434	264	35	15	151	346	2,292	1,817	475
1939—Dec.	2,484	2,484	......	7	91	2,593	17,644	2,963	7,598	2,409	634	397	256	251	11,653	6,444	5,209
1941—Dec.	2,254	2,254	......	3	94	2,361	22,737	3,247	11,160	2,215	867	774	586	291	12,450	9,365	3,085
1945—Dec.	24,262	24,262	......	249	578	25,091	20,065	4,339	28,515	2,287	977	862	446	495	15,915	14,457	1,458
1947—Dec.	22,559	22,559	......	85	535	23,181	22,754	4,562	28,868	1,336	870	392	569	563	17,899	16,400	1,499
1950—Dec.	20,778	20,725	53	67	1,368	22,216	22,706	4,636	27,741	1,293	668	895	565	714	17,681	16,509	1,172
1955—Dec.	24,785	24,391	394	108	1,585	26,507	21,690	5,008	31,158	767	394	402	554	925	19,005	18,903	102
1956—Dec.	24,915	24,610	305	50	1,665	26,699	21,949	5,066	31,790	775	441	322	426	901	19,059	19,089	−30
1957—June	23,035	22,994	41	558	1,199	24,816	22,623	5,107	31,082	758	498	449	308	1,075	18,376	18,543	−167
Dec.	24,238	23,719	519	55	1,424	25,784	22,781	5,146	31,834	761	481	356	246	998	19,034	19,091	−57
1958—June	25,438	25,438	......	41	758	26,283	21,356	5,203	31,172	692	410	269	420	1,096	18,784	18,158	626
End of month																	
1958																	
July	24,480	24,480	......	94	868	25,477	21,210	5,207	31,171	685	617	288	329	1,039	17,764	17,801	−37
Aug.	25,346	25,346	......	555	805	26,739	21,011	5,211	31,371	684	540	313	332	1,184	18,538	17,860	678
Sept.	24,986	24,986	......	255	860	26,130	20,874	5,219	31,245	684	371	258	395	1,122	18,147	17,785	362
Oct.	25,443	25,373	70	407	788	26,675	20,690	5,222	31,386	674	363	288	335	1,079	18,462	18,009	453
Nov.	26,229	26,069	160	717	1,026	28,006	20,609	5,228	32,036	694	424	226	430	1,038	18,994	18,217	777
Dec.	26,347	26,252	95	64	1,296	27,755	20,534	5,234	32,193	683	358	272	391	1,122	18,504	18,574	−70
1959																	
Jan.	25,715	25,611	104	462	979	27,197	20,476	5,235	31,125	721	447	274	345	1,118	18,878	18,355	523
Feb.	25,350	25,295	55	632	999	27,020	20,479	5,241	31,129	718	492	310	334	1,215	18,540	17,972	568
Mar.	25,497	25,497	......	327	862	26,716	20,442	5,247	31,250	689	398	308	388	1,180	18,192	17,815	377
Apr.	25,703	25,623	80	500	943	27,176	20,305	5,257	31,349	711	539	266	341	1,136	18,396	18,201	195
May	25,905	25,905	......	984	860	27,777	20,188	5,273	31,638	694	567	291	369	1,219	18,459	17,975	484
June	26,044	26,025	19	421	846	27,337	19,705	5,279	31,914	394	535	294	363	1,181	17,640	18,054	−414
July	26,543	26,408	135	1,229	772	28,569	p19,626	p5,291	p31,901	p405	522	278	337	1,138	18,905	p18,265	p640
Wednesday																	
1959																	
May 6	25,940	25,829	111	863	763	27,595	20,255	5,260	31,414	723	542	263	391	1,137	18,640	18,188	452
13	26,085	25,977	108	652	764	27,530	20,244	5,263	31,482	717	504	255	387	1,139	18,553	18,296	257
20	25,905	25,905	......	376	933	27,242	20,188	5,267	31,454	709	468	296	385	1,262	18,123	18,200	−77
27	25,905	25,905	......	554	721	27,206	20,188	5,269	31,511	706	525	289	353	1,219	18,062	18,063	−1
June 3	25,905	25,905	......	731	811	27,473	20,188	5,272	31,687	710	474	354	391	1,218	18,099	18,033	66
10	25,944	25,944	......	906	700	27,576	20,137	5,279	31,832	717	414	258	352	1,217	18,201	17,914	287
17	25,944	25,944	......	1,131	1,241	28,344	20,135	5,287	31,837	717	378	278	450	1,237	18,869	18,298	571
24	25,919	25,919	......	909	911	27,765	19,771	5,288	31,753	412	532	337	364	1,237	18,188	18,053	135
July 1	26,118	26,099	19	603	880	27,627	19,704	5,290	31,978	409	567	288	386	1,181	17,812	18,151	−339
8	26,344	26,255	89	1,032	824	28,225	19,705	5,290	32,190	415	461	262	351	1,182	18,358	17,962	396
15	26,418	26,383	35	780	1,009	28,234	19,681	5,290	32,104	421	422	240	335	1,183	18,500	18,233	267
22	26,497	26,408	89	702	1,069	28,294	19,637	5,290	31,942	409	451	264	339	1,182	18,635	p18,393	p242
29	26,459	26,408	51	631	745	27,860	19,636	5,291	31,856	402	630	281	337	1,137	18,145	p18,289	p−144

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1 Includes industrial loans and acceptances; these items are not shown separately in this table, but are given for end-of-month and Wednesday dates in subsequent tables on Federal Reserve Banks.

2 These figures are estimated.

RESERVES, DEPOSITS, AND BORROWINGS OF MEMBER BANKS, BY CLASSES

[Averages of daily figures.[1] In millions of dollars]

Item and period	All member banks	Central reserve city banks		Reserve city banks	Country banks
		New York	Chicago		
Total reserves held:					
1958—June	18,600	4,214	1,113	7,721	5,552
July	18,609	4,132	1,088	7,772	5,617
Aug.	18,580	4,014	1,097	7,820	5,651
Sept.	18,425	3,951	1,064	7,731	5,679
Oct.	18,476	3,935	1,061	7,755	5,724
Nov.	18,540	3,883	1,054	7,819	5,784
Dec.	18,899	4,033	1,077	7,940	5,849
1959—Jan.	18,893	4,031	1,066	7,929	5,868
Feb.	18,577	3,968	1,052	7,777	5,780
Mar.	18,429	3,994	1,029	7,702	5,704
Apr.	18,664	4,008	1,041	7,825	5,790
May	18,580	3,979	1,037	7,792	5,772
June	18,451	3,933	1,009	7,744	5,765
Week ending:					
1959—June 17	18,537	3,949	1,010	7,769	5,809
24	18,627	3,953	1,015	7,793	5,866
July 1	18,386	3,983	1,014	7,766	5,623
8	18,452	3,894	1,000	7,723	5,835
15	18,640	3,936	1,023	7,865	5,814
22	18,976	4,079	1,052	7,926	5,919
29	18,702	4,013	1,046	7,867	5,776
Required reserves:[2]					
1958—June	17,974	4,186	1,099	7,619	5,070
July	17,953	4,101	1,084	7,667	5,101
Aug.	17,946	3,987	1,094	7,731	5,134
Sept.	17,854	3,923	1,058	7,667	5,205
Oct.	17,955	3,909	1,055	7,700	5,291
Nov.	18,034	3,866	1,055	7,750	5,364
Dec.	18,383	4,010	1,070	7,883	5,419
1959—Jan.	18,396	4,018	1,065	7,873	5,440
Feb.	18,117	3,953	1,051	7,723	5,390
Mar.	17,968	3,965	1,027	7,653	5,323
Apr.	18,247	4,001	1,036	7,791	5,418
May	18,132	3,955	1,033	7,728	5,415
June	18,043	3,926	1,006	7,705	5,406
Week ending:					
1959—June 17	18,081	3,938	1,009	7,732	5,402
24	18,170	3,954	1,011	7,754	5,451
July 1	18,069	3,965	1,012	7,709	5,383
8	18,017	3,883	997	7,686	5,451
15	18,229	3,950	1,024	7,832	5,423
22	p18,445	4,055	1,046	7,893	p5,451
29	p18,310	4,009	1,041	7,830	p5,430
	June 1958				
Deposits:					
Gross demand deposits:					
Total	119,866	25,207	6,475	47,008	41,176
Interbank	13,505	4,278	1,291	6,609	1,327
Other	106,361	20,929	5,184	40,399	39,849
Net demand deposits[3]	102,411	21,793	5,711	39,803	35,105
Time deposits	51,891	5,261	1,429	21,029	24,173
Demand balances due from domestic banks	6,991	177	123	2,198	4,494
	June 1959				
Gross demand deposits:					
Total	120,579	23,769	6,001	47,729	43,081
Interbank	12,669	4,057	1,124	6,190	1,297
Other	107,910	19,711	4,877	41,539	41,784
Net demand deposits[3]	102,847	20,387	5,187	40,004	37,269
Time deposits	54,794	5,129	1,446	22,096	26,123
Demand balances due from domestic banks	6,353	74	103	2,090	4,086

Item and period	All member banks	Central reserve city banks		Reserve city banks	Country banks
		New York	Chicago		
Excess reserves:[2]					
1958—June	626	28	14	102	481
July	656	32	5	104	515
Aug.	635	26	3	89	516
Sept.	571	27	5	65	474
Oct.	521	27	6	55	433
Nov.	506	17	......	69	420
Dec.	516	23	7	57	430
1959—Jan.	497	12	1	56	428
Feb.	460	15	1	55	390
Mar.	461	30	2	49	381
Apr.	417	7	5	34	372
May	448	24	4	64	357
June	408	7	3	39	359
Week ending:					
1959—June 17	456	12	1	37	407
24	457	−1	4	39	415
July 1	317	18	2	57	240
8	435	11	3	37	384
15	411	−14	−1	34	391
22	p531	25	6	32	p468
29	p392	4	5	38	p345
Borrowings at Federal Reserve Banks:					
1958—June	142	21	2	45	74
July	109	16	1	49	44
Aug.	252	48	3	111	90
Sept.	476	106	8	266	96
Oct.	425	35	9	253	128
Nov.	486	60	16	258	152
Dec.	557	103	39	254	162
1959—Jan.	557	77	54	279	147
Feb.	508	43	27	250	188
Mar.	601	13	124	277	187
Apr.	676	96	69	317	194
May	767	75	44	424	224
June	921	22	66	574	259
Week ending:					
1959—June 17	976	21	89	596	270
24	876	45	61	557	213
July 1	921	30	41	551	299
8	1,027	117	74	583	253
15	1,002	145	46	525	286
22	912	217	37	489	169
29	890	150	38	442	260
Free reserves:[2 4]					
1958—June	484	7	12	57	408
July	546	16	4	56	471
Aug.	383	−22	......	−22	426
Sept.	95	−79	−3	−201	378
Oct.	96	−8	−3	−198	305
Nov.	20	−43	−16	−189	268
Dec.	−41	−80	−31	−198	268
1959—Jan.	−59	−65	−53	−223	281
Feb.	−47	−28	−26	−195	202
Mar.	−140	16	−122	−228	194
Apr.	−258	−89	−64	−284	178
May	−318	−51	−41	−360	133
June	−513	−15	−63	−536	101
Week ending:					
1959—June 17	−520	−9	−88	−559	137
24	−419	−46	−57	−518	202
July 1	−604	−12	−39	−494	−59
8	−592	−106	−71	−546	131
15	−591	−159	−47	−491	105
22	p−381	−192	−31	−457	p299
29	p−498	−146	−33	−404	p85

p Preliminary.

[1] Averages of daily *closing* figures for reserves and borrowings and of daily *opening* figures for other items, inasmuch as reserves required are based on deposits at opening of business.

[2] Weekly figures of required, excess, and free reserves of all member banks and of country banks are estimates.

[3] Demand deposits subject to reserve requirements, i.e., gross demand deposits minus cash items reported as in process of collection and demand balances due from domestic banks.

[4] Free reserves are excess reserves less borrowings.

FEDERAL RESERVE BANK DISCOUNT RATES

[Per cent per annum]

Federal Reserve Bank	Discounts for and advances to member banks: Advances secured by Government obligations and discounts of and advances secured by eligible paper (Secs. 13 and 13a)[1]			Discounts for and advances to member banks: Other secured advances [Sec. 10(b)]			Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of the U. S. (last par. Sec. 13)		
	Rate on July 31	In effect beginning—	Previous rate	Rate on July 31	In effect beginning—	Previous rate	Rate on July 31	In effect beginning—	Previous rate
Boston	3½	June 2, 1959	3	4	June 2, 1959	3½	4½	Mar. 10, 1959	4
New York	3½	May 29, 1959	3	4	May 29, 1959	3½	4½	May 29, 1959	4
Philadelphia	3½	June 5, 1959	3	4	June 5, 1959	3½	4½	June 5, 1959	4
Cleveland	3½	June 12, 1959	3	4	June 12, 1959	3½	4½	June 12, 1959	4
Richmond	3½	June 12, 1959	3	4	June 12, 1959	3½	4½	Mar. 13, 1959	4
Atlanta	3½	June 2, 1959	3	4	June 2, 1959	3½	4½	Oct. 28, 1958	3¼
Chicago	3½	May 29, 1959	3	4	May 29, 1959	3½	4½	Mar. 6, 1959	4
St. Louis	3½	May 29, 1959	3	4	May 29, 1959	3½	4½	May 29, 1959	4
Minneapolis	3½	May 29, 1959	3	4	May 29, 1959	3½	4½	Mar. 16, 1959	4¼
Kansas City	3½	June 5, 1959	3	4	June 5, 1959	3½	4½	Mar. 13, 1959	4
Dallas	3½	May 29, 1959	3	4	May 29, 1959	3½	4½	Oct. 24, 1958	4
San Francisco	3½	June 11, 1959	3	4	June 11, 1959	3½	4½	Mar. 12, 1959	4

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

NOTE.—*Maximum maturities.* Discounts for and advances to member banks: 90 days for discounts and advances under Sections 13 and 13a of the Federal Reserve Act except that discounts of certain bankers' acceptances and of agricultural paper may have maturities not exceeding 6 months and 9 months, respectively, and advances secured by obligations of Federal intermediate credit banks maturing within 6 months are limited to maximum maturities of 15 days; 4 months for advances under Section 10(b). Advances to individuals, partnerships, or corporations under the last paragraph of Section 13: 90 days.

FEDERAL RESERVE BANK DISCOUNT RATES[1]

[Per cent per annum]

Date effective	Range (or level)—all F. R. Banks	F. R. Bank of N. Y.	Date effective	Range (or level)—all F. R. Banks	F. R. Bank of N. Y.
1956			1958		
Apr. 13	2½–3	2¾	Apr. 18	1¾–2¼	1¾
20	2¾–3	2¾	May 9	1¾	1¾
Aug. 24	2¾–3	3	Aug. 15	1¾–2	1¾
31	3	3	Sept. 12	1¾–2	2
			23	2	2
1957			Oct. 24	2 –2½	2
Aug. 9	3 –3½	3	Nov. 7	2½	2½
23	3½	3½			
Nov. 15	3 –3½	3	1959		
Dec. 2	3	3	Mar. 6	2½–3	3
			Mar. 16	3	3
1958			May 29	3 –3½	3½
Jan. 22	2¾–3	3	June 12	3½	3½
24	2¾–3	2¾			
Mar. 7	2¼–3	2¼	In effect		
13	2¼–2¾	2¼	July 31	3½	3½
21	2¼	2¼			

[1] Under Secs. 13 and 13a (as described in table above). For data for 1941–55, see BULLETIN for January 1959, p. 76.

NOTE.—The rate charged by the Federal Reserve Bank of New York on repurchase contracts against U. S. Govt. securities was the same as its discount rate except in the following periods (rates in percentages): 1956—Aug. 24–29, 2.75; and 1957—Aug. 22, 3.50.

MARGIN REQUIREMENTS[1]

[Per cent of market value]

Prescribed in accordance with Securities Exchange Act of 1934	Jan. 16, 1958–Aug. 4, 1958	Aug. 5, 1958–Oct. 15, 1958	Effective Oct. 16, 1958
Regulation T:			
For extensions of credit by brokers and dealers on listed securities	50	70	90
For short sales	50	70	90
Regulation U:			
For loans by banks on stocks	50	70	90

[1] Regulations T and U limit the amount of credit that may be extended on a security by prescribing a maximum loan value, which is a specified percentage of its market value at the time of extension; margin requirements are the difference between the market value (100%) and the maximum loan value.

MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Effective date of change	Net demand deposits[1]: Central reserve city banks	Net demand deposits[1]: Reserve city banks	Net demand deposits[1]: Country banks	Time deposits: Central reserve and reserve city banks	Time deposits: Country banks
1917—June 21	13	10	7	3	3
1936—Aug. 16	19½	15	10½	4½	4½
1937—Mar. 1	22¾	17½	12¼	5¼	5¼
May 1	26	20	14	6	6
1938—Apr. 16	22¾	17½	12	5	5
1941—Nov. 1	26	20	14	6	6
1942—Aug. 20	24	....	....	....	....
Sept. 14	22	....	....	....	....
Oct. 3	20	....	....	....	....
1948—Feb. 27	22	....	....	....	....
June 11	24	....	....	....	....
Sept. 16, 24*	26	22	16	7½	7½
1949—May 1, 5*	24	21	15	7	7
June 30, July 1*	....	20	14	6	6
Aug. 1, 11*	23½	19½	13	5	....
Aug. 16, 18*	23	19	12	....	5
Aug. 25	22½	18½	....	....	....
Sept. 1	22	18	....	....	....
1951—Jan. 11, 16*	23	19	13	6	6
Jan. 25, Feb. 1*	24	20	14	....	....
1953—July 1, 9*	22	19	13	....	....
1954—June 16, 24*	21	....	....	5	5
July 29, Aug. 1*	20	18	12	....	....
1958—Feb. 27, Mar. 1*	19½	17½	11½	....	....
Mar. 20, Apr. 1*	19	17	11	....	....
Apr. 17	18½	....	....	....	....
Apr. 24	18	16½	....	....	....
In effect Aug. 1, 1959	18	16½	11	5	5
Present legal requirements:					
Minimum	10	10	7	3	3
Maximum	22	22	14	6	6

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

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

STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS

[In thousands of dollars]

Item	Wednesday					End of month		
	1959					1959		1958
	July 29	July 22	July 15	July 8	July 1	July	June	July
Assets								
Gold certificate account	18,406,141	18,401,144	18,458,144	18,485,143	18,494,145	18,396,142	18,494,141	19,758,894
Redemption fund for F. R. notes	936,862	939,299	932,721	928,753	921,949	936,862	921,950	862,160
Total gold certificate reserves	19,343,003	19,340,443	19,390,865	19,413,896	19,416,094	19,333,004	19,416,091	20,621,054
F. R. notes of other Banks	387,985	367,992	308,091	262,432	290,539	378,438	294,676	363,072
Other cash	392,324	386,315	359,160	342,699	361,204	398,780	366,464	379,007
Discounts and advances:								
For member banks	631,370	685,314	758,274	1,014,595	586,422	1,228,628	404,027	94,200
For nonmember banks, etc.	....	17,000	22,000	17,000	17,000	....	17,000	....
Industrial loans	....	....	....	1	1	....	1	342
Acceptances—Bought outright	25,397	25,394	25,396	25,396	25,396	25,108	26,005	34,029
Held under repurchase agreement	....	....	....	....	....	....	....	....
U. S. Government securities:								
Bought outright:								
Bills	2,406,900	2,406,900	2,381,900	2,253,900	2,097,900	2,406,900	2,024,100	1,569,260
Certificates—Special	....	....	....	....	....	....	....	....
Other	18,649,726	18,649,726	18,649,726	18,649,726	18,649,726	18,649,726	18,649,726	19,946,105
Notes	2,867,565	2,867,565	2,867,565	2,867,565	2,867,565	2,867,565	2,867,565	10,000
Bonds	2,483,771	2,483,771	2,483,771	2,483,771	2,483,771	2,483,771	2,483,771	2,954,607
Total bought outright	26,407,962	26,407,962	26,382,962	26,254,962	26,098,962	26,407,962	26,025,162	24,479,972
Held under repurchase agreement	51,000	89,000	35,500	89,000	18,750	135,211	18,750	....
Total U. S. Government securities	26,458,962	26,496,962	26,418,462	26,343,962	26,117,712	26,543,173	26,043,912	24,479,972
Total loans and securities	27,115,729	27,224,670	27,224,132	27,400,954	26,746,531	27,796,909	26,490,945	24,608,543
Due from foreign banks	15	15	15	15	15	15	15	15
Uncollected cash items	5,020,430	5,718,203	6,409,262	5,076,824	5,692,133	4,476,035	5,117,737	4,626,824
Bank premises	96,199	96,302	96,381	95,815	95,791	95,985	95,805	89,723
Other assets	240,961	226,806	213,313	199,956	186,155	244,972	183,500	271,744
Total assets	52,596,646	53,360,746	54,001,219	52,792,591	52,788,462	52,724,138	51,965,233	50,959,982
Liabilities								
Federal Reserve notes	27,454,488	27,518,810	27,612,207	27,630,171	27,459,793	27,499,084	27,401,872	26,802,387
Deposits:								
Member bank reserves	18,144,921	18,635,109	18,499,629	18,357,885	17,812,479	18,904,817	17,640,301	17,764,093
U. S. Treasurer—general account	629,507	450,559	421,983	460,780	567,039	521,839	534,594	617,002
Foreign	281,150	263,706	239,948	262,125	288,067	277,545	294,040	288,120
Other	336,866	338,544	335,154	350,776	386,436	337,360	362,686	329,289
Total deposits	19,392,444	19,687,918	19,496,714	19,431,566	19,054,021	20,041,561	18,831,621	18,998,504
Deferred availability cash items	4,275,789	4,649,260	5,399,874	4,252,710	4,811,698	3,704,315	4,271,540	3,758,868
Other liabilities and accrued dividends[1]	36,018	35,900	35,884	33,160	30,589	37,874	29,493	14,300
Total liabilities	51,158,739	51,891,888	52,544,679	51,347,607	51,356,101	51,282,834	50,534,526	49,574,059
Capital Accounts								
Capital paid in	380,820	380,726	380,626	380,519	379,952	380,826	379,882	354,771
Surplus	868,410	868,410	868,410	868,410	868,410	868,410	868,410	[2]836,741
Other capital accounts	188,677	219,722	207,504	196,055	183,999	192,068	182,415	194,411
Total liabilities and capital accounts	52,596,646	53,360,746	54,001,219	52,792,591	52,788,462	52,724,138	51,965,233	50,959,982
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined (per cent)	41.3	41.0	41.2	41.3	41.7	40.7	42.0	45.0
Contigent liability on acceptances purchased for foreign correspondents	74,621	73,027	74,093	74,772	75,785	73,853	75,959	107,978
Industrial loan commitments	355	355	355	360	360	355	360	986

Maturity Distribution of Loans and U. S. Government Securities[3]

Item	July 29	July 22	July 15	July 8	July 1	July	June	July
Discounts and advances—total	631,370	702,314	780,274	1,031,595	603,422	1,228,628	421,027	94,200
Within 15 days	621,421	693,000	770,508	1,019,903	573,494	1,205,622	393,199	91,904
16 days to 90 days	9,713	9,111	9,558	11,525	29,738	22,770	27,638	2,296
91 days to 1 year	236	203	208	167	190	236	190	....
Industrial loans—total	....	....	....	1	1	....	1	342
Within 15 days	....	....	....	1	1	....	1	170
16 days to 90 days	....	....	....	....	....	....	....	20
91 days to 1 year	....	....	....	....	....	....	....	68
Over 1 year to 5 years	....	....	....	....	....	....	....	84
Acceptances—total	25,397	25,394	25,396	25,396	25,396	25,108	26,005	34,029
Within 15 days	7,246	8,402	8,579	7,980	7,371	6,068	8,114	12,612
16 days to 90 days	18,151	16,992	16,817	17,416	18,025	19,040	17,891	21,417
U. S. Government securities—Total	26,458,962	26,496,962	26,418,462	26,343,962	26,117,712	26,543,173	26,043,912	24,479,972
Within 15 days	8,631,323	8,667,323	333,300	422,300	311,850	8,595,034	253,450	6,612,597
16 days to 90 days	1,174,710	1,167,910	9,442,433	9,367,033	9,321,733	1,308,210	9,351,833	2,009,046
91 days to 1 year	11,301,593	11,310,393	11,291,393	11,203,293	11,132,793	11,288,593	11,087,293	13,364,558
Over 1 year to 5 years	3,881,179	3,881,179	3,881,179	3,881,179	3,881,179	3,881,179	3,881,179	1,023,614
Over 5 years to 10 years	410,385	410,385	410,385	410,385	410,385	410,385	410,385	83,910
Over 10 years	1,059,772	1,059,772	1,059,772	1,059,772	1,059,772	1,059,772	1,059,772	1,386,247

[1] No accrued dividends at end of June.

[2] Includes, prior to Sept. 2, 1958, Section 13b surplus of $27,543,000.

[3] Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK ON JULY 31, 1959

[In thousands of dollars]

Item	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Fran-cisco
Assets												
Gold certificate account	850,662	4,865,587	1,031,235	1,687,801	990,181	859,001	3,256,407	690,020	393,585	687,167	707,363	2,377,133
Redemption fund for F. R. notes	56,166	193,648	60,865	84,542	79,702	58,036	176,775	42,964	23,528	44,153	29,789	86,694
Total gold certificate reserves	906,828	5,059,235	1,092,100	1,772,343	1,069,883	917,037	3,433,182	732,984	417,113	731,320	737,152	2,463,827
F. R. notes of other Banks	39,311	59,660	34,126	17,046	32,404	61,201	27,280	12,531	22,147	21,917	16,858	33,957
Other cash	28,170	70,719	23,734	36,158	27,244	37,190	60,178	26,705	9,940	16,054	16,031	46,657
Discounts and advances:												
Secured by U. S. Govt. securities	40,275	321,205	47,425	53,788	106,023	122,245	129,099	57,780	51,064	139,055	63,310	85,500
Other	....	....	....	....	....	5,000	394	....	6,465	....	....	....
Industrial loans	....	....	....	....	....	....	....	....	....	....	....	....
Acceptances:												
Bought outright	....	25,108	....	....	....	....	....	....	....	....	....	....
Held under repurchase agreement	....	....	....	....	....	....	....	....	....	....	....	....
U. S. Govt. securities:												
Bought outright	1,431,708	6,645,616	1,505,940	2,286,349	1,692,434	1,391,805	4,569,951	1,074,012	601,494	1,138,315	1,054,047	3,016,291
Held under repurchase agreement	....	135,211	....	....	....	....	....	....	....	....	....	....
Total loans and securities	1,471,983	7,127,140	1,553,365	2,340,137	1,798,457	1,519,050	4,699,444	1,131,792	659,023	1,277,370	1,117,357	3,101,791
Due from foreign banks	1	[1]4	1	1	1	1	2	1	[2]	1	1	1
Uncollected cash items	315,311	792,434	280,154	403,060	347,521	356,371	732,648	192,377	126,265	247,545	211,568	470,781
Bank premises	4,463	10,103	4,122	9,338	6,877	9,676	13,214	6,943	5,141	4,701	9,107	12,300
Other assets	13,310	60,046	13,625	21,367	15,501	13,845	41,977	10,056	5,508	11,384	9,758	28,595
Total assets	2,779,377	13,179,341	3,001,227	4,599,450	3,297,888	2,914,371	9,007,925	2,113,389	1,245,137	2,310,292	2,117,832	6,157,909
Liabilities												
F. R. notes	1,592,773	6,393,263	1,744,485	2,531,246	2,062,978	1,497,071	5,244,295	1,201,573	611,066	1,104,771	783,511	2,732,052
Deposits:												
Member bank reserves	766,238	5,334,036	893,414	1,526,545	807,404	989,325	2,841,605	650,997	461,520	876,406	1,008,686	2,748,641
U. S. Treasurer—general account	32,472	60,606	18,378	49,166	40,397	35,932	60,550	45,320	20,717	52,688	49,066	56,547
Foreign	15,125	[3]79,545	18,150	24,750	13,750	12,925	40,700	10,175	6,600	10,725	14,300	30,800
Other	989	286,491	2,136	882	2,836	1,709	933	325	522	917	1,067	38,553
Total deposits	814,824	5,760,678	932,078	1,601,343	864,387	1,039,891	2,943,788	706,817	489,359	940,736	1,073,119	2,874,541
Deferred availability cash items	288,459	621,136	227,667	333,679	293,733	305,832	600,230	147,947	108,248	205,357	185,921	386,106
Other liabilities and accrued dividends	2,292	11,016	1,795	3,542	2,067	1,932	5,859	1,352	1,119	1,543	1,334	4,023
Total liabilities	2,698,348	12,786,093	2,906,025	4,469,810	3,223,165	2,844,726	8,794,172	2,057,689	1,209,792	2,252,407	2,043,885	5,996,722
Capital Accounts												
Capital paid in	18,858	109,735	22,751	35,969	17,094	19,634	52,112	12,717	8,669	15,562	21,909	45,816
Surplus	50,116	238,902	59,607	76,643	44,846	39,474	132,159	33,746	20,785	32,935	43,436	95,761
Other capital accounts	12,055	44,611	12,844	17,028	12,783	10,537	29,482	9,237	5,891	9,388	8,602	19,610
Total liabilities and capital accounts	2,779,377	13,179,341	3,001,227	4,599,450	3,297,888	2,914,371	9,007,925	2,113,389	1,245,137	2,310,292	2,117,832	6,157,909
Ratio of gold certificate reserves to deposit and F. R. note liabilities combined (per cent)	37.7	41.6	40.8	42.9	36.5	36.1	41.9	38.4	37.9	35.8	39.7	43.9
Contingent liability on acceptances purchased for foreign correspondents	4,103	[4]20,141	4,924	6,714	3,730	3,506	11,041	2,760	1,791	2,909	3,879	8,355
Industrial loan commitments	....	....	....	15	....	....	....	....	....	340	....	....

[1] After deducting $11,000 participations of other Federal Reserve Banks.
[2] Less than $500.
[3] After deducting $198,000,000 participations of other Federal Reserve Banks.
[4] After deducting $53,712,000 participations of other Federal Reserve Banks.

FEDERAL RESERVE NOTES—FEDERAL RESERVE AGENTS' ACCOUNTS

[In thousands of dollars]

FEDERAL RESERVE BANKS COMBINED

Item	Wednesday					End of month		
	1959					1959		1958
	July 29	July 22	July 15	July 8	July 1	July	June	July
F. R. notes outstanding (issued to Bank)	28,439,603	28,464,663	28,511,741	28,474,374	28,318,132	28,414,500	28,276,429	27,681,938
Collateral held against notes outstanding:								
Gold certificate account	10,750,000	10,750,000	10,750,000	10,750,000	10,750,000	10,750,000	10,750,000	11,593,000
Eligible paper	121,960	170,005	148,062	169,110	145,495	241,260	149,955	13,011
U. S. Government securities	18,810,000	18,810,000	18,710,000	18,710,000	18,710,000	18,810,000	18,710,000	17,420,000
Total collateral	29,681,960	29,730,005	29,608,062	29,629,110	29,605,495	29,801,260	29,609,955	29,026,011

EACH FEDERAL RESERVE BANK ON JULY 31, 1959

Item	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Fran-cisco
F. R. notes outstanding (issued to Bank)	1,654,330	6,591,243	1,800,753	2,587,818	2,148,628	1,561,908	5,348,178	1,256,945	626,884	1,137,207	833,000	2,867,606
Collateral held:												
Gold certificate acct.	580,000	2,920,000	640,000	920,000	670,000	500,000	2,000,000	430,000	200,000	300,000	290,000	1,300,000
Eligible paper	....	....	44,425	....	....	....	....	57,780	....	139,055	....	....
U. S. Govt. securities	1,150,000	4,000,000	1,200,000	1,750,000	1,500,000	1,100,000	3,500,000	935,000	450,000	850,000	575,000	1,800,000
Total collateral	1,730,000	6,920,000	1,884,425	2,670,000	2,170,000	1,600,000	5,500,000	1,422,780	650,000	1,289,055	865,000	3,100,000

INDUSTRIAL LOANS BY FEDERAL RESERVE BANKS

[Amounts in thousands of dollars]

End of year or month	Applications approved to date		Ap-proved but not com-pleted[1] (amount)	Loans out-standing[2] (amount)	Commit-ments out-standing (amount)	Partici-pations of financ-ing insti-tuitons out-standing[3] (amount)
	Num-ber	Amount				
1953	3,765	803,429	1,951	1,900	3,569	3,649
1954	3,771	818,224	520	719	1,148	1,027
1955	3,778	826,853	305	702	2,293	1,103
1956	3,782	832,550	......	794	2,365	1,129
1957	3,786	841,290		524	1,109	1,122
1958						
June	3,787	843,321	75	343	991	799
July	3,787	843,321	75	342	986	798
Aug.	3,787	843,321	....	340	1,037	817
Sept.	3,787	843,321	....	339	1,032	816
Oct.	3,787	843,321	....	338	1,019	810
Nov.	3,787	843,321	....	337	1,015	807
Dec.	3,787	843,321	....	335	975	806
1959						
Jan.	3,787	843,321	....	334	960	785
Feb.	3,787	843,321	....	333	360	384
Mar.	3,787	843,321	....	332	360	383
Apr.	3,787	843,321	....	330	360	383
May	3,787	843,321	....	329	360	382
June	3,787	843,321	....	328	360	381

[1] Includes applications approved conditionally by the Federal Reserve Banks and under consideration by applicant.

[2] Includes industrial loans past due 3 months or more, which are not included in industrial loans outstanding in weekly statement of condition of Federal Reserve Banks.

[3] Not covered by Federal Reserve Bank commitment to purchase or discount.

NOTE.—The difference between amount of applications approved and the sum of the following four columns represents repayments of advances, and applications for loans and commitments withdrawn or expired.

LOANS GUARANTEED UNDER REGULATION V[1]

[Amounts in millions of dollars]

End of year or month	Loans authorized to date		Loans outstanding		Additional amount available to borrowers under guar-antee agree-ments outstanding
	Num-ber	Amount	Total amount	Portion guaran-teed	
1953	1,294	2,358	805	666	364
1954	1,367	2,500	472	368	273
1955	1,411	2,575	294	226	170
1956	1,468	2,761	389	289	125
1957	1,503	2,912	395	300	135
1958					
June	1,522	3,029	330	254	177
July	1,523	3,033	306	235	194
Aug.	1,528	3,069	299	229	199
Sept.	1,531	3,071	298	228	190
Oct.	1,538	3,089	304	231	184
Nov.	1,540	3,090	303	231	182
Dec.	1,543	3,105	310	236	168
1959					
Jan.	1,548	3,116	324	246	147
Feb.	1,549	3,118	329	250	141
Mar.	1,550	3,120	335	254	128
Apr.	1,552	3,128	314	241	142
May	1,557	3,169	313	240	151
June	1,557	3,170	317	240	137

[1] Loans made by private financing institutions and guaranteed by Government procurement agencies, pursuant to the Defense Production Act of 1950. Federal Reserve Banks act as fiscal agents of the guaranteeing agencies in these transactions, and the procedure is governed by Regulation V of the Board of Governors.

NOTE.—The difference between guaranteed loans authorized and sum of loans outstanding and additional amounts available to borrowers under guarantee agreements outstanding represents amounts repaid, guarantees authorized but not completed, and authorizations expired or withdrawn.

MAXIMUM INTEREST RATES PAYABLE ON TIME DEPOSITS

[Per cent per annum]

Type of deposit	Feb. 1, 1935–Dec. 31, 1935	Jan. 1, 1936–Dec. 31, 1956	Effective Jan. 1, 1957
Savings deposits	2½	2½	3
Postal savings deposits	2½	2½	3
Other time deposits payable:			
In 6 months or more	2½	2½	3
In 90 days to 6 months	2½	2	2½
In less than 90 days	2½	1	1

NOTE.—Maximum rates that may be paid by member banks as established by the Board of Governors under provisions of Regulation Q. Under this Regulation the rate payable by a member bank may not in any event exceed the maximum rate payable by State banks or trust companies on like deposits under the laws of the State in which the member bank is located. Maximum rates that may be paid by insured nonmember banks as established by the F.D.I.C., effective Feb. 1, 1936, are the same as those in effect for member banks.

FEES AND RATES ON LOANS GUARANTEED UNDER REGULATION V[1]

[In effect July 31]

Fees Payable to Guaranteeing Agency by Financing Institution on Guaranteed Portion of Loan

Percentage of loan guaranteed	Guarantee fee (percentage of interest payable by borrower)	Percentage of any commitment fee charged borrower
70 or less	10	10
75	15	15
80	20	20
85	25	25
90	30	30
95	35	35
Over 95	40–50	40–50

Maximum Rates Financing Institution May Charge Borrower
[Per cent per annum]

Interest rate	6
Commitment rate	½

[1] Schedule of fees and rates established by the Board of Governors on loans made by private financing institutions and guaranteed by Government procurement agencies, pursuant to the Defense Production Act of 1950. Federal Reserve Banks act as fiscal agents of the guaranteeing agencies in these transactions, and the procedure is governed by Regulation V of the Board of Governors.

BANK DEBITS AND DEPOSIT TURNOVER

[Debit in millions of dollars]

Year or month	Debits to demand deposits accounts, except interbank and U. S. Government accounts				Annual rate of turnover of demand deposits except interbank and U. S. Government deposits: Without seasonal adjustment			Seasonally adjusted[3]		
	Total, all reporting centers	New York City	6 other centers[1]	337 other reporting centers[2]	New York City	6 other centers[1]	337 other reporting centers[2]	New York City	6 other centers[1]	337 other reporting centers[2]
1951	1,542,554	544,367	336,885	661,302	31.9	24.0	18.4	....	....	....
1952	1,642,853	597,815	349,904	695,133	34.4	24.1	18.4	....	....	....
1953	1,759,069	632,801	385,831	740,436	36.7	25.6	18.9	....	....	....
1954	1,887,366	738,925	390,066	758,375	42.3	25.8	19.2	....	....	....
1955	2,043,548	766,890	431,651	845,007	42.7	27.3	20.4	....	....	....
1956	2,200,643	815,856	462,859	921,928	45.8	28.8	21.8	....	....	....
1957	2,356,768	888,455	489,311	979,002	49.5	30.4	23.0	....	....	....
1958	2,439,754	958,721	487,443	993,590	53.6	30.0	22.9	....	....	....
1958—Apr.	204,126	85,510	39,354	79,262	56.6	30.2	22.1	57.8	29.3	22.7
May	195,116	77,315	38,645	79,156	51.2	28.2	22.0	52.0	28.2	22.1
June	219,465	95,473	41,228	82,765	65.7	31.4	23.8	62.7	30.7	23.5
July	206,524	82,214	40,701	83,609	54.8	29.6	22.9	55.9	30.0	22.9
Aug.	185,849	68,620	37,942	79,287	46.4	27.4	21.7	51.6	29.4	22.7
Sept.	195,205	70,887	40,520	83,798	49.4	30.3	23.6	50.1	30.7	23.3
Oct.	212,894	79,620	43,594	89,680	50.1	29.8	23.1	52.6	31.6	23.7
Nov.	183,092	64,804	38,224	80,064	47.4	30.0	23.8	47.4	29.4	22.6
Dec.	238,975	92,711	48,690	97,573	58.2	33.2	24.9	52.4	32.2	23.8
1959—Jan.	r221,969	86,507	44,505	r90,957	54.0	30.3	23.2	53.1	31.0	23.2
Feb.	r195,779	74,346	39,635	r81,798	54.1	31.0	24.1	53.6	31.4	24.2
Mar.	r223,383	84,710	47,485	r91,188	54.5	34.2	24.0	53.1	31.6	24.3
Apr.	r226,377	88,049	46,955	r91,372	56.2	33.9	23.9	57.3	32.9	24.6
May	r216,017	80,725	44,646	r90,645	54.9	32.9	24.8	55.7	32.9	24.9
June	r228,615	86,598	46,429	r95,588	56.8	32.7	25.0	54.2	32.0	24.7
July	235,625	89,600	48,392	97,633	58.4	p33.6	p25.4	59.5	p34.1	p25.4

p Preliminary. r Revised.

[1] Boston, Philadelphia, Chicago, Detroit, San Francisco, and Los Angeles.

[2] Prior to April 1955, 338 centers.

[3] These data are compiled by the Federal Reserve Bank of New York. Seasonal adjustment factors have been revised for the period 1943 to date. For back figures on the revised basis, see BULLETIN for May 1959, p. 554.

NOTE.—For description see BULLETIN for April 1953, pp. 355–57.

DENOMINATIONS OF UNITED STATES CURRENCY IN CIRCULATION

[On basis of compilation by United States Treasury. In millions of dollars]

End of year or month	Total in circulation[1]	Coin and small denomination currency							Large denomination currency						
		Total	Coin	$1[2]	$2	$5	$10	$20	Total	$50	$100	$500	$1,000	$5,000	$10,000
1939	7,598	5,553	590	559	36	1,019	1,772	1,576	2,048	460	919	191	425	20	32
1941	11,160	8,120	751	695	44	1,355	2,731	2,545	3,044	724	1,433	262	556	24	46
1945	28,515	20,683	1,274	1,039	73	2,313	6,782	9,201	7,834	2,327	4,220	454	801	7	24
1947	28,868	20,020	1,404	1,048	65	2,110	6,275	9,119	8,850	2,548	5,070	428	782	5	17
1950	27,741	19,305	1,554	1,113	64	2,049	5,998	8,529	8,438	2,422	5,043	368	588	4	12
1953	30,781	21,636	1,812	1,249	72	2,119	6,565	9,819	9,146	2,732	5,581	333	486	4	11
1954	30,509	21,374	1,834	1,256	71	2,098	6,450	9,665	9,136	2,720	5,612	321	464	3	15
1955	31,158	22,021	1,927	1,312	75	2,151	6,617	9,940	9,136	2,736	5,641	307	438	3	12
1956	31,790	22,598	2,027	1,369	78	2,196	6,734	10,194	9,192	2,771	5,704	292	407	3	14
1957	31,834	22,626	2,110	1,398	80	2,188	6,662	10,187	9,208	2,777	5,752	280	384	3	13
1958—June	31,172	22,138	2,101	1,368	81	2,081	6,489	10,019	9,033	2,701	5,669	275	377	3	9
July	31,171	22,134	2,108	1,376	81	2,064	6,450	10,056	9,037	2,705	5,671	274	376	3	8
Aug.	31,371	22,296	2,117	1,398	80	2,082	6,502	10,117	9,075	2,711	5,703	274	376	3	8
Sept.	31,245	22,154	2,127	1,417	80	2,072	6,433	10,025	9,091	2,704	5,726	274	376	3	8
Oct.	31,386	22,264	2,142	1,426	80	2,091	6,477	10,048	9,122	2,707	5,759	273	371	3	8
Nov.	32,036	22,832	2,163	1,457	80	2,154	6,683	10,294	9,205	2,739	5,808	273	373	4	9
Dec.	32,193	22,856	2,182	1,494	83	2,186	6,624	10,288	9,337	2,792	5,886	275	373	3	9
1959—Jan.	31,125	21,926	2,139	1,408	80	2,064	6,340	9,894	9,199	2,733	5,814	272	368	3	8
Feb.	31,129	21,975	2,144	1,406	80	2,062	6,378	9,904	9,155	2,714	5,791	271	367	3	8
Mar.	31,250	22,111	2,164	1,414	80	2,075	6,410	9,968	9,139	2,704	5,789	270	366	3	8
Apr.	31,349	22,209	2,175	1,429	80	2,083	6,452	9,989	9,140	2,710	5,787	269	363	3	8
May	31,638	22,479	2,193	1,447	81	2,112	6,534	10,112	9,158	2,721	5,796	269	361	3	8
June	31,914	22,731	2,215	1,449	83	2,117	6,584	10,282	9,184	2,742	5,808	265	357	3	8

[1] Outside Treasury and Federal Reserve Banks. Prior to December 1955 the totals shown as in circulation were less than totals of coin and paper currency shown by denomination by amounts of unassorted currency (not shown separately.)

[2] Paper currency only; $1 silver coins reported under coin.

KINDS OF UNITED STATES CURRENCY OUTSTANDING AND IN CIRCULATION

[On basis of compilation by United States Treasury. In millions of dollars]

Kind of currency	Total outstanding June 30, 1959	Held in the Treasury			Held by F. R. Banks and agents	Currency in circulation[1]		
		As security against gold and silver certificates	Treasury cash	For F. R. Banks and agents		June 30, 1959	May 31, 1959	June 30, 1958
Gold	19,705	19,447	[2]257					
Gold certificates	19,447			16,601	2,816	31	31	32
Federal Reserve notes	28,276		79		1,169	27,029	26,761	26,342
Treasury currency—total	5,279	[3]*2,416*	58		366	4,855	4,846	4,798
Standard silver dollars	488	164	30		8	285	283	268
Silver bullion	2,251	2,251						
Silver certificates and Treasury notes of 1890	[3]*2,416*				260	2,156	2,170	2,201
Subsidiary silver coin	1,497		20		61	1,415	1,400	1,346
Minor coin	527		2		11	514	510	487
United States notes	347		5		26	316	315	317
Federal Reserve Bank notes	112		1		1	110	111	120
National Bank notes	58		(4)		(4)	57	58	59
Total—June 30, 1959	(5)	21,863	394	16,601	4,351	31,914		
May 31, 1959	(5)	22,060	694	16,789	4,351		31,638	
June 30, 1958	(5)	23,220	692	17,951	4,243			31,172

[1] Outside Treasury and Federal Reserve Banks. Includes any paper currency held outside the continental limits of the United States. Totals for other end-of-month dates are shown in table above; totals for Wednesday dates, in table on p. 000.

[2] Includes $156,039,431 held as reserve against United States notes and Treasury notes of 1890.

[3] To avoid duplication, amount of silver dollars and bullion held as security against silver certificates and Treasury notes of 1890 outstanding is not included in total Treasury currency outstanding.

[4] Less than $500,000.

[5] Because some of the types of currency shown are held as collateral or reserves against other types, a grand total of all types has no special significance and is not shown. See NOTE for explanation of duplications.

NOTE.—There are maintained in the Treasury—(1) as a reserve for United States notes and Treasury notes of 1890—$156,039,431 in gold bullion; (2) as security for Treasury notes of 1890—an equal dollar amount in standard silver dollars (these notes are being canceled and retired on receipt); (3) as security for outstanding silver certificates—silver in bullion and standard silver dollars of a monetary value equal to the face amount of such silver certificates; and (4) as security for gold certificates—gold bullion of a value at the legal standard equal to the face amount of such gold certificates. Federal Reserve notes are obligations of the United States and a first lien on all the assets of the issuing Federal Reserve Bank. Federal Reserve notes are secured by the deposit with Federal Reserve agents of a like amount of gold certificates or of gold certificates and such discounted or purchased paper as is eligible under the terms of the Federal Reserve Act, or of direct obligations of the United States. Each Federal Reserve Bank must maintain a reserve in gold certificates of at least 25 per cent against its Federal Reserve notes in actual circulation. Gold certificates deposited with Federal Reserve agents as collateral, and those deposited with the Treasury of the United States as a redemption fund, are counted as reserve. Gold certificates, as herein used, includes credits with the Treasurer of the United States payable in gold certificates. Federal Reserve Bank notes and national bank notes are in process of retirement.

CONSOLIDATED CONDITION STATEMENT FOR BANKS AND THE MONETARY SYSTEM[1]

[Figures partly estimated except on call dates. In millions of dollars]

Date	Assets									Total assets, net—Total liabilities and capital, net	Liabilities and Capital	
	Gold	Treasury currency outstanding	Bank credit								Total deposits and currency	Capital and misc. accounts, net
			Total	Loans, net	U. S. Government obligations				Other securities			
					Total	Commercial and savings banks	Federal Reserve Banks	Other				
1929—June 29	4,037	2,019	58,642	41,082	5,741	5,499	216	26	11,819	64,698	55,776	8,922
1933—June 30	4,031	2,286	42,148	21,957	10,328	8,199	1,998	131	9,863	48,465	42,029	6,436
1939—Dec. 30	17,644	2,963	54,564	22,157	23,105	19,417	2,484	1,204	9,302	75,171	68,359	6,812
1941—Dec. 31	22,737	3,247	64,653	26,605	29,049	25,511	2,254	1,284	8,999	90,637	82,811	7,826
1945—Dec. 31	20,065	4,339	167,381	30,387	128,417	101,288	24,262	2,867	8,577	191,785	180,806	10,979
1947—Dec. 31	22,754	4,562	160,832	43,023	107,086	81,199	22,559	3,328	10,723	188,148	175,348	12,800
1950—Dec. 30	22,706	4,636	171,667	60,366	96,560	72,894	20,778	2,888	14,741	199,009	184,384	14,624
1955—Dec. 31	21,690	5,008	217,437	100,031	96,736	70,052	24,785	1,899	20,670	244,135	224,943	19,193
1956—Dec. 31	21,949	5,066	223,742	110,120	93,161	66,523	24,915	1,723	20,461	250,757	230,510	20,246
1957—Dec. 31	22,781	5,146	229,470	115,157	91,370	65,792	24,238	1,340	22,943	257,397	236,372	21,023
1958—June 23	21,356	5,204	240,451	116,842	97,849	71,611	25,000	1,238	25,760	267,011	244,131	22,880
July 30	21,200	5,200	238,600	115,400	97,800	71,600	24,900	1,300	25,500	265,100	241,900	23,200
Aug. 27	21,100	5,200	241,100	115,300	100,000	73,500	25,200	1,300	25,800	267,400	243,400	24,100
Sept. 24	20,900	5,200	240,400	115,900	98,200	72,100	24,900	1,200	26,300	266,500	242,600	23,900
Oct. 29	20,700	5,200	243,300	117,000	100,100	73,500	25,400	1,200	26,200	269,200	245,100	24,100
Nov. 26	20,600	5,200	246,200	118,200	102,000	75,000	25,800	1,200	26,000	272,000	248,200	23,800
Dec. 31	20,534	5,234	249,082	121,602	101,207	73,641	26,347	1,219	26,273	274,850	252,022	22,829
1959—Jan. 28	20,500	5,200	247,300	119,800	101,500	74,900	25,400	1,200	26,000	273,100	249,600	23,500
Feb. 25	20,500	5,200	245,300	119,800	99,400	72,900	25,300	1,200	26,100	271,000	247,100	23,900
Mar. 25	20,400	5,200	244,900	121,400	97,200	70,600	25,500	1,100	26,300	270,600	246,700	23,900
Apr. 29*	20,300	5,300	247,800	123,500	97,700	70,900	25,600	1,200	26,600	273,300	249,700	23,600
May 27*	20,200	5,300	247,900	124,700	96,800	69,800	25,900	1,200	26,400	273,400	249,200	24,200
June 24*	19,800	5,300	247,900	126,600	94,900	67,900	25,900	1,200	26,300	273,000	249,100	23,800
July 29p	19,600	5,300	250,200	128,200	95,700	68,100	26,500	1,100	26,400	275,100	251,500	23,700

Date	Details of Deposits and Currency													
	Foreign bank deposits, net	U. S. Govt. balances			Deposits adjusted and currency							Seasonally adjusted series[5]		
		Treasury cash holdings	At commercial and savings banks	At F. R. Banks	Total	Time deposits[2]				Demand deposits[4]	Currency outside banks	Total demand deposits adjusted and currency	Demand deposits adjusted	Currency outside banks
						Total	Commercial banks	Mutual savings banks[3]	Postal Savings System					
1929—June 29	365	204	381	36	54,790	28,611	19,557	8,905	149	22,540	3,639	....	....	.....
1933—June 30	50	264	852	35	40,828	21,656	10,849	9,621	1,186	14,411	4,761	....	....	.....
1939—Dec. 30	1,217	2,409	846	634	63,253	27,059	15,258	10,523	1,278	29,793	6,401	....	....	.....
1941—Dec. 31	1,498	2,215	1,895	867	76,336	27,729	15,884	10,532	1,313	38,992	9,615	....	....	.....
1945—Dec. 31	2,141	2,287	24,608	977	150,793	48,452	30,135	15,385	2,932	75,851	26,490	....	....	.....
1947—Dec. 31	1,682	1,336	1,452	870	170,008	56,411	35,249	17,746	3,416	87,121	26,476	111,100	85,200	25,900
1950—Dec. 30	2,518	1,293	2,989	668	176,916	59,247	36,314	20,009	2,923	92,272	25,398	114,300	89,800	24,500
1955—Dec. 31	3,167	767	4,038	394	216,577	78,378	48,359	28,129	1,890	109,914	28,285	133,200	105,800	27,400
1956—Dec. 31	3,306	775	4,038	441	221,950	82,224	50,577	30,000	1,647	111,391	28,335	134,400	106,700	27,700
1957—Dec. 31	3,270	761	4,179	481	227,681	89,126	56,139	31,662	1,325	110,254	28,301	133,200	105,100	28,100
1958—June 23	3,953	700	9,471	524	229,483	95,524	61,473	32,837	1,214	106,169	27,790	135,400	107,400	28,000
July 30	4,000	700	4,300	600	232,400	96,500	62,300	32,900	1,200	108,100	27,900	137,600	109,500	28,100
Aug. 27	3,900	700	5,800	500	232,500	97,000	62,700	33,100	1,200	107,500	28,000	137,300	109,200	28,100
Sept. 24	3,800	700	4,500	500	233,100	97,200	62,700	33,300	1,200	108,100	27,900	136,700	108,900	27,800
Oct. 29	3,800	700	3,700	500	236,400	97,500	62,900	33,400	1,200	111,000	28,000	138,100	110,200	27,900
Nov. 26	3,700	700	5,900	500	237,500	96,800	62,100	33,500	1,100	111,900	28,800	138,800	110,600	28,200
Dec. 31	3,870	683	4,558	358	242,553	98,306	63,166	34,006	1,134	115,507	28,740	139,400	111,300	28,100
1959—Jan. 28	3,800	700	4,800	500	239,800	98,400	63,400	33,800	1,100	113,800	27,600	138,500	110,700	27,800
Feb. 25	3,700	700	4,500	500	237,700	98,700	63,700	34,000	1,100	111,300	27,700	139,100	111,200	27,900
Mar. 25	3,900	700	3,900	500	237,600	99,500	64,100	34,300	1,100	110,300	27,900	140,300	112,200	28,100
Apr. 29*	3,700	700	4,600	500	240,300	99,900	64,500	34,300	1,100	112,500	27,900	140,700	112,500	28,200
May 27*	3,700	700	5,200	500	239,100	100,300	64,900	34,400	1,100	110,700	28,100	140,900	112,600	28,300
June 24*	3,600	400	4,700	500	239,900	100,900	65,300	34,600	1,100	110,700	28,300	140,900	112,500	28,400
July 29p	3,400	400	5,300	600	241,700	101,000	65,300	34,700	1,000	112,400	28,300	142,300	113,900	28,400

p Preliminary. * Revised preliminary figures.

1 Represents all commercial and savings banks, Federal Reserve Banks, Postal Savings System, and Treasury currency funds (the gold account, Treasury currency account, and Exchange Stabilization Fund).

2 Excludes interbank time deposits; U. S. Treasurer's time deposits, open account; and deposits of Postal Savings System in banks.

3 Prior to June 30, 1947, includes a small amount of demand deposits.

4 Demand deposits other than interbank and U. S. Govt., less cash items reported as in process of collection.

5 Seasonally adjusted series begin in 1947 and are available only for last Wednesday of the month. For back figures, see BULLETIN for July 1957, pp. 828–29.

NOTE.—For description of statement and back figures, see BULLETIN for January 1948, pp. 24–32. The composition of a few items differs slightly from the description in the BULLETIN article; stock of Federal Reserve Banks held by member banks is included in other securities and in capital and miscellaneous accounts, net, and balances of the Postal Savings System and the Exchange Stabilization Fund with the U. S. Treasury are netted against capital and miscellaneous accounts, net, instead of against U. S. Govt. deposits and Treasury cash. Total deposits and currency shown in the monthly *Chart Book* excludes foreign bank deposits, net, and Treasury cash. Except on call dates, figures are rounded to nearest $100 million and may not add to the totals.

PRINCIPAL ASSETS AND LIABILITIES AND NUMBER OF ALL BANKS, BY CLASSES[1]

[Figures partly estimated except on call dates. Amounts in millions of dollars]

Class of bank and date	Loans and investments				Cash assets[2]	Total assets—Total liabilities and capital accounts[3]	Deposits						Borrowings	Total capital accounts	Number of banks
	Total	Loans	U. S. Govt. obligations	Other securities			Total[2]	Interbank[2]		Other					
								Demand	Time	Demand		Time			
										U. S. Govt.	Other				
All banks:															
1939—Dec. 30	50,884	22,165	19,417	9,302	23,292	77,068	68,242	9,874		32,516		25,852	26	8,194	15,035
1941—Dec. 31	61,126	26,615	25,511	8,999	27,344	90,908	81,816	10,982		44,355		26,479	23	8,414	14,826
1945—Dec. 31	140,227	30,362	101,288	8,577	35,415	177,332	165,612	14,065		105,935		45,613	227	10,542	14,553
1947—Dec. 31[4]	134,924	43,002	81,199	10,723	38,388	175,091	161,865	12,793	240	1,346	94,381	53,105	66	11,948	14,714
1950—Dec. 30	148,021	60,386	72,894	14,741	41,086	191,317	175,296	13,577	462	2,809	101,936	56,513	90	13,837	14,650
1956—Dec. 31	197,063	110,079	66,523	20,461	49,641	250,770	227,546	16,133	1,462	3,736	125,308	80,908	78	19,249	14,167
1957—Dec. 31	203,849	115,115	65,792	22,943	49,318	257,864	233,020	15,636	1,386	3,903	123,993	88,102	80	20,428	14,090
1958—June 23	215,179	117,808	71,611	25,760	44,423	264,525	237,204	13,789	2,497	9,209	117,113	94,596	1,137	21,359	14,055
July 30	213,100	116,020	71,560	25,520	42,730	260,800	233,880	14,290	2,390	4,000	117,620	95,580	810	21,390	14,040
Nov. 26	220,210	119,230	74,950	26,030	45,130	270,180	241,070	13,590	2,360	5,600	123,610	95,910	2,150	21,820	14,033
Dec. 31	221,485	121,571	73,641	26,273	49,911	276,430	250,057	15,799	2,374	4,253	130,132	97,498	81	21,705	14,020
1959—Jan. 28	221,920	121,030	74,850	26,040	43,200	270,100	241,830	13,110	2,410	4,490	124,240	97,580	1,770	21,780	14,030
Feb. 25	220,340	121,370	72,880	26,090	43,560	268,750	239,740	12,850	2,290	4,150	122,520	97,930	2,210	21,860	14,022
Mar. 25	219,690	122,850	70,580	26,260	42,240	266,880	238,150	13,030	2,340	3,590	120,480	98,710	2,050	21,980	14,012
Apr. 29*	222,500	124,990	70,920	26,590	43,340	270,920	242,050	12,830	2,360	4,280	123,470	99,110	2,090	22,110	14,009
May 27*	222,570	126,360	69,780	26,430	42,630	270,290	240,900	12,700	2,230	4,840	121,520	99,610	2,260	22,250	14,000
June 24*	222,710	128,510	67,880	26,320	42,970	270,770	241,040	12,800	2,070	4,400	121,560	100,210	2,800	22,290	13,997
July 29p	224,630	130,180	68,100	26,350	42,660	272,720	242,920	12,670	2,030	5,000	122,960	100,260	2,660	22,530	13,994
All commercial banks:															
1939—Dec. 30	40,668	17,238	16,316	7,114	22,474	65,216	57,718	9,874		32,513		15,331	26	6,885	14,484
1941—Dec. 31	50,746	21,714	21,808	7,225	26,551	79,104	71,283	10,982		44,349		15,952	23	7,173	14,278
1945—Dec. 31	124,019	26,083	90,606	7,331	34,806	160,312	150,227	14,065		105,921		30,241	219	8,950	14,011
1947—Dec. 31[4]	116,284	38,057	69,221	9,006	37,502	155,377	144,103	12,792	240	1,343	94,367	35,360	65	10,059	14,181
1950—Dec. 30	126,675	52,249	62,027	12,399	40,289	168,932	155,265	13,577	462	2,806	101,917	36,503	90	11,590	14,121
1956—Dec. 31	165,123	90,302	58,552	16,269	48,720	217,460	197,515	16,133	1,460	3,733	125,282	50,908	75	16,302	13,640
1957—Dec. 31	170,068	93,899	58,239	17,930	48,428	222,696	201,326	15,636	1,385	3,898	123,967	56,440	77	17,368	13,568
1958—June 23	179,905	95,571	64,194	20,140	43,507	227,847	204,335	13,789	2,495	9,205	117,086	61,759	1,136	18,178	13,535
July 30	177,600	93,610	64,130	19,860	41,880	223,970	200,920	14,290	2,390	4,000	117,590	62,650	810	18,190	13,521
Nov. 26	184,050	96,060	67,660	20,330	44,310	232,700	207,570	13,590	2,360	5,600	123,580	62,440	2,150	18,550	13,514
Dec. 31	185,165	98,214	66,376	20,575	48,990	238,651	216,017	15,799	2,372	4,250	130,104	63,493	73	18,486	13,501
1959—Jan. 28	185,620	97,710	67,530	20,380	42,400	232,470	207,960	13,110	2,410	4,490	124,210	63,740	1,770	18,570	13,512
Feb. 25	183,840	97,890	65,520	20,430	42,740	230,900	205,760	12,850	2,290	4,150	122,490	63,980	2,210	18,620	13,504
Mar. 25	182,940	99,190	63,160	20,590	41,380	228,710	203,850	13,030	2,340	3,590	120,450	64,440	2,050	18,730	13,494
Apr. 29*	185,630	101,190	63,540	20,900	42,590	232,760	207,750	12,830	2,360	4,280	123,440	64,840	2,090	18,870	13,491
May 27*	185,500	102,360	62,390	20,750	41,880	231,910	206,480	12,700	2,230	4,840	121,490	65,220	2,260	18,970	13,482
June 24*	185,510	104,320	60,570	20,620	42,170	232,220	206,420	12,800	2,070	4,400	121,530	65,620	2,800	18,990	13,479
July 29p	187,310	105,870	60,810	20,630	41,910	234,090	208,200	12,670	2,030	5,000	122,930	65,570	2,660	19,210	13,476
All member banks:															
1939—Dec. 30	33,941	13,962	14,328	5,651	19,782	55,361	49,340	9,257	154	743	27,489	11,699	3	5,522	6,362
1941—Dec. 31	43,521	18,021	19,539	5,961	23,123	68,121	61,717	10,385	140	1,709	37,136	12,347	4	5,886	6,619
1945—Dec. 31	107,183	22,775	78,338	6,070	29,845	138,304	129,670	13,576	64	22,179	69,640	24,210	208	7,589	6,884
1947—Dec. 31	97,846	32,628	57,914	7,304	32,845	132,060	122,528	12,353	50	1,176	80,609	28,340	54	8,464	6,923
1950—Dec. 30	107,424	44,705	52,365	10,355	35,524	144,660	133,089	13,106	341	2,523	87,783	29,336	79	9,695	6,873
1956—Dec. 31	138,768	78,034	47,575	13,159	42,906	184,874	167,906	15,567	1,289	3,292	106,850	40,909	48	13,655	6,462
1957—Dec. 31	142,353	80,950	47,079	14,324	42,746	188,828	170,637	15,082	1,246	3,472	105,547	45,290	57	14,554	6,393
1958—June 23	151,589	82,146	53,165	16,277	38,489	194,003	173,904	13,274	2,266	8,658	99,812	49,893	1,078	15,181	6,357
July 30	149,280	80,179	53,028	16,073	36,864	190,132	170,425	13,757	2,164	3,626	100,262	50,616	755	15,208	6,346
Nov. 26	153,854	82,225	55,328	16,301	39,140	196,851	175,260	13,026	2,130	5,003	104,777	50,324	2,055	15,498	6,324
Dec. 31	154,865	84,061	54,299	16,504	43,188	202,017	182,816	15,227	2,187	3,822	110,448	51,132	54	15,460	6,312
1959—Jan. 28	155,054	83,588	55,136	16,330	37,336	196,333	175,364	12,619	2,224	3,979	105,220	51,322	1,684	15,509	6,302
Feb. 25	153,504	83,728	53,403	16,373	37,681	195,014	173,459	12,394	2,102	3,716	103,749	51,498	2,083	15,556	6,295
Mar. 25	152,813	84,882	51,392	16,539	36,382	193,065	171,785	12,582	2,155	3,203	101,988	51,857	1,949	15,642	6,289
Apr. 29*	155,150	86,659	51,669	16,822	37,533	196,711	175,323	12,371	2,175	3,863	104,688	52,226	1,944	15,779	6,291
May 27*	155,067	87,660	50,731	16,676	36,935	195,986	174,225	12,253	2,046	4,365	103,008	52,553	2,097	15,856	6,292
June 24*	155,007	89,301	49,164	16,542	37,171	196,182	174,073	12,357	1,889	3,943	102,992	52,892	2,619	15,875	6,279
July 29p	156,628	90,745	49,356	16,527	36,878	197,750	175,590	12,196	1,842	4,482	104,271	52,799	2,512	16,039	6,271
All mutual savings banks:															
1939—Dec. 30	10,216	4,927	3,101	2,188	818	11,852	10,524	....		3		10,521	.....	1,309	551
1941—Dec. 31	10,379	4,901	3,704	1,774	793	11,804	10,533	....		6		10,527	.....	1,241	548
1945—Dec. 31	16,208	4,279	10,682	1,246	609	17,020	15,385	....		14		15,371	7	1,592	542
1947—Dec. 31[4]	18,641	4,944	11,978	1,718	886	19,714	17,763	.....	1	3	14	17,745	.....	1,889	533
1950—Dec. 30	21,346	8,137	10,868	2,342	797	22,385	20,031	.....	.....	3	19	20,009	.....	2,247	529
1956—Dec. 31	31,940	19,777	7,971	4,192	920	33,311	30,032	.....	2	3	25	30,001	4	2,947	527
1957—Dec. 31	33,782	21,216	7,552	5,013	890	35,168	31,695	.....	1	4	26	31,662	3	3,059	522
1958—June 23	35,274	22,237	7,417	5,620	916	36,678	32,869	.....	2	3	26	32,837	2	3,181	520
July 30	35,500	22,410	7,430	5,660	850	36,830	32,960	(5)	(5)	(5)	30	32,930	(5)	3,200	519
Nov. 26	36,160	23,170	7,290	5,700	820	37,480	33,500	(5)	(5)	(5)	30	33,470	(5)	3,270	519
Dec. 31	36,320	23,357	7,265	5,698	921	37,779	34,040	.....	2	3	29	34,006	8	3,219	519
1959—Jan. 28	36,300	23,320	7,320	5,660	800	37,630	33,870	(5)	(5)	(5)	30	33,840	(5)	3,210	518
Feb. 25	36,500	23,480	7,360	5,660	820	37,850	33,980	(5)	(5)	(5)	30	33,950	(5)	3,240	518
Mar. 25	36,750	23,660	7,420	5,670	860	38,170	34,300	(5)	(5)	(5)	30	34,270	(5)	3,250	518
Apr. 29*	36,870	23,800	7,380	5,690	750	38,160	34,300	(5)	(5)	(5)	30	34,270	(5)	3,240	518
May 27*	37,070	24,000	7,390	5,680	750	38,380	34,420	(5)	(5)	(5)	30	34,390	(5)	3,280	518
June 24*	37,200	24,190	7,310	5,700	800	38,550	34,620	(5)	(5)	(5)	30	34,590	(5)	3,300	518
July 29p	37,320	24,310	7,290	5,720	750	38,630	34,720	(5)	(5)	(5)	30	34,690	(5)	3,320	518

p Preliminary. * Revised preliminary figures.

[1] All banks in the United States. Beginning with January 1959, includes figures for all banks in Alaska (previously one member bank had been included).

All banks comprise all commercial banks and all mutual savings banks. All commercial banks comprise (1) all nonmember commercial and (2) all member commercial banks. Member banks include (1) seven national banks in Alaska (one became a member on Apr. 15, 1954, and six on Apr. 3, 1959); (2) one in the Virgin Islands (May 31, 1957); and (3) one in Hawaii (Apr. 13, 1959), and (4) a noninsured nondeposit trust company, and (5) three mutual savings banks that became members in 1941 (these banks are excluded from all commerical banks).

Stock savings banks and nondeposit trust companies are included with commercial banks. Number of banks includes a few noninsured banks for which asset and liability data are not available. Comparability of figures for classes of banks is affected somewhat by changes in Federal Reserve membership, insurance status, and the reserve classifications of cities and individual banks, and by mergers, etc.

[2] Beginning June 30, 1942, excludes reciprocal balances, which on Dec. 31, 1942, aggregated $513 million at all member banks and $525 million at all insured commercial banks.

[3] Includes other assets and liabilities not shown separately.

For other notes see following two pages.

PRINCIPAL ASSETS AND LIABILITIES AND NUMBER OF ALL BANKS, BY CLASSES[1]—Continued

[Figures partly estimated except on call dates. Amounts in millions of dollars]

Class of bank and date	Loans and investments				Cash assets[2]	Total assets—Total liabilities and capital accounts[3]	Deposits						Borrowings	Total capital accounts	Number of banks
	Total	Loans	U. S. Govt. obligations	Other securities			Total[2]	Interbank[2]		Other					
								Demand	Time	Demand		Time			
										U. S. Govt.	Other				
Central reserve city member banks:															
New York City:															
1939—Dec. 30	9,339	3,296	4,772	1,272	6,703	16,413	14,507	4,231	7	74	9,459	736	......	1,592	36
1941—Dec. 31	12,896	4,072	7,265	1,559	6,637	19,862	17,932	4,202	6	866	12,051	807	......	1,648	36
1945—Dec. 31	26,143	7,334	17,574	1,235	6,439	32,887	30,121	4,640	17	6,940	17,287	1,236	195	2,120	37
1947—Dec. 31	20,393	7,179	11,972	1,242	7,261	27,982	25,216	4,453	12	267	19,040	1,445	30	2,259	37
1950—Dec. 30	20,612	9,729	8,993	1,890	7,922	28,954	25,646	4,370	268	451	18,836	1,722	70	2,351	23
1956—Dec. 31	23,809	15,987	6,057	1,765	8,629	33,381	29,149	5,022	965	747	19,940	2,475	2	2,873	18
1957—Dec. 31	23,828	16,102	5,880	1,846	8,984	33,975	29,371	4,869	912	737	19,959	2,893	2	3,136	18
1958—June 23	27,149	16,764	8,035	2,350	8,272	36,664	31,469	4,345	1,774	2,946	18,898	3,506	483	3,214	18
July 30	25,803	15,550	7,905	2,348	7,185	34,240	29,180	4,427	1,717	939	18,539	3,558	275	3,235	18
Nov. 26	25,552	15,666	7,694	2,192	7,763	34,501	28,958	4,005	1,677	945	18,956	3,375	736	3,276	18
Dec. 31	25,966	16,165	7,486	2,315	9,298	36,398	31,679	4,786	1,739	968	20,704	3,482	......	3,282	18
1959—Jan. 28	25,959	16,011	7,650	2,298	7,314	34,447	29,191	3,897	1,764	925	19,130	3,475	543	3,272	18
Feb. 25	25,549	15,864	7,361	2,324	7,624	34,353	28,900	3,964	1,689	815	18,946	3,486	723	3,281	18
Mar. 25	25,594	16,147	6,997	2,450	7,066	33,808	28,627	4,079	1,773	691	18,479	3,605	513	3,277	18
Apr. 29*	25,886	16,307	6,971	2,608	7,521	34,533	29,410	3,991	1,740	889	19,243	3,547	519	3,290	17
May 27*	25,687	16,580	6,657	2,450	7,114	33,936	28,730	3,999	1,614	1,009	18,553	3,555	530	3,302	17
June 24*	25,488	16,681	6,426	2,381	7,204	33,869	28,415	4,008	1,480	775	18,570	3,582	805	3,292	17
July 29^p	26,112	17,062	6,699	2,351	6,984	34,262	28,688	3,883	1,438	1,250	18,608	3,509	894	3,314	17
Chicago:															
1939—Dec. 30	2,105	569	1,203	333	1,446	3,595	3,330	888	......	80	1,867	495	......	250	14
1941—Dec. 31	2,760	954	1,430	376	1,566	4,363	4,057	1,035	......	127	2,419	476	......	288	13
1945—Dec. 31	5,931	1,333	4,213	385	1,489	7,459	7,046	1,312	......	1,552	3,462	719	......	377	12
1947—Dec. 31	5,088	1,801	2,890	397	1,739	6,866	6,402	1,217	......	72	4,201	913	......	426	14
1950—Dec. 30	5,569	2,083	2,911	576	2,034	7,649	7,109	1,225	3	174	4,604	1,103	......	490	13
1956—Dec. 31	6,473	3,772	2,113	588	2,171	8,695	7,943	1,364	7	184	5,069	1,319	4	660	14
1957—Dec. 31	6,446	3,852	2,032	562	2,083	8,595	7,792	1,333	15	195	4,904	1,345	4	689	14
1958—June 23	6,942	3,594	2,694	654	1,914	8,929	8,022	1,249	39	705	4,626	1,403	80	708	14
July 30	6,576	3,329	2,611	636	1,938	8,589	7,759	1,344	40	229	4,751	1,395	2	714	14
Nov. 26	6,727	3,418	2,687	622	2,067	8,874	7,862	1,169	31	402	4,859	1,401	157	724	14
Dec. 31	6,830	3,637	2,562	631	2,158	9,071	8,214	1,357	34	249	5,136	1,438	3	733	14
1959—Jan. 28	6,651	3,433	2,611	607	1,881	8,617	7,695	1,138	34	201	4,913	1,409	68	726	14
Feb. 25	6,637	3,440	2,572	625	1,952	8,667	7,726	1,163	33	233	4,900	1,397	79	725	14
Mar. 25	6,759	3,551	2,576	632	1,745	8,583	7,438	1,135	30	223	4,655	1,395	296	728	14
Apr. 29*	6,602	3,575	2,344	683	1,883	8,575	7,616	1,153	31	306	4,733	1,393	90	738	14
May 27*	6,630	3,637	2,288	705	1,856	8,574	7,582	1,109	33	304	4,734	1,402	125	739	14
June 24*	6,516	3,687	2,137	692	1,842	8,440	7,423	1,123	31	259	4,586	1,424	164	740	14
July 29^p	6,631	3,811	2,120	700	1,949	8,661	7,677	1,117	32	272	4,823	1,433	137	743	14
Reserve city member banks:															
1939—Dec. 30	12,272	5,329	5,194	1,749	6,785	19,687	17,741	3,565	120	435	9,004	4,616	......	1,828	346
1941—Dec. 31	15,347	7,105	6,467	1,776	8,518	24,430	22,313	4,356	104	491	12,557	4,806	......	1,967	351
1945—Dec. 31	40,108	8,514	29,552	2,042	11,286	51,898	49,085	6,418	30	8,221	24,655	9,760	2	2,566	359
1947—Dec. 31	36,040	13,449	20,196	2,396	13,066	49,659	46,467	5,627	22	405	28,990	11,423	1	2,844	353
1950—Dec. 30	40,685	17,906	19,084	3,695	13,998	55,369	51,437	6,391	57	976	32,366	11,647	......	3,322	336
1956—Dec. 31	53,915	31,783	17,368	4,764	17,716	72,854	66,524	7,584	294	1,201	40,647	16,797	21	5,076	289
1957—Dec. 31	55,259	32,805	17,352	5,102	17,540	74,196	67,483	7,241	301	1,358	39,960	18,623	21	5,370	278
1958—June 23	59,273	32,851	20,436	5,986	15,443	76,155	68,672	6,397	416	3,150	38,003	20,706	350	5,617	280
July 30	58,639	32,336	20,367	5,936	15,207	75,340	67,887	6,665	389	1,349	38,477	21,007	335	5,645	279
Nov. 26	60,181	33,393	20,891	5,897	16,276	77,940	69,723	6,476	378	1,944	40,184	20,741	910	5,729	275
Dec. 31	60,558	34,003	20,645	5,910	17,701	79,781	72,647	7,506	377	1,429	42,259	21,075	14	5,760	274
1959—Jan. 28	60,698	34,083	20,776	5,839	15,626	77,845	69,800	6,232	382	1,439	40,452	21,295	832	5,782	273
Feb. 25	60,033	34,279	19,928	5,826	15,672	77,155	68,876	6,011	336	1,479	39,708	21,342	932	5,802	272
Mar. 25	59,524	34,720	18,946	5,858	15,381	76,360	68,272	6,122	316	1,226	39,233	21,375	839	5,845	273
Apr. 29*	60,439	35,490	19,107	5,842	15,708	77,773	69,509	5,969	367	1,457	40,248	21,468	909	5,906	273
May 27*	60,550	35,806	18,907	5,837	15,672	77,717	69,291	5,918	362	1,680	39,722	21,609	973	5,932	273
June 24*	60,617	36,616	18,224	5,777	15,762	77,887	69,448	5,994	341	1,600	39,721	21,792	1,140	5,945	273
July 29^p	61,132	37,325	18,056	5,751	15,476	78,152	69,799	5,899	338	1,455	40,455	21,652	1,050	5,975	272
Country member banks:															
1939—Dec. 30	10,224	4,768	3,159	2,297	4,848	15,666	13,762	572	26	154	7,158	5,852	3	1,851	5,966
1941—Dec. 31	12,518	5,890	4,377	2,250	6,402	19,466	17,415	792	30	225	10,109	6,258	4	1,982	6,219
1945—Dec. 31	35,002	5,596	26,999	2,408	10,632	46,059	43,418	1,207	17	5,465	24,235	12,494	11	2,525	6,476
1947—Dec. 31	36,324	10,199	22,857	3,268	10,778	47,553	44,443	1,056	17	432	28,378	14,560	23	2,934	6,519
1950—Dec. 30	40,558	14,988	21,377	4,193	11,571	52,689	48,897	1,121	12	922	31,977	14,865	9	3,532	6,501
1956—Dec. 31	54,571	26,491	22,037	6,042	14,390	69,945	64,289	1,597	22	1,160	41,194	20,317	21	5,046	6,141
1957—Dec. 31	56,820	28,191	21,815	6,814	14,139	72,062	65,991	1,640	18	1,181	40,724	22,429	30	5,359	6,083
1958—June 23	58,225	28,937	22,000	7,288	12,860	72,255	65,741	1,282	38	1,857	38,286	24,277	164	5,641	6,045
July 30	58,262	28,964	22,145	7,153	12,534	71,963	65,599	1,321	18	1,109	38,495	24,656	143	5,614	6,035
Nov. 26	61,394	29,748	24,056	7,590	13,034	75,536	68,717	1,376	44	1,712	40,778	24,807	252	5,769	6,017
Dec. 31	61,511	30,257	23,606	7,648	14,031	76,767	70,277	1,578	36	1,175	42,349	25,137	37	5,685	6,006
1959—Jan. 28	61,746	30,061	24,099	7,586	12,515	75,424	68,678	1,352	44	1,414	40,725	25,143	241	5,729	5,997
Feb. 25	61,285	30,145	23,542	7,598	12,433	74,839	67,957	1,256	44	1,189	40,195	25,273	349	5,748	5,991
Mar. 25	60,936	30,464	22,873	7,599	12,190	74,314	67,448	1,246	36	1,063	39,621	25,482	301	5,792	5,984
Apr. 29*	62,223	31,287	23,247	7,689	12,421	75,830	68,788	1,258	37	1,211	40,464	25,818	426	5,845	5,987
May 27*	62,200	31,637	22,879	7,684	12,293	75,759	68,622	1,227	37	1,372	39,999	25,987	469	5,883	5,988
June 24*	62,386	32,317	22,377	7,692	12,363	75,986	68,787	1,232	37	1,309	40,115	26,094	510	5,898	5,975
July 29^p	62,753	32,547	22,481	7,725	12,469	76,675	69,426	1,297	34	1,505	40,385	26,205	431	6,007	5,968

[4] Beginning with Dec. 31, 1947, the all-bank series was revised as announced in November 1947 by the Federal bank supervisory agencies. At that time a net of 115 noninsured nonmember commercial banks with total loans and investments of about $110 million was added, and 8 banks with total loans and investments of $34 million were transferred from noninsured mutual savings to nonmember commercial banks.

[5] Less than $5 million. Because preliminary data are rounded to the nearest $10 million no amount is shown except on call dates.

For other notes see preceding and opposite pages.

PRINCIPAL ASSETS AND LIABILITIES AND NUMBER OF ALL BANKS, BY CLASSES[1]—Continued

[Amounts in millions of dollars]

Class of bank and date	Loans and investments				Cash assets[2]	Total assets—Total liabilities and capital accounts[3]	Deposits						Borrowings	Total capital accounts	Number of banks
	Total	Loans	U. S. Govt. obligations	Other securities			Total[2]	Interbank[2]		Other					
								Demand	Time	Demand		Time			
										U. S. Govt.	Other				
All insured commercial banks:															
1941—Dec. 31	49,290	21,259	21,046	6,984	25,788	76,820	69,411	10,654		1,762	41,298	15,699	10	6,844	13,426
1945—Dec. 31	121,809	25,765	88,912	7,131	34,292	157,544	147,775	13,883		23,740	80,276	29,876	215	8,671	13,297
1947—Dec. 31	114,274	37,583	67,941	8,750	36,926	152,733	141,851	12,615	54	1,325	92,975	34,882	61	9,734	13,398
1956—Dec. 31	163,601	89,831	57,837	15,933	48,352	215,514	195,953	15,981	1,301	3,717	124,346	50,608	56	15,988	13,195
1957—Dec. 31	168,595	93,430	57,580	17,585	48,127	220,865	199,876	15,489	1,264	3,859	123,127	56,137	66	17,051	13,142
1958—June 23	178,330	95,105	63,489	19,735	43,243	225,945	202,819	13,632	2,288	9,162	116,308	61,429	1,125	17,857	13,121
Dec. 31	183,596	97,730	65,669	20,198	48,689	236,724	214,485	15,653	2,209	4,241	129,214	63,168	67	18,154	13,101
National member banks:															
1941—Dec. 31	27,571	11,725	12,039	3,806	14,977	43,433	39,458	6,786		1,088	23,262	8,322	4	3,640	5,117
1945—Dec. 31	69,312	13,925	51,250	4,137	20,114	90,220	84,939	9,229		14,013	45,473	16,224	78	4,644	5,017
1947—Dec. 31	65,280	21,428	38,674	5,178	22,024	88,182	82,023	8,375	35	795	53,541	19,278	45	5,409	5,005
1956—Dec. 31	88,477	48,109	31,568	8,800	27,006	117,345	107,161	9,322	522	2,074	67,434	27,810	19	8,450	4,651
1957—Dec. 31	91,201	50,350	31,234	9,617	26,786	120,153	109,091	8,958	517	2,166	66,546	30,904	38	9,070	4,620
1958—June 23	95,898	50,744	34,498	10,656	23,964	122,100	110,065	7,849	825	4,751	62,886	33,754	492	9,451	4,599
Dec. 31	99,277	52,627	35,714	10,936	26,781	128,397	116,714	9,035	767	2,292	69,808	34,812	43	9,643	4,578
State member banks:															
1941—Dec. 31	15,950	6,295	7,500	2,155	8,145	24,688	22,259	3,739		621	13,874	4,025	1	2,246	1,502
1945—Dec. 31	37,871	8,850	27,089	1,933	9,731	48,084	44,730	4,411		8,166	24,168	7,986	130	2,945	1,867
1947—Dec. 31	32,566	11,200	19,240	2,125	10,822	43,879	40,505	3,978	15	381	27,068	9,062	9	3,055	1,918
1956—Dec. 31	50,291	29,924	16,007	4,359	15,900	67,530	60,744	6,245	767	1,218	39,416	13,098	29	5,205	1,811
1957—Dec. 31	51,152	30,600	15,846	4,707	15,960	68,676	61,545	6,124	729	1,306	39,001	14,386	18	5,483	1,773
1958—June 23	55,691	31,403	18,667	5,621	14,525	71,904	63,839	5,425	1,441	3,907	36,926	16,140	586	5,730	1,758
Dec. 31	55,588	31,435	18,585	5,568	16,407	73,620	66,102	6,192	1,420	1,530	40,640	16,320	10	5,817	1,734
Insured nonmember commercial banks:															
1941—Dec. 31	5,776	3,241	1,509	1,025	2,668	8,708	7,702	129		53	4,162	3,360	6	959	6,810
1945—Dec. 31	14,639	2,992	10,584	1,063	4,448	19,256	18,119	244		1,560	10,635	5,680	7	1,083	6,416
1947—Dec. 31	16,444	4,958	10,039	1,448	4,083	20,691	19,340	262	4	149	12,366	6,558	7	1,271	6,478
1956—Dec. 31	24,859	11,808	10,274	2,777	5,448	30,667	28,073	414	13	425	17,497	9,724	9	2,336	6,737
1957—Dec. 31	26,268	12,493	10,512	3,264	5,383	32,066	29,266	407	18	388	17,580	10,873	9	2,500	6,753
1958—June 23	26,768	12,972	10,335	3,460	4,756	31,971	28,942	359	22	504	16,496	11,562	47	2,679	6,768
Dec. 31	28,759	13,682	11,381	3,696	5,504	34,737	31,696	426	22	419	18,766	12,063	13	2,696	6,793
Noninsured nonmember commercial banks:															
1941—Dec. 31	1,457	455	761	241	763	2,283	1,872	329		1,291		253	13	329	852
1945—Dec. 31	2,211	318	1,693	200	514	2,768	2,452	181		1,905		365	4	279	714
1947—Dec. 31[4]	2,009	474	1,280	255	576	2,643	2,251	177	185	18	1,392	478	4	325	783
1956—Dec. 31	1,521	471	714	336	369	1,946	1,562	152	159	16	936	300	18	313	444
1957—Dec. 31	1,473	468	660	345	301	1,831	1,449	147	121	39	840	303	11	317	425
1958—June 23	1,575	466	704	405	264	1,902	1,516	157	207	44	778	330	11	321	413
Dec. 31	1,568	484	707	377	301	1,927	1,532	146	163	9	890	325	6	332	399
All nonmember commercial banks:															
1941—Dec. 31	7,233	3,696	2,270	1,266	3,431	10,992	9,573	457		5,504		3,613	18	1,288	7,662
1945—Dec. 31	16,849	3,310	12,277	1,262	4,962	22,024	20,571	425		14,101		6,045	11	1,362	7,130
1947—Dec. 31[4]	18,454	5,432	11,318	1,703	4,659	23,334	21,591	439	190	167	13,758	7,036	12	1,596	7,261
1956—Dec. 31	26,381	12,279	10,989	3,113	5,817	32,613	29,635	566	171	440	18,433	10,024	27	2,649	7,181
1957—Dec. 31	27,741	12,961	11,172	3,608	5,684	33,897	30,715	554	138	427	18,420	11,176	21	2,817	7,178
1958—June 23	28,343	13,438	11,040	3,865	5,020	33,873	30,458	515	229	548	17,274	11,892	58	3,000	7,181
Dec. 31	30,327	14,165	12,088	4,074	5,805	36,664	33,227	572	185	428	19,655	12,387	20	3,028	7,192
Insured mutual savings banks:															
1941—Dec. 31	1,693	642	629	421	151	1,958	1,789	....		....		1,789	.....	164	52
1945—Dec. 31	10,846	3,081	7,160	606	429	11,424	10,363	....		12		10,351	1	1,034	192
1947—Dec. 31	12,683	3,560	8,165	958	675	13,499	12,207	......	1	2	12	12,192	.....	1,252	194
1956—Dec. 31	24,170	15,542	5,518	3,110	739	25,282	22,886	......	2	3	23	22,857	.....	2,130	223
1957—Dec. 31	26,535	17,194	5,404	3,937	719	27,671	25,022	......	1	3	26	24,991	2	2,308	239
1958—June 23	27,869	18,132	5,234	4,503	745	29,021	26,082	......	2	2	26	26,052	.....	2,433	239
Dec. 31	28,980	19,180	5,215	4,585	752	30,189	27,277	......	2	3	28	27,243	7	2,473	241
Noninsured mutual savings banks:															
1941—Dec. 31	8,687	4,259	3,075	1,353	642	9,846	8,744	....		6		8,738	.....	1,077	496
1945—Dec. 31	5,361	1,198	3,522	641	180	5,596	5,022	....		2		5,020	6	558	350
1947—Dec. 31[4]	5,957	1,384	3,813	760	211	6,215	5,556	.....	.....	1	2	5,553	.....	637	339
1956—Dec. 31	7,770	4,235	2,453	1,082	182	8,028	7,146	.....	.....	1	2	7,143	3	817	304
1957—Dec. 31	7,246	4,022	2,148	1,076	171	7,497	6,672	.....	.....	1	....	6,671	1	751	283
1958—June 23	7,404	4,104	2,183	1,116	171	7,657	6,787	.....	.....	1	....	6,785	2	748	281
Dec. 31	7,341	4,177	2,050	1,113	169	7,589	6,763	.....	.....	1	....	6,762	1	746	278

For other notes see preceding two pages.

NOTE.—For revisions in series prior to June 30, 1947, see BULLETIN for July 1947, pp. 870–71.

LOANS AND INVESTMENTS OF COMMERCIAL BANKS, BY CLASSES[1]

[In millions of dollars]

Class of bank and call date	Total loans and investments	Loans[2]: Total[2]	Loans: Commercial, including open market paper	Loans: Agricultural	Loans for purchasing or carrying securities: To brokers and dealers	Loans for purchasing or carrying securities: To others	Loans: Real estate loans	Loans: Other loans to individuals	Loans: Other loans	Investments: Total	U. S. Government obligations: Direct: Total	Direct: Bills	Direct: Certificates of indebtedness	Direct: Notes	Direct: Bonds	Guaranteed	Obligations of States and political subdivisions	Other securities
All commercial banks[3]																		
1947—Dec. 31....	116,284	38,057	18,167	1,660	830	1,220	9,393	5,723	1,063	78,226	69,221	2,193	7,789	6,034	53,191	14	5,276	3,729
1957—Dec. 31....	170,068	93,899	40,526	4,066	2,601	1,620	23,110	20,217	3,533	76,169	58,239	5,405	4,813	10,608	37,406	8	13,915	4,014
1958—June 23....	179,905	95,571	38,886	4,552	3,699	1,925	23,693	20,091	4,562	84,334	64,194	4,502	3,883	12,348	43,456	6	15,716	4,424
Dec. 31....	185,165	98,214	40,425	4,973	2,832	1,829	25,255	20,698	4,156	86,951	66,376	6,294	7,399	13,396	39,281	6	16,505	4,070
All insured commercial banks:																		
1941—Dec. 31....	49,290	21,259	9,214	1,450	614	662	4,773	4,545		28,031	21,046	988	.....	3,159	12,797	4,102	3,651	3,333
1945—Dec. 31....	121,809	25,765	9,461	1,314	3,164	3,606	4,677	2,361	1,181	96,043	88,912	2,455	19,071	16,045	51,321	22	3,873	3,258
1947—Dec. 31....	114,274	37,583	18,012	1,610	823	1,190	9,266	5,654	1,028	76,691	67,941	2,124	7,552	5,918	52,334	14	5,129	3,621
1956—Dec. 31....	163,601	89,831	38,571	4,101	2,565	1,669	22,394	18,765	3,325	73,770	57,837	5,763	1,981	11,722	38,358	13	12,675	3,258
1957—Dec. 31....	168,595	93,430	40,380	4,015	2,569	1,601	23,003	20,122	3,513	75,164	57,580	5,290	4,758	10,493	37,031	7	13,688	3,897
1958—June 23....	178,330	95,105	38,750	4,499	3,677	1,907	23,585	19,981	4,541	83,224	63,489	4,416	3,841	12,213	43,013	5	15,457	4,278
Dec. 31....	183,596	97,730	40,289	4,913	2,797	1,810	25,148	20,589	4,134	85,866	65,669	6,159	7,362	13,240	38,902	6	16,266	3,932
Member banks, total:																		
1941—Dec. 31....	43,521	18,021	8,671	972	594	598	3,494	3,692		25,500	19,539	971	.....	3,007	11,729	3,832	3,090	2,871
1945—Dec. 31....	107,183	22,775	8,949	855	3,133	3,378	3,455	1,900	1,104	84,408	78,338	2,275	16,985	14,271	44,792	16	3,254	2,815
1947—Dec. 31....	97,846	32,628	16,962	1,046	811	1,065	7,130	4,662	952	65,218	57,914	1,987	5,816	4,815	45,286	10	4,199	3,105
1957—Dec. 31....	142,353	80,950	37,868	2,472	2,448	1,409	18,231	16,775	3,316	61,403	47,079	3,948	3,534	8,560	31,031	7	11,235	3,089
1958—June 23....	151,589	82,146	36,125	2,774	3,574	1,706	18,712	16,544	4,336	69,443	53,165	3,574	2,905	10,480	36,201	5	12,786	3,492
Dec. 31....	154,865	84,061	37,444	3,052	2,730	1,599	20,013	17,028	3,920	70,804	54,299	4,644	6,143	11,117	32,390	6	13,405	3,100
1959—June 10....	155,289	88,431	38,469	3,132	2,260	1,669	21,180	18,397	5,098	66,858	50,225	3,854	3,688	11,410	31,264	9	13,820	2,813
New York City:[4]																		
1941—Dec. 31....	12,896	4,072	2,807	8	412	169	123	554		8,823	7,265	311	.....	1,623	3,652	1,679	729	830
1945—Dec. 31....	26,143	7,334	3,044	.....	2,453	1,172	80	287	298	18,809	17,574	477	3,433	3,325	10,337	1	606	629
1947—Dec. 31....	20,393	7,179	5,361	.....	545	267	111	564	330	13,214	11,972	1,002	640	558	9,771	.....	638	604
1957—Dec. 31....	23,828	16,102	11,651	.....	1,280	387	565	1,513	1,053	7,726	5,880	648	214	1,093	3,924	.....	1,435	411
1958—June 23....	27,149	16,764	10,978	1	2,164	420	557	1,437	1,566	10,385	8,035	1,023	286	1,729	4,996	.....	1,748	602
Dec. 31....	25,966	16,165	10,928	1	1,652	382	641	1,502	1,424	9,802	7,486	643	1,106	1,602	4,135	.....	1,869	446
1959—June 10....	25,648	16,514	10,731	1	1,556	409	746	1,625	1,819	9,134	6,745	1,165	350	1,717	3,511	2	1,978	411
Chicago:[4]																		
1941—Dec. 31....	2,760	954	732	6	48	52	22	95		1,806	1,430	256	.....	153	903	119	182	193
1945—Dec. 31....	5,931	1,333	760	2	211	233	36	51	40	4,598	4,213	133	1,467	749	1,864	.....	181	204
1947—Dec. 31....	5,088	1,801	1,418	3	73	87	46	149	26	3,287	2,890	132	235	248	2,274	.....	213	185
1957—Dec. 31....	6,446	3,852	2,903	9	200	97	143	425	180	2,594	2,032	65	126	313	1,528	.....	408	154
1958—June 23....	6,942	3,594	2,618	8	178	100	143	336	318	3,348	2,694	268	145	490	1,791	.....	495	159
Dec. 31....	6,830	3,637	2,628	15	266	97	161	357	220	3,193	2,562	232	361	522	1,446	.....	491	140
1959—June 10....	6,581	3,643	2,678	16	146	107	181	386	241	2,938	2,235	178	205	439	1,414	.....	564	139
Reserve city banks:																		
1941—Dec. 31....	15,347	7,105	3,456	300	114	194	1,527	1,512		8,243	6,467	295	.....	751	4,248	1,173	956	820
1945—Dec. 31....	40,108	8,514	3,661	205	427	1,503	1,459	855	404	31,594	29,552	1,034	6,982	5,653	15,878	5	1,126	916
1947—Dec. 31....	36,040	13,449	7,088	225	170	484	3,147	1,969	366	22,591	20,196	373	2,358	1,901	15,560	3	1,342	1,053
1957—Dec. 31....	55,259	32,805	15,702	494	603	673	7,667	6,893	1,370	22,454	17,352	1,009	1,285	3,297	11,760	2	4,027	1,075
1958—June 23....	59,273	32,851	14,789	611	881	904	7,841	6,741	1,706	26,422	20,436	874	1,009	4,410	14,142	2	4,767	1,218
Dec. 31....	60,558	34,003	15,808	669	518	851	8,405	6,930	1,492	26,555	20,645	1,293	2,370	4,497	12,482	3	4,864	1,047
1959—June 10....	60,812	36,315	16,410	753	404	860	8,986	7,513	2,073	24,497	18,663	870	1,512	4,230	12,049	2	4,885	949
Country banks:																		
1941—Dec. 31....	12,518	5,890	1,676	659	20	183	1,823	1,530		6,628	4,377	110	.....	481	2,926	861	1,222	1,028
1945—Dec. 31....	35,002	5,596	1,484	648	42	471	1,881	707	363	29,407	26,999	630	5,102	4,544	16,713	9	1,342	1,067
1947—Dec. 31....	36,324	10,199	3,096	818	23	227	3,827	1,979	229	26,125	22,857	480	2,583	2,108	17,681	6	2,006	1,262
1957—Dec. 31....	56,820	28,191	7,613	1,970	365	252	9,856	7,944	713	28,629	21,815	2,226	1,909	3,857	13,819	4	5,365	1,449
1958—June 23....	58,225	28,937	7,739	2,154	351	282	10,172	8,030	746	29,288	22,000	1,409	1,465	3,852	15,272	3	5,775	1,513
Dec. 31....	61,511	30,257	8,080	2,368	294	268	10,806	8,239	784	31,254	23,606	2,475	2,306	4,495	14,327	3	6,181	1,467
1959—June 10....	62,248	31,960	8,650	2,362	154	293	11,267	8,872	965	30,288	22,581	1,642	1,622	5,023	14,290	5	6,392	1,315
Nonmember commercial banks:[3]																		
1947—Dec. 31....	18,454	5,432	1,205	614	20	156	2,266	1,061	111	13,021	11,318	206	1,973	1,219	7,916	4	1,078	625
1956—Dec. 31....	26,381	12,279	2,424	1,683	143	218	4,708	3,085	196	14,102	10,989	1,541	528	2,330	6,588	1	2,409	704
1957—Dec. 31....	27,741	12,961	2,657	1,594	153	211	4,891	3,442	217	14,780	11,172	1,457	1,279	2,049	6,385	1	2,682	926
1958—June 23....	28,343	13,438	2,761	1,778	125	219	4,994	3,547	225	14,905	11,040	927	978	1,868	7,266	1	2,932	933
Dec. 31....	30,327	14,165	2,981	1,921	102	230	5,256	3,671	235	16,161	12,088	1,651	1,255	2,280	6,901	1	3,102	971

[1] All commercial banks in the United States. These figures exclude data for banks in U. S. territories and possessions except for member banks. During 1941 three mutual savings banks became members of the Federal Reserve System; these banks are included in member banks but are *not* included in all insured commercial banks or all commercial banks. Comparability of figures for classes of banks is affected somewhat by changes in Federal Reserve membership, insurance status, and the reserve classifications of cities and individual banks, and by mergers, etc.

For other notes see opposite page.

RESERVES AND LIABILITIES OF COMMERCIAL BANKS, BY CLASSES[1]

[In millions of dollars]

Class of bank and call date	Reserves with Federal Reserve Banks	Cash in vault	Balances with domestic banks[5]	Demand deposits adjusted[6]	Demand deposits: Interbank deposits: Domestic[5]	Demand deposits: Interbank deposits: Foreign	Demand deposits: U. S. Govt.	Demand deposits: States and political subdivisions	Demand deposits: Certified and officers' checks, etc.	Demand deposits: Individuals, partnerships, and corporations	Time deposits: Interbank	Time deposits: U. S. Govt. and Postal savings	Time deposits: States and political subdivisions	Time deposits: Individuals, partnerships, and corporations	Borrowings	Capital accounts
All commercial banks:[3]																
1947—Dec. 31....	17,796	2,216	10,216	87,123	11,362	1,430	1,343	6,799	2,581	84,987	240	111	866	34,383	65	10,059
1957—Dec. 31....	18,972	3,335	12,342	110,266	13,867	1,769	3,898	10,693	3,620	109,653	1,385	301	2,773	53,366	77	17,368
1958—June 23....	18,568	3,017	10,904	106,178	12,141	1,648	9,205	10,892	3,741	102,453	2,495	286	4,100	57,372	1,136	18,178
Dec. 31....	18,427	3,249	12,609	115,518	14,142	1,657	4,250	10,928	4,043	115,132	2,372	327	3,576	59,590	73	18,486
All insured commercial banks:																
1941—Dec. 31....	12,396	1,358	8,570	37,845	9,823	673	1,762	3,677	1,077	36,544	158	59	492	15,146	10	6,844
1945—Dec. 31....	15,810	1,829	11,075	74,722	12,566	1,248	23,740	5,098	2,585	72,593	70	103	496	29,277	215	8,671
1947—Dec. 31....	17,796	2,145	9,736	85,751	11,236	1,379	1,325	6,692	2,559	83,723	54	111	826	33,946	61	9,734
1956—Dec. 31....	18,706	3,237	12,490	110,487	14,226	1,755	3,717	10,350	3,744	110,252	1,301	330	2,329	47,949	56	15,988
1957—Dec. 31....	18,972	3,311	12,079	109,439	13,752	1,736	3,859	10,594	3,597	108,936	1,264	301	2,717	53,120	66	17,052
1958—June 23....	18,568	2,997	10,682	105,419	12,022	1,610	9,162	10,800	3,715	101,793	2,288	286	4,032	57,110	1,125	17,857
Dec. 31....	18,427	3,227	12,353	114,645	14,025	1,629	4,241	10,841	4,001	114,372	2,209	327	3,512	59,329	67	18,154
Member banks, total:																
1941—Dec. 31....	12,396	1,087	6,246	33,754	9,714	671	1,709	3,066	1,009	33,061	140	50	418	11,878	4	5,886
1945—Dec. 31....	15,811	1,438	7,117	64,184	12,333	1,243	22,179	4,240	2,450	62,950	64	99	399	23,712	208	7,589
1947—Dec. 31....	17,797	1,672	6,270	73,528	10,978	1,375	1,176	5,504	2,401	72,704	50	105	693	27,542	54	8,464
1957—Dec. 31....	18,973	2,536	7,806	92,191	13,356	1,726	3,472	8,412	3,331	93,804	1,246	275	2,170	42,845	57	14,554
1958—June 23....	18,570	2,277	6,913	89,186	11,676	1,597	8,658	8,628	3,482	87,703	2,266	259	3,296	46,339	1,078	15,181
Dec. 31....	18,428	2,441	7,977	96,218	13,614	1,613	3,822	8,603	3,712	98,133	2,187	300	2,829	48,004	54	15,460
1959—June 10....	18,086	2,351	6,375	93,722	11,446	1,499	2,406	8,207	3,110	93,353	1,990	297	2,937	49,565	2,686	15,919
New York City:[4]																
1941—Dec. 31....	5,105	93	141	10,761	3,595	607	866	319	450	11,282	6	......	29	778	.....	1,648
1945—Dec. 31....	4,015	111	78	15,065	3,535	1,105	6,940	237	1,338	15,712	17	10	20	1,206	195	2,120
1947—Dec. 31....	4,639	151	70	16,653	3,236	1,217	267	290	1,105	17,646	12	12	14	1,418	30	2,259
1957—Dec. 31....	4,564	158	110	15,849	3,480	1,389	737	299	1,284	18,377	912	24	56	2,813	2	3,136
1958—June 23....	4,418	145	76	15,305	3,084	1,261	2,946	337	1,645	16,916	1,774	28	249	3,229	483	3,214
Dec. 31....	4,454	161	92	16,170	3,519	1,267	968	329	1,540	18,835	1,739	36	100	3,345	.....	3,282
1959—June 10....	4,090	148	66	16,010	2,888	1,148	479	295	1,259	17,657	1,564	27	140	3,423	809	3,300
Chicago:[4]																
1941—Dec. 31....	1,021	43	298	2,215	1,027	8	127	233	34	2,152	......	......	......	476	.....	288
1945—Dec. 31....	942	36	200	3,153	1,292	20	1,552	237	66	3,160	......	......	......	719	.....	377
1947—Dec. 31....	1,070	30	175	3,737	1,196	21	72	285	63	3,853	......	2	9	902	.....	426
1957—Dec. 31....	1,071	39	148	4,084	1,293	40	195	333	77	4,493	15	3	10	1,332	4	689
1958—June 23....	1,183	31	128	4,089	1,211	38	705	456	75	4,095	39	4	10	1,389	80	708
Dec. 31....	1,058	36	185	4,271	1,314	43	249	302	88	4,746	34	7	7	1,423	3	733
1959—June 10....	998	29	105	3,947	1,119	41	120	235	77	4,345	31	8	12	1,387	272	743
Reserve city banks:																
1941—Dec. 31....	4,060	425	2,590	11,117	4,302	54	491	1,144	286	11,127	104	20	243	4,542	.....	1,967
1945—Dec. 31....	6,326	494	2,174	22,372	6,307	110	8,221	1,763	611	22,281	30	38	160	9,563	2	2,566
1947—Dec. 31....	7,095	562	2,125	25,714	5,497	131	405	2,282	705	26,003	22	45	332	11,045	1	2,844
1957—Dec. 31....	7,763	790	2,585	33,583	6,962	279	1,358	3,111	943	35,906	301	113	1,175	17,335	21	5,370
1958—June 23....	7,576	707	2,277	33,145	6,115	282	3,150	3,065	818	34,119	416	92	1,705	18,910	350	5,617
Dec. 31....	7,472	768	2,670	35,505	7,217	289	1,429	3,153	1,052	38,054	377	124	1,471	19,480	14	5,760
1959—June 10....	7,350	750	2,110	34,625	6,159	291	858	2,959	830	36,201	361	122	1,466	20,136	1,141	5,930
Country banks:																
1941—Dec. 31....	2,210	526	3,216	9,661	790	2	225	1,370	239	8,500	30	31	146	6,082	4	1,982
1945—Dec. 31....	4,527	796	4,665	23,595	1,199	8	5,465	2,004	435	21,797	17	52	219	12,224	11	2,525
1947—Dec. 31....	4,993	929	3,900	27,424	1,049	7	432	2,647	528	25,203	17	45	337	14,177	23	2,934
1957—Dec. 31....	5,576	1,549	4,964	38,676	1,621	18	1,181	4,669	1,027	35,029	18	135	928	21,366	30	5,359
1958—June 23....	5,392	1,395	4,432	36,648	1,267	15	1,857	4,769	943	32,573	38	135	1,331	22,811	164	5,641
Dec. 31....	5,444	1,476	5,030	40,272	1,565	13	1,175	4,819	1,032	36,498	36	132	1,250	23,755	37	5,685
1959—June 10....	5,647	1,423	4,093	39,140	1,281	19	950	4,718	944	35,150	34	140	1,320	24,620	463	5,946
Nonmember commercial banks:[3]																
1947—Dec. 31....	....	544	3,947	13,595	385	55	167	1,295	180	12,284	190	6	172	6,858	12	1,596
1956—Dec. 31....	....	774	4,690	18,085	521	45	440	2,238	310	15,885	171	29	546	9,449	27	2,649
1957—Dec. 31....	....	799	4,536	18,075	511	43	427	2,282	289	15,849	138	27	603	10,546	21	2,818
1958—June 23....	....	740	3,993	16,992	465	50	548	2,265	260	14,749	229	28	805	11,059	58	3,000
Dec. 31....	....	808	4,633	19,300	528	43	428	2,325	331	16,999	185	27	747	11,613	20	3,027

[2] Beginning June 30, 1948, figures for various loan items are shown gross (i.e., before deduction of valuation reserves); they do not add to the total and are not entirely comparable with prior figures. Total loans continue to be shown net.

[3] Breakdowns of loan, investment, and deposit classifications are not available prior to 1947; summary figures for earlier dates appear in the preceding table.

[4] Central reserve city banks.

[5] Beginning June 30, 1942, excludes reciprocal bank balances, which on Dec. 31, 1942, aggregated $513 million at all member banks and $525 million at all insured commercial banks.

[6] Demand deposits other than interbank and U. S. Govt., less cash items reported as in process of collection.

For other notes see opposite page.

ASSETS AND LIABILITIES OF BANKS IN LEADING CITIES

[In millions of dollars]

Wednesday	Total loans and investments	Loans and investments adjusted[1]	Loans: Loans adjusted[1]	Loans: Commercial and industrial	Loans: Agricultural	For purchasing or carrying securities: To brokers and dealers: U. S. Govt. obligations	For purchasing or carrying securities: To brokers and dealers: Other securities	For purchasing or carrying securities: To others: U. S. Govt. obligations	For purchasing or carrying securities: To others: Other securities	Financial institutions: Banks: Foreign	Financial institutions: Banks: Domestic commercial	Financial institutions: Nonbank institutions: Personal and sales finance companies, etc.	Financial institutions: Nonbank institutions: Other	Loans: Real estate	Loans: All other loans	Valuation reserves
Total—Leading Cities																
1958																
July 9	103,784	....	....	30,374	762	2,530		1,462		1,622		....	.....	10,652	12,515	1,244
16	103,186	....	....	30,196	767	2,421		1,458		1,387		....	.....	10,698	12,520	1,242
23	102,969	....	....	29,899	777	2,456		1,417		1,487		....	.....	10,705	12,498	1,243
30	102,516	....	....	29,779	790	2,323		1,385		1,347		....	.....	10,744	12,535	1,243
1959																
June 3	96,289	....	....	31,005	609	2,111		1,382		1,837		....	.....	10,099	12,580	1,243
10	96,494	....	....	31,238	618	2,128		1,378		1,794		....	.....	10,148	12,644	1,245
17	96,535	....	....	32,017	625	2,169		1,361		1,306		....	.....	10,207	12,762	1,244
24	96,121	....	....	31,989	628	1,984		1,362		1,583		....	.....	10,246	12,811	1,246
July 1	96,816	....	....	32,012	630	2,157		1,358		2,111		....	.....	10,247	12,992	1,256
July 1	104,995	103,476	63,351	28,482	883	293	1,894	157	1,253	596	1,519	3,832	1,462	12,198	13,640	1,339
8	105,457	104,383	63,232	28,395	886	428	1,773	165	1,243	593	1,074	3,749	1,454	12,217	13,671	1,342
15	106,643	105,457	63,774	28,499	895	614	1,758	165	1,256	609	1,186	3,850	1,485	12,259	13,730	1,346
22	105,865	104,671	63,797	28,585	896	455	1,736	165	1,271	618	1,194	3,873	1,502	12,262	13,781	1,347
29	105,502	104,187	63,820	28,585	907	401	1,705	164	1,274	610	1,315	3,911	1,528	12,277	13,812	1,354
New York City																
1958																
July 9	26,468	....	....	10,882	1	495	1,110	82	354	814		....	.....	562	2,183	363
16	26,309	....	....	10,784	1	439	1,072	90	352	832		....	.....	573	2,192	362
23	26,233	....	....	10,627	1	519	1,052	93	347	857		....	.....	579	2,185	362
30	25,894	....	....	10,534	1	442	1,005	82	347	857		....	.....	578	2,193	361
1959																
June 3	25,554	....	....	10,683	1	190	1,361	41	398	1,122		....	.....	721	2,478	378
10	25,571	....	....	10,777	1	272	1,285	41	397	958		....	.....	735	2,487	378
17	25,480	....	....	11,153	1	316	1,268	41	386	612		....	.....	760	2,501	378
24	25,404	....	....	11,090	1	190	1,281	41	383	866		....	.....	752	2,512	378
July 1	25,871	....	....	11,129	1	236	1,387	40	379	1,132		....	.....	759	2,578	379
July 1	26,034	25,285	16,588	9,703	1	236	1,387	40	379	382	749	1,339	276	783	2,441	379
8	25,942	25,515	16,386	9,659	1	318	1,270	43	380	378	427	1,244	267	779	2,426	379
15	26,531	26,083	16,661	9,670	1	442	1,282	42	386	391	448	1,332	275	800	2,424	384
22	26,255	25,720	16,595	9,710	1	345	1,241	43	405	391	535	1,322	283	794	2,445	385
29	26,133	25,550	16,575	9,708	1	303	1,233	44	407	395	583	1,336	285	794	2,461	392
Outside New York City																
1958																
July 9	77,316	....	....	19,492	761	925		1,026		808		....	.....	10,090	10,332	881
16	76,877	....	....	19,412	766	910		1,016		555		....	.....	10,125	10,328	880
23	76,736	....	....	19,272	776	885		977		630		....	.....	10,126	10,313	881
30	76,622	....	....	19,245	789	876		956		490		....	.....	10,166	10,342	882
1959																
June 3	70,735	....	....	20,322	608	560		943		715		....	.....	9,378	10,102	865
10	70,923	....	....	20,461	617	571		940		836		....	.....	9,413	10,157	867
17	71,055	....	....	20,864	624	585		934		694		....	.....	9,447	10,261	866
24	70,717	....	....	20,899	627	513		938		717		....	.....	9,494	10,299	868
July 1	70,945	....	....	20,883	629	534		939		979		....	.....	9,488	10,414	877
July 1	78,961	78,191	46,763	18,779	882	57	507	117	874	214	770	2,493	1,186	11,415	11,199	960
8	79,515	78,868	46,846	18,736	885	110	503	122	863	215	647	2,505	1,187	11,438	11,245	963
15	80,112	79,374	47,113	18,829	894	172	476	123	870	218	738	2,518	1,210	11,459	11,306	962
22	79,610	78,951	47,202	18,875	895	110	495	122	866	227	659	2,551	1,219	11,468	11,336	962
29	79,369	78,637	47,245	18,877	906	98	472	120	867	215	732	2,575	1,243	11,483	11,351	962

[1] Exclusive of loans to domestic commercial banks and deduction of valuation reserves; individual loan items are shown gross.

NOTE.—June 1959 and the first July 1, 1959 figures are for the old series. (See description of changes in the series on p. 983 of this BULLETIN.) The second July 1, 1959 and other July 1959 figures are on the new basis; comparable figures for July 1958 reflect the added coverage but figures for revised loan classifications or subdivided items are not available.

ASSETS AND LIABILITIES OF BANKS IN LEADING CITIES—Continued

[In millions of dollars]

Wednesday	Investments							Cash assets, excluding cash items in process of collection					All other assets	Total assets—Total liabilities and capital accounts
	U. S. Government obligations						Other securities	Total	Balances with domestic banks	Balances with foreign banks	Cash in vault	Reserves with F. R. Banks		
	Total	Bills	Certificates of indebtedness	Notes and bonds maturing: Within 1 yr.	Notes and bonds maturing: 1 to 5 yrs.	Notes and bonds maturing: After 5 yrs.								
Total—Leading Cities														
1958														
July 9	34,999	2,188	1,776	31,035			10,112	18,107	3,092	114	1,144	13,757	2,948	133,987
16	34,814	2,018	1,762	31,034			10,167	18,415	3,154	116	1,130	14,015	2,939	134,761
23	34,723	1,989	1,808	30,926			10,250	18,174	3,032	119	1,137	13,886	2,983	133,928
30	34,651	2,015	1,802	30,834			10,205	17,999	3,070	117	1,169	13,643	3,063	132,031
1959														
June 3	28,538	2,243	2,224	24,071			9,371	15,895	2,361	82	951	12,501	2,841	124,562
10	28,453	2,237	2,181	24,035			9,338	16,178	2,404	90	1,028	12,656	2,875	125,236
17	28,072	2,060	2,103	23,909			9,260	16,792	2,603	90	1,017	13,082	2,781	127,137
24	27,484	1,623	2,034	23,827			9,280	16,117	2,356	72	1,050	12,639	2,830	124,484
July 1	27,326	1,652	1,979	23,695			9,239	15,893	2,593	71	971	12,258	2,932	126,927
July 1	29,980	1,747	2,157	1,692	17,696	6,688	10,145	17,165	2,981	72	1,125	12,987	3,142	136,868
8	30,966	2,850	2,099	1,694	17,618	6,705	10,185	17,299	2,630	76	1,151	13,442	3,064	135,675
15	31,502	3,514	2,055	1,650	17,608	6,675	10,181	17,705	2,903	80	1,174	13,548	3,079	139,704
22	30,702	3,027	2,020	1,519	17,466	6,670	10,172	17,710	2,738	73	1,178	13,721	3,028	136,773
29	30,242	2,753	1,850	1,502	17,482	6,655	10,125	17,209	2,622	82	1,211	13,294	3,064	135,132
New York City														
1958														
July 9	8,040	962	309	6,769			2,308	4,358	50	41	151	4,116	1,165	34,954
16	8,008	948	292	6,768			2,328	4,199	57	40	139	3,963	1,158	34,793
23	7,965	912	323	6,730			2,370	4,343	57	45	138	4,103	1,193	35,601
30	7,854	825	325	6,704			2,362	4,321	57	41	144	4,079	1,235	34,288
1959														
June 3	6,511	1,048	356	5,107			2,426	3,945	65	43	135	3,702	1,149	33,897
10	6,610	1,149	347	5,114			2,386	4,326	54	47	149	4,076	1,167	34,284
17	6,473	1,035	354	5,084			2,347	4,278	54	51	142	4,031	1,120	34,369
24	6,292	857	347	5,088			2,374	4,171	58	30	146	3,937	1,162	33,751
July 1	6,268	871	343	5,054			2,341	3,887	72	32	143	3,640	1,185	34,889
July 1	6,336	871	345	453	3,313	1,354	2,361	3,917	78	32	146	3,661	1,185	35,082
8	6,743	1,268	331	474	3,320	1,350	2,386	4,132	65	36	150	3,881	1,179	34,424
15	7,016	1,589	279	480	3,327	1,341	2,406	4,112	74	36	138	3,864	1,190	35,704
22	6,759	1,409	289	379	3,343	1,339	2,366	4,200	59	32	140	3,969	1,160	34,854
29	6,609	1,282	251	357	3,376	1,343	2,366	3,969	48	41	146	3,734	1,151	34,275
Outside New York City														
1958														
July 9	26,959	1,226	1,467	24,266			7,804	13,749	3,042	73	993	9,641	1,783	99,033
16	26,806	1,070	1,470	24,266			7,839	14,216	3,097	76	991	10,052	1,781	99,968
23	26,758	1,077	1,485	24,196			7,880	13,831	2,975	74	999	9,783	1,790	98,327
30	26,797	1,190	1,477	24,130			7,843	13,678	3,013	76	1,025	9,564	1,828	97,743
1959														
June 3	22,027	1,195	1,868	18,964			6,945	11,950	2,296	39	816	8,799	1,692	90,665
10	21,843	1,088	1,834	18,921			6,952	11,852	2,350	43	879	8,580	1,708	90,952
17	21,599	1,025	1,749	18,825			6,913	12,514	2,549	39	875	9,051	1,661	92,768
24	21,192	766	1,687	18,739			6,906	11,946	2,298	42	904	8,702	1,668	90,733
July 1	21,058	781	1,636	18,641			6,898	12,006	2,521	39	828	8,618	1,747	92,038
July 1	23,644	876	1,812	1,239	14,383	5,334	7,784	13,248	2,903	40	979	9,326	1,957	101,786
8	24,223	1,582	1,768	1,220	14,298	5,355	7,799	13,167	2,565	40	1,001	9,561	1,885	101,251
15	24,486	1,925	1,776	1,170	14,281	5,334	7,775	13,593	2,829	44	1,036	9,684	1,889	104,000
22	23,943	1,618	1,731	1,140	14,123	5,331	7,806	13,510	2,679	41	1,038	9,752	1,868	101,919
29	23,633	1,471	1,599	1,145	14,106	5,312	7,759	13,240	2,574	41	1,065	9,560	1,913	100,857

For notes see opposite page.

ASSETS AND LIABILITIES OF BANKS IN LEADING CITIES—Continued

[In millions of dollars]

Wednesday	Deposits: Demand deposits adjusted[1]	Deposits: Demand: Interbank: Domestic	Deposits: Demand: Interbank: Foreign	Deposits: Demand: U. S. Govt.	Deposits: Demand: States and political subdivisions	Deposits: Demand: Certified and officers' checks, etc.	Deposits: Demand: Individuals, partnerships, and corporations	Deposits: Time: Interbank	Deposits: Time: U. S. Govt. and Postal savings	Deposits: Time: States and political subdivisions	Deposits: Time: Individuals, partnerships, and corporations	Borrowings: From F. R. Banks	Borrowings: From others	Other liabilities	Capital accounts
Total—Leading Cities															
1958															
July 9	58,912	12,290	1,492	4,783	4,697	2,242	61,121	2,262	168	2,200	27,713	100	1,078	3,229	10,612
16	59,735	12,065	1,661	4,170	4,481	2,317	63,158	2,147	166	2,142	27,832	78	712	3,251	10,581
23	60,549	11,551	1,653	3,325	4,544	3,104	62,703	2,154	169	2,139	27,861	27	836	3,268	10,594
30	60,755	11,383	1,634	2,816	4,637	2,249	62,322	2,152	170	2,136	27,906	63	616	3,326	10,621
1959															
June 3	56,054	10,414	1,460	2,685	4,352	2,404	58,835	1,981	174	1,578	25,039	581	1,614	3,074	10,371
10	57,387	10,540	1,452	1,549	4,159	2,317	60,600	1,924	175	1,570	25,084	739	1,685	3,078	10,364
17	57,184	10,822	1,509	2,642	3,867	2,529	61,817	1,905	175	1,548	25,105	999	1,021	2,851	10,347
24	56,540	9,973	1,506	2,853	4,155	2,201	59,600	1,814	177	1,521	25,221	700	1,542	2,866	10,355
July 1	56,407	10,667	1,515	2,942	4,444	2,949	60,300	1,805	174	1,514	25,234	460	1,723	2,794	10,406
July 1	60,835	10,841	1,523	3,056	4,864	3,064	64,473	1,825	178	1,767	29,022	461	1,789	2,949	11,056
8	60,498	11,060	1,540	3,809	4,523	2,547	63,283	1,801	177	1,752	28,984	879	1,350	2,905	11,065
15	61,199	11,272	1,532	4,669	4,539	2,621	66,316	1,794	178	1,742	28,962	635	1,441	2,958	11,045
22	61,973	10,473	1,457	3,874	4,570	2,523	65,050	1,797	177	1,721	28,939	561	1,659	2,939	11,033
29	62,214	9,998	1,431	3,310	4,699	2,333	64,539	1,770	178	1,652	28,924	425	1,826	2,972	11,075
New York City															
1958															
July 9	15,117	3,362	1,191	1,755	303	1,125	16,652	1,783	26	275	3,243	......	562	1,471	3,206
16	15,414	3,229	1,335	1,557	340	1,164	17,037	1,698	26	240	3,282	......	222	1,458	3,205
23	15,729	3,287	1,317	1,179	335	1,971	17,255	1,705	28	238	3,280	......	309	1,487	3,210
30	15,783	3,147	1,279	937	246	1,169	17,206	1,702	28	240	3,295	7	274	1,551	3,207
1959															
June 3	15,246	2,937	1,143	909	294	1,310	16,891	1,585	27	155	3,349	......	642	1,388	3,267
10	15,994	2,889	1,134	480	313	1,250	17,651	1,529	27	157	3,373	25	790	1,397	3,269
17	15,787	2,937	1,193	674	261	1,266	17,751	1,512	27	153	3,354	92	576	1,307	3,266
24	15,537	2,818	1,189	779	308	1,048	17,195	1,441	27	148	3,379	60	745	1,353	3,261
July 1	15,519	3,040	1,194	902	357	1,661	17,447	1,431	27	147	3,333	48	640	1,379	3,283
July 1	15,655	3,041	1,194	906	368	1,663	17,570	1,431	27	151	3,377	48	640	1,379	3,287
8	15,301	2,966	1,219	1,320	302	1,297	16,873	1,408	27	150	3,391	170	652	1,359	3,290
15	15,395	3,050	1,209	1,810	380	1,341	17,545	1,411	27	140	3,361	117	648	1,376	3,289
22	15,646	2,924	1,132	1,488	313	1,232	17,340	1,419	27	140	3,335	......	855	1,359	3,290
29	15,692	2,777	1,105	1,231	274	1,147	17,293	1,399	27	141	3,338	38	860	1,358	3,287
Outside New York City															
1958															
July 9	43,795	8,928	301	3,028	4,394	1,117	44,469	479	142	1,925	24,470	100	516	1,758	7,406
16	44,321	8,836	326	2,613	4,141	1,153	46,121	449	140	1,902	24,550	78	490	1,793	7,376
23	44,820	8,264	336	2,146	4,209	1,133	45,448	449	141	1,901	24,581	27	527	1,781	7,384
30	44,972	8,236	355	1,879	4,391	1,080	45,116	450	142	1,896	24,611	56	342	1,775	7,414
1959															
June 3	40,808	7,477	317	1,776	4,058	1,094	41,944	396	147	1,423	21,690	581	972	1,686	7,104
10	41,393	7,651	318	1,069	3,846	1,067	42,949	395	148	1,413	21,711	714	895	1,681	7,095
17	41,397	7,885	316	1,968	3,606	1,263	44,066	393	148	1,395	21,751	907	445	1,544	7,081
24	41,003	7,155	317	2,074	3,847	1,153	42,405	373	150	1,373	21,842	640	797	1,513	7,094
July 1	40,888	7,627	321	2,040	4,087	1,288	42,853	374	147	1,367	21,901	412	1,083	1,415	7,123
July 1	45,180	7,800	329	2,150	4,496	1,401	46,903	394	151	1,616	25,645	413	1,149	1,570	7,769
8	45,197	8,094	321	2,489	4,221	1,250	46,410	393	150	1,602	25,593	709	698	1,546	7,775
15	45,804	8,222	323	2,859	4,159	1,280	48,771	383	151	1,602	25,601	518	793	1,582	7,756
22	46,327	7,549	325	2,386	4,257	1,291	47,710	378	150	1,581	25,604	561	804	1,580	7,743
29	46,522	7,221	326	2,079	4,425	1,186	47,246	371	151	1,511	25,586	387	966	1,614	7,788

[1] Demand deposits other than interbank and U. S. Government, less cash items reported as in process of collection.

NOTE.—June 1959 and the first July 1, 1959 figures are for the old series. (See description of changes in the series on p. 983 of this BULLETIN.) The second July 1, 1959 and other July 1959 figures are on the new basis; comparable figures for July 1958 reflect the added coverage but figures for revised loan classifications or subdivided items are not available.

CHANGES IN COMMERCIAL AND INDUSTRIAL LOANS OF WEEKLY REPORTING MEMBER BANKS, BY INDUSTRY[1]

[Net decline, (−). In millions of dollars]

Period[2]	Manufacturing and mining					Trade (wholesale and retail)	Commodity dealers	Public utilities (incl. transportation)	Construction	All other types of business	Net changes classified	Comm'l and ind'l change—all weekly reporting banks
	Food, liquor, and tobacco	Textiles, apparel, and leather	Metals and metal products[3]	Petroleum, coal, chemical, and rubber	Other							
1957—July-Dec.	331	−159	−496	150	−161	−8	420	183	−49	58	269	−188
1958—Jan.-June[4]	−658	84	146	−140	157	[5]−158	−283	−177	56	69	[5]−905	[5]−1,085
July-Dec.[4]	522	−232	−454	−14	−121	[5]162	410	234	50	362	[5]920	[5]723
1959—Jan.-July 1	−519	218	864	−162	188	284	−364	−141	106	145	620	762
1959—May	−6	34	133	−9	45	43	−80	82	29	74	345	451
June[6]	−117	44	195	−47	32	23	−57	195	55	148	472	499
July[6]	−60	50	21	6	73	6	44	47	−2	−129	55	103
Week ending:												
1959—May 6	2	27	−10	9	12	24	−6	11	−12	17	74	111
13	14	14	69	11	35	9	−14	15	29	13	197	223
20	3	5	42	−8	11	21	−36	20	....	29	87	112
27	−25	−12	31	−22	−14	−12	−24	35	12	16	−13	5
June 3	−32	−2	−1	−29	−1	17	−13	−35	16	−1	−80	−84
10	−26	21	34	−5	5	3	−14	46	15	39	120	131
17	36	19	115	12	35	16	−3	116	20	91	456	508
24	−36	1	27	−5	4	10	−18	52	2	5	42	53
July 1	−60	5	20	−20	−12	−23	−9	16	1	15	67	25
July 8	−52	18	6	−10	−4	−15	5	17	−14	−58	−107	−87
15	3	25	31	9	8	16	12	12	12	−68	58	104
22	−22	10	−16	3	67	−4	21	55	2	−5	110	86
29	11	−2	1	5	2	9	5	−38	−1	3	−5	....

[1] Data for a sample of about 210 banks reporting changes in their larger loans; these banks hold about 95 per cent of total commercial and industrial loans of all weekly reporting member banks and about 75 per cent of those of all commercial banks.
[2] Figures for periods other than weekly are based on weekly changes.
[3] Includes machinery and transportation equipment.
[4] January-June includes 25 weeks; July-December, 27 weeks.
[5] Figures revised; see BULLETIN for February 1959, p. 216, note 4.
[6] June figures include changes for week ended July 1; July figures, changes for July 8–29.

NOTE.—Beginning with the week ended July 8, 1959, changes in commercial and industrial loans exclude loans to sales finance companies and certain other nonbank financial concerns (for description of revisions, see p. 983). Figures for earlier periods in the last two columns have been adjusted only to exclude loans to sales finance companies. Thus, these data are not strictly comparable with current figures.

BANK RATES ON SHORT-TERM BUSINESS LOANS[1]

[Per cent per annum]

Area and period	All loans	Size of loan (thousands of dollars)			
		1–10	10–100	100–200	200 and over
Annual averages, 19 large cities:					
1950	2.7	4.5	3.6	3.0	2.4
1951	3.1	4.7	4.0	3.4	2.9
1952	3.5	4.9	4.2	3.7	3.3
1953	3.7	5.0	4.4	3.9	3.5
1954	3.6	5.0	4.3	3.9	3.4
1955	3.7	5.0	4.4	4.0	3.5
1956	4.2	5.2	4.8	4.4	4.0
1957	4.6	5.5	5.1	4.8	4.5
1958	4.3	5.5	5.0	4.6	4.1
Quarterly,[2] 19 large cities:					
1958—June	4.17	5.45	4.88	4.40	3.95
Sept.	4.21	5.45	4.90	4.47	4.00
Dec.	4.50	5.49	5.06	4.68	4.33
1959—Mar.	4.51	5.53	5.09	4.74	4.32
June	4.87	5.68	5.33	5.06	4.72

Area and period	All loans	Size of loan (thousands of dollars)			
		1–10	10–100	100–200	200 and over
Quarterly (cont.), New York City:					
1958—June	3.88	5.18	4.72	4.13	3.74
Sept.	4.00	5.19	4.74	4.28	3.87
Dec.	4.29	5.38	4.94	4.52	4.18
1959—Mar.	4.29	5.30	4.93	4.56	4.18
June	4.71	5.55	5.24	4.97	4.61
7 Northern and Eastern cities:					
1958—June	4.17	5.48	4.85	4.39	3.99
Sept.	4.21	5.48	4.90	4.42	4.03
Dec.	4.50	5.53	5.05	4.66	4.36
1959—Mar.	4.49	5.54	5.06	4.71	4.35
June	4.90	5.67	5.33	5.06	4.78
11 Southern and Western cities:					
1958—June	4.58	5.56	4.99	4.57	4.31
Sept.	4.54	5.55	4.99	4.63	4.23
Dec.	4.79	5.53	5.12	4.79	4.59
1959—Mar.	4.84	5.62	5.20	4.87	4.60
June	5.07	5.74	5.37	5.13	4.87

[1] For description see BULLETIN for March 1949, pp. 228–37.
[2] Based on figures for first 15 days of month.

NOTE.—Bank prime rate was 2 per cent Jan. 1–Sept. 21, 1950. Changes thereafter (in per cent) occurred on the following dates: 1950—Sept. 22, 2¼; 1951—Jan. 8, 2½; Oct. 17, 2¾; Dec. 19, 3; 1953—Apr. 27, 3¼; 1954—Mar. 17, 3; 1955—Aug. 4, 3¼; Oct. 14, 3½; 1956—Apr. 13, 3¾; Aug. 21, 4; 1957—Aug. 6, 4½; 1958—Jan. 22, 4; Apr. 21, 3½; Sept. 11, 4; and 1959—May 18, 4½.

MONEY MARKET RATES

[Per cent per annum]

Year, month, or week	Prime commercial paper, 4- to 6-months[1]	Finance company paper placed directly, 3- to 6-months[1]	Prime bankers' acceptances, 90 days[1]	U. S. Government securities (taxable)[2]: 3-month bills, Rate on new issue	3-month bills, Market yield	6-month bills, Rate on new issue	6-month bills, Market yield	9- to 12-month issues, Bills (market yield)	9- to 12-month issues, Other[3]	3- to 5-year issues[4]
1956 average	3.31	3.06	2.64	2.658	2.62	.....	.....	.....	2.83	3.12
1957 average	3.81	3.55	3.45	3.267	3.23	.....	.....	.....	3.53	3.62
1958 average	2.46	2.12	2.04	1.839	1.78	.....	.....	.....	2.09	2.90
1958—July	1.50	1.31	1.13	.962	.91	.....	.....	.....	1.34	2.54
Aug.	1.96	1.52	1.65	1.686	1.69	.....	.....	.....	2.14	3.11
Sept.	2.93	2.47	2.39	2.484	2.44	.....	.....	.....	2.84	3.57
Oct.	3.23	2.87	2.75	2.793	2.63	.....	.....	.....	2.83	3.63
Nov.	3.08	2.75	2.75	2.756	2.67	.....	.....	.....	2.92	3.60
Dec.	3.33	2.94	2.75	2.814	2.77	.....	.....	.....	3.24	3.65
1959—Jan.	3.30	3.05	2.75	2.837	2.82	3.097	3.09	.....	3.26	3.86
Feb.	3.26	3.00	2.75	2.712	2.70	3.166	3.12	.....	3.38	3.85
Mar.	3.35	3.22	2.88	2.852	2.80	3.159	3.13	.....	3.56	3.88
Apr.	3.42	3.36	2.98	2.960	2.95	3.277	3.27	.....	3.66	4.03
May	3.56	3.44	3.17	2.851	2.84	3.368	3.32	.....	3.92	4.16
June	3.83	3.66	3.31	3.247	3.21	3.531	3.52	.....	3.97	4.33
July	3.98	3.81	3.45	3.243	3.20	3.885	3.82	.....	4.30	4.40
Week ending:										
July 4	3.88	3.81	3.38	3,164	3.16	3.703	3.68	.....	4.13	4.40
11	3.98	3.81	3.38	3.266	3.28	3.964	3.89	.....	4.38	4.42
18	4.00	3.81	3.48	3.401	3.37	4.029	3.90	.....	4.33	4.38
25	4.00	3.81	3.50	3.337	3.15	3.869	3.81	4.35	4.32	4.41
Aug. 1	3.99	3.81	3.50	3.047	3.01	3.860	3.76	4.23	4.25	4.40

[1] Average of daily prevailing rates.
[2] Except for new bill issues, yields are averages computed from daily closing bid prices.
[3] Consists of certificates of indebtedness and selected note and bond issues.
[4] Consists of selected note and bond issues.

BOND AND STOCK YIELDS[1]

[Per cent per annum]

Year, month, or week	U. S. Govt. bonds (long-term)[2]	State and local govt. bonds[3]: Total[4]	State and local: Aaa	State and local: Baa	Corporate bonds[3]: Total[4]	By selected ratings: Aaa	By selected ratings: Baa	By groups: Industrial	By groups: Railroad	By groups: Public utility	Stocks[5]: Dividend/price ratio: Preferred	Dividend/price ratio: Common	Earnings/price ratio: Common
Number of issues	4–7	20	5	5	120	30	30	40	40	40	14	500	500
1956 average	3.08	2.94	2.51	3.50	3.57	3.36	3.88	3.50	3.65	3.54	4.25	4.09	7.17
1957 average	3.47	3.56	3.10	4.20	4.21	3.89	4.71	4.12	4.32	4.18	4.63	4.35	8.21
1958 average	3.43	3.36	2.92	3.95	4.16	3.79	4.73	3.98	4.39	4.10	4.45	3.97	5.14
1958—July	3.36	3.23	2.79	3.83	4.02	3.67	4.53	3.81	4.30	3.94	4.36	3.98	.....
Aug.	3.60	3.50	3.07	4.07	4.17	3.85	4.67	3.94	4.42	4.16	4.45	3.78	.....
Sept.	3.75	3.74	3.28	4.32	4.39	4.09	4.87	4.24	4.52	4.41	4.58	3.69	5.63
Oct.	3.76	3.69	3.23	4.25	4.42	4.11	4.92	4.25	4.56	4.46	4.64	3.54	.....
Nov.	3.70	3.59	3.17	4.11	4.40	4.09	4.87	4.23	4.56	4.40	4.65	3.42	.....
Dec.	3.80	3.57	3.12	4.10	4.38	4.08	4.85	4.24	4.52	4.39	4.63	3.33	5.14
1959—Jan.	3.90	3.60	3.19	4.11	4.41	4.12	4.87	4.28	4.53	4.43	4.54	3.24	.....
Feb.	3.92	3.57	3.16	4.08	4.43	4.14	4.89	4.31	4.51	4.46	4.52	3.32	.....
Mar.	3.92	3.44	3.06	3.93	4.40	4.13	4.85	4.28	4.51	4.43	4.48	3.25	5.47
Apr.	4.01	3.53	3.12	4.02	4.47	4.23	4.86	4.35	4.56	4.49	4.51	3.26	.....
May	4.08	3.70	3.29	4.20	4.60	4.37	4.96	4.46	4.67	4.67	4.68	3.21	.....
June	4.09	3.80	3.37	4.28	4.69	4.46	5.04	4.55	4.76	4.77	4.79	3.23	.....
July	4.11	3.92	3.51	4.43	4.72	4.47	5.08	4.58	4.79	4.79	4.75	3.11	.....
Week ending:													
July 4	4.12	3.96	3.54	4.46	4.71	4.48	5.05	4.57	4.79	4.78	4.80	3.15	.....
11	4.13	3.94	3.52	4.45	4.72	4.48	5.07	4.57	4.79	4.79	4.77	3.10	.....
18	4.08	3.93	3.51	4.45	4.72	4.47	5.09	4.59	4.79	4.79	4.74	3.12	.....
25	4.10	3.89	3.48	4.39	4.72	4.46	5.09	4.58	4.79	4.79	4.71	3.12	.....
Aug. 1	4.10	3.89	3.48	4.39	4.72	4.45	5.07	4.57	4.80	4.77	4.74	3.07	.....

[1] Monthly and weekly yields are averages of daily figures for U. S. Govt. and corporate bonds. Yields of State and local govt. bonds are based on Thursday figures; dividend/price ratios for preferred and common stocks, on Wednesday figures. Earnings/price ratios for common stocks are as of end of period.
[2] Series is based on bonds maturing or callable in 10 years or more.
[3] Moody's Investors Service. State and local govt. bonds include general obligations only.
[4] Includes bonds rated Aa and A, data for which are not shown separately. Because of a limited number of suitable issues, the number of corporate bonds in some groups has varied somewhat.
[5] Standard and Poor's Corporation. Preferred stock ratio is based on 8 median yields in a sample of noncallable issues—12 industrial and 2 public utility. For common stocks, the dividend/price and the earnings/price ratios are now computed for the 500 stocks in the price index, but figures prior to mid-1957 are based on the 90 stocks formerly included in the daily price index.

SECURITY PRICES[1]

Year, month, or week	Bond prices: U. S. Govt. (long-term)[2]	Bond prices: Municipal (high-grade)[3]	Bond prices: Corporate (high-grade)[3]	Standard and Poor's series (index, 1941–43=10): Total	S&P: Industrial	S&P: Railroad	S&P: Public utility	Securities and Exchange Commission series (index, 1939=100): Total	SEC Manufacturing: Total	SEC Manufacturing: Durable	SEC Manufacturing: Nondurable	SEC: Transportation	SEC: Public utility	SEC: Trade, finance, and service	SEC: Mining	Volume of trading[4] (in thousands of shares)
Number of issues	....	15	17	500	425	25	50	265	170	98	72	21	29	31	14	......
1956 average	98.91	116.3	109.1	46.62	49.80	33.65	32.25	345	439	410	465	327	156	306	358	2,216
1957 average	93.24	105.8	101.3	44.38	47.66	28.11	32.19	331	422	391	451	275	156	277	342	2,222
1958 average	94.02	106.4	102.9	46.24	49.36	27.05	37.22	341	426	385	458	270	173	314	314	2,965
1958—July	94.78	108.0	104.2	45.98	48.96	26.86	37.82	339	424	376	459	269	173	312	331	3,159
Aug.	91.51	103.7	102.0	47.70	51.00	28.43	37.50	352	442	399	473	283	174	325	341	2,970
Sept.	89.51	100.6	98.9	48.96	52.40	29.51	37.97	360	453	413	481	292	178	337	341	3,427
Oct.	89.36	100.9	98.6	50.95	54.55	31.23	39.15	376	474	437	499	311	183	346	344	4,134
Nov.	90.13	102.3	98.9	52.50	56.11	33.07	40.75	388	487	448	514	327	190	362	341	4,131
Dec.	88.90	102.3	98.7	53.49	57.09	33.70	42.05	393	490	451	516	330	199	375	339	3,615
1959—Jan.	87.54	101.8	98.1	55.82	59.30	35.53	43.96	410	508	474	529	350	213	394	348	3,964
Feb.	87.38	102.2	98.0	54.77	58.33	35.20	43.71	404	496	466	514	350	215	400	345	3,463
Mar.	87.37	103.4	98.2	56.15	59.79	35.47	45.06	414	508	475	530	353	221	405	348	3,926
Apr.	86.21	102.2	97.0	57.10	60.92	35.94	45.12	419	514	481	536	360	226	405	340	3,449
May	85.31	100.4	95.0	57.96	62.09	36.07	44.30	425	527	495	547	358	221	409	334	3,379
June	85.16	99.4	94.0	57.46	61.75	36.02	42.58	419	521	496	534	357	213	418	326	2,925
July	85.00	99.4	93.8	59.74	64.23	36.86	44.21	434	543	522	551	364	218	429	321	3,222
Week ending:																
July 4	84.87	98.6	93.7	58.77	63.18	37.04	43.36	431	538	517	546	367	217	428	321	3,239
11	84.67	98.8	93.7	59.91	64.44	37.69	43.95	436	544	528	549	372	219	433	321	3,744
18	85.29	99.3	93.7	59.43	63.88	36.94	44.04	430	536	516	544	360	217	427	316	3,112
25	85.07	100.0	93.8	59.45	63.87	36.22	44.48	433	541	523	547	360	218	428	316	2,957
Aug. 1	85.11	100.4	94.1	60.39	64.99	36.47	44.62	441	554	525	570	362	218	431	333	3,014

1 Monthly and weekly data for (1) U. S. Govt. bond prices, Standard and Poor's common stock indexes, and volume of trading are averages of daily figures; (2) municipal and corporate bond prices are based on Wednesday closing prices; and (3) the Securities and Exchange Commission series on common stock prices are based on weekly closing prices.

2 Prices derived from average market yields in preceding table on basis of an assumed 3 per cent, 20-year bond.

3 Prices derived from average yields, as computed by Standard and Poor's Corporation, on basis of a 4 per cent, 20-year bond.

4 Average daily volume of trading in stocks on the New York Stock Exchange for a 5½-hour trading day.

STOCK MARKET CREDIT

[In millions of dollars]

End of month or last Wednesday of month	Customer credit: Total—securities other than U. S. Govt. obligations (col. 3+ col. 5)	Net debit balances with New York Stock Exchange firms[1]: Secured by U. S. Govt. obligations	Net debit balances: Secured by other securities	Bank loans to others (than brokers and dealers) for purchasing and carrying securities[2]: U. S. Govt. obligations	Bank loans: Other securities	Broker and dealer credit[1]: Money borrowed: On U. S. Govt. obligations	Money borrowed: On other securities	Customer's net free credit balances
1955—Dec.	4,030	34	2,791	32	1,239	51	2,246	894
1956—Dec.	3,984	33	2,823	41	1,161	46	2,132	880
1957—Dec.	3,576	68	2,482	60	1,094	125	1,706	896
1958—June	4,218	248	2,921	84	1,297	468	1,930	1,047
July	4,252	149	3,021	113	1,231	306	1,903	1,080
Aug.	4,199	140	3,013	48	1,186	251	1,751	1,103
Sept.	4,308	122	3,109	51	1,199	210	1,865	1,119
Oct.	4,369	123	3,188	59	1,181	193	1,832	1,140
Nov.	4,423	124	3,245	50	1,178	210	1,923	1,148
Dec.	4,492	146	3,285	63	1,207	234	2,071	1,159
1959—Jan.	4,554	155	3,297	62	1,257	230	1,990	1,226
Feb.	4,527	157	3,253	65	1,274	223	1,963	1,196
Mar.	4,597	153	3,305	55	1,292	218	1,977	1,257
Apr.	4,721	166	3,401	55	1,320	252	2,156	1,205
May	4,711	163	3,385	58	1,326	252	2,159	1,188
June	4,692	158	3,388	58	1,304	237	2,246	1,094

1 Ledger balances of member firms of the New York Stock Exchange carrying margin accounts, as reported to the Exchange. Customers' debit and free credit balances exclude balances maintained with the reporting firm by other member firms of national securities exchanges and balances of the reporting firm and of general partners of the reporting firm. Balances are net for each customer—i.e., all accounts of one customer are consolidated. Money borrowed includes borrowings from banks and from other lenders except member firms of national securities exchanges. Data are as of the end of the month, except money borrowed, which is as of the last Wednesday of the month beginning with June 1955.

2 Figures are for last Wednesday of month for weekly reporting member banks, which account for about 70 per cent of all loans for this purpose. Column 5 includes some loans for purchasing or carrying U. S. Govt. securities (such loans are reported separately only by New York and Chicago banks). On June 30, 1956, reporting banks outside New York and Chicago held $51 million of such loans. On the same date insured commercial banks not reporting weekly held loans of $28 million for purchasing and carrying U. S. Govt. securities and of $384 million for other securities. Noninsured banks had $33 million of such loans, probably mostly for purchasing or carrying other securities.

COMMERCIAL AND FINANCE COMPANY PAPER AND BANKERS' ACCEPTANCES OUTSTANDING

[In millions of dollars]

End of year or month	Commercial and finance company paper			Dollar acceptances											
				Total	Held by:						Based on:				
					Accepting banks			F. R. Banks		Others	Imports into United States	Exports from United States	Dollar exchange	Goods stored in or shipped between points in:	
	Total	Placed through dealers[1]	Placed directly (finance paper)[2]		Total	Own bills	Bills bought	Own acct.	Foreign corr.					United States	Foreign countries
1953	1,966	564	1,402	574	172	117	55	......	24	378	274	154	29	75	43
1954	1,924	733	1,191	873	289	203	86	......	19	565	285	182	17	300	89
1955	2,020	510	1,510	642	175	126	49	28	33	405	252	210	17	63	100
1956	2,166	506	1,660	967	227	155	72	69	50	621	261	329	2	227	148
1957	2,666	551	2,115	1,307	287	194	94	66	76	878	278	456	46	296	232
1958—June	3,373	965	2,408	1,352	396	292	104	45	113	798	282	375	121	325	248
July	3,627	966	2,661	1,353	426	328	98	34	108	785	269	380	141	313	251
Aug.	3,371	981	2,390	1,363	416	340	75	33	91	824	256	385	131	337	254
Sept.	3,146	958	2,188	1,281	385	319	65	28	75	792	236	355	136	319	235
Oct.	3,294	961	2,333	1,255	347	273	73	36	71	802	246	354	117	296	242
Nov.	[3]3,203	940	[3]2,263	1,209	290	234	55	34	75	810	251	348	94	265	251
Dec.	2,744	840	1,904	1,194	302	238	64	49	68	775	254	349	83	244	263
1959—Jan.	3,076	875	2,201	1,133	276	226	51	40	60	756	251	346	118	168	250
Feb.	3,322	897	2,425	1,161	309	232	77	39	62	751	275	339	112	183	252
Mar.	3,267	883	2,384	1,054	271	227	44	30	60	692	278	329	111	82	253
Apr.	3,334	822	2,512	1,029	269	208	60	30	56	673	292	348	78	48	263
May	3,555	791	2,764	1,038	242	193	49	28	79	689	286	350	103	43	256
June	3,401	729	2,672	983	213	175	38	26	76	668	256	327	111	33	256

[1] As reported by dealers; includes finance company paper as well as other commercial paper sold in the open market.

[2] As reported by finance companies that place their paper directly with investors.

[3] Beginning with November 1958, series revised to include 270-day paper. Figures on old basis for November and December, respectively, were (in millions of dollars): Total, 3,192 and 2,371; placed directly, 2,252 and 1,891.

MUTUAL SAVINGS BANKS

[National Association of Mutual Savings Banks data. In millions of dollars]

End of year or month	Loans		Securities			Cash	Other assets	Total assets—Total liabilities and surplus accts.	Deposits	Other liabilities	Surplus accounts
	Mortgage	Other	U. S. Government	State and local government	Corporate and other[1]						
1941	4,787	89	3,592	1,786		829	689	11,772	10,503	38	1,231
1945	4,202	62	10,650	1,257		606	185	16,962	15,332	48	1,582
1951	9,747	129	9,827	140	2,490	883	288	23,504	20,900	154	2,450
1952	11,231	144	9,443	336	2,925	917	304	25,300	22,610	163	2,527
1953	12,792	165	9,191	428	3,311	982	330	27,199	24,388	203	2,608
1954	14,845	188	8,755	608	3,548	1,026	380	29,350	26,351	261	2,738
1955	17,279	211	8,464	646	3,366	966	414	31,346	28,182	310	2,854
1956	19,559	248	7,982	675	3,549	920	448	33,381	30,026	369	2,986
1957	20,971	253	7,583	685	4,344	889	490	35,215	31,683	427	3,105
1958	23,038	320	7,270	729	4,971	921	535	37,784	34,031	526	3,226
1958—May	21,714	287	7,456	703	4,893	876	521	36,450	32,676	604	3,169
June	21,958	264	7,419	726	4,881	924	540	36,716	32,982	553	3,181
July	22,151	243	7,430	734	4,915	858	537	36,868	33,070	599	3,199
Aug.	22,349	267	7,449	736	4,923	853	542	37,119	33,213	675	3,231
Sept.	22,530	287	7,422	738	4,957	871	551	37,356	33,480	625	3,251
Oct.	22,725	258	7,330	735	4,951	863	534	37,396	33,575	581	3,240
Nov.	22,876	280	7,298	734	4,951	825	555	37,519	33,617	634	3,268
Dec.	23,038	320	7,270	729	4,971	921	535	37,784	34,031	526	3,226
1959—Jan.[2]	23,107	212	7,327	728	4,928	803	533	37,639	33,861	570	3,208
Feb.	23,232	239	7,364	724	4,937	821	538	37,855	33,974	641	3,240
Mar.	23,407	256	7,426	763	4,908	866	559	38,185	34,287	637	3,261
Apr.	23,562	242	7,382	729	4,967	752	541	38,175	34,293	630	3,252
May	23,723	278	7,395	739	4,947	760	550	38,392	34,413	690	3,289

[1] Includes securities of foreign governments and international organizations and obligations of Federal agencies not guaranteed by the U. S. Government, as well as corporate securities.

[2] Data reflect absorption of a large mutual savings bank by a commercial bank.

NOTE.—These data differ somewhat from those shown elsewhere in the BULLETIN; the latter are for call dates and are based on reports filed with Federal and State bank supervisory agencies. Loans are shown net of valuation reserves.

LIFE INSURANCE COMPANIES[1]

[Institute of Life Insurance data. In millions of dollars]

Date	Total assets	Government securities: Total	Government securities: United States	Government securities: State and local (U. S.)	Government securities: Foreign[2]	Business securities: Total	Business securities: Bonds	Business securities: Stocks	Mort- gages	Real estate	Policy loans	Other assets
End of year:[3]												
1941	32,731	9,478	6,796	1,995	687	10,174	9,573	601	6,442	1,878	2,919	1,840
1945	44,797	22,545	20,583	722	1,240	11,059	10,060	999	6,636	857	1,962	1,738
1952	73,375	12,905	10,252	1,153	1,500	31,515	29,069	2,446	21,251	1,903	2,713	3,088
1953	78,533	12,537	9,829	1,298	1,410	34,438	31,865	2,573	23,322	2,020	2,914	3,302
1954	84,486	12,262	9,070	1,846	1,346	37,300	34,032	3,268	25,976	2,298	3,127	3,523
1955	90,432	11,829	8,576	2,038	1,215	39,545	35,912	3,633	29,445	2,581	3,290	3,743
1956	96,011	11,067	7,555	2,273	1,239	41,543	38,040	3,503	32,989	2,817	3,519	4,076
1957	101,309	10,690	7,029	2,376	1,285	44,057	40,666	3,391	35,236	3,119	3,869	4,338
1958	107,580	11,234	7,183	2,681	1,370	47,108	42,999	4,109	37,062	3,364	4,188	4,624
End of month:[4]												
1956—Dec.	95,844	10,989	7,519	2,234	1,236	40,976	38,067	2,909	32,994	2,829	3,505	4,551
1957—Dec.	101,309	10,691	7,028	2,377	1,286	43,750	40,737	3,013	35,271	3,120	3,872	4,605
1958—May	103,508	10,889	7,036	2,502	1,351	44,774	41,656	3,118	35,956	3,241	4,038	4,610
June	104,008	10,976	7,083	2,537	1,356	44,987	41,828	3,159	36,060	3,280	4,067	4,638
July	104,578	11,163	7,258	2,561	1,344	45,198	42,039	3,159	36,183	3,303	4,091	4,640
Aug.	105,054	11,244	7,300	2,597	1,347	45,351	42,200	3,151	36,323	3,355	4,114	4,667
Sept.	105,493	11,268	7,307	2,616	1,345	45,561	42,370	3,191	36,462	3,368	4,138	4,696
Oct.	106,053	11,299	7,319	2,641	1,339	45,876	42,689	3,187	36,648	3,388	4,162	4,680
Nov.	106,540	11,355	7,344	2,672	1,339	46,015	42,817	3,198	36,794	3,415	4,183	4,778
Dec.	107,419	11,250	7,205	2,685	1,360	46,411	43,052	3,359	37,097	3,349	4,204	5,108
1959—Jan.	108,145	11,620	7,485	2,744	1,391	46,602	43,237	3,365	37,211	3,393	4,225	5,094
Feb.	108,583	11,596	7,414	2,774	1,408	46,829	43,442	3,387	37,350	3,414	4,253	5,141
Mar.	108,945	11,479	7,229	2,840	1,410	47,093	43,672	3,421	37,486	3,450	4,284	5,153
Apr.	109,430	11,568	7,251	2,889	1,428	47,343	43,904	3,439	37,602	3,469	4,317	5,131
May	109,928	11,644	7,235	2,968	1,441	47,545	44,086	3,459	37,737	3,493	4,346	5,163

[1] Figures are for all life insurance companies in the United States.
[2] Represents issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
[3] These represent annual statement asset values, with bonds carried on an amortized basis and stocks at end-of-year market value.
[4] These represent book value of ledger assets. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately, but are included in total, in "Other assets."

SAVINGS AND LOAN ASSOCIATIONS[1]

[Federal Savings and Loan Insurance Corporation data. In millions of dollars]

End of year or month	Assets: Mort- gages[2]	Assets: U. S. Govt. obliga- tions	Assets: Cash	Assets: Other[3]	Total assets—[2] Total liabilities	Liabilities: Savings capital	Liabilities: Borrowed money[4]	Liabilities: Reserves and undivided profits	Liabilities: Loans in process	Liabilities: Other	Mortgage loan commit- ments[5]
1941	4,578	107	344	775	6,049	4,878	256	475	440		n.a.
1945	5,376	2,420	450	356	8,747	7,386	336	644	381		n.a.
1951	15,564	1,603	1,066	899	19,222	16,107	894	1,453	768		n.a.
1952	18,396	1,787	1,289	1,108	22,660	19,195	944	1,658	863		n.a.
1953	21,962	1,920	1,479	1,297	26,733	22,846	1,027	1,901	959		n.a.
1954r	26,108	2,013	1,971	1,541	31,633	27,252	950	2,187	1,244		n.a.
1955r	31,408	2,338	2,063	1,847	37,656	32,142	1,546	2,557	1,411		833
1956	35,729	2,782	2,119	2,199	42,875	37,148	1,347	2,950	1,430		843
1957	40,007	3,173	2,146	2,770	48,138	41,912	1,379	3,363	1,484		862
1958	45,599	3,821	2,569	3,125	55,114	47,926	1,451	3,857	1,170	710	1,479
1958—May	41,751	3,248	2,563	3,002	50,564	44,083	867	(6)	979	(6)	1,310
June	42,333	3,329	2,740	2,965	51,367	45,020	1,036	3,561	1,052	698	1,340
July	42,866	3,369	2,443	2,885	51,563	45,082	997	(6)	1,095	(6)	1,407
Aug.	43,423	3,480	2,373	2,894	52,170	45,435	1,052	(6)	1,115	(6)	1,432
Sept.	43,997	3,627	2,295	2,936	52,855	45,875	1,137	(6)	1,162	(6)	1,482
Oct.	44,602	3,734	2,187	3,067	53,590	46,376	1,195	(6)	1,184	(6)	1,499
Nov.	45,067	3,784	2,231	3,169	54,251	46,853	1,236	(6)	1,173	(6)	1,541
Dec.	45,599	3,821	2,569	3,125	55,114	47,926	1,451	3,857	1,170	710	1,479
1959—Jan.	46,009	4,117	2,269	3,072	55,467	48,360	1,270	3,864	1,133	840	1,515
Feb.	46,436	4,214	2,243	3,152	56,045	48,768	1,213	3,873	1,175	1,016	1,630
Mar.	47,029	4,293	2,244	3,244	56,810	49,297	1,208	3,874	1,290	1,141	1,756
Apr.	47,733	4,399	2,061	3,397	57,590	49,717	1,306	3,875	1,388	1,304	1,923
May	48,483	4,422	2,089	3,578	58,572	50,321	1,369	3,886	1,484	1,512	1,976

r Revised. n.a. Not available.
[1] Figures are for all savings and loan associations in the United States. Data beginning with 1951 are based on monthly reports of insured associations and annual reports of noninsured associations. Data prior to 1951 are based entirely on annual reports.
[2] Prior to 1958 mortgages are net of mortgage pledged shares. Asset items will not add to total assets which include gross mortgages with no deduction for mortgage pledged shares. Beginning with January 1958, no deduction is made for mortgage pledged shares. These have declined consistently in recent years and amounted to $42 million at the end of 1957.
[3] Includes other loans, stock in the Federal home loan banks and other investments, real estate owned and sold on contract, and office buildings and fixtures.
[4] Consists of F.H.L.B. advances and other borrowing.
[5] Not a balance-sheet item.
[6] Not available separately.
NOTE.—Data for 1958 and 1959 are preliminary.

CORPORATE PROFITS, TAXES, AND DIVIDENDS

[Department of Commerce estimates. In billions of dollars]

Year or quarter	Profits before taxes	Income taxes	Profits after taxes	Cash dividends	Undistributed profits
1951	42.2	22.4	19.7	9.0	10.7
1952	36.7	19.5	17.2	9.0	8.3
1953	38.3	20.2	18.1	9.2	8.9
1954	34.1	17.2	16.8	9.8	7.0
1955	44.9	21.8	23.0	11.2	11.8
1956[r]	44.7	21.2	23.5	12.1	11.4
1957[r]	43.3	21.1	22.2	12.5	9.7
1958[r]	37.1	18.2	18.9	12.4	6.5
1957—1[r]	46.2	22.5	23.7	12.6	11.1
2[r]	43.5	21.2	22.3	12.7	9.6
3[r]	44.0	21.4	22.5	12.8	9.7
4[r]	39.4	19.2	20.2	12.2	8.0
1958—1[r]	32.0	15.7	16.3	12.7	3.6
2[r]	33.6	16.5	17.1	12.6	4.5
3[r]	38.3	18.8	19.5	12.6	6.9
4[r]	44.6	21.9	22.7	12.0	10.7
1959—1	46.5	22.6	23.8	12.8	11.0

[r] Revised.

NOTE.—Quarterly data are at seasonally adjusted annual rates.

NET CHANGE IN OUTSTANDING CORPORATE SECURITIES[1]

[Securities and Exchange Commission estimates. In millions of dollars]

Year or quarter	All types			Bonds and notes			Stocks		
	New issues	Retirements	Net change	New issues	Retirements	Net change	New issues	Retirements	Net change
1951	9,048	2,772	6,277	5,682	2,105	3,577	3,366	667	2,700
1952	10,679	2,751	7,927	7,344	2,403	4,940	3,335	348	2,987
1953	9,550	2,429	7,121	6,651	1,896	4,755	2,898	533	2,366
1954	11,694	5,629	6,065	7,832	4,033	3,799	3,862	1,596	2,265
1955	12,474	5,599	6,875	7,571	3,383	4,188	4,903	2,216	2,687
1956	13,201	5,038	8,162	7,934	3,203	4,731	5,267	1,836	3,432
1957	14,350	3,609	10,741	9,638	2,584	7,053	4,712	1,024	3,688
1958	14,710	5,113	9,597	9,694	3,705	5,989	5,016	1,408	3,608
1958—1	3,566	852	2,715	2,799	597	2,202	768	255	513
2	4,049	1,581	2,468	2,453	1,318	1,135	1,596	264	1,333
3	3,575	1,367	2,208	2,294	1,028	1,266	1,281	339	942
4	3,519	1,313	2,207	2,148	762	1,386	1,371	550	821
1959—1	3,054	1,165	1,890	1,592	688	903	1,462	476	986

[1] Reflects cash transactions only. As contrasted with data shown on p. 1014, new issues exclude foreign and include offerings of open-end investment companies, sales of securities held by affiliated companies or RFC, special offerings to employees, and also new stock issues and cash proceeds connected with conversions of bonds into stocks. Retirements include the same types of issues, and also securities retired with internal funds or with proceeds of issues for that purpose shown on p. 1014.

CURRENT ASSETS AND LIABILITIES OF CORPORATIONS[1]

[Securities and Exchange Commission estimates. In billions of dollars]

End of year or quarter	Net working capital	Current assets							Current liabilities				
		Total	Cash	U. S. Govt. securities	Notes and accts. receivable		Inventories	Other	Total	Notes and accts. payable		Federal income tax liabilities	Other
					U. S. Govt.[2]	Other				U. S. Govt.[2]	Other		
1951	86.5	179.1	30.0	20.7	2.7	58.8	64.9	2.1	92.6	1.3	53.6	21.3	16.5
1952	90.1	186.2	30.8	19.9	2.8	64.6	65.8	2.4	96.1	2.3	57.0	18.1	18.7
1953	91.8	190.6	31.1	21.5	2.6	65.9	67.2	2.4	98.9	2.2	57.3	18.7	20.7
1954	94.9	194.6	33.4	19.2	2.4	71.2	65.3	3.1	99.7	2.4	59.3	15.5	22.5
1955	103.0	224.0	34.6	23.5	2.3	86.6	72.8	4.2	121.0	2.3	73.8	19.3	25.7
1956	107.4	237.9	34.8	19.1	2.6	95.1	80.4	5.9	130.5	2.4	81.5	17.6	29.0
1957	111.7	242.0	34.7	17.2	2.8	98.3	82.3	6.7	130.2	2.3	81.2	15.7	31.1
1958—1	113.4	234.9	32.3	16.0	2.7	95.4	81.5	7.0	121.5	2.1	76.5	12.4	30.4
2	115.0	232.9	34.2	13.9	2.6	96.6	78.4	7.1	117.9	1.9	75.3	9.8	30.8
3	117.1	237.8	35.2	15.0	2.7	100.5	77.3	7.2	120.7	1.8	76.4	11.4	31.1
4	119.8	243.7	37.1	18.2	2.8	101.0	77.6	7.0	123.8	1.7	77.9	13.3	30.9
1959—1	122.4	247.1	34.3	19.5	2.8	102.6	80.0	7.8	124.7	1.7	78.4	12.8	31.8

[1] Excludes banks and insurance companies.

[2] Receivables from, and payables to, the U. S. Government exclude amounts offset against each other on corporations' books.

BUSINESS EXPENDITURES ON NEW PLANT AND EQUIPMENT[1]

[Department of Commerce and Securities and Exchange Commission estimates. In billions of dollars]

Year	Total	Manufacturing	Mining	Transportation		Public utilities	Communications	Other[2]	Quarter	Total	Manufacturing and mining	Transportation	Public utilities	All other[3]
				Railroad	Other									
1951	25.6	10.9	.9	1.5	1.5	3.7	1.3	5.9	1958—1	7.3	3.1	.7	1.2	2.3
1952	26.5	11.6	1.0	1.4	1.5	3.9	1.5	5.6	2	7.8	3.2	.6	1.5	2.5
1953	28.3	11.9	1.0	1.3	1.6	4.6	1.7	6.3	3	7.4	2.9	.5	1.6	2.4
1954	26.8	11.0	1.0	.9	1.5	4.2	1.7	6.5	4	8.0	3.2	.6	1.7	2.5
1955	28.7	11.4	1.0	.9	1.6	4.3	2.0	7.5						
1956	35.1	15.0	1.2	1.2	1.7	4.9	2.7	8.4	1959—1	6.9	2.7	.6	1.2	2.5
1957	37.0	16.0	1.2	1.4	1.8	6.2	3.0	7.4	2[4]	8.3	3.3	.8	1.5	2.7
1958	30.5	11.4	.9	.8	1.5	6.1	2.6	7.2	3[4]	8.3	3.4	.7	1.6	2.6
1959[4]	32.6	12.4	1.0	.9	2.0	5.9	10.4							

[1] Corporate and noncorporate business, excluding agriculture.

[2] Includes trade, service, finance, and construction.

[3] Includes communications and other.

[4] Anticipated by business.

SALES, PROFITS, AND DIVIDENDS OF LARGE CORPORATIONS

[In millions of dollars]

Industry	Annual totals					Quarterly totals						
						1957		1958				1959
	1954	1955	1956	1957	1958	3	4	1	2	3	4	1
Manufacturing												
Total (180 corps.):												
Sales	88,338	105,006	108,307	114,834	105,251	27,931	28,125	25,542	25,620	25,367	28,722	29,538
Profits before taxes	10,640	14,803	13,418	13,349	10,524	2,972	2,966	2,308	2,249	2,436	3,531	3,898
Profits after taxes	5,549	7,564	7,094	7,177	5,737	1,607	1,685	1,243	1,194	1,287	2,013	2,013
Dividends	3,222	3,847	4,068	4,192	4,078	1,026	1,121	1,038	1,011	987	1,042	1,092
Nondurable goods industries (79 corps.):[1]												
Sales	33,653	37,462	40,053	42,309	41,820	10,628	10,508	10,012	10,113	10,626	11,069	11,068
Profits before taxes	4,214	5,013	5,146	5,010	4,421	1,237	1,129	987	947	1,191	1,297	1,374
Profits after taxes	2,326	2,814	2,943	2,944	2,572	716	693	574	541	679	778	766
Dividends	1,426	1,588	1,683	1,776	1,785	430	487	452	440	430	463	517
Durable goods industries (101 corps.):[2]												
Sales	54,685	67,544	68,254	72,525	63,430	17,303	17,618	15,530	15,506	14,741	17,653	18,470
Profits before taxes	6.427	9,790	8,272	8,339	6,102	1,735	1,837	1,321	1,303	1,245	2,234	2,524
Profits after taxes	3,223	4,750	4,151	4,233	3,165	891	992	669	652	608	1,235	1,247
Dividends	1,796	2,259	2,385	2,416	2,293	596	634	586	572	557	578	575
Selected industries:												
Foods and kindred products (25 corps.):												
Sales	8,886	9,236	9,984	10,592	11,085	2,696	2,703	2,632	2,760	2,828	2,865	2,784
Profits before taxes	816	868	955	1,024	1,151	282	263	250	283	310	308	285
Profits after taxes	388	414	460	497	555	135	132	119	138	149	149	136
Dividends	258	260	277	289	312	67	82	80	72	72	88	85
Chemicals and allied products (21 corps.):												
Sales	8,294	9,584	10,199	10,669	10,393	2,739	2,633	2,422	2,533	2,679	2,760	2,770
Profits before taxes	1,525	1,866	1,804	1,823	1,541	463	422	329	339	398	475	493
Profits after taxes	725	955	942	948	831	238	231	174	179	208	271	254
Dividends	582	690	698	737	717	175	213	182	178	172	185	180
Petroleum refining (16 corps.):												
Sales	10,590	11,515	12,454	13,463	12,790	3,260	3,309	3,194	2,982	3,210	3,404	3,431
Profits before taxes	1,128	1,344	1,444	1,325	941	285	254	247	146	274	274	359
Profits after taxes	851	979	1,068	1,075	788	240	226	199	136	219	234	259
Dividends	413	438	481	512	516	129	131	130	130	127	129	133
Primary metals and products (35 corps.):												
Sales	16,378	20,744	22,365	22,468	19,100	5,547	5,220	4,382	4,644	4,881	5,193	5,621
Profits before taxes	1,935	3,267	3,331	2,977	2,205	691	588	391	481	562	771	821
Profits after taxes	1.015	1,652	1,727	1,540	1,163	359	323	205	255	294	409	416
Dividends	582	730	880	873	801	218	223	203	201	194	203	201
Machinery (25 corps.):												
Sales	11,288	12,480	13,908	15,115	14,654	3,740	3,832	3,485	3,669	3,703	3,796	3,853
Profits before taxes	1,191	1,253	1,209	1,457	1,470	329	354	304	344	395	426	423
Profits after taxes	604	637	607	729	741	169	181	151	174	204	212	212
Dividends	345	368	403	416	422	103	106	111	102	104	104	113
Automobiles and equipment (14 corps.):												
Sales	18,227	24,624	21,217	23,453	18,483	5,151	5,684	5,003	4,472	3,329	5,679	6,259
Profits before taxes	2,276	4,011	2,473	2,701	1,330	406	611	396	234	−15	715	1,012
Profits after taxes	1,089	1,841	1,186	1,354	706	211	340	202	101	−44	446	491
Dividends	629	872	791	805	758	198	207	198	194	183	183	184
Public Utility												
Railroad:												
Operating revenue	9,371	10,106	10,551	10,491	9,564	2,676	2,582	2,244	2,299	2,466	2,555	2,390
Profits before taxes	908	1,341	1,268	1,058	844	286	261	62	144	272	366	167
Profits after taxes	682	927	876	737	602	192	200	33	102	195	271	100
Dividends	379	448	462	438	410	83	122	96	79	77	157	120
Electric Power:												
Operating revenue	7,588	8,360	9,049	9,644	10,205	2,343	2,464	2,704	2,410	2,469	2,623	2,917
Profits before taxes	2,049	2,304	2,462	2,557	2,721	605	631	768	615	650	688	853
Profits after taxes	1.134	1,244	1,326	[c]1,413	1,517	328	358	421	349	357	390	469
Dividends	868	942	1,022	1,077	1,134	262	269	281	287	276	290	303
Telephone:												
Operating revenue	4,902	5,425	5,966	6,467	6,939	1,623	1,673	1,672	1,715	1,745	1,807	1,825
Profits before taxes	1,050	1,282	1,430	1,562	1,860	387	400	402	454	494	510	522
Profits after taxes	525	638	715	788	921	195	203	200	226	244	251	258
Dividends	448	496	552	613	674	155	160	164	166	171	173	178

[c] Corrected.
[1] Includes 17 companies in groups not shown separately.
[2] Includes 27 companies in groups not shown separately.

NOTE.—*Manufacturing corporations.* Data are obtained primarily from published company reports.

Railroads. Figures are for Class I line-haul railroads (which account for 95 per cent of all railroad operations) and are obtained from reports of the Interstate Commerce Commission.

Electric power. Figures are for Class A and B electric utilities (which account for about 95 per cent of all electric power operations) and are obtained from reports of the Federal Power Commission, except that quarterly figures on operating revenue and profits before taxes are partly estimated by the Federal Reserve to include affiliated nonelectric operations.

Telephone. Revenues and profits are for telephone operations of the Bell System Consolidated (including the 20 operating subsidiaries and the Long Lines and General departments of American Telephone and Telegraph Company) and for two affiliated telephone companies, which together represent about 85 per cent of all telephone operations. Dividends are for the 20 operating subsidiaries and the two affiliates. Data are obtained from the Federal Communications Commission.

All series. Profits before taxes refer to income after all charges and before Federal income taxes and dividends. For detailed description of series (but not for figures), see pp. 662–66 of the BULLETIN for June 1949 (manufacturing); pp. 215–17 of the BULLETIN for March 1942 (public utilities); and p. 908 of the BULLETIN for September 1944 (electric power). For back data for manufacturing, see pp. 792–93 of the BULLETIN for July 1959; back data for other series are available from the Division of Research and Statistics.

NEW SECURITY ISSUES[1]

[Securities and Exchange Commission estimates. In millions of dollars]

Year or month	Gross proceeds, all issuers[2]												Proposed uses of net proceeds, all corporate issuers[6]					
	Total	Noncorporate				Corporate							Total	New capital				Retirement of securities
		U. S. Govt.[3]	Federal agency[4]	State and municipal	Other[5]	Total	Bonds			Preferred stock	Common stock			Total	New money[7]	Miscellaneous purposes	Retirement of bank debt, etc.[8]	
							Total	Publicly offered	Privately placed									
1951	21,265	9,778	110	3,189	446	7,741	5,691	2,364	3,326	838	1,212		7,607	7,120	6,531	226	363	486
1952	26,929	12,577	459	4,121	237	9,534	7,601	3,645	3,957	564	1,369		9,380	8,716	8,180	537		664
1953	28,824	13,957	106	5,558	306	8,898	7,083	3,856	3,228	489	1,326		8,755	8,495	7,960	535		260
1954	29,765	12,532	458	6,969	289	9,516	7,488	4,003	3,484	816	1,213		9,365	7,490	6,780	709		1,875
1955	26,772	9,628	746	5,977	182	10,240	7,420	4,119	3,301	635	2,185		10,049	8,821	7,957	864		1,227
1956	22,405	5,517	169	5,446	334	10,939	8,002	4,225	3,777	636	2,301		10,749	10,384	9,663	721		364
1957	30,571	9,601	572	6,958	557	12,884	9,957	6,118	3,839	411	2,516		12,661	12,447	11,784	663		214
1958	34,435	12,063	2,321	7,449	1,047	11,555	9,684	6,333	3,351	551	1,320		11,373	10,790	9,936	854		583
1958—May	2,160	368	......	877	202	714	594	391	203	36	84		699	600	532	68		99
June	3,049	1,411	......	554	122	963	866	370	497	58	38		948	881	709	172		67
July	2,423	418	164	631	13	1,196	907	735	172	70	219		1,174	1,102	1,026	76		72
Aug.	1,340	369	......	389	9	573	492	209	283	12	70		563	538	518	20		25
Sept.	2,197	352	......	647	23	1,175	1,098	851	246	23	55		1,159	1,144	1,038	106		15
Oct.	3,076	1,461	220	439	66	890	652	287	365	67	170		873	858	739	119		15
Nov.	1,408	324	......	459	127	497	379	236	143	12	107		489	478	424	54		11
Dec.	1,900	370	......	448	79	1,002	751	266	485	50	201		985	914	845	69		72
1959—Jan.	5,780	3,971	199	639	85	885	724	405	319	36	126		869	840	794	46		29
Feb.	2,132	420	......	881	62	770	481	187	294	55	234		754	745	600	145		9
Mar.	1,921	443	175	637	11	656	457	195	262	47	151		640	631	539	92		9
Apr.	4,449	2,583	......	940	57	869	561	310	251	92	216		848	826	777	49		22
May	1,801	338	......	569	50	844	640	378	262	37	167		824	806	777	28		18

Year or month	Proposed uses of net proceeds, major groups of corporate issuers											
	Manufacturing		Commercial and miscellaneous		Transportation		Public utility		Communication		Real estate and financial	
	New capital[10]	Retirement of securities	New capital[10]	Retirement of securities	New capital[10]	Retirement of securities	New capital[10]	Retirement of securities	New capital[10]	Retirement of securities	New capital[10]	Retirement of securities
1951	2,846	221	462	56	437	53	2,326	85	600	5	449	66
1952	3,712	261	512	24	758	225	2,539	88	747	6	448	60
1953	2,128	90	502	40	553	36	2,905	67	871	3	1,536	24
1954	2,044	190	831	93	501	270	2,675	990	651	60	788	273
1955	2,397	533	769	51	544	338	2,254	174	1,045	77	1,812	56
1956	3,336	243	682	51	694	20	2,474	14	1,384	21	1,815	17
1957	4,104	49	579	29	802	14	3,821	51	1,441	4	1,701	67
1958	3,296	223	882	16	777	39	3,598	139	1,294	117	944	49
1958—May	163	26	24	5	23	....	303	37	11	30	74	1
June	267	49	29	(9)	106	....	390	16	12	....	78	2
July	519	24	55	....	49	....	348	46	101	....	31	1
Aug.	122	16	47	2	26	6	281	(9)	13	....	49	1
Sept.	485	12	389	2	44	....	186	(9)	13	....	28	1
Oct.	255	10	52	4	81	1	311	....	45	....	114	1
Nov.	119	3	70	1	18	(9)	127	2	89	....	55	5
Dec.	233	20	53	1	151	3	262	14	103	....	112	35
1959—Jan.	148	17	61	6	80	2	295	2	34	....	221	2
Feb.	123	5	105	(9)	154	3	188	....	62	....	113	1
Mar.	92	6	46	1	51	1	331	....	9	....	102	1
Apr.	267	17	88	3	27	(9)	309	....	10	....	126	2
May	214	10	55	1	39	1	332	4	4	....	162	2

1 Estimates of new issues maturing in more than one year sold for cash in the United States.
2 Gross proceeds are derived by multiplying principal amounts or number of units by offering price.
3 Includes guaranteed issues.
4 Issues not guaranteed.
5 Represents foreign governments, International Bank of Reconstruction and Development, and domestic eleemosynary and other nonprofit organizations.
6 Estimated net proceeds are equal to estimated gross proceeds less cost of flotation, i.e., compensation to underwriters, agents, etc., and expenses.
7 Represents proceeds for plant and equipment and working capital.
8 Represents proceeds for the retirement of mortgages and bank debt with original maturities of more than one year. Proceeds for retirement of short-term bank debt are included under the uses for which the bank debt was incurred.
9 Less than $500,000.
10 Represents all issues other than those for retirement of securities.

STATE AND LOCAL GOVERNMENT SECURITY ISSUES[1]

[Investment Bankers Association data. Par amounts of long-term issues in millions of dollars]

Period	Total (new capital and refunding)	Type of issue				Type of issuer			Total amount delivered[5]	New capital						
											Use of proceeds					
		General obligation	Revenue	Public Housing Authority[2]	Federal Govt. loans[3]	State	Special district and statutory authority	Other[4]		Total	Education	Roads and bridges	Water, sewer and other utilities	Residential housing	Veterans' aid	Other purposes
1951	3,278	2,220	730	328	n.a.	668	722	1,889	n.a.	3,188	582	580	640	361	42	983
1952	4,410	2,633	1,463	305	9	718	1,305	2,387	n.a.	4,096	969	938	642	424	100	1,024
1953	5,558	3,495	1,558	496	9	767	2,091	2,701	n.a.	5,477	1,320	1,588	803	506	141	1,119
1954	6,969	3,380	3,205	374	9	2,047	1,463	3,459	n.a.	6,789	1,432	2,136	1,270	456	162	1,333
1955	5,976	3,770	1,730	474	2	1,408	1,097	3,472	n.a.	5,911	1,516	1,362	881	570	169	1,414
1956	5,446	3,577	1,626	199	44	800	983	3,664	n.a.	5,383	1,455	698	1,399	258	110	1,464
1957	[6]7,150	4,795	1,964	66	324	1,508	1,279	4,362	6,568	7,099	2,551	1,041	1,524	299	333	1,352
1958	7,832	5,446	1,778	187	420	2,016	1,368	4,448	7,708	7,746	2,644	1,172	1,403	530	339	1,657
1958—July	825	428	199	....	198	183	97	545	700	806	208	62	135	193	100	108
Aug.	408	310	93	....	5	21	77	310	615	403	169	45	108	....	....	81
Sept.	663	462	189	2	12	232	119	312	427	651	203	129	112	2	20	184
Oct.	462	334	103	....	25	52	86	324	626	456	170	57	114	6	6	104
Nov.	476	297	125	47	7	29	140	307	434	474	162	15	131	47	....	120
Dec.	439	387	39	....	12	191	27	221	556	435	253	47	44	3	....	89
1959—Jan.	649	300	323	20	6	53	306	291	354	636	158	26	339	23	20	71
Feb.	880	490	264	103	23	142	255	483	562	856	161	91	123	124	....	357
Mar.	646	446	184	1	14	185	139	321	905	645	196	49	141	12	50	197
Apr.	939	494	430	....	15	186	397	356	617	930	263	166	334	10	33	124
May	595	368	93	105	29	50	147	397	901	592	190	25	188	121	....	68
June	985	522	423	....	40	271	355	359	610	980	215	130	313	29	100	192

n.a. Not available.

[1] Data prior to 1957 are from the *Bond Buyer*. Federal Reserve classifications as to use of proceeds, type of issue, and type of issuer are based principally on issues of $500,000 or more; smaller issues not classified. As a result some categories, particularly education, are understated relative to later data.

[2] Includes only bonds sold pursuant to the Housing Act of 1949. These are secured by a contract requiring the Public Housing Administration to make annual contributions to the local authority.

[3] Beginning with 1957, coverage is considerably broader than earlier.

[4] Consists of municipalities, counties, townships, school districts and, prior to 1957, small unclassified issues.

[5] Excludes Federal Government loans. These data are based on date of delivery of bonds to purchaser (and of payment to issuer) which occurs after date of sale. Other data in table are based on date of sale.

[6] Beginning in 1957 this figure differs from that shown on the opposite page, which is based on *Bond Buyer* data. The principal difference is in the treatment of Federal Government loans.

UNITED STATES GOVERNMENT MARKETABLE AND CONVERTIBLE SECURITIES OUTSTANDING, JULY 31, 1959[1]

[On basis of daily statements of United States Treasury. In millions of dollars]

Issue and coupon rate	Amount	Issue and coupon rate	Amount	Issue and coupon rate	Amount	Issue and coupon rate	Amount
Treasury bills[2]		**Treasury bills—Cont.**		**Treasury notes—Cont.**		**Treasury bonds—Cont.**	
Aug. 6, 1959	1,401	Jan. 7, 1960	400	May 15, 1961......3⅝	4,078	Dec. 15, 1963–68...2½	2,819
Aug. 13, 1959	1,401	Jan. 14, 1950	401	Aug. 1, 1961........4	2,136	Feb. 15, 1964........3	3,854
Aug. 20, 1959	1,402	Jan. 15, 1960	2,006	Oct. 1, 1961......1½	332	June 15, 1964–69...2½	3,742
Aug. 27, 1959	1,396	Jan. 21, 1960	400	Feb. 15, 1962......3⅝	647	Dec. 15, 1964–69...2½	3,816
Sept. 3, 1959	1,501	Jan. 28, 1960	401	Feb. 15, 1962........4	1,435	Feb. 15, 1965......2⅝	6,896
Sept. 10, 1959	1,600	Mar. 22, 1960	3,005	Apr. 1, 1962......1½	551	Mar. 15, 1965–70...2½	4,697
Sept. 17, 1959	1,601	Apr. 15, 1960	2,003	Aug. 15, 1962........4	2,000	Aug. 15, 1966........3	1,484
Sept. 21, 1959*	1,502	July 15, 1960	2,001	Oct. 1, 1962......1½	590	Mar. 15, 1966–71...2½	2,945
Sept. 24, 1959	1,600			Nov. 15, 1962......3¾	1,143	June 15, 1967–72...2½	1,827
Oct. 1, 1959	1,500	**Certificates**		Feb. 15, 1963......2⅝	3,971	Sept. 15, 1967–72...2½	2,716
Oct. 8, 1959	1,601	Aug. 1, 1959......1⅝	13,500	Apr. 1, 1963......1½	533	Dec. 15, 1967–72...2½	3,686
Oct. 15, 1959	1,600	Nov. 15, 1959......3⅜	7,711	May 15, 1963........4	1,743	Oct. 1, 1969........4	1,276
Oct. 22, 1959	1,406	Feb. 15, 1960......3¾	11,363	Oct. 1, 1963......1½	506	Nov. 15, 1974......3⅞	654
Oct. 29, 1959	1,400	May 15, 1960........4	1,269	Apr. 1, 1964......1½	157	Feb. 15, 1980........4	884
Nov. 5, 1959	400					June 15, 1978–83...3¼	1,602
Nov. 12, 1959	400	**Treasury notes**		**Treasury Bonds**		May 15, 1985......3¼	1,135
Nov. 19, 1959	400	Aug. 1, 1959........4	473	June 15, 1959–62...2¼	5,266	Feb. 15, 1990......3½	1,727
Nov. 27, 1959	400	Oct. 1, 1959......1½	99	Dec. 15, 1959–62...2¼	3,455	Feb. 15, 1995........3	2,739
Dec. 3, 1959	400	Nov. 15, 1959......3½	1,184	Nov. 15, 1960......2⅛	3,806		
Dec. 10, 1959	500	Apr. 1, 1960......1½	198	Dec. 15, 1960–65[3]..2¾	1,485	**Panama Canal Loan**....3	50
Dec. 17, 1959	500	May 15, 1960......3¼	2,738	Sept. 15, 1961......2¾	2,239		
Dec. 22, 1959*	1,500	May 15, 1960......3½	2,406	Nov. 15, 1961......2½	11,177	**Convertible bonds**	
Dec. 24, 1959	500	Oct. 1, 1960......1½	278	June 15, 1962–67...2½	2,111	Investment Series B	
Dec. 31, 1959	500	Apr. 1, 1961......1½	144	Aug. 15, 1963......2½	6,755	Apr. 1, 1975–80...2¾	7,639

* Tax anticipation series.

[1] Direct public issues.

[2] Sold on discount basis. For discounts on individual issues, see tables on Money Market Rates, p. 1008.

[3] Partially tax-exempt.

UNITED STATES GOVERNMENT DEBT, BY TYPE OF SECURITY

[On basis of daily statements of United States Treasury. In billions of dollars]

End of month	Total gross debt[1]	Total gross direct debt[2]	Public issues[3]											Special issues
			Total	Marketable						Convertible bonds	Nonmarketable			
				Total	Bills	Certificates of indebtedness	Notes	Bonds			Total[5]	Savings bonds	Tax and savings notes	
								Bank eligible[4]	Bank restricted					
1941—Dec.	64.3	57.9	50.5	41.6	2.0	....	6.0	33.6	....	....	8.9	6.1	2.5	7.0
1945—Dec.	278.7	278.1	255.7	198.8	17.0	38.2	23.0	68.4	52.2	....	56.9	48.2	8.2	20.0
1947—Dec.	257.0	256.9	225.3	165.8	15.1	21.2	11.4	68.4	49.6	....	59.5	52.1	5.4	29.0
1951—Dec.	259.5	259.4	221.2	142.7	18.1	29.1	18.4	41.0	36.0	12.1	66.4	57.6	7.5	35.9
1952—Dec.	267.4	267.4	226.1	148.6	21.7	16.7	30.3	58.9	21.0	12.5	65.0	57.9	5.8	39.2
1953—Dec.	275.2	275.2	231.7	154.6	19.5	26.4	31.4	63.9	13.4	12.0	65.1	57.7	6.0	41.2
1954—Dec.	278.8	278.8	233.2	157.8	19.5	28.5	28.0	76.1	5.7	11.8	63.6	57.7	4.5	42.6
1955—Dec.	280.8	280.8	233.9	163.3	22.3	15.7	43.3	81.9	....	11.4	59.2	57.9	(6)	43.9
1956—Dec.	276.7	276.6	228.6	160.4	25.2	19.0	35.3	80.9	....	10.8	57.4	56.3	....	45.6
1957—Dec.	275.0	274.9	227.1	164.2	26.9	34.6	20.7	82.1	....	9.5	53.4	52.5	....	45.8
1958—July	275.6	275.5	228.0	166.4	22.4	32.9	20.5	90.6	....	8.8	52.8	51.9	....	45.9
Aug.	278.6	278.5	230.6	169.2	22.4	38.5	20.7	87.7	....	8.6	52.8	51.9	....	46.3
Sept.	276.8	276.7	229.0	167.7	22.7	38.5	20.7	85.8	....	8.5	52.8	51.8	....	46.0
Oct.	280.3	280.2	233.2	172.2	25.9	38.5	21.9	85.8	....	8.4	52.7	51.7	....	45.4
Nov.	283.2	283.1	236.3	175.4	29.1	38.5	21.9	85.8	....	8.4	52.6	51.7	....	45.1
Dec.	283.0	282.9	236.0	175.6	29.7	36.4	26.1	83.4	....	8.3	52.1	51.2	....	44.8
1959—Jan.	285.9	285.8	239.9	179.8	30.3	36.4	28.9	84.2	....	8.2	51.9	51.0	....	43.9
Feb.	285.2	285.1	239.4	179.3	31.8	38.0	25.3	84.2	....	8.1	51.9	51.0	....	43.9
Mar.	282.2	282.0	236.1	176.3	32.2	34.4	25.4	84.2	....	8.0	51.9	51.0	....	43.9
Apr.	285.5	285.4	240.2	180.7	34.2	34.4	27.2	84.9	....	7.8	51.7	50.8	....	43.3
May	286.4	286.3	240.3	181.0	35.0	33.8	27.3	84.9	....	7.7	51.5	50.7	....	44.2
June	284.8	284.7	237.1	178.0	32.0	33.8	27.3	84.9	....	7.7	51.4	50.5	....	44.8
July	288.8	288.7	241.8	183.1	37.0	33.8	27.3	84.8	....	7.6	51.1	50.2	....	44.1

[1] Includes some debt not subject to statutory debt limitation (amounting to $417 million on July 31, 1959) and fully guaranteed securities, not shown separately.
[2] Includes non-interest-bearing debt, not shown separately.
[3] Includes amounts held by Govt. agencies and trust funds, which aggregated $9,862 million on June 30, 1959.
[4] Includes Treasury bonds and minor amounts of Panama Canal and Postal Savings bonds.
[5] Includes Series A investment bonds, depositary bonds, armed forces leave bonds, and adjusted service bonds, not shown separately.
[6] Less than $50 million.

OWNERSHIP OF UNITED STATES GOVERNMENT SECURITIES, DIRECT AND FULLY GUARANTEED

[Par value in billions of dollars]

End of month	Total gross debt (including guaranteed securities)	Held by U. S. Govt. agencies and trust funds[1]		Held by the public										
		Special issues	Public issues	Total	Federal Reserve Banks	Commercial banks[2]	Mutual savings banks	Insurance companies	Other corporations	State and local govt's	Individuals		Misc. investors[3]
											Savings bonds	Other securities	
1941—Dec.	64.3	7.0	2.6	54.7	2.3	21.4	3.7	8.2	4.0	.7	5.4	8.2	.9
1945—Dec.	278.7	20.0	7.0	251.6	24.3	90.8	10.7	24.0	22.2	6.5	42.9	21.2	9.1
1947—Dec.	257.0	29.0	5.4	222.6	22.6	68.7	12.0	23.9	14.1	7.3	46.2	19.4	8.4
1951—Dec.	259.5	35.9	6.4	217.2	23.8	61.6	9.8	16.5	20.7	9.6	49.1	15.5	10.6
1952—Dec.	267.4	39.2	6.7	221.6	24.7	63.4	9.5	16.1	19.9	11.1	49.2	16.0	11.7
1953—Dec.	275.2	41.2	7.1	226.9	25.9	63.7	9.2	15.8	21.5	12.7	49.4	15.5	13.2
1954—Dec.	278.8	42.6	7.0	229.2	24.9	69.2	8.8	15.0	19.2	14.4	50.0	13.7	13.9
1955—Dec.	280.8	43.9	7.8	229.1	24.8	62.0	8.5	14.3	23.5	15.1	50.2	15.1	15.6
1956—Dec.	276.7	45.6	8.4	222.7	24.9	[r]59.5	8.0	12.8	19.1	16.1	50.1	[r]16.0	16.1
1957—June	270.6	46.8	8.7	215.1	23.0	[r]56.2	7.9	12.3	16.1	16.9	49.1	[r]17.7	16.0
Dec.	275.0	45.8	9.4	219.8	24.2	[r]59.5	7.6	12.0	17.2	17.0	48.2	[r]17.5	16.5
1958—Apr.	275.2	45.4	9.7	220.0	23.7	[r]63.7	7.6	11.8	15.2	17.1	48.1	[r]17.2	15.7
May	275.7	46.1	9.7	220.0	24.2	[r]64.0	7.5	11.7	15.3	17.0	48.1	[r]17.1	15.4
June	276.4	46.2	9.7	220.5	25.4	[r]65.3	7.4	11.7	13.9	16.9	48.0	[r]16.7	15.2
July	275.6	45.9	9.7	220.0	24.5	[r]65.3	7.4	11.8	14.5	17.0	47.9	[r]16.4	15.0
Aug.	278.6	46.3	9.7	222.6	25.3	[r]66.8	7.5	11.9	15.3	17.0	47.9	[r]16.0	14.9
Sept	276.8	46.0	9.6	221.2	25.0	[r]65.8	7.4	11.9	15.0	17.0	47.9	[r]15.9	15.3
Oct.	280.3	45.4	9.7	225.3	25.4	[r]67.0	7.4	12.1	16.8	17.2	47.8	[r]15.9	15.8
Nov.	283.2	45.1	9.7	228.4	26.2	[r]68.0	7.3	12.1	18.0	17.2	47.8	[r]15.7	16.0
Dec.	283.0	44.8	9.6	228.6	26.3	[r]67.5	7.3	12.1	18.2	17.3	47.7	[r]15.8	16.5
1959—Jan.	285.9	43.9	9.6	232.4	25.7	[r]68.2	7.3	12.4	[r]19.8	17.7	47.7	[r]16.8	16.7
Feb.	285.2	43.9	9.8	231.6	25.3	[r]66.3	7.4	12.2	[r]20.2	17.8	47.6	[r]17.4	17.3
Mar.	282.2	43.9	9.8	228.4	25.5	[r]63.2	7.4	12.0	[r]19.5	17.9	47.5	[r]18.2	17.2
Apr.	285.5	43.3	9.8	232.4	25.7	64.7	7.4	12.0	20.9	18.2	47.3	18.5	17.8
May	286.4	44.2	10.0	232.2	25.9	63.2	7.4	12.0	21.4	18.2	47.2	18.6	18.2

[r] Revised.
[1] Includes the Postal Savings System.
[2] Includes holdings by banks in territories and insular possessions, which amounted to about $293 million on Dec. 31, 1958.
[3] Includes savings and loan associations, dealers and brokers, foreign accounts, corporate pension funds, and nonprofit institutions.
NOTE.—Reported data for Federal Reserve Banks and U. S. Govt. agencies and trust funds; Treasury Department estimates for other groups.

OWNERSHIP OF UNITED STATES GOVERNMENT MARKETABLE AND CONVERTIBLE SECURITIES[1]

[On basis of Treasury Survey data. Par value in millions of dollars]

Type of holder and date	Marketable and convertible securities, by type						Marketable securities, by maturity class				
	Total	Bills	Certificates	Notes	Marketable bonds[2]	Convertible bonds	Total	Within 1 year	1–5 years	5–10 years	Over 10 years
All holders:											
1955—June 30	166,882	19,514	13,836	40,729	81,128	11,676	155,206	49,703	38,188	33,687	33,628
1956—June 30	166,050	20,808	16,303	35,952	81,890	11,098	154,953	58,714	31,997	31,312	32,930
1957—June 30	165,985	23,420	20,473	30,973	80,839	10,280	155,705	71,033	39,184	14,732	30,756
1958—June 30	175,573	22,406	32,920	20,416	90,932	8,898	166,675	67,782	41,071	22,961	34,860
Dec. 31	183,896	29,748	36,364	26,072	83,402	8,309	175,586	72,616	52,318	18,652	31,999
1959—Mar. 31	184,277	32,234	34,390	25,429	84,240	7,984	176,293	68,025	60,631	14,797	32,839
Apr. 30	188,526	34,244	34,390	27,204	84,871	7,816	180,709	70,115	62,326	14,797	33,471
May 31	188,726	35,014	33,843	27,274	84,861	7,734	180,993	75,954	56,780	14,796	33,463
U. S. Govt. agencies and trust funds:											
1955—June 30	7,162	40	8	119	3,556	3,439	3,723	74	199	506	2,944
1956—June 30	8,236	273	355	688	3,575	3,345	4,891	927	500	434	3,030
1957—June 30	8,554	130	416	1,282	3,664	3,063	5,491	1,138	1,210	295	2,848
1958—June 30	9,477	173	599	1,169	4,703	2,833	6,644	899	1,565	913	3,267
Dec. 31	9,379	78	492	1,338	4,711	2,759	6,620	721	1,696	1,179	3,025
1959—Mar. 31	9,586	198	466	1,273	4,927	2,722	6,864	711	1,830	1,189	3,134
Apr. 30	9,624	93	482	1,386	4,959	2,704	6,920	618	1,916	1,192	3,194
May 31	9,806	175	537	1,397	5,005	2,692	7,114	1,019	1,696	1,205	3,194
Federal Reserve Banks:											
1955—June 30	23,607	886	8,274	11,646	2,802	....	23,607	17,405	3,773	1,014	1,415
1956—June 30	23,758	855	10,944	9,157	2,802	....	23,758	20,242	1,087	1,014	1,415
1957—June 30	23,035	287	11,367	8,579	2,802	....	23,035	20,246	681	750	1,358
1958—June 30	25,438	2,703	19,946	....	2,789	....	25,438	23,010	1,014	57	1,358
Dec. 31	26,347	2,284	18,704	2,875	2,484	....	26,347	20,995	3,881	206	1,264
1959—Mar. 31	25,497	1,496	18,650	2,868	2,484	....	25,497	20,146	3,881	206	1,264
Apr. 30	25,703	1,679	18,665	2,875	2,484	....	25,703	20,347	3,886	206	1,264
May 31	25,905	1,904	18,650	2,868	2,484	....	25,905	20,553	3,881	206	1,264
Commercial banks:											
1955—June 30	55,667	2,721	1,455	15,385	35,942	164	55,503	7,187	21,712	21,110	5,494
1956—June 30	49,673	2,181	1,004	11,620	34,712	155	49,517	7,433	18,234	19,132	4,719
1957—June 30	48,734	2,853	2,913	8,984	33,839	144	48,590	12,268	23,500	8,600	4,222
1958—June 30	57,509	3,796	3,331	11,532	38,720	130	57,379	13,431	24,494	14,259	5,195
Dec. 31	59,048	5,194	6,686	12,285	34,753	130	58,918	14,380	29,696	10,433	4,409
1959—Mar. 31	55,103	3,699	4,819	12,453	34,007	126	54,977	8,935	34,028	7,591	4,423
Apr. 30	56,432	4,504	4,583	13,197	34,025	123	56,309	9,527	34,592	7,556	4,634
May 31	55,190	4,384	4,208	12,733	33,745	120	55,070	11,371	31,552	7,558	4,589
Mutual savings banks:											
1955—June 30	8,069	84	53	289	6,422	1,222	6,848	164	533	1,405	4,746
1956—June 30	7,735	107	37	356	6,074	1,161	6,574	247	540	1,319	4,468
1957—June 30	7,397	163	114	367	5,655	1,098	6,299	576	1,082	601	4,040
1958—June 30	7,110	89	132	465	5,493	931	6,179	303	1,106	675	4,094
Dec. 31	6,942	139	115	538	5,268	882	6,060	300	1,229	958	3,573
1959—Mar. 31	7,149	233	193	602	5,304	818	6,331	453	1,365	883	3,630
Apr. 30	7,126	197	186	655	5,292	796	6,329	407	1,413	868	3,641
May 31	7,138	204	201	670	5,268	795	6,343	503	1,356	865	3,620
Insurance companies:											
1955—June 30	13,117	630	74	789	8,479	3,145	9,972	810	1,339	2,027	5,796
1956—June 30	11,702	318	44	760	7,789	2,791	8,911	632	1,192	1,802	5,285
1957—June 30	10,936	326	136	648	7,277	2,549	8,387	955	1,775	1,022	4,634
1958—June 30	10,580	254	112	614	7,398	2,202	8,378	651	1,650	1,004	5,074
Dec. 31	10,984	726	231	731	7,255	2,042	8,943	1,158	1,976	1,156	4,653
1959—Mar. 31	10,957	615	323	712	7,320	1,986	8,971	988	2,198	1,091	4,695
Apr. 30	10,973	605	322	755	7,349	1,942	9,031	984	2,230	1,095	4,722
May 31	10,968	586	333	763	7,352	1,933	9,035	1,157	2,058	1,110	4,710
Other investors:											
1955—June 30	59,260	15,153	3,973	12,502	23,927	3,706	55,554	24,062	10,633	7,626	13,233
1956—June 30	64,947	17,074	3,919	13,371	26,896	3,646	61,301	29,233	10,443	7,612	14,013
1957—June 30	67,329	19,661	5,527	11,113	27,602	3,426	63,904	35,850	10,936	3,464	13,654
1958—June 30	65,459	15,392	8,799	6,636	31,829	2,802	62,657	29,489	11,243	6,054	15,872
Dec. 31	71,195	21,326	10,137	8,304	28,931	2,497	68,698	35,062	13,841	4,719	15,076
1959—Mar. 31	75,986	25,993	9,939	7,523	30,198	2,333	73,653	36,794	17,329	3,836	15,694
Apr. 30	78,667	27,166	10,152	8,336	30,763	2,250	76,416	38,231	18,290	3,880	16,016
May 31	79,719	27,761	9,914	8,845	31,006	2,193	77,526	41,351	16,237	3,851	16,086

[1] Direct public issues.

[2] Includes minor amounts of Panama Canal and Postal Savings bonds.

NOTE.—Commercial banks, mutual savings banks, and insurance companies included in the survey account for over 90 per cent of total holdings by these institutions. Data are complete for U. S. Govt. agencies and trust funds and Federal Reserve Banks.

SUMMARY OF FEDERAL FISCAL OPERATIONS

[On basis of U. S. Treasury statements and *Treasury Bulletin*. In millions of dollars]

Period	Derivation of Federal Government cash transactions												
	Receipts from the public, other than debt				Payments to the public, other than debt				Excess of rects. from or payts. to (−), the public	Net Federal cash borrowing or repayt. (−) of borrowing			
	Net Budget receipts	*Plus:* Trust fund receipts	*Less:* Intra-Govt. trans.[1]	*Equals:* Total rects. from the public[2]	Budget ex-pendi-tures	*Plus:* Trust fund ex-pendi-tures	*Less:* Adjust-ments[3]	*Equals:* Total payts. to the public		In-crease, or de-crease (−), in debt (direct & agen.)	*Less:* Net inv. by Govt. agen. & tr. funds	*Less:* Other non-cash debt[4]	*Equals:* Net cash borrow-ing or repayt. (−)
Cal. year—1956	70,994	12,398	3,023	80,334	67,216	10,339	2,747	74,809	5,525	−3,560	2,481	−136	−5,910
1957	72,284	15,368	3,079	84,521	71,692	14,794	3,155	83,328	1,191	467	1,573	64	−1,168
1958	68,694	16,797	3,710	81,728	75,782	17,856	4,622	89,014	−7,287	7,533	−717	487	7,762
Fiscal year—1956	68,165	11,685	2,739	77,088	66,540	9,436	3,358	72,617	4,471	−578	3,166	623	−4,366
1957	71,029	14,369	3,242	82,107	69,433	12,961	2,386	80,008	2,099	−1,053	2,339	−292	−3,100
1958	69,117	16,329	3,493	81,893	71,936	16,069	4,592	83,413	−1,520	6,216	657	−200	5,760
1959p	68,158	17,067	3,632	81,549	80,699	18,535	4,678	94,556	−13,007	9,656	−1,080	2,160	8,576
Semiannually:													
1957—July-Dec.	29,325	7,167	1,410	35,057	36,060	7,133	1,254	41,938	−6,882	5,556	−120	−34	5,711
1958—Jan.-June	39,792	9,162	2,083	46,836	35,876	8,936	3,337	41,475	5,362	660	777	−166	49
July-Dec.	28,902	7,635	1,627	34,892	39,906	8,921	1,285	47,539	−12,649	6,873	−1,494	653	7,713
1959—Jan.-Junep	39,256	9,432	2,005	46,657	40,793	9,614	3,393	47,017	−358	2,783	414	1,507	863
Monthly:													
1958—June	10,785	2,069	1,167	11,685	6,621	1,562	169	8,015	3,670	−150	140	−6	−285
July	2,946	1,111	271	3,784	6,613	1,786	487	7,912	−4,128	−835	−337	70	−569
Aug.	4,838	1,956	236	6,554	6,198	1,412	16	7,594	−1,040	3,017	391	51	2,575
Sept.	7,208	885	155	7,936	6,633	1,397	−253	8,283	−348	−1,650	−338	63	−1,374
Oct.	2,769	1,025	195	3,596	7,144	1,597	713	8,028	−4,432	3,640	−571	183	4,027
Nov.	4,962	1,486	214	6,231	6,237	1,310	346	7,200	−969	2,867	−276	141	3,003
Dec.	6,180	1,171	556	6,791	7,080	1,419	−24	8,522	−1,732	−166	−363	145	51
1959—Jan.	4,528	759	236	5,049	6,776	1,883	1,074	7,585	−2,536	2,801	−846	101	3,546
Feb.	6,576	1,637	212	7,998	6,331	1,462	−232	8,025	−28	−434	128	64	−627
Mar.	8,426	1,322	162	9,581	6,461	1,451	789	7,124	2,457	−3,016	93	145	−3,253
Apr.	4,258	1,302	171	5,384	6,427	1,905	328	8,005	−2,621	3,491	−665	69	4,086
May	5,425	2,479	189	7,708	6,164	1,426	−288	7,879	−171	1,248	1,148	84	15
Junep	10,042	1,933	1,032	10,939	8,632	1,486	1,719	8,399	2,540	−1,306	555	1,042	−2,903

Period	Effects of operations on Treasurer's account											
	Operating transactions			Financing transactions			Cash balances: inc., or dec. (−)		Account of Treasurer of United States (end of period)			
	Net Budget surplus, or deficit (−)	Trust fund accumu-lation, or deficit (−)	Recon-ciliation to Treas. cash	Net market issuance (+), of Govt. agency obliga-tions[5]	Net inv. (−), in Fed. sec. by Govt. agency & trust funds[5]	Increase, or decrease (−), in gross direct public debt	Held outside Treasury	Treas-urer's account	Balance	Deposits in— F. R. Banks (avail-able funds)	Deposits in— Treas-ury Tax and Loan Accts.	Other net assets
Fiscal year—1956	1,626	2,250	r320	173	−2,617	−1,623	r−202	331	6,546	522	4,633	1,391
1957	1,596	1,409	−518	1,085	−2,300	−2,224	5	−956	5,590	498	4,082	1,010
1958	−2,819	262	670	567	−197	5,816	140	4,159	9,749	410	8,218	1,121
1959p	−12,541	−1,468	57	71	1,131	8,363	12	−4,399	5,350	535	3,744	1,071
Semiannually:												
1957—July-Dec.	−6,735	34	159	1,007	21	4,371	−160	−984	4,606	481	3,084	1,041
1958—Jan.-June	3,916	228	511	−440	−218	1,445	300	5,143	9,749	410	8,218	1,121
July-Dec.	−11,004	−1,286	−232	−121	1,144	6,579	−131	−4,788	4,961	358	3,468	1,135
1959—Jan.-Junep	−1,537	−182	289	192	−13	1,784	143	389	5,350	535	3,744	1,071
Monthly:												
1958—June	4,164	508	−914	−729	−332	691	−231	3,619	9,749	410	8,218	1,121
July	−3,667	−675	225	−31	330	−877	−65	−4,630	5,119	617	3,262	1,240
Aug.	−1,361	543	−195	10	−470	3,009	288	1,249	6,368	540	4,769	1,059
Sept.	575	−511	−284	−3	314	−1,810	−450	−1,269	5,099	371	3,535	1,193
Oct.	−4,376	−572	511	−32	519	3,546	161	−565	4,534	363	2,916	1,255
Nov.	−1,274	177	111	−37	212	2,848	46	1,991	6,525	424	4,879	1,222
Dec.	−900	−248	−601	−28	239	−138	−113	−1,564	4,961	358	3,468	1,135
1959—Jan.	−2,248	−1,124	462	−4	1,047	2,879	54	957	5,918	447	4,054	1,417
Feb.	245	175	−477	57	47	−697	−7	−644	5,274	492	3,454	1,328
Mar.	1,965	−130	507	6	−70	−3,069	45	−836	4,438	398	2,787	1,253
Apr.	−2,169	−603	355	78	491	3,319	−60	1,531	5,969	539	3,844	1,586
May	−739	1,053	−432	1	−980	950	−67	−81	5,888	567	4,117	1,204
Junep	1,410	447	−125	54	−548	−1,597	178	−538	5,350	535	3,744	1,071

p Preliminary. r Revised. n.a. Not available.

1 Consists primarily of interest payments by Treasury to trust accounts and to Treasury by Govt. agencies, transfers to trust accounts representing Budget expenditures, and payroll deductions for Federal employees retirement funds.

2 Small adjustments to arrive at this total are not shown separately.

For other notes, see opposite page.

DETAILS OF FEDERAL FISCAL OPERATIONS

[On basis of Treasury statements and *Treasury Bulletin* unless otherwise noted. In millions of dollars]

Period	Budget receipts: Net Budget receipts	Adjustments from total Budget receipts: Transfers to—: Old-age trust fund[6]	Transfers to—: Highway trust fund	Transfers to—: R. R. retirement acct.	Refunds of receipts	Total Budget receipts	Income and profit taxes: Individual: Withheld	Individual: Other	Corporation	Excise taxes	Employment taxes[7]	Other receipts	Selected excise taxes (Int. Rev. Serv. repts.): Liquor	Tobacco	Mfrs.' and retailers'
Fiscal year—1956	68,165	6,337	......	634	3,684	78,820	24,012	11,322	21,299	10,004	7,296	4,887	2,921	1,613	3,778
1957	71,029	6,634	1,479	616	3,917	83,675	26,728	12,302	21,531	10,638	7,581	4,895	2,973	1,674	4,098
1958	69,117	7,733	2,116	575	4,433	83,974	27,041	11,528	20,533	10,814	8,644	5,414	2,946	1,734	4,316
1959[p]	68,158	8,004	2,171	527	4,934	83,794	28,996	11,733	18,092	10,763	8,855	5,355	n.a.	n.a.	n.a.
Semiannually:															
1957—July-Dec.	29,325	3,135	1,151	305	655	34,571	13,760	2,874	6,273	5,595	3,445	2,625	1,574	848	2,226
1958—Jan.-June	39,792	4,598	965	270	3,778	49,403	13,281	8,654	14,260	5,219	5,199	2,789	1,372	886	2,090
July-Dec.	28,902	3,383	1,112	265	634	34,296	13,769	2,827	6,174	5,364	3,653	2,509	1,600	931	1,963
1959—Jan.-June[p]	39,256	4,621	1,059	262	4,300	49,498	15,227	8,906	11,918	5,399	5,202	2,846	n.a.	n.a.	n.a.
Monthly:															
1958—June	10,785	774	161	43	86	11,849	1,941	1,724	5,906	895	818	565	275	161	n.a.
July	2,946	338	177	17	147	3,624	1,195	258	479	926	355	411	252	154	
Aug.	4,838	1,032	206	72	133	6,280	3,476	123	316	908	1,105	352	249	164	1,006
Sept.	7,208	504	188	44	175	8,119	2,093	1,815	2,267	912	549	483	265	160	
Oct.	2,769	365	180	21	112	3,446	1,225	162	374	954	386	344	328	171	
Nov.	4,962	747	198	68	4	5,979	3,641	94	319	811	816	298	284	147	957
Dec.	6,180	397	164	44	64	6,848	2,139	373	2,419	853	441	623	222	136	
1959—Jan.	4,528	267	172	14	−26	4,956	948	1,996	424	847	321	420	201	155	
Feb.	6,576	949	182	71	374	8,152	4,356	846	362	906	1,281	401	209	141	1,194
Mar.	8,426	799	152	43	1,301	10,722	2,213	725	5,459	927	857	540	245	150	
Apr.	4,258	540	148	16	1,412	6,375	969	3,033	477	852	558	486	243	159	
May	5,425	1,417	214	70	1,030	8,155	4,196	617	410	1,020	1,488	424	276	156	n.a.
June[p]	10,042	649	191	47	208	11,137	2,547	1,689	4,786	846	697	572	n.a.	n.a.	

Period	Budget expenditures[8]: Total	Major national security: Total[9]	Military defense	Military assistance	Atomic energy	Intl. affairs and finance	Interest	Veterans' services and benefits	Labor and welfare	Agriculture and agricultural resources	Natural resources	Commerce and housing	General government
Fiscal year—1955	64,570	40,626	35,532	2,292	1,857	2,181	6,438	4,457	2,575	4,389	1,202	1,504	1,199
1956	66,540	40,641	35,791	2,611	1,651	1,846	6,846	4,756	2,821	4,868	1,104	2,030	1,627
1957	69,433	43,270	38,439	2,352	1,990	1,976	7,308	4,793	3,022	4,526	1,296	1,455	1,787
1958	71,936	44,142	39,062	2,187	2,268	2,234	7,689	5,026	3,447	4,389	1,543	2,109	1,356
Semiannually:													
1957—Jan.-June	35,632	22,676	19,892	1,439	1,060	1,043	3,721	2,502	1,545	2,399	560	574	608
July-Dec.	36,060	21,724	19,370	1,031	1,080	1,216	3,912	2,400	1,636	2,651	850	1,003	661
1958—Jan.-June	35,876	22,418	19,692	1,156	1,188	1,018	3,777	2,626	1,811	1,738	693	1,106	695
July-Dec.	39,906	23,246	20,619	1,145	1,269	1,206	3,686	2,580	2,158	3,922	896	1,438	765
Monthly:													
1958—May	5,846	3,653	3,195	212	201	127	603	436	291	235	121	252	132
June	6,621	4,312	3,891	173	208	286	622	431	386	257	162	45	127
July	6,613	3,752	3,196	294	222	222	648	431	356	630	122	298	148
Aug.	6,198	3,605	3,205	122	215	233	578	404	368	495	151	233	127
Sept.	6,633	3,863	3,489	151	189	158	586	410	345	769	165	212	123
Oct.	7,144	4,225	3,802	168	221	220	608	454	436	673	166	233	135
Nov.	6,237	3,589	3,169	189	211	175	614	441	343	574	151	238	109
Dec.	7,080	4,212	3,758	221	211	198	652	440	310	781	141	224	123
1959—Jan.	6,776	3,693	3,298	163	213	212	680	445	432	798	106	310	97
Feb.	6,331	3,596	3,218	143	203	176	636	440	−52	610	114	320	500
Mar.	6,462	3,864	3,434	195	217	184	657	441	326	394	106	343	147
Apr.	6,427	3,898	3,465	209	211	162	656	361	482	351	125	242	150
May	6,164	3,642	3,253	165	214	167	658	433	355	273	122	389	129

[3] Consists primarily of (1) intra-Governmental transactions as described in note 1, (2) net accruals over payments of interest on savings bonds and Treasury bills, (3) Budget expenditures involving issuance of Federal securities, (4) cash transactions between International Monetary Fund and the Treasury, (5) reconciliation items to Treasury cash, and (6) net operating transactions of Govt. sponsored enterprises.

[4] Primarily adjustments 2, 3, and 4, described in note 3.

[5] Excludes net transactions of Govt. sponsored enterprises, which are included in the corresponding columns above.

[6] Includes transfers to Federal disability insurance trust fund.

[7] Represents the sum of taxes for old-age insurance, railroad retirement, and unemployment insurance.

[8] The 1960 *Budget document* showed certain revisions in fiscal year data. When the revisions were in classification of functions—such as the shift of defense-support activities from military assistance and major national security to international affairs—the revisions were made in monthly and semiannual data. Other fiscal year revisions not available for monthly and semiannual periods.

For more details, see the 1960 *Budget document* and the *Treasury Bulletin*, Table 4.

[9] Includes stockpiling and defense production expansion not shown separately.

For other notes, see opposite page.

SELECTED ASSETS AND LIABILITIES OF FEDERAL BUSINESS-TYPE ACTIVITIES

[Based on compilation by Treasury Department. In millions of dollars]

Asset or liability, and activity[1]	End of year						End of quarter				
							1958				1959
	1952	1953	1954	1955	1956	1957	1	2	3	4	1
Loans, by purpose and agency:											
To aid agriculture, total	*5,070*	*6,811*	*6,929*	*6,715*	*6,752*	*6,681*	*7,605*	*6,931*	*7,402*	*8,672*	*9,630*
Banks for cooperatives	424	377	367	375	457	454	428	410	473	511	518
Federal intermediate credit banks[2]	673	590	638	689	734	935	1,040	1,228	1,247	1,169	1,313
Farmers Home Administration	596	648	701	681	724	832	906	903	900	819	935
Rural Electification Administration	1,920	2,096	2,226	2,348	2,488	2,688	2,732	2,774	2,820	2,874	2,919
Commodity Credit Corporation	1,426	3,076	2,981	2,621	2,349	1,778	2,499	1,600	1,962	3,298	3,944
Other agencies	31	23	18	1	(3)	(3)	(3)	(3)	(3)	(3)	(3)
To aid home owners, total	*2,603*	*2,930*	*2,907*	*3,205*	*3,680*	*4,769*	*4,917*	*4,628*	*4,607*	*4,860*	*5,352*
Federal National Mortgage Association	2,242	2,462	2,461	2,641	3,072	3,998	4,096	3,776	3,716	3,924	4,362
Veterans Administration	362	300	383	480	464	770	820	851	890	936	989
Other agencies		168	63	84	145	1	1	1	1	1	1
To industry, total	*598*	*588*	*431*	*678*	*619*	*674*	*645*	*654*	*658*	*680*	*695*
Treasury Department	598	174	353	306	209	251	224	222	221	216	212
Commerce Department		413	79	261	219	217	203	191	190	187	182
Other agencies				112	191	206	219	241	247	278	301
To financing institutions	*864*	*952*	*870*	*1,419*	*1,233*	*1,270*	*701*	*931*	*1,010*	*1,298*	*1,087*
To aid States, territories, etc., total	*1,020*	*645*	*272*	*245*	*246*	*264*	*275*	*271*	*294*	*293*	*291*
Public Housing Administration	894	500	112	90	106	105	107	91	106	106	91
Other agencies	126	145	160	155	140	159	167	180	188	187	200
Foreign, total	*7,736*	*8,043*	*8,001*	*7,988*	*8,223*	*8,754*	*8,965*	*9,022*	*9,271*	*9,510*	*9,712*
Export-Import Bank	2,496	2,833	2,806	2,702	2,701	3,040	3,111	3,094	3,239	3,362	3,439
Treasury Department[4]	3,667	3,620	3,570	3,519	3,470	3,470	3,470	3,470	3,470	3,419	3,419
International Cooperation Administration	[5]1,515	1,537	1,624	1,767	1,995	2,195	2,338	2,412	2,514	2,682	2,782
Other agencies	58	53	1	......	57	49	46	45	47	46	73
All other purposes, total	*75*	*119*	*166*	*256*	*213*	*344*	*393*	*449*	*489*	*548*	*562*
Housing and Home Finance Agency	5	29	127	209	156	283	331	383	423	458	497
Other agencies	69	90	39	47	57	62	62	65	66	89	66
Less: Reserves for losses	*−140*	*−203*	*−228*	*−268*	*−309*	*−367*	*−354*	*−486*	*−450*	*−368*	*−353*
Total loans receivable (net)	**17,826**	**19,883**	**19,348**	**20,238**	**20,657**	**22,395**	**23,147**	**22,383**	**23,280**	**25,493**	**26,977**
Investments:											
U. S. Government securities, total	*2,421*	*2,602*	*2,967*	*3,236*	*3,739*	*3,804*	*4,523*	*4,467*	*4,365*	*4,198*	*4,533*
Federal home loan banks	311	387	641	745	1,018	896	1,456	1,366	1,250	995	1,202
Federal Savings and Loan Insurance Corp.	208	217	228	241	256	274	283	293	278	288	296
Federal Housing Administration	316	319	327	381	458	471	533	536	559	567	586
Federal Deposit Insurance Corporation	1,437	1,526	1,624	1,720	1,825	1,937	2,013	2,030	2,034	2,049	2,139
Other agencies	148	152	147	149	181	226	238	242	245	300	310
Investment in international institutions	*3,385*	*3,385*	*3,385*	*3,385*	*3,420*	*3,420*	*3,420*	*3,420*	*3,420*	*3,420*	*3,420*
Other securities[6]	*223*	*219*	*197*	*179*	*249*	*298*	*333*	*3,696*	*3,703*	*3,703*	*3,702*
Inventories, total	**1,280**	**2,515**	**3,852**	**4,356**	**21,375**	**21,628**	**21,206**	**21,540**	**20,743**	**20,810**	**20,504**
Commodity Credit Corporation	978	2,087	3,302	3,747	3,651	3,025	2,636	3,310	3,013	3,036	2,906
Defense Department	......	......	......	......	11,004	11,136	10,866	10,344	9,730	9,681	9,421
General Services Administration	303	428	550	609	6,517	7,282	7,528	7,700	7,809	7,919	7,987
Other agencies					201	185	175	186	191	174	191
Land, structures, and equipment, total	**3,213**	**8,062**	**8,046**	**7,822**	**9,985**	**9,962**	**10,020**	**10,459**	**10,422**	**10,670**	**10,753**
Commerce Dept. (primarily maritime activities)	......	4,834	4,798	4,822	4,502	4,535	4,568	4,589	4,550	4,721	4,736
Panama Canal Company	415	363	421	421	398	398	396	396	398	396	402
Tennessee Valley Authority	1,251	1,475	1,739	1,829	1,762	1,801	1,789	1,803	1,790	1,777	1,802
Housing and Home Finance Agency	1,202	1,040	728	450	236	88	77	32	26	25	20
Nat. Aeronautics and Space Administration	......	......	......	......	276	283	274	280	282	285	289
Bonneville Power Administration	......	......	......	......	311	342	345	349	371	372	373
General Services Administration	......	......	......	......	1,298	1,308	1,327	1,341	1,319	1,322	1,237
Post Office Department	......	......	......	......	590	599	599	637	637	637	637
Other agencies	345	350	360	300	613	608	644	1,033	1,050	1,134	1,257
Bonds, notes, & debentures payable (not guar.), total	**1,330**	**1,182**	**1,068**	**2,379**	**2,711**	**4,662**	**4,749**	**3,812**	**3,981**	**4,038**	**4,212**
Banks for cooperatives	181	150	156	185	257	247	224	207	260	303	310
Federal intermediate credit banks	704	619	640	665	721	902	992	1,181	1,211	1,124	1,256
Federal home loan banks	445	414	272	958	963	825	468	455	612	714	699
Federal National Mortgage Association	......	......	......	570	770	2,688	3,065	1,968	1,898	1,898	1,947

1 Figures except for trust revolving funds (shown separately on p. 1063 of this BULLETIN) exclude interagency items. Loans by purpose and agency are shown on a gross basis; total loans and all other assets, on a net basis, i.e., after reserve for losses.

2 Effective Jan. 1, 1957, the production credit corporations were merged in the Federal intermediate credit banks, pursuant to the Farm Credit Act of 1956, approved July 26, 1956 (70 Stat. 659). Thereafter operations of the banks are classified as trust revolving transactions.

3 Less than $500,000.

4 Figures represent largely the Treasury loan to the United Kingdom, and through 1952 are based in part on information not shown in Treasury compilation.

5 Figure derived by Federal Reserve.

6 Includes investment of the Agricultural Marketing revolving fund in the banks for cooperatives; Treasury compilations prior to 1956 classified this item as an interagency asset.

NOTE.—Coverage has changed in some of the periods shown. Beginning 1956, changes reflect the expanded coverage and the new classification of agencies now reported in the *Treasury Bulletin*. The revised statement includes a larger number of agencies, and their activities are classified according to the type of fund they represent. Funds are combined in this table. They are shown separately in a special table at the end of the domestic tabular section, whenever quarterly data become available. Classifications by supervisory authorities are those in existence currently. Where current Treasury compilations do not provide a detailed breakdown of loans, these items have been classified by Federal Reserve on basis of information about the type of lending activity involved.

MORTGAGE DEBT OUTSTANDING, BY TYPE OF PROPERTY MORTGAGED AND TYPE OF MORTGAGE HOLDER

[In billions of dollars]

End of year or quarter	All properties: All holders	All properties: Financial institutions	All properties: Other holders: Selected Federal agencies	All properties: Other holders: Individuals and others	Nonfarm: All holders	Nonfarm: 1- to 4-family houses: Total	Nonfarm: 1- to 4-family houses: Financial institutions	Nonfarm: 1- to 4-family houses: Other holders	Nonfarm: Multi-family and commercial properties[1]: Total	Nonfarm: Multi-family and commercial properties[1]: Financial institutions	Nonfarm: Multi-family and commercial properties[1]: Other holders	Farm: All holders	Farm: Financial institutions	Farm: Other holders[2]
1941	37.6	20.7	2.0	14.9	31.2	18.4	11.2	7.2	12.9	8.1	4.8	6.4	1.5	4.9
1945	35.5	21.0	.9	13.7	30.8	18.6	12.2	6.4	12.2	7.4	4.7	4.8	1.3	3.4
1951	82.3	59.5	2.0	20.8	75.6	51.7	41.1	10.7	23.9	15.9	8.0	6.7	2.6	4.1
1952	91.4	66.9	2.4	22.1	84.2	58.5	46.8	11.7	25.7	17.2	8.4	7.3	2.8	4.4
1953	101.3	75.1	2.8	23.5	93.6	66.1	53.6	12.5	27.5	18.5	9.0	7.8	3.0	4.8
1954r	113.7	85.7	2.8	25.2	105.4	75.7	62.5	13.2	29.7	19.9	9.8	8.3	3.3	5.0
1955r	129.9	99.3	3.1	27.5	120.9	88.2	73.8	14.4	32.6	21.8	10.8	9.1	3.6	5.4
1956	144.5	111.2	3.6	29.7	134.6	99.0	83.4	15.6	35.6	23.9	11.7	9.9	3.9	6.0
1957	156.6	119.7	4.7	32.1	146.1	107.6	89.9	17.7	38.5	25.8	12.7	10.5	4.0	6.5
1958p	171.4	131.5	4.8	35.0	160.2	117.8	98.9	18.9	42.4	28.4	14.0	11.2	4.2	7.0
1957—Sept.	153.7	117.7	4.5	31.6	143.3	105.7	88.5	17.2	37.5	25.2	12.4	10.4	4.0	6.4
Dec.	156.6	119.7	4.7	32.1	146.1	107.6	89.9	17.7	38.5	25.8	12.7	10.5	4.0	6.5
1958—Mar.p	159.1	121.5	4.9	32.7	148.5	109.3	91.2	18.1	39.2	26.2	12.9	10.6	4.1	6.6
Junep	162.6	124.5	4.6	33.5	151.7	111.6	93.5	18.1	40.1	26.9	13.2	10.9	4.1	6.7
Sept.p	166.7	127.9	4.6	34.2	155.7	114.6	96.2	18.4	41.0	27.5	13.5	11.1	4.2	6.9
Dec.p	171.4	131.5	4.8	35.0	160.2	117.8	98.9	18.9	42.4	28.4	14.0	11.2	4.2	7.0
1959—Mar.p	175.5	134.3	5.3	35.9	164.0	120.6	101.0	19.6	43.4	29.0	14.4	11.5	4.3	7.2

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1 Derived figures, which include negligible amount of farm loans held by savings and loan associations.

2 Derived figures, which include debt held by Federal land banks and Farmers Home Administration.

NOTE.—Figures for first three quarters of each year are Federal Reserve estimates. Financial institutions represent commercial banks (including nondeposit trust companies but not trust departments), mutual savings banks, life insurance companies, and savings and loan associations. Federal agencies represent HOLC, FNMA, and VA (the bulk of the amounts through 1948 held by HOLC, since then by FNMA). Other Federal agencies (amounts small and separate data not readily available currently) are included with individuals and others.

Sources.—Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, Institute of Life Insurance, Departments of Agriculture and Commerce, Federal National Mortgage Association, Veterans Administration, Comptroller of the Currency, and Federal Reserve.

MORTGAGE LOANS HELD BY BANKS[1]

[In millions of dollars]

End of year or quarter	Commercial bank holdings[2]: Total	Commercial: Residential: Total	Commercial: Residential: FHA-insured	Commercial: Residential: VA-guaranteed	Commercial: Residential: Conventional	Commercial: Other nonfarm	Commercial: Farm	Mutual savings bank holdings[3]: Total	Mutual: Residential: Total	Mutual: Residential: FHA-insured	Mutual: Residential: VA-guaranteed	Mutual: Residential: Conventional	Mutual: Other nonfarm	Mutual: Farm
1941	4,906	3,292	......	......	......	1,048	566	4,812	3,884	......	......	......	900	28
1945	4,772	3,395	......	......	......	856	521	4,208	3,387	......	......	......	797	24
1951	14,732	11,270	3,421	2,921	4,929	2,458	1,004	9,916	8,595	2,567	1,726	4,303	1,274	47
1952	15,867	12,188	3,675	3,012	5,501	2,621	1,058	11,379	9,883	3,168	2,237	4,477	1,444	53
1953	16,850	12,925	3,912	3,061	5,951	2,843	1,082	12,943	11,334	3,489	3,053	4,792	1,556	53
1954	18,573	14,152	4,106	3,350	6,695	3,263	1,159	15,007	13,211	3,800	4,262	5,149	1,740	56
1955	21,004	15,888	4,560	3,711	7,617	3,819	1,297	17,457	15,568	4,150	5,773	5,645	1,831	58
1956	22,719	17,004	4,803	3,902	8,300	4,379	1,336	19,745	17,703	4,409	7,139	6,155	1,984	59
1957	23,337	17,147	4,823	3,589	8,735	4,823	1,367	21,169	19,010	4,669	7,790	6,551	2,102	57
1958p	25,523	18,591	5,476	3,335	9,780	5,461	1,471	23,265	20,936	5,501	8,360	7,074	2,276	53
1957—Sept.	23,105	17,070	4,750	3,660	8,660	4,660	1,375	20,812	18,687	4,575	7,660	6,452	2,068	57
Dec.	23,337	17,147	4,823	3,589	8,735	4,823	1,367	21,169	19,010	4,669	7,790	6,551	2,102	57
1958—Mar.p	23,400	17,125	4,825	3,485	8,815	4,880	1,395	21,565	19,371	4,810	7,937	6,624	2,137	57
Junep	23,960	17,460	4,970	3,405	9,085	5,060	1,440	22,165	19,927	5,047	8,160	6,720	2,181	57
Sept.p	24,700	18,055	5,205	3,355	9,495	5,184	1,461	22,746	20,460	5,280	8,276	6,904	2,231	55
Dec.p	25,523	18,591	5,476	3,335	9,780	5,461	1,471	23,265	20,936	5,501	8,360	7,074	2,276	53
1959—Mar.p	26,130	19,012	5,660	3,317	10,035	5,633	1,485	23,638	21,282	5,674	8,423	7,185	2,305	51

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1 Represents all banks in the United States and possessions.

2 Includes loans held by nondeposit trust companies but excludes holdings of trust departments of commercial banks. March and September figures are Federal Reserve estimates based on data from *Member Bank Call Report* and from weekly reporting member banks.

3 Figures for 1941 and 1945, except for the grand total, are estimates based on Federal Reserve preliminary tabulation of a revised series of banking statistics. March and September figures are Federal Reserve estimates based in part on data from National Association of Mutual Savings Banks.

Sources.—All-bank series prepared by Federal Deposit Insurance Corporation from data supplied by Federal and State bank supervisory agencies, Comptroller of the Currency, and Federal Reserve.

MORTGAGE ACTIVITY OF LIFE INSURANCE COMPANIES

[In millions of dollars]

Year or month	Loans acquired						Loans outstanding (end of period)					
	Total	Nonfarm				Farm	Total	Nonfarm				Farm
		Total	FHA-insured	VA-guaranteed	Other			Total	FHA-insured	VA-guaranteed	Other	
1941	....	....	....	....	....	....	6,442	5,529	815	....	4,714	913
1945	976	....	....	....	....	....	6,636	5,860	1,394	....	4,466	776
1951	5,134	4,723	1,058	1,294	2,371	411	19,314	17,787	5,257	3,131	9,399	1,527
1952	3,978	3,606	864	429	2,313	372	21,251	19,546	5,681	3,347	10,518	1,705
1953	4,345	3,925	817	455	2,653	420	23,322	21,436	6,012	3,560	11,864	1,886
1954	5,344	4,931	672	1,378	2,881	413	25,976	23,928	6,116	4,643	13,169	2,048
1955	6,623	6,108	971	1,839	3,298	515	29,445	27,172	6,395	6,074	14,703	2,273
1956	6,715	6,201	842	1,652	3,707	514	32,989	30,508	6,627	7,304	16,577	2,481
1957	5,230	4,823	653	831	3,339	407	35,236	32,652	6,751	7,721	18,180	2,584
1958	5,277	4,839	1,301	195	3,343	438	37,062	34,395	7,443	7,433	19,519	2,667
1958—June	368	341	95	20	226	27	36,060	33,409	7,038	7,677	18,694	2,651
July	428	398	103	16	279	30	36,183	33,519	7,076	7,651	18,792	2,664
Aug.	437	406	109	5	292	31	36,323	33,645	7,123	7,619	18,903	2,678
Sept.	451	421	125	7	289	30	36,472	33,786	7,212	7,561	19,013	2,686
Oct.	516	485	141	9	335	31	36,648	33,955	7,282	7,527	19,146	2,693
Nov.	429	397	121	8	268	32	36,794	34,093	7,347	7,492	19,254	2,701
Dec.	642	592	155	12	425	50	37,097	34,388	7,449	7,455	19,484	2,709
1959—Jan.	508	466	139	11	316	42	37,211	34,510	7,528	7,429	19,553	2,701
Feb.	420	364	141	9	214	56	37,350	34,635	7,623	7,392	19,620	2,715
Mar.	473	410	130	10	270	63	37,486	34,753	7,693	7,347	19,713	2,733
Apr.	432	385	120	13	252	47	37,602	34,851	7,758	7,314	19,779	2,751
May	433	386	105	18	263	47	37,737	34,958	7,813	7,286	19,859	2,779
June	469	428	116	17	295	41	37,894	35,094	7,877	7,258	19,959	2,800

NOTE.—For loans acquired, the monthly figures may not add to annual totals, and for loans outstanding, the end-of-December figures may differ from end-of-year figures, because monthly figures represent book value of ledger assets whereas year-end figures represent annual statement asset values, and because data for year-end adjustments are more complete.

Source.—Institute of Life Insurance; end-of-year figures are from *Life Insurance Fact Book*, and end-of-month figures from the *Tally of Life Insurance Statistics* and *Life Insurance News Data*.

MORTGAGE ACTIVITY OF SAVINGS AND LOAN ASSOCIATIONS

[In millions of dollars]

Year or month	Loans made			Loans outstanding (end of period)			
	Total[1]	New construction	Home purchase	Total[2]	FHA-insured	VA-guaranteed	Conventional[2]
1941	1,379	437	581	4,578	....	....	....
1945	1,913	181	1,358	5,376	....	....	....
1952	6,617	2,105	2,955	18,396	904	3,394	14,098
1953	7,767	2,475	3,488	21,962	1,048	3,979	16,935
1954	8,969	3,076	3,846	26,108	1,170	4,709	20,229
1955	11,432	4,041	5,241	31,408	1,404	5,883	24,121
1956	10,545	3,771	4,727	35,729	1,486	6,643	27,600
1957	10,402	3,562	4,708	40,007	1,643	7,011	31,353
1958	12,346	4,096	5,251	45,599	2,210	7,093	36,296
1958							
June	1,107	379	461	42,333	1,833	6,995	33,505
July	1,180	374	511	42,866	1,901	7,012	33,953
Aug.	1,180	373	538	43,423	1,940	7,034	34,449
Sept.	1,215	401	537	43,997	2,007	7,031	34,959
Oct.	1,290	428	570	44,602	2,084	7,053	35,465
Nov.	1,053	345	469	45,067	2,155	7,062	35,850
Dec.	1,136	376	488	45,599	2,210	7,093	36,296
1959							
Jan.	1,013	317	442	46,009	2,277	7,109	36,623
Feb.	1,012	326	429	46,436	2,331	7,127	36,978
Mar.	1,257	439	515	47,029	2,392	7,117	37,520
Apr.	1,359	480	562	47,733	2,466	7,126	38,141
May	1,434	522	601	48,483	2,532	7,136	38,815
June[p]	1,598	584	674	....	....	....	....

[p] Preliminary.

[1] Includes loans for other purposes (for repair, additions and alterations, refinancing, etc.) not shown separately.

[2] Beginning 1958 includes shares pledged against mortgage loans.

Source.—Federal Home Loan Bank Board.

NONFARM MORTGAGE RECORDING OF $20,000 OR LESS

[In millions of dollars]

Year or month	Total		By type of lender (without seasonal adjustment)			
	Seasonally adjusted[1]	Without seasonal adjustment[2]	Savings & loan assns.	Insurance companies	Commercial banks	Mutual savings banks
1941	....	4,732	1,490	404	1,165	218
1945	....	5,650	2,017	250	1,097	217
1952	....	18,018	6,452	1,420	3,600	1,137
1953	....	19,747	7,365	1,480	3,680	1,327
1954	....	22,974	8,312	1,768	4,239	1,501
1955	....	28,484	10,452	1,932	5,617	1,858
1956	....	27,088	9,532	1,799	5,458	1,824
1957	....	24,244	9,217	1,472	4,264	1,429
1958	....	27,388	10,516	1,460	5,204	1,640
1958						
May	2,087	2,151	845	113	418	120
June	2,192	2,275	910	110	429	140
July	2,291	2,543	986	125	491	165
Aug.	2,413	2,535	995	130	476	169
Sept.	2,488	2,596	1,022	136	493	170
Oct.	2,576	2,857	1,086	150	558	175
Nov.	2,652	2,432	932	128	474	154
Dec.	2,629	2,629	983	143	508	165
1959						
Jan.	2,677	2,352	870	121	454	123
Feb.	2,631	2,245	865	106	426	113
Mar.	2,683	2,586	1,059	116	492	112
Apr.	2,683	2,776	1,148	115	553	124
May	....	2,768	1,151	112	534	140

[1] Three-month moving average, seasonally adjusted by Federal Reserve.

[2] Includes amounts for other lenders, not shown separately.

Source.—Federal Home Loan Bank Board.

GOVERNMENT-UNDERWRITTEN RESIDENTIAL LOANS MADE

[In millions of dollars]

Year or month	FHA-insured loans: Total	FHA: Home mortgages: New properties	FHA: Home mortgages: Existing properties	FHA: Project-type mortgages[1]	FHA: Property improvement loans[2]	VA-guaranteed loans: Total[3]	VA: Home mortgages: New properties	VA: Home mortgages: Existing properties
1945	665	257	217	20	171	192	....	....
1950	4,343	1,637	856	1,157	694	3,072	1,865	1,202
1951	3,220	1,216	713	582	708	3,614	2,667	942
1952	3,113	969	974	322	848	2,719	1,823	890
1953	3,882	1,259	1,030	259	1,334	3,064	2,044	1,014
1954	3,066	1,035	907	232	891	4,257	2,686	1,566
1955	3,807	1,269	1,816	76	646	7,156	4,582	2,564
1956	3,461	1,133	1,505	130	692	5,868	3,910	1,948
1957	3,715	880	1,371	595	869	3,761	2,890	863
1958	6,349	1,666	2,885	929	868	1,865	1,311	549
1958—June	551	126	217	128	81	97	71	27
July	524	132	236	98	58	127	83	43
Aug.	599	128	243	170	58	156	91	64
Sept.	756	160	320	146	130	189	107	82
Oct.	641	174	327	58	83	239	140	99
Nov.	559	165	292	31	71	216	135	81
Dec.	624	190	320	24	89	257	174	82
1959—Jan.	700	217	369	37	77	276	194	81
Feb.	598	196	311	37	54	238	174	64
Mar.	643	211	319	33	81	260	201	59
Apr.	639	196	294	80	69	231	179	52
May	652	186	291	86	88	211	161	50
June	680	208	312	68	92	221	165	56

[1] Monthly figures do not reflect mortgage amendments included in annual totals.
[2] These loans are not ordinarily secured by mortgages.
[3] Includes a small amount of alteration and repair loans, not shown separately; only such loans in amounts of more than $1,000 need be secured.

NOTE.—FHA-insured loans represent gross amount of insurance written; VA-guaranteed loans, gross amount of loans closed. Figures do not take account of principal repayments on previously insured or guaranteed loans. For VA-guaranteed loans, amounts by type are derived from data on number and average amount of loans closed.

Sources.—Federal Housing Administration and Veterans Administration.

MORTGAGE DEBT OUTSTANDING ON NONFARM 1- TO 4-FAMILY PROPERTIES

[In billions of dollars]

End of year or quarter	Total	Government-underwritten: Total	Government-underwritten: FHA-insured	Government-underwritten: VA-guaranteed	Conventional
1945	18.6	4.3	4.1	.2	14.3
1950	45.2	18.9	8.6	10.3	26.3
1951	51.7	22.9	9.7	13.2	28.8
1952	58.5	25.4	10.8	14.6	33.1
1953	66.1	28.1	12.0	16.1	38.0
1954	75.7	32.1	12.8	19.3	43.6
1955	88.2	38.9	14.3	24.6	49.3
1956	99.0	43.9	15.5	28.4	55.1
1957	107.6	47.2	16.5	30.7	60.4
1958p	117.8	50.1	19.7	30.4	67.7
1957—Sept.	105.7	46.5	16.1	30.4	59.2
Dec.	107.6	47.2	16.5	30.7	60.4
1958—Mar.p	109.3	47.7	17.1	30.6	61.6
June p	111.6	48.3	17.7	30.6	63.3
Sept.p	114.6	49.1	18.6	30.5	65.5
Dec.p	117.8	50.1	19.7	30.4	67.7
1959—Mar.p	120.6	51.3	20.9	30.4	69.3

p Preliminary.

NOTE.—For total debt outstanding, figures for first three quarters of year are Federal Reserve estimates. For conventional, figures are derived.

Sources.—Federal Home Loan Bank Board, Federal Housing Administration, Veterans Administration, and Federal Reserve.

FEDERAL NATIONAL MORTGAGE ASSOCIATION ACTIVITY[1]

[In millions of dollars]

End of year or month	Mortgage holdings: Total	Mortgage holdings: FHA-insured	Mortgage holdings: VA-guaranteed	Mortgage transactions (during period): Purchases	Mortgage transactions (during period): Sales	Commitments undisbursed
1950	1,347	169	1,177	1,044	469	485
1951	1,850	204	1,646	677	111	239
1952	2,242	320	1,922	538	56	323
1953	2,462	621	1,841	542	221	638
1954	2,434	802	1,632	614	525	476
1955	2,615	901	1,714	411	62	76
1956	3,047	978	2,069	609	5	360
1957	3,974	1,237	2,737	1,119	2	764
1958	3,901	1,483	2,418	623	482	1,541
1958—June	3,753	1,309	2,444	22	176	1,142
July	3,703	1,300	2,403	17	51	1,308
Aug.	3,683	1,298	2,385	22	23	1,543
Sept.	3,693	1,320	2,373	37	8	1,674
Oct.	3,729	1,353	2,376	59	1	1,669
Nov.	3,791	1,405	2,386	82	1	1,640
Dec.	3,901	1,483	2,418	134	1	1,541
1959—Jan.	4,032	1,564	2,468	150	....	1,432
Feb.	4,188	1,664	2,523	176	....	1,291
Mar.	4,340	1,740	2,600	175	1	1,182
Apr.	4,508	1,831	2,677	193	....	1,063
May	4,641	1,900	2,740	154	1	982
June	4,793	2,000	2,794	177	1	875

[1] Operations beginning Nov. 1, 1954, are on the basis of FNMA's new charter, under which it maintains three separate programs: secondary market, special assistance, and management and liquidation.

Source.—Federal National Mortgage Association.

FEDERAL HOME LOAN BANK LENDING

[In millions of dollars]

Year or month	Advances	Repayments	Advances outstanding (end of period): Total	Short-term[1]	Long-term[2]
1945	278	213	195	176	19
1950	675	292	816	547	269
1951	423	433	806	508	298
1952	586	528	864	565	299
1953	728	640	952	634	317
1954	734	818	867	612	255
1955	1,251	702	1,417	991	426
1956	745	934	1,228	798	430
1957	1,116	1,079	1,265	731	534
1958	1,364	1,331	1,298	685	613
1958—June	178	50	929	372	557
July	108	137	901	392	509
Aug.	100	62	939	427	512
Sept.	119	48	1,010	490	520
Oct.	126	52	1,083	545	538
Nov.	86	47	1,123	576	547
Dec.	229	53	1,298	685	613
1959—Jan.	98	251	1,146	599	547
Feb.	50	94	1,101	559	542
Mar.	83	96	1,087	531	556
Apr.	157	62	1,183	570	612
May	116	53	1,246	596	650
June	351	60	1,537	750	786

[1] Secured or unsecured loans maturing in one year or less.
[2] Secured loans, amortized quarterly, having maturities of more than one year but not more than ten years.

Source.—Federal Home Loan Bank Board.

CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts of short- and intermediate-term credit outstanding, in millions of dollars]

End of year or month	Total	Instalment credit					Noninstalment credit			
		Total	Automobile paper[1]	Other consumer goods paper[1]	Repair and modernization loans[2]	Personal loans	Total	Single-payment loans	Charge accounts	Service credit
1939	7,222	4,503	1,497	1,620	298	1,088	2,719	787	1,414	518
1941	9,172	6,085	2,458	1,929	376	1,322	3,087	845	1,645	597
1945	5,665	2,462	455	816	182	1,009	3,203	746	1,612	845
1951	22,617	15,294	5,972	4,880	1,085	3,357	7,323	1,934	3,605	1,784
1952	27,401	19,403	7,733	6,174	1,385	4,111	7,998	2,120	4,011	1,867
1953	31,243	23,005	9,835	6,779	1,610	4,781	8,238	2,187	4,124	1,927
1954	32,292	23,568	9,809	6,751	1,616	5,392	8,724	2,408	4,308	2,008
1955	38,670	28,958	13,472	7,634	1,689	6,163	9,712	3,002	4,579	2,131
1956	42,097	31,827	14,459	8,510	1,895	6,963	10,270	3,253	4,735	2,282
1957	44,774	34,095	15,409	8,692	2,091	7,903	10,679	3,365	4,829	2,485
1958	45,065	33,865	14,131	9,007	2,145	8,582	11,200	3,543	5,018	2,639
1958—June	43,079	33,008	14,590	8,190	2,048	8,180	10,071	3,482	4,012	2,577
July	42,923	33,074	14,567	8,197	2,061	8,249	9,849	3,373	3,927	2,549
Aug.	43,128	33,165	14,514	8,254	2,091	8,306	9,963	3,453	3,956	2,554
Sept.	43,144	33,079	14,332	8,312	2,107	8,328	10,065	3,495	4,033	2,537
Oct.	43,164	33,052	14,164	8,411	2,128	8,349	10,112	3,414	4,191	2,507
Nov.	43,464	33,126	14,066	8,528	2,146	8,386	10,338	3,499	4,297	2,542
Dec.	45,065	33,865	14,131	9,007	2,145	8,582	11,200	3,543	5,018	2,639
1959—Jan.	44,415	33,768	14,155	8,881	2,125	8,607	10,647	3,464	4,504	2,679
Feb.	44,071	33,751	14,223	8,767	2,116	8,645	10,320	3,563	4,004	2,753
Mar.	44,203	33,943	14,375	8,721	2,127	8,720	10,260	3,618	3,883	2,759
Apr.	44,916	34,453	14,686	8,777	2,149	8,841	10,463	3,674	3,997	2,792
May	45,790	35,029	14,991	8,911	2,198	8,929	10,761	3,779	4,220	2,762
June	46,716	35,810	15,419	9,077	2,240	9,074	10,906	3,842	4,318	2,746

1 Represents all consumer instalment credit extended for the purpose of purchasing automobiles and other consumer goods, whether held by retail outlets or financial institutions. Includes credit on purchases by individuals of automobiles or other consumer goods that may be used in part for business.

2 Represents repair and modernization loans held by financial institutions; holdings of retail outlets are included in other consumer goods paper.

NOTE.—Monthly figures for the period December 1939 through 1947, and a general description of the series are shown on pp. 336–54 of the BULLETIN for April 1953; monthly figures for 1948–57, in the BULLETINS for October 1956, pp. 1035–42, December 1957, pp. 1420–22, and November 1958, pp. 1344–45. A detailed description of the methods used to derive the estimates may be obtained from Division of Research and Statistics.

INSTALMENT CREDIT, BY HOLDER

[Estimated amounts outstanding, in millions of dollars]

End of year or month	Total instalment credit	Financial institutions						Retail outlets					
		Total	Commercial banks	Sales finance companies	Credit unions	Consumer finance companies[1]	Other[1]	Total	Department stores[2]	Furniture stores	Household appliance stores	Automobile dealers[3]	Other
1939	4,503	3,065	1,079	1,197	132	....	657	1,438	354	439	183	123	339
1941	6,085	4,480	1,726	1,797	198	....	759	1,605	320	496	206	188	395
1945	2,462	1,776	745	300	102	....	629	686	131	240	17	28	270
1951	15,294	12,124	5,771	3,654	635	1,555	509	3,170	924	810	243	290	903
1952	19,403	15,581	7,524	4,711	837	1,866	643	3,822	1,107	943	301	389	1,082
1953	23,005	18,963	8,998	5,927	1,124	2,137	777	4,042	1,064	1,004	377	527	1,070
1954	23,568	19,450	8,796	6,144	1,342	2,257	911	4,118	1,242	984	377	463	1,052
1955	28,958	24,450	10,601	8,443	1,678	2,656	1,072	4,508	1,511	1,044	365	487	1,101
1956	31,827	27,084	11,707	9,100	2,014	3,056	1,207	4,743	1,408	1,187	377	502	1,269
1957	34,095	29,427	12,753	9,573	2,429	3,333	1,339	4,668	1,393	1,210	361	478	1,226
1958	33,865	28,943	12,730	8,740	2,664	3,381	1,428	4,922	1,702	1,220	360	425	1,215
1958—June	33,008	28,774	12,520	9,105	2,510	3,283	1,356	4,234	1,310	1,093	339	444	1,048
July	33,074	28,917	12,606	9,121	2,545	3,292	1,353	4,157	1,241	1,093	338	443	1,042
Aug.	33,165	28,983	12,655	9,083	2,578	3,294	1,373	4,182	1,251	1,110	340	440	1,041
Sept.	33,079	28,758	12,607	8,891	2,591	3,280	1,389	4,321	1,393	1,110	344	433	1,041
Oct.	33,052	28,666	12,612	8,777	2,613	3,274	1,390	4,386	1,426	1,126	346	427	1,061
Nov.	33,126	28,648	12,617	8,708	2,628	3,281	1,414	4,478	1,474	1,149	351	424	1,080
Dec.	33,865	28,943	12,730	8,740	2,664	3,381	1,428	4,922	1,702	1,220	360	425	1,215
1959—Jan.	33,768	29,016	12,856	8,733	2,639	3,374	1,414	4,752	1,615	1,183	356	425	1,173
Feb.	33,751	29,070	12,884	8,724	2,661	3,372	1,429	4,681	1,611	1,166	350	427	1,127
Mar.	33,943	29,324	13,028	8,780	2,700	3,371	1,445	4,619	1,581	1,129	348	430	1,131
Apr.	34,453	29,825	13,312	8,921	2,754	3,379	1,459	4,628	1,582	1,127	347	439	1,133
May	35,029	30,333	13,568	9,089	2,802	3,385	1,489	4,696	1,606	1,128	349	448	1,165
June	35,810	31,032	13,882	9,350	2,881	3,416	1,503	4,778	1,639	1,136	349	461	1,193

1 Consumer finance companies included with "other" financial institutions until September 1950.

2 Includes mail-order houses.

3 Represents automobile paper only; other instalment credit held by automobile dealers is included with "other" retail outlets.

INSTALMENT CREDIT HELD BY COMMERCIAL BANKS, BY TYPE OF CREDIT

[Estimated amounts outstanding, in millions of dollars]

End of year or month	Total instalment credit	Automobile paper		Other consumer goods paper	Repair and modernization loans	Personal loans
		Purchased	Direct			
1939	1,079	237	178	166	135	363
1941	1,726	447	338	309	161	471
1945	745	66	143	114	110	312
1951	5,771	1,135	1,311	1,315	888	1,122
1952	7,524	1,633	1,629	1,751	1,137	1,374
1953	8,998	2,215	1,867	2,078	1,317	1,521
1954	8,796	2,269	1,668	1,880	1,303	1,676
1955	10,601	3,243	2,062	2,042	1,338	1,916
1956	11,707	3,651	2,075	2,394	1,469	2,118
1957	12,753	4,130	2,225	2,467	1,580	2,351
1958	12,730	3,938	2,191	2,324	1,613	2,664
1958—June	12,520	3,957	2,223	2,281	1,540	2,519
July	12,606	3,967	2,228	2,300	1,551	2,560
Aug.	12,655	3,977	2,221	2,304	1,570	2,583
Sept.	12,607	3,948	2,198	2,274	1,583	2,604
Oct.	12,612	3,925	2,178	2,287	1,603	2,619
Nov.	12,617	3,917	2,169	2,296	1,614	2,621
Dec.	12,730	3,938	2,191	2,324	1,613	2,664
1959—Jan.	12,856	3,962	2,216	2,372	1,605	2,701
Feb.	12,884	3,993	2,239	2,342	1,594	2,716
Mar.	13,028	4,049	2,282	2,340	1,598	2,759
Apr.	13,312	4,154	2,345	2,361	1,616	2,836
May	13,568	4,244	2,395	2,395	1,649	2,885
June	13,882	4,373	2,443	2,431	1,680	2,955

INSTALMENT CREDIT HELD BY SALES FINANCE COMPANIES, BY TYPE OF CREDIT

[Estimated amounts outstanding, in millions of dollars]

End of year or month	Total instalment credit	Automobile paper	Other consumer goods paper	Repair and modernization loans	Personal loans
1939	1,197	878	115	148	56
1941	1,797	1,363	167	201	66
1945	300	164	24	58	54
1951	3,654	2,863	452	63	276
1952	4,711	3,630	680	60	341
1953	5,927	4,688	816	46	377
1954	6,144	4,870	841	31	402
1955	8,443	6,919	1,034	25	465
1956	9,100	7,283	1,227	23	567
1957	9,573	7,470	1,413	20	670
1958	8,740	6,404	1,567	19	750
1958—June	9,105	6,844	1,532	20	709
July	9,121	6,795	1,592	21	713
Aug.	9,083	6,730	1,612	23	718
Sept.	8,891	6,601	1,551	20	719
Oct.	8,777	6,477	1,560	19	721
Nov.	8,708	6,395	1,571	19	723
Dec.	8,740	6,404	1,567	19	750
1959—Jan.	8,733	6,391	1,566	19	757
Feb.	8,724	6,394	1,548	19	763
Mar.	8,780	6,429	1,561	21	769
Apr.	8,921	6,543	1,582	20	776
May	9,089	6,679	1,605	22	783
June	9,350	6,884	1,647	23	796

INSTALMENT CREDIT HELD BY FINANCIAL INSTITUTIONS OTHER THAN COMMERCIAL BANKS AND SALES FINANCE COMPANIES, BY TYPE OF CREDIT

[Estimated amounts outstanding, in millions of dollars]

End of year or month	Total instalment credit	Automobile paper	Other consumer goods paper	Repair and modernization loans	Personal loans
1939	789	81	24	15	669
1941	957	122	36	14	785
1945	731	54	20	14	643
1951	2,699	373	233	134	1,959
1952	3,346	452	310	188	2,396
1953	4,038	538	370	247	2,883
1954	4,510	539	375	282	3,314
1955	5,406	761	537	326	3,782
1956	6,277	948	648	403	4,278
1957	7,101	1,106	622	491	4,882
1958	7,473	1,173	619	513	5,168
1958—June	7,149	1,122	587	488	4,952
July	7,190	1,134	591	489	4,976
Aug.	7,245	1,146	596	498	5,005
Sept.	7,260	1,152	599	504	5,005
Oct.	7,277	1,157	605	506	5,009
Nov.	7,323	1,161	607	513	5,042
Dec.	7,473	1,173	619	513	5,168
1959—Jan.	7,427	1,161	616	501	5,149
Feb.	7,462	1,170	623	503	5,166
Mar.	7,516	1,185	631	508	5,192
Apr.	7,592	1,205	645	513	5,229
May	7,676	1,225	663	527	5,261
June	7,800	1,258	682	537	5,323

NOTE.—Institutions represented are consumer finance companies, credit unions, industrial loan companies, mutual savings banks, savings and loan associations, and other lending institutions holding consumer instalment loans.

NONINSTALMENT CREDIT, BY HOLDER

[Estimated amounts outstanding, in millions of dollars]

End of year or month	Total noninstalment credit	Financial institutions (single-payment loans)		Retail outlets (charge accounts)		Service credit
		Commercial banks	Other	Department stores[1]	Other	
1939	2,719	625	162	236	1,178	518
1941	3,087	693	152	275	1,370	597
1945	3,203	674	72	290	1,322	845
1951	7,323	1,684	250	698	2,907	1,784
1952	7,998	1,844	276	728	3,283	1,867
1953	8,238	1,899	288	772	3,352	1,927
1954	8,724	2,096	312	793	3,515	2,008
1955	9,712	2,635	367	862	3,717	2,131
1956	10,270	2,843	410	893	3,842	2,282
1957	10,679	2,937	428	876	3,953	2,485
1958	11,200	3,057	486	907	4,111	2,639
1958—June	10,071	2,998	484	575	3,437	2,577
July	9,849	2,968	405	533	3,394	2,549
Aug.	9,963	2,980	473	546	3,410	2,554
Sept.	10,065	2,965	530	600	3,433	2,537
Oct.	10,112	2,977	437	623	3,568	2,507
Nov.	10,338	2,998	501	669	3,628	2,542
Dec.	11,200	3,057	486	907	4,111	2,639
1959—Jan.	10,647	3,030	434	757	3,747	2,679
Feb.	10,320	3,075	488	637	3,367	2,753
Mar.	10,260	3,100	518	608	3,275	2,759
Apr.	10,463	3,181	493	601	3,396	2,792
May	10,761	3,222	557	609	3,611	2,762
June	10,906	3,299	543	599	3,719	2,746

[1] Includes mail-order houses.

INSTALMENT CREDIT EXTENDED AND REPAID, BY TYPE OF CREDIT

[Estimates of short- and intermediate-term credit, in millions of dollars. The terms "adjusted" and "unadjusted" refer to adjustment of *monthly* figures for seasonal variation and differences in trading days]

Year or month	Total		Automobile paper		Other consumer goods paper		Repair and modernization loans		Personal loans	
	Adjusted	Unad-justed	Adjusted	Unad-justed	Adjusted	Unad-justed	Adjusted	Unad-justed	Adjusted	Unad-justed
	Extensions									
1951	....	23,576	....	8,956	....	7,485	....	841	....	6,294
1952	....	29,514	....	11,764	....	9,186	....	1,217	....	7,347
1953	....	31,558	....	12,981	....	9,227	....	1,344	....	8,006
1954	....	31,051	....	11,807	....	9,117	....	1,261	....	8,866
1955	....	39,039	....	16,745	....	10,634	....	1,388	....	10,272
1956	....	40,063	....	15,563	....	11,590	....	1,568	....	11,342
1957	....	42,426	....	16,545	....	11,626	....	1,662	....	12,593
1958	....	40,497	....	14,154	....	11,747	....	1,620	....	12,976
1958—June	3,262	3,477	1,095	1,257	968	973	135	146	1,064	1,101
July	3,328	3,483	1,151	1,281	965	956	135	146	1,077	1,100
Aug.	3,416	3,385	1,142	1,193	1,018	976	142	151	1,114	1,065
Sept.	3,326	3,297	1,082	1,105	1,005	993	142	158	1,097	1,041
Oct.	3,451	3,475	1,199	1,173	1,005	1,075	143	159	1,104	1,068
Nov.	3,594	3,338	1,276	1,091	1,041	1,054	142	141	1,135	1,052
Dec.	3,720	4,350	1,420	1,360	1,002	1,435	134	131	1,164	1,424
1959—Jan.	3,799	3,321	1,437	1,248	1,047	886	146	111	1,169	1,076
Feb.	3,816	3,247	1,454	1,258	1,057	839	141	111	1,164	1,039
Mar.	3,749	3,786	1,414	1,476	1,058	982	151	141	1,126	1,187
Apr.	3,939	4,022	1,502	1,580	1,126	1,074	158	156	1,153	1,212
May	4,045	4,053	1,497	1,568	1,154	1,124	171	178	1,223	1,183
June	3,983	4,432	1,487	1,765	1,121	1,179	160	177	1,215	1,311
	Repayments									
1951	....	22,985	....	9,058	....	7,404	....	772	....	5,751
1952	....	25,405	....	10,003	....	7,892	....	917	....	6,593
1953	....	27,956	....	10,879	....	8,622	....	1,119	....	7,336
1954	....	30,488	....	11,833	....	9,145	....	1,255	....	8,255
1955	....	33,649	....	13,082	....	9,751	....	1,315	....	9,501
1956	....	37,194	....	14,576	....	10,714	....	1,362	....	10,542
1957	....	40,158	....	15,595	....	11,444	....	1,466	....	11,653
1958	....	40,727	....	15,432	....	11,432	....	1,566	....	12,297
1958—June	3,391	3,379	1,278	1,280	961	941	138	136	1,014	1,022
July	3,365	3,417	1,275	1,304	948	949	132	133	1,010	1,031
Aug.	3,403	3,294	1,276	1,246	947	919	124	121	1,056	1,008
Sept.	3,376	3,383	1,246	1,287	949	935	140	142	1,041	1,019
Oct.	3,418	3,502	1,281	1,341	964	976	134	138	1,039	1,047
Nov.	3,447	3,264	1,243	1,189	1,001	937	124	123	1,079	1,015
Dec.	3,414	3,611	1,262	1,295	953	956	129	132	1,070	1,228
1959—Jan.	3,412	3,418	1,252	1,224	956	1,012	130	131	1,074	1,051
Feb.	3,483	3,264	1,281	1,190	981	953	127	120	1,094	1,001
Mar.	3,431	3,594	1,265	1,324	983	1,028	126	130	1,057	1,112
Apr.	3,516	3,512	1,282	1,269	1,006	1,018	136	134	1,092	1,091
May	3,602	3,477	1,320	1,263	1,003	990	134	129	1,145	1,095
June	3,531	3,651	1,284	1,337	1,000	1,013	133	135	1,114	1,166
	Change in outstanding credit[1]									
1951	....	+591	....	-102	....	+81	....	+69	....	+543
1952	....	+4,109	....	+1,761	....	+1,294	....	+300	....	+754
1953	....	+3,602	....	+2,102	....	+605	....	+225	....	+670
1954	....	+563	....	-26	....	-28	....	+6	....	+611
1955	....	+5,390	....	+3,663	....	+883	....	+73	....	+771
1956	....	+2,869	....	+987	....	+876	....	+206	....	+800
1957	....	+2,268	....	+950	....	+182	....	+196	....	+940
1958	....	-230	....	-1,278	....	+315	....	+54	....	+679
1958—June	-129	+98	-183	-23	+7	+32	-3	+10	+50	+79
July	-37	+66	-124	-23	+17	+7	+3	+13	+67	+69
Aug.	+13	+91	-134	-53	+71	+57	+18	+30	+58	+57
Sept.	-50	-86	-164	-182	+56	+58	+2	+16	+56	+22
Oct.	+33	-27	-82	-168	+41	+99	+9	+21	+65	+21
Nov.	+147	+74	+33	-98	+40	+117	+18	+18	+56	+37
Dec.	+306	+739	+158	+65	+49	+479	+5	-1	+94	+196
1959—Jan.	+387	-97	+185	+24	+91	-126	+16	-20	+95	+25
Feb.	+333	-17	+173	+68	+76	-114	+14	-9	+70	+38
Mar.	+318	+192	+149	+152	+75	-46	+25	+11	+69	+75
Apr.	+423	+510	+220	+311	+120	+56	+22	+22	+61	+121
May	+443	+576	+177	+305	+151	+134	+37	+49	+78	+88
June	+452	+781	+203	+428	+121	+166	+27	+42	+101	+145

[1] Obtained by subtracting instalment credit repaid from instalment credit extended.

NOTE.—Monthly figures for 1940–54 are shown on pp. 1043–54 of the BULLETIN for October 1956; for 1955–57, in the BULLETINS for December 1957, pp. 1420–22, and November 1958, pp. 1344–45.

A discussion of the composition and characteristics of the data and a description of the methods used to derive the estimates are shown in the BULLETIN for January 1954, pp. 9–17. Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and often include charges incurred under the instalment contract. Renewals and refinancing of loans, repurchases and resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

INSTALMENT CREDIT EXTENDED AND REPAID, BY HOLDER

[Estimates of short- and intermediate-term credit, in millions of dollars. The terms "adjusted" and "unadjusted" refer to adjustment of *monthly* figures for seasonal variation and differences in trading days]

Year or month	Total		Commercial banks		Sales finance companies		Other financial institutions		Retail outlets	
	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted
	Extensions									
1951	....	23,576	....	8,358	....	5,467	....	4,788	....	4,963
1952	....	29,514	....	11,123	....	6,982	....	5,659	....	5,750
1953	....	31,558	....	12,099	....	7,560	....	6,375	....	5,524
1954	....	31,051	....	11,267	....	7,260	....	6,983	....	5,541
1955	....	39,039	....	14,109	....	10,200	....	8,449	....	6,281
1956	....	40,063	....	14,387	....	9,600	....	9,474	....	6,602
1957	....	42,426	....	15,234	....	10,200	....	10,497	....	6,495
1958	....	40,497	....	14,645	....	8,907	....	10,330	....	6,615
1958—June	3,262	3,477	1,168	1,278	685	776	841	872	568	551
July	3,328	3,483	1,255	1,320	753	851	853	875	467	437
Aug.	3,416	3,385	1,249	1,235	714	756	889	858	564	536
Sept.[1]	3,326	3,297	1,206	1,209	632	656	873	831	615	601
Oct.	3,451	3,475	1,272	1,261	732	738	885	864	562	612
Nov.	3,594	3,338	1,321	1,160	758	687	911	857	604	634
Dec.	3,720	4,350	1,330	1,357	827	855	935	1,143	628	995
1959—Jan.	3,799	3,321	1,443	1,333	883	753	903	803	570	432
Feb.[1]	3,816	3,247	1,395	1,227	865	723	922	824	634	473
Mar.	3,749	3,786	1,367	1,426	883	883	900	941	599	536
Apr.	3,939	4,022	1,455	1,555	941	933	908	939	635	595
May	4,045	4,053	1,472	1,511	940	940	990	966	643	636
June	3,983	4,432	1,424	1,620	914	1,074	987	1,064	658	674
	Repayments									
1951	....	22,985	....	8,385	....	5,524	....	4,385	....	4,691
1952	....	25,405	....	9,370	....	5,925	....	5,012	....	5,098
1953	....	27,956	....	10,625	....	6,344	....	5,683	....	5,304
1954	....	30,488	....	11,469	....	7,043	....	6,511	....	5,465
1955	....	33,649	....	12,304	....	7,901	....	7,553	....	5,891
1956	....	37,194	....	13,320	....	8,943	....	8,603	....	6,328
1957	....	40,158	....	14,259	....	9,727	....	9,673	....	6,499
1958	....	40,727	....	14,551	....	9,774	....	9,958	....	6,444
1958—June	3,391	3,379	1,220	1,225	801	800	823	830	547	524
July	3,365	3,417	1,203	1,234	828	835	821	834	513	514
Aug.	3,403	3,294	1,220	1,186	806	794	845	803	532	511
Sept.[1]	3,376	3,383	1,197	1,215	806	825	837	816	536	527
Oct.	3,418	3,502	1,230	1,256	800	852	841	847	547	547
Nov.	3,447	3,264	1,228	1,155	785	756	855	811	579	542
Dec.	3,414	3,611	1,196	1,244	782	823	864	993	572	551
1959—Jan.	3,412	3,418	1,210	1,207	789	760	870	849	543	602
Feb.[1]	3,483	3,264	1,262	1,175	793	732	857	789	571	568
Mar.	3,431	3,594	1,238	1,282	781	827	846	887	566	598
Apr.	3,516	3,512	1,261	1,271	808	792	865	863	582	586
May	3,602	3,477	1,300	1,255	819	772	915	882	568	568
June	3,531	3,651	1,251	1,306	785	813	900	940	595	592
	Change in outstanding credit[2]									
1951	....	+591	....	−27	....	−57	....	+403	....	+272
1952	....	+4,109	....	+1,753	....	+1,057	....	+647	....	+652
1953	....	+3,602	....	+1,474	....	+1,216	....	+692	....	+220
1954	....	+563	....	−202	....	+217	....	+472	....	+76
1955	....	+5,390	....	+1,805	....	+2,299	....	+896	....	+390
1956	....	+2,869	....	+1,106	....	+657	....	+871	....	+235
1957	....	+2,268	....	+1,046	....	+473	....	+824	....	−75
1958	....	−230	....	−23	....	−833	....	+372	....	+254
1958—June	−129	+98	−52	+53	−116	−24	+18	+42	+21	+27
July	−37	+66	+52	+86	−75	+16	+32	+41	−46	−77
Aug.	+13	+91	+29	+49	−92	−38	+44	+55	+32	+25
Sept.[1]	−50	−86	−33	−48	−197	−192	+36	+15	+144	+139
Oct.	+33	−27	+42	+5	−68	−114	+44	+17	+15	+65
Nov.	+147	+74	+93	+5	−27	−69	+56	+46	+25	+92
Dec.	+306	+739	+134	+113	+45	+32	+71	+150	+56	+444
1959—Jan.	+387	−97	+233	+126	+94	−7	+33	−46	+27	−170
Feb.[1]	+333	−17	+109	+28	+72	−9	+65	+35	+87	−71
Mar.	+318	+192	+129	+144	+102	+56	+54	+54	+33	−62
Apr.	+423	+510	+194	+284	+133	+141	+43	+76	+53	+9
May	+443	+576	+172	+256	+121	+168	+75	+84	+75	+68
June	+452	+781	+173	+314	+129	+261	+87	+124	+63	+82

[1] Data on extensions and repayments have been adjusted to avoid duplications resulting from large transfers of other consumer goods paper. As a result, the differences between extensions and repayments for some types of holders do not equal the changes in outstanding credit.

[2] Obtained by subtracting instalment credit repaid from instalment credit extended, except as indicated in note 1.

NOTE.—Monthly figures for 1940–54 are shown on pp. 1043–54 of the BULLETIN for October 1956; for 1955–57, in the BULLETINS for December 1957, pp. 1420–22, and November 1958, pp. 1344–45.

A discussion of the composition and characteristics of the data and a description of the methods used to derive the estimates are shown in the BULLETIN for January 1954, pp. 9–17. Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and often include charges incurred under the instalment contract. Renewals and refinancing of loans, repurchases and resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

SELECTED BUSINESS INDEXES

[1947–49 = 100, unless otherwise noted. The terms "adjusted" and "unadjusted" refer to adjustment of *monthly* figures for seasonal variation]

Year or month	Industrial production (physical volume)*						Construction contracts awarded (value)[1]			Employment and payrolls[2]				Freight carloadings*	Department store sales* (retail value)	Consumer prices[2]	Wholesale commodity prices[2]
	Total		Manufactures			Minerals	Total	Residential	All other	Nonagricultural employment	Manufacturing production workers						
			Total	Durable	Nondurable						Employment		Payrolls				
	Adjusted	Unadjusted	Adjusted	Adjusted	Adjusted	Adjusted	Unadjusted	Unadjusted	Unadjusted	Adjusted	Adjusted	Unadjusted	Unadjusted	Adjusted	Adjusted	Unadjusted	Unadjusted
1919	......	39	38	38	37	45	34	26	39	61.3	......	68.7	31.1	90	27	74.0	....
1920	......	41	39	42	36	53	34	18	45	61.9	......	69.0	37.1	98	32	85.7	....
1921	......	31	30	24	34	42	30	27	32	55.2	......	52.8	24.0	83	30	76.4	....
1922	......	39	39	37	40	45	43	41	43	58.5	......	58.4	25.7	92	30	71.6	....
1923	......	47	45	47	44	62	45	49	42	64.3	......	66.9	32.6	107	34	72.9	....
1924	......	44	43	43	42	57	51	57	46	63.5	......	62.1	30.4	105	34	73.1	....
1925	......	49	48	49	46	59	66	75	59	65.2	......	64.2	32.1	110	36	75.0	....
1926	......	51	50	52	48	63	69	73	67	67.5	......	65.5	33.0	115	37	75.6	65.0
1927	......	51	50	49	50	64	69	71	68	67.9	......	64.1	32.4	111	37	74.2	62.0
1928	......	53	52	53	51	63	73	76	70	67.9	......	64.2	32.8	112	37	73.3	62.9
1929	......	59	58	60	56	68	63	52	70	71.0	......	68.3	35.0	115	38	73.3	61.9
1930	......	49	48	45	51	59	49	30	62	66.6	......	59.5	28.3	99	35	71.4	56.1
1931	......	40	39	31	48	51	34	22	41	60.3	......	50.2	21.5	79	32	65.0	47.4
1932	......	31	30	19	42	42	15	8	20	53.4	......	42.6	14.8	59	24	58.4	42.1
1933	......	37	36	24	48	48	14	7	18	53.6	......	47.2	15.9	62	24	55.3	42.8
1934	......	40	39	30	49	51	17	7	24	58.8	......	55.1	20.4	67	27	57.2	48.7
1935	......	47	46	38	55	55	20	13	25	61.3	......	58.8	23.5	69	29	58.7	52.0
1936	......	56	55	49	61	63	30	22	35	65.8	......	63.9	27.2	81	32	59.3	52.5
1937	......	61	60	55	64	71	32	25	36	70.2	......	70.1	32.6	84	35	61.4	56.1
1938	......	48	46	35	57	62	35	27	40	66.1	......	59.6	25.3	67	32	60.3	51.1
1939	......	58	57	49	66	68	39	37	40	69.3	......	66.2	29.9	76	35	59.4	50.1
1940	......	67	66	63	69	76	44	43	44	73.3	......	71.2	34.0	83	37	59.9	51.1
1941	......	87	88	91	84	81	66	54	74	82.8	......	87.9	49.3	98	44	62.9	56.8
1942	......	106	110	126	93	84	89	49	116	90.9	......	103.9	72.2	104	49	69.7	64.2
1943	......	127	133	162	103	87	37	24	45	96.3	......	121.4	99.0	104	56	74.0	67.0
1944	......	125	130	159	99	93	22	10	30	95.0	......	118.1	102.8	106	62	75.2	67.6
1945	......	107	110	123	96	92	36	16	50	91.5	......	104.0	87.8	102	70	76.9	68.8
1946	......	90	90	86	95	91	82	87	79	94.4	......	97.9	81.2	100	90	83.4	78.7
1947	......	100	100	101	99	100	84	86	83	99.4	......	103.4	97.7	108	98	95.5	96.4
1948	......	104	103	104	102	106	102	98	105	101.6	......	102.8	105.1	104	104	102.8	104.4
1949	......	97	97	95	99	94	113	116	111	99.0	......	93.8	97.2	88	99	101.8	99.2
1950	......	112	113	116	111	105	159	185	142	102.3	......	99.6	111.7	97	107	102.8	103.1
1951	......	120	121	128	114	115	171	170	172	108.2	......	106.4	129.8	101	112	111.0	114.8
1952	......	124	125	136	114	114	183	183	183	110.4	......	106.3	136.6	95	114	113.5	111.6
1953	......	134	136	153	118	116	192	178	201	113.6	......	111.8	151.4	96	118	114.4	110.1
1954	......	125	127	137	116	111	215	232	204	110.7	......	101.8	137.7	86	118	114.8	110.3
1955	......	139	140	155	126	122	261	280	248	114.4	......	105.6	152.9	95	128	114.5	110.7
1956	......	143	144	159	129	129	[1]99	[1]99	[1]99	118.3	......	106.7	161.4	97	135	116.2	114.3
1957	......	143	145	160	130	128	101	101	101	119.2	......	104.4	162.7	90	135	120.2	117.6
1958	......	134	136	141	130	117	111	114	108	115.5	......	94.3	148.8	78	136	....	119.2
1958																	
July	134	125	136	141	132	116	136	144	130	115.2	93.1	91.8	144.8	70	140	123.9	119.2
Aug.	136	136	138	144	133	120	130	134	128	115.6	93.2	94.1	150.0	79	147	123.7	119.1
Sept.	137	140	139	145	133	123	121	135	111	116.1	94.8	96.5	155.7	80	135	123.7	119.1
Oct.	138	143	140	146	134	122	125	148	109	115.6	93.4	94.8	152.5	83	135	123.7	119.0
Nov.	141	144	143	151	135	123	98	112	88	116.3	96.0	96.9	158.4	83	137	123.9	119.2
Dec.	142	140	144	152	135	124	86	91	82	116.2	96.1	96.5	160.4	82	143	123.7	119.2
1959																	
Jan.	143	142	145	153	137	124	87	95	82	116.8	96.5	95.8	158.2	84	138	123.8	119.5
Feb.	145	147	148	157	139	124	87	99	78	117.0	96.8	96.5	160.4	84	140	123.7	119.5
Mar.	147	149	150	160	140	123	126	143	114	117.6	98.2	98.0	165.1	85	138	123.7	119.6
Apr.	150	[r]151	153	164	142	124	142	170	123	118.6	99.5	98.4	167.0	87	141	123.9	120.0
May	153	153	156	169	144	126	133	155	118	119.2	100.9	99.4	169.6	89	144	124.0	119.8
June	155	155	158	172	145	125	138	163	120	119.8	101.8	101.2	174.3	87	[p]144	124.5	119.6
July	[p]153	[p]144	[p]157	[p]169	[p]146	[p]119	......	......	......	[p]120.2	[p]102.2	[p]100.7	[p]171.4	73	[e]147	....	....

[e] Estimated. [p] Preliminary. [r] Revised.

* Average per working day.

[1] Indexes beginning 1956 are based on data for 48 States from F. W. Dodge Corporation, 1956–57 = 100. Figures for earlier years are three-month moving averages, based on data for 37 States east of the Rocky Mountains, 1947–49 = 100; the data for 1956 on this basis were: Total, 268; Residential, 271; and all other, 266. A description of the old index, including seasonal adjustments, may be obtained from the Division of Research and Statistics.

[2] The indexes of employment and payrolls, wholesale commodity prices, and consumer prices are compiled by the Bureau of Labor Statistics. Nonagricultural employment covers employees only and excludes personnel in the armed forces. The consumer price index is the revised series, reflecting, beginning January 1953, the inclusion of some new series and revised weights; prior to January 1953, indexes are based on the "interim adjusted" and "old" indexes converted to the base 1947–49 = 100.

INDUSTRIAL PRODUCTION

[Federal Reserve indexes, 1947–49 average= 100]

Industry	1947–49 proportion	Annual average 1957	Annual average 1958	1958 June	1958 July	1958 Aug.	1958 Sept.	1958 Oct.	1958 Nov.	1958 Dec.	1959 Jan.	1959 Feb.	1959 Mar.	1959 Apr.	1959 May	1959 June
SEASONALLY ADJUSTED																
INDUSTRIAL PRODUCTION—TOTAL	**100.00**	**143**	**134**	**132**	**134**	**136**	**137**	**138**	**141**	**142**	**143**	**145**	**147**	**150**	**153**	**155**
MANUFACTURES—TOTAL	**90.02**	**145**	**136**	**134**	**136**	**138**	**139**	**140**	**143**	**144**	**145**	**148**	**150**	**153**	**156**	**158**
Durable Manufactures—Total	***45.17***	***160***	***141***	***139***	***141***	***144***	***145***	***146***	***151***	***152***	***153***	***157***	***160***	***164***	***169***	***172***
Primary metals	6.70	131	104	103	102	109	113	122	123	123	125	138	146	149	154	150
Metal fabricating	*28.52*	*176*	*155*	*151*	*154*	*156*	*155*	*156*	*163*	*165*	*166*	*168*	*170*	*173*	*r179*	*184*
Fabricated metal products	5.73	139	128	125	129	132	135	133	136	136	136	135	138	142	r148	150
Machinery	13.68	168	145	141	144	147	148	147	150	152	154	158	159	163	r170	178
Nonelectrical machinery	9.04	150	127	125	125	126	129	130	133	132	132	138	142	145	r150	155
Electrical machinery	4.64	204	179	171	181	188	186	180	183	190	199	198	192	198	r209	221
Transportation equipment	7.54	213	187	185	185	186	178	183	203	204	204	204	207	211	r213	216
Autos, trucks, and parts	4.80	128	99	95	96	96	82	91	119	123	124	123	128	132	136	139
Other transportation equipment	2.74	344	319	320	318	321	322	321	327	322	322	322	322	326	r326	326
Instruments and related products	1.29	172	164	160	162	162	166	169	173	175	176	179	181	183	r189	197
Clay, glass, and lumber products	*5.91*	*133*	*129*	*128*	*132*	*135*	*136*	*134*	*137*	*136*	*136*	*137*	*143*	*149*	*r153*	*151*
Stone, clay, and glass products	2.82	155	145	145	152	150	157	149	151	148	147	149	158	166	170	174
Lumber and products	3.09	114	115	113	114	120	118	120	125	125	127	126	129	133	139	130
Furniture and misc. manufactures	*4.04*	*132*	*127*	*126*	*129*	*130*	*132*	*134*	*134*	*131*	*135*	*135*	*138*	*143*	*147*	*149*
Furniture and fixtures	1.64	120	119	116	119	123	126	127	129	127	133	132	135	138	r143	145
Miscellaneous manufactures	2.40	140	133	132	135	134	137	138	137	134	137	137	141	147	150	151
Nondurable Manufactures—Total	***44.85***	***130***	***130***	***129***	***132***	***133***	***133***	***134***	***135***	***135***	***137***	***139***	***140***	***142***	***144***	***145***
Textiles and apparel	*11.87*	*105*	*103*	*102*	*107*	*108*	*109*	*111*	*110*	*110*	*112*	*114*	*115*	*119*	*122*	*123*
Textile mill products	6.32	99	98	95	101	103	103	104	104	104	106	108	110	115	118	119
Apparel and allied products	5.55	111	110	110	115	114	116	118	117	116	118	120	121	123	127	128
Rubber and leather products	*3.20*	*118*	*113*	*111*	*114*	*116*	*119*	*119*	*126*	*123*	*124*	*128*	*129*	*123*	*125*	*134*
Rubber products	1.47	135	125	125	125	132	136	133	141	140	142	150	156	135	134	p160
Leather and products	1.73	104	102	100	104	103	104	108	113	108	109	109	106	112	117	.....
Paper and printing	*8.93*	*148*	*147*	*146*	*148*	*150*	*150*	*153*	*152*	*150*	*153*	*155*	*156*	*158*	*161*	*160*
Paper and allied products	3.46	158	160	157	163	166	167	171	168	166	167	172	173	176	180	178
Printing and publishing	5.47	141	139	138	138	140	140	142	142	139	144	145	145	147	149	149
Newsprint consumption	1.85	131	126	125	126	128	127	131	130	120	129	131	130	135	135	133
Job printing and periodicals	3.62	146	146	145	145	147	146	148	149	150	152	152	153	153	155	157
Chemical and petroleum products	*9.34*	*172*	*170*	*168*	*171*	*174*	*174*	*175*	*177*	*180*	*182*	*184*	*187*	*188*	*r190*	193
Chemicals and allied products	6.84	184	184	181	184	186	187	189	192	194	196	199	201	204	r208	211
Industrial chemicals	2.54	203	195	187	193	196	204	209	212	214	216	222	226	231	233	.....
Petroleum and coal products	2.50	141	134	131	136	139	135	137	139	142	143	144	149	143	142	p144
Foods, beverages, and tobacco	*11.51*	*112*	*115*	*116*	*116*	*116*	*116*	*116*	*117*	*117*	*118*	*120*	*120*	*121*	*121*	*120*
Food and beverage manufactures	10.73	112	115	116	116	116	115	115	116	117	118	119	119	120	121	120
Food manufactures	8.49	112	115	116	116	116	116	115	116	116	117	119	120	120	121	120
Beverages	2.24	113	116	116	114	115	114	115	119	121	121	121	117	122	122	.....
Tobacco manufactures	.78	111	118	116	121	121	121	120	126	126	121	130	121	134	124	.....
MINERALS—TOTAL	**9.98**	**128**	**117**	**112**	**116**	**120**	**123**	**122**	**123**	**124**	**124**	**124**	**123**	**124**	**126**	**125**
Mineral fuels	*8.35*	*128*	*117*	*112*	*116*	*121*	*123*	*123*	*123*	*124*	*123*	*123*	*121*	*122*	*124*	*124*
Coal	2.68	83	68	66	65	68	70	69	72	73	69	74	72	71	73	74
Anthracite	.36	49	42	45	38	41	44	39	37	48	45	37	39	38	37	36
Bituminous coal	2.32	88	72	69	69	73	74	74	77	77	73	79	77	77	79	79
Crude oil and natural gas	5.67	150	141	134	141	146	149	148	147	148	149	146	144	147	149	p147
Crude oil	4.12	138	129	122	128	137	140	138	135	135	137	135	133	135	137	p134
Natural gas and gas liquids	.70	198	197	191	200	198	198	202	203	205	p203	p206	p208	p210	p211	.....
Metal, stone, and earth minerals	*1.63*	*129*	*117*	*112*	*113*	*113*	*119*	*120*	*124*	*125*	*129*	*128*	*132*	*r135*	*r134*	*134*
Metal mining	.82	116	91	80	80	83	90	92	101	108	113	114	115	114	r115	112
Stone and earth minerals	.81	142	143	145	146	144	149	148	148	142	145	143	148	155	154	155

p Preliminary. r Revised. For other notes see end of table.

INDUSTRIAL PRODUCTION—Continued

[Federal Reserve indexes, 1947–49 average = 100]

Industry	1947–49 pro-portion	Annual average 1957	Annual average 1958	1958 June	1958 July	1958 Aug.	1958 Sept.	1958 Oct.	1958 Nov.	1958 Dec.	1959 Jan.	1959 Feb.	1959 Mar.	1959 Apr.	1959 May	1959 June
WITHOUT SEASONAL ADJUSTMENT																
INDUSTRIAL PRODUCTION—TOTAL	**100.00**	**143**	**134**	**131**	**125**	**136**	**140**	**143**	**144**	**140**	**142**	**147**	**149**	**r151**	**153**	**155**
MANUFACTURES—TOTAL	**90.02**	**145**	**136**	**133**	**127**	**138**	**141**	**145**	**146**	**141**	**144**	**150**	**152**	**155**	**156**	**158**
Durable Manufactures—Total	**45.17**	**160**	**141**	**138**	**132**	**140**	**146**	**149**	**155**	**152**	**154**	**160**	**163**	**166**	**169**	**171**
Primary Metals	6.70	131	104	106	90	102	111	123	124	119	127	144	154	155	157	155
Ferrous metals	5.03	130	99	100	85	98	106	117	120	117	125	142	154	156	157	152
Pig iron and steel	3.51	140	105	105	92	105	114	129	129	127	136	156	170	171	170	165
Pig iron	.37	137	99	93	87	97	106	119	124	123	127	139	152	155	157	153
Steel	3.05	139	105	105	92	105	114	129	128	127	136	156	170	171	170	164
Carbon steel	2.62	138	104	108	94	106	113	126	127	125	133	151	164	165	165	161
Alloy steel	.43	143	106	91	81	101	118	144	138	135	157	191	205	206	203	182
Ferrous castings and forgings	1.52	108	85	87	70	80	87	90	99	93	98	112	118	122	r128	123
Iron and steel castings	1.29	107	85	88	72	81	88	91	101	93	98	112	118	122	r127	122
Steel forgings	.23	113	81	81	58	75	80	85	88	96	101	111	115	121	133	125
Nonferrous metals	1.67	136	121	124	102	115	125	140	137	126	133	149	153	r151	r157	163
Primary nonferrous metals	.38	164	146	133	126	128	139	150	157	162	163	169	167	169	168	173
Copper smelting	.09	129	120	105	90	95	111	138	144	130	132	136	145	144	141	141
Copper refining	.06	135	121	110	108	99	110	111	130	144	135	155	138	140	r133	140
Lead	.04	114	99	102	86	88	99	101	93	98	97	97	87	93	87	....
Zinc	.10	123	97	95	90	86	91	90	93	105	105	108	110	108	106	p107
Aluminum	.09	275	268	241	240	254	263	283	295	308	317	318	318	325	332	350
Secondary nonferrous metals	.13	111	93	88	74	90	94	111	105	102	98	119	113	123	....	....
Nonferrous shapes and castings	1.16	129	116	125	97	114	124	141	133	117	127	145	p153	p148	p157	p165
Copper mill shapes	.63	104	94	110	74	96	102	128	114	87	103	123	129	117	r123	129
Aluminum mill shapes	.20	198	193	212	198	190	207	219	202	203	204	225	243	264	r286	305
Nonferrous castings	.33	136	110	101	83	103	116	118	130	123	129	140	....	....	....	....
Metal Fabricating	***28.52***	***176***	***155***	***149***	***144***	***150***	***156***	***158***	***167***	***168***	***168***	***172***	***174***	***176***	***r179***	***182***
Fabricated metal products	5.73	139	128	125	123	133	141	136	136	136	134	135	138	142	r146	150
Structural metal parts	2.68	152	140	138	137	143	148	144	144	148	144	144	146	151	155	160
Stampings and misc. metal products	2.12	124	108	101	100	104	115	115	119	125	124	123	128	130	133	136
Tin cans	.30	146	150	160	171	232	208	161	130	104	118	125	128	146	158	167
Furnaces, gas ranges, and heaters	.63	99	106	110	87	115	132	133	128	104	107	116	109	111	114	116
Machinery	13.68	168	145	138	133	142	151	150	153	152	156	162	164	165	r170	175
Nonelectrical machinery	9.04	150	127	125	120	119	128	127	131	133	134	142	147	149	r153	155
Farm and industrial machinery	8.13	146	121	117	114	114	119	118	121	125	128	132	137	140	r144	147
Farm machinery	1.02	84	79	80	80	77	80	83	65	72	80	99	106	107	r116	117
Industrial and commercial machinery	7.11	155	127	123	119	119	124	124	129	133	135	137	142	144	r148	152
Machine tools and presses	.68	182	119	114	112	109	114	115	113	116	116	118	125	130	134	138
Laundry and refrigeration appliances	.69	151	148	159	131	123	170	163	179	163	155	194	200	196	196	191
Electrical machinery	4.64	204	179	162	158	186	195	194	197	190	199	202	196	196	r203	213
Electrical apparatus and parts	3.23	201	177	168	166	170	178	177	182	192	192	193	195	198	r203	209
Radio and television sets	.74	205	166	123	115	214	223	221	212	163	193	200	173	166	177	198
Transportation equipment	7.54	213	187	183	175	173	170	184	211	214	211	212	215	217	215	214
Autos, trucks, and parts	4.80	128	99	94	84	77	69	92	132	134	131	133	139	141	139	138
Autos	1.50	146	101	100	87	53	37	71	160	161	154	149	163	164	162	158
Trucks	.66	104	90	91	76	78	67	89	112	100	110	133	138	143	148	147
Light trucks	.22	100	82	79	68	61	49	75	123	120	114	123	124	130	134	131
Medium trucks	.19	50	24	29	23	16	12	12	33	30	28	32	31	36	36	40
Heavy trucks	.14	194	203	210	164	189	155	221	221	173	227	308	327	329	343	337
Truck trailers	.07	137	116	113	106	120	131	132	135	134	145	163	170	186	187	192
Auto and truck parts	2.58	123	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Other transportation equipment	2.74	344	319	316	312	317	322	321	327	329	325	326	325	326	r322	323
Aircraft and parts	1.30	608	572	568	561	573	583	582	591	595	587	587	583	580	r572	573
Shipbuilding and repair	.81	129	128	130	128	127	126	129	130	128	131	128	132	135	r136	134
Railroad equipment	.53	77	39	32	28	30	30	20	29	32	28	35	36	43	42	45
Railroad cars	.35	80	34	24	19	22	20	15	19	24	19	26	27	36	34	38
Instruments and related products	**1.29**	**172**	**164**	**159**	**157**	**160**	**168**	**171**	**174**	**176**	**176**	**179**	**183**	**185**	**188**	**195**
Clay, Glass and Lumber Products	***5.91***	***133***	***129***	***133***	***126***	***142***	***143***	***143***	***139***	***126***	***128***	***134***	***140***	***149***	***155***	***157***
Stone, clay, and glass products	2.82	155	145	148	148	155	160	155	153	145	141	145	156	166	171	177
Glass and pottery products	1.09	141	125	123	123	131	136	122	127	124	125	133	143	146	r146	151
Flat glass and vitreous products	.60	161	137	130	133	141	154	123	141	144	142	147	167	166	r167	170
Flat and other glass	.47	164	139	132	135	146	160	120	141	144	142	148	171	171	r171	174
Glass containers	.26	136	135	144	139	147	142	145	130	116	126	138	137	149	146	155
Home glassware and pottery	.23	92	82	81	82	84	84	91	86	80	79	89	86	88	90	97
Cement	.32	148	155	183	175	186	192	193	170	139	109	109	143	177	196	203
Structural clay products	.35	128	118	121	122	126	132	133	127	120	112	115	121	132	134	....
Brick	.12	114	113	123	122	126	134	136	123	110	96	101	111	131	129	....
Clay, firebrick, pipe, and tile	.20	140	123	121	125	129	134	133	132	129	126	127	130	134	r139	145
Concrete and plaster products	.48	188	187	195	200	209	209	207	199	187	182	182	192	208	r219	229
Misc. stone and earth manufactures	.58	174	157	153	150	157	163	169	169	171	172	175	180	184	189	193

p Preliminary. r Revised.

For other notes see end of table.

INDUSTRIAL PRODUCTION—Continued

[Federal Reserve indexes, 1947-49 average = 100]

Industry	1947-49 pro-portion	Annual average		1958							1959					
		1957	1958	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
WITHOUT SEASONAL ADJUSTMENT —Continued																
Lumber and products	**3.09**	**114**	**115**	**120**	**106**	**130**	**127**	**131**	**126**	**109**	**116**	**124**	**125**	**133**	**140**	**138**
Lumber	2.05	96	94	100	88	107	105	105	101	87	89	98	101	106	113	109
Millwork and plywood	.60	187	202	201	176	235	220	240	234	193	225	243	234	.....	.....	.....
Millwork	.39	112	110	120	101	141	133	134	133	103	110	120	118	141	162	157
Softwood plywood	.12	312	356	334	301	390	364	416	403	341	419	448	429	.....	.....	.....
Wood containers	.29	84	76	79	77	77	80	80	78	77	77	75	78	79	[r]83	84
Furniture and Misc. Manufactures	***4.04***	***132***	***127***	***123***	***121***	***131***	***138***	***141***	***139***	***135***	***132***	***136***	***138***	***139***	***142***	***145***
Furniture and fixtures	**1.64**	**120**	**119**	**113**	**113**	**124**	**130**	**132**	**132**	**132**	**132**	**134**	**135**	**135**	**137**	**140**
Household furniture	1.10	120	122	113	115	127	134	138	137	138	137	140	141	140	141	143
Fixtures and office furniture	.54	120	114	112	108	119	123	120	120	122	120	120	122	125	[r]129	135
Miscellaneous manufactures	**2.40**	**140**	**133**	**130**	**126**	**135**	**143**	**147**	**144**	**137**	**133**	**137**	**139**	**142**	**145**	**148**
Nondurable Manufactures—Total	**44.85**	**130**	**130**	**128**	**123**	**135**	**137**	**142**	**138**	**130**	**135**	**140**	**141**	**143**	**142**	**144**
Textiles and Apparel	***11.87***	***105***	***103***	***100***	***92***	***110***	***107***	***115***	***112***	***103***	***113***	***120***	***121***	***123***	***122***	***121***
Textile mill products	**6.32**	**99**	**98**	**94**	**86**	**103**	**103**	**109**	**107**	**100**	**107**	**113**	**113**	**117**	**119**	**117**
Cotton and synthetic fabrics	3.72	105	104	100	86	107	111	112	118	106	119	122	122	131	129	121
Cotton consumption	2.30	95	91	88	72	94	96	98	99	86	101	103	102	106	104	97
Synthetic fabrics	.97	119	115	105	107	117	124	125	137	141	135	138	149	154	156	156
Fabric finishing	.45	94	98	107	75	104	109	101	115	87	115	119	108	139	130	107
Wool textiles	.97	75	69	82	67	76	75	75	71	62	.....	.....	.....	.....	.....	.....
Wool apparel yarns	.16	78	72	81	71	81	78	73	72	62	79	85	84	95	94	88
Wool fabrics	.75	75	69	83	67	76	75	76	71	63	.....	.....	.....	.....	.....	.....
Knit goods	1.15	104	104	103	98	114	113	116	115	96	109	111	111	116	115	115
Hosiery	.65	93	92	86	80	99	97	102	102	75	101	99	94	97	91	86
Full-fashioned hosiery	.45	89	84	79	72	89	86	89	92	66	90	87	83	84	77	69
Seamless hosiery	.20	102	108	103	97	123	123	132	127	98	125	127	120	129	123	125
Knit garments	.50	118	120	125	122	134	135	134	132	124	120	126	132	140	146	153
Floor coverings[1]	.48	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Woven carpets	.31	71	63	50	36	61	70	79	76	75	76	91	87	90	76	.....
Apparel and allied products	**5.55**	**111**	**110**	**106**	**99**	**117**	**113**	**121**	**117**	**105**	**120**	**128**	**130**	**128**	**[r]125**	**124**
Men's outerwear	1.78	102	100	101	77	110	106	108	107	93	119	123	117	139	[r]136	118
Men's suits and coats	.73	86	75	81	52	91	78	79	84	67	81	82	81	99	98	89
Men's suits	.50	87	73	73	47	82	72	76	84	70	87	86	83	95	91	81
Men's outercoats	.13	61	66	91	59	104	86	73	62	38	37	46	52	92	99	98
Shirts and work clothing	.99	112	115	113	91	122	123	128	121	109	145	151	142	167	[r]164	138
Women's outerwear	1.85	112	112	109	107	120	112	120	113	90	119	141	138	133	129	118
Women's suits and coats	.76	128	129	123	138	153	139	150	138	101	151	175	147	114	122	138
Misc. apparel and allied mfrs.	1.92	117	117	112	112	121	126	129	128	126	125	130	129	125	[r]124	129
Rubber and Leather Products	***3.20***	***118***	***113***	***110***	***97***	***117***	***120***	***125***	***125***	***118***	***129***	***138***	***136***	***125***	***121***	***132***
Rubber products	**1.47**	**135**	**125**	**122**	**103**	**127**	**137**	**143**	**145**	**137**	**150**	**158**	**159**	**138**	**132**	**[p]157**
Tires and tubes	.70	123	113	117	96	110	117	129	128	128	138	154	155	111	108	.....
Auto tires	.40	134	120	131	105	118	122	131	131	132	149	167	171	120	120	.....
Truck and bus tires	.30	107	103	99	85	99	109	125	124	122	124	137	133	99	92	.....
Miscellaneous rubber products	.77	147	136	127	108	142	156	156	160	146	161	161	163	163	154	.....
Leather and products	**1.73**	**104**	**102**	**99**	**92**	**108**	**105**	**109**	**108**	**102**	**110**	**120**	**116**	**113**	**112**	.....
Leather	.44	89	84	84	68	85	83	91	93	85	90	94	88	89	93	.....
Cattlehide leathers	.29	98	91	90	72	94	92	101	102	94	97	102	95	95	97	.....
Skin leathers	.15	72	68	70	61	65	65	72	74	69	75	79	73	77	84	.....
Shoes and slippers[1]	.90	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Miscellaneous leather products	.39	94	94	90	92	100	100	105	107	104	99	102	103	98	98	.....
Paper and Printing	***8.93***	***148***	***147***	***146***	***137***	***148***	***152***	***160***	***155***	***145***	***150***	***156***	***159***	***164***	***162***	***160***
Paper and allied products	**3.46**	**158**	**160**	**159**	**145**	**168**	**169**	**181**	**170**	**153**	**166**	**177**	**176**	**185**	**180**	**179**
Pulp and paper	1.76	154	154	153	137	159	159	171	164	148	161	171	171	179	175	177
Wood pulp	.51	176	175	171	156	179	180	199	188	168	187	194	195	203	[r]200	203
Paper and board	1.25	145	145	146	129	151	150	160	154	140	150	162	161	169	165	166
Printing paper	.22	133	133	138	121	136	131	138	132	127	138	142	145	153	149	151
Fine paper	.14	139	142	146	116	143	145	151	152	145	145	160	161	165	[r]162	159
Coarse paper	.20	127	125	120	109	129	129	142	139	120	129	140	135	147	[r]142	139
Miscellaneous paper	.18	179	178	175	158	176	174	195	186	175	193	200	194	205	[r]200	196
Paperboard	.41	153	154	154	136	163	164	173	166	146	157	173	172	178	174	178
Building paper and board	.10	124	129	133	130	141	145	145	128	115	124	137	143	157	148	156
Converted paper products	1.70	163	166	165	154	177	179	192	176	158	171	183	182	190	[r]186	182
Shipping containers	.51	157	157	156	146	173	175	184	168	148	160	172	174	179	181	177
Sanitary paper products	.11	179	191	191	176	185	188	213	199	187	203	213	202	223	[r]199	196

[p] Preliminary. [r] Revised. For other notes see end of table.

INDUSTRIAL PRODUCTION—Continued

[Federal Reserve indexes, 1947–49 average = 100]

Industry	1947–49 proportion	Annual average 1957	Annual average 1958	1958 June	1958 July	1958 Aug.	1958 Sept.	1958 Oct.	1958 Nov.	1958 Dec.	1959 Jan.	1959 Feb.	1959 Mar.	1959 Apr.	1959 May	1959 June
WITHOUT SEASONAL ADJUSTMENT —Continued																
Printing and publishing	5.47	**141**	**139**	**137**	**132**	**136**	**142**	**147**	**146**	**140**	**139**	**142**	**148**	**150**	**150**	**148**
Newsprint consumption	1.85	131	126	125	110	115	128	141	142	119	119	127	136	145	143	133
Job printing and periodicals	3.62	146	146	143	143	147	149	149	149	151	150	150	154	153	154	155
Chemical and Petroleum Products	***9.34***	***172***	***170***	***165***	***163***	***170***	***174***	***179***	***180***	***181***	***184***	***187***	***189***	***190***	***[r]188***	***189***
Chemicals and allied products	6.84	**184**	**184**	**177**	**174**	**182**	**187**	**195**	**195**	**195**	**198**	**202**	**204**	**208**	**[r]206**	**205**
Industrial chemicals	2.54	203	195	184	183	190	202	211	214	217	218	226	231	236	235	.....
Basic inorganic chemicals	.57	202	198	185	179	182	196	210	219	210	209	223	229	235	232	.....
Industrial organic chemicals	1.97	204	195	183	184	193	204	212	213	219	221	227	231	236	[r]236	.....
Plastics materials	.24	272	284	266	244	276	316	336	328	320	332	350	366	[r]379	376	.....
Synthetic rubber	.11	245	230	197	199	225	242	260	273	262	280	292	287	289	283	284
Synthetic fibers	.59	199	180	164	174	178	189	199	200	215	211	220	222	[p]228	[p]218	[p]227
Miscellaneous organic chemicals	1.03	186	178	174	175	178	183	185	187	192	195	196	199	202	[r]209	217
Vegetable and animal oils	.64	130	130	110	108	117	117	162	159	149	157	157	144	138	131	.....
Vegetable oils	.48	121	124	99	98	107	108	161	155	148	156	152	141	129	120	108
Grease and tallow	.16	154	149	145	138	148	146	164	171	151	161	174	155	165	165	.....
Soap and allied products	.71	112	109	106	88	122	126	120	114	104	117	120	113	117	114	.....
Paints[1]	.66	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Fertilizers	.23	132	132	118	102	106	118	126	115	119	134	142	172	212	[r]192	127
Petroleum and coal products	2.50	**141**	**134**	**131**	**133**	**140**	**138**	**137**	**140**	**144**	**146**	**145**	**148**	**138**	**139**	**[p]144**
Petroleum refining	1.97	150	145	141	146	149	148	147	151	159	160	157	154	147	146	[p]152
Gasoline	1.04	162	161	162	167	170	166	160	168	173	170	162	166	163	164	[p]171
Automotive gasoline	.98	157	156	157	162	163	159	154	161	167	165	156	162	159	162	.....
Aviation gasoline	.06	249	249	237	255	293	297	275	286	275	257	268	232	233	215	.....
Fuel oil	.56	147	136	126	131	133	138	140	140	153	163	165	153	134	133	[p]139
Distillate fuel oil	.30	194	183	171	175	181	189	193	192	207	226	229	211	184	186	.....
Residual fuel oil	.26	93	82	75	80	79	80	79	80	90	91	92	86	77	74	.....
Kerosene	.10	98	99	76	74	87	93	103	115	123	137	137	100	90	80	.....
Lubricating oil	.17	113	104	104	105	109	102	108	106	112	104	104	111	117	113	.....
Coke	.26	105	76	68	66	72	78	85	90	92	94	102	107	107	106	104
Asphalt roofing and siding	.15	94	103	137	115	165	130	121	92	49	58	80	149	87	109	121
Foods, Beverages, and Tobacco	***11.51***	***112***	***115***	***119***	***118***	***127***	***130***	***129***	***120***	***110***	***108***	***111***	***110***	***115***	***[r]117***	***124***
Food and beverage manufactures	10.73	**112**	**115**	**119**	**119**	**126**	**131**	**129**	**120**	**110**	**107**	**109**	**109**	**114**	**[r]117**	**123**
Food manufactures	8.49	112	115	114	116	127	134	130	121	112	110	110	108	111	113	117
Meat products	1.48	128	125	121	115	120	130	138	134	133	139	140	133	136	129	129
Beef	.46	148	139	144	141	141	147	150	134	134	141	132	132	141	140	143
Pork	.83	110	111	102	94	101	113	123	126	126	130	136	127	127	116	114
Dairy products	.69	111	110	146	133	121	103	93	89	87	92	100	109	121	141	146
Butter	.14	109	105	137	111	91	79	80	88	92	103	106	110	115	132	123
Natural cheese	.07	119	121	165	138	119	109	104	101	103	102	108	119	134	155	158
Concentrated milk	.19	102	99	142	117	95	84	77	70	76	83	88	99	115	139	140
Ice cream	.28	111	112	142	149	149	122	104	94	84	87	99	109	117	136	152
Canned and frozen foods	1.13	126	134	122	163	236	242	175	125	105	92	93	97	110	[r]110	131
Grain-mill products	1.16	100	103	106	105	109	110	109	104	101	105	102	102	99	[r]105	106
Wheat flour	.46	87	90	87	85	92	93	97	97	88	94	90	89	85	92	88
Cereals and feeds	.70	108	112	118	118	120	121	117	110	109	113	111	111	108	[r]114	119
Bakery products	1.64	100	101	103	104	102	102	103	101	101	98	99	99	99	102	104
Sugar	.27	122	131	82	74	72	103	293	311	233	112	72	64	70	[r]83	84
Cane sugar	.11	112	115	125	126	136	125	117	114	107	103	104	113	118	[r]135	128
Beet sugar	.13	125	138	41	23	11	79	439	476	336	114	40	16	23	[r]32	41
Confectionery	.71	112	113	95	86	103	154	140	134	96	121	128	103	108	96	92
Miscellaneous food preparations	1.41	108	115	119	119	120	119	118	118	116	113	116	115	116	119	124
Beverages	2.24	113	116	138	128	122	119	124	113	104	95	105	113	124	131	.....
Bottled soft drinks	.54	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Alcoholic beverages	1.70	103	107	125	107	104	108	124	111	94	91	100	109	119	124	.....
Beer and ale	1.02	101	103	136	127	107	99	90	85	90	85	88	105	119	121	.....
Liquor distilling	.17	83	91	58	33	47	116	172	125	109	104	107	106	112	111	.....
Liquor bottling	.37	111	115	124	91	116	118	166	154	92	92	116	112	116	128	.....
Tobacco manufactures	.78	**111**	**118**	**125**	**109**	**130**	**125**	**130**	**128**	**103**	**121**	**130**	**121**	**129**	**128**	.....
Cigarettes	.46	116	124	134	119	138	129	132	128	108	123	127	121	129	132	.....
Cigars	.17	106	114	113	92	122	124	137	140	102	129	150	133	140	129	.....

[p] Preliminary. [r] Revised. For other notes see end of table.

INDUSTRIAL PRODUCTION—Continued

[Federal Reserve indexes, 1947–49 average = 100]

Industry	1947–49 proportion	Annual average		1958							1959					
		1957	1958	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
WITHOUT SEASONAL ADJUSTMENT —Continued																
MINERALS—TOTAL	**9.98**	**128**	**117**	**115**	**110**	**120**	**123**	**124**	**123**	**124**	**124**	**123**	**122**	**124**	**r128**	**127**
Mineral Fuels	***8.35***	***128***	***117***	***113***	***108***	***119***	***122***	***122***	***124***	***127***	***127***	***126***	***123***	***123***	***r124***	***122***
Coal	**2.68**	**83**	**68**	**72**	**46**	**70**	**73**	**75**	**75**	**76**	**73**	**74**	**69**	**68**	**72**	**72**
Anthracite	.36	49	42	47	30	42	47	43	40	50	50	39	34	34	33	38
Bituminous coal	2.32	88	72	75	48	75	77	80	81	80	76	79	74	74	78	78
Crude oil and natural gas	**5.67**	**150**	**141**	**133**	**137**	**142**	**145**	**144**	**147**	**151**	**152**	**150**	**149**	**149**	**149**	**p146**
Oil and gas extraction	4.82	146	139	130	134	141	144	143	145	149	150	150	149	149	147	p144
Crude oil	4.12	138	129	122	126	133	136	134	134	137	138	138	138	139	138	p134
Natural gas and gas liquids	.70	198	197	182	184	186	190	196	209	219	p221	p222	p216	p210	p200	.....
Natural gas	.34	212	216	198	197	195	201	212	230	247	.....	.....	.....	.....	.....	.....
Natural gas liquids	.36	184	179	167	173	178	179	181	188	193	192	200	196	194	191	.....
Oil and gas well drilling	.85	171	152	150	151	149	150	154	159	165	163	152	146	148	155	161
Metal, Stone, and Earth Minerals	***1.63***	***129***	***117***	***125***	***121***	***124***	***132***	***131***	***121***	***110***	***108***	***111***	***114***	***128***	***r146***	***151***
Metal mining	**.82**	**116**	**91**	**100**	**91**	**96**	**107**	**107**	**93**	**81**	**86**	**91**	**91**	**105**	**r135**	**141**
Iron ore	.33	114	73	108	109	110	118	107	53	38	43	52	50	r81	157	p179
Nonferrous metal mining	.49	117	103	94	78	86	101	107	119	110	114	118	118	121	121	115
Copper mining	.24	133	121	105	88	100	123	132	145	135	139	141	146	149	r151	140
Lead mining	.09	85	68	72	62	59	59	62	73	64	69	71	64	65	r61	65
Zinc mining	.06	84	65	67	54	57	59	61	65	60	66	75	71	73	73	70
Stone and earth minerals	**.81**	**142**	**143**	**150**	**151**	**153**	**158**	**156**	**151**	**139**	**131**	**130**	**138**	**152**	**157**	**161**

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1 Publication suspended pending revision.

NOTE.—A number of groups and subgroups include individual series not published separately, and metal fabricating contains the ordnance group in addition to the groups shown. Certain types of combat materiel are included in major group totals but not in individual indexes for autos, farm machinery, and some other products, as discussed in the BULLETIN for December 1953, pp. 1269–71.

For description and back figures, see BULLETIN for December 1953, pp. 1247–93 and pp. 1298–1328, respectively.

UTILITY OUTPUT OF ELECTRICITY AND GAS

[Seasonally adjusted Federal Reserve indexes, 1947–49 average = 100]

Industry	1947–49 proportion	Annual average		1958							1959					
		1957	1958	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
ELECTRICITY AND GAS—TOTAL	**100.00**	**233**	**243**	**241**	**242**	**245**	**248**	**250**	**249**	**252**	**p257**	**p258**	**p260**	**p260**	**p265**	**p267**
Residential	41.34	261	282	282	281	285	288	289	285	286	.....	.....	.....	.....	.....	.....
Nonresidential	58.66	213	215	213	214	217	220	223	224	228	.....	.....	.....	.....	.....	.....
Electricity	**76.18**	**233**	**243**	**242**	**242**	**247**	**250**	**251**	**248**	**252**	**257**	**257**	**260**	**259**	**265**	**p267**
Residential	27.48	273	295	296	294	300	304	305	298	300	313	310	312	307	312	.....
Industrial	23.68	213	208	203	206	210	216	217	216	221	220	224	228	229	235	.....
General industrial	23.49	193	189	184	187	192	197	198	198	202	202	206	209	211	216	.....
Atomic energy	.19	2670	2570	2580	2570	2550	2550	2560	2550	2540	2560	2590	2580	2560	2560	.....
Commercial and other	25.02	208	219	220	220	224	224	224	224	228	230	230	234	235	241	.....
Gas	**23.82**	**232**	**243**	**239**	**239**	**240**	**242**	**247**	**251**	**253**	**p256**	**p259**	**p261**	**p262**	**p264**	**p266**
Residential	13.86	236	256	255	256	257	257	257	258	258	.....	.....	.....	.....	.....	.....
Industrial	6.16	230	231	227	229	231	233	241	245	250	.....	.....	.....	.....	.....	.....
Commercial and other	3.80	218	215	199	196	196	201	222	236	238	.....	.....	.....	.....	.....	.....

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NOTE.—For description and back figures see BULLETIN for October 1956, pp. 1055–69.

Indexes without seasonal adjustment may be obtained from the Division of Research and Statistics.

OUTPUT OF CONSUMER DURABLE GOODS

[Federal Reserve indexes, 1947–49 average = 100]

Product	1947–49 proportion	Annual average 1957	Annual average 1958	1958 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1959 Jan.	Feb.	Mar.	Apr.	May	June
SEASONALLY ADJUSTED																
CONSUMER DURABLES—TOTAL	100.00	**130**	**113**	**111**	**114**	**115**	**103**	**108**	**133**	**134**	**133**	**132**	**135**	**137**	**141**	**145**
Major Durables	69.72	**138**	**114**	**111**	**116**	**116**	**99**	**105**	**142**	**143**	**140**	**137**	**141**	**146**	151	155
Autos	32.10	**146**	**101**	**99**	**99**	**95**	**56**	**67**	**139**	**143**	**139**	**130**	**142**	**147**	153	156
Major household goods	36.13	**132**	**127**	**123**	**133**	**137**	**138**	**141**	**148**	**144**	**143**	**146**	**142**	**147**	[r]153	156
Furniture and floor coverings	15.32	114	115	109	116	117	120	124	127	127	132	133	133	135	140	140
Household furniture	11.31	120	122	116	121	126	129	130	133	134	140	140	141	143	148	147
Floor coverings[1]	4.01	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Appliances and heaters	15.60	127	127	125	129	132	137	148	159	156	140	145	139	144	151	145
Major appliances	11.88	133	131	128	133	139	144	157	168	161	141	149	145	150	158	154
Ranges	2.60	89	88	79	81	77	84	98	114	118	99	103	101	99	109	104
Refrigeration appliances	4.98	140	140	140	145	152	155	173	184	180	150	163	164	171	178	170
Laundry appliances	2.51	180	170	157	174	185	202	208	215	187	188	186	169	176	182	184
Heating apparatus	3.72	104	115	116	115	112	113	123	131	138	137	134	120	125	128	118
Radio and television sets	5.21	205	166	155	191	207	197	166	174	162	181	185	179	189	195	235
Radio sets	3.42	75	61	51	64	75	86	65	75	65	73	72	67	71	71	92
Television sets	1.79	453	365	355	435	459	408	359	363	346	387	400	392	415	432	507
Other Consumer Durables	30.28	**111**	**110**	**111**	**111**	**112**	**113**	**114**	**113**	**114**	**118**	**119**	**121**	**115**	**117**	**121**
Auto parts and tires	14.00	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Misc. home and personal goods	16.28	114	109	106	111	110	114	114	114	113	114	114	117	119	123	124
WITHOUT SEASONAL ADJUSTMENT																
CONSUMER DURABLES—TOTAL	100.00	**130**	**113**	**109**	**100**	**100**	**103**	**116**	**143**	**137**	**136**	**140**	**144**	**142**	[r]**142**	**143**
Major Durables	69.72	**138**	**114**	**109**	**97**	**94**	**96**	**113**	**155**	**147**	**145**	**150**	**155**	**154**	[r]**154**	**154**
Autos	32.10	**146**	**101**	**100**	**87**	**53**	**37**	**71**	**160**	**161**	**154**	**149**	**163**	**164**	**162**	**158**
Major household goods	36.13	**132**	**127**	**119**	**108**	**130**	**150**	**151**	**153**	**138**	**140**	**154**	**151**	**148**	[r]**149**	**152**
Furniture and floor coverings	15.32	114	115	105	105	118	126	131	130	130	130	135	136	135	133	135
Household furniture	11.31	120	122	113	115	127	134	138	137	138	137	140	141	140	141	143
Floor coverings[1]	4.01	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Appliances and heaters	15.60	127	127	132	109	114	150	147	156	137	131	158	159	156	155	154
Major appliances	11.88	133	131	135	111	110	150	148	162	146	137	169	173	167	165	163
Ranges	2.60	89	88	84	62	68	92	102	114	108	96	115	117	104	103	111
Refrigeration appliances	4.98	140	140	165	134	111	149	138	156	153	145	187	205	201	205	201
Laundry appliances	2.51	180	170	141	124	155	228	229	241	189	183	212	186	182	173	166
Heating apparatus	3.72	104	115	123	102	128	149	145	136	108	112	121	116	120	123	125
Radio and television sets	5.21	205	166	122	114	214	222	221	212	163	193	199	173	166	176	198
Radio sets	3.42	75	61	39	40	64	80	82	99	79	73	73	70	68	69	76
Television sets	1.79	453	365	281	257	500	493	485	429	322	422	440	369	353	380	431
Other Consumer Durables	30.28	**111**	**110**	**108**	**107**	**115**	**119**	**123**	**117**	**113**	**115**	**117**	**117**	[r]**113**	**114**	**119**
Auto parts and tires	14.00	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Misc. home and personal goods	16.28	114	109	103	103	112	118	123	122	114	109	114	116	116	118	121

[p] Preliminary. [r] Revised.
[1] Publication suspended pending revision.
NOTE.—For a description of these indexes, see BULLETIN for May 1954, pp. 438–47.

Individual indexes without seasonal adjustment for woven carpets, appliances, heating apparatus, radio sets, and television sets may be obtained from the Division of Research and Statistics.

VALUE OF NEW CONSTRUCTION ACTIVITY

[Joint estimates of the Departments of Commerce and Labor.* Seasonally adjusted. In millions of dollars]

Year or month	Total	Private: Total	Private: Residential	Private: Business: Total	Business: Industrial	Business: Commercial	Business: Public utility	Private: Other nonresidential	Public: Total	Public: Military	Public: Highway	Public: Conservation	Public: All other
1950[r]	29,947	23,081	14,100	5,807	1,062	1,415	3,330	3,174	6,866	177	2,134	942	3,613
1951[r]	32,700	23,447	12,529	7,344	2,117	1,498	3,729	3,574	9,253	887	2,353	912	5,101
1952[r]	34,670	23,889	12,842	7,500	2,320	1,137	4,043	3,547	10,781	1,387	2,679	900	5,815
1953[r]	37,019	25,783	13,777	8,495	2,229	1,791	4,475	3,511	11,236	1,290	3,015	892	6,039
1954[r]	39,362	27,684	15,379	8,531	2,030	2,212	4,289	3,774	11,678	1,003	3,680	773	6,222
1955[r]	44,164	32,440	18,705	9,980	2,399	3,218	4,363	3,755	11,724	1,287	3,861	701	5,875
1956[r]	45,779	33,067	17,677	11,608	3,084	3,631	4,893	3,782	12,712	1,360	4,395	826	6,131
1957[r]	47,795	33,778	17,019	12,535	3,557	3,564	5,414	4,224	14,017	1,287	4,892	971	6,867
1958	49,109	33,833	18,047	11,326	2,382	3,589	5,355	4,460	15,276	1,402	5,364	1,019	7,491
1958—July	4,030	2,771	1,470	923	180	307	436	378	1,259	112	432	80	635
Aug.	4,042	2,789	1,500	911	171	300	440	378	1,253	109	438	80	626
Sept.	4,105	2,821	1,535	906	167	297	442	380	1,284	124	442	84	634
Oct.	4,198	2,872	1,590	900	165	295	440	382	1,326	134	457	89	646
Nov.	4,356	2,948	1,653	908	167	298	443	387	1,408	160	510	86	652
Dec.	4,451	3,030	1,733	915	166	300	449	382	1,421	135	524	93	669
1959—Jan.[r]	4,557	3,113	1,793	928	160	304	464	392	1,444	127	552	95	670
Feb.[r]	4,526	3,127	1,812	929	160	308	461	386	1,399	125	500	93	681
Mar.[r]	4,669	3,181	1,867	928	156	305	467	386	1,488	133	582	98	675
Apr.[r]	4,654	3,243	1,936	925	153	311	461	382	1,411	135	512	99	665
May[p]	4,614	3,256	1,937	938	157	334	447	381	1,358	125	472	101	660
June[p]	4,582	3,249	1,897	957	163	344	450	395	1,333	132	449	98	654
July[p]	4,583	3,246	1,881	960	170	351	439	405	1,337	134	455	95	653

[p] Preliminary. [r] Revised.

* Beginning with June 1959, data are from Bureau of the Census.

CONSTRUCTION CONTRACTS AWARDED, BY TYPE OF OWNERSHIP AND BY TYPE OF CONSTRUCTION

[Figures for the 48 States, as reported by the F. W. Dodge Corporation. Value of contracts, in millions of dollars]

Year or month	Total	By type of ownership		By type of construction					
		Public	Private	Residential building	Nonresidential building				Public works and public utilities
					Factories	Commercial	Educational	Other	
1957	32,173	11,238	20,935	13,039	2,168	3,267	2,936	2,922	7,841
1958	35,090	13,427	21,663	14,696	1,400	3,197	2,908	3,444	9,446
1958—June	3,820	1,720	2,100	1,364	80	235	264	397	1,479
July	3,607	1,550	2,058	1,557	150	282	264	381	974
Aug.	3,467	1,233	2,234	1,451	142	356	280	301	937
Sept.	3,216	1,049	2,167	1,460	113	303	240	237	863
Oct.	3,309	1,071	2,238	1,595	135	288	248	284	759
Nov.	2,594	927	1,667	1,206	96	238	198	243	613
Dec.	2,282	887	1,395	981	88	227	206	226	553
1959—Jan.	2,319	800	1,519	1,022	105	282	171	261	479
Feb.	2,307	800	1,507	1,073	139	198	177	190	530
Mar.	3,340	869	2,471	1,541	128	286	217	283	886
Apr.	3,778	1,207	2,571	1,831	189	328	270	400	760
May	3,542	1,094	2,447	1,677	176	326	227	342	793
June	3,659	1,167	2,492	....	....	....	....	....	....

NOTE.—Beginning in 1958, monthly data exceed annual total and are not comparable with monthly data for earlier years because of a change in policy of accounting for negative adjustments in monthly data after original figures have been published.

CONSTRUCTION CONTRACTS AWARDED, BY FEDERAL RESERVE DISTRICTS

[Figures as reported by the F. W. Dodge Corporation. Value of contracts, in millions of dollars]

Month	All districts	Federal Reserve district											
		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
1958—Apr.	2,885	136	281	127	268	182	286	403	130	125	184	212	551
May	3,399	182	361	141	288	233	316	492	190	184	178	208	628
June	3,820	166	562	149	312	262	419	454	174	153	243	288	639
1959—Apr.	3,778	233	435	127	308	330	385	544	189	145	224	214	645
May	3,542	163	404	135	254	258	370	535	136	136	233	195	724
June	3,659	176	398	138	292	269	339	543	175	130	202	299	698

PERMANENT NONFARM DWELLING UNITS STARTED

[Bureau of Labor Statistics estimates.* In thousands of units]

Year or month	Total private (seasonally adjusted annual rate)	Total	Metropolitan areas	Nonmetropolitan areas	Private				Public	Government-underwritten[1]		
					Total	1-family	2-family	Multifamily		Total	FHA	VA
1951	....	1,091	777	315	1,020	892	40	88	71	412	264	149
1952	....	1,127	795	332	1,069	939	46	84	59	421	280	141
1953	....	1,104	804	300	1,068	933	42	94	36	409	252	157
1954	....	1,220	897	324	1,202	1,077	34	90	19	583	276	307
1955	....	1,329	976	353	1,310	1,190	33	87	19	670	277	393
1956	....	1,118	780	338	1,094	981	31	82	24	463	192	271
1957	....	1,042	700	342	993	840	33	120	49	313	185	128
1958	....	1,209	827	382	1,142	933	39	173	68	429	327	102
1958—July	1,174	113	81	32	109	88	3	17	4	43	32	11
Aug.	1,228	124	83	41	115	96	4	15	9	48	35	13
Sept.	1,255	121	85	36	111	93	3	14	10	50	35	14
Oct.	1,303	115	79	36	113	94	4	15	2	54	39	15
Nov.	1,427	109	74	36	107	85	4	18	2	40	29	11
Dec.	1,432	91	64	27	90	70	3	16	2	38	29	9
1959—Jan.	1,364	87	62	25	84	64	3	17	3	29	22	7
Feb.	1,403	95	62	33	94	75	3	15	1	28	22	6
Mar.	1,403	121	81	40	118	93	5	20	3	41	31	10
Apr.	1,434	142	97	45	137	109	5	24	5	46	35	11
May	1,370	137	94	43	134	107	5	21	4	47	36	10
June	p1,370	p136	91	45	p131	n.a.	n.a.	n.a.	p5	47	36	11
July	p1,350	p126	86	40	p125	n.a.	n.a.	n.a.	p2	43	33	11

p Preliminary. n.a. Not available.

* Beginning June 1959 data are from the Bureau of the Census.

1 Data from Federal Housing Administration and Veterans' Administration represent units started under commitments of FHA or VA to insure or guarantee the mortgages. VA figures after June 1950 and all FHA figures are based on filed office reports of first compliance inspections; earlier VA figures are estimates based on loans-closed information.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

[Bureau of the Census estimates, without seasonal adjustment. In thousands of persons unless otherwise indicated]

Year or month	Total noninstitutional population	Total labor force	Civilian labor force					Not in the labor force	Unemployment rate (per cent)[2]
			Total	Employed[1]			Unemployed		
				Total	In nonagricultural industries	In agriculture			
1951	111,924	65,832	62,884	61,005	53,951	7,054	1,879	46,092	3.0
1952	113,119	66,410	62,966	61,293	54,488	6,805	1,673	46,710	2.7
1953	115,095	67,362	63,815	62,213	55,651	6,562	1,602	47,732	2.5
1954	116,220	67,818	64,468	61,238	54,734	6,504	3,230	48,402	5.0
1955	117,388	68,896	65,848	63,193	56,464	6,730	2,654	48,492	4.0
1956	118,734	70,387	67,530	64,979	58,394	6,585	2,551	48,348	3.8
1957[3]	120,445	70,746	67,946	65,011	58,789	6,222	2,936	49,699	4.3
1958	121,950	71,284	68,647	63,966	58,122	5,844	4,681	50,666	6.8
1958—July	121,993	73,104	70,473	65,179	58,461	6,718	5,294	48,889	7.3
Aug.	122,092	72,703	70,067	65,367	58,746	6,621	4,699	49,389	7.6
Sept.	122,219	71,375	68,740	64,629	58,438	6,191	4,111	50,844	7.2
Oct.	122,361	71,743	69,111	65,306	58,902	6,404	3,805	50,618	7.1
Nov.	122,486	71,112	68,485	64,653	58,958	5,695	3,833	51,374	5.9
Dec.	122,609	70,701	68,081	63,973	59,102	4,871	4,108	51,909	6.1
1959—Jan.	122,724	70,027	67,430	62,706	58,013	4,693	4,724	52,697	6.0
Feb.	122,832	70,062	67,471	62,722	58,030	4,692	4,749	52,770	6.1
Mar.	122,945	70,768	68,189	63,828	58,625	5,203	4,362	52,177	5.8
Apr.	123,059	71,210	68,639	65,012	59,163	5,848	3,627	51,849	5.3
May	123,180	71,955	69,405	66,016	59,608	6,408	3,389	51,225	4.9
June	123,296	73,862	71,324	67,342	60,111	7,231	3,982	49,435	4.9
July	123,422	73,875	71,338	67,594	60,769	6,825	3,744	49,547	5.1

[1] Includes self-employed, unpaid family, and domestic service workers.
[2] Per cent of civilian labor force. Monthly data are seasonally adjusted.
[3] Beginning 1957 persons waiting to start new wage and salary jobs and those on temporary layoff, previously considered as employed (with a job but not at work), are classified as unemployed, and a small group in school and waiting to start new jobs (previously included as employed) are classified as *not* in the labor force.

NOTE.—Information relating to persons 14 years of age and over is obtained through interviews of households on a sample basis. Monthly data relate to the calendar week that contains the 12th day; annual data are averages of monthly figures.

EMPLOYMENT IN NONAGRICULTURAL ESTABLISHMENTS, BY INDUSTRY DIVISION

[Bureau of Labor Statistics. In thousands of persons]

Year or month	Total	Manufacturing	Mining	Contract construction	Transportation and public utilities	Trade	Finance	Service	Federal State and local government
1951	47,347	16,104	916	2,603	4,166	10,012	1,892	5,264	6,389
1952	48,303	16,334	885	2,634	4,185	10,281	1,967	5,411	6,609
1953	49,681	17,238	852	2,622	4,221	10,527	2,038	5,538	6,645
1954	48,431	15,995	777	2,593	4,009	10,520	2,122	5,664	6,751
1955	50,056	16,563	777	2,759	4,062	10,846	2,219	5,916	6,914
1956	51,766	16,903	807	2,929	4,161	11,221	2,308	6,160	7,277
1957	52,162	16,782	809	2,808	4,151	11,302	2,348	6,336	7,626
1958	50,543	15,468	721	2,648	3,903	11,141	2,374	6,395	7,893
SEASONALLY ADJUSTED									
1958—July	50,411	15,312	709	2,693	3,877	11,121	2,363	6,433	7,903
Aug.	50,570	15,330	701	2,711	3,867	11,175	2,377	6,420	7,989
Sept.	50,780	15,529	707	2,698	3,858	11,151	2,392	6,440	8,005
Oct.	50,582	15,358	708	2,698	3,887	11,154	2,392	6,399	7,986
Nov.	50,877	15,693	708	2,690	3,875	11,119	2,386	6,426	7,980
Dec.	50,844	15,701	709	2,550	3,859	11,143	2,385	6,448	8,049
1959—Jan.	51,086	15,764	704	2,650	3,894	11,216	2,387	6,443	8,028
Feb.	51,194	15,819	693	2,626	3,880	11,279	2,395	6,462	8,040
Mar.	51,456	16,006	688	2,719	3,885	11,263	2,398	6,441	8,056
Apr.	51,887	16,182	701	2,829	3,886	11,333	2,403	6,479	8,074
May	52,125	16,372	708	2,787	3,917	11,363	2,413	6,486	8,079
June	52,408	16,522	708	2,793	3,927	11,420	2,419	6,519	8,100
July	52,572	16,577	711	2,797	3,914	11,432	2,419	6,568	8,154
WITHOUT SEASONAL ADJUSTMENT									
1958—July	50,178	15,161	705	2,882	3,907	10,984	2,410	6,465	7,664
Aug.	50,576	15,462	708	2,955	3,897	11,011	2,413	6,452	7,678
Sept.	51,237	15,755	711	2,927	3,886	11,151	2,392	6,472	7,943
Oct.	51,136	15,536	708	2,887	3,897	11,225	2,380	6,463	8,040
Nov.	51,432	15,795	712	2,784	3,885	11,382	2,374	6,426	8,074
Dec.	51,935	15,749	713	2,486	3,881	11,976	2,373	6,384	8,373
1959—Jan.	50,310	15,674	704	2,343	3,836	11,052	2,363	6,314	8,024
Feb.	50,315	15,771	693	2,256	3,835	10,990	2,371	6,333	8,066
Mar.	50,878	15,969	688	2,417	3,865	11,083	2,386	6,377	8,093
Apr.	51,430	16,034	694	2,662	3,879	11,136	2,403	6,511	8,111
May	51,982	16,187	701	2,834	3,914	11,234	2,413	6,583	8,116
June	52,580	16,449	712	2,980	3,943	11,347	2,443	6,617	8,089
July	52,354	16,407	707	3,032	3,943	11,292	2,467	6,601	7,905

NOTE.—Data include all full- and part-time employees who worked during, or received pay for, the pay period ending nearest the 15th of the month. Proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the armed forces are excluded. Figures for June and July 1959 are preliminary. Back data may be obtained from the Bureau of Labor Statistics.

PRODUCTION WORKER EMPLOYMENT IN MANUFACTURING INDUSTRIES

[Bureau of Labor Statistics. In thousands of persons]

Industry group	Seasonally adjusted				Without seasonal adjustment			
	1958	1959			1958	1959		
	July	May	June	July	July	May	June	July
Total	**11,512**	**12,481**	**12,592**	**12,636**	**11,353**	**12,299**	**12,520**	**12,456**
Durable goods	**6,372**	**7,162**	**7,239**	**7,293**	**6,270**	**7,139**	**7,246**	**7,178**
Ordnance and accessories	67	73	73	73	67	73	73	73
Lumber and wood products	561	591	602	611	572	594	623	623
Furniture and fixtures	298	326	330	329	286	318	320	316
Stone, clay, and glass products	426	454	464	472	422	454	466	467
Primary metal industries	861	1,057	1,068	1,049	852	1,052	1,068	1,039
Fabricated metal products	789	857	870	874	765	853	866	848
Machinery except electrical	1,005	1,142	1,154	1,180	990	1,153	1,166	1,162
Electrical machinery	738	822	839	865	712	814	831	835
Transportation equipment	1,063	1,233	1,226	1,221	1,063	1,233	1,226	1,221
Instruments and related products	200	220	224	224	196	219	223	220
Miscellaneous manufacturing industries	364	387	389	395	346	379	383	375
Nondurable goods	**5,140**	**5,319**	**5,353**	**5,343**	**5,083**	**5,160**	**5,274**	**5,278**
Food and kindred products	1,030	1,040	1,038	1,022	1,081	974	1,022	1,072
Tobacco manufactures	80	80	80	78	70	69	70	68
Textile-mill products	856	878	883	899	830	874	883	872
Apparel and other finished textiles	1,039	1,111	1,116	1,093	992	1,055	1,071	1,044
Paper and allied products	433	451	453	452	429	446	453	447
Printing, publishing and allied industries	542	556	555	560	537	553	555	554
Chemicals and allied products	506	535	535	536	496	532	527	525
Products of petroleum and coal	154	158	158	158	157	159	160	161
Rubber products	180	173	199	207	175	172	199	201
Leather and leather products	320	337	336	338	317	325	334	335

NOTE.—Data covering production and related workers only (full- and part-time) who worked during, or received pay for, the pay period ending nearest the 15th of the month. Figures for June and July 1959 are preliminary. Back data may be obtained from the Bureau of Labor Statistics.

HOURS AND EARNINGS OF PRODUCTION WORKERS IN MANUFACTURING INDUSTRIES

[Bureau of Labor Statistics. In unit indicated]

Industry group	Average weekly earnings (dollars per week)				Average hours worked (per week)				Average hourly earnings (dollars per hour)			
	1958	1959			1958	1959			1958	1959		
	July	May	June	July	July	May	June	July	July	May	June	July
Total	83.50	90.32	91.17	90.09	39.2	40.5	40.7	40.4	2.13	2.23	2.24	2.23
Durable goods	89.83	98.64	99.36	97.51	39.4	41.1	41.4	40.8	2.28	2.40	2.40	2.39
Ordnance and accessories	100.94	105.83	105.73	105.47	40.7	41.5	41.3	41.2	2.48	2.55	2.56	2.56
Lumber and wood products	74.28	80.56	82.40	82.00	39.3	41.1	41.2	41.0	1.89	1.96	2.00	2.00
Furniture and fixtures	68.85	72.76	74.30	73.93	38.9	40.2	40.6	40.4	1.77	1.81	1.83	1.83
Stone, clay, and glass products	84.40	91.94	92.38	91.91	40.0	41.6	41.8	41.4	2.11	2.21	2.21	2.22
Primary metal industries	102.91	117.58	118.43	110.71	38.4	41.4	41.7	39.4	2.68	2.84	2.84	2.81
Fabricated metal products	91.20	98.36	99.96	98.77	40.0	41.5	42.0	41.5	2.28	2.37	2.38	2.38
Machinery except electrical	93.77	104.00	104.75	104.00	39.4	41.6	41.9	41.6	2.38	2.50	2.50	2.50
Electrical machinery	84.50	89.51	90.58	89.91	39.3	40.5	40.8	40.5	2.15	2.21	2.22	2.22
Transportation equipment	100.19	107.98	109.33	108.39	39.6	40.9	41.1	40.9	2.53	2.64	2.66	2.65
Instruments and related products	87.34	91.98	93.71	93.71	39.7	40.7	41.1	41.1	2.20	2.26	2.28	2.28
Miscellaneous manufacturing industries	72.13	76.57	77.14	76.95	39.2	40.3	40.6	40.5	1.84	1.90	1.90	1.90
Nondurable goods	75.66	79.40	79.40	80.00	39.0	39.7	39.7	39.8	1.94	2.00	2.00	2.01
Food and kindred products	81.99	85.68	85.89	85.90	41.2	40.8	40.9	41.1	1.99	2.10	2.10	2.09
Tobacco manufactures	65.74	67.51	67.99	68.38	39.6	38.8	39.3	39.3	1.66	1.74	1.73	1.74
Textile-mill products	57.90	63.83	64.62	63.83	38.6	40.4	40.9	40.4	1.50	1.58	1.58	1.58
Apparel and other finished textiles	53.40	55.63	55.42	55.57	35.6	36.6	36.7	36.8	1.50	1.52	1.51	1.51
Paper and allied products	88.83	93.52	93.95	94.16	41.9	42.9	42.9	42.8	2.12	2.18	2.19	2.20
Printing, publishing and allied industries	97.38	102.11	102.49	102.76	37.6	38.1	38.1	38.2	2.59	2.68	2.69	2.69
Chemicals and allied products	95.06	99.42	100.43	101.26	40.8	41.6	41.5	41.5	2.33	2.39	2.42	2.44
Products of petroleum and coal	113.16	117.67	118.08	122.06	41.0	41.0	41.0	41.8	2.76	2.87	2.88	2.92
Rubber products	91.89	101.46	93.56	100.94	39.1	42.1	38.5	41.2	2.35	2.41	2.43	2.45
Leather and leather products	57.97	60.54	61.66	60.90	37.4	37.6	38.3	38.3	1.55	1.61	1.61	1.59

n.a. Not available.
NOTE.—Data are for production and related workers. Figures for June and July 1959 are preliminary. Back data are available from the Bureau of Labor Statistics.

DEPARTMENT STORE SALES AND STOCKS, BY DISTRICTS

[Federal Reserve indexes, based on retail value figures. 1947–49 average = 100]

Year or month	United States	Federal Reserve district											
		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
SALES[1]													
1951	112	[illegible]	107	112	114	115	117	110	111	107	117	120	112
1952	114	110	104	113	115	122	127	109	116	109	121	129	120
1953	118	114	105	117	119	127	131	114	120	110	123	132	122
1954	118	117	108	116	112	129	135	112	121	113	129	136	122
1955	128	123	113	125	122	140	149	122	132	117	140	149	132
1956	135	126	120	131	128	146	164	128	138	126	144	158	141
1957	135	122	124	132	129	148	166	128	138	128	142	159	140
1958	136	122	127	133	127	149	167	125	137	128	146	159	142
SEASONALLY ADJUSTED													
1958—June	133	115	124	129	122	146	r177	119	133	123	141	r161	r144
July	140	129	133	141	132	153	174	131	139	129	147	162	140
Aug	147	137	137	143	140	163	183	136	151	137	158	172	148
Sept	135	119	125	129	129	145	167	124	144	126	147	162	140
Oct	135	125	128	140	126	151	165	122	131	123	144	159	141
Nov	137	122	125	135	125	149	170	125	133	130	149	166	149
Dec	143	132	133	142	139	156	176	134	148	136	150	160	148
1959—Jan	138	119	129	134	123	160	173	124	138	127	150	168	150
Feb	140	120	127	134	133	159	168	129	141	133	154	162	155
Mar	138	116	123	129	128	146	167	129	144	141	155	166	155
Apr	141	120	126	142	132	156	175	130	138	127	149	169	153
May	144	124	130	139	136	158	182	135	148	r131	157	173	154
June	p144	118	128	140	135	p158	p186	133	140	139	p148	176	160
WITHOUT SEASONAL ADJUSTMENT													
1958—June	126	115	120	121	115	135	r154	117	124	r120	136	147	135
July	112	93	97	103	107	123	144	103	114	103	130	144	124
Aug	129	107	105	115	124	139	165	121	136	130	152	160	144
Sept	137	127	129	135	129	151	160	129	143	135	149	156	140
Oct	141	127	135	143	129	158	173	129	144	142	149	165	142
Nov	166	149	160	179	154	186	197	154	161	150	173	190	173
Dec	251	240	235	251	244	286	305	228	250	227	260	277	262
1959—Jan	106	94	104	101	96	113	135	94	105	93	112	133	119
Feb	107	90	100	r102	103	114	138	96	109	99	112	126	119
Mar	125	103	112	124	117	138	167	114	128	119	133	151	132
Apr	130	114	116	128	123	139	165	123	129	122	[illegible]	157	138
May	141	124	126	138	132	156	175	134	149	r127	154	172	146
June	p136	118	125	132	127	p147	p162	130	130	135	p142	160	151
STOCKS[1]													
1951	131	129	127	132	132	129	145	125	130	121	137	135	137
1952	121	117	115	120	115	127	143	112	120	113	130	129	131
1953	131	124	120	129	125	141	155	122	131	123	146	143	140
1954	128	126	117	127	122	138	152	120	125	124	141	140	135
1955	136	132	119	135	124	159	170	127	135	130	152	153	142
1956	148	141	130	148	133	175	195	138	148	142	164	168	156
1957	152	138	138	154	136	178	203	143	149	146	160	174	158
1958	148	136	136	154	129	171	197	139	140	137	153	165	155
SEASONALLY ADJUSTED													
1958—June	147	[illegible]	136	r154	126	r174	191	138	144	136	152	168	156
July	148	140	135	152	131	171	192	142	145	135	149	163	156
Aug	148	137	135	153	128	172	192	144	143	137	152	163	152
Sept	150	141	137	155	132	175	198	145	136	142	155	164	158
Oct	152	142	142	157	131	176	202	146	136	141	159	170	159
Nov	153	142	140	159	130	180	207	143	137	140	165	172	160
Dec	150	139	141	157	128	172	205	140	134	137	159	163	157
1959—Jan	152	137	141	155	139	177	200	141	144	136	159	168	160
Feb	150	139	138	153	127	172	198	141	138	142	155	168	161
Mar	148	136	137	153	127	171	195	138	138	139	150	169	163
Apr	151	138	138	155	127	175	201	142	141	138	151	174	166
May	151	138	136	156	128	172	200	140	143	r140	154	175	167
June	p155	142	141	164	131	183	202	149	147	141	p151	p181	p168
WITHOUT SEASONAL ADJUSTMENT													
1958—June	140	126	127	r143	120	r161	182	134	134	128	146	156	150
July	139	126	122	137	121	156	179	136	135	129	142	155	150
Aug	144	133	132	147	123	167	188	138	141	134	151	163	153
Sept	157	147	144	163	137	181	206	151	143	148	159	174	164
Oct	170	161	160	181	147	201	221	160	153	156	173	187	178
Nov	173	166	161	183	147	205	234	163	153	159	184	190	180
Dec	136	130	130	141	117	157	178	123	121	127	144	152	148
1959—Jan	136	124	126	137	123	158	182	129	128	126	143	148	144
Feb	[illegible]	131	130	147	122	166	196	133	134	136	148	163	151
Mar	[illegible]	138	141	158	131	182	204	139	143	143	156	178	165
Apr	158	144	143	166	133	184	211	150	149	140	158	181	169
May	153	141	140	r159	132	173	202	145	143	r139	155	174	166
June	p147	134	132	153	125	169	192	145	136	133	p145	p169	p161

p Preliminary. r Revised.

[1] Figures for sales are the average per trading day, while those for stocks are as of the end of the month or averages of monthly data.

NOTE.—For description of the series and for monthly indexes beginning 1947, see BULLETIN for December 1957, pp. 1323–52. Figures prior to 1947 may be obtained from the Division of Research and Statistics.

DEPARTMENT STORE MERCHANDISING DATA

[Based on retail value figures]

Period	Amounts (In millions of dollars)					Ratios to sales[4]			
	Sales[1] (total for month)	Stocks[1] (end of month)	Outstanding orders[1] (end of month)	Receipts[2] (total for month)	New orders[3] (total for month)	Stocks	Outstanding orders	Stocks plus outstanding orders	Receipts
Annual average:									
1950	376	1,012	495	391	401	2.8	1.4	4.2	1.1
1951	391	1,202	460	390	379	3.2	1.3	4.4	1.0
1952	397	1,097	435	397	401	2.9	1.2	4.1	1.0
1953	406	1,163	421	408	401	3.0	1.1	4.1	1.0
1954	409	1,140	388	410	412	3.0	1.0	4.0	1.0
1955	437	1,195	446	444	449	2.9	1.1	4.0	1.0
1956	454	1,286	470	459	458	3.0	1.1	4.1	1.0
1957	459	1,338	461	461	458	3.1	1.1	4.1	1.0
1958	462	1,320	436	461	463	3.0	1.0	4.1	1.0
Month:									
1958—June	r401	r1,232	r480	r320	r477	3.1	1.2	4.3	0.8
July	366	1,216	563	352	434	3.3	1.5	4.9	1.0
Aug.	420	1,276	534	480	451	3.0	1.3	4.3	1.1
Sept.	451	1,395	553	570	589	3.1	1.2	4.3	1.3
Oct.	502	1,516	545	623	615	3.0	1.1	4.1	1.2
Nov.	538	1,567	462	589	506	2.9	0.9	3.8	1.1
Dec.	911	1,231	332	575	445	1.4	0.4	1.7	0.6
1959—Jan.	379	1,217	412	365	445	3.2	1.1	4.3	1.0
Feb.	342	1,278	449	403	440	3.7	1.3	5.0	1.2
Mar.	434	1,360	423	516	489	3.1	1.0	4.1	1.2
Apr.	431	1,404	388	475	441	3.3	0.9	4.2	1.1
May	453	1,365	418	414	444	3.0	0.9	3.9	0.9
June[p]	449	1,305	604	389	575	2.9	1.3	4.3	0.9

[p] Preliminary. [r] Revised.

[1] These figures are *not* estimates for all department stores in the United States. They are the actual dollar amounts reported by a group of department stores located in various cities throughout the country. In 1958, sales by these stores accounted for about 45 per cent of estimated total department store sales.

[2] Derived from the reported figures on sales and stocks.

[3] Derived from receipts and reported figures on outstanding orders.

[4] The first three ratios are of stocks and/or orders at the end of the month to sales during the month. The final ratio is based on totals of sales and receipts for the month.

NOTE.—For description and monthly figures for back years, see BULLETIN for October 1952, pp. 1098–1102.

MERCHANDISE EXPORTS AND IMPORTS

[Bureau of the Census. In millions of dollars]

Period	Merchandise exports[1]			Merchandise exports excluding military-aid shipments[2]			Merchandise imports[3]		
	1957	1958	1959	1957	1958	1959	1957	1958	1959
Jan.	1,681	1,505	1,400	1,584	1,396	1,286	1,115	1,096	1,154
Feb.	1,616	1,345	1,280	1,495	1,245	1,184	993	956	1,118
Mar.	2,154	1,553	1,456	2,024	1,438	1,375	1,133	1,072	1,301
Apr.	1,866	1,530	1,468	1,783	1,408	1,343	1,119	1,057	1,221
May	1,817	1,638	1,552	1,715	1,507	1,411	1,106	1,061	1,264
June	1,790	1,406	1,426	1,656	1,308	1,348	986	1,031	1,369
July	1,697	1,416	....	1,510	1,287	....	1,148	1,049	....
Aug.	1,681	1,396	....	1,540	1,283	....	1,043	950	....
Sept.	1,544	1,361	....	1,441	1,239	....	1,007	1,074	....
Oct.	1,680	1,599	....	1,606	1,418	....	1,148	1,142	....
Nov.	1,688	1,596	....	1,601	1,408	....	1,043	1,089	....
Dec.	1,636	1,514	....	1,541	1,379	....	1,142	1,253	....
Jan.-June	10,924	8,977	8,582	10,257	8,302	7,946	6,452	6,273	7,427

[1] Exports of domestic and foreign merchandise.

[2] Department of Defense shipments of grant-aid military equipment and supplies under Mutual Security Program.

[3] General imports including imports for immediate consumption plus entries into bonded warehouses.

CONSUMER PRICES

[Bureau of Labor Statistics index for city wage-earner and clerical-worker families. 1947–49 = 100]

Year or month	All items	Foods	Housing: Total	Housing: Rent	Housing: Gas and electricity	Housing: Solid fuels and fuel oil	Housing: House-furnishings	Housing: Household operation	Apparel	Transportation	Medical care	Personal care	Reading and recreation	Other goods and services
1929	73.3	65.6	......	117.4	......	......	......	......	60.3	......	......	......	......	......
1933	55.3	41.6	......	83.6	......	......	......	......	45.9	......	......	......	......	......
1941	62.9	52.2	......	88.4	......	......	......	......	55.6	......	......	......	......	......
1945	76.9	68.9	......	90.9	......	......	......	......	76.3	......	......	......	......	......
1951	111.0	112.6	112.4	113.1	103.1	116.4	111.2	109.0	106.9	118.4	111.1	110.5	106.5	109.7
1952	113.5	114.6	114.6	117.9	104.5	118.7	108.5	111.8	105.8	126.2	117.3	111.8	107.0	115.4
1953	114.4	112.8	117.7	124.1	106.6	123.9	107.9	115.3	104.8	129.7	121.3	112.8	108.0	118.2
1954	114.8	112.6	119.1	128.5	107.9	123.5	106.1	117.4	104.3	128.0	125.2	113.4	107.1	120.1
1955	114.5	110.9	120.0	130.3	110.7	125.2	104.1	119.1	103.7	126.4	128.0	115.3	106.6	120.2
1956	116.2	111.7	121.7	132.7	111.8	130.7	103.0	122.9	105.5	128.7	132.6	120.0	108.1	122.0
1957	120.2	115.4	125.6	135.2	113.0	137.4	104.6	127.5	106.9	136.0	138.0	124.4	112.2	125.5
1958	123.5	120.3	127.7	137.7	117.0	134.9	103.9	131.4	107.0	140.5	144.4	128.6	116.7	127.2
1958—June	123.7	121.6	127.8	137.7	116.9	131.7	104.1	131.1	106.7	138.9	143.9	128.6	116.7	127.2
July	123.9	121.7	127.7	137.8	117.0	132.3	104.0	131.2	106.7	140.3	144.6	128.9	116.6	127.2
Aug.	123.7	120.7	127.9	138.1	117.5	133.6	103.3	132.1	106.6	141.0	145.0	128.9	116.7	127.1
Sept.	123.7	120.3	127.9	138.2	118.0	135.2	103.6	132.2	107.1	141.3	146.1	128.7	116.6	127.1
Oct.	123.7	119.7	127.9	138.3	118.1	135.6	103.4	132.4	107.3	142.7	146.7	128.8	116.6	127.2
Nov.	123.9	119.4	128.0	138.4	118.1	135.8	103.5	132.6	107.7	144.5	147.0	129.1	117.0	127.2
Dec.	123.7	118.7	128.2	138.7	118.2	137.0	103.6	132.8	107.5	144.3	147.3	129.0	116.9	127.3
1959—Jan.	123.8	119.0	128.2	138.8	118.2	138.9	103.2	133.1	106.7	144.1	147.6	129.4	117.0	127.3
Feb.	123.7	118.2	128.5	139.0	118.5	140.0	103.8	133.1	106.7	144.3	148.6	129.8	117.1	127.4
Mar.	123.7	117.7	128.7	139.1	118.5	140.3	103.8	133.7	107.0	144.9	149.2	129.7	117.3	127.3
Apr.	123.9	117.6	128.7	139.3	118.2	138.7	103.8	133.8	107.0	145.3	149.6	130.0	117.7	128.2
May	124.0	117.7	128.8	139.3	118.7	135.3	103.7	133.8	107.3	145.4	150.2	130.7	117.8	128.4
June	124.5	118.9	128.9	139.5	119.3	133.9	104.1	133.9	107.3	145.7	150.6	131.1	118.1	129.2

NOTE.—Revised index, reflecting, beginning January 1953, the inclusion of new series (i.e. home purchases and used automobiles) and revised weights. Prior to January 1953, indexes are based on the "interim adjusted" and "old" indexes, converted to the base 1947–49 = 100.

WHOLESALE PRICES, BY GROUPS OF COMMODITIES

[Bureau of Labor Statistics index. 1947–49 = 100]

Year or month	All commodities	Farm products	Processed foods	Other commodities: Total	Textile products and apparel	Hides, skins, and leather products	Fuel, power, and lighting materials	Chemicals and allied products	Rubber and products	Lumber and wood products	Pulp paper, and allied products	Metals and metal products	Machinery and motive products	Furniture and other household durables	Nonmetallic minerals—structural	Tobacco mfrs. and bottled beverages	Miscellaneous
1951	114.8	113.4	111.4	115.9	110.6	120.3	106.7	110.0	148.0	123.9	119.6	122.8	119.0	114.1	113.6	108.1	104.9
1952	111.6	107.0	108.8	113.2	99.8	97.2	106.6	104.5	134.0	120.3	116.5	123.0	121.5	112.0	113.6	110.6	108.3
1953	110.1	97.0	104.6	114.0	97.3	98.5	109.5	105.7	125.0	120.2	116.1	126.9	123.0	114.2	118.2	115.7	97.8
1954	110.3	95.6	105.3	114.5	95.2	94.2	108.1	107.0	126.9	118.0	116.3	128.0	124.6	115.4	120.9	120.6	102.5
1955	110.7	89.6	101.7	117.0	95.3	93.8	107.9	106.6	143.8	123.6	119.3	136.6	128.4	115.9	124.2	121.6	92.0
1956	114.3	88.4	101.7	122.2	95.3	99.3	111.2	107.2	145.8	125.4	127.2	148.4	137.8	119.1	129.6	122.3	91.0
1957	117.6	90.9	105.6	125.6	95.4	99.4	117.2	109.5	145.2	119.0	129.6	151.2	146.1	122.2	134.6	126.1	89.6
1958	119.2	94.9	110.9	126.0	93.5	100.6	112.7	110.4	145.0	117.7	131.0	150.4	149.8	123.2	136.0	128.2	94.2
1958																	
June	119.2	95.6	113.5	125.3	93.3	100.3	110.7	110.7	144.2	116.4	130.5	148.8	149.5	123.0	135.5	128.0	93.7
July	119.2	95.0	112.7	125.6	93.3	100.3	111.9	110.4	144.7	116.8	131.0	148.8	149.5	123.2	135.3	128.0	97.2
Aug.	119.1	93.2	111.3	126.1	93.3	100.5	113.7	110.0	144.4	118.6	131.0	150.8	149.5	123.0	135.2	128.0	95.6
Sept.	119.1	93.1	111.1	126.2	93.3	100.2	114.1	109.9	145.2	120.4	131.7	151.3	149.4	123.0	136.7	128.0	192.5
Oct.	119.0	92.3	110.0	126.4	93.2	101.4	113.0	110.2	146.1	120.8	131.9	152.2	149.9	123.0	136.7	128.8	91.2
Nov.	119.2	92.1	109.5	126.8	93.1	102.3	112.6	110.2	146.6	120.0	131.9	153.0	151.2	122.7	136.7	128.7	93.2
Dec.	119.2	90.6	108.8	127.2	93.3	103.6	112.9	110.0	146.3	119.8	131.3	153.0	151.5	122.8	136.9	128.6	100.9
1959																	
Jan.	119.5	91.5	108.7	127.5	93.3	104.1	113.9	110.2	146.0	120.5	131.5	152.9	151.8	123.3	137.2	128.6	100.8
Feb.	119.5	91.1	107.6	127.8	93.7	105.4	114.8	109.9	146.1	122.5	131.7	153.4	152.0	123.3	137.5	128.9	98.5
Mar.	119.6	90.8	107.2	128.1	93.9	108.5	115.0	109.8	146.7	124.2	132.0	153.6	152.2	123.5	137.7	132.1	97.0
Apr.	120.0	92.4	107.2	128.3	94.1	117.8	114.0	110.0	147.5	126.3	132.2	152.8	152.1	123.4	138.3	132.2	98.8
May	r119.9	90.8	107.7	r128.4	r94.5	r118.5	113.4	110.0	r148.8	r128.2	132.0	r153.0	r152.5	123.5	138.4	132.2	95.2
June	119.6	89.9	108.1	128.1	94.9	118.9	111.2	109.9	147.3	128.7	132.3	153.4	152.8	123.6	137.6	132.2	91.0

r Revised.

WHOLESALE PRICES, BY GROUPS OF COMMODITIES—Continued

[Bureau of Labor Statistics index, 1947–49=100]

Subgroup	1958 June	1959 Apr.	1959 May	1959 June
Farm Products:				
Fresh and dried produce	102.0	114.2	107.0	100.9
Grains	81.3	79.7	78.6	78.2
Livestock and poultry	98.8	91.9	[r]90.6	89.6
Plant and animal fibers	101.9	101.0	101.9	101.6
Fluid milk	90.2	91.9	[r]90.2	90.0
Eggs	74.9	54.5	51.1	56.5
Hay and seeds	79.3	79.5	80.3	78.3
Other farm products	141.4	133.5	133.5	132.8
Processed Foods:				
Cereal and bakery products	118.5	118.9	119.5	119.2
Meats, poultry, and fish	114.1	100.8	101.4	101.9
Dairy products and ice cream	110.9	112.0	111.7	111.9
Canned, frozen fruits, and vegetables	110.3	110.6	110.4	110.9
Sugar and confectionery	116.4	112.1	114.4	115.6
Packaged beverage materials	168.4	145.2	145.2	145.2
Other processed foods	96.9	95.3	95.8	95.4
Textile Products and Apparel:				
Cotton products	87.6	90.3	90.8	91.6
Wool products	101.3	99.5	[r]100.9	101.9
Synthetic textiles	80.4	80.6	81.0	81.5
Silk products	109.9	113.6	114.0	114.2
Apparel	99.1	99.3	[r]99.6	99.6
Other textile products	73.6	75.7	75.7	75.6
Hides, Skins, and Leather Products:				
Hides and skins	57.0	108.5	98.6	106.7
Leather	91.8	120.4	124.5	120.1
Footwear	121.8	128.2	[r]129.5	130.2
Other leather products	97.3	110.1	[r]112.4	112.3
Fuel, Power, and Lighting Materials:				
Coal	120.3	119.3	118.9	119.6
Coke	161.9	170.4	170.4	170.4
Gas fuels (Jan. 1958=100)	97.4	108.6	109.9	106.8
Electric power (Jan. 1958=100)	100.1	100.8	[r]100.9	100.8
Petroleum and products	115.3	119.4	118.3	115.0
Chemicals and Allied Products:				
Industrial chemicals	123.5	123.9	123.8	123.8
Prepared paint	128.2	128.3	128.3	128.3
Paint materials	103.4	101.4	101.4	101.4
Drugs, pharmaceuticals, cosmetics	94.5	92.9	[r]93.1	93.4
Fats and oils, inedible	61.9	60.4	[r]60.4	58.5
Mixed fertilizers	111.2	109.6	108.9	108.9
Fertilizer materials	110.3	107.5	107.5	107.6
Other chemicals and products	107.4	106.3	106.4	106.4
Rubber and products:				
Crude rubber	129.4	146.9	152.9	148.7
Tires and tubes	152.1	151.9	151.9	150.0
Other rubber products	143.0	143.4	143.9	144.0
Lumber and Wood Products:				
Lumber	116.8	126.8	[r]128.9	130.0
Millwork	127.1	135.4	[r]137.5	137.3
Plywood	94.9	106.6	106.6	105.2
Pulp, Paper, and Allied Products:				
Woodpulp	121.2	121.2	121.2	121.2
Wastepaper	71.8	115.7	110.5	115.9
Paper	141.8	143.3	143.3	143.3
Pulp, Paper, and Allied Products (Cont.):				
Paperboard	136.0	136.2	136.2	136.2
Converted paper and paperboard	127.9	127.5	127.3	127.6
Building paper and board	144.1	145.0	146.7	146.7
Metals and Metal Products:				
Iron and steel	166.7	170.8	170.4	171.3
Nonferrous metals	124.8	134.7	[r]136.2	136.4
Metal containers	155.7	152.9	152.9	152.9
Hardware	171.7	173.0	[r]173.0	173.0
Plumbing equipment	122.8	129.8	130.9	130.9
Heating equipment	121.0	121.7	121.7	121.7
Fabricated structural metal products	133.7	132.9	132.9	132.9
Fabricated nonstructural metal products	145.0	146.0	[r]146.1	146.1
Machinery and Motive Products:				
Agricultural machinery and equipment	138.3	143.0	[r]143.3	143.3
Construction machinery and equipment	165.5	172.0	171.9	172.1
Metal working machinery	169.4	172.5	173.1	173.5
General purpose machinery and equipment	160.0	162.8	162.8	165.8
Miscellaneous machinery	147.7	149.2	149.2	149.3
Electrical machinery and equipment	152.6	153.0	[r]154.1	153.7
Motor vehicles	139.0	143.2	143.2	143.2
Furniture and Other Household Durables:				
Household furniture	122.5	123.4	[r]123.7	124.0
Commercial furniture	154.2	155.0	155.0	155.1
Floor covering	127.9	127.8	127.8	128.0
Household appliances	104.9	105.1	105.0	104.9
Television, radios, phonographs	93.7	93.4	93.4	93.4
Other household durable goods	155.2	156.2	156.5	156.7
Nonmetallic Minerals—Structural				
Flat glass	135.7	135.2	135.2	135.2
Concrete ingredients	138.9	140.2	140.2	140.2
Concrete products	128.3	129.4	129.7	129.7
Structural clay products	155.6	160.0	160.1	160.2
Gypsum products	133.1	133.1	133.1	133.1
Prepared asphalt roofing	103.3	126.4	126.4	115.6
Other nonmetallic minerals	131.2	132.7	132.5	132.5
Tobacco Manufactures and Bottled Beverages:				
Cigarettes	134.8	134.8	134.8	134.8
Cigars	106.6	106.6	106.6	106.6
Other tobacco products	139.7	152.8	152.8	152.8
Alcoholic beverages	120.1	121.7	121.7	121.7
Nonalcoholic beverages	149.3	171.1	171.1	171.1
Miscellaneous:				
Toys, sporting goods, small arms	119.1	116.9	117.0	117.0
Manufactured animal feeds	73.3	82.9	76.6	69.0
Notions and accessories	97.5	97.5	97.5	97.5
Jewelry, watches, photo equipment	107.8	108.2	108.1	108.1
Other miscellaneous	132.6	132.6	132.3	132.0

[r] Revised.

GROSS NATIONAL PRODUCT OR EXPENDITURE

[Department of Commerce estimates. In billions of dollars]

Item	Annual totals									Seasonally adjusted annual rates by quarters				
										1958			1959	
	1929	1933	1941	1950	1954	1955	1956	1957	1958	2	3	4	1	2
Gross national product	**104.4**	**56.0**	**125.8**	**284.6**	**363.1**	**397.5**	**419.2**	**442.5**	**441.7**	**434.5**	**444.0**	**457.1**	**470.2**	**484.5**
Personal consumption expenditures	**79.0**	**46.4**	**81.9**	**195.0**	**238.0**	**256.9**	**269.9**	**284.8**	**293.0**	**290.9**	**294.4**	**299.1**	**303.9**	**311.2**
Durable goods	9.2	3.5	9.7	30.4	32.4	39.6	38.5	40.3	37.6	36.7	37.1	39.8	41.3	44.1
Nondurable goods	37.7	22.3	43.2	99.8	119.3	124.8	131.4	137.7	141.9	141.5	143.1	143.6	145.3	147.7
Services	32.1	20.7	29.0	64.9	86.3	92.5	100.0	106.7	113.4	112.7	114.2	115.7	117.4	119.4
Gross private domestic investment	**16.2**	**1.4**	**18.1**	**50.0**	**48.9**	**63.8**	**67.4**	**66.6**	**54.9**	**51.3**	**54.2**	**61.3**	**69.8**	**77.5**
New construction[1]	*8.7*	*1.4*	*6.6*	*24.2*	*29.7*	*34.9*	*35.5*	*36.1*	*35.8*	*34.6*	*35.4*	*37.3*	*39.7*	*41.0*
Residential, nonfarm	3.6	.5	3.5	14.1	15.4	18.7	17.7	17.0	18.0	16.9	18.0	19.9	21.9	23.1
Other	5.1	1.0	3.1	10.1	14.3	16.2	17.8	19.0	17.7	17.7	17.4	17.4	17.8	17.9
Producers' durable equipment	5.9	1.6	6.9	18.9	20.8	23.1	27.2	28.5	22.9	22.6	22.2	23.2	23.9	26.0
Change in business inventories	1.7	−1.6	4.5	6.8	−1.6	5.8	4.7	2.0	−3.8	−5.8	−3.4	.8	6.1	10.4
Nonfarm only	1.8	−1.4	4.0	6.0	−2.1	5.5	5.1	1.2	−4.9	−7.0	−4.5	−.1	5.4	9.8
Net exports of goods and services	**[2].8**	**[2].2**	**[2]1.1**	**.6**	**1.0**	**1.1**	**2.9**	**4.9**	**1.2**	**1.2**	**1.6**	**.2**	**−.9**	**−1.8**
Exports	7.0	2.4	6.0	13.1	17.5	19.4	23.1	26.2	22.6	22.3	23.1	22.7	21.5	22.1
Imports	6.3	2.3	4.8	12.5	16.5	18.3	20.2	21.3	21.3	21.1	21.5	22.5	22.4	23.9
Government purchases of goods and services	**8.5**	**8.0**	**24.8**	**39.0**	**75.3**	**75.6**	**79.0**	**86.2**	**92.6**	**91.1**	**93.8**	**96.5**	**97.4**	**97.7**
Federal	*1.3*	*2.0*	*16.9*	*19.3*	*47.5*	*45.3*	*45.7*	*49.4*	*52.2*	*51.3*	*53.1*	*54.2*	*53.8*	*53.9*
National defense[3]	1.3	2.0	13.8	14.3	41.2	39.1	40.4	44.3	44.5	44.3	44.5	45.3	45.8	46.2
Other			3.2	5.2	6.7	6.6	5.7	5.5	8.1	7.5	8.9	9.4	8.3	8.0
Less: Government sales[4]	.0	.0	.0	.1	.3	.4	.3	.4	.5	.5	.3	.6	.3	.3
State and local	7.2	6.0	7.8	19.7	27.7	30.3	33.2	36.8	40.5	39.7	40.8	42.2	43.6	43.8
Addendum: Gross national product in constant (1954) dollars	**181.8**	**126.6**	**238.1**	**318.1**	**363.1**	**392.7**	**400.9**	**408.3**	**399.0**	**393.1**	**400.9**	**410.8**	**420.6**	**431.8**

[1] Includes expenditures for crude petroleum and natural gas drilling.
[2] Net exports of goods and services and net foreign investment have been equated, since foreign net transfers by government were negligible during the period 1929–45.
[3] This category corresponds closely to the major national security classification in the *Budget of the United States Government* for the fiscal year ending June 30, 1960.
[4] Consists of sales abroad and domestic sales of surplus consumption goods and materials.

NOTE.—For explanation of series see *U. S. Income and Output* (a supplement to the *Survey of Current Business* for 1959) and the July 1959 issue of the *Survey of Current Business.*

NATIONAL INCOME, BY DISTRIBUTIVE SHARES

[Department of Commerce estimates. In billions of dollars]

Item	Annual totals									Seasonally adjusted annual rates by quarters				
										1958			1959	
	1929	1933	1941	1950	1954	1955	1956	1957	1958	2	3	4	1	2
National income	**87.8**	**40.2**	**104.7**	**241.9**	**301.8**	**330.2**	**350.8**	**366.5**	**366.2**	**358.9**	**369.5**	**380.4**	**389.4**	......
Compensation of employees	**51.1**	**29.5**	**64.8**	**154.2**	**207.6**	**223.9**	**242.5**	**255.5**	**256.8**	**253.2**	**258.5**	**262.9**	**269.9**	**278.9**
Wages and salaries[1]	*50.4*	*29.0*	*62.1*	*146.4*	*196.3*	*210.9*	*227.6*	*238.5*	*239.4*	*236.0*	*241.1*	*245.1*	*250.9*	*259.4*
Private	45.5	23.9	51.9	124.1	161.9	174.9	189.6	198.4	196.2	193.2	197.1	200.8	206.2	214.0
Military	.3	.3	1.9	5.0	10.0	9.8	9.7	9.6	9.7	9.7	10.0	9.9	9.8	9.8
Government civilian	4.6	4.9	8.3	17.3	24.4	26.2	28.4	30.5	33.5	33.2	34.0	34.4	34.8	35.6
Supplements to wages and salaries	.7	.5	2.7	7.8	11.3	13.0	14.9	17.0	17.4	17.2	17.5	17.8	19.0	19.6
Proprietors' income[2]	**14.8**	**5.6**	**17.4**	**37.5**	**40.4**	**42.1**	**43.7**	**44.5**	**46.6**	**45.9**	**46.8**	**47.4**	**46.9**	**46.6**
Business and professional	8.8	3.2	10.9	23.5	27.8	30.4	32.1	32.7	32.4	32.0	32.6	33.2	33.7	34.5
Farm	6.0	2.4	6.5	14.0	12.7	11.8	11.6	11.8	14.2	13.9	14.2	14.1	13.2	12.1
Rental income of persons	**5.4**	**2.0**	**3.5**	**9.0**	**10.9**	**10.7**	**10.9**	**11.5**	**11.8**	**11.8**	**11.9**	**11.9**	**12.0**	**12.0**
Corporate profits and inventory valuation adjustment	**10.1**	**−2.0**	**14.5**	**35.7**	**33.7**	**43.1**	**42.0**	**41.7**	**36.7**	**33.8**	**38.0**	**43.5**	**45.5**	....
Profits before tax	*9.6*	*.2*	*17.0*	*40.6*	*34.1*	*44.9*	*44.7*	*43.3*	*37.1*	*33.6*	*38.3*	*44.6*	*46.5*	......
Profits tax liability	1.4	.5	7.6	17.9	17.2	21.8	21.2	21.1	18.2	16.5	18.8	21.9	22.6	......
Profits after tax	8.3	−.4	9.4	22.8	16.8	23.0	23.5	22.2	18.9	17.1	19.5	22.7	23.8	......
Inventory valuation adjustment	.5	−2.1	−2.5	−5.0	−.3	−1.7	−2.7	−1.5	−.4	.2	−.3	−1.1	−.9	......
Net interest	**6.4**	**5.0**	**4.5**	**5.5**	**9.1**	**10.4**	**11.7**	**13.3**	**14.3**	**14.1**	**14.4**	**14.7**	**15.1**	**15.4**

[1] Includes employee contributions to social insurance funds.
[2] Includes noncorporate inventory valuation adjustment.

RELATION OF GROSS NATIONAL PRODUCT, NATIONAL INCOME, PERSONAL INCOME, AND SAVING

[Department of Commerce estimates. In billions of dollars]

Item	Annual totals									Seasonally adjusted annual rates by quarters				
										1958			1959	
	1929	1933	1941	1950	1954	1955	1956	1957	1958	2	3	4	1	2
Gross national product	**104.4**	**56.0**	**125.8**	**284.6**	**363.1**	**397.5**	**419.2**	**442.5**	**441.7**	**434.5**	**444.0**	**457.1**	**470.2**	**484.5**
Less: Capital consumption allowances	8.6	7.2	9.0	19.1	28.8	32.0	34.4	36.9	37.9	37.6	38.0	38.5	39.3	39.9
Indirect business tax and nontax liability	7.0	7.1	11.3	23.7	30.2	32.9	35.7	38.1	39.0	38.9	39.1	39.9	40.7	41.7
Business transfer payments	.6	.7	.5	.8	1.3	1.5	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Statistical discrepancy	.3	.9	.4	−.7	.9	1.0	−2.4	.5	−2.1	−1.5	−3.3	−2.4	.0	......
Plus: Subsidies less current surplus of government enterprises	−.1	.0	.1	.2	−.2	.0	.9	1.1	1.0	1.1	1.0	1.0	.8	.7
Equals: National income	**87.8**	**40.2**	**104.7**	**241.9**	**301.8**	**330.2**	**350.8**	**366.5**	**366.2**	**358.9**	**369.5**	**380.4**	**389.4**	....
Less: Corporate profits and inventory valuation adjustment	10.1	−2.0	14.5	35.7	33.7	43.1	42.0	41.7	36.7	33.8	38.0	43.5	45.5	......
Contributions for social insurance	.2	.3	2.8	6.9	9.7	11.0	12.6	14.6	15.1	14.8	15.3	15.5	17.5	17.9
Excess of wage accruals over disbursements	.0	.0	.0	.0	.0	.0	.0	.0	.0	.6	−1.3	.0	.0	.0
Plus: Government transfer payments	.9	1.5	2.6	14.3	15.0	16.0	17.2	20.0	24.4	24.9	25.4	25.1	24.7	24.8
Net interest paid by government	1.0	1.2	1.3	4.8	5.4	5.4	5.7	6.2	6.2	6.2	6.1	6.1	6.3	6.6
Dividends	5.8	2.1	4.5	9.2	9.8	11.2	12.1	12.5	12.4	12.6	12.6	12.0	12.8	13.0
Business transfer payments	.6	.7	.5	.8	1.3	1.5	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Equals: Personal income	**85.8**	**47.2**	**96.3**	**228.5**	**289.8**	**310.2**	**332.9**	**350.6**	**359.0**	**355.0**	**363.4**	**366.3**	**371.8**	**381.1**
Less: Personal tax and nontax payments	*2.6*	*1.5*	*3.3*	*20.8*	*32.9*	*35.7*	*40.0*	*42.7*	*42.6*	*42.1*	*42.9*	*43.4*	*44.4*	*45.8*
Federal	1.3	.5	2.0	18.2	29.2	31.5	35.2	37.4	36.7	36.3	37.1	37.4	38.2	39.5
State and local	1.4	1.0	1.3	2.6	3.8	4.2	4.8	5.4	5.8	5.8	5.9	6.0	6.2	6.3
Equals: Disposable personal income	**83.1**	**45.7**	**93.0**	**207.7**	**256.9**	**274.4**	**292.9**	**307.9**	**316.5**	**312.9**	**320.4**	**322.9**	**327.4**	**335.3**
Less: Personal consumption expenditures	79.0	46.4	81.9	195.0	238.0	256.9	269.9	284.8	293.0	290.9	294.4	299.1	303.9	311.2
Equals: Personal saving	**4.2**	**−.6**	**11.1**	**12.6**	**18.9**	**17.5**	**23.0**	**23.1**	**23.5**	**22.0**	**26.0**	**23.7**	**23.5**	**24.1**
Addendum: Disposable personal income in constant (1954) dollars	134.9	102.1	175.1	231.0	256.9	273.4	286.9	292.9	295.2	291.6	299.2	300.4	304.3	310.7

PERSONAL INCOME

[Department of Commerce estimates. In billions of dollars]

Item[1]	1957	1958	1958						1959						
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July[p]
Total personal income	350.6	359.0	363.5	362.4	364.2	364.3	367.5	366.9	369.0	371.0	375.4	379.0	381.3	383.8	384.1
Wage and salary disbursements	*238.5*	*239.4*	*243.2*	*241.3*	*242.5*	*242.1*	*246.1*	*247.0*	*248.7*	*250.1*	*254.0*	*257.3*	*259.8*	*261.7*	*261.2*
Commodity-producing industries	102.2	97.8	97.2	97.9	99.3	98.7	101.8	102.2	102.8	103.5	106.3	108.6	109.8	110.9	109.8
Manufacturing only	*80.6*	*76.7*	*76.1*	*76.7*	*77.9*	*76.9*	*79.7*	*80.6*	*80.9*	*81.7*	*83.8*	*85.4*	*86.7*	*87.7*	*86.7*
Distributive industries	63.4	63.8	63.8	64.3	64.1	64.1	64.7	64.7	65.6	66.0	66.6	66.9	67.5	68.0	68.2
Service industries	32.7	34.6	34.8	35.0	35.0	35.2	35.3	35.6	35.6	36.0	36.4	36.8	37.1	37.2	37.3
Government	40.2	43.2	47.4	44.1	44.1	44.1	44.3	44.4	44.6	44.7	44.8	45.0	45.4	45.6	45.9
Other labor income	9.1	9.3	9.3	9.3	9.3	9.3	9.4	9.4	9.6	9.7	9.8	9.9	9.9	10.0	10.1
Proprietors' income:															
Business and professional	32.7	32.4	32.4	32.6	32.8	33.2	33.1	33.4	33.5	33.7	34.0	34.3	34.5	34.7	34.8
Farm	11.8	14.2	14.1	14.2	14.3	14.2	14.1	14.2	13.5	13.2	12.9	12.2	12.0	12.1	12.2
Rental income	11.5	11.8	11.8	11.9	11.9	11.9	11.9	11.9	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Dividends	12.5	12.4	12.6	12.6	12.6	12.6	12.6	10.8	12.7	12.8	12.8	12.9	13.0	13.1	13.3
Personal interest income	19.5	20.4	20.4	20.5	20.6	20.7	20.8	21.0	21.1	21.3	21.6	21.8	22.0	22.2	22.4
Transfer payments[2]	21.7	26.1	26.8	27.2	27.3	27.4	26.6	26.3	26.1	26.4	26.6	26.9	26.4	26.4	26.5
Less: Personal contributions for social insurance	6.7	7.0	7.2	7.1	7.1	7.1	7.1	7.1	8.1	8.1	8.2	8.3	8.3	8.4	8.4
Nonagricultural income[3]	335.2	341.1	345.7	344.5	346.1	346.3	349.6	348.8	351.6	353.8	358.5	362.7	365.3	367.8	368.1
Agriculture income	15.3	17.9	17.8	17.9	18.1	18.1	18.0	18.1	17.4	17.2	16.9	16.3	16.0	16.0	16.0

[r] Revised. [p] Preliminary.

[1] Monthly data are seasonally adjusted totals at annual rates.

[2] Mainly social insurance benefits and veterans' payments.

[3] Personal income exclusive of net income of unincorporated farm enterprises, farm wages, agricultural net interest, and net dividends paid by corporations.

NOTE.—For description of series see *U. S. Income and Output*, a supplement to the *Survey of Current Business*.

CHANGES IN NUMBER OF BANKING OFFICES IN THE UNITED STATES[1]

Type of office and type of change	All banks	Commercial and stock savings banks and nondeposit trust companies							Mutual savings banks	
		Total	Member banks			Nonmember banks				
			Total[1]	National[1]	State member[2]	Total	Insured	Noninsured	Insured[2]	Noninsured
Banks (head offices)										
Dec. 31, 1934	16,063	15,484	6,442	5,462	980	9,042	7,699	1,343	68	511
Dec. 31, 1941	14,825	14,277	6,619	5,117	1,502	7,661	6,810	851	52	496
Dec. 31, 1947[3]	14,714	14,181	6,923	5,005	1,918	7,261	6,478	783	194	339
Dec. 31, 1951	14,618	14,089	6,840	4,939	1,901	7,252	6,602	650	202	327
Dec. 31, 1953	14,509	13,981	6,743	4,856	1,887	7,241	6,672	569	219	309
Dec. 31, 1954	14,367	13,840	6,660	4,789	1,871	7,183	6,647	536	218	309
Dec. 31, 1955	14,243	13,716	6,543	4,692	1,851	7,176	6,677	499	220	307
Dec. 31, 1956	14,167	13,640	6,462	4,651	1,811	7,181	6,737	444	223	304
Dec. 31, 1957	14,090	13,568	6,393	4,620	1,773	7,178	6,753	425	239	283
Dec. 31, 1958	14,020	13,501	6,312	4,578	1,734	7,192	6,793	399	241	278
June 30, 1959	13,993	13,475	6,279	4,559	1,720	7,199	6,815	384	251	267
Branches and additional offices										
Dec. 31, 1934	3,133	3,007	2,224	1,243	981	783	[4]783		[4]126	
Dec. 31, 1941	3,699	3,564	2,580	1,565	1,015	984	932	52	32	103
Dec. 31, 1947[3]	4,332	4,161	3,051	1,870	1,181	1,110	1,043	67	124	47
Dec. 31, 1951	5,383	5,153	3,837	2,370	1,467	1,316	1,275	41	165	65
Dec. 31, 1953	6,096	5,826	4,398	2,746	1,652	1,428	1,387	41	192	78
Dec. 31, 1954	6,614	6,306	4,787	3,056	1,731	1,519	1,483	36	221	87
Dec. 31, 1955	7,253	6,923	5,304	3,365	1,939	1,619	1,584	35	234	96
Dec. 31, 1956	7,955	7,589	5,886	3,809	2,077	1,703	1,666	37	257	109
Dec. 31, 1957	8,609	8,204	6,378	4,178	2,200	1,826	1,789	37	296	109
Dec. 31, 1958	9,286	8,861	6,924	4,534	2,390	1,937	1,898	39	305	120
June 30, 1959	9,622	9,194	7,197	4,732	2,465	1,997	1,956	41	311	117
Changes, Jan. 1–June 30, 1959										
Banks:										
New banks[5]	+47	+47	+15	+12	+3	+32	+28	+4	......	......
Suspensions	−2	−2	......	......	......	−2	−2	......	......	......
Consolidations and absorptions:										
Banks converted into branches	−80	−80	−47	−36	−11	−33	−32	−1	......	......
Other	−9	−8	−6	−4	−2	−2	−2	......	−1	......
Voluntary liquidations[6]	−1	−1	......	......	......	−1	......	−1	......	......
Conversions:										
National into State	......	......	−2	−2	......	+2	+2	......	......	......
State into national	......	......	......	+4	−4	......	......	......	......	......
Federal Reserve Membership:[7]										
Admissions of national banks in Alaska	+6	+6	+6	+6	......	......	......	......	......	......
Admission of national bank in Hawaii	+1	+1	+1	+1	......	......	......	......	......	......
Admissions of State banks	......	......	+2	......	+2	−2	−2	......	......	......
Withdrawals of State banks	......	......	−2	......	−2	+2	+2	......	......	......
Federal Deposit insurance:[8]										
Admissions of State banks	......	......	......	......	......	......	+22	−22	+11	−11
Other (Alaska)	+11	+11	......	......	......	+11	+6	+5	......	......
Net increase or decrease	−27	−26	−33	−19	−14	+7	+22	−15	+10	−11
Number of banks, June 30, 1959	13,993	13,475	6,279	4,559	1,720	7,199	6,815	384	251	267
Branches and additional offices except banking facilities:[9]										
De novo branches	+239	+225	+162	+108	+54	+63	+59	+4	+7	+7
Banks converted into branches	+80	+80	+65	+38	+27	+15	+14	+1	......	......
Discontinued	−33	−22	−15	−9	−6	−7	−6	−1	−11	......
Interclass branch changes:										
National to State member	......	......	......	−5	+5	......	......	......	......	......
National to nonmember	......	......	−3	−3	......	+3	+1	+2	......	......
State member to national	......	......	......	+16	−16	......	......	......	......	......
Nonmember to national	......	......	+5	+5	......	−5	−5	......	......	......
Nonmember to State member	......	......	+10	......	+10	−10	−10	......	......	......
Noninsured to insured	......	......	......	......	......	......	+4	−4	+10	−10
Other:										
Alaska	+15	+15	+13	+13	......	+2	+2	......	......	......
Hawaii[10]	+25	+25	+25	+25	......	......	......	......	......	......
Net increase or decrease	+326	+323	+262	+188	+74	+61	+59	+ 2	+6	−3
Number of branches and additional offices, June 30, 1959	9,364	8,936	6,963	4,529	2,434	1,973	1,932	41	311	117
Banking facilities:[9]										
Established	+7	+7	+6	+6	......	+1	+1	......	......	......
Discontinued	−4	−4	−2	−2	......	−2	−2	......	......	......
Interclass change	......	......	......	−1	+1	......	......	......	......	......
Other:										
Alaska	+6	+6	+6	+6	......	......	......	......	......	......
Hawaii[10]	+1	+1	+1	+1	......	......	......	......	......	......
Net increase or decrease	+10	+10	+11	+10	+1	−1	−1	......	......	......
Number of facilities, June 30, 1959	258	258	234	203	31	24	24	......	......	......

[1] Excludes banks and branches in United States territories and possessions except one national bank in the Virgin Islands, with one branch, that became a member of the Federal Reserve System on May 31, 1957, and one national bank in Hawaii, with twenty-six branches, that became a member of the System on Apr. 13, 1959.

[2] State member bank and insured mutual savings bank figures *both* include, since 1941, three member mutual savings banks not included in the total for commercial banks. State member bank figures also include, since 1954, one noninsured trust company without deposits.

[3] Series revised as of June 30, 1947. The revision resulted in a net addition of 115 banks and 9 branches.

[4] Separate figures not available.

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

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

[7] Exclusive of conversions of State member banks into national banks that are shown separately under conversions.

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

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

[10] See note 1.

NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST[1]

Federal Reserve district, State, or other area	Total banks on which checks are drawn, and their branches and offices[1]		On par list						Not on par list (nonmember)	
			Total		Member		Nonmember			
	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices
Total, including Hawaii, Puerto Rico, and Virgin Islands:[2]										
Dec. 31, 1958[3]	13,441	9,042	11,722	8,709	6,306	6,937	5,416	1,772	1,719	333
June 30, 1959	13,398	9,354	11,705	9,031	6,273	7,210	5,432	1,821	1,693	323
Districts, June 30, 1959:										
Boston	417	681	417	681	282	550	135	131	...	...
New York[2]	614	1,732	614	1,732	516	1,503	98	229	...	...
Philadelphia	656	605	656	605	503	492	153	113	...	...
Cleveland	953	853	953	853	583	745	370	108	...	...
Richmond	958	1,080	805	931	453	606	352	325	153	149
Atlanta	1,328	461	772	416	402	343	370	73	556	45
Chicago	2,468	1,008	2,468	1,008	1,013	603	1,455	405	...	...
St. Louis	1,471	289	1,181	214	488	140	693	74	290	75
Minneapolis	1,296	129	698	87	477	39	221	48	598	42
Kansas City	1,766	67	1,760	67	752	47	1,008	20	6	...
Dallas	1,102	131	1,020	120	633	86	387	34	82	11
San Francisco[2]	369	2,318	361	2,317	171	2,056	190	261	8	1
State or area, June 30, 1959:										
Alabama	238	65	153	64	93	62	60	2	85	1
Alaska	18	20	10	19	7	19	3	...	8	1
Arizona	7	140	7	140	4	117	3	23	...	...
Arkansas	236	37	128	17	75	13	53	4	108	20
California	115	1,505	115	1,505	67	1,353	48	152	...	...
Colorado	160	7	160	7	95	6	65	1	...	...
Connecticut	71	172	71	172	37	135	34	37	...	...
Delaware	22	51	22	51	6	24	16	27	...	...
District of Columbia	12	62	12	62	9	57	3	5	...	...
Florida	277	14	235	13	116	12	119	1	42	1
Georgia	410	80	135	78	64	67	71	11	275	2
Idaho	30	81	30	81	18	75	12	6	...	...
Illinois	947	4	946	4	524	4	422	...	1	...
Indiana	454	254	454	254	230	170	224	84	...	...
Iowa	670	163	670	163	168	5	502	158	...	...
Kansas	594	14	592	14	213	10	379	4	2	...
Kentucky	359	121	359	121	108	82	251	39	...	...
Louisiana	187	160	79	132	53	104	26	28	108	28
Maine	54	119	54	119	35	81	19	38	...	...
Maryland	142	220	142	220	65	130	77	90	...	...
Massachusetts	166	334	166	334	126	282	40	52	...	...
Michigan	388	509	388	509	223	421	165	88	...	...
Minnesota	686	6	287	6	209	6	78	...	399	...
Mississippi	193	127	54	61	35	35	19	26	139	66
Missouri	613	4	559	4	172	4	387	...	54	...
Montana	115	1	115	1	86	1	29	...	...	...
Nebraska	418	2	418	2	140	2	278	...	...	...
Nevada	6	33	6	33	5	29	1	4	...	...
New Hampshire	74	3	74	3	52	2	22	1	...	...
New Jersey	254	382	254	382	218	346	36	36	...	...
New Mexico	52	46	52	46	35	24	17	22	...	...
New York	422	1,257	422	1,257	368	1,190	54	67	...	...
North Carolina	190	424	107	281	47	155	60	126	83	143
North Dakota	156	27	58	8	40	2	18	6	98	19
Ohio	598	573	598	573	381	503	217	70	...	...
Oklahoma	386	14	380	14	224	12	156	2	6	...
Oregon	53	171	53	171	17	152	36	19	...	...
Pennsylvania	724	700	724	700	554	605	170	95	...	...
Rhode Island	9	89	9	89	5	67	4	22	...	...
South Carolina	145	130	77	124	31	94	46	30	68	6
South Dakota	172	54	71	31	60	24	11	7	101	23
Tennessee	295	191	216	178	83	131	133	47	79	13
Texas	974	26	939	26	577	26	362	...	35	...
Utah	48	70	48	70	20	61	28	9	...	...
Vermont	56	30	56	30	33	20	23	10	...	...
Virginia	309	244	308	244	200	170	108	74	1	...
Washington	87	261	87	261	33	254	54	7	...	...
West Virginia	184	...	183	...	112	...	71	...	1	...
Wisconsin	552	153	552	153	159	25	393	128	...	...
Wyoming	52	1	52	1	39	1	13	...	...	...
Hawaii[2]	6	76	6	76	1	26	5	50	...	...
Puerto Rico[2]	10	123	10	123	...	13	10	110	...	...
Virgin Islands[2]	2	4	2	4	1	1	1	3	...	...

[1] Comprises all commercial banking offices in the United States, Hawaii, Puerto Rico, and the Virgin Islands on which checks are drawn, including 263 banking facilities. Number of banks and branches differs from that in the preceding table because this table includes banks in Hawaii, Puerto Rico, and the Virgin Islands, but excludes banks and trust companies on which no checks are drawn and three mutual savings member banks. See also note 3.

[2] Hawaii assigned to the San Francisco District for purposes of Regulation J, "Check Clearing and Collection"; Puerto Rico and the Virgin Islands assigned to the New York District. Member branches in Puerto Rico are branches of New York banks.

[3] Includes commercial banks in the Territory of Alaska.

TABLE 1. SUMMARY OF FLOW-OF-FUNDS ACCOUNTS FOR FIRST QUARTER, 1959

[In billions of dollars]

Transaction category / Sector	Consumer and nonprofit sector		Nonfinancial business sectors: Farm[1]		Noncorporate[1]		Corporate		Government sectors[2]: Federal		State and local		Financial institutions sectors: Commercial banking[3]		Savings institutions[4]		Insurance[5]		Finance n.e.c.[6]		Rest-of-world sector		All sectors		Discrepancy[7]	Natl. saving and investment[2,8]	
	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U		
A **Gross saving[2,9]**		**18.7**		**.3**		**2.2**		**7.1**		**.5**		**−.5**		**.2**		**.7**		**.4**		**−.1**		**10.6**		**30.1**	**[11]3.6**	**29.5**	A
B Capital consumption[12]		10.6		1.0		2.0		5.0						*		*		*		*				18.6		18.6	B
C Net saving (A−B)		8.2		−.7		.1		2.1		.5		−.5		.2		.7		.4		−.1		.6		11.5		10.9	C
D **Gross investment (E+J)[2]**	**18.6**		**.3**		**2.2**		**5.3**		**.5**		**−1.0**		**.7**		**.7**		**.4**		*		**.4**		**27.9**		**−1.4**	**26.1**	D
E **Private capital expenditures (net of sales)[13]**	**14.5**		**1.4**		**3.1**		**7.4**						**.1**				**.1**						**26.5**			**26.5**	E
F Consumer durable goods	9.4																						9.4			9.4	F
G Nonfarm resident constr.[14]	4.3				*		*																4.3			4.3	G
H Plant and equipment	.9		1.2		2.1		5.4						.1				.1						9.7			9.7	H
I Change in inventories[15]			.2		.9		2.0																3.2			3.2	I
J **Net financial invest. (K−L)**	**4.1**		**−1.1**		**−.9**		**−2.1**		**.5**		**−1.0**		**.5**		**.7**		**.3**		*		**.4**		**1.4**		**−1.4**	**[16]−.4**	J
K ***Net acquis. of finan. assets***	*6.6*				*−.3*		*		*.1*		*.7*		*−5.5*		*2.2*		*2.2*		*1.0*		*.9*		*7.8*			*−.9*	K
L ***Net increase in liabilities[17]***		*2.5*		*1.1*		*.6*		*2.1*		*−.4*		*1.7*		*−6.1*		*1.5*		*1.9*		*1.0*		*.5*		*6.4*		*.5*	L
M Gold and Treas. currency[18]									*	*			−.1								.1		*	*	*	−.1	M
N Currency and dem. dep.[19]	−1.3				.1		−2.9		−.5		−.4			−7.2	−.3		−.2		.1		−.2		−5.5	−7.2	−1.7	.2	N
O Fixed-value redeem. claims	2.3								*	−.2				.9	*	1.7					.1		2.4	2.4		−.1	O
P Time deposits[20]	1.1								*	*				.9	*	.3					.1		1.1	1.1		−.1	P
Q Savings shares[21]	1.4															1.4							1.4	1.4			Q
R U. S. savings bonds[22]	−.2									−.2													−.2	−.2			R
S Saving through life insur.[23]	.8									*								.7					.8	.8			S
T Saving through pen. funds[24]	1.6									.1		.4						1.1					1.6	1.6			T
U Credit and equity mkt. instr.	4.5	2.5		.7	−.4	−.2	1.0	2.2	.5	−.2	1.0	1.3	−5.4	.1	2.5	−.2	2.3		.9	.9	.2	.2	7.2	7.3	.1	*	U
V Federal obligations[25]	2.6						1.5			*	.6		−5.5		.7		.1		−.3		.2		−.1	*	.2	−.2	V
W State and local obligations	.6										.1	1.3	.2		.1		.3		.1				1.3	1.3			W
X Corp. and foreign bonds	−.1							.6			.3				−.1		1.0		*	.3	*	.2	1.1	1.1		.2	X
Y Corporate stock	.5							.5						.1	*		.3		.4	.5	*	.1	1.2	1.2		.1	Y
Z 1- to 4-family mortgages	.2	3.0				−.2		−.2	.2		*		.3		1.6		.2		.1				2.6	2.6			Z
a Other mortgages	.6	*		.3		.4		.9	.2		*		.3		.3		.2						1.7	1.7			a
b Consumer credit		−.9			−.4		−.9						.3		.1				.1				−.9	−.9			b
c Security credit[26]	.1	.2											−.4						*	−.4			−.2	−.2			c
d Bank loans n.e.c.[27]		.1		.1		−.6		*					−.4			*				.1		−.1	−.4	−.4	−.1	−.1	d
e Other loans[28]		.1		.2		.2	.4	.3	.1	−.2		*	−.2		−.1	−.2	.1		.7	.5	−.1	*	1.0	1.0		.1	e
f Trade credit		*		[29].2		[29]2.3	1.6	−.1									*						1.7	2.4	.8		f
g Proprietors' net invest. in noncorporate business[1]	−1.4			.2		−1.5																	−1.4	−1.4			g
h Misc. financial trans.[30]					*		.3	*	.1	−.2			−.1	.2	*					.1	.8	.3	1.0	.4	−.6	−.5	h
i Sector discrepancies (A−D)[31]	.1						1.9				.6		−.5						−.1		.2		2.2		2.2	**3.4**	i

* Less than $50 million.

NOTE.—U = uses of funds; S = sources of funds. Financial uses of funds represent net acquisitions of assets; financial sources of funds, net changes in liabilities.

For discussion of saving and investment concepts see pp. 831–43 of this BULLETIN. Descriptions of sectors and of transaction categories are given in notes to tables and in "Technical Notes," on pp. 846–59 of this BULLETIN.

Details may not add to totals because of rounding.

For other notes see pp. 1047 and 1049.

TABLE 2. SAVING AND INVESTMENT

[In billions of dollars]

	Transaction category, or sector	Annual totals					Quarterly totals									
							1957				1958				1959	
		1954	1955	1956	1957	1958	1	2	3	4	1	2	3	4	1	
A	**Net national saving**[2]	**23.7**	**39.4**	**41.3**	**37.2**	**18.5**	**11.7**	**9.7**	**11.3**	**4.6**	**6.6**	**2.7**	**5.3**	**3.9**	**10.9**	A
B	Consumer and nonprofit	22.6	26.6	29.2	27.6	25.1	7.6	6.4	8.4	5.3	6.6	4.4	8.0	6.0	8.2	B
C	Farm and noncorp. business[32]	*	*	*	*	*	−2.4	−.5	−.2	3.1	−1.1	−1.1	−.8	3.1	−.6	C
D	Corporate nonfinancial business	2.7	12.4	5.8	5.4	2.7	−.8	.2	3.7	2.4	−3.1	−1.3	3.3	3.8	2.1	D
E	Federal Government[2]	−2.2	.4	5.8	3.6	−8.2	5.8	4.2	−1.4	−5.0	3.5	1.3	−5.4	−7.7	.5	E
F	State and local governments[2]	−2.6	−3.2	−2.7	−3.3	−4.6	*	−.9	−1.1	−1.3	−.4	−1.1	−1.5	−1.6	−.5	F
G	Financial sectors	3.1	3.3	3.2	3.9	3.4	1.7	.3	1.9	.1	1.0	.4	1.7	.2	1.1	G
H	**Capital consumption**[12]	**57.1**	**62.3**	**67.4**	**72.7**	**74.9**	**17.6**	**18.0**	**18.4**	**18.7**	**18.1**	**18.5**	**18.9**	**19.4**	**18.6**	H
I	Consumer and nonprofit	31.5	33.9	36.9	40.0	41.6	9.8	10.0	10.1	10.2	10.3	10.4	10.4	10.5	10.6	I
J	Consumer durable goods	28.3	30.4	33.0	35.8	37.0	8.8	8.9	9.0	9.1	9.2	9.2	9.3	9.3	9.4	J
K	Owner-occupied homes	2.8	3.1	3.4	3.7	4.0	.9	.9	.9	.9	1.0	1.0	1.0	1.0	1.0	K
L	Plant and equip. (nonprofit)	.5	.5	.5	.5	.6	.1	.1	.1	.1	.1	.1	.1	.1	.1	L
M	Farm business	3.6	3.7	3.7	3.9	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	M
N	Noncorp. nonfinan. business	6.7	7.0	7.5	8.1	8.0	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.1	2.0	N
O	Corporate nonfinancial business	15.2	17.6	19.3	20.7	21.4	4.9	5.1	5.3	5.5	4.9	5.2	5.5	5.8	5.0	O
P	**Gross national saving**[2]	**80.8**	**101.8**	**108.7**	**109.9**	**93.4**	**29.2**	**27.7**	**29.7**	**23.3**	**24.7**	**21.2**	**24.2**	**23.3**	**29.5**	P
Q	Consumer and nonprofit	54.2	60.5	66.1	67.7	66.7	17.4	16.3	18.4	15.5	16[illegible]	14.8	18.5	16.5	18.7	Q
R	Farm and noncorp. business	10.4	10.7	11.3	11.9	12.0	.5	2.5	2.9	6.1	1.8	1.8	2.2	6.1	2.5	R
S	Corporate nonfinancial business	18.0	30.1	25.1	26.1	24.1	4.0	5.3	9.0	7.9	1.8	3.9	8.7	9.7	7.1	S
T	Federal Government[2]	−2.2	.4	5.8	3.6	−8.2	5.8	4.2	−1.4	−5.0	3.5	1.3	−5.4	−7.6	.5	T
U	State and local governments[2]	−2.6	−3.2	−2.7	−3.3	−4.6	*	−.9	−1.1	−1.3	−.4	−1.1	−1.5	−1.6	−.5	U
V	Financial sectors	3.1	3.3	3.2	3.9	3.4	1.7	.3	1.9	.1	1.0	.4	1.7	.2	1.1	V
W	**Gross national investment**[2]	**81.0**	**103.8**	**108.0**	**111.1**	**92.9**	**27.2**	**28.1**	**28.2**	**27.6**	**21.7**	**21.6**	**23.0**	**26.6**	**26.1**	W
X	Consumer durable goods	32.4	39.6	38.5	40.3	37.6	9.2	10.1	9.7	11.3	8.3	9.1	8.8	11.4	9.4	X
Y	Other gross private domestic fixed investment	50.5	†58.4	62.7	64.6	58.7	14.2	16.7	16.9	16.7	13.1	14.7	15.1	15.8	14.0	Y
Z	Consumer and nonprofit	15.5	19.3	18.9	18.2	18.2	4.5	4.1	4.6	4.9	4.4	4.0	4.6	5.2	5.2	Z
a	*Nonfarm residen. constr.*[14]	*12.9*	*16.6*	*16.1*	*14.9*	*14.7*	*3.8*	*3.3*	*3.8*	*4.0*	*3.6*	*3.1*	*3.6*	*4.3*	*4.3*	a
b	*Plant and equip. (nonprofit)*	*2.6*	*2.7*	*2.8*	*3.3*	*3.4*	*.7*	*.8*	*.9*	*.9*	*.8*	*.8*	*.9*	*.9*	*.9*	b
c	Farm business	4.2	4.2	3.8	4.0	4.6	.9	1.1	1.1	.8	1.0	1.3	1.2	1.0	1.2	c
d	Noncorp. nonfinan. business[14]	8.5	10.1	10.1	9.7	9.2	2.0	2.8	2.6	2.3	1.7	2.5	2.5	2.4	2.1	d
e	Corp. nonfinan. business[14]	21.8	†24.1	29.1	32.0	26.1	6.6	8.6	8.4	8.4	5.8	6.7	6.6	7.0	5.4	e
f	Financial sectors	.5	.7	.7	.8	.7	.2	.2	.2	.2	.2	.2	.2	.2	.2	f
g	Change in inventories[15]	−1.6	5.8	4.7	2.0	−3.8	2.3	*	.8	−1.1	*	−2.4	−.8	−.6	3.2	g
h	Farm business	.5	.3	−.4	.8	1.1	.1	.2	.2	.2	.3	.2	.2	.2	.2	h
i	Noncorp. nonfinan. business	−.2	.6	.2	*	−.1	.9	−.3	.2	−.8	.6	−.3	.1	−.5	.9	i
j	Corp. nonfinan. business	−1.9	4.9	4.9	1.2	−4.8	1.3	*	.3	−.5	−1.0	−2.4	−1.1	−.4	2.0	j
k	Net financial investment[16]	−.3	*	2.1	4.2	.4	1.4	1.2	.8	.7	.3	.2	−.1	*	−.4	k
l	Consumer and nonprofit	8.8	5.4	12.5	11.0	11.5	4.5	.7	4.0	1.7	4.7	−.7	5.1	2.4	4.1	l
m	*Net acquis. of finan. assets*	*20.6*	*25.8*	*27.5*	*22.9*	*23.6*	*5.9*	*4.8*	*6.8*	*5.4*	*5.1*	*3.1*	*7.0*	*8.3*	*6.6*	m
n	*Net increase in liabilities*	*11.8*	*20.4*	*15.0*	*11.8*	*12.1*	*1.4*	*4.1*	*2.7*	*3.6*	*.4*	*3.9*	*1.9*	*5.9*	*2.5*	n
o	Farm and noncorp. business	−2.7	−4.4	−2.5	−2.5	−2.8	−3.5	−1.4	−1.3	3.6	−1.9	−1.9	−1.9	3.0	−2.0	o
p	*Net acquis. of finan. assets*	*.5*	*.6*	*.4*	*.7*	*1.5*	*−.3*	*.3*	*.1*	*.5*	*−.2*	*.5*	*.3*	*.8*	*−.3*	p
q	*Net increase in liabilities*	*3.2*	*5.0*	*2.9*	*3.2*	*4.3*	*3.2*	*1.7*	*1.4*	*−3.1*	*1.7*	*2.5*	*2.2*	*−2.1*	*1.7*	q
r	Corp. nonfinan. business	−3.4	−2.9	−12.2	−6.9	.4	−4.1	−2.7	.3	−.3	−4.3	.1	2.6	2.0	−2.1	r
s	*Net acquis. of finan. assets*	*4.5*	*16.8*	*4.2*	*2.8*	*7.4*	*−2.4*	*.1*	*3.6*	*1.5*	*−6.2*	*1.4*	*6.8*	*5.4*	*	s
t	*Net increase in liabilities*	*7.9*	*19.6*	*16.4*	*9.7*	*7.0*	*1.8*	*2.8*	*3.3*	*1.9*	*−1.9*	*1.3*	*4.3*	*3.4*	*2.1*	t
u	Federal Government	−2.2	.4	5.8	3.6	−8.2	5.8	4.2	−1.4	−5.0	3.5	1.3	−5.4	−7.6	.5	u
v	*Net acquis. of finan. assets*	*.2*	*.9*	*1.5*	*3.2*	*1.5*	*4.0*	*−.9*	*2.2*	*−2.1*	*1.4*	*3.9*	*−4.4*	*.7*	*.1*	v
w	*Net increase in liabilities*	*2.4*	*.5*	*−4.3*	*−.4*	*9.8*	*−1.8*	*−5.1*	*3.7*	*2.8*	*−2.2*	*2.6*	*1.0*	*8.4*	*−.4*	w
x	State and local governments	−1.7	−2.6	−2.1	−2.8	−3.9	−.7	−.1	−1.5	−.5	−1.1	−.6	−2.3	.1	−1.0	x
y	*Net acquis. of finan. assets*	*3.7*	*2.2*	*2.6*	*3.5*	*3.6*	*1.0*	*1.3*	*.2*	*1.0*	*1.2*	*1.5*	*−.5*	*1.3*	*.7*	y
z	*Net increase in liabilities*	*5.4*	*4.8*	*4.6*	*6.3*	*7.5*	*1.7*	*1.4*	*1.7*	*1.5*	*2.3*	*2.1*	*1.8*	*1.3*	*1.7*	z
aa	Financial sectors	3.9	3.6	2.5	2.6	3.4	1.2	.3	1.5	−.4	.5	1.2	2.2	−.5	1.5	aa
bb	*Net acquis. of finan. assets*	*27.5*	*26.9*	*22.4*	*23.7*	*35.3*	*1.0*	*6.6*	*7.0*	*9.0*	*2.7*	*16.1*	*1.5*	*15.0*	*−.2*	bb
cc	*Net increase in liabilities*	*23.6*	*23.3*	*19.9*	*21.1*	*31.8*	*−.1*	*6.3*	*5.5*	*9.4*	*2.2*	*14.9*	*−.8*	*15.5*	*−1.7*	cc
dd	Financial trans. discrep.	−3.1	.5	−2.0	−.8	*	−1.7	.2	−.8	1.5	−1.2	.8	−.4	.7	−1.4	dd
ee	Discrepancy (P−W)[31]	−.2	−2.0	.7	−1.1	.5	2.0	−.4	1.5	−4.2	3.1	−.3	1.2	−3.3	3.4	ee

* Less than $50 million. † Includes $0.3 billion of existing facilities purchased from Federal Government.

NOTE.—Descriptions of sectors and of transaction categories are given in notes to tables and in "Technical Notes," pp. 846–59 of this BULLETIN. For other notes see below and second page following.

Notes to Tables 1–3

1 Net saving of, and consumer investment in, unincorporated business discussed on p. 838 of this BULLETIN. See note 32, p. 1049.

2 For govt. sectors, saving is excess of all nonfinancial receipts over all nonfinancial outlays; investment, changes in financial assets and liabilities only. Govt. current outlays include, and govt. (and national) investment excludes, govt. purchases of tangible assets.

3 Consolidated account for monetary authorities (Federal Reserve System, ESF, and Treasury currency accounts) and commercial banks in United States (excluding territories and possessions).

4 Mutual savings banks, savings and loan assns., and credit unions.

5 Life and nonlife insurance companies and private pension plans.

6 Finance companies, open-end investment companies, security brokers and dealers, banks in U. S. territories and possessions, and U. S. agencies of foreign banks.

7 For discussion, see p. 857 of this BULLETIN.

8 Totals for domestic sectors; financial entries are net uses plus items in discrepancy column. For comparison with national saving and investment in national income accounts of Dept. of Commerce, see p. 842 of this BULLETIN.

9 For content of sector saving, see transactions in sector statements, Table 4, and p. 849 of this BULLETIN; for discussion of saving concepts, see p. 833 of this BULLETIN.

10 Rest-of-world surplus on current transactions with United States.

11 Discrepancy between total nonfinancial sources and uses of funds (Line *A* minus line *E* in "all sectors" column).

12 Depreciation, accidental damage to fixed capital, and capital outlays charged to current account. Annual data in Table 2 are from Dept. of Commerce national income accounts except for F. R. estimates of depreciation on consumer durable goods. Depreciation on latter item and on farm assets at current cost; other depreciation, in general, at original cost. Line *H* in Table 2 includes amounts for financial sectors not shown separately. See discussion on p. 836 of this BULLETIN.

13 Transactions in land excluded from sector investment for statistical reasons. Such transactions, when recorded as capital flows, affect sector allocation of investment but not the national total.

For other notes to Tables 1–3 see second page following.

TABLE 3. SUMMARY OF PRINCIPAL FINANCIAL FLOWS[33]

[In billions of dollars]

	Transaction category, or sector	Annual totals					Quarterly totals									
							1957				1958				1959	
		1954	1955	1956	1957	1958	1	2	3	4	1	2	3	4	1	
	I. Currency and demand deposits															
A	**Net incr. in com. bkg. sys. liab.[19]**	4.5	2.3	1.7	−.8	5.8	−5.2	−.1	1.4	3.1	−5.2	6.4	−3.4	8.0	−7.2	A
B	**Net increase in assets, by sector**	6.1	.8	1.8	.3	6.3	−2.9	−.4	2.3	1.4	−3.2	5.7	−2.4	6.3	−5.5	B
C	Federal Government	.3	−.6	−.2	.2	.1	3.2	−1.8	1.5	−2.7	1.5	3.6	−5.0	*	−.5	C
D	Other domestic sectors	5.7	1.5	1.7	*	6.2	−5.7	.8	.8	4.0	−4.4	1.8	2.7	6.1	−4.8	D
E	Consumer and nonprofit	2.5	−.8	1.0	−.8	2.5	−2.5	−.6	1.0	1.3	−1.3	−.8	2.4	2.2	−1.3	E
F	Farm and noncorporate bus.	.4	.3	.1	.5	1.3	.1	.1	.1	.1	.3	.3	.3	.3	.1	F
G	Corporate nonfinancial bus.	2.0	1.0	.1	−.2	1.8	−2.8	.6	.7	1.3	−3.1	1.3	1.0	2.5	−2.9	G
H	State and local government	.4	.4	.2	.2	.2	−.1	.4	−.7	.6	−.3	.6	−.7	.6	−.4	H
I	Financial sectors	.5	.6	.2	.3	.4	−.4	.3	−.3	.8	−.1	.3	−.3	.4	−.4	I
J	Rest of the world	.1	*	.2	.2	*	−.4	.5	*	*	−.3	.2	−.1	.3	−.2	J
K	Discrepancy (A−B)	−1.6	1.5	*	−1.1	−.5	−2.3	.3	−.8	1.7	−1.9	.7	−1.0	1.6	−1.7	K
	II. Fixed-value redeemable claims															
A	**Net increase, by type**	10.9	8.4	8.9	10.1	16.0	2.9	2.9	1.4	2.8	5.5	5.0	2.5	3.1	2.4	A
B	Time deposits	5.5	2.9	3.6	6.8	10.1	2.5	1.7	1.3	1.4	4.3	3.3	1.6	.9	1.1	B
C	Savings shares	4.8	5.3	5.4	5.2	6.5	1.0	1.7	.6	1.8	1.3	1.8	1.0	2.3	1.4	C
D	U.S. savings bonds[22]	.6	.3	−.1	−1.9	−.5	−.6	−.5	−.5	−.4	−.1	−.1	−.2	−.2	−.2	D
E	**Net increase in liab., by sector[34]**	11.0	8.4	9.0	10.1	16.1	2.9	3.0	1.4	2.9	5.5	5.0	2.5	3.1	2.4	E
F	Federal Government	.4	*	−.3	−2.2	−.7	−.6	−.6	−.6	−.5	−.1	−.2	−.2	−.2	−.2	F
G	Commercial banking	3.8	1.3	2.1	5.5	8.0	2.1	1.3	1.0	1.0	3.6	2.8	1.1	.5	.9	G
H	Savings institutions	6.8	7.1	7.3	6.9	8.8	1.5	2.2	.9	2.3	2.0	2.4	1.5	2.8	1.7	H
I	**Net increase in assets, by sector[34]**	10.9	8.4	8.9	10.1	16.0	2.9	2.9	1.4	2.8	5.5	5.0	2.5	3.1	2.4	I
J	Consumer and nonprofit	9.6	8.7	9.0	9.8	13.6	2.6	2.9	1.4	2.8	3.3	3.7	3.0	3.6	2.3	J
K	Other domestic sectors[35]	.8	−.1	.1	.4	1.3	.2	.1	*	.1	1.2	1.2	−.4	−.6	*	K
L	Rest of the world (time deposits)	.6	−.1	−.1	*	.9	.1	−.1	*	*	1.0	*	−.1	*	.1	L
	III. Saving through life insurance and pension funds															
A	**Net increase, by type**	7.6	8.4	9.2	8.8	9.9	2.2	2.3	2.0	2.2	2.5	2.2	2.5	2.7	2.4	A
B	Life insurance	3.1	3.2	3.8	2.8	3.4	.7	.7	.7	.7	.8	.7	.9	1.0	.8	B
C	Pension funds	4.5	5.1	5.5	5.9	6.5	1.5	1.6	1.3	1.5	1.8	1.4	1.6	1.7	1.6	C
D	**Net increase in liab., by sector[34 36]**	7.6	8.4	9.2	8.8	9.9	2.2	2.3	2.0	2.2	2.5	2.2	2.5	2.7	2.4	D
E	Federal Government	.1	.6	1.0	.6	1.0	.1	.4	.1	.1	.2	.4	.3	.1	.2	E
F	State and local government	1.1	1.2	1.3	1.4	1.5	.3	.3	.3	.3	.4	.4	.4	.4	.4	F
G	Life insurance companies	4.5	4.6	4.8	4.3	4.8	1.0	1.0	1.1	1.2	1.1	1.0	1.3	1.4	1.1	G
H	Private noninsured pension plans	1.8	2.0	2.1	2.6	2.6	.8	.6	.5	.6	.9	.4	.6	.8	.8	H
	IV. Credit and equity market instruments															
A	**Net increase, by type**	28.4	43.8	30.6	36.7	45.4	5.6	6.5	12.7	11.8	3.0	13.7	5.9	22.7	7.2	A
B	Federal obligations	1.6	.8	−5.4	1.3	9.1	−.8	−4.8	4.9	2.0	−2.0	2.6	.9	7.7	−.1	B
C	Short-term direct[37]	−11.8	−7.1	7.4	5.5	−1.2	−1.6	3.9	1.0	2.2	−1.9	−4.3	1.2	3.8	−4.6	C
D	Other	13.4	7.9	−12.8	−4.2	10.3	.8	−8.7	3.9	−.2	−.1	6.9	−.3	3.9	4.5	D
E	State and local obligations	4.5	3.5	3.2	4.7	5.7	1.3	1.0	1.3	1.1	1.9	1.6	1.3	.8	1.3	E
F	Corporate and foreign bonds	3.7	4.0	5.0	7.5	6.9	1.9	1.8	2.0	1.8	2.4	1.5	1.4	1.6	1.1	F
G	Corporate stock	2.6	3.0	3.8	4.0	4.2	1.1	1.2	.7	.9	.8	1.4	1.0	1.1	1.2	G
H	1- to 4-family mortgages	9.6	12.6	10.8	8.6	10.4	2.1	2.3	2.4	1.9	1.7	2.4	3.1	3.2	2.6	H
I	Other mortgages	2.9	3.6	3.8	3.5	4.2	.7	.8	.9	1.0	.8	1.1	1.0	1.2	1.7	I
J	Consumer credit	1.0	6.4	3.4	2.7	.3	−1.2	1.6	.7	1.6	−2.3	.6	.1	1.9	−.9	J
K	Security credit	2.2	.9	−.7	−.4	1.4	−.9	.7	−.3	*	*	2.1	−2.1	1.4	−.2	K
L	Bank loans n.e.c.	.2	8.0	5.9	2.3	1.4	.4	2.1	−.2	.1	−1.7	.7	−.3	2.8	−.4	L
M	Other loans	*	1.1	.9	2.6	1.8	1.1	−.2	.3	1.4	1.4	−.2	−.3	.9	1.0	M
N	**Funds raised, by sector[34]**	28.2	44.0	30.9	36.6	45.2	5.6	6.5	12.7	11.9	2.8	13.6	6.1	22.7	7.4	N
O	Consumer and nonprofit	11.7	20.3	14.9	11.7	12.0	1.3	4.1	2.7	3.6	.4	3.9	1.9	5.9	2.5	O
P	Farm business	.8	1.2	.9	1.1	1.4	.5	.6	.1	−.2	.4	.9	.2	−.1	.7	P
Q	Noncorporate nonfinancial bus.	2.0	4.0	3.4	2.6	4.2	−.8	1.3	.6	1.5	−.8	.9	.2	3.9	−.2	Q
R	Corporate nonfinancial business	5.7	9.0	11.4	11.3	8.5	4.0	3.1	2.5	1.8	2.6	2.0	2.4	1.5	2.2	R
S	Federal Government	1.5	−.1	−5.4	1.0	9.3	−.9	−5.2	4.8	2.3	−2.0	2.2	1.1	7.9	−.2	S
T	State and local government	4.2	3.5	3.3	4.9	5.9	1.4	1.0	1.3	1.1	2.0	1.7	1.4	.8	1.3	T
U	Financial sectors	1.9	5.8	1.3	2.6	1.5	−.2	1.3	.5	1.1	−.4	1.5	−1.7	2.1	.8	U
V	Rest of the world	.4	.3	1.0	1.4	2.4	.3	.3	.1	.6	.5	.6	.5	.7	.2	V
W	**Funds advanced, by sector**	28.4	43.8	30.6	36.7	45.4	5.6	6.5	12.7	11.8	3.0	13.7	5.9	22.7	7.2	W
X	Consumer and nonprofit	.8	8.0	7.9	9.7	3.0	4.7	1.3	3.5	.2	1.9	−.6	.5	1.1	4.5	X
Y	Farm and noncorp. business	.1	.2	.3	.2	.2	−.4	.2	*	.4	−.5	.2	*	.5	−.4	Y
Z	Corporate nonfinancial business	−2.3	5.0	−3.9	−1.2	1.2	−1.1	−2.2	.3	1.8	−1.8	−2.3	1.1	4.2	1.0	Z
a	Federal Government	−.4	1.4	1.1	2.3	1.7	.5	.5	.5	.9	*	.3	.5	.9	.5	a
b	State and local government	2.9	1.9	2.3	2.8	2.6	.9	.7	.9	.4	.9	.2	.6	.9	1.0	b
c	Commercial banking system	9.3	4.8	4.8	4.3	17.0	−3.2	.8	3.1	3.6	−1.2	10.8	−.6	8.0	−5.4	c
d	Monetary authorities	−.9	−.3	.3	−.8	2.2	−1.8	−.1	.3	.9	−.6	1.8	−.4	1.4	−.9	d
e	Commercial banks	10.2	5.0	4.5	5.1	14.9	−1.4	1.0	2.8	2.7	−.5	9.0	−.2	6.6	−4.5	e
f	*Securities*	*7.2*	*−7.0*	*−3.5*	*1.3*	*10.4*	*−1.0*	*−2.0*	*2.7*	*1.6*	*1.2*	*6.5*	*1.0*	*1.7*	*−4.5*	f
g	*Loans[38]*	*3.0*	*12.1*	*8.0*	*3.8*	*4.5*	*−.4*	*2.9*	*.2*	*1.1*	*−1.7*	*2.5*	*−1.2*	*4.9*	*	g
h	Savings institutions	6.7	8.1	7.3	7.2	9.1	2.0	1.9	2.0	1.3	1.7	2.3	2.8	2.3	2.5	h
i	Insurance sector	8.1	8.1	7.9	8.3	8.8	2.3	1.9	2.0	2.0	2.3	1.7	2.3	2.5	2.3	i
j	Finance n.e.c.	2.5	5.3	1.6	2.3	1.8	−.1	1.3	.3	.8	.1	1.7	−2.1	2.1	1.0	j
k	Rest of the world	.6	1.0	1.3	.6	−.1	.1	*	.1	.4	−.5	−.6	.8	.3	.2	k

* Less than $50 million.

For other notes see opposite page.

Notes to Tables 1-3 (cont.).

14 For consumers, 1- to 4-family dwellings completed and purchases of additions and alterations. Investment of nonfarm business sectors includes work in process on 1- to 4-family dwellings and other private residential construction.

15 After inventory valuation adjustment.

16 Financial component of national investment equals net lending to rest of world; financial flows among domestic sectors cancel out in national total. (Discrepancies in financial transactions attributed entirely to domestic transactions.) Differs from U. S. "net foreign investment" (net exports minus net unilateral transfers in national income accounts) by discrepancy in rest-of-world account, which equals "errors and omissions" in Dept. of Commerce balance-of-payments statement for the U. S.

17 "Liabilities" cover equity as well as debt claims.

18 For description, see p. 852 of this BULLETIN.

19 Demand deposit liabilities of banking system are net of F. R. float and cash items in process of collection as reported by commercial banks. Sum of sector holdings (partly on holder-record basis) differs from liability total mainly because of mail float (checks in transit from drawers to drawees). See Table 4 (G), lines *Y–a*, for sector allocation of currency and demand deposit liability on a net bank-record basis. For further discussion, see p. 853 of this BULLETIN.

20 At commercial and mutual savings banks and Postal Savings System.

21 Shares in savings and loan associations and credit unions.

22 Consumer-held only; includes net interest accruals. Savings bonds held by other sectors included in Federal obligations category.

23 Private and Federal Government life insurance. Estimated as equal to changes in reserves against life insurance policies and supplementary contracts and in policy dividend accumulations.

24 Private pension plans and railroad and govt. employee retirement funds. Estimated as equal to changes in reserves of pension plans administered by life insurance companies and in assets of other private plans and of railroad and govt. employee retirement funds.

25 Excludes Federal debt held by Federal agencies, consumer-held savings bonds, special notes issued to IMF, and currency items in publis debt; includes Federal agency debt and accrued interest on Treasury bills and on savings bonds (other than consumer-held).

26 Loans from banks for purchasing or carrying securities and customer debit and net free credit balances on books of security brokers and dealers.

27 Mainly commercial, industrial, and agricultural loans (other than open market paper and CCC-guaranteed loans); includes loans to foreign banks, loans to individuals (other than consumer credit), and other loans. Gross of valuation reserves. Loans to domestic commercial banks excluded in consolidated banking statement.

28 Mainly Federal Government loans (other than mortgages), CCC-guaranteed loans, open market paper, finance company loans to business, and policy loans on life insurance.

29 Trade debt net of trade credit.

30 For coverage, see p. 856 of this BULLETIN. See also notes for this category in individual sector statements in Table 4.

31 Saving and investment are equal in concept but may differ statistically because of discrepancies. See p. 857 of this BULLETIN.

32 Annual figures for farm sector are retained earnings of corporate farms; farm and nonfarm unincorporated businesses shown as having zero annual net saving. Quarterly figures for both sectors include seasonal net saving. See p. 838 of this BULLETIN.

33 Data for excluded categories—trade credit, proprietors' net investment, gold, Treasury currency, and misc.—appear in Tables 1 and 4.

34 For sector transactions in specific instruments, see Tables 1 and 4.

35 Mainly time deposits of State and local governments, corporate businesses, and savings institutions.

36 Includes life insurance issued by fraternal orders not shown separately. Assets in these categories shown as consumer holdings.

37 Marketable issues maturing within one year and, prior to 1956, savings notes.

38 Excludes loans to domestic commercial banks. Consists of mortgages, consumer credit, security credit, other loans, and bank loans, n.e.c. Gross of valuation reserves.

TABLE 4. SECTOR STATEMENTS OF SOURCES AND USES OF FUNDS

[In billions of dollars]

	Category	Annual totals					Quarterly totals									
							1957				1958				1959	
		1954	1955	1956	1957	1958	1	2	3	4	1	2	3	4	1	
		(A) Consumer and nonprofit organization sector														
A	Current receipts	272.0	291.9	314.2	330.6	337.8	80.0	82.2	83.8	84.5	81.5	82.7	85.6	87.9	86.3	A
B	Income receipts[1]	255.0	273.4	293.5	306.8	309.3	74.5	76.3	77.9	78.1	74.6	75.5	78.5	80.7	79.0	B
C	Transfer receipts[2]†	17.0	18.6	20.7	23.8	28.4	5.6	5.9	6.0	6.4	6.9	7.2	7.1	7.2	7.3	C
D	Income taxes and other deductions	35.1	38.3	42.9	46.2	46.0	12.4	13.0	11.4	9.4	12.1	12.5	11.6	9.8	12.4	D
E	Taxes less tax refunds[3]	30.5	33.1	37.0	39.4	38.9	10.4	11.0	9.8	8.1	10.1	10.5	9.9	8.4	10.1	E
F	Pension and OASI deductions[4]†	4.6	5.2	5.9	6.8	7.1	2.0	2.0	1.6	1.3	2.1	2.0	1.6	1.4	2.3	F
G	Cur. receipts after deduct. (A−D)	237.0	253.6	271.2	284.4	291.7	67.6	69.2	72.5	75.1	69.4	70.2	74.1	78.0	74.0	G
H	Cur. expend. for goods and serv.[5]	187.3	198.3	211.2	222.6	232.1	51.8	54.6	55.3	60.9	54.4	56.9	57.4	63.4	57.1	H
I	Net life insurance premiums[6]†	2.6	2.8	2.7	2.8	2.5	.6	.6	.7	.8	.6	.5	.7	.7	.5	I
J	Current surplus (G−H−I)	47.0	52.5	57.3	59.0	57.1	15.2	14.1	16.4	13.3	14.5	12.7	16.0	13.9	16.4	J
K	Insurance and retirement credits[7]†	7.2	8.0	8.8	8.7	9.6	2.2	2.3	2.0	2.2	2.5	2.1	2.5	2.6	2.3	K
L	Capital consumption[8]	31.5	33.9	36.9	40.0	41.6	9.8	10.0	10.1	10.2	10.3	10.4	10.4	10.5	10.6	L
M	Net saving (J+K−L)	22.6	26.6	29.2	27.6	25.1	7.6	6.4	8.4	5.3	6.6	4.4	8.0	6.0	8.2	M
N	Gross saving (L+M)	54.2	60.5	66.1	67.7	66.7	17.4	16.3	18.4	15.5	16.9	14.8	18.5	16.5	18.7	N
O	**Gross investment (P+T)**	**56.7**	**64.3**	**69.9**	**69.5**	**67.3**	**18.2**	**14.9**	**18.4**	**18.0**	**17.4**	**12.3**	**18.5**	**19.0**	**18.6**	O
P	***Capital expend. (net of sales)***	***47.9***	***58.9***	***57.4***	***58.5***	***55.8***	***13.7***	***14.2***	***14.3***	***16.2***	***12.7***	***13.1***	***13.4***	***16.6***	***14.5***	P
Q	Residential construction	12.9	16.6	16.1	14.9	14.7	3.8	3.3	3.8	4.0	3.6	3.1	3.6	4.3	4.3	Q
R	Consumer durable goods	32.4	39.6	38.5	40.3	37.6	9.2	10.1	9.7	11.3	8.3	9.1	8.8	11.4	9.4	R
S	Plant and equip. (nonprofit)	2.6	2.7	2.8	3.3	3.5	.7	.8	.9	.9	.8	.8	.9	.9	.9	S
T	***Net financial investment*** (U−j)	***8.8***	***5.4***	***12.5***	***11.0***	***11.5***	***4.5***	***.7***	***4.0***	***1.7***	***4.7***	***−.7***	***5.1***	***2.4***	***4.1***	T
U	*Net acquis. of finan. assets*[9]	*20.6*	*25.8*	*27.5*	*22.9*	*23.6*	*5.9*	*4.8*	*6.8*	*5.4*	*5.1*	*3.1*	*7.0*	*8.3*	*6.6*	U
V	Currency and demand deposits	2.5	−.8	1.0	−.8	2.5	−2.5	−.6	1.0	1.3	−1.3	−.8	2.4	2.2	−1.3	V
W	Fixed-value redeem. claims	9.6	8.7	9.0	9.8	13.6	2.6	2.9	1.4	2.9	3.3	3.7	3.0	3.6	2.3	W
X	Time deposits	4.2	3.3	3.7	6.5	7.7	2.2	1.6	1.3	1.4	2.1	2.0	2.1	1.5	1.1	X
Y	Savings shares	4.8	5.2	5.3	5.2	6.5	1.0	1.8	.6	1.8	1.3	1.8	1.0	2.3	1.4	Y
Z	U.S. savings bonds[10]	.6	.3	−.1	−1.9	−.5	−.6	−.5	−.5	−.4	−.1	−.1	−.2	−.2	−.2	Z
a	Saving through life insurance	3.1	3.2	3.8	2.8	3.4	.7	.7	.7	.7	.8	.7	.9	1.0	.8	a
b	Saving through pension funds	4.5	5.1	5.5	5.9	6.5	1.5	1.6	1.3	1.5	1.8	1.4	1.6	1.7	1.6	b
c	Cr. and equity mkt. instr.[11]	.8	8.0	7.9	9.7	3.0	4.7	1.3	3.5	.2	2.0	−.6	.5	1.1	4.5	c
d	Federal obligations	−2.1	2.2	1.2	2.5	−2.9	2.2	−.3	1.5	−1.0	−.3	−1.6	−1.1	.2	2.6	d
e	State and local obligations	1.0	2.1	1.7	2.3	1.5	.8	.3	.8	.4	.7	−.2	.6	.4	.6	e
f	Corporate and foreign bonds	−.6	1.1	1.2	1.1	.5	.6	.2	.6	−.3	.8	−.3	*	−.1	−.1	f
g	Corporate stock	.8	1.4	2.2	1.8	1.7	.5	.6	.1	.5	.3	.8	.4	.2	.5	g
h	Mortgages	1.3	1.4	1.6	2.1	1.8	.6	.6	.5	.5	.3	.6	.5	.4	.8	h
i	Net invest. in noncorp. bus	.2	1.6	.4	−4.5	−5.5	−1.1	−1.1	−1.1	−1.1	−1.4	−1.4	−1.4	−1.4	−1.4	i
j	*Net increase in liabilities*	*11.8*	*20.4*	*15.0*	*11.8*	*12.1*	*1.4*	*4.1*	*2.7*	*3.6*	*.4*	*3.9*	*1.9*	*5.9*	*2.5*	j
k	Mortgages[12]	9.1	12.4	11.1	8.8	10.1	2.6	2.0	2.1	2.1	2.3	2.1	2.5	3.2	3.0	k
l	Consumer credit	1.0	6.4	3.4	2.7	.3	−1.2	1.6	.7	1.6	−2.3	.6	.1	1.9	−.9	l
m	Security credit	1.2	.7	*	−.4	.7	−.2	.3	−.2	−.3	.2	.9	−.9	.5	.2	m
n	Other[13]	.5	.9	.6	.8	.9	.2	.2	.2	.2	.3	.2	.2	.2	.2	n
o	Discrepancy (N−O)	−2.5	−3.8	−3.8	−1.8	−.5	−.9	1.4	.1	−2.4	−.5	2.5	*	−2.5	.1	o

* Less than $50 million.

For other notes see end of table.

TABLE 4. SECTOR STATEMENTS OF SOURCES AND USES OF FUNDS (Continued)

[In billions of dollars]

	Category	Annual totals					Quarterly totals									
							1957				1958				1959	
		1954	1955	1956	1957	1958	1	2	3	4	1	2	3	4	1	
	(B) Farm business sector															
A	Net income	9.5	8.7	8.5	8.7	11.0	1.6	1.8	2.6	2.7	2.5	2.1	3.1	3.3	1.8	A
B	Proprietors' income withdrawals[14]	9.5	8.7	8.5	8.7	11.0	2.2	2.2	2.2	2.1	2.9	2.7	2.7	2.7	2.5	B
C	Net saving (A−B)[15]	*	*	*	*	*	−.6	−.4	.4	.6	−.3	−.5	.3	.5	−.7	C
D	Capital consumption	3.6	3.7	3.7	3.9	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	D
E	Current surplus = gross saving (C+D)	3.6	3.7	3.7	3.9	4.0	.4	.6	1.4	1.5	.7	.4	1.3	1.5	.3	E
F	**Gross investment (G+J)**	3.6	3.7	3.7	3.9	4.0	.4	.6	1.4	1.5	.7	.4	1.3	1.5	.3	F
G	***Capital expenditures***	4.7	4.5	3.4	4.7	5.6	1.0	1.4	1.3	1.0	1.3	1.6	1.5	1.2	1.4	G
H	Construction and equipment[16]	4.2	4.2	3.8	4.0	4.6	.9	1.1	1.1	.8	1.0	1.3	1.2	1.0	1.2	H
I	Change in inventories	.5	.3	−.4	.8	1.1	.1	.2	.2	.2	.3	.2	.2	.2	.2	I
J	***Net financial investment (K−L)***	−1.1	−.8	.3	−.9	−1.7	−.7	−.8	.1	.5	−.7	−1.1	−.2	.3	−1.1	J
K	*Net acquis. of finan. assets*[17]	−.1	*	−.2	−.2	.4	*	*	*	*	.1	.1	.1	.1	.....	K
L	*Net increase in liabilities*	1.0	.8	−.5	.7	2.1	.6	.7	−.1	−.6	.8	1.2	.3	−.2	1.1	L
M	Credit market instruments	.8	1.2	.9	1.1	1.4	.5	.6	.1	−.2	.4	.9	.2	−.1	.7	M
N	Mortgages	.5	.8	.8	.6	.7	.2	.2	.1	.1	.1	.2	.2	.1	.3	N
O	Bank loans n.e.c.[18]	.2	.4	*	.3	.6	.1	.3	*	−.1	.1	.4	*	*	.1	O
P	Other loans[19]	.1	*	.1	.2	.2	.2	.2	*	−.1	.2	.2	*	−.1	.2	P
Q	Trade debt	.....	.....	.....	.....	.....	.2	.2	−.1	−.3	.2	.2	−.1	−.3	.2	Q
R	Proprietors' net investment	.2	−.4	−1.4	−.5	.6	−.1	−.1	−.1	−.1	.2	.2	.2	.2	.2	R
	(C) Noncorporate nonfinancial business sector															
A	Net income[20]	33.8	36.1	37.8	38.2	37.5	7.6	9.5	9.1	12.0	8.4	8.7	8.3	12.1	9.9	A
B	Proprietors' income withdrawals[21]	33.8	36.1	37.8	38.2	37.5	9.5	9.6	9.6	9.5	9.1	9.3	9.4	9.6	9.7	B
C	Net saving (A−B)[15]	.....	.....	.....	.....	.....	−1.9	−.1	−.5	2.5	−.8	−.6	−1.1	2.5	.1	C
D	Capital consumption	6.7	7.0	7.5	8.1	8.0	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.1	2.0	D
E	Current surplus = gross saving (C+D)	6.7	7.0	7.5	8.1	8.0	.1	1.9	1.5	4.6	1.2	1.4	.9	4.6	2.2	E
F	**Gross investment (G+J)**	6.7	7.0	7.5	8.1	8.0	.1	1.9	1.5	4.6	1.2	1.4	.9	4.6	2.2	F
G	***Capital expenditures***	8.3	10.7	10.3	9.7	9.1	2.9	2.5	2.9	1.5	2.4	2.2	2.6	1.9	3.1	G
H	Plant and equipment[22]	8.5	10.1	10.1	9.7	9.2	2.0	2.8	2.6	2.3	1.7	2.5	2.5	2.4	2.1	H
I	Change in inventories[20]	−.2	.6	.2	*	*	.9	−.3	.2	−.8	.6	−.3	.1	−.5	.9	I
J	***Net financial investment (K−N)***	−1.6	−3.7	−2.8	−1.7	−1.1	−2.8	−.6	−1.3	3.1	−1.2	−.8	−1.8	2.7	−.9	J
K	*Net acquis. of finan. assets*	.6	.6	.6	.9	1.1	−.2	.4	.1	.6	−.3	.4	.2	.7	−.3	K
L	Currency and demand deposits	.5	.3	.3	.7	.9	.2	.2	.2	.2	.2	.2	.2	.2	.1	L
M	Consumer credit	.1	.2	.3	.2	.2	−.4	.2	*	.4	−.5	.2	*	.5	−.4	M
N	*Net increase in liabilities*	2.2	4.2	3.4	2.5	2.2	2.6	1.0	1.5	−2.5	.9	1.3	2.0	−1.9	.6	N
O	Credit market instruments	2.0	4.0	3.4	2.6	4.2	−.8	1.3	.6	1.5	−.8	.9	.2	3.9	−.2	O
P	Mortgages	1.0	1.0	.8	.9	1.3	−.1	.3	.4	.2	−.1	.4	.5	.4	.4	P
Q	Bank loans n.e.c.	.7	2.1	2.2	1.2	2.8	−.9	1.0	.1	1.0	−1.0	.7	−.1	3.2	−.6	Q
R	Other loans[23]	.3	.8	.4	.5	.1	.2	−.1	.1	.2	.3	−.2	−.2	.3	.2	R
S	Trade debt[24]	.2	−1.7	−1.8	4.0	4.1	4.4	.7	1.9	−3.0	3.2	1.9	3.3	−4.3	2.3	S
T	Proprietors' net investment	*	2.0	1.8	−4.1	−6.1	−1.0	−1.0	−1.0	−1.0	−1.5	−1.5	−1.5	−1.5	−1.5	T
	(D) Corporate nonfinancial business sector															
A	Profits[20]	29.1	38.3	36.8	36.1	31.0	9.1	9.6	9.1	8.3	6.1	7.1	8.3	9.5	9.1	A
B	Profits tax payments (net)[25]	18.8	17.1	21.6	21.1	18.8	7.7	7.2	3.1	3.1	6.8	6.2	2.8	2.9	5.4	B
C	Net dividend payments[26]	7.6	8.8	9.4	9.6	9.5	2.2	2.2	2.3	2.8	2.3	2.3	2.2	2.8	2.4	C
D	Net saving (A−B−C)	2.7	12.4	5.8	5.4	2.7	−.8	.2	3.7	2.4	−3.1	−1.3	3.3	3.8	1.3	D
E	Capital consumption	15.2	17.6	19.3	20.7	21.4	4.9	5.1	5.3	5.5	4.9	5.2	5.5	5.8	5.8	E
F	Current surplus = gross saving (D+E)	18.0	30.1	25.1	26.1	24.1	4.0	5.3	9.0	7.9	1.8	3.9	8.7	9.7	7.1	F
G	**Gross investment (H+M)**	16.4	26.2	21.8	26.3	21.6	3.8	5.9	9.0	7.6	.4	4.4	8.0	8.7	5.3	G
H	***Capital expenditures***	19.8	29.0	34.0	33.2	21.2	7.9	8.6	8.7	7.9	4.7	4.4	5.5	6.6	7.4	H
I	Fixed investment	21.8	24.1	29.1	32.0	26.1	6.6	8.6	8.4	8.4	5.8	6.7	6.6	7.0	5.4	I
J	Plant and equipment	20.5	23.1	28.4	30.9	24.4	6.8	8.1	7.9	8.2	5.9	6.2	5.8	6.5	5.4	J
K	Other	1.2	1.0	.8	1.1	1.7	−.2	.5	.5	.2	−.1	.6	.7	.5	*	K
L	Change in inventories[20]	−1.9	4.9	4.9	1.2	−4.8	1.3	*	.3	−.5	−1.0	−2.4	−1.1	−.4	2.0	L
M	***Net financial investment (N−V)***	−3.4	−2.9	−12.2	−6.9	.4	−4.1	−2.7	.3	−.3	−4.3	.1	2.6	2.0	−2.1	M
N	*Net acquis. of finan. assets*	4.5	16.8	4.2	2.8	7.4	−2.4	.1	3.6	1.5	−6.2	1.4	6.8	5.4	*	N
O	Currency and demand deposits	2.0	1.0	.1	−.2	1.8	−2.8	.6	.7	1.3	−3.1	1.3	1.0	2.5	−2.9	O
P	Credit market instruments[27]	−2.3	5.0	−3.9	−1.2	1.2	−1.1	−2.2	.3	1.8	−1.8	−2.3	1.1	4.2	1.0	P
Q	Federal obligations	−2.3	4.4	−4.3	−1.5	.7	−.6	−2.2	.4	.9	−1.3	−2.4	1.2	3.2	1.5	Q
R	Consumer credit	.2	.6	.3	*	.4	−1.0	.2	−.1	1.0	−1.0	.2	.1	1.2	−.9	R
S	Other loans (finance paper)	−.2	*	.1	.3	.1	.5	−.1	*	*	.6	−.1	−.2	−.2	.4	S
T	Trade credit	3.9	10.2	6.2	2.1	2.6	1.1	.7	2.3	−1.9	−2.1	1.4	4.5	−1.2	1.6	T
U	Other financial assets[28]	.9	.6	1.8	1.9	1.7	.4	1.0	.3	.3	.7	.9	.2	−.1	.3	U
V	*Net increase in liabilities*[29]	7.9	19.6	16.4	9.7	7.0	1.8	2.8	3.3	1.9	−1.9	1.3	4.3	3.4	2.1	V
W	Credit and equity market instr.	5.7	9.0	11.4	11.3	8.5	4.0	3.1	2.5	1.8	2.6	2.0	2.4	1.5	2.2	W
X	Corporate bonds	3.5	2.8	3.7	6.3	5.9	1.5	1.5	1.6	1.7	1.9	1.2	1.5	1.3	.6	X
Y	Corporate stock	1.6	2.0	2.3	2.4	2.3	.8	.9	.3	.5	.3	.9	.6	.5	.5	Y
Z	Mortgages	1.8	2.0	1.8	1.8	2.5	*	.5	.7	.6	.2	.7	.9	.8	.7	Z
a	Bank loans n.e.c.	−1.2	1.8	3.6	.2	−2.2	1.4	.1	−.1	−1.1	−.2	−.6	−.2	−1.3	*	a
b	Other loans[30]	*	.3	.1	.5	*	.3	*	*	.2	.4	−.1	−.3	.1	.3	b
c	Trade debt	2.1	10.5	4.8	−1.7	−1.5	−2.3	−.3	.8	*	−4.5	−.7	1.9	1.9	−.1	c
d	Discrepancy (F−G)	1.5	3.9	3.2	−.1	2.5	.2	−.7	*	.3	1.4	−.6	.7	1.0	1.9	d
e	Memo: Profits tax accruals[25]	15.4	20.2	19.5	19.0	15.7	4.9	5.0	4.8	4.4	3.1	3.5	4.2	5.0	5.3	e

* Less than $50 million.

For other notes see end of table.

TABLE 4. SECTOR STATEMENTS OF SOURCES AND USES OF FUNDS (Continued)

[In billions of dollars]

	Category	Annual totals					Quarterly totals									
							1957				1958				1959	
		1954	1955	1956	1957	1958	1	2	3	4	1	2	3	4	1	
	(E) Federal Government sector															
A	Tax receipts (net of refunds)	58.8	59.7	69.1	71.5	67.7	21.4	20.9	15.5	13.8	20.1	18.9	14.9	13.8	19.0	A
B	Individual income	28.4	30.0	34.1	36.1	34.6	10.0	9.9	8.9	7.4	9.5	8.9	8.7	7.6	9.7	B
C	Corporate profits	19.6	18.1	22.4	21.8	19.9	8.2	7.6	3.1	3.0	7.3	6.7	2.9	3.0	6.0	C
D	Other[31]	10.9	11.6	12.6	13.6	13.2	3.3	3.4	3.6	3.4	3.3	3.3	3.4	3.2	3.3	D
	Social insurance programs[32]															
E	Premiums received	6.6	7.5	8.0	9.5	10.4	2.3	3.0	2.3	1.8	2.5	3.4	2.5	2.0	2.6	E
F	Benefits paid	5.9	6.5	7.2	9.3	12.4	2.2	2.4	2.3	2.5	3.1	3.3	3.1	2.9	3.3	F
	Life insurance and retirement programs[33]†															
G	Premiums received	1.5	1.5	1.7	1.8	1.7	.5	.4	.4	.4	.4	.4	.4	.4	.4	G
H	Benefits paid	1.6	1.6	1.8	2.0	2.1	.5	.5	.5	.5	.5	.6	.5	.5	.6	H
I	Net grants and donations paid[34]	8.9	9.6	10.0	11.4	13.2	2.6	2.9	3.0	3.0	2.8	3.2	3.6	3.7	3.4	I
J	Net interest paid[35]	4.9	4.8	5.3	5.7	5.4	1.4	1.4	1.4	1.5	1.5	1.4	1.3	1.3	1.4	J
K	Other net purchases of goods and services[36]	47.6	45.3	47.6	50.2	53.8	11.7	12.6	12.5	13.5	11.5	12.6	14.4	15.3	12.7	K
L	Construction expenditures	3.4	2.8	2.7	3.0	3.4	.6	.7	.9	.8	.6	.8	1.0	1.0	.8	L
M	Other	44.2	42.5	44.9	47.2	50.4	11.1	11.9	11.6	12.7	10.9	11.8	13.5	14.2	11.9	M
N	Current surplus (A, E, and G, less F and H through K)	−2.1	1.0	6.9	4.1	−7.2	5.8	4.6	−1.4	−4.9	3.7	1.7	−5.1	−7.5	.7	N
O	Credits imputed to consumers[37]†	.1	.6	1.0	.6	1.0	.1	.4	.1	.1	.2	.4	.3	.1	.2	O
P	**Gross and net saving (N−O)**	−2.2	.4	5.8	3.6	−8.2	5.8	4.2	−1.4	−5.0	3.5	1.3	−5.4	−7.6	.5	P
Q	***Net finan. investment (R−X)***	***−2.2***	***.4***	***5.8***	***3 6***	***−8.2***	***5.8***	***4.2***	***−1.4***	***−5.0***	***3.5***	***1.3***	***−5.4***	***−7.6***	***.5***	Q
R	*Net acquis. of finan. assets*	*.2*	*.9*	*1.5*	*3.2*	*1.5*	*4.0*	*−.9*	*2.2*	*−2.1*	*1.4*	*3.9*	*−4.4*	*.7*	*.1*	R
S	Currency and demand deposits	.3	−.6	−.2	.2	.1	3.2	−1.8	1.5	−2.7	1.5	3.6	−5.0	*	−.5	S
T	Credit market instruments	−.4	1.4	1.1	2.3	1.7	.5	.5	.5	.9	*	.3	.5	.9	.5	T
U	Mortgages[38]	*	.5	.8	1.4	.3	.5	.3	.4	.3	.2	−.2	*	.3	.4	U
V	Other loans[39]	−.5	.9	.3	.9	1.4	*	.2	.1	.6	−.2	.5	.5	.6	.1	V
W	Other financial assets[40]	.3	.1	.6	.6	−.2	.3	.4	.2	−.3	−.1	−.1	.1	−.1	.1	W
X	*Net increase in liabilities*	*2.4*	*.5*	*−4.3*	*−.4*	*9.8*	*−1.8*	*−5.1*	*3.7*	*2.8*	*−2.2*	*2.6*	*1.0*	*8.4*	*−.4*	X
Y	Fixed-value redeemable claims	.4	*	−.3	−2.2	−.7	−.6	−.6	−.6	−.5	−.1	−.2	−.2	−.2	−.2	Y
Z	Postal saving deposits	−.2	−.2	−.2	−.3	−.2	*	−.1	−.1	−.1	*	−.1	.....	−.1	*	Z
a	Consumer-held svgs. bonds[10]	.6	.3	−.1	−1.9	−.5	−.6	−.5	−.5	−.4	−.1	−.1	−.2	−.2	−.2	a
b	Consumer saving through life insurance and retir. funds	.1	.6	1.0	.6	1.0	.1	.4	.1	.1	.2	.4	.3	.1	.2	b
c	Federal obligations[41]	1.5	1.0	−5.1	1.4	9.0	−.9	−4.8	4.9	2.1	−2.2	2.5	1.1	7.6	*	c
d	Short-term direct[42]	−11.8	−7.1	7.4	5.5	−1.2	−1.6	3.9	1.0	2.2	−1.9	−4.3	1.2	3.8	−4.6	d
e	Other direct and guaranteed	13.3	6.6	−13.0	−6.2	10.7	.4	−9.2	3.7	−1.1	−.3	7.7	−.4	3.7	4.4	e
f	Nonguaranteed[43]	*	1.5	.6	2.1	−.5	.3	.6	.2	1.0	.1	−.9	.2	.1	.2	f
g	Other loans[44]	.1	−1.1	−.3	−.4	.4	−.1	−.4	−.2	.2	.2	−.3	.1	.3	−.2	g
h	Other liabilities[45]	.4	*	.3	.3	.1	−.3	.3	−.6	.9	−.3	.2	−.3	.5	−.2	h
	Memo: Assets of OASI fund	1.9	1.1	.9	−.1	−.5	*	.5	−.2	−.4	−.2	.7	−.5	−.5	−.5	i
	(F) State and local government sector															
A	Tax receipts[46]	22.5	24.5	27.3	29.4	30.9	7.1	7.5	7.3	7.4	7.5	7.9	7.7	7.8	8.0	A
B	Net insurance and grants receipts[47]†	.2	.2	.4	.9	1.4	.4	.1	.2	.2	.4	.3	.3	.4	.7	B
C	Net interest paid	.4	.5	.5	.6	.6	.1	.1	.1	.1	.1	.2	.2	.2	.2	C
D	Other net purchases of goods and services.[36]	23.8	26.2	28.5	31.5	34.4	7.1	7.9	8.1	8.4	7.7	8.6	8.9	9.2	8.5	D
E	Construction and land	9.1	10.0	11.1	12.1	13.1	2.3	3.1	3.6	3.1	2.4	3.3	3.9	3.5	2.7	E
F	Other by govt. enterprises	−1.4	−1.0	−1.7	−1.9	−2.1	−.5	−.5	−.5	−.5	−.5	−.5	−.5	−.5	−.6	F
G	Other by general government	16.2	17.8	19.1	21.2	23.4	5.3	5.3	4.9	5.8	5.8	5.9	5.5	6.2	6.3	G
H	Current surplus (A+B−C−D)	−1.5	−2.0	−1.4	−1.7	−2.7	.3	−.5	−.7	−.9	.1	−.6	−1.0	−1.1	.1	H
I	Credits imputed to consumers[48]†	1.1	1.2	1.4	1.6	1.9	.4	.4	.4	.4	.4	.5	.5	.5	.5	I
J	**Gross and net saving (H−I)**	−2.6	−3.2	−2.7	−3.3	−4.6	*	−.9	−1.1	−1.3	−.4	−1.1	−1.5	−1.6	−.5	J
K	***Net finan. investment (L−S)***	***−1 7***	***−2.6***	***−2.1***	***−2.8***	***−3.9***	***−.7***	***−.1***	***−1.5***	***−.5***	***−1.1***	***−.6***	***−2.3***	***.1***	***−1.0***	K
L	*Net acquis. of finan. assets*	*3.7*	*2.2*	*2.6*	*3.5*	*3.6*	*1.0*	*1.3*	*.2*	*1.0*	*1.2*	*1.5*	*−.5*	*1.3*	*.7*	L
M	Currency and demand deposits	.4	.4	.2	.2	.2	−.1	.4	−.7	.6	−.3	.6	−.7	.6	−.4	M
N	Time deposits	.5	−.1	*	.4	.8	.2	.1	*	*	.6	.7	−.4	−.1	......	N
O	Credit market instruments	2.9	1.9	2.3	2.8	2.6	.9	.7	.9	.4	.9	.2	.6	.9	1.0	O
P	Federal obligations	1.7	.8	1.1	1.0	.3	.5	.3	.3	−.2	.3	−.4	.1	.3	.6	P
Q	State and local obligations	.3	.4	.5	.5	.5	.1	.1	.1	.1	.1	.2	.1	.1	.1	Q
R	Other[49]	.9	.7	.7	1.3	1.8	.2	.2	.4	.4	.4	.4	.4	.4	.4	R
S	*Net increase in liabilities*	*5.4*	*4.8*	*4.6*	*6.3*	*7.5*	*1.7*	*1.4*	*1.7*	*1.5*	*2.3*	*2.1*	*1.8*	*1.3*	*1.7*	S
T	State and local obligations	4.5	3.5	3.2	4.7	5.7	1.3	1.0	1.3	1.1	1.9	1.6	1.3	.8	1.3	T
U	Short-term	.1	−.2	−.1	.4	.4	.3	−.2	.3	−.1	.3	.1	.3	−.2	.1	U
V	Other	4.4	3.7	3.3	4.3	5.2	1.0	1.2	.9	1.2	1.6	1.5	1.1	1.0	1.2	V
W	Consumer saving through retirement funds	1.1	1.2	1.3	1.4	1.5	.3	.3	.3	.3	.4	.4	.4	.4	.4	W
X	Other liabilities[50]	−.2	.1	.2	.3	.4	.1	*	.1	.1	*	.1	.1	.1	*	X
Y	Discrepancy (J−K)	−.9	−.6	−.6	−.5	−.7	.7	−.8	.4	−.8	.7	−.5	.8	−1.7	.6	Y

* Less than $50 million.

For other notes see end of table.

TABLE 4. SECTOR STATEMENTS OF SOURCES AND USES OF FUNDS (Continued)

[In billions of dollars]

	Category	Annual totals					Quarterly totals									
							1957				1958				1959	
		1954	1955	1956	1957	1958	1	2	3	4	1	2	3	4	1	
		(G) Commercial banking and monetary authorities sector														
A	Net operating surplus	2.4	2.5	3.0	3.5	3.5	1.0	.8	1.0	.8	.9	.8	.9	.9	.9	A
B	Profits tax & net div. pymts.[51]	1.6	1.7	1.8	2.2	2.4	.6	.6	.5	.4	.7	.7	.5	.5	.7	B
C	Current surplus = gross saving (A−B)[52]	.8	.8	1.2	1.3	1.1	.3	.1	.5	.4	.2	.1	.4	.4	.2	C
D	**Gross investment (E+F)**	1.0	1.4	1.3	1.1	1.3	.4	.1	.7	−.1	−.1	.7	1.3	−.5	.7	D
E	***Capital expenditures***	*.2*	*.3*	*.4*	*.4*	*.4*	*.1*	*.1*	*.1*	*.1*	.1	*.1*	*.1*	*.1*	*.1*	E
F	***Net financial invest. (G−W)***	.7	*1.1*	*1.0*	.7	.9	.3	*	.6	−.2	−.2	.6	*1.2*	−.6	.5	F
G	*Net acquis. of finan. assets*[53]	*9.2*	*4.7*	*5.1*	*5.4*	*14.7*	*−2.8*	*1.2*	*3.1*	*3.9*	*−1.7*	*9.9*	*−1.1*	*7.7*	*−5.5*	G
H	Gold	−.3	*	.3	.8	−2.3	.3	.3	*	.1	−.4	−1.1	−.5	−.3	−.1	H
I	Credit market instruments	9.3	4.8	4.8	4.3	17.0	−3.2	.8	3.1	3.6	−1.2	10.8	−.6	8.0	−5.4	I
J	Federal obligations	4.6	−7.1	−3.1	−.6	10.0	−2.9	−2.4	2.7	2.0	−.1	7.0	.2	3.0	−5.5	J
K	*Monetary authorities*	*−1.0*	*−.1*	*.2*	*−.7*	*2.2*	*−1.8*	*−.1*	*.3*	*.9*	*−.6*	*1.8*	*−.4*	*1.4*	*−.9*	K
L	*Commercial banks*	*5.6*	*−6.9*	*−3.3*	*.2*	*7.8*	*−1.2*	*−2.3*	*2.5*	*1.1*	*.5*	*5.2*	*.6*	*1.6*	*−4.7*	L
M	Short-term direct[42]	−10.7	−8.5	4.8	1.9	.9	−1.3	2.2	.3	.8	.1	−.4	.3	.9	−6.0	M
N	Other direct and guar.	16.2	1.1	−7.8	−2.2	6.8	.2	−4.5	2.2	−.1	.1	5.9	.1	.7	1.5	N
O	Nonguaranteed[43]	*	.5	−.2	.5	.1	*	.1	*	.4	.3	−.3	.2	−.1	−.2	O
P	State and local obligations	1.8	.1	.2	1.0	2.6	.2	.2	.2	.4	.6	1.3	.5	.2	.2	P
Q	Corp. and foreign bonds	−.2	−.2	−.4	.1	−.1	*	*	*	.1	*	.1	−.1	−.1	.....	Q
R	Mortgages	1.7	2.4	1.7	.6	2.1	*	.1	.3	.2	.1	.6	.7	.8	.6	R
S	Consumer credit	*	2.3	1.3	1.1	.1	*	.7	.3	.1	−.5	.3	.1	.2	.3	S
T	Security loans	.9	.6	−.8	−.1	.4	−.6	.5	−.2	.3	−.1	1.2	−1.7	1.0	−.4	T
U	Bank loans n.e.c.	.2	8.0	5.9	2.3	1.4	.4	2.1	−.2	.1	−1.7	.7	−.3	2.8	−.4	U
V	Other loans[54]	.3	−1.3	−.2	−.3	.4	−.2	−.5	−.1	.5	.5	−.2	*	.2	−.2	V
W	*Net increase in liabilities*	*8.5*	*3.6*	*4.1*	*4.7*	*13.7*	*−3.1*	*1.1*	*2.6*	*4.1*	*−1.5*	*9.3*	*−2.3*	*8.3*	*−6.1*	W
X	Dem. dep. net & currency[55]	4.5	2.3	1.7	−.8	5.8	−5.2	−.1	1.4	3.1	−5.2	6.4	−3.4	8.0	−7.2	X
Y	Due to U.S. Govt.[56]	.3	−.7	.1	.2	.2	3.0	−2.0	1.5	−2.3	1.2	3.8	−5.0	.1	−.9	Y
Z	Due to rest of world	.1	*	.2	.2	*	−.4	.5	*	*	−.3	.2	−.1	.3	−.2	Z
a	Due to others[56]	4.1	3.0	1.4	−1.1	5.6	−7.8	1.4	*	5.3	−6.1	2.4	1.7	7.6	−6.1	a
b	*Demand deposits, net*[55]	*4.4*	*2.6*	*1.4*	*−1.1*	*5.2*	*−6.8*	*.8*	*.1*	*4.9*	*−5.3*	*2.0*	*1.7*	*6.8*	*−5.3*	b
c	*Currency*	*−.2*	*.4*	*	*	*.4*	*−.9*	*.6*	*−.1*	*.4*	*−.7*	*.4*	.....	*.8*	*−.8*	c
d	Time deposits	3.8	.3	2.1	5.5	8.0	2.1	1.3	1.0	1.0	3.6	2.8	1.1	.5	.9	d
e	Due to consumers	2.5	1.7	2.1	5.1	5.5	1.8	1.3	1.0	1.0	1.4	1.5	1.6	1.0	.9	e
f	Due to others	1.3	−.3	−.1	.3	2.5	.3	*	*	*	2.2	1.3	−.5	−.5	.1	f
g	Other liabilities[57]	.1	*	.3	*	*	*	−.1	.1	.1	*	.1	−.1	−.1	.2	g
h	Discrepancy (C−D)	−.2	−.6	−.1	.3	−.3	−.1	*	−.2	.5	.3	−.5	−1.0	.9	−.5	h
		(H) Nonbank financial sectors														
A	Current surplus[58]†	8.3	8.7	8.5	9.4	9.5	3.1	1.7	3.1	1.5	2.7	1.7	3.1	2.0	2.8	A
B	Credits imputed to consumers[59]†	6.0	6.2	6.5	6.8	7.2	1.8	1.6	1.6	1.8	1.9	1.4	1.8	2.1	1.8	B
C	Gross saving (A−B)[52]	2.3	2.5	2.0	2.6	2.3	1.3	.1	1.4	−.3	.8	.3	1.3	−.1	1.0	C
D	**Gross investment (E+F)**	3.5	2.8	1.9	2.3	2.8	.9	.3	1.1	*	.8	.7	1.1	.2	1.1	D
E	***Capital expend. (insur. sector)***	*.3*	*.4*	*.3*	*.4*	*.3*	*.1*	*.1*	*.1*	*.1*	*.1*	*.1*	*.1*	*.1*	*.1*	E
F	***Net financial invest. (G−Z)***	*3.2*	*2.5*	*1.6*	*2.0*	*2.5*	.9	.3	*1.0*	−.1	.7	.6	*1.0*	.1	*1.0*	F
G	*Net acquis. of finan. assets*	*18.3*	*22.2*	*17.3*	*18.3*	*20.6*	*3.9*	*5.4*	*3.9*	*5.1*	*4.5*	*6.3*	*2.5*	*7.3*	*5.4*	G
	By subsector:															
H	Mutual savings banks	2.1	2.0	2.0	1.8	2.6	.6	.4	.4	.4	.9	.6	.6	.5	.4	H
I	S & L assns. & cr. un.	5.3	6.3	5.6	5.6	7.1	1.2	1.7	1.1	1.6	1.2	2.0	1.7	2.1	1.8	I
J	Life insurance companies	5.1	5.2	5.2	4.9	5.2	1.1	1.1	1.3	1.3	1.2	1.1	1.3	1.5	1.2	J
K	Other insurance companies	1.2	1.2	.7	1.0	1.2	.2	.2	.3	.3	.1	.2	.4	.4	.2	K
L	Noninsured pension plans	1.8	2.0	2.1	2.6	2.6	.8	.6	.5	.6	.9	.4	.6	.8	.8	L
M	Finance n.e.c.	2.7	5.6	1.8	2.5	1.9	−.1	1.4	.3	.9	.1	1.8	−2.1	2.0	1.0	M
	By type:															
N	Currency and demand dep.	.5	.6	.2	.3	.4	−.4	.3	−.3	.8	−.1	.3	−.3	.4	−.4	N
O	Cr. and equity mkt. instr.	17.5	21.5	16.9	17.8	19.8	4.2	5.1	4.4	4.2	4.1	5.7	3.0	6.9	5.7	O
P	Federal obligations	−.5	−.6	−1.1	−.3	1.0	.1	−.3	*	−.1	.1	.4	−.3	.8	.5	P
Q	State and local oblig.	1.3	.9	.8	.9	1.1	.2	.4	.2	.2	.5	.3	.1	.2	.4	Q
R	Corp. and foreign bonds	3.8	2.4	3.6	5.1	4.7	1.1	1.4	1.0	1.7	1.1	1.3	1.0	1.3	.9	R
S	Corporate stock	1.7	1.5	1.3	2.0	2.5	.5	.6	.6	.4	.4	.7	.5	.9	.7	S
T	1- to 4-family mortgages	7.8	10.2	8.4	6.2	8.5	1.4	1.7	1.7	1.4	1.5	2.2	2.4	2.4	1.9	T
U	Other mortgages	1.4	1.7	1.8	1.5	1.8	.3	.3	.4	.5	.4	.4	.4	.5	.5	U
V	Consumer credit	.7	3.3	1.6	1.3	−.4	.1	.5	.5	.1	−.3	−.1	−.1	*	.1	V
W	Security credit	.9	.5	*	−.4	.6	−.1	.2	−.1	−.3	*	.7	−.5	.4	*	W
X	Other loans[60]	.2	1.7	.4	1.4	*	.7	.2	.1	.4	.4	−.2	−.6	.4	.7	X
Y	Other financial assets[61]	.5	.1	.2	.2	.4	.1	.1	−.1	.2	.4	.2	−.2	*	*	Y
Z	*Net increase in liabilities*	*15.1*	*19.7*	*15.8*	*16.4*	*18.1*	*3.0*	*5.2*	*2.9*	*5.3*	*3.7*	*5.6*	*1.5*	*7.2*	*4.4*	Z
a	Dep. in mutual svgs. bks.	2.0	1.8	1.8	1.7	2.3	.4	.4	.3	.5	.7	.6	.5	.5	.3	a
b	Savings shares	4.8	5.3	5.4	5.2	6.5	1.0	1.7	.6	1.8	1.3	1.8	1.0	2.3	1.4	b
c	Saving through life insurance	3.4	3.3	3.6	2.7	3.4	.6	.6	.7	.7	.8	.7	.9	1.0	.7	c
d	Saving through pension funds	3.0	3.2	3.3	4.1	4.1	1.2	1.0	.9	1.1	1.2	.7	1.0	1.2	1.1	d
e	Cr. and equity mkt. instr.[62]	1.7	5.9	1.1	2.4	1.5	−.3	1.3	.4	1.0	−.4	1.5	−1.7	2.1	.7	e
f	Corporate bonds	.3	1.4	1.1	.7	.1	.2	.1	.4	.1	.3	*	−.2	.1	.3	f
g	Corporate stock	.5	.9	1.1	1.2	1.6	.3	.3	.3	.3	.4	.5	.3	.5	.5	g
h	Security credit	1.0	.2	−.7	*	.6	−.6	.5	−.1	.3	−.2	1.1	−1.2	.8	−.4	h
i	Bank loans n.e.c.	.1	2.7	−.4	−.1	−.7	−.3	.5	−.3	*	−.9	−.1	−.4	.7	*	i
j	Open market paper[63]	−.1	.2	.2	.5	−.1	.5	−.2	.1	.1	.6	−.2	−.2	−.3	.5	j
k	FHLB loans to S & L assns.[63]	−.1	.5	−.2	*	*	−.3	.1	*	.1	−.6	.2	.1	.3	−.2	k
l	Miscellaneous[64]	.3	.2	.5	.3	.3	*	.1	*	.2	.1	.3	−.1	.1	.1	l
m	Discrep. & unident. assets (C−D)	−1.2	−.4	.1	.3	−.5	.4	−.2	.4	−.3	*	−.4	.3	−.4	−.1	m

* Less than $50 million.

For other notes see end of table.

TABLE 4. SECTOR STATEMENTS OF SOURCES AND USES OF FUNDS (Continued)

[In billions of dollars]

	Category	Annual totals					Quarterly totals									
							1957				1958				1959	
		1954	1955	1956	1957	1958	1	2	3	4	1	2	3	4	1	
		(I) Rest-of-world sector														
A	Net purch. of goods and serv. (B−C)	1.5	1.6	3.4	5.3	1.8	1.5	1.6	.9	1.4	.5	.5	.1	.6	−.1	A
B	Purch. of goods and services[66]	17.6	19.5	23.2	26.3	22.8	6.6	6.9	6.2	6.5	5.4	5.8	5.5	6.0	5.3	B
C	Sales of goods and services	16.1	17.9	19.8	20.9	21.0	5.1	5.3	5.4	5.2	4.9	5.3	5.4	5.4	5.4	C
D	Net unilateral receipts[66]	2.0	2.1	1.9	1.9	1.9	.5	.6	.4	.5	.4	.5	.5	.5	.5	D
E	**Current surplus (D−A)**	.4	.4	−1.5	−3.5	.1	−1.1	−1.0	−.5	−.9	−.1	−.1	.4	−.1	.6	E
F	***Net financial investment (G−N)***	*.3*	*	*−2.1*	*−4.2*	*−.4*	*−1.4*	*−1.2*	*−.8*	*−.7*	*−.3*	*−.2*	*.1*	*	*.4*	F
G	*Net acquis. of finan. assets*	*1.8*	*1.5*	*1.5*	*−.1*	*3.5*	*−.4*	*.3*	*−.3*	*.2*	*.6*	*1.1*	*.9*	*.9*	*.9*	G
H	Gold	.3	.1	−.3	−.8	2.3	−.3	−.3	*	−.1	.4	1.1	.5	.3	.1	H
I	U.S. currency and dem. dep.	.1	*	.2	.2	*	−.4	.5	*	*	−.3	.2	−.1	.3	−.2	I
J	Time deposits	.6	−.1	−.1	*	.9	.1	−.1	*	*	1.0	*	−.1	*	.1	J
K	Federal obligations	.2	1.1	.8	.2	*	−.1	*	−.1	.4	−.7	−.4	.8	.3	.2	K
L	Other credit market instr.[67]	.3	−.1	.5	.4	−.1	.2	.1	.2	*	.1	−.2	−.1	*	−.1	L
M	Misc. financial assets[68]	.2	.7	.4	−.1	.3	.1	.2	−.3	*	.1	.4	−.1	−.1	.8	M
N	*Net increase in liabilities*	*1.5*	*1.5*	*3.6*	*4.1*	*3.8*	*1.1*	*1.6*	*.5*	*1.0*	*.9*	*1.2*	*.8*	*.9*	*.5*	N
O	Securities	.2	*	.4	.5	1.2	.2	.2	.1	*	.4	.4	.2	.3	.3	O
P	Loans[69]	.2	.4	.6	.9	1.1	.1	.1	.1	.6	.1	.2	.4	.4	−.1	P
Q	Miscellaneous[70]	1.1	1.2	2.6	2.8	1.4	.8	1.3	.4	.3	.4	.6	.2	.2	.3	Q
R	Discrepancy (E−F)[71]	.2	.4	.6	.7	.4	.4	.2	.3	−.2	.2	.1	.2	−.1	.2	R
S	Memo: Unilateral transfers in kind[72]	3.5	2.8	3.0	2.9	2.9	.7	.9	.6	.7	.8	.9	.6	.6	.6	S

* Less than $50 million.

† For treatment of life insurance, pension, and retirement flows, see pp. 837 and 849 of this BULLETIN.

[1] Payrolls; interest; dividends; and income withdrawals from unincorporated business.

[2] Grant and donation receipts of consumers and nonprofit organizations (net of transfers within the sector), social insurance benefits, and benefits from private pension and government retirement funds.

[3] Federal, State, and local income and estate and gift taxes.

[4] Mainly employee contributions to OASI and to private pension and government retirement funds.

[5] Figures include net operating outlays of nonprofit organizations and net transfer payments abroad.

[6] Net of dividends on and benefits from private life insurance and individual annuity policies and Government life insurance.

[7] In connection with consumer saving through life insurance, private pension funds, railroad retirement, and government employee retirement.

[8] For details, see Table 2, lines *J-L*.

[9] Includes misc. deposits with Federal Govt. not shown separately.

[10] Includes net accruals of interest.

[11] Includes net free credit balances with brokers not shown separately.

[12] Mainly consumer debt on 1- to 4-family properties.

[13] For consumers, loans on insurance policies; for nonprofit organizations, bank loans, loans from government, and trade debt.

[14] Estimated as equal to seasonally adjusted net income of unincorporated farms. Figures include small amounts of dividends and profits taxes paid by corporate farms.

[15] See Table 2, note 32.

[16] Includes farm residential construction.

[17] Mainly currency and demand deposits.

[18] Excludes CCC-guaranteed loans. See p. 840 of this BULLETIN.

[19] Government loans; excludes CCC loans.

[20] After inventory valuation adjustment.

[21] Estimated as equal to seasonally adjusted business net income.

[22] Includes business residential construction.

[23] Mainly REA and other loans from Federal Government and loans from finance companies.

[24] Net of trade receivables.

[25] Federal, State, and local taxes on profits.

[26] Includes profits paid by U. S. branches to foreign parent corporations less profits paid by foreign branches to U. S. parent corporations.

[27] Includes State and local obligations not shown separately.

[28] Miscellaneous financial assets (direct investments in foreign branches and holdings of foreign cash), and time deposits.

[29] Includes direct investments from abroad not shown separately.

[30] Mainly commercial paper and loans from finance companies.

[31] Mainly excise taxes and customs receipts; also includes estate and gift taxes and payment to Treasury on F. R. notes outstanding.

[32] OASI, disability insurance, and unemployment programs. Line *E* includes Federal employment taxes and States deposits in unemployment compensation trust funds; line *F*, Federal benefit payments to consumers and State withdrawals from these trust funds.

[33] Veterans' life insurance and Government employee and railroad retirement funds. Line *G* excludes Government contributions to these funds.

[34] Transfer payments (other than insurance benefits) to individuals, plus net cash unilateral transfers to foreign countries, grants-in-aid to State and local governments, and subsidies to business.

[35] Includes net accruals on savings bonds and Treasury bills.

[36] Purchases less sales for general govt. and govt. enterprises, including outlays for tangible capital and (for Federal Govt.) net disbursements to farmers in form of CCC direct and guaranteed loans.

[37] In connection with saving through Government life insurance and Government employee and railroad retirement funds.

[38] Mainly on 1- to 4-family and farm properties.

[39] Mainly loans to business sectors, to foreign and State and local governments, and to savings and loan associations (by FHLB). Excludes CCC-guaranteed loans other than those on tobacco.

[40] Treasury currency assets, time deposits, trade credit, and miscellaneous (mainly foreign currency and deposits).

[41] See Table 1, note 25.

[42] See Table 3, note 37.

[43] Securities and notes issued by FNMA, Federal land banks, home loans banks, intermediate credit banks, and banks for cooperatives.

[44] CCC-guaranteed bank loans and CCC certificates of interest.

[45] Treasury currency liabilities, trade debt, and misc. liabilities (special IMF notes, misc. deposits, and private equity in Govt. enterprises).

[46] Excludes employment taxes.

[47] Receipts of Federal Government grants; payments of direct relief and other transfers; and receipts and payments in connection with government employee retirement, unemployment insurance, workmen's compensation, and cash sickness compensation programs.

[48] In connection with saving through government employee retirement funds.

[49] Corporate bonds and mortgages.

[50] Trade debt and loans from Federal Government.

[51] Includes payment to Treasury on F. R. notes outstanding.

[52] Net saving is less than line *C* by the amount of capital consumption, about $0.1 billion a year.

[53] Includes misc. and Treasury currency assets not shown separately.

[54] Open market paper, CCC-guaranteed loans, and CCC certificates of interest.

[55] Net of Federal Reserve float and cash items in process of collection as reported by commercial banks.

[56] Bank-record basis, net of bank float; differs from sector currency and demand deposit assets (shown in Table 3 and in nonbank sector accounts in Table 4) principally because of mail float.

[57] Mainly issues of corporate stock and balances due to foreign branches.

[58] Includes premiums on life insurance and private pension plans, less benefit payments and policy dividends.

[59] In connection with consumer saving through life insurance and pension plans.

[60] Mainly finance company loans to business and insurance policy loans.

[61] Trade credit, time deposits, savings shares, and miscellaneous assets.

[62] Lines *f*, *j*, and most of *i* are liabilities of finance companies; line *g*, shares of open-end investment companies; and line *h*, liabilities of security brokers and dealers.

[63] Part of "other loans" category.

[64] Deposits of banks in U. S. possessions and agencies of foreign banks.

[65] Consolidated; records only transactions with U. S.

[66] Excludes unilateral transfers in kind, shown in line *S*.

[67] Corporate securities, security credit, and commercial paper.

[68] Direct investments, unidentified assets, IMF holdings of special U. S. notes, and miscellaneous deposits.

[69] Security credit, bank loans n.e.c., and other loans (mainly from U. S. Government).

[70] Direct investments, foreign currency and deposits held by U. S. domestic sectors, and other liabilities.

[71] "Errors and omissions" in U. S. balance-of-payments statement.

[72] Grants in the form of goods and services by U. S. Government and private individuals and institutions.

NOTE.—"Liabilities" covers equity as well as debt claims.

For descriptions of sectors, of capital expenditures, and of financial transaction categories, see notes to corresponding items in Tables 1–3, pp. 1046–48, and "Technical Notes," pp. 846–59 of this BULLETIN. For discussion of saving and investment concepts, see p. 833 of this BULLETIN.

Details may not add to totals because of rounding.

TABLE 5. SUMMARY OF FLOW-OF-FUNDS ACCOUNTS FOR 1958

[In billions of dollars]

Transaction category / Sector	Consumer and non-profit sectors		Nonfinancial business sectors: Farm		Nonfinancial business sectors: Non-corporate		Nonfinancial business sectors: Corporate		Government sectors: Federal		Government sectors: State and local		Financial institutions sectors: Commercial banking		Financial institutions sectors: Savings institutions		Financial institutions sectors: Insurance		Financial institutions sectors: Finance n.e.c.		Rest-of-world sector		All sectors		Dis-crep-ancy	Natl. saving and invest-ment	
	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U		
A Gross saving		66.7		4.0		8.0		24.1		−8.2		−4.6		1.1		.8		1.9		−.3		.1		93.5	1.0	93.4	A
B Capital consumption		41.6		4.0		8.0		21.4						*		*		*		*				74.9		74.9	B
C Net saving (A−B)		25.1						2.7		−8.2		−4.6		1.1		.8		1.9		−.3		.1		18.6		18.5	C
D Gross investment (E+J)	67.3		4.0		8.0		21.6		−8.2		−3.9		1.3		.8		1.9		.2		−.4		92.6		*	92.9	D
E Private capital expenditures (net of sales)	55.8		5.6		9.1		21.2						.4				.3						92.5			92.5	E
F Consumer durable goods	37.6																						37.6			37.6	F
G Nonfarm residential constr.	14.7				1.7		1.7																18.0			18.0	G
H Plant and equipment	3.5		4.6		7.5		24.4						.4				.3						40.7			40.7	H
I Change in inventories			1.1		−.1		−4.8																−3.8			−3.8	I
J Net financial invest. (K−L)	11.5		−1.7		−1.1		.4		−8.2		−3.9		.9		.8		1.6		.2		−.4		*		*	.4	J
K Net acquis. of finan. assets	*23.6*		*.4*		*1.1*		*7.4*		*1.5*		*3.6*		*14.7*		*9.7*		*9.0*		*1.9*		*3.5*		*76.3*			*−3.5*	K
L Net increase in liabilities		*12.1*		*2.1*		*2.2*		*7.0*		*9.8*		*7.5*		*13.7*		*8.9*		*7.5*		*1.7*		*3.8*		*76.3*		*3.8*	L
M Gold and Treas. currency									.1	*			−2.2								2.3		.2	*	*	2.3	M
N Currency and dem. dep.	2.5		.4		.9		1.8		.1		.2			5.8	.3		.1		*		*		6.3	5.8	.5	*	N
O Fixed-value redeem. claims	13.6						.6		*	−.7	.8			8.0	*	8.8					.9		16.0	16.1	.1	−.9	O
P Time deposits	7.7						.6		*	−.2	.8			8.0	*	2.3					.9		10.1	10.1		−.9	P
Q Savings shares	6.5															6.5							6.5	6.5			Q
R U. S. savings bonds	−.5									−.5													−.5	−.5			R
S Saving through life insur.	3.4									.1								3.4					3.4	3.4			S
T Saving through pen. funds	6.5									.9		1.5						4.1					6.5	6.5			T
U Credit and equity mkt. instr.	3.0	12.0		1.4	.2	4.2	1.2	8.5	1.7	9.3	2.6	5.9	17.0	*	9.1	.1	8.8		1.8	1.4	−.1	2.4	45.4	45.2	−.2	2.4	U
V Federal obligations	−2.9						.7			9.0	.3		10.0		.3		.2		.5		*		9.1	9.0	.1	*	V
W State and local obligations	1.5										.5	5.7	2.6		*		1.0		*				5.7	5.7			W
X Corp. and foreign bonds	.5							5.9			1.6		−.1		.6		4.0		.2	.1	*	.9	6.9	6.9		.8	X
Y Corporate stock	1.7							2.3						.1			1.4		1.0	1.6	*	.3	4.2	4.2		.4	Y
Z 1- to 4-family mortgages	.6	10.1				.2		.2	*		.1		1.3		6.9		1.1		.5				10.4	10.4			Z
a Other mortgages	1.2	*		.7		1.1		2.3	.3		.1		.8		.9		.9		*				4.2	4.2			a
b Consumer credit		.3			.2		.4						.1		.3				−.7				.3	.3			b
c Security credit	.3	.7											.4						.6	.6	*	.1	1.4	1.4		*	c
d Bank loans n.e.c.		.4		.6		2.8		−2.2					1.4			*				−.8		.5	1.4	1.4	*	.5	d
e Other loans		.4		.2		.1	.1	*	1.4	.4		.2	.4	*	.1	*	.2		−.2	−.1	−.1	.5	1.8	1.8	*	.7	e
f Trade credit		.1				4.1	2.6	−1.5	−.6			.2					.1						2.2	2.9	.7		f
g Proprietors' net invest. in noncorporate business	−5.5			.6		−6.1																	−5.5	−5.5			g
h Misc. financial trans.	*		*		*		1.1	*	.3	.1			−.2	−.1	.2					.3	.3	1.4	1.8	1.8	*	1.2	h
i Sector discrepancies (A−D)	−.5						2.5				−.7		−.3		*		*		−.5		.4				.9	.5	i

NOTE.—Notes to Table 1 (see pp. 1046, 1047, and 1049 of this BULLETIN) in general apply to this table.

TABLE 6. STRUCTURE OF FINANCIAL ASSETS AND LIABILITIES, DECEMBER 31, 1958

[Amounts outstanding at end of year. In billions of dollars]

	Sector →	Consumer and nonprofit sector		Nonfinancial business sectors: Farm		Nonfinancial business sectors: Non-corporate		Nonfinancial business sectors: Corporate		Government sectors: Federal		Government sectors: State and local		Financial institutions sectors: Commercial banking		Financial institutions sectors: Savings institutions		Financial institutions sectors: Insurance		Financial institutions sectors: Finance n.e.c.		Rest-of-world sector		All sectors		
	Transaction category[1]	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	
K	Total of assets below[2]	867.9		6.3		18.3		164.7		40.9		47.1		238.6		95.4		150.6		43.1		49.0		1721.8		K
L	Total of liabilities below[2]		171.4		19.0		45.3		179.0		262.5		77.2		217.2		87.3		114.0		23.5		52.3		1248.8	L
M	Gold and Treasury currency[2]									.1	2.6			25.7								19.3		45.1	2.6	M
	Gold[2]													20.6								19.3		39.9		
	Treasury currency									.1	2.6			5.1										5.2	2.6	
N	Currency and demand deposits	60.9		6.2		13.1		33.7		5.3		11.0			151.0	2.8		3.2		3.1		4.7		144.0	151.0	N
O	Fixed-value redeemable claims	191.0						1.6		.3	48.8	3.6			65.8	.8	85.8					2.5		199.8	200.4	O
P	Time deposits	92.1						1.6		.3	1.1	3.6			65.8	.2	34.0					2.5		100.3	101.0	P
Q	Savings shares	51.2														.6	51.8							51.8	51.8	Q
R	U. S. savings bonds	47.7									47.7													47.7	47.7	R
S	Savings in life insurance	83.4									6.2								77.2					83.4	83.4	S
T	Savings in pension funds	64.8									12.3		15.7						36.8					64.8	64.8	T
U	Credit and equity market instruments	467.5	169.6		16.9	5.1	42.1	27.6	121.7	27.9	186.5	32.5	59.5	212.8		90.2	1.5	145.8		40.0	19.8	14.1	20.0	1063.5	637.5	U
V	Federal obligations	16.4						18.4			185.7	17.8		95.0		12.0		16.1		3.1		6.8		185.6	185.7	V
W	State and local obligations	25.4										6.5	58.5	16.5		.7		9.1		.3				58.5	58.5	W
X	Corporate and foreign bonds[2]	9.6							69.2			6.7		1.3		3.8		58.4		1.1	7.2	.5	5.0	81.4	81.4	X
Y	Corporate stock[2]	386.8			n.a.				n.a.						n.a.	.9		19.4	n.a.	11.8	n.a.	6.0	n.a.	425.0	n.a.	Y
Z	1- to 4-family mortgages	11.3	111.3				5.1		1.5	4.7		.9		17.5		59.3		22.9		1.5				118.0	118.0	Z
a	Other mortgages	16.6	.9		11.2		13.7		27.5	2.8		.6		7.7		9.9		15.4		.2				53.2	53.2	a
	Multifamily and commercial	12.1	.9				13.7		27.5	.3		.6		6.2		9.9		12.7		.2				42.0	42.0	
	Farm	4.5			11.2					2.4				1.5		.1		2.7		*				11.2	11.2	
b	Consumer credit		45.1			5.1		7.5						15.8		3.5				13.1				45.1	45.1	b
c	Security credit	1.4	5.5											4.7						3.8	4.4	.1	.1	10.0	10.0	c
d	Bank loans n.e.c.		2.0		4.2		16.9		19.8					52.3			.2				6.0		2.6	52.3	51.7	d
e	Other loans		4.8		1.6		6.3	1.7	3.7	20.4	.8		1.0	2.0		.2	1.3	4.5		5.1	2.2	.6	12.2	34.5	34.0	e
f	Trade credit		1.8		2.1		3.3	75.0	52.3	1.7	2.8		2.0					1.6						78.3	64.4	f
g	Miscellaneous finan. instruments[2]	.4		.1		*		26.7	5.0	5.6	3.2			.2	.5	1.6					3.7	8.5	32.3	43.1	44.7	g

A= Assets, L= Liabilities.
* Less than $50 million.
n.a. Not available.
[1] Lines that are identified alphabetically correspond to categories or groupings shown in Tables 1 and 5; unlettered lines indicate categories or detail not shown in those tables because of space limitations or because flows are relatively small.

[2] Changes based on amounts outstanding for year-end dates do not necessarily agree with corresponding flows for gold assets for rest of the world, corporate and foreign bonds, corporate stock, and miscellaneous financial instruments. For discussion see "Technical Notes," pp. 851–59 of this BULLETIN.

NOTE.—For descriptions of sectors and of transaction categories, see notes to Table 1, pp. 1047 and 1049, and "Technical Notes," pp. 846–57 of this BULLETIN.
Details may not add to totals because of rounding.

TABLE 7. SUMMARY OF PRINCIPAL FINANCIAL ASSETS AND LIABILITIES

[Amounts outstanding at end of year. In billions of dollars]

	Transaction category, or sector[1]	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	
	I. Currency and demand deposits															
A	**Total liab. of com. bkg. system**	**130.5**	**115.9**	**119.4**	**118.9**	**118.9**	**124.1**	**130.9**	**137.4**	**137.4**	**141.9**	**144.2**	**145.9**	**145.2**	**151.0**	A
B	**Total assets, by sector**	**125.9**	**110.6**	**113.3**	**113.1**	**112.7**	**117.1**	**123.7**	**128.7**	**128.6**	**134.7**	**135.5**	**137.3**	**137.7**	**144.0**	B
C	Federal Government	27.0	4.3	3.7	4.9	5.2	5.0	5.1	7.0	5.4	5.7	5.1	4.9	5.2	5.3	C
D	Other domestic sectors	94.7	102.0	105.1	103.4	102.7	107.3	114.3	117.2	118.9	124.6	126.1	127.9	127.8	134.0	D
E	Consumer and nonprofit	49.6	53.8	53.5	51.4	49.0	50.9	53.9	55.9	56.6	59.0	58.2	59.2	58.4	60.9	E
F	Farm and noncorporate bus.	15.5	16.0	16.3	15.9	15.8	16.0	17.3	16.8	16.7	17.1	17.4	17.5	18.0	19.3	F
G	Corporate nonfinancial business	20.1	21.2	23.4	23.6	24.7	26.2	27.9	28.7	28.9	30.9	32.0	32.1	31.9	33.7	G
H	State and local government	5.3	6.2	6.9	7.4	7.6	8.1	8.5	9.0	9.7	10.0	10.4	10.6	10.8	11.0	H
I	Financial sectors	4.2	4.7	5.0	5.1	5.4	6.1	6.7	6.9	7.2	7.6	8.2	8.4	8.7	9.1	I
J	Rest of the world	4.2	4.4	4.5	4.8	4.8	4.7	4.3	4.5	4.2	4.3	4.3	4.5	4.7	4.7	J
K	Discrepancy (A−B)	4.6	5.3	6.1	5.8	6.2	7.0	7.2	8.7	8.8	7.2	8.6	8.6	7.5	7.0	K
	II. Fixed-value redeemable claims															
A	**Total, by type**	99.2	107.9	113.8	117.6	121.7	124.2	128.2	136.3	145.4	156.3	164.7	173.6	183.7	199.8	A
B	Time deposits	48.5	54.2	56.6	57.7	58.9	59.6	61.9	66.5	71.4	77.0	79.9	83.4	90.2	100.3	B
C	Savings shares	7.8	9.0	10.3	11.6	13.2	14.8	17.2	20.5	24.5	29.4	34.6	40.1	45.3	51.8	C
D	U. S. savings bonds	42.9	44.8	47.0	48.3	49.6	49.8	49.2	49.2	49.4	50.0	50.2	50.1	48.2	47.7	D
E	**Total liabilities, by sector**	99.3	108.0	114.0	117.8	121.9	124.5	128.6	136.7	145.8	156.8	165.2	174.2	184.3	200.4	E
F	Federal Government	45.9	48.0	50.4	51.6	52.8	52.7	51.9	51.8	51.7	52.1	52.1	51.8	49.6	48.8	F
G	Commercial banking	30.3	34.1	35.5	36.1	36.6	36.9	38.6	41.7	45.1	48.9	50.3	52.3	57.8	65.8	G
H	Savings institutions	23.1	25.8	28.0	30.0	32.5	34.9	38.1	43.2	48.9	55.7	62.8	70.1	77.0	85.8	H
I	**Total assets, by sector**	99.2	107.9	113.8	117.6	121.7	124.2	128.2	136.3	145.4	156.3	164.7	173.6	183.7	199.8	I
J	Consumer and nonprofit	97.4	105.9	111.7	115.1	118.8	121.1	124.7	132.2	140.4	150.0	158.7	167.6	177.4	191.0	J
K	Other domestic sectors	1.8	2.0	2.2	2.5	2.7	2.8	3.1	3.3	3.7	4.5	4.4	4.4	4.8	6.3	K
L	Rest of the world (time deposits)	*	*	*	*	.2	.4	.5	.7	1.3	1.8	1.7	1.6	1.6	2.5	L
	III. Savings in life insurance and pension funds															
A	**Total, by type**	53.0	58.5	63.7	69.0	74.8	80.9	87.4	95.1	102.8	110.6	119.1	128.6	137.7	148.2	A
B	Life insurance	42.8	46.6	49.8	52.6	55.3	58.0	60.7	63.9	67.1	70.2	73.4	77.2	80.0	83.4	B
C	Pension funds	10.2	11.9	13.9	16.4	19.5	22.9	26.7	31.2	35.7	40.4	45.7	51.4	57.7	64.8	C
D	**Total liabilities, by sector**	53.0	58.5	63.7	69.0	74.8	80.9	87.4	95.1	102.8	110.6	119.1	128.6	137.7	148.2	D
E	Federal Government	6.5	8.0	9.4	10.5	11.6	12.7	13.6	14.6	15.2	15.3	15.9	17.0	17.5	18.5	E
F	State and local government	2.5	2.9	3.1	3.6	4.4	5.2	6.0	6.9	8.1	9.3	10.6	12.1	13.8	15.7	F
G	Life insurance companies	40.6	43.6	46.6	49.7	52.9	56.2	59.7	63.9	68.0	72.5	77.1	81.8	86.0	90.7	G
H	Private noninsured pension plans	2.3	2.8	3.3	3.9	4.5	5.4	6.7	8.2	9.9	11.8	13.8	16.0	18.6	21.3	H
	IV. Credit and equity market instruments															
A	**Total, by type**	445.2	427.0	438.2	450.9	479.2	533.1	580.4	627.3	650.1	754.6	854.4	902.3	896.0	1063.5	A
B	Federal obligations	210.1	185.2	175.8	167.6	168.7	168.4	168.6	172.8	177.8	179.4	180.2	174.8	176.1	185.6	B
C	Short-term direct	79.6	60.5	55.9	53.4	63.9	66.6	55.6	62.6	79.1	67.3	60.2	67.6	73.1	71.9	C
D	Other	130.5	124.7	119.9	114.2	104.8	101.8	113.0	110.2	98.7	112.1	120.0	107.2	103.0	113.7	D
E	State and local obligations	19.5	19.4	20.7	22.8	25.2	28.2	30.3	33.1	37.0	41.5	45.0	48.2	52.8	58.5	E
F	Corporate and foreign bonds	26.5	27.4	30.4	35.2	38.3	40.8	44.8	49.7	54.5	58.0	62.1	67.1	74.6	81.4	F
G	Corporate stock[2]	119.0	111.0	109.0	108.0	120.0	146.0	170.0	186.0	179.0	258.0	317.0	338.0	299.0	425.0	G
H	1- to 4-family mortgages	18.6	23.0	28.2	33.3	37.6	45.2	51.7	58.5	66.1	75.7	88.2	99.0	107.6	118.0	H
I	Other mortgages	16.9	18.7	20.7	22.9	25.1	27.6	30.6	32.9	35.2	38.1	41.7	45.5	49.0	53.2	I
J	Consumer credit	5.7	8.4	11.6	14.4	17.3	21.4	22.6	27.4	31.2	32.3	38.7	42.1	44.8	45.1	J
K	Security credit	9.1	4.8	3.6	3.8	4.6	5.7	5.3	5.8	6.6	8.8	9.8	9.0	8.6	10.0	K
L	Bank loans n.e.c.	12.0	17.5	22.0	23.7	22.1	28.2	33.0	35.3	34.4	34.6	42.6	48.5	50.9	52.3	L
M	Other loans	7.9	11.6	16.2	19.2	20.4	21.6	23.5	25.7	28.2	28.2	29.2	30.1	32.6	34.5	M
N	**Total liabilities, by sector[3]**	325.0	314.4	327.8	341.9	358.1	386.1	409.5	440.6	470.5	495.8	536.8	564.0	596.6	637.5	N
O	Consumer and nonprofit	26.6	31.5	39.0	47.1	54.7	66.9	75.1	86.8	99.0	110.7	131.0	145.9	157.6	169.6	O
P	Farm business	6.4	6.9	7.3	8.0	8.4	9.4	10.7	11.5	11.5	12.3	13.5	14.4	15.5	16.8	P
Q	Noncorporate nonfinancial bus.	11.9	15.2	18.4	19.7	20.6	24.4	25.0	25.1	25.9	27.8	31.8	35.2	37.9	42.1	Q
R	Corporate nonfinancial business	40.0	43.9	50.0	56.0	58.1	63.8	73.3	81.8	86.5	90.6	97.6	106.7	115.6	121.7	R
S	Federal Government	209.4	184.2	174.8	167.9	169.0	168.2	168.6	173.4	180.1	181.6	181.5	176.2	177.1	186.5	S
T	State and local government	20.0	19.8	21.2	23.4	25.7	28.8	31.1	34.3	37.8	42.0	45.4	48.7	53.6	59.5	T
U	Financial sectors	6.1	5.1	5.3	6.9	8.2	10.4	10.6	12.3	14.2	15.3	20.3	20.2	21.4	21.3	U
V	Rest of the world	4.7	7.8	11.7	12.9	13.4	14.3	14.9	15.4	15.5	15.5	15.6	16.6	17.9	20.0	V
W	**Total assets, by sector[4]**	445.2	427.0	438.2	450.9	479.2	533.1	580.4	627.3	650.1	754.6	854.4	902.3	896.0	1063.5	W
X	Consumer and nonprofit	164.0	155.1	153.4	153.0	163.6	188.6	210.8	226.2	221.3	293.5	354.1	378.8	348.6	467.5	X
Y	Farm and noncorp. business	1.5	1.9	2.2	2.6	2.8	3.3	3.6	4.0	4.2	4.3	4.5	4.8	5.0	5.1	Y
Z	Corporate nonfinancial business	23.8	17.5	17.0	18.4	21.0	24.7	26.6	26.8	28.8	26.6	31.6	27.6	26.4	27.6	Z
a	Federal Government	7.1	9.8	13.8	15.4	16.7	17.9	19.4	21.0	21.8	21.4	22.7	23.9	26.2	27.9	a
b	State and local government	9.7	9.3	10.3	11.3	12.3	13.8	15.3	17.4	20.0	22.9	24.8	27.1	30.0	32.5	b
c	Commercial banking system	148.0	137.1	138.5	137.9	139.3	147.7	156.8	166.8	172.2	181.5	186.3	191.0	195.3	212.8	c
d	Monetary authorities	24.3	23.5	22.6	23.5	19.0	20.8	23.8	24.8	26.0	25.1	24.8	25.1	24.3	26.5	d
e	Commercial banks	123.6	113.6	115.9	114.3	120.4	126.9	133.0	142.0	146.2	156.4	161.4	165.9	171.0	186.3	e
f	*Securities*	*98.1*	*82.7*	*77.9*	*71.5*	*76.9*	*74.1*	*74.5*	*77.1*	*77.7*	*84.9*	*77.8*	*74.3*	*75.6*	*86.4*	f
g	*Loans*	*25.6*	*30.9*	*38.0*	*42.8*	*43.5*	*52.9*	*58.5*	*65.0*	*68.5*	*71.5*	*83.6*	*91.6*	*95.4*	*99.9*	g
h	Savings institutions	24.3	27.3	29.8	32.0	34.5	37.7	40.7	45.8	51.7	58.4	66.5	73.9	81.1	90.2	h
i	Insurance sector	52.7	56.5	61.0	66.2	72.1	78.1	84.3	92.0	99.8	109.8	119.0	127.0	134.4	145.8	i
j	Finance n.e.c.	8.3	7.5	8.1	9.9	12.1	14.9	15.8	18.9	21.3	25.4	31.8	33.8	34.9	40.0	j
k	Rest of the world	5.7	5.0	4.0	4.2	4.8	6.5	7.0	8.4	9.0	10.9	13.1	14.5	14.1	14.1	k

* Less than $50 million.
[1] Alphabetic designations of categories correspond to those in Table 3.
[2] At market value.
[3] No amounts included for corporate stock.
[4] Includes corporate stock at market value.

NOTE.—For descriptions of sectors and of transaction categories see notes to Table 1, pp. 1047 and 1049, and "Technical Notes," pp. 846–59 of this BULLETIN. In general, notes to Table 3 apply to corresponding categories in this table.

Details may not add to totals because of rounding.

TABLE 8. SECTOR STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES

[Amounts outstanding at end of year. In billions of dollars]

	Category[1]	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	
		(A) Consumer and nonprofit organizations sector														
U	**Total financial assets[2]**	**365.1**	**373.7**	**382.7**	**388.8**	**406.7**	**441.8**	**477.2**	**509.8**	**521.4**	**613.5**	**690.5**	**734.6**	**722.4**	**867.9**	U
V	Currency and demand deposits	49.6	53.8	53.5	51.4	49.0	50.9	53.9	55.9	56.6	59.0	58.2	59.2	58.4	60.9	V
	Consumers	47.4	51.3	50.9	48.7	46.2	48.0	50.7	52.6	53.1	55.3	54.5	55.4	54.2	56.7	
	Nonprofit organizations	2.2	2.5	2.6	2.7	2.8	2.9	3.2	3.3	3.5	3.7	3.7	3.8	4.2	4.2	
W	Fixed-value redeemable claims	97.4	105.9	111.7	115.1	118.8	121.1	124.7	132.2	140.4	150.0	158.7	167.6	177.4	191.0	W
X	Time deposits	46.8	52.3	54.5	55.3	56.1	56.5	58.5	62.7	66.7	71.0	74.2	78.0	84.4	92.1	X
	Svgs. and loan assn. shares	7.3	8.5	9.7	10.9	12.4	13.9	16.0	19.0	22.6	27.0	31.7	36.6	41.3	47.3	
	Credit union shares	.4	.4	.5	.6	.7	.8	1.1	1.4	1.7	2.0	2.4	2.9	3.4	3.8	
Z	U. S. savings bonds	42.9	44.8	47.0	48.3	49.6	49.8	49.2	49.2	49.4	50.0	50.2	50.1	48.2	47.7	Z
a	Savings in life insurance	42.8	46.6	49.8	52.6	55.3	58.0	60.7	63.9	67.1	70.2	73.4	77.2	80.0	83.4	a
	Private	39.2	41.9	44.4	47.0	49.6	52.0	54.6	57.7	60.9	64.2	67.6	71.1	73.8	77.2	
	Government	3.6	4.7	5.4	5.6	5.6	6.0	6.1	6.2	6.3	6.0	5.9	6.0	6.2	6.2	
	Savings in pension funds	10.2	11.9	13.9	16.4	19.5	22.9	26.7	31.2	35.7	40.4	45.7	51.4	57.7	64.8	b
	Private	4.8	5.7	6.7	7.9	9.1	11.0	13.3	15.9	18.7	21.8	25.1	28.5	32.6	36.8	
	Government	5.4	6.2	7.2	8.5	10.4	11.9	13.4	15.3	17.0	18.7	20.7	23.0	25.1	28.0	
c	Credit and equity mkt. instr.	164.0	155.1	153.4	153.0	163.6	188.6	210.8	226.2	221.3	293.5	354.1	378.8	348.6	467.5	c
d	Federal obligations	20.0	19.2	18.8	17.4	17.0	16.5	15.7	15.5	15.6	13.5	15.7	16.8	19.3	16.4	d
	Direct and guaranteed	*19.8*	*19.1*	*18.6*	*17.2*	*16.8*	*16.3*	*15.4*	*15.2*	*15.3*	*13.1*	*14.8*	*15.6*	*17.4*	*14.9*	
	Nonguaranteed	*.3*	*.1*	*.1*	*.2*	*.2*	*.2*	*.3*	*.3*	*.3*	*.3*	*.9*	*1.2*	*1.9*	*1.6*	
e	State and local obligations	11.1	10.9	11.4	12.4	12.9	13.4	13.8	15.0	16.8	17.8	19.9	21.6	23.9	25.4	e
f	Corporate and foreign bonds	9.1	7.9	7.1	6.8	6.5	6.4	6.2	6.1	6.3	5.6	6.8	8.1	9.1	9.6	f
g	Corporate stock[3]	111.3	103.0	100.8	99.8	110.1	134.2	156.2	170.0	162.0	234.4	288.3	307.2	269.1	386.8	g
	1- to 4-family mortgages	5.3	6.1	6.6	7.1	7.4	7.5	7.8	8.1	8.5	8.9	9.3	9.7	10.7	11.3	
	Other mortgages	6.5	7.2	8.0	8.7	9.1	9.5	10.1	10.6	11.2	12.1	13.1	14.2	15.4	16.6	
	Security credit	.7	.8	.7	.7	.8	1.1	1.0	.9	.9	1.2	1.1	1.1	1.1	1.4	
	Total liabilities	**27.1**	**32.1**	**39.7**	**47.8**	**55.5**	**67.8**	**76.0**	**88.0**	**100.2**	**112.0**	**132.4**	**147.5**	**159.3**	**171.4**	j
	Credit market instruments	26.6	31.5	39.0	47.1	54.7	66.9	75.1	86.8	99.0	110.7	131.0	145.9	157.6	169.6	
	1- to 4-family mortgages	14.4	18.4	22.9	28.0	32.1	39.0	46.0	52.6	60.2	69.2	81.5	92.6	101.3	111.3	
	Other mortgages (nonprofit)	.2	.3	.3	.3	.4	.4	.4	.5	.5	.6	.7	.7	.8	.9	
l	Consumer credit	5.7	8.4	11.6	14.4	17.3	21.4	22.6	27.4	31.2	32.3	38.7	42.1	44.8	45.1	l
m	Security credit	3.3	1.8	1.8	1.6	2.0	2.7	2.6	2.8	3.3	4.5	5.2	5.2	4.8	5.5	m
	Bank loans n.e.c. (nonprofit)	.9	.6	.3	.4	.4	.7	.7	.6	.6	.7	1.2	1.3	1.6	2.0	
	Other loans[4]	2.2	2.1	2.1	2.3	2.5	2.7	2.9	3.0	3.2	3.5	3.7	4.0	4.4	4.8	
	Trade credit (nonprofit)	.5	.6	.7	.8	.8	.9	.9	1.1	1.2	1.3	1.4	1.6	1.7	1.8	

[1] Lines that are identified alphabetically correspond to categories or groupings shown in Table 4 (A); unlettered lines indicate categories or detail not shown in Table 4 because of space limitations or because flows are relatively small.

[2] Includes miscellaneous deposits with Federal Government not shown separately; excludes proprietors' net investment in noncorporate business for which no amount outstanding is available.

[3] At estimated market price. Annual changes differ from flow figures shown in Table 4 (A), which reflect only net funds put into securities.

[4] Predominantly loans on insurance policies.

NOTE.—Definitions of sectors and transaction categories are given in notes to Table 1, pp. 1047 and 1049, and in "Technical Notes," pp. 846–59 of this BULLETIN. In general, notes to Table 4 (A) apply to corresponding categories in this table.

Details may not add to totals because of rounding.

TABLE 8. SECTOR STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

[Amounts outstanding at end of year. In billions of dollars]

	Category[1]	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	
		(B) Farm business sector														
K	**Total financial assets**[2]	6.7	7.2	7.1	6.8	6.4	6.4	6.6	6.5	6.4	6.3	6.3	6.1	5.9	6.3	K
	Currency and demand deposits	6.6	7.1	7.0	6.7	6.3	6.3	6.5	6.4	6.3	6.2	6.2	6.0	5.8	6.2	
L	**Total liabilities**[3]	7.2	7.8	8.5	9.4	10.0	11.2	13.0	13.8	13.6	14.4	15.6	16.5	17.6	18.9	L
M	Credit market instruments	6.4	6.9	7.3	8.0	8.4	9.4	10.7	11.5	11.5	12.3	13.5	14.4	15.5	16.9	M
N	Mortgages	4.8	4.9	5.1	5.3	5.6	6.1	6.7	7.3	7.8	8.3	9.1	9.9	10.5	11.2	N
O	Bank loans n.e.c.	1.0	1.3	1.6	1.9	2.0	2.5	3.1	3.2	2.8	2.9	3.3	3.3	3.6	4.2	O
P	Other loans	.7	.7	.7	.8	.8	.8	1.0	1.0	1.0	1.1	1.1	1.2	1.4	1.6	P
Q	Trade debt	.7	.9	1.1	1.4	1.6	1.8	2.2	2.3	2.1	2.1	2.1	2.1	2.1	2.1	Q
	Memo: CCC direct and guaranteed loans not included above	.4	.1	.1	1.2	1.7	.8	.6	1.2	2.4	2.4	1.9	1.6	1.2	2.4	
		(C) Noncorporate nonfinancial business sector														
K	**Total financial assets**	10.5	10.8	11.5	11.7	12.3	13.1	14.4	14.4	14.6	15.2	15.7	16.3	17.2	18.3	K
L	Currency and demand deposits	8.9	8.9	9.3	9.2	9.5	9.7	10.8	10.4	10.4	10.9	11.2	11.5	12.2	13.1	L
M	Consumer credit	1.5	1.9	2.2	2.6	2.8	3.3	3.6	4.0	4.2	4.3	4.5	4.8	5.0	5.1	M
N	**Total liabilities**[3]	12.3	14.1	16.3	17.8	18.5	20.9	22.2	23.4	24.4	26.6	28.8	30.4	37.0	45.4	N
O	Credit market instruments	11.9	15.2	18.4	19.7	20.6	24.4	25.0	25.1	25.9	27.8	31.8	35.2	37.9	42.1	O
	1- to 4-family mortgages	3.9	4.1	4.4	4.4	4.5	4.9	4.7	4.8	4.8	5.0	5.2	5.0	5.0	5.1	
	Multifamily and com. mtgs.	4.5	5.0	5.6	6.2	6.7	7.3	7.9	8.4	9.0	9.7	10.6	11.6	12.6	13.7	
Q	Bank loans n.e.c.	2.6	4.7	6.6	6.8	6.7	9.0	8.7	7.8	7.9	8.6	10.7	12.9	14.1	16.9	Q
R	Other loans	.9	1.4	1.9	2.3	2.6	3.2	3.7	4.0	4.2	4.5	5.3	5.7	6.2	6.3	R
S	Trade debt, net	.4	−1.1	−2.2	−2.0	−2.1	−3.5	−2.8	−1.7	−1.5	−1.3	−3.0	−4.8	−.8	3.3	S
	Trade debt	3.3	2.4	1.6	2.1	1.8	1.4	2.2	4.0	4.4	4.9	3.3	2.3	6.6	10.6	
	Trade receivables	3.0	3.5	3.8	4.0	3.9	4.9	4.9	5.7	5.8	6.2	6.3	7.1	7.4	7.3	
		(D) Corporate nonfinancial business sector														
N	**Total financial assets**	75.3	74.3	81.3	86.6	91.6	107.7	116.2	122.1	125.1	130.3	148.1	153.4	157.2	164.7	N
O	Currency and demand deposits	20.1	21.2	23.4	23.6	24.7	26.2	27.9	28.7	28.9	30.9	32.0	32.1	31.9	33.7	O
P	Credit market instruments	23.8	17.5	17.0	18.4	21.0	24.7	26.6	26.8	28.8	26.6	31.6	27.6	26.4	27.6	P
Q	Federal obligations	22.2	15.3	14.1	14.7	16.7	19.6	20.7	19.9	21.5	19.1	23.5	19.2	17.7	18.4	Q
R	Consumer credit	1.7	2.2	2.8	3.4	3.8	4.5	5.0	5.8	6.0	6.2	6.8	7.0	7.1	7.5	R
S	Other loans	*	*	.1	.3	.5	.6	.9	1.2	1.4	1.2	1.2	1.4	1.6	1.7	S
T	Trade credit	22.9	26.0	31.4	33.9	34.2	43.9	47.4	50.7	50.0	53.8	64.0	70.2	72.4	75.0	T
	Time deposits	.9	.9	.9	.9	.9	.9	.9	.9	.9	1.1	1.0	1.0	1.0	1.6	
	Miscellaneous[4]	7.5	8.6	8.6	9.8	10.9	12.0	13.3	15.0	16.5	17.9	19.5	22.4	25.5	26.7	
V	**Total liabilities**[5]	61.9	69.6	79.9	87.1	88.5	101.7	113.5	123.5	128.4	134.8	152.6	166.8	174.2	179.0	V
W	Credit market instruments	40.0	43.9	50.0	56.0	58.1	63.8	73.3	81.8	86.5	90.6	97.6	106.7	115.6	121.7	W
X	Corporate bonds	23.5	24.4	27.2	31.5	34.2	35.7	39.1	43.7	47.1	50.5	53.4	57.0	63.4	69.2	X
	1- to 4-family mortgages[6]	.3	.5	.8	.8	.9	1.2	1.1	1.2	1.2	1.4	1.5	1.4	1.4	1.5	
	Multifamily and com. mtgs.	7.5	8.6	9.8	11.1	12.4	13.9	15.6	16.7	18.0	19.5	21.4	23.3	25.1	27.5	
a	Bank loans n.e.c.	6.2	8.6	10.5	11.0	8.8	10.9	15.4	17.8	17.5	16.3	18.2	21.8	22.0	19.8	a
b	Other loans	1.1	1.3	1.5	1.6	1.7	2.0	2.2	2.4	2.8	2.8	3.0	3.2	3.7	3.7	b
c	Trade debt	19.5	23.2	27.3	28.3	27.4	34.8	36.8	38.2	38.1	40.2	50.8	55.6	53.8	52.3	c
	Miscellaneous[7]	2.4	2.5	2.6	2.8	2.9	3.1	3.3	3.5	3.8	4.0	4.3	4.5	4.8	5.0	
e	Memo: Profits tax liability	10.8	8.9	11.3	12.1	9.9	17.4	22.1	18.9	19.5	16.2	20.3	18.6	16.7	14.2	e

* Less than $50 million.

[1] Lines that are identified alphabetically correspond to categories or groupings shown in Table 4(B)–(D); unlettered lines indicate categories or detail not shown in Table 4 because of space limitations or because flows are relatively small.

[2] Includes small amounts of Federal obligations held by production credit associations not shown separately.

[3] Excludes proprietors' net investment for which amounts outstanding are not estimated.

[4] Foreign currency and deposits and direct investments abroad.

[5] Includes the following amounts of security credit not shown separately (in billions): $1.4 in 1945, $0.5 in 1946, and $0.2 in 1947.

[6] Construction loans.

[7] Direct investments of foreign affiliates.

NOTE.—Definitions of sectors and transaction categories are given in notes to Table 1, pp. 1047 and 1049, and in "Technical Notes," pp. 846–59 of this BULLETIN. In general, notes to Table 4(B)–(D) apply to corresponding categories in this table.

Details may not add to totals because of rounding.

TABLE 8. SECTOR STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

[Amounts outstanding at end of year. In billions of dollars]

	Category[1]	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	
	(E) Federal Government sector															
R	**Total financial assets**[2]	37.8	16.9	21.5	24.2	26.0	27.4	30.1	34.6	33.7	33.8	34.6	36.2	39.3	40.9	R
S	Currency and demand deposits	27.0	4.3	3.7	4.9	5.2	5.0	5.1	7.0	5.4	5.7	5.1	4.9	5.2	5.3	S
	Available funds at F. R. Banks	1.0	.4	.9	1.1	.8	.7	.3	.4	.3	.6	.4	.4	.5	.4	
	Tax and loan accounts	24.0	2.6	1.0	1.9	2.6	2.3	2.7	4.4	3.4	3.5	3.0	2.9	3.1	3.5	
	Currency and other deposits	2.0	1.3	1.9	1.9	1.8	2.0	2.1	2.2	1.7	1.7	1.7	1.6	1.6	1.5	
	Credit market instruments	7.1	9.8	13.8	15.4	16.7	17.9	19.4	21.0	21.8	21.4	22.7	23.9	26.2	27.9	T
	1- to 4-family mortgages	.9	.7	.7	.8	1.2	1.5	2.1	2.5	2.8	2.7	2.9	3.6	4.7	4.7	
	Other mortgages[3]	1.5	1.3	1.2	1.2	1.2	1.2	1.3	1.4	1.6	1.7	2.0	2.2	2.4	2.8	
	Other loans	4.7	7.8	12.0	13.5	14.2	15.1	16.0	17.1	17.4	17.0	17.8	18.1	19.0	20.4	V
	To savings and loan assns.	*.2*	*.3*	*.4*	*.5*	*.4*	*.8*	*.8*	*.9*	*.9*	*.9*	*1.4*	*1.2*	*1.3*	*1.3*	
	To rest of world	*1.6*	*4.7*	*8.3*	*9.5*	*9.9*	*10.1*	*10.3*	*10.6*	*10.9*	*10.7*	*10.6*	*10.7*	*11.0*	*11.6*	
	To others	*2.8*	*2.8*	*3.2*	*3.5*	*3.9*	*4.2*	*5.0*	*5.6*	*5.6*	*5.4*	*5.7*	*6.2*	*6.8*	*7.5*	
	Time deposits	.1	.1	.1	.1	.2	.2	.3	.3	.3	.4	.4	.3	.3	.3	
	Treasury currency assets[4]	.2	.1	.1	.1	.1	.1	.1	*	*	*	*	.1	.1	.1	
	Trade credit[5]	.9	.1	.....	.....	.....	.4	1.3	2.3	2.2	2.4	2.3	2.4	2.3	1.7	
	Miscellaneous[6]	2.5	2.5	3.7	3.7	3.8	3.9	3.9	3.9	3.9	3.9	4.1	4.6	5.3	5.6	
X	**Total liabilities**	269.6	245.5	240.0	234.9	238.0	239.5	241.9	247.8	255.0	257.4	258.0	253.2	252.7	262.5	X
Y	Fixed-value redeemable claims	45.9	48.0	50.4	51.6	52.8	52.7	51.9	51.8	51.7	52.1	52.1	51.8	49.6	48.8	Y
Z	Postal savings deposits	2.9	3.3	3.4	3.3	3.2	2.9	2.7	2.5	2.4	2.1	1.9	1.6	1.3	1.1	Z
a	Consumer-held svgs. bonds[7]	42.9	44.8	47.0	48.3	49.6	49.8	49.2	49.2	49.4	50.0	50.2	50.1	48.2	47.7	a
	Consumer svgs. in life insurance	3.6	4.7	5.4	5.6	5.6	6.0	6.1	6.2	6.3	6.0	5.9	6.0	6.2	6.2	
	Consumer svgs. in retirement fds.	2.9	3.3	4.1	4.9	6.0	6.7	7.5	8.4	8.9	9.4	10.0	10.9	11.3	12.3	
	Credit market instruments	209.4	184.2	174.8	167.9	169.0	168.2	168.6	173.4	180.1	181.6	181.5	176.2	177.1	186.5	
c	Federal obligations	209.1	184.1	174.7	167.0	168.0	167.8	168.3	172.7	177.9	179.3	180.4	175.3	176.7	185.7	c
d	*Short-term direct*[8]	*79.6*	*60.5*	*55.9*	*53.4*	*63.9*	*66.6*	*55.6*	*62.6*	*79.1*	*67.3*	*60.2*	*67.6*	*73.1*	*71.9*	d
e	*Other direct and guaranteed*	*128.3*	*122.4*	*117.4*	*112.0*	*102.6*	*99.3*	*110.6*	*108.0*	*96.7*	*109.9*	*116.5*	*103.5*	*97.3*	*108.0*	e
f	*Nonguaranteed*	*1.1*	*1.3*	*1.4*	*1.6*	*1.5*	*1.9*	*2.2*	*2.1*	*2.1*	*2.1*	*3.6*	*4.2*	*6.3*	*5.8*	f
g	Other loans[9]	.3	.1	.1	.9	1.0	.4	.3	.7	2.2	2.3	1.2	.9	.5	.8	g
	Trade debt[10]	2.7	.7	.....	.....	.....	1.1	2.7	2.8	2.6	2.4	2.3	2.6	2.8	2.8	
	Treasury currency liability[11]	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.6	2.6	
	Miscellaneous liabilities	2.9	2.0	3.0	2.5	2.1	2.4	2.8	2.7	3.0	3.5	3.6	3.1	3.1	3.2	
	Deposits of savings and loan associations at FHLB	*	.1	.1	.1	.3	.2	.3	.4	.6	.8	.7	.7	.7	.8	
	Demand notes issued to IMF	.....	.2	1.5	1.2	1.0	1.3	1.3	1.3	1.3	1.5	1.6	1.1	.7	.8	
	Other[12]	2.8	1.7	1.3	1.2	.9	.9	1.2	1.1	1.1	1.2	1.2	1.4	1.7	1.6	
	Memo: Assets of OASI fund	7.1	8.2	9.4	10.7	11.8	13.7	15.5	17.4	18.7	20.6	21.7	22.5	22.4	21.9	i
	(F) State and local government sector															
L	**Total financial assets**	15.5	16.2	18.1	19.9	21.2	23.3	25.4	28.1	31.6	35.3	37.5	40.1	43.5	47.1	L
M	Currency and demand deposits	5.3	6.2	6.9	7.4	7.6	8.1	8.5	9.0	9.7	10.0	10.4	10.6	10.8	11.0	M
N	Time deposits	.5	.7	.9	1.1	1.3	1.4	1.5	1.6	2.0	2.4	2.4	2.4	2.8	3.6	N
O	Credit market instruments	9.7	9.3	10.3	11.3	12.3	13.8	15.3	17.4	20.0	22.9	24.8	27.1	30.0	32.5	O
P	Federal obligations	6.6	6.4	7.3	7.9	8.1	8.8	9.7	11.3	12.9	14.6	15.4	16.5	17.5	17.8	P
	Direct and guaranteed	*6.6*	*6.4*	*7.3*	*7.9*	*8.1*	*8.8*	*9.6*	*11.2*	*12.8*	*14.5*	*15.2*	*16.2*	*17.1*	*17.4*	
	Nonguaranteed	.....	.....	.....	.....	.....	.....	*.1*	*.1*	*.1*	*.1*	*.2*	*.3*	*.4*	*.4*	
Q	State and local obligations	2.6	2.4	2.5	2.6	3.1	3.6	3.8	4.0	4.4	4.7	5.1	5.6	6.0	6.5	Q
	Corporate bonds	.4	.4	.5	.7	.9	1.1	1.3	1.6	2.1	2.8	3.4	3.9	5.1	6.7	
	1- to 4-family mortgages	.1	.1	.1	.1	.2	.2	.3	.4	.5	.6	.6	.7	.8	.9	
	Multifamily and com. mtgs.	*	*	*	*	*	.1	.2	.2	.2	.3	.3	.4	.5	.6	
S	**Total liabilities**	23.0	23.4	25.2	28.0	31.2	35.1	38.3	42.5	47.3	52.8	57.8	62.6	69.3	77.2	S
	Credit market instruments	20.0	19.8	21.2	23.4	25.7	28.8	31.1	34.3	37.8	42.0	45.4	48.7	53.6	59.5	
T	State and local obligations	19.5	19.4	20.7	22.8	25.2	28.2	30.3	33.1	37.0	41.5	45.0	48.2	52.8	58.5	T
	Other loans (Federal Govt.)	.5	.5	.5	.6	.5	.6	.8	1.1	.8	.5	.5	.6	.8	1.0	
	Trade debt	.6	.7	.9	1.0	1.1	1.2	1.2	1.3	1.4	1.6	1.7	1.8	1.8	2.0	
W	Consumer savings in retirement funds	2.5	2.9	3.1	3.6	4.4	5.2	6.0	6.9	8.1	9.3	10.6	12.1	13.8	15.7	W

* Less than $50 million.

1 Lines that are identified alphabetically correspond to categories or groupings shown in Table 4(E) and (F); unlettered lines indicate categories or detail not shown in Table 4 because of space limitations or because flows are relatively small.

2 Prior to 1950, includes small amounts of savings and loan shares not shown separately.

3 Mainly farm mortgages.

4 Silver bullion held at cost in account of Treasurer of the United States.

5 Prepayments and advances to corporations.

6 Mainly subscriptions to International Monetary Fund and International Bank for Reconstruction and Development; capital stock of Exchange Stabilization Fund; and holdings of foreign cash assets.

7 Prior to 1954, includes armed forces leave bonds.

8 Beginning with 1951, direct marketable issues maturing within one year; prior to 1951, issues maturing or callable within one year. Include savings notes prior to their retirement in 1956.

9 CCC certificates of interest and liability for CCC-guaranteed loans. See discussion on page 840 of this BULLETIN.

10 Payable to corporations.

11 Seigniorage on silver, deposits with Federal Government for redemption of Federal Reserve Bank notes and national bank notes, and liability of Federal Government in connection with minor coin and U. S. notes not backed by gold reserves.

12 Private equity in Government enterprises, and miscellaneous trust and deposit liabilities.

NOTE.—Definitions of sectors and transaction categories are given in notes to Table 1, pp. 1047 and 1049, and in "Technical Notes," pp. 846–59 of this BULLETIN. In general, notes to Table 4(E) and (F) apply to corresponding categories in this table.

Details may not add to totals because of rounding.

TABLE 8. SECTOR STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

[Amounts outstanding at end of year. In billions of dollars]

	Category[1]	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	
		(G) Commercial banking and monetary authorities sector														
A	**Total Financial assets**	172.3	162.3	166.0	166.8	168.5	175.3	184.4	194.8	199.1	208.3	213.0	218.1	233.5	238.6	A
B	Gold[2]	20.1	20.7	22.9	24.4	24.6	22.8	22.9	23.3	22.1	21.8	21.8	22.1	22.9	20.6	B
C	Treasury currency[3]	4.2	4.4	4.4	4.4	4.4	4.5	4.6	4.7	4.7	4.8	4.9	4.9	5.0	5.1	C
D	Credit and equity market instr.	148.0	137.1	138.5	137.9	139.3	147.7	156.8	166.8	172.2	181.5	186.3	191.0	195.3	212.8	D
E	Federal obligations[4]	116.2	99.5	93.0	87.3	87.2	84.5	86.9	89.5	90.7	95.3	88.2	85.2	84.6	95.0	E
F	*Monetary authorities*	*24.3*	*23.4*	*22.6*	*23.4*	*18.9*	*20.8*	*23.8*	*24.7*	*25.9*	*25.0*	*24.8*	*25.0*	*24.3*	*26.4*	F
G	Short-term direct[5]	23.2	22.3	19.9	12.4	12.0	16.0	13.4	14.8	17.0	19.4	20.7	22.1	21.4	21.0	G
H	Other direct	1.1	1.1	2.7	10.9	6.9	4.8	10.4	10.0	9.0	5.5	4.1	2.9	2.8	5.4	H
I	*Commercial banks*[4]	*91.9*	*76.1*	*70.5*	*63.9*	*68.3*	*63.7*	*63.1*	*64.8*	*64.8*	*70.4*	*63.4*	*60.2*	*60.3*	*68.6*	I
J	Short-term direct[5]	32.3	18.8	19.2	19.4	26.5	22.2	15.8	19.2	28.2	17.6	9.0	13.8	15.7	16.6	J
K	Other direct and guar.	58.8	56.2	50.1	43.3	40.5	39.8	45.7	44.1	35.2	51.4	52.6	44.8	42.5	49.7	K
L	Nonguaranteed	.8	1.1	1.2	1.3	1.3	1.7	1.6	1.5	1.3	1.4	1.8	1.6	2.1	2.2	L
M	State and local obligations	4.0	4.4	5.3	5.7	6.5	8.1	9.2	10.2	10.8	12.6	12.7	12.9	13.9	16.5	M
N	Corp. and foreign bonds	2.2	2.2	2.2	1.9	2.1	2.2	2.2	2.1	2.1	1.9	1.7	1.3	1.4	1.3	N
O	1- to 4-family mortgages	2.9	4.6	6.3	7.3	7.9	9.4	10.2	11.1	11.9	13.2	14.9	16.1	16.2	17.5	O
P	Other mortgages	1.9	2.6	3.1	3.5	3.7	4.2	4.4	4.6	4.8	5.2	5.9	6.4	6.9	7.7	P
Q	Consumer credit	1.4	2.6	3.8	4.8	5.8	7.4	7.5	9.4	10.9	10.9	13.2	14.6	15.7	15.8	Q
R	Security loans	6.8	3.2	2.1	2.3	2.6	2.9	2.6	3.2	3.6	4.5	5.0	4.3	4.2	4.7	R
S	Bank loans n.e.c.	12.0	17.5	22.0	23.7	22.1	28.2	33.0	35.3	34.4	34.6	42.6	48.5	50.9	52.3	S
T	*To farm business*	*1.0*	*1.3*	*1.6*	*1.9*	*2.0*	*2.5*	*3.1*	*3.2*	*2.8*	*2.9*	*3.3*	*3.3*	*3.6*	*4.1*	T
U	*To nonfarm business*	*8.8*	*13.3*	*17.1*	*17.7*	*15.6*	*20.0*	*24.1*	*25.7*	*25.4*	*24.9*	*28.9*	*34.7*	*36.2*	*36.8*	U
V	*To nonbank finan. sectors*	*1.0*	*1.7*	*2.3*	*2.7*	*3.1*	*4.1*	*4.0*	*4.6*	*4.6*	*4.6*	*7.3*	*7.0*	*6.8*	*6.1*	V
W	*To other sectors*[6]	*1.3*	*1.2*	*1.1*	*1.3*	*1.4*	*1.7*	*1.9*	*1.8*	*1.7*	*2.2*	*3.1*	*3.6*	*4.3*	*5.2*	W
X	Other loans	.6	.6	.7	1.4	1.5	.9	.9	1.5	3.0	3.2	2.0	1.8	1.5	2.0	X
Y	*CCC-guaranteed loans*	*.3*	*.1*	*.1*	*.9*	*1.0*	*.4*	*.3*	*.7*	*2.2*	*2.3*	*1.2*	*.9*	*.5*	*.8*	Y
Z	*Open market paper*	*.3*	*.5*	*.6*	*.5*	*.5*	*.5*	*.6*	*.7*	*.8*	*1.0*	*.8*	*.9*	*1.1*	*1.2*	Z
a	Miscellaneous[7]	*	.1	.2	.2	.2	.2	.1	.1	.1	.2	.2	.2	.4	.2	a
b	**Total liabilities**	163.5	152.4	155.6	155.7	156.2	161.9	170.5	180.0	183.3	191.5	195.2	199.1	203.5	217.2	b
c	Demand dep., net, and currency	130.5	115.9	119.4	118.9	118.9	124.1	130.9	137.4	137.4	141.9	144.2	145.9	145.2	151.0	c
d	Due to U. S. Government	25.8	3.7	3.4	4.6	5.1	4.6	4.7	6.4	5.1	5.4	4.7	4.8	5.0	5.1	d
e	*Monetary authorities*	*1.3*	*.7*	*2.0*	*2.3*	*2.0*	*1.8*	*1.4*	*1.5*	*1.0*	*1.2*	*1.0*	*1.1*	*1.1*	*.9*	e
f	*Commercial banks*	*24.5*	*3.0*	*1.3*	*2.3*	*3.1*	*2.8*	*3.4*	*4.9*	*4.1*	*4.2*	*3.7*	*3.7*	*3.9*	*4.2*	f
g	Due to rest of the world	4.2	4.4	4.5	4.8	4.8	4.7	4.3	4.5	4.2	4.3	4.3	4.5	4.7	4.7	g
h	*Monetary authorities*[8]	*1.4*	*1.2*	*1.4*	*1.7*	*1.9*	*1.7*	*1.4*	*1.4*	*1.3*	*1.4*	*1.3*	*1.2*	*1.2*	*1.2*	h
i	*Commercial banks*	*2.7*	*3.2*	*3.0*	*3.1*	*2.9*	*3.0*	*2.9*	*3.1*	*2.9*	*3.0*	*3.0*	*3.3*	*3.4*	*3.5*	i
j	Due to others	100.5	107.8	111.6	109.5	109.0	114.8	121.9	126.4	128.0	132.2	135.2	136.6	135.5	141.1	j
k	*Demand deposits, net*	*74.4*	*81.5*	*85.6*	*84.0*	*84.2*	*90.0*	*96.2*	*99.6*	*100.6*	*105.0*	*107.5*	*108.9*	*107.9*	*113.0*	k
l	*Currency*	*26.1*	*26.3*	*25.9*	*25.5*	*24.8*	*24.8*	*25.7*	*26.8*	*27.4*	*27.2*	*27.6*	*27.7*	*27.7*	*28.1*	l
m	Time deposits	30.3	34.1	35.5	36.1	36.6	36.9	38.6	41.7	45.1	48.9	50.3	52.3	57.8	65.8	m
n	Due to U. S. Government	.1	.1	.1	.1	.2	.2	.3	.3	.3	.4	.4	.3	.3	.3	n
o	Due to rest of the world	*	*	*	*	.2	.4	.5	.7	1.3	1.8	1.7	1.6	1.6	2.5	o
p	Due to State and loc. govts.	.5	.7	.9	1.1	1.3	1.4	1.5	1.6	2.0	2.4	2.4	2.4	2.8	3.6	p
q	Due to others[9]	29.6	33.3	34.5	34.9	35.0	34.9	36.3	39.0	41.6	44.3	45.9	48.0	53.2	59.4	q
r	Other liabilities[10]	2.7	2.4	.6	.6	.7	.8	1.0	.9	.8	.7	.8	.8	.6	.5	r
		(G.1) Monetary authorities subsector[11]														
s	**Total financial assets**	49.4	49.2	50.6	53.0	48.6	49.6	52.5	53.8	53.7	52.5	53.1	53.8	53.9	53.5	s
t	Incl. in consol. sector acct.[12]	48.6	48.6	50.0	52.4	48.0	48.1	51.3	52.7	52.8	51.7	51.4	52.1	52.4	52.2	t
	Excl. from consol. sector acct.:															
u	F. R. float	.6	.6	.5	.5	.5	1.4	1.2	1.0	.9	.8	1.6	1.7	1.4	1.3	u
v	F. R. loans to domestic banks	.2	*	*	*	*	.1	*	.1	*	*	.1	*	*	*	v
w	**Total liabilities**	48.9	48.7	50.1	52.4	47.7	48.7	51.7	53.0	52.9	51.7	52.2	52.9	53.0	52.5	w
x	Incl. in consol. sector acct.[13]	30.8	30.1	29.6	29.7	28.9	28.5	28.6	30.0	29.9	30.0	30.2	30.2	30.2	30.3	x
	Excl. from consol. sector acct.:															
y	Member bank reserves	15.9	16.1	17.9	20.5	16.6	17.7	20.1	20.0	20.2	18.9	19.0	19.1	19.0	18.5	y
z	Other dep. of domestic banks	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	z
aa	Currency held by com. banks	1.9	2.0	2.2	2.0	2.0	2.2	2.7	2.8	2.5	2.5	2.7	3.3	3.3	3.2	aa
bb	Capital stock of F. R. Banks	.2	.2	.2	.2	.2	.2	.2	.3	.3	.3	.3	.3	.3	.4	bb
		(G.2) Commercial banks subsector[11]														
cc	**Total financial assets**	141.7	132.1	136.3	137.0	139.2	147.1	156.1	165.0	169.2	178.2	183.4	188.4	193.9	208.6	cc
dd	Incl. in consol. sector acct.[14]	123.7	113.7	115.9	114.4	120.4	127.1	133.1	142.1	146.3	156.6	161.6	166.0	171.2	186.5	dd
	Excl. from consol. sector acct.:															
ee	Demand dep. and currency[15]	17.8	18.2	20.1	22.5	18.5	19.7	22.7	22.6	22.6	21.3	21.5	22.1	22.4	21.7	ee
ff	Capital stock of F. R. Banks	.2	.2	.2	.2	.2	.2	.2	.3	.3	.3	.3	.3	.3	.4	ff
gg	**Total liabilities**	133.4	122.9	126.5	126.6	127.9	134.8	143.1	151.1	154.4	162.4	166.7	170.6	174.8	188.2	gg
hh	Incl. in consol. sector acct.[16]	132.6	122.3	126.0	126.0	127.3	133.3	141.9	150.0	153.4	161.6	165.0	168.9	173.4	186.9	hh
	Excl. from consol. sector acct.:															
ii	F. R. float[17]	.6	.6	.5	.5	.5	1.4	1.2	1.0	.9	.8	1.6	1.7	1.4	1.3	ii
jj	Borrowings at F. R. Banks	.2	*	*	*	*	.1	*	.1	*	*	.1	*	*	*	jj

*Less than $50 million.

For other notes see second page following.

TABLE 8. SECTOR STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

[Amounts outstanding at end of year. In billions of dollars]

	Category[1]	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	
	(H) Nonbank financial sectors—total															
A	**Total financial assets**	90.2	96.8	105.0	114.5	125.6	138.2	149.2	165.7	182.5	204.2	228.6	246.4	262.6	289.0	A
B	Currency and demand deposits	4.2	4.7	5.0	5.1	5.4	6.1	6.7	6.9	7.2	7.6	8.2	8.4	8.7	9.1	B
C	Credit and equity mkt. instr.	85.3	91.2	98.9	108.2	118.7	130.7	140.8	156.7	172.9	193.6	217.4	234.7	250.4	276.0	C
D	Other	.7	.9	1.1	1.2	1.4	1.4	1.7	2.1	2.5	2.9	3.0	3.3	3.5	3.9	D
E	**Total liabilities**	74.7	80.0	86.0	93.3	100.9	109.9	118.4	131.0	144.8	159.4	178.3	193.0	208.2	224.8	E
F	Fixed-value redeemable claims	23.1	25.8	28.0	30.0	32.5	34.9	38.1	43.2	48.9	55.7	62.8	70.1	77.0	85.8	F
G	Insurance and pension reserves	44.0	47.6	51.2	54.9	58.8	63.0	67.9	73.6	79.6	86.0	92.6	99.6	106.4	114.0	G
H	Credit and equity mkt. instr.	5.8	4.9	5.1	6.7	8.1	10.3	10.5	12.2	14.2	15.3	20.3	20.2	21.4	21.3	H
I	Miscellaneous	1.8	1.7	1.6	1.6	1.6	1.7	1.9	2.0	2.1	2.4	2.6	3.1	3.4	3.7	I
	(H.1) Savings institutions sector															
A	**Total financial assets**	25.7	28.8	31.5	33.9	36.6	39.8	43.2	48.7	55.0	62.4	70.8	78.3	85.7	95.4	A
B	Currency and demand deposits	1.1	1.2	1.2	1.3	1.4	1.4	1.7	1.7	1.8	2.2	2.3	2.5	2.5	2.8	B
C	Fixed-value redeemable claims[2]	.2	.2	.3	.3	.3	.3	.3	.5	.5	.6	.7	.7	.7	.8	C
D	Credit and equity mkt. instr.[3]	24.3	27.3	29.8	32.0	34.5	37.7	40.7	45.8	51.7	58.4	66.5	73.9	81.1	90.2	D
E	Federal obligations	13.3	14.0	13.9	13.2	13.1	12.5	11.6	11.5	11.4	11.0	11.2	11.3	11.7	12.0	E
F	*Direct and guaranteed*	*13.3*	*14.0*	*13.9*	*13.1*	*13.0*	*12.5*	*11.6*	*11.3*	*11.2*	*10.9*	*10.9*	*10.9*	*10.9*	*11.2*	F
G	*Nonguaranteed*	*	*	*	*.1*	*	*	*	*.1*	*.2*	*.1*	*.3*	*.4*	*.8*	*.7*	G
H	State and local obligations[4]	.1	.1	.1	.1	.1	.1	.1	.3	.4	.6	.6	.7	.7	.7	H
I	Corporate bonds[4]	1.0	1.1	1.5	1.9	2.1	2.0	2.2	2.5	2.8	2.9	2.6	2.6	3.2	3.8	I
J	Corporate stock[4]	.2	.2	.1	.2	.2	.2	.2	.3	.4	.6	.7	.7	.8	.9	J
K	1- to 4-family mortgages	7.1	8.9	10.8	12.6	14.6	17.5	20.3	24.0	28.5	34.2	41.3	47.2	52.4	59.3	K
L	Other mortgages	2.5	2.7	3.0	3.3	3.8	4.5	5.3	5.9	6.5	7.2	7.8	8.5	9.1	9.9	L
M	Consumer credit	.1	.2	.4	.5	.6	.9	.9	1.2	1.6	1.8	2.3	2.7	3.2	3.5	M
N	Miscellaneous[5]	.1	.2	.2	.2	.4	.4	.5	.7	.9	1.2	1.2	1.3	1.3	1.6	N
O	**Total liabilities**	23.5	26.2	28.6	30.6	33.0	35.8	39.0	44.1	50.0	56.7	64.4	71.4	78.4	87.3	O
P	Deposits at mutual svgs. banks	15.4	16.8	17.8	18.4	19.3	20.0	20.9	22.6	24.4	26.4	28.2	30.0	31.7	34.0	P
Q	Savings shares	7.8	9.0	10.3	11.6	13.2	14.8	17.2	20.5	24.5	29.4	34.6	40.1	45.3	51.8	Q
R	Savings and loan assns.	7.4	8.6	9.8	11.0	12.5	14.0	16.1	19.2	22.8	27.3	32.2	37.1	41.9	47.9	R
S	Credit unions	.4	.4	.5	.6	.7	.8	1.1	1.4	1.7	2.0	2.4	2.9	3.4	3.8	S
T	Other[6]	.4	.4	.5	.6	.5	.9	.9	.9	1.0	1.0	1.6	1.4	1.4	1.5	T
	(H.2) Insurance sector															
A	**Total financial assets**	54.6	58.7	63.8	69.0	75.2	81.4	87.9	95.8	103.9	113.9	123.3	131.4	139.0	150.6	A
B	Currency and demand deposits	1.5	1.7	2.2	2.2	2.3	2.6	2.7	2.9	3.1	3.0	3.1	3.1	3.1	3.2	B
C	Credit and equity mkt. instr.	52.7	56.5	61.0	66.2	72.1	78.1	84.3	92.0	99.8	109.8	119.0	127.0	134.4	145.8	C
D	Federal obligations	25.9	27.0	26.2	23.6	22.8	21.6	19.4	19.1	19.2	18.6	18.3	16.7	15.8	16.1	D
E	*Short-term direct*	*.6*	*1.2*	*.8*	*1.1*	*1.5*	*1.8*	*1.5*	*1.5*	*1.9*	*1.5*	*.9*	*1.0*	*1.4*	*1.6*	E
F	*Other*	*25.3*	*25.9*	*25.4*	*22.4*	*21.4*	*19.8*	*17.9*	*17.5*	*17.3*	*17.1*	*17.4*	*15.7*	*14.4*	*14.4*	F
G	State and local obligations	1.3	1.2	1.2	1.8	2.3	2.6	2.9	3.3	4.2	5.4	6.3	7.3	8.0	9.1	G
H	Corporate bonds	13.0	15.1	18.6	23.3	26.0	28.4	32.1	36.5	40.3	43.7	46.4	50.1	54.4	58.4	H
I	Corporate stock	3.6	3.9	4.1	4.4	5.3	6.4	7.3	8.4	9.2	12.0	14.1	15.2	15.5	19.4	I
J	1- to 4-family mortgages	2.3	2.5	3.5	4.9	6.1	8.5	10.7	11.8	13.3	15.3	17.8	20.4	21.8	22.9	J
K	Other mortgages	4.5	4.8	5.4	6.1	7.2	8.0	9.2	10.0	10.7	11.5	12.5	13.6	14.6	15.4	K
L	Other loans[7]	2.0	2.0	2.0	2.1	2.3	2.5	2.7	2.8	3.0	3.3	3.6	3.8	4.3	4.5	L
M	Trade credit[8]	.4	.5	.6	.7	.7	.7	.8	.9	1.0	1.1	1.2	1.3	1.5	1.6	M
N	**Total liabilities**[9]	44.4	47.6	51.2	54.9	58.8	63.0	67.9	73.6	79.6	86.0	92.6	99.6	106.4	114.0	N
O	Savings in life insurance	39.2	41.9	44.4	47.0	49.6	52.0	54.6	57.7	60.9	64.2	67.6	71.1	73.8	77.2	O
P	Savings in pension funds	4.8	5.7	6.7	7.9	9.1	11.0	13.3	15.9	18.7	21.8	25.1	28.5	32.6	36.8	P
	(H.3) Finance n.e.c. sector															
A	**Total financial assets**	9.9	9.3	9.7	11.6	13.9	17.0	18.1	21.2	23.6	27.9	34.5	36.7	37.9	43.1	A
B	Currency and demand deposits	1.6	1.8	1.6	1.7	1.8	2.1	2.3	2.3	2.3	2.4	2.7	2.9	3.0	3.1	B
C	Credit and equity mkt. instr.	8.3	7.5	8.1	9.9	12.1	14.9	15.8	18.9	21.3	25.4	31.8	33.8	34.9	40.0	C
D	Federal obligations	3.4	2.1	1.4	2.0	1.9	1.8	1.5	2.1	2.0	2.5	2.1	2.4	2.6	3.1	D
E	State and local obligations	.4	.4	.3	.3	.3	.4	.4	.3	.5	.4	.4	.2	.3	.3	E
F	Corporate bonds	.4	.4	.4	.4	.6	.5	.6	.6	.6	.9	.9	.8	.9	1.1	F
G	Corporate stock	1.3	1.2	1.4	1.4	1.9	2.2	2.8	3.6	3.8	5.8	7.3	8.0	7.5	11.8	G
H	Mortgages	.1	.2	.3	.3	.4	.7	.6	.7	.8	1.0	1.6	1.5	1.2	1.7	H
I	Consumer credit	.9	1.5	2.4	3.2	4.3	5.3	5.6	7.1	8.6	9.1	11.9	13.0	13.8	13.1	I
J	Security credit	1.4	.7	.7	.7	1.1	1.7	1.6	1.7	2.1	3.0	3.5	3.6	3.2	3.8	J
K	Other loans	.5	1.0	1.3	1.7	1.6	2.2	2.6	2.8	2.9	2.9	4.2	4.4	5.3	5.1	K
L	**Total liabilities**	6.8	6.2	6.2	7.8	9.2	11.1	11.5	13.3	15.2	16.7	21.3	22.0	23.4	23.5	L
M	Credit market instruments	5.0	4.5	4.6	6.1	7.6	9.4	9.6	11.3	13.1	14.3	18.7	18.9	20.0	19.8	M
N	Corporate bonds	.2	.4	.5	1.0	1.4	1.7	2.0	2.3	3.7	4.0	5.4	6.4	7.1	7.2	N
O	Security credit	4.0	2.4	1.6	2.1	2.6	3.0	2.7	3.0	3.3	4.3	4.5	3.8	3.8	4.4	O
P	Bank loans n.e.c.	.8	1.6	2.2	2.6	3.1	4.0	3.9	4.6	4.5	4.6	7.2	6.8	6.7	6.0	P
Q	Other loans	*	.1	.2	.4	.6	.7	1.1	1.4	1.6	1.5	1.7	1.9	2.3	2.2	Q
R	Miscellaneous	1.8	1.7	1.6	1.6	1.6	1.7	1.9	2.0	2.1	2.4	2.6	3.1	3.4	3.7	R

*Less than $50 million.

For other notes see following page.

TABLE 8. SECTOR STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

[Amounts outstanding at end of year. In billions of dollars]

	Category[1]	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	
		(I) Rest-of-the-world sector														
G	**Total financial assets**[2]	**27.3**	**26.5**	**25.3**	**24.7**	**25.7**	**30.5**	**31.0**	**32.9**	**35.7**	**39.9**	**43.2**	**45.1**	**44.6**	**49.0**	G
H	Gold[3]	13.7	13.4	11.7	10.5	10.8	13.0	12.8	12.7	14.3	15.3	16.0	16.2	16.1	19.3	H
I	U. S. currency and demand dep.	4.2	4.4	4.5	4.8	4.8	4.7	4.3	4.5	4.2	4.3	4.3	4.5	4.7	4.7	I
	Deposits of foreign banks	2.2	1.9	1.8	2.2	2.1	2.4	1.9	2.0	1.8	2.0	1.9	2.1	2.1	1.9	
	Other deposits and currency	2.0	2.5	2.6	2.6	2.7	2.3	2.3	2.5	2.5	2.3	2.3	2.4	2.5	2.8	
	Time deposits	*	*	*	*	.2	.4	.5	.7	1.3	1.8	1.7	1.6	1.6	2.5	J
	Credit and equity mkt. instr.	5.7	5.0	4.0	4.2	4.8	6.5	7.0	8.4	9.0	10.9	13.1	14.5	14.1	14.0	
K	Federal obligations	2.6	1.9	1.2	1.6	1.9	3.1	3.0	4.0	4.5	4.8	5.8	6.6	6.8	6.8	K
	Corporate stock[4]	2.7	2.7	2.5	2.3	2.5	2.9	3.4	3.7	3.6	5.3	6.6	7.0	6.1	6.0	
	Other[5]	.5	.4	.4	.3	.4	.5	.6	.6	.8	.9	.7	.9	1.2	1.2	
	Miscellaneous[6]	3.7	3.7	5.1	5.1	5.2	5.9	6.3	6.6	6.9	7.5	8.1	8.3	8.1	8.5	
N	**Total liabilities**[7]	**12.7**	**16.9**	**24.0**	**26.4**	**28.0**	**30.2**	**32.0**	**34.2**	**35.7**	**37.3**	**39.3**	**43.6**	**48.7**	**52.3**	N
	Credit and equity mkt. instr.[8]	4.7	7.8	11.7	12.9	13.4	14.3	14.9	15.4	15.5	15.5	15.6	16.6	17.9	20.0	
	Bonds[4]	2.7	2.6	2.7	2.7	2.7	3.3	3.7	3.8	3.7	3.5	3.3	3.7	4.1	5.0	
	Bank loans n.e.c.	.3	.5	.6	.6	.7	.7	.8	.8	.7	1.0	1.4	1.7	2.1	2.6	
	Other loans[9]	1.6	4.6	8.4	9.5	10.0	10.2	10.4	10.8	11.0	10.9	10.9	11.2	11.7	12.2	
Q	Miscellaneous	8.0	9.2	12.3	13.5	14.6	15.9	17.1	18.8	20.3	21.8	23.6	26.9	30.7	32.3	Q
	U. S. subscription to IMF and IBRD	......	.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	
	Other[10]	8.0	8.8	8.9	10.1	11.2	12.5	13.7	15.5	16.9	18.4	20.2	23.5	27.3	28.9	

* Less than $50 million.

1 Lines that are identified alphabetically correspond to categories or groupings shown in Table 4(I); unlettered lines indicate categories or detail not shown in Table 4 because of space limitations or because flows are relatively small.

2 Excludes amounts for unidentified assets (in miscellaneous category) for which estimates of amounts outstanding are not available.

3 Holdings of international institutions and foreign central banks and governments, excluding U.S.S.R. Reflects net foreign gold production (output plus net U.S.S.R. gold exports, less consumption and net increase in private holdings) as well as gold transactions with the U. S. Annual changes differ from corresponding flows, which reflect only transactions with the U. S.

4 At estimated market value; annual changes thus differ from corresponding flows, which reflect only net funds put into securities.

5 Commercial paper, corporate bonds, and security credit.

6 Mainly direct investments in U. S., deposits with U. S. agencies of foreign banks, and notes of the International Monetary Fund.

7 Excludes amounts for corporate stock and unidentified liabilities (in miscellaneous category) for which estimates of amounts outstanding are not available.

8 Includes security credit not shown separately.

9 Predominantly U. S. Government loans.

10 U. S. direct investment abroad and holdings of foreign currency.

NOTE.—"Liabilities" cover equity as well as debt claims. Definitions of sectors and transaction categories are given in notes on Table 1, pp. 1047 and 1049, and in "Technical Notes," pp. 846–59 of this BULLETIN. In general, notes to Table 4(I) apply to corresponding categories in this table.

Details may not add to totals because of rounding.

Notes to Table 8 (G), (G.1), and (G.2) on second preceding page.

1 Alphabetic identification of lines does not correspond to that in Table 4(G).

2 Monetary gold stock and active gold held by Exchange Stabilization Fund.

3 Silver and claims on Federal Government sector representing backing (other than small gold reserve) for U. S. currency other than Federal Reserve notes. See note 11 to part E of this table.

4 Change in amount outstanding for 1958 differs from flows due to valuation adjustment.

5 Beginning with 1951, direct marketable issues maturing within one year; prior to 1951, issues maturing or callable within one year.

6 Nonprofit organizations and rest of the world; also contains loans secured by hypothecated deposits, which are not treated as a bank loan liability.

7 Balances with foreign banks, balances due from foreign branches, and Exchange Stabilization Fund deposits with U. S. Treasury.

8 Deposits of foreign banks and international organizations at Federal Reserve Banks, and U. S. currency held abroad.

9 Mainly consumers and corporate business sector. Includes hypothecated deposits not treated as time deposit assets.

10 Balances due to foreign branches, loans from Federal Government, and Exchange Stabilization Fund stock held by U. S. Treasury ($1.8 billion through 1946 and $0.2 billion thereafter).

11 Each subsector statement is consolidated. For example, gold certificates held by Federal Reserve (a Federal Reserve asset and a Treasury gold-account liability) are excluded from assets and liabilities in monetary authorities subsector, and interbank loans and interbank deposits of commercial banks are excluded from assets and liabilities in commercial banks subsector. Debt and equity relationships between the subsectors, shown under "Excluded from consolidated sector account" in the stub for each subsector, are eliminated in derivation of consolidated account for the commercial banking and monetary authorities sector.

12 Lines *B*, *C*, and *F*, small amounts of foreign and industrial loans in line *S* and of acceptances in line *Z*, and Exchange Stabilization Fund deposits in line *a*.

13 Lines *e*, *h*, and *l*, and Exchange Stabilization Fund stock component of line *r*.

14 Lines *I* through *a*, except as indicated in note 12.

15 Vault cash and reserves and other balances at Federal Reserve Banks; differs from sum of lines *y*, *z*, and *aa* because of timing differences in recording reserve balances at Federal Reserve Banks and at member banks.

16 Lines *f*, *i*, *k*, and *m*; and *r*, except as indicated in note 13.

17 Netted against commercial bank demand deposits in deriving the commercial banking and monetary authorities sector.

NOTE.—Definitions of sectors and transaction categories are given in notes to Table 1, pp. 1047 and 1049, and in "Technical Notes," pp. 846–59 of this BULLETIN. In general, notes to Table 4(G) apply to corresponding categories in this table.

Details may not add to totals because of rounding.

Notes to Table 8 (H), (H.1), (H.2), and (H.3) on preceding page.

1 Alphabetic identification of lines does not correspond to that in Table 4(H).

2 Savings deposits held by mutual savings banks and savings and loan association shares held by credit unions.

3 Includes small amount of other loans held by mutual savings banks not shown separately.

4 Holdings of mutual savings banks only.

5 Savings and loan association equity in, and deposits at, Federal home loan banks.

6 Bank loans, and advances from Federal home loan banks to savings and loan associations.

7 Mainly policy loans; includes small amount of open market paper.

8 Receivables from agents.

9 Includes $0.4 billion of security credit in 1945 not shown separately.

NOTE.—Definitions of sectors and transaction categories are given in notes to Table 1, pp. 1047 and 1049, and in "Technical Notes," pp. 846–59 of this BULLETIN. In general, notes to Table 4(H) apply to corresponding categores in this table.

Details may not add to totals, because of rounding.

PRINCIPAL ASSETS AND LIABILITIES OF FEDERAL BUSINESS-TYPE ACTIVITIES

[Based on compilation by Treasury Department. In millions of dollars]

Date, and fund or activity	Assets, other than interagency items[1]								Liabilities, other than interagency items[1]			U.S. Govt. interest	Privately owned interest
	Total	Cash	Loans receivable	Inventories	Investments: Public debt securities	Investments: Other securities	Land, structures, and equipment	Other	Bonds, notes, and debentures payable: Guaranteed by U.S.	Bonds, notes, and debentures payable: Other	Other liabilities		
All activities													
1954—Dec. 31	41,403	1,371	19,348	3,852	2,967	3,432	8,046	2,387	33	1,068	4,183	35,610	508
1955—Dec. 31	45,304	1,338	20,238	4,356	3,236	3,414	7,822	4,900	44	2,379	2,703	39,583	596
1956—Dec. 31	69,653	4,996	20,657	21,375	3,739	3,669	9,985	5,232	67	2,711	3,659	62,516	699
1958—Mar. 31	72,242	4,158	23,147	21,206	4,523	3,753	10,020	5,436	49	4,749	3,472	62,789	1,183
June 30	72,677	4,793	22,383	21,540	4,467	3,731	10,459	5,304	47	3,812	4,153	63,460	1,204
Sept. 30	73,772	5,870	23,280	20,743	4,365	3,703	10,422	5,389	56	3,981	3,643	64,864	1,229
Dec. 31	76,494	6,110	25,493	20,810	4,198	3,703	10,670	5,509	50	4,038	3,912	67,196	1,298
1959—Mar. 31	77,451	5,644	26,977	20,504	4,533	3,702	10,753	5,338	56	4,212	3,643	68,165	1,374
Classification of agencies reporting quarterly, By type of fund and activity, Mar. 31, 1959													
Public Enterprise Funds—Total	**25,056**	**2,182**	**12,286**	**4,326**	**943**	**137**	**3,853**	**1,330**	**56**	**797**	**1,807**	**22,395**	
Farm Credit Administration:													
Federal Farm Mortgage Corporation	6	(2)						6	(2)		(2)	6	
Agricultural Marketing Act, revolving fund	186	51				135					186		
Agricultural Department:													
Commodity Credit Corporation	7,160	16	3,834	2,906			143	261			800	6,360	
Disaster loans, etc., revolving fund	124	64	57					4			(2)	124	
All other	69	45	23					1			4	65	
Housing and Home Finance Agency:													
Public Housing Administration	162	68	86	(2)			5	3			43	119	
Federal Housing Administration	958	29			586	(2)	2	341	56		126	777	
Federal National Mortgage Association	2,919	5	2,897				(2)	17		797	33	2,089	
Office of the Administrator	986	149	607				13	218			6	980	
Federal Savings and Loan Insurance Corporation	313	3			296			13			18	295	
Small Business Administration	537	225	304					8			6	531	
Export-Import Bank	3,477	6	3,439	(2)		1	(2)	31			11	3,466	
Tennessee Valley Authority	2,121	81		41			1,802	197			34	2,088	
Panama Canal Company	461	29		8			402	22			19	442	
Veterans Administration	1,071	219	782	4	61		2	3			39	1,032	
General Services Administration	1,535	45	(2)	1,337		(2)	95	59			23	1,512	
Treasury Department	204	5	193					7			(2)	204	
Post Office Department—postal fund	955	275		16			637	26			219	736	
Interior Department	341	69	13	7			154	98			10	331	
All other	1,471	799	53	6			598	15	(2)	(2)	233	1,238	
Intragovernmental Funds—Total	**11,652**	**1,718**		**9,583**		(2)	**235**	**115**			**613**	**11,039**	
Defense Department:													
Army	7,278	1,005		6,117			111	45			174	7,104	
Navy	3,186	359		2,806				20			271	2,915	
Air Force	795	252		498				45			93	702	
All other	393	102		162		(2)	124	5			75	317	
Certain Other Activities—Total	**32,394**	**1,455**	**10,354**	**6,595**	**6**	**3,563**	**6,665**	**3,756**			**247**	**32,147**	
General Services Administration	8,639	509	80	6,582		(2)	1,126	342			28	8,610	
Agricultural Department:													
Farmers Home Administration	866	114	727	(2)			3	22			16	850	
Rural Electrification Administration	3,106	51	2,911					144			2	3,104	
Veterans Administration	282	6	208				62	6			8	274	
Nat. Aeronautics and Space Administration	707	303		3			289	112			15	692	
Interior Department	451	39		7			394	12			6	445	
International Cooperation Administration	2,824	14	2,782					28			4	2,820	
Treasury Department	9,820		3,431			3,563		[3]2,826				9,820	
Commerce Department—maritime activities	5,343	332	216	3	(2)		4,736	55			141	5,202	
All other	357	86	(2)	1	6		56	208			27	329	
Certain Deposit Funds—Total	**6,531**	**71**	**2,915**	(2)	**3,485**	**3**	(2)	**57**		**2,265**	**931**	**2,346**	**989**
Banks for cooperatives	582	15	514		43		(2)	10		310	4	212	56
Federal Deposit Insurance Corporation	2,161	2	(2)	(2)	2,139			19			163	1,998	
Federal home loan banks	2,344	42	1,087		1,202	3		10		699	748		897
Federal intermediate credit banks[4]	1,443	11	1,313		101			19		1,256	16	136	35
Certain Trust Revolving Funds—Total	**1,819**	**219**	**1,421**	(2)	**98**	(2)	(2)	**80**		**1,150**	**44**	**239**	[5]386
Federal National Mortgage Association	1,466	52	1,403			(2)		11		1,150	32	239	545
Office of Alien Property	208	149						59			1		[5]207
All other	145	19	18	(2)	98	(2)	(2)	10			11		[5]134

[1] Figures for trust revolving funds include interagency items.
[2] Less than $500,000.
[3] Includes $827 million due under the agreement with Germany signed Feb. 27, 1953, and lend-lease and surplus property balances due the United States in the principal amount of $1,776 million.
[4] Prior to Jan. 1, 1959 was classified as a trust revolving fund.
[5] Figure represents total trust interest.

NOTE.—Coverage has changed in some of the years shown. Beginning 1956, changes reflect the expanded coverage and the new classification of agencies now reported in the *Treasury Bulletin*. The revised statement includes a larger number of agencies, and their activities are classified according to the type of fund they represent.

Historical data for loans by purpose and agency and for other selected assets and liabilities by agency are shown on p. 1020.

BANKING OFFICES AND DEPOSITS OF BANKS IN HOLDING COMPANY GROUPS, DECEMBER 31, 1958[1]

[Holding companies registered pursuant to Bank Holding Company Act of 1956]

State, or item	Details for 33 States						
	Number of companies[2]	Number of banking offices in holding company groups				Deposits of banks in holding company groups	
		Banks	Branches	Banks and branches		In millions of dollars	As a percentage of all commercial bank deposits
				Total	As a percentage of all commercial banking offices		
Arizona	1	2	56	58	40.00	395	38.16
California	4	4	103	107	6.90	1,064	4.67
Colorado	1	3	....	3	1.65	87	4.64
Florida	4	14	....	14	5.00	510	11.34
Georgia	6	22	28	50	10.46	949	34.93
Idaho	2	2	38	40	37.04	255	39.93
Illinois	2	5	....	5	.53	146	.87
Indiana	2	3	2	5	.71	37	.82
Iowa	2	13	6	19	2.28	242	7.68
Kansas	2	3	....	3	.50	197	8.74
Kentucky	1	2	15	17	3.59	181	8.05
Maine	1	3	8	11	6.43	30	4.73
Massachusetts	3	22	130	152	31.02	1,094	20.81
Minnesota	4	117	6	123	17.77	2,468	60.90
Missouri	3	12	....	12	1.95	513	8.60
Montana	4	31	....	31	26.96	429	52.74
Nebraska	1	5	....	5	1.18	163	9.84
Nevada	1	2	22	24	64.86	283	75.44
New Hampshire	1	6	....	6	7.79	41	10.76
New Mexico	1	5	10	15	16.48	88	13.18
New York	9	21	171	192	11.62	2,240	5.27
North Dakota	3	34	5	39	21.43	293	38.33
Ohio	2	24	30	54	4.68	657	6.21
Oklahoma	1	1	....	1	.25	3	.13
Oregon	1	1	77	78	35.45	849	43.35
South Dakota	2	11	23	34	15.11	238	32.72
Tennessee	3	11	7	18	3.79	107	3.50
Texas	3	8	....	8	.82	337	2.92
Utah	2	3	47	50	44.64	482	52.68
Virginia	3	4	4	8	1.51	52	1.66
Washington	3	7	45	52	15.48	368	13.87
Wisconsin	4	13	15	28	3.98	1.124	25.75
Wyoming	2	4	....	4	7.69	76	19.15
Total—33 States	**[2]49**	**[1]418**	**[1]848**	**[1]1,266**	....	**[1]15,998**	....

	Summary totals and comparisons				
	33 States		United States—all commercial banks	Holding company groups as a percentage of all commercial banks in:	
	Holding company groups	All commercial banks		33 States	United States
Number of banking offices, total	**[1]1,266**	**16,028**	**22,111**	**[1]7.90**	**[1]5.73**
Banks	[1]418	10,386	13,499	....	....
Branches	[1]848	5,642	8,612	....	....
Deposits (in millions of dollars)	**[1]15,998**	**167,478**	**215,995**	**[1]9.55**	**[1]7.41**

[1] The data include: (1) banks of which the bank holding companies owned or controlled 25 per cent or more of the outstanding stock, and (2) eight domestic commercial banks that are themselves bank holding companies. The eight banks have 55 branches and deposits aggregating $1,668,952,000. Exclusion of these 63 banking offices and their deposits from the data in the table would reduce the percentage ratios shown in the table as follows: Holding company groups to all commercial banks in 33 States—number of banking offices, from 7.90 to 7.51; deposits, from 9.55 to 8.56; holding company groups to all commercial banks in United States—number of banking offices, from 5.73 to 5.44; deposits, from 7.41 to 6.63.

[2] Data for individual States represent bank holding companies controlling banks in the respective States rather than registered bank holding companies whose principal offices are located in such States. Total does not equal sum of State figures because it has been corrected for duplications; that is, holding companies that control banks in more than one State are included in the total only once.

The 49 bank holding companies included in the total represent only 43 separate bank groups because in six cases the bank group is controlled by a bank holding company that is in turn controlled by another bank holding company. These groups are located in the following States: Florida, one; Georgia, two; Indiana, one; Massachusetts, one; and Virginia, one.

Financial Statistics

★ International ★

Tables on the following pages include the principal available statistics of current significance relating to international capital transactions of the United States, foreign gold reserves and dollar holdings, and the balance of payments of the United States. The figures on international capital transactions are collected by the Federal Reserve Banks from banks, bankers, brokers, and dealers in the United States in accordance with the Treasury Regulation of November 12, 1934. Other data are compiled largely from regularly published sources such as central bank statements and official statistical bulletins. Back figures for 1941 and prior years, together with descriptive text, may be obtained from the Board's publication, *Banking and Monetary Statistics.*

TABLE 1. SHORT-TERM LIABILITIES TO FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY COUNTRIES[1]

[Amounts outstanding, in millions of dollars]

Date	Grand Total	International institutions[2]	Foreign countries: Total	Foreign countries: Official[3]	Germany, Fed. Rep. of	Italy	United Kingdom	Other Europe	Total Europe	Canada	Latin America	Asia	All Other
1954—Dec. 31	12,919	1,770	11,149	6,770	1,373	579	640	3,030	5,621	1,536	1,906	1,821	265
1955—Dec. 31	13,601	1,881	11,720	6,953	1,454	785	550	3,357	6,147	1,032	2,000	2,181	360
1956—Dec. 31	14,939	1,452	13,487	8,045	1,835	930	1,012	3,089	6,865	1,516	2,346	2,415	346
1957—Dec. 31	15,158	1,517	13,641	7,917	1,557	1,079	1,275	3,231	7,142	1,623	2,575	1,946	355
1958—June 30	15,271	1,454	13,817	7,931	1,468	1,071	1,060	3,353	6,951	2,001	2,506	2,072	288
July 31	15,384	1,463	13,921	8,101	1,590	1,054	1,098	3,392	7,134	1,962	2,407	2,134	285
Aug. 31	15,679	1,437	14,242	8,415	1,675	1,093	1,006	3,652	7,427	2,052	2,390	2,107	266
Sept. 30	15,648	1,483	14,165	8,411	1,733	1,087	1,076	3,664	7,560	1,944	2,291	2,092	277
Oct. 31	15,945	1,436	14,508	8,664	1,761	1,152	945	3,785	7,643	2,060	2,394	2,126	286
Nov. 30	16,052	1,485	14,567	r8,639	1,755	1,132	977	3,792	7,656	2,071	2,407	2,148	285
Dec. 31	16,159	1,544	14,615	r8,665	1,755	1,121	875	3,960	7,710	2,019	2,401	2,205	279
1959—Jan. 31	16,230	1,538	14,693	r8,533	1,693	1,159	1,078	3,784	7,713	2,081	2,381	2,235	282
Feb. 28	16,619	1,541	15,078	r8,757	1,697	1,170	1,133	3,920	7,920	2,142	2,382	2,339	295
Mar. 31	16,657	1,676	14,982	8,622	1,385	1,231	1,125	4,005	7,746	2,087	2,522	2,337	290
Apr. 30	16,799	1,668	15,132	8,435	1,295	1,245	1,228	4,081	7,849	2,171	2,466	2,357	290
May 31p	17,143	1,719	15,424	8,797	1,403	1,298	1,096	4,178	7,975	2,094	2,659	2,391	304
June 30p	18,406	2,756	15,651	8,942	1,459	1,406	1,082	4,273	8,220	2,122	2,548	2,439	322

Table 1a. Other Europe

Date	Other Europe	Austria	Belgium	Denmark	Finland	France	Greece	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	Yugoslavia	All other[4]
1954—Dec. 31	3,030	273	100	71	41	715	113	249	103	91	71	141	672	8	9	371
1955—Dec. 31	3,357	261	108	60	49	1,081	176	164	82	132	104	153	757	9	13	209
1956—Dec. 31	3,089	296	117	65	53	626	177	134	67	137	43	217	836	20	17	282
1957—Dec. 31	3,231	349	130	112	64	354	154	203	93	142	24	260	967	18	11	349
1958—June 30	3,353	363	109	114	47	298	122	293	108	154	31	254	827	12	6	617
July 31	3,392	377	101	127	51	314	116	285	101	161	28	268	807	11	9	637
Aug. 31	3,652	397	157	149	59	357	109	350	98	158	41	281	811	11	11	664
Sept. 30	3,664	418	106	162	63	413	112	337	101	157	33	292	799	10	11	651
Oct. 31	3,785	425	108	162	71	468	117	330	108	165	28	281	799	16	9	699
Nov. 30	3,792	413	107	156	64	492	121	328	113	165	36	281	786	16	9	704
Dec. 31	3,960	411	115	169	69	532	126	339	130	163	36	303	852	20	9	685
1959—Jan. 31	3,784	408	109	142	74	518	129	356	112	148	31	280	786	18	8	666
Feb. 28	3,920	410	105	129	76	637	132	345	114	157	32	280	796	20	6	682
Mar. 31	4,005	417	117	138	75	644	138	347	108	175	30	294	846	20	6	650
Apr. 30	4,081	410	151	130	72	649	145	361	104	171	29	321	853	25	7	651
May 31p	4,178	409	124	110	70	853	156	363	108	162	33	322	854	22	6	585
June 30p	4,273	390	118	110	67	981	153	356	112	151	35	350	878	21	7	542

Table 1b. Latin America

Date	Latin America	Argentina	Bolivia	Brazil	Chile	Colombia	Cuba	Dominican Republic	El Salvador	Guatemala	Mexico	Netherlands West Indies and Surinam	Panama, Republic of	Peru	Uruguay	Venezuela	Other Latin America
1954—Dec. 31	1,906	160	29	120	70	222	237	60	30	35	329	49	74	83	90	194	124
1955—Dec. 31	2,000	138	26	143	95	131	253	65	24	45	414	47	86	92	65	265	112
1956—Dec. 31	2,346	146	29	225	91	153	211	68	25	64	433	69	109	84	73	455	111
1957—Dec. 31	2,575	137	26	132	75	153	235	54	27	65	386	73	136	60	55	835	124
1958—June 30	2,506	140	23	125	86	125	281	53	33	64	332	62	140	73	78	740	150
July 31	2,407	147	21	126	74	129	278	54	30	59	322	67	144	74	78	664	142
Aug. 31	2,390	133	21	159	78	144	292	49	26	54	351	73	139	75	75	580	142
Sept. 30	2,291	131	21	133	84	137	274	48	25	48	370	72	148	72	80	514	136
Oct. 31	2,394	134	22	130	74	170	276	42	26	45	383	76	147	70	82	582	135
Nov. 30	2,407	141	21	132	73	176	280	42	23	43	413	81	145	73	83	542	139
Dec. 31	2,401	150	22	138	100	169	286	40	26	42	418	79	146	77	82	494	131
1959—Jan. 31	2,381	149	22	164	95	178	281	40	31	40	393	72	147	72	92	464	143
Feb. 28	2,382	189	20	166	85	198	267	38	33	43	389	76	155	72	89	410	152
Mar. 31	2,522	180	20	178	95	189	263	41	33	43	401	74	156	74	96	508	170
Apr. 30	2,466	180	20	151	92	199	257	49	38	43	412	79	157	81	84	443	181
May 31p	2,659	211	22	176	102	209	250	46	39	44	445	78	149	82	85	549	172
June 30p	2,548	206	22	154	130	201	242	44	38	42	406	78	147	77	89	500	170

p Preliminary. r Revised. For other notes see following page.

Table 1. SHORT-TERM LIABILITIES TO FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY COUNTRIES[1]—Continued

[Amounts outstanding, in millions of dollars]

Table 1c. Asia and All Other

Date	Asia												All other					
	Total	Hong Kong	India	Indonesia	Iran	Israel	Japan	Korea, Republic of	Philippines	Taiwan	Thailand	Other	Total	Australia	Belgian Congo	Egypt[5]	Union of South Africa	Other
1954—Dec. 31	1,821	61	87	100	31	41	721	96	257	34	123	270	265	48	44	47	33	94
1955—Dec. 31	2,181	55	73	174	37	53	893	88	252	39	138	380	360	75	42	72	53	119
1956—Dec. 31	2,415	66	76	186	20	45	1,017	99	272	61	148	425	346	84	44	50	53	114
1957—Dec. 31	1,946	70	82	151	55	52	586	117	175	86	157	417	355	85	39	40	38	153
1958—June 30	2,072	66	81	89	64	48	803	117	164	88	148	403	288	75	34	18	24	137
July 31	2,134	68	80	89	55	51	858	119	168	91	145	411	285	86	35	16	22	126
Aug. 31	2,107	67	76	80	51	46	901	123	172	92	141	357	266	70	36	18	19	123
Sept. 30	2,092	65	73	91	43	40	889	128	177	93	140	353	277	74	31	18	28	126
Oct. 31	2,126	64	76	99	35	45	925	129	159	96	136	361	286	77	31	20	30	128
Nov. 30	2,148	63	75	105	38	52	925	133	158	99	133	367	285	76	31	20	30	127
Dec. 31	2,205	62	77	108	43	56	935	145	176	99	133	371	279	79	30	16	30	125
1959—Jan. 31	2,235	61	78	108	53	54	957	144	156	98	134	391	282	82	31	17	31	121
Feb. 28	2,339	57	86	112	51	60	1,020	147	169	96	139	402	295	80	31	17	37	129
Mar. 31	2,337	62	90	119	55	62	998	147	173	94	138	400	290	83	33	16	28	130
Apr. 30	2,357	57	91	108	54	65	1,028	146	164	91	133	418	290	83	33	15	28	132
May 31p	2,391	58	94	81	51	70	1,068	142	175	92	133	427	304	83	33	16	33	139
June 30p	2,439	57	99	77	39	86	1,101	145	168	90	134	443	322	91	35	16	36	144

Table 1d. Supplementary Areas and Countries[6]

Area or country	End of year 1955	1956	1957	1958
Other Europe:				
Albania	.4	.3	.1	n.a.
British dependencies	.4	.4	.3	.4
Bulgaria	.7	.2	.6	.3
Czechoslovakia[7]	.7	.5	.7	.6
Eastern Germany	1.3	1.2	3.1	1.4
Estonia	1.8	1.9	1.7	1.7
Hungary	1.0	.8	.7	.9
Iceland	4.8	3.1	2.9	3.5
Ireland, Republic of	13.7	9.1	9.0	n.a.
Latvia	1.0	.6	.5	.6
Lithuania	.3	.4	.5	.7
Luxembourg	3.1	13.2	16.4	16.1
Monaco	5.6	4.3	5.4	5.9
Poland[7]	2.5	3.3	3.2	4.9
Rumania[7]	8.1	.9	.8	.9
Trieste	1.4	1.4	1.2	.5
U. S. S. R.[7]	.7	.8	.7	2.2
Other Latin America:				
British dependencies	16.6	24.1	24.0	40.9
Costa Rica	17.6	14.6	16.4	24.5
Ecuador	14.9	18.0	22.7	17.4
French West Indies and French Guiana	.6	1.0	.8	.5
Haiti	12.1	8.9	11.2	7.7
Honduras	9.7	10.2	12.6	6.3
Nicaragua	12.8	11.8	12.7	11.3
Paraguay	3.6	4.0	5.1	3.4
Other Asia:				
Afghanistan	4.1	5.3	4.7	n.a.
Bahrein Islands	.5	1.7	.9	.9
British dependencies	8.2	7.4	8.0	4.3

Area or country	End of year 1955	1956	1957	1958
Other Asia (Cont.):				
Burma	19.1	7.0	6.7	n.a.
Cambodia	13.1	17.2	20.0	24.9
Ceylon	32.9	41.2	34.2	n.a.
China Mainland[7]	36.2	35.5	36.3	36.0
Iraq	14.7	16.9	19.6	18.0
Jordan	1.2	2.0	1.6	2.8
Kuwait	3.5	5.3	5.9	10.3
Laos	23.1	37.3	33.1	n.a.
Lebanon	18.0	22.3	28.2	37.9
Malaya, Fed. of	1.6	1.4	1.6	n.a.
Pakistan	5.7	20.2	12.8	5.6
Portuguese dependencies	2.0	2.7	3.1	3.1
Ryukyu Islands	34.0	30.6	32.7	15.2
Saudi Arabia	79.5	97.4	94.8	60.2
Syria[5]	13.1	17.1	3.5	4.7
Viet-Nam	62.3	50.1	58.5	48.8
All other:				
British dependencies	2.4	3.8	2.3	1.8
Ethiopia and Eritrea	23.7	24.2	35.1	27.8
French dependencies	8.0	10.5	10.7	6.5
Liberia	13.1	23.7	23.0	13.0
Libya	9.9	3.7	10.7	6.4
Morocco:				
Morocco (excl. Tangier)	14.8	13.6	32.2	25.4
Tangier	33.5	22.4	19.2	18.1
New Zealand	1.9	2.2	1.9	6.9
Portuguese dependencies	5.3	2.8	4.4	4.0
Somalia	.2	.9	1.3	n.a.
Spanish dependencies	.7	.3	.7	.4
Sudan	n.a.	.4	1.7	5.2
Tunisia	.7	.5	.8	.3

p Preliminary. n.a. Not available.

1 Short-term liabilities reported in these statistics represent principally deposits and U. S. Government obligations maturing in not more than one year from their date of issue; small amounts of bankers' acceptances and commercial paper and of liabilities payable in foreign currencies are also included. Banking liabilities to foreigners maturing in more than one year (excluded from these statistics) amounted to $32 million on June 30, 1959.

2 Includes International Bank for Reconstruction and Development, International Monetary Fund, and United Nations and other international organizations.

3 Represents liabilities to foreign central banks and foreign central governments and their agencies (including official purchasing missions, trade and shipping missions, diplomatic and consular establishments, etc.)

4 Includes Banks for International Settlements.

5 Part of the United Arab Republic since February 1958.

6 Except where noted, these data are based on reports by banks in the Second (New York) Federal Reserve District. They represent a partial breakdown of the amounts shown in the "other" categories in tables 1a–1c.

7 Based on reports by banks in all Federal Reserve districts.

NOTE.—Statistics on international capital transactions of the United States are based on reports by U. S. banks, bankers, brokers, and dealers, by branches or agencies of foreign banks, by certain domestic institutions not classified as banks that maintain deposit or custody accounts for foreigners, and by the U. S. Treasury. The term "foreigner" is used to designate foreign governments, central banks, and other official institutions, as well as banks, organizations, and individuals domiciled abroad and the foreign subsidiaries and offices of U. S. banks and commercial firms.

TABLE 2. SHORT-TERM LIABILITIES TO FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY TYPES

[In millions of dollars]

Date, or area and country	Total	Payable in dollars								Payable in foreign currencies
		To banks and official institutions				To all other foreigners				
		Total	Deposits	U. S. Treasury bills and certificates	Other	Total	Deposits	U. S. Treasury bills and certificates	Other	
	Total amounts outstanding									
1954—Dec. 31	12,919	11,070	5,479	4,955	637	1,805	1,520	251	34	43
1955—Dec. 31	13,601	11,777	5,451	5,670	656	1,783	1,543	184	56	40
1956—Dec. 31	14,939	12,860	5,979	5,990	891	2,030	1,653	243	134	49
1957—Dec. 31	15,158	12,847	5,875	5,840	1,132	2,252	1,766	278	209	59
1958—June 30	15,271	12,959	7,092	4,731	1,135	2,236	1,919	184	133	77
July 31	15,384	13,127	7,110	4,905	1,112	2,189	1,932	135	122	69
Aug. 31	15,679	13,389	7,092	5,209	1,088	2,218	1,889	210	119	72
Sept. 30	15,648	13,312	6,705	5,512	1,095	2,257	1,893	229	135	79
Oct. 31	15,945	13,576	6,711	5,767	1,097	2,292	1,897	242	153	77
Nov. 30	16,052	13,606	6,736	5,748	1,122	2,380	1,929	279	172	66
Dec. 31	16,159	13,669	6,772	5,823	1,075	2,430	1,951	306	174	59
1959—Jan. 31	16,230	13,716	6,802	5,826	1,088	2,463	1,946	328	189	52
Feb. 28	16,619	14,056	6,797	6,173	1,085	2,501	1,932	373	197	62
Mar. 31	16,657	14,115	6,936	6,079	1,099	2,488	1,970	313	205	54
Apr. 30	16,799	14,191	6,864	6,237	1,090	2,540	1,968	338	234	69
May 31[p]	17,143	14,559	6,773	6,625	1,161	2,524	1,975	307	243	59
June 30[p]	18,406	15,771	6,685	7,927	1,159	2,561	2,004	313	243	75
	Area and country detail, April 30, 1959									
Europe:										
Austria	410	408	391	11	6	2	2	(1)	...	(1)
Belgium	151	105	80	1	24	46	39	2	6	(1)
Denmark	130	117	64	51	2	13	11	1	1	(1)
Finland	72	70	37	31	2	2	2	...	(1)	...
France	649	589	233	329	27	60	51	5	4	1
Germany, Fed. Rep. of	1,295	1,269	214	889	166	24	21	2	1	2
Greece	145	133	52	81	(1)	12	12	1	(1)	...
Italy	1,245	1,214	140	864	211	30	23	7	(1)	(1)
Netherlands	361	334	141	143	50	27	20	5	1	1
Norway	104	63	47	15	1	40	38	2	(1)	(1)
Portugal	171	125	114	...	11	45	45	1	(1)	...
Spain	29	12	12	...	1	17	17	(1)	(1)	(1)
Sweden	321	310	72	199	39	11	10	1	(1)	(1)
Switzerland	853	697	326	164	207	152	100	13	38	3
Turkey	25	23	23	...	(1)	2	2	...	...	...
United Kingdom	1,228	788	365	389	34	400	140	205	55	41
Yugoslavia	7	7	6	...	1	(1)	(1)	...	...	...
Other Europe	651	625	170	338	117	26	22	2	1	(1)
Total	7,849	6,890	2,487	3,504	900	910	555	247	108	48
Canada	2,171	1,847	1,282	550	15	311	189	70	52	12
Latin America:										
Argentina	180	114	112	...	1	66	66	(1)	(1)	(1)
Bolivia	20	4	4	...	(1)	15	15	...	(1)	...
Brazil	151	45	40	(1)	5	106	99	(1)	7	(1)
Chile	92	38	38	...	(1)	54	54	(1)	(1)	(1)
Colombia	199	127	123	...	5	72	71	(1)	1	(1)
Cuba	257	142	96	44	3	114	107	1	6	(1)
Dominican Republic	49	20	20	...	(1)	29	29	(1)	(1)	(1)
El Salvador	38	18	17	...	2	19	19	...	(1)	...
Guatemala	43	26	13	7	7	17	17	(1)	(1)	...
Mexico	412	274	245	28	2	138	134	2	2	(1)
Neth. W. Indies and Surinam	79	40	23	10	7	39	15	5	19	...
Panama, Rep. of	157	33	32	(1)	(1)	124	92	5	27	...
Peru	81	36	35	...	(1)	46	44	1	1	(1)
Uruguay	84	39	34	(1)	5	45	41	(1)	4	...
Venezuela	443	282	282	(1)	(1)	160	154	3	3	1
Other Latin America	181	91	64	14	13	86	84	1	(1)	4
Total	2,466	1,330	1,177	102	50	1,130	1,041	19	70	6

p Preliminary.

1 Less than $500,000.

TABLE 2. SHORT-TERM LIABILITIES TO FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY TYPES—Continued

[In millions of dollars]

Area and country	Total	Payable in dollars: To banks and official institutions: Total	Payable in dollars: To banks and official institutions: Deposits	Payable in dollars: To banks and official institutions: U. S. Treasury bills and certificates	Payable in dollars: To banks and official institutions: Other	Payable in dollars: To all other foreigners: Total	Payable in dollars: To all other foreigners: Deposits	Payable in dollars: To all other foreigners: U. S. Treasury bills and certificates	Payable in dollars: To all other foreigners: Other	Payable in foreign currencies
	Area and country detail, April 30, 1959—Continued									
Asia:										
Hong Kong	57	29	25	....	4	28	28	(1)	(1)	(1)
India	91	68	63	4	2	23	23	....	(1)	(1)
Indonesia	108	106	56	49	1	2	2	....	....	....
Iran	54	50	50	....	(1)	4	4	....	....	(1)
Israel	65	62	25	22	15	4	4	....	....	....
Japan	1,028	1,014	602	373	39	14	13	(1)	(1)	(1)
Korea, Rep. of	146	143	142	1	1	3	3	....	....	....
Philippines	164	145	118	16	12	19	19	(1)	....	(1)
Taiwan	91	84	84	(1)	(1)	7	7	(1)	....	....
Thailand	133	131	66	60	5	3	3	....	....	....
Other Asia	418	377	290	63	24	40	39	(1)	(1)	(1)
Total	2,357	2,211	1,521	588	102	145	143	1	1	1
All other:										
Australia	83	79	36	39	4	3	3	(1)	(1)	(1)
Belgian Congo	33	32	13	13	6	1	1	....	....	....
Egypt[2]	15	14	13	1	(1)	1	1	(1)	....	(1)
Union of South Africa	28	24	18	6	(1)	3	3	....	(1)	(1)
Other	132	96	79	4	12	35	32	(1)	2	1
Total	290	245	160	63	22	43	40	(1)	3	2
Total foreign countries	15,132	12,523	6,627	4,807	1,089	2,540	1,968	338	234	69
International institutions	1,668	1,668	238	1,430	(1)	....	....	....	....	....
Grand total	16,799	14,191	6,864	6,237	1,090	2,540	1,968	338	234	69

[1] Less than $500,000.

[2] Part of the United Arab Republic since February 1958.

TABLE 3. SHORT-TERM CLAIMS ON FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY COUNTRIES[1]

[Amounts outstanding, in millions of dollars]

Date	Total	France	Germany, Fed. Rep. of	Italy	Switzerland	United Kingdom	Other Europe	Total Europe	Canada	Latin America	Asia	All other
1954—Dec. 31	1,387	14	70	20	16	173	109	402	76	728	143	37
1955—Dec. 31	1,549	12	88	30	26	109	158	423	144	706	233	43
1956—Dec. 31	1,946	18	157	43	29	104	216	568	157	840	337	43
1957—Dec. 31	2,199	114	140	56	34	98	211	654	154	956	386	50
1958—June 30	2,446	84	123	44	35	96	263	646	251	1,023	450	77
July 31	2,489	86	117	43	31	103	267	647	271	1,033	463	76
Aug. 31	2,562	84	111	43	33	126	312	709	265	1,048	462	78
Sept. 30	2,540	90	109	39	36	127	315	716	256	1,040	450	79
Oct. 31	2,577	93	103	36	38	115	316	700	276	1,078	442	81
Nov. 30	2,487	96	88	35	35	120	301	675	232	1,064	438	79
Dec. 31	2,542	102	77	36	42	124	315	696	243	1,099	435	69
1959—Jan. 31	2,432	102	68	31	38	107	297	644	241	1,072	407	68
Feb. 28	2,379	100	68	29	35	102	288	622	218	1,054	422	63
Mar. 31	2,419	102	60	36	39	88	264	589	246	1,068	454	61
Apr. 30	2,399	103	58	33	45	94	255	588	242	1,027	481	61
May 31[p]	2,428	99	52	34	39	105	236	566	236	1,064	502	61
June 30[p]	2,439	94	54	37	34	105	219	544	229	1,081	519	65

[p] Preliminary.

[1] Short-term claims reported in these statistics represent principally the following items payable on demand or with a contractual maturity of not more than one year: loans made to and acceptances made for foreigners; drafts drawn against foreigners that are being collected by banks and bankers on behalf of their customers in the United States; and foreign currency balances held abroad by banks and bankers and their customers in the United States.

TABLE 3. SHORT-TERM CLAIMS ON FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY COUNTRIES[1]—Continued

[Amounts outstanding, in millions of dollars]

Table 3a. Other Europe

Date	Other Europe	Austria	Belgium	Denmark	Finland	Greece	Netherlands	Norway	Portugal	Spain	Sweden	Turkey	Yugoslavia	All other
1954—Dec. 31	109	(2)	20	10	3	3	16	2	(2)	4	4	41	1	5
1955—Dec. 31	158	2	16	13	3	4	11	9	2	5	7	78	2	7
1956—Dec. 31	216	7	28	12	4	4	21	23	2	8	13	88	(2)	7
1957—Dec. 31	211	6	25	11	4	6	29	23	2	8	10	76	(2)	10
1958—June 30	263	8	16	8	4	7	41	26	2	44	16	78	1	9
July 31	267	8	18	7	4	8	44	25	2	44	16	79	1	11
Aug. 31	312	9	67	6	3	8	43	25	2	57	14	67	1	9
Sept. 30	315	9	63	8	3	8	44	22	2	59	13	72	(2)	10
Oct. 31	316	9	64	7	4	10	49	20	2	55	13	72	1	11
Nov. 30	301	8	68	10	5	8	53	21	2	31	15	69	(2)	9
Dec. 31	315	7	65	14	6	7	56	22	2	30	24	72	1	9
1959—Jan. 31	297	6	66	15	6	6	58	20	2	26	18	64	1	10
Feb. 28	288	5	64	16	6	5	59	18	2	25	16	60	1	9
Mar. 31	264	5	63	12	5	6	52	15	2	27	16	50	1	9
Apr. 30	255	5	62	10	5	7	40	14	3	29	14	51	1	14
May 31p	236	5	51	9	6	8	34	11	2	28	15	51	2	16
June 30p	219	6	50	8	5	7	31	10	2	26	10	49	2	13

Table 3b. Latin America

Date	Latin America	Argentina	Bolivia	Brazil	Chile	Colombia	Cuba	Dominican Republic	El Salvador	Guatemala	Mexico	Netherlands West Indies and Surinam	Panama, Republic of	Peru	Uruguay	Venezuela	Other Latin America
1954—Dec. 31	728	6	3	273	14	107	71	3	10	4	116	1	9	16	7	63	27
1955—Dec. 31	706	7	4	69	14	143	92	5	8	5	154	3	17	29	18	105	34
1956—Dec. 31	840	15	4	72	16	145	90	7	11	7	213	5	12	35	15	144	49
1957—Dec. 31	956	28	3	100	33	103	113	15	8	8	231	2	18	31	42	170	51
1958—June 30	1,023	37	3	189	54	71	105	7	7	8	252	3	25	33	39	136	54
July 31	1,033	49	3	216	49	54	105	11	7	8	240	3	23	30	42	138	55
Aug. 31	1,048	48	3	200	48	54	132	12	7	8	243	3	26	30	45	134	55
Sept. 30	1,040	48	3	183	47	49	127	14	10	9	274	2	24	28	50	125	49
Oct. 31	1,078	35	3	165	47	50	151	19	10	9	290	4	23	31	54	138	49
Nov. 30	1,064	34	3	138	47	51	155	19	11	10	294	6	23	31	54	139	49
Dec. 31	1,099	40	3	148	52	51	166	19	10	12	293	6	23	31	52	142	53
1959—Jan. 31	1,072	38	4	176	51	49	151	20	6	12	269	4	22	28	50	140	52
Feb. 28	1,054	38	3	176	48	48	150	23	6	11	260	3	24	30	43	139	53
Mar. 31	1,068	38	3	172	50	49	149	25	5	9	263	4	25	34	45	144	53
Apr. 30	1,027	40	3	136	52	50	153	25	5	10	263	4	23	38	33	139	54
May 31p	1,064	43	3	156	58	50	144	23	5	10	278	3	23	37	34	143	52
June 30p	1,081	45	3	167	65	53	130	27	6	10	278	3	22	31	38	151	51

Table 3c. Asia and All Other

Date	Asia										All other					
	Total	Hong Kong	India	Iran	Israel	Japan	Philippines	Taiwan	Thailand	Other	Total	Australia	Belgian Congo	Egypt[3]	Union of South Africa	Other
1954—Dec. 31	143	3	5	16	11	50	7	5	6	39	37	14	6	1	6	10
1955—Dec. 31	233	3	5	18	10	103	19	6	8	60	43	11	5	1	8	17
1956—Dec. 31	337	4	6	20	16	170	16	6	9	91	43	11	6	2	8	17
1957—Dec. 31	386	7	6	22	24	146	53	6	14	110	50	13	5	1	12	19
1958—June 30	450	8	6	29	18	229	32	6	17	106	77	14	7	1	38	17
July 31	463	6	5	31	18	224	38	6	16	119	76	12	7	2	39	16
Aug. 31	462	6	5	29	19	222	39	6	14	122	78	12	5	3	41	17
Sept. 30	450	5	6	27	21	209	41	6	14	121	79	13	5	3	41	17
Oct. 31	442	5	8	29	22	196	39	6	14	123	81	14	4	4	37	23
Nov. 30	438	6	8	27	27	186	41	7	16	120	79	13	4	3	29	29
Dec. 31	435	6	4	27	23	179	67	6	13	111	69	13	4	3	23	27
1959—Jan. 31	407	6	4	29	25	168	38	7	14	116	68	12	3	2	24	27
Feb. 28	422	5	5	28	22	175	42	8	13	124	63	12	3	2	24	22
Mar. 31	454	6	5	34	19	204	34	8	14	130	61	11	4	1	21	24
Apr. 30	481	8	6	34	18	224	29	9	17	137	61	11	4	2	19	24
May 31p	502	8	5	32	16	242	29	10	17	142	61	12	3	2	19	25
June 30p	519	7	5	35	16	260	24	9	20	143	65	15	3	2	20	26

p Preliminary.
1 See note 1 on preceding page.
2 Less than $500,000.
3 Part of the United Arab Republic since February 1958.

TABLE 4. CLAIMS ON FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY TYPES

[In millions of dollars]

Date, or area and country	Long-term—total[1]	Short-term								
		Total	Payable in dollars					Payable in foreign currencies		
			Total	Loans to:		Collections outstanding	Other	Total	Deposits with foreigners	Other
				Banks and official institutions	Others					
Total amounts outstanding										
1954—Dec. 31	441	1,387	1,176	449	142	301	283	211	173	38
1955—Dec. 31	671	1,549	1,385	489	236	353	307	164	144	20
1956—Dec. 31	839	1,946	1,796	582	330	440	444	150	131	19
1957—Dec. 31	r1,174	2,199	2,052	627	303	423	699	147	132	15
1958—June 30	r1,263	2,446	2,274	764	348	432	730	172	159	13
July 31	r1,275	2,489	2,308	776	363	430	740	181	166	15
Aug. 31	r1,330	2,562	2,384	871	368	423	720	178	165	13
Sept. 30	r1,327	2,540	2,324	862	375	406	680	217	204	13
Oct. 31	r1,340	2,577	2,347	859	394	428	666	230	212	18
Nov. 30	r1,378	2,487	2,298	806	418	420	654	189	174	16
Dec. 31	1,362	2,542	2,344	840	428	421	656	198	181	16
1959—Jan. 31	1,359	2,432	2,281	780	416	417	667	151	136	15
Feb. 28	1,363	2,379	2,227	744	412	413	658	152	138	13
Mar. 31	1,361	2,419	2,258	746	424	428	660	161	146	15
Apr. 30	1,379	2,399	2,247	738	434	427	648	152	136	16
May 31p	1,401	2,428	2,264	732	423	434	675	164	149	15
June 30p	1,441	2,439	2,278	741	413	455	669	161	144	17
Area and country detail, April 30, 1959										
Europe:										
Austria	24	5	5	2	(2)	1	1	(2)	(2)	....
Belgium	32	62	60	47	3	6	3	2	2	(2)
Denmark	1	10	10	1	(2)	4	5	1	1	(2)
Finland	3	5	5	(2)	(2)	1	4	(2)	(2)	....
France	20	103	100	4	2	7	87	3	2	1
Germany, Fed. Rep. of	9	58	48	9	4	18	17	11	10	(2)
Greece	1	7	7	3	(2)	4	(2)	(2)	....	(2)
Italy	25	33	33	7	9	9	8	1	1	(2)
Netherlands	18	40	37	2	20	10	4	3	3	(2)
Norway	136	14	14	(2)	4	3	6	(2)	(2)	(2)
Portugal	2	3	2	(2)	(2)	2	(2)	(2)	(2)	....
Spain	5	29	28	13	2	1	12	1	1	....
Sweden	31	14	13	(2)	4	4	4	1	1	(2)
Switzerland	3	45	36	18	11	3	4	9	9	(2)
Turkey	(2)	51	51	48	(2)	3	....	(2)	(2)	....
United Kingdom	87	94	26	10	2	12	1	68	64	4
Yugoslavia	(2)	1	1	(2)	....	(2)	(2)	....	....	....
Other Europe	11	14	13	2	3	7	1	(2)	(2)	(2)
Total	407	588	488	166	66	96	160	100	94	6
Canada	108	242	200	15	165	9	10	42	37	6
Latin America:										
Argentina	33	40	40	21	3	11	4	(2)	(2)	(2)
Bolivia	(2)	3	3	1	(2)	3	(2)	....	....	....
Brazil	260	136	135	36	23	18	58	(2)	(2)	(2)
Chile	8	52	52	25	8	12	7	....	....	....
Colombia	23	50	50	6	6	21	16	(2)	(2)	....
Cuba	96	153	153	112	12	15	14	(2)	(2)	(2)
Dominican Republic	(2)	25	25	5	7	3	10	(2)	....	(2)
El Salvador	(2)	5	5	(2)	1	3	1	....	....	....
Guatemala	1	10	10	(2)	2	7	2	(2)	(2)	....
Mexico	112	263	260	94	52	26	88	2	2	(2)
Netherlands W. Indies and Surinam	2	4	4	1	1	2	(2)	(2)	(2)	(2)
Panama, Rep. of	23	23	23	(2)	18	3	1	(2)	....	(2)
Peru	14	38	38	2	5	17	14	(2)	(2)	(2)
Uruguay	1	33	33	2	4	2	25	(2)	(2)	(2)
Venezuela	46	139	136	11	34	46	45	3	1	3
Other Latin America	50	54	53	4	16	26	7	(2)	(2)	(2)
Total	669	1,027	1,020	323	191	212	294	7	3	4

p Preliminary. r Revised.
1 Represents mainly loans with an original maturity of more than one year.
2 Less than $500,000.

TABLE 4. CLAIMS ON FOREIGNERS REPORTED BY BANKS IN THE UNITED STATES, BY TYPES—Continued

[In millions of dollars]

Area and country	Long-term—total[1]	Short-term: Total	Payable in dollars: Total	Loans to: Banks and official institutions	Loans to: Others	Collections outstanding	Other	Payable in foreign currencies: Total	Deposits with foreigners	Other
Area and country detail, April 30, 1959—Continued										
Asia:										
Hong Kong	2	8	8	4	1	3	(2)	(2)	(2)	...
India	9	6	5	1	(2)	3	2	1	1	(2)
Indonesia	9	(2)	(2)	...	...	(2)	...	(2)	...	(2)
Iran	4	34	34	1	...	33	(2)	(2)	...	(2)
Israel	11	18	18	4	1	2	11	...	...	...
Japan	15	224	224	60	2	27	136	(2)	(2)	...
Korea, Rep. of	...	2	2	(2)	...	2	...	...	...	...
Philippines	15	29	29	7	(2)	2	21	(2)	(2)	(2)
Taiwan	...	9	9	6	(2)	(2)	3	...	...	...
Thailand	13	17	17	8	(2)	3	5	...	...	...
Other Asia	12	135	134	122	(2)	11	1	1	(2)	(2)
Total	90	481	480	212	5	85	178	1	1	(2)
All other:										
Australia	20	11	11	1	(2)	5	5	1	(2)	(2)
Belgian Congo	2	4	4	(2)	...	4	(2)	(2)	(2)	(2)
Egypt[3]	...	2	2	2	(2)	(2)	...	(2)	(2)	...
Union of South Africa	10	19	19	10	2	6	(2)	(2)	(2)	(2)
Other	74	24	23	10	4	9	(2)	1	(2)	1
Total	105	61	59	22	7	24	6	2	1	1
International institutions	...	...	...	...	...	...	...	...	...	...
Grand total	1,379	2,399	2,247	738	434	427	648	152	136	16

[1] Represents mainly loans with an original maturity of more than one year.

[2] Less than $500,000.

[3] Part of the United Arab Republic since February 1958.

TABLE 5. PURCHASES AND SALES BY FOREIGNERS OF LONG-TERM SECURITIES, BY TYPES[1]

[In millions of dollars]

Year or month	U. S. Govt. bonds & notes: Purchases	U. S. Govt. bonds & notes: Sales	U. S. Govt. bonds & notes: Net purchases, or sales (−)	U. S. corporate securities[2]: Purchases	U. S. corporate securities[2]: Sales	U. S. corporate securities[2]: Net purchases, or sales (−)	Foreign bonds: Purchases	Foreign bonds: Sales	Foreign bonds: Net purchases, or sales (−)	Foreign stocks: Purchases	Foreign stocks: Sales	Foreign stocks: Net purchases, or sales (−)
1955	1,341	812	529	1,886	1,730	156	693	509	184	664	878	−214
1956	883	1,018	−135	1,907	1,615	291	607	992	−385	749	875	−126
1957	666	718	−52	1,617	1,423	194	699	1,392	−693	593	622	−29
1958	1,224	1,188	36	1,759	1,798	−39	889	1,915	−1,026	467	804	−336
1958—June	269	323	−53	136	153	−17	149	192	−43	25	42	−17
July	162	147	16	168	163	5	69	149	−80	26	47	−22
Aug.	52	63	−11	138	149	−12	39	89	−50	27	43	−16
Sept.	38	36	3	154	153	1	43	39	4	49	81	−32
Oct.	80	31	49	226	220	6	163	194	−31	44	75	−31
Nov.	17	51	−34	192	182	11	56	129	−73	37	67	−30
Dec.	58	53	5	206	203	3	104	231	−127	38	73	−35
1959—Jan.	127	23	104	213	195	18	134	186	−52	45	135	−90
Feb.	78	86	−7	181	164	17	99	185	−86	41	73	−32
Mar.	37	18	19	231	224	7	63	89	−26	45	84	−39
Apr.	59	19	39	226	196	30	49	74	−25	51	76	−25
May[p]	38	23	15	240	203	37	111	169	−57	47	83	−36
June[p]	24	23	1	222	181	41	45	45	(3)	49	56	−6

[p] Preliminary.

[1] Includes transactions of international institutions.

[2] Includes small amounts of U. S. municipal securities.

[3] Less than $500,000.

TABLE 6. NET PURCHASES BY FOREIGNERS OF UNITED STATES CORPORATE SECURITIES, BY TYPE OF SECURITY AND BY COUNTRY[1]

[Net sales, (−). In millions of dollars]

Year or month	Total[2]	Type of security		Country									
		Stocks	Bonds	Belgium	France	Neth-er-lands	Switz-er-land	United King-dom	Other Europe	Total Europe	Canada	Latin Amer-ica	All other[2]
1955	156	128	29	14	9	−21	142	30	10	183	−80	27	26
1956	291	256	35	23	23	−7	147	87	7	280	−53	38	27
1957	194	143	51	14	8	35	101	77	20	255	−99	23	15
1958	−39	−56	17	−3	2	−8	19	−1	1	10	−86	23	14
1958—June	−17	−2	−15	(3)	(3)	1	−3	1	−2	−3	−10	−5	1
July	5	14	−9	(3)	3	−1	(3)	3	−9	−3	(3)	8	1
Aug.	−12	−16	4	(3)	1	(3)	−4	−2	(3)	−4	−3	−6	1
Sept.	1	−7	8	(3)	(3)	1	4	−1	(3)	4	−6	2	(3)
Oct.	6	3	3	−1	(3)	(3)	5	1	−1	4	−7	6	2
Nov.	11	1	10	−1	2	−2	13	−4	1	9	−6	6	2
Dec.	3	−3	6	(3)	4	−4	14	−7	−3	3	−6	3	3
1959—Jan.	18	19	−2	1	1	−1	17	−6	1	13	(3)	3	2
Feb.	17	15	2	2	2	−1	7	2	2	15	−1	2	1
Mar.	7	2	5	(3)	(3)	−1	20	−12	1	8	−6	2	3
Apr.	30	25	5	(3)	1	1	27	−2	4	31	−8	2	4
May[p]	37	36	1	(3)	(3)	4	21	4	5	33	−3	3	4
June[p]	41	36	5	2	1	−1	21	4	4	31	2	2	5

[p] Preliminary.
[1] Includes small amounts of U. S. municipal securities.
[2] Includes transactions of international institutions.
[3] Less than $500,000.

TABLE 7. NET PURCHASES BY FOREIGNERS OF LONG-TERM FOREIGN SECURITIES, BY AREAS

[Net sales, (−). In millions of dollars]

Year or month	Inter-national insti-tutions	Total foreign coun-tries	Europe	Can-ada	Latin Amer-ica	Asia	All other
1955	−27	−4	−46	74	24	−49	−7
1956	−33	−478	8	−447	17	−40	−16
1957	−384	−338	231	−552	15	−45	13
1958	−558	−805	−72	−543	5	−45	−150
1958—June	−91	31	82	−44	2	−3	−5
July	−17	−84	−26	−55	1	−4	(1)
Aug.	−15	−51	−11	−30	−8	−1	−1
Sept.	3	−31	12	−10	2	−2	−33
Oct.	−11	−50	−32	−10	−1	−3	−5
Nov.	−6	−97	−3	−67	(1)	−6	−22
Dec.	−96	−66	−9	−14	−6	−8	−31
1959—Jan.	−44	−99	−37	−59	5	−9	1
Feb.	6	−124	−14	−64	−3	−41	−2
Mar.	−5	−60	−22	−24	−9	−8	3
Apr.	−8	−42	−28	−2	−3	−8	−1
May[p]	−50	−43	18	−61	3	−4	2
June[p]	−8	2	5	(1)	3	−7	2

[p] Preliminary.
[1] Less than $500,000.

TABLE 8. DEPOSITS AND OTHER DOLLAR ASSETS HELD AT FEDERAL RESERVE BANKS FOR FOREIGN CORRESPONDENTS[1]

[In millions of dollars]

Date	Deposits	Assets in custody	
		U. S. Govt. securities[2]	Miscel-laneous[3]
1957—Dec. 31	356	3,729	353
1958—July 31	288	3,167	541
Aug. 31	313	3,344	523
Sept. 30	258	3,609	493
Oct. 31	288	3,777	481
Nov. 30	226	3,822	487
Dec. 31	272	3,695	480
1959—Jan. 31	274	3,681	510
Feb. 28	310	3,857	509
Mar. 31	307	3,593	509
Apr. 30	266	3,559	504
May 31	291	3,750	524
June 30	294	3,900	528
July 31	278	4,131	525

[1] Excludes assets held for international institutions, and earmarked gold. See note 4 at bottom of next page for total gold under earmark at Federal Reserve Banks for foreign and international accounts.
[2] U. S. Treasury bills, certificates of indebtedness, notes and bonds.
[3] Consists of bankers' acceptances, commercial paper, and foreign and international bonds.

NET GOLD PURCHASES BY THE UNITED STATES, BY COUNTRIES

[In millions of dollars at $35 per fine troy ounce. Negative figures indicate net sales by the United States]

Area and country	Annual totals								Quarterly totals				
									1958				1959
	1951	1952	1953	1954	1955	1956	1957	1958	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.
Continental Western Europe:													
Austria	......	......	......	-6.2	......	......	......	-84.2	......	......	-25.9	-58.3	......
Belgium	[1]-18.3	[1]-5.8	[1]-94.8	......	......	3.4	3.4	-329.4	-14.2	-143.6	-113.4	-58.3	......
France	-20.0	......	......	......	-67.5	-33.8	......	......	......	......	......	......	......
Germany (Fed. Rep. of)	......	-10.0	-130.0	-225.6	-10.0	......	......	......	......	......	......	......	......
Italy	......	......	......	......	......	......	......	-348.8	......	-168.8	-123.8	-56.3	......
Netherlands	-4.5	-100.0	-65.0	......	......	......	25.0	-260.9	-41.9	-62.9	-46.4	-109.7	-29.9
Portugal	-34.9	-5.0	-59.9	-54.9	-5.0	......	......	-20.0	......	-20.0	......	......	......
Sweden	-32.0	......	-20.0	-15.0	......	15.2	......	......	......	......	......	......	......
Switzerland	-15.0	22.5	-65.0	-15.5	......	-8.0	......	-215.2	-5.0	-135.1	-75.1	......	......
Bank for Int'l Settlements	-30.4	(2)	-94.3	-20.0	......	......	......	-178.3	-15.1	-74.4	-60.7	-28.0	-7.0
Other	-29.7	-17.3	-17.5	8.8	4.0	3.0	[3]39.3	[3]8.4	......	-18.5	-2.3	[3]29.2	-1.3
Total	-184.8	-115.6	-546.4	-328.3	-78.5	-20.2	67.7	-1,428.3	-76.2	-623.2	-447.5	-281.4	-38.2
Sterling Area:													
United Kingdom	469.9	440.0	-480.0	-50.0	......	100.3	......	-900.0	-300.0	-450.0	-50.0	-100.0	......
Union of South Africa	52.1	11.5	......	......	......	......	......	......	......	......	......	......	......
Other	3.6	-.3	-.5	-.5	-.1	......	......	......	......	......	......	......	......
Total	525.6	451.2	-480.5	-50.5	-.1	100.3	......	-900.0	-300.0	-450.0	-50.0	-100.0	......
Canada	-10.0	7.2	......	......	......	14.6	5.2	......	......	......	......	......	......
Latin America:													
Argentina	-49.9	-20.0	-84.8	......	......	115.3	75.4	67.2	......	......	12.0	55.2	......
Mexico	-60.2	87.7	-28.1	80.3	......	......	......	......	......	......	......	......	......
Venezuela	-.9	......	......	-30.0	......	-200.0	......	......	......	......	......	......	......
Other	-15.0	-10.2	-18.8	12.2	14.0	56.4	5.5	1.8	-.1	-.4	-.3	2.6	-.5
Total	-126.0	57.5	-131.8	62.5	14.0	-28.3	80.9	69.0	-.1	-.4	11.7	57.8	-.5
Asia	-53.7	-6.7	-5.7	-9.9	-4.9	-.2	18.0	[4]-27.1	-.6	-.4	-2.7	[4]-23.4	[4]-45.1
All other	-76.0	......	(2)	-.4	1.0	14.1	-.2	-.7	-.5	-.1	-.1	-.1	-.1
Total foreign countries	75.2	393.6	-1,164.3	-326.6	-68.5	80.2	171.6	-2,287.1	-377.4	-1,074.1	-488.5	-347.1	-83.8
International institutions[5]	......	......	......	......	......	200.0	600.0	-7.1	......	-7.1	......	......	-8.8
Grand total	75.2	393.6	-1,164.3	-326.6	-68.5	280.2	771.6	-2,294.2	-377.4	-1,081.2	-488.5	-347.1	-92.6

[1] Includes sales of gold to Belgian Congo as follows (in millions): 1951, $8.0; 1952, $2.0; and 1953, $9.9. [2] Less than $50,000.
[3] Includes purchases of gold from Spain as follows (in millions): 1957, $31.5; and 1958, $31.7.
[4] Includes sales of gold to Japan as follows (in millions): 1958, $30.1; and 1959, Jan.-Mar., $49.9.
[5] Figures represent purchase of gold from, or sale to (-), International Monetary Fund.

ANALYSIS OF CHANGES IN GOLD STOCK OF THE UNITED STATES

[In millions of dollars]

Year	Gold stock (end of year)		Total gold stock: increase, or decrease (-)	Net gold import, or export (-)	Ear-marked gold: decrease, or increase (-)	Domestic gold production	Month	Gold stock (end of month)		Total gold stock: increase, or decrease (-)	Net gold import, or export (-)	Ear-marked gold: decrease, or increase (-)	Domestic gold production
	Treasury	Total[1]						Treasury	Total[1]				
1946	20,529	20,706	623.1	311.5	465.4	51.2	1958—June	21,356	21,412	-262.4	3.4	-285.0	4.9
1947	22,754	22,868	[2]2,162.1	1,866.3	210.0	75.8	July	21,210	21,275	-136.5	18.0	-164.3	6.1
1948	24,244	24,399	1,530.4	1,680.4	-159.2	70.9	Aug.	21,011	21,082	-193.1	3.7	-196.7	5.4
1949	24,427	24,563	164.6	686.5	-495.7	67.3	Sept.	20,874	20,929	-153.2	71.2	-220.2	6.2
1950	22,706	22,820	-1,743.3	-371.3	-1,352.4	80.1	Oct.	20,690	20,741	-188.4	5.4	-189.0	6.7
							Nov.	20,609	20,653	-88.0	11.7	-96.9	5.5
1951	22,695	22,873	52.7	-549.0	617.6	66.3	Dec.	20,534	20,582	-70.7	12.2	-79.3	5.9
1952	23,187	23,252	379.8	684.1	-304.8	67.4							
1953	22,030	22,091	-1,161.9	2.0	-1,170.8	69.0	1959—Jan.	20,476	20,527	-55.5	10.3	-65.6	4.2
1954	21,713	21,793	-297.2	16.1	-325.2	65.1	Feb.	20,479	20,520	-6.7	9.9	-13.0	4.1
1955	21,690	21,753	-40.9	97.3	-132.4	65.7	Mar.	20,442	20,486	-33.6	18.3	-48.0	3.8
1956	21,949	22,058	305.9	106.1	318.5	65.3	Apr.	20,305	20,358	-128.6	3.2	-127.5	3.8
1957	22,781	22,857	798.8	104.3	600.1	63.0	May	20,188	20,227	-130.3	9.6	-136.5	4.1
1958	20,534	20,582	-2,275.1	259.6	-2,515.0	63.0	June	19,705	19,746	[3]-481.9	15.4	-491.7	(4)
							July	[p]19,626	[p]19,672	[p]-73.3	(4)	[5]-98.1	(4)

[p] Preliminary.
[1] Includes gold in Exchange Stabilization Fund. Gold in active portion of this Fund is not included in regular statistics on gold stock (Treasury gold) used in the Federal Reserve statement "Member Bank Reserves, Reserve Bank Credit, and Related Items" or in the Treasury statement "United States Money, Outstanding and in Circulation, by Kinds."
[2] Net after payment of $687.5 million as United States gold subscription to the International Monetary Fund.
[3] Includes payment of $343.8 million as increase in United States gold subscription to the International Monetary Fund.
[4] Not yet available.
[5] Gold held under earmark at the Federal Reserve Banks for foreign and international accounts amounted to $9,518.1 million on July 31, 1959. Gold under earmark is not included in the gold stock of the United States.

ESTIMATED GOLD RESERVES AND DOLLAR HOLDINGS OF FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

[In millions of dollars]

Area and country	Dec. 31, 1957		Mar. 31, 1958		June 30, 1958		Sept. 30, 1958		Dec. 31, 1958		Mar. 31, 1959p	
	Gold & short-term dollars	U. S. Govt. bonds & notes	Gold & short-term dollars	U. S. Govt. bonds & notes	Gold & short-term dollars	U. S. Govt. bonds & notes	Gold & short-term dollars	U. S. Govt. bonds & notes	Gold & short-term dollars	U. S. Govt. bonds & notes	Gold & short-term dollars	U. S. Govt. bonds & notes
Continental Western Europe:												
Austria	452	8	458	7	466	7	554	7	605	7	629	7
Belgium-Luxembourg (and Belgian Congo)	1,184	8	1,259	7	1,390	7	1,471	6	1,522	6	1,489	6
Denmark	143	6	162	6	145	6	193	6	200	6	169	43
Finland	99	5	96	5	82	5	98	5	104	1	113	1
France (and dependencies)[1]	946	9	911	10	890	26	1,019	11	1,134	12	1,246	12
Germany (Federal Republic of)	4,099	14	3,971	15	4,043	12	4,330	13	4,394	13	4,063	15
Greece	167	(2)	167	(2)	135	(2)	125	(2)	139	(2)	151	(2)
Italy	1,531	2	1,528	2	1,678	4	1,934	1	2,207	2	2,421	2
Netherlands (and Netherlands West Indies and Surinam)	1,044	14	1,260	14	1,289	13	1,389	13	1,497	15	1,614	17
Norway	138	105	150	95	151	89	144	97	173	120	151	125
Portugal (and dependencies)	651	(2)	658	(2)	678	(2)	694	(2)	707	(2)	728	(2)
Spain (and dependencies)	126	3	130	3	132	3	134	3	106	3	100	3
Sweden	479	5	461	8	458	4	496	3	507	10	498	31
Switzerland	2,685	128	2,620	118	2,684	88	2,733	88	2,777	76	2,781	80
Turkey	162	(2)	157	(2)	156	(2)	154	(2)	164	(2)	164	(2)
Other[3]	851	12	962	6	1,131	5	1,165	6	1,370	3	1,341	16
Total	14,757	319	14,950	296	15,508	269	16,633	259	17,606	274	17,658	358
Sterling Area:												
United Kingdom	2,875	205	3,460	241	3,810	220	3,851	216	3,725	194	3,925	184
United Kingdom dependencies	104	4	102	4	101	4	100	4	109	4	110	4
Australia	211	(2)	218	(2)	222	(2)	228	(2)	241	(2)	245	(2)
India	329	1	326	1	328	1	320	1	324	(2)	337	(2)
Union of South Africa	255	1	231	1	183	1	216	1	241	1	221	1
Other	228	34	230	37	230	35	233	41	251	43	250	49
Total	4,002	245	4,567	284	4,874	261	4,948	263	4,891	242	5,088	238
Canada	2,738	457	2,722	441	3,087	345	3,032	346	3,097	341	3,159	344
Latin America:												
Argentina	263	(2)	270	(2)	265	(2)	245	(2)	203	(2)	233	(2)
Brazil	456	1	440	1	450	1	458	1	463	1	504	1
Chile	115	1	117	1	126	1	124	1	140	(2)	135	(2)
Colombia	215	(2)	200	(2)	192	(2)	207	(2)	241	(2)	262	(2)
Cuba	371	154	371	146	417	86	409	86	366	86	343	86
Guatemala	92	(2)	93	(2)	91	(2)	75	(2)	69	(2)	70	(2)
Mexico	566	3	536	3	485	3	517	3	561	4	543	3
Panama, Republic of	136	1	148	2	140	1	148	1	146	2	156	2
Peru	88	(2)	82	(2)	93	(2)	92	(2)	96	(2)	93	(2)
Uruguay	235	1	266	1	258	2	260	2	262	(2)	276	(2)
Venezuela	1,554	2	1,428	2	1,460	2	1,233	2	1,213	2	1,227	2
Other	277	13	300	12	304	12	272	12	248	11	292	13
Total	4,368	176	4,251	168	4,281	108	4,040	108	4,008	106	4,134	107
Asia:												
Indonesia	190	(2)	128	(2)	127	(2)	129	(2)	145	(2)	156	1
Iran	193	(2)	190	(2)	202	(2)	181	(2)	184	(2)	195	(2)
Japan	714	2	833	2	932	1	1,018	1	1,094	1	1,226	1
Philippines	181	5	196	5	175	5	191	3	186	3	180	3
Thailand	269	1	269	1	260	1	252	1	245	1	250	1
Other	777	8	773	7	765	7	723	7	778	7	824	7
Total	2,324	16	2,389	15	2,461	14	2,494	12	2,632	12	2,831	13
All other:												
Egypt[4]	228	(2)	216	(2)	192	(2)	192	(2)	190	(2)	190	(2)
Other	162	7	171	8	152	7	136	8	140	8	149	10
Total	390	7	387	8	344	7	328	8	330	8	339	10
Total foreign countries[5]	28,579	1,220	29,266	1,212	30,555	1,004	31,475	996	32,564	983	33,209	1,070
International institutions	2,697	222	2,563	356	2,696	446	2,790	462	2,876	495	3,027	523
Grand total[5]	31,276	1,442	31,829	1,568	33,251	1,450	34,265	1,458	35,440	1,478	36,236	1,593

p Preliminary.
[1] Excludes gold holdings of French Exchange Stabilization Fund.
[2] Less than $500,000.
[3] Includes Yugoslavia, Bank for International Settlements (including European Payments Union account through December 1958 and European Fund account thereafter), gold to be distributed by the Tripartite Commission for Restitution of Monetary Gold, and unpublished gold reserves of certain Western European countries.
[4] Part of the United Arab Republic since February 1958.
[5] Excludes gold reserves of the U. S. S. R., other Eastern European countries, and China Mainland.

NOTE.—Gold and short-term dollars include reported and estimated official gold reserves, and total dollar holdings as shown in Short-term Liabilities to Foreigners Reported by Banks in the United States by Countries (Tables 1 and 1a-1d of the preceding section). U. S. Govt. bonds and notes represent estimated holdings with original maturities of more than one year; these estimates are based on a survey of selected U. S. banks and on monthly reports of security transactions.

REPORTED GOLD RESERVES OF CENTRAL BANKS AND GOVERNMENTS

[In millions of dollars]

End of month	Estimated total world[1]	Int'l Monetary Fund	United States	Estimated rest of world	Argentina	Australia	Austria	Belgian Congo	Belgium	Brazil	Canada	Chile	Colombia
1952—Dec.	36,000	1,692	23,252	11,055	287	112	52	80	704	320	896	42	76
1953—Dec.	36,435	1,702	22,091	12,640	372	117	52	101	776	321	996	42	86
1954—Dec.	37,080	1,740	21,793	13,545	372	138	62	115	778	322	1,080	42	86
1955—Dec.	37,740	1,808	21,753	14,180	372	144	71	116	929	323	1,141	44	86
1956—Dec.	38,245	1,692	22,058	14,495	224	107	71	122	925	324	1,113	46	57
1957—Dec.	38,970	1,180	22,857	14,935	126	126	103	81	915	324	1,115	40	62
1958—June	39,395	1,242	21,412	16,740	125	147	103	83	1,140	325	1,086	40	67
July	....	1,242	21,275	....	125	150	107	82	1,182	325	1,096	40	68
Aug.	....	1,247	21,082	....	125	153	125	82	1,212	325	1,088	40	69
Sept.	39,545	1,307	20,929	17,310	114	154	136	82	1,228	325	1,088	40	70
Oct.	....	1,307	20,741	....	74	157	144	83	1,251	325	1,085	40	70
Nov.	....	1,331	20,653	....	74	160	155	83	1,270	325	1,089	40	71
Dec.	39,865	1,332	20,582	17,950	....	162	194	83	1,270	325	1,078	40	72
1959—Jan.	....	1,332	20,527	....	....	....	200	78	1,248	325	1,076	40	72
Feb.	....	1,349	20,520	....	....	....	208	69	1,225	326	1,082	40	72
Mar.	p40,065	1,352	20,486	p18,225	....	....	212	69	1,246	326	1,072	40	73
Apr.	....	1,353	20,358	....	....	....	222	65	1,265	326	1,071	40	73
May	....	1,522	20,227	....	....	....	222	63	1,289	326	1,074	40	74
June	....	....	19,746	....	....	....	255	....	1,270	326	1,073	40	....

End of month	Cuba	Denmark	Dominican Republic	Ecuador	Egypt[2]	El Salvador	Finland	France[3]	Germany, Federal Republic of	Greece	Guatemala	India	Indonesia
1952—Dec.	214	31	12	23	174	29	26	573	140	10	27	247	235
1953—Dec.	186	31	12	23	174	29	26	576	328	11	27	247	145
1954—Dec.	186	31	12	23	174	29	31	576	626	11	27	247	81
1955—Dec.	136	31	12	23	174	28	35	861	920	11	27	247	81
1956—Dec.	136	31	11	22	188	28	35	861	1,494	10	27	247	45
1957—Dec.	136	31	11	22	188	31	35	575	2,542	13	27	247	39
1958—June	136	31	11	22	174	31	35	575	2,575	....	27	247	38
July	136	31	11	22	174	31	35	589	2,581	....	27	247	38
Aug.	136	31	11	22	174	31	35	589	2,587	....	27	247	38
Sept.	135	31	11	22	174	31	35	589	2,597	....	27	247	38
Oct.	135	31	11	22	174	31	35	589	2,633	....	27	247	38
Nov.	120	31	11	22	174	31	35	589	2,639	....	27	247	38
Dec.	80	31	11	22	174	31	35	589	2,639	....	27	247	37
1959—Jan.	....	31	11	22	174	31	35	589	2,678	....	27	247	37
Feb.	....	31	11	22	174	31	38	589	2,678	....	27	247	37
Mar.	....	31	11	22	174	31	38	589	2,678	....	27	247	37
Apr.	....	31	11	20	174	31	38	589	2,678	....	27	247	36
May	....	31	11	20	174	31	38	589	2,684	....	....	247	41
June	....	31	11	20	174	31	38	589	2,704	....	....	247	41

End of month	Iran	Iraq	Ireland, Republic of	Italy	Lebanon	Mexico	Netherlands	New Zealand	Norway	Pakistan	Peru	Philippines	Portugal
1952—Dec.	138	....	18	346	31	144	544	33	50	38	46	9	286
1953—Dec.	137	....	18	346	35	158	737	33	52	38	36	9	361
1954—Dec.	138	....	18	346	63	62	796	33	45	38	35	9	429
1955—Dec.	138	8	18	352	74	142	865	33	45	48	35	16	428
1956—Dec.	138	14	18	338	77	167	844	33	50	49	35	22	448
1957—Dec.	138	20	18	452	91	180	744	33	45	49	28	6	461
1958—June	138	25	18	607	91	153	910	33	43	49	20	11	474
July	138	25	18	677	91	150	920	33	43	49	20	12	474
Aug.	138	25	18	754	91	148	944	33	43	49	20	13	486
Sept.	138	25	18	847	91	147	956	33	43	49	20	14	486
Oct.	141	25	18	907	91	146	999	33	43	49	19	15	486
Nov.	141	34	18	995	91	144	1,026	33	43	49	19	9	486
Dec.	141	34	18	1,086	91	143	1,050	33	43	49	19	10	493
1959—Jan.	141	34	18	1,119	91	143	1,125	33	43	49	19	11	496
Feb.	141	34	18	1,155	95	143	1,145	33	43	49	19	7	498
Mar.	140	34	18	1,190	102	142	1,164	33	43	49	19	7	501
Apr.	140	....	18	....	102	....	1,164	33	43	49	19	9	502
May	140	....	18	....	102	....	1,164	33	43	50	19	9	507
June	....	....	18	....	102	....	1,164	33	43	50	19	10	....

p Preliminary.

For other notes see following page.

REPORTED GOLD RESERVES OF CENTRAL BANKS AND GOVERNMENTS—Continued

[In millions of dollars]

End of month	South Africa	Sweden	Switzer-land	Syria[2]	Thai-land	Turkey	United King-dom[4]	Uru-guay	Vene-zuela	Yugo-slavia	Bank for Int'l Settle-ments	Euro-pean Pay-ments Union
1952—Dec.	170	184	1,411	14	113	143	1,846	207	373	12	196	158
1953—Dec.	176	218	1,459	14	113	143	2,518	227	373	13	193	153
1954—Dec.	199	265	1,513	17	113	144	2,762	227	403	14	196	153
1955—Dec.	212	276	1,597	19	112	144	2,120	216	403	16	217	244
1956—Dec.	224	266	1,676	19	112	144	2,133	186	603	17	179	268
1957—Dec.	217	219	1,718	24	112	144	2,273	180	719	13	165	254
1958—June	159	204	1,857	24	112	144	3,076	180	720	14	200	126
July	167	204	1,907	24	112	144	3,084	180	719	14	167	....
Aug.	180	204	1,929	24	112	144	3,089	180	719	15	171	....
Sept.	188	204	1,934	24	112	144	3,120	180	719	15	187	126
Oct.	201	204	1,935	24	112	144	3,174	180	719	15	198	....
Nov.	210	204	1,924	24	112	144	3,215	180	719	17	238	....
Dec.	211	204	1,925	24	112	144	3,069	180	719	17	339	126
1959—Jan.	212	204	1,993	24	112	144	3,111	180	719	17	312	....
Feb.	211	204	1,993	24	112	144	3,156	180	719	17	351	....
Mar.	193	204	1,935	....	112	144	3,139	180	719	17	378	....
Apr.	190	204	1,931	....	112	144	3,251	180	719	15	533	....
May	197	204	1,912	....	112	144	3,119	180	719	10	479	....
June	201	205	1,909	....	....	144	3,172	180	....	10	486	....

[1] Excludes U.S.S.R., other Eastern European countries, and China Mainland.

Represents reported gold holdings of central banks and governments and international institutions, unpublished holdings of various central banks and governments, estimated holdings of British Exchange Equalization Account based on figures shown for United Kingdom, and estimated official holdings of countries from which no reports are received.

[2] Part of the United Arab Republic since February 1958.

[3] Represents holdings of Bank of France (holdings of French Exchange Stabilization Fund are not included).

[4] Beginning with December 1958, represents Exchange Equalization Account gold and convertible currency reserves, as reported by British Government; prior to that time represents reserves of gold and United States and Canadian dollars.

GOLD PRODUCTION

[In millions of dollars at $35 per fine troy ounce]

Year or month	Estimated world production (excl. U.S.S.R.)	Production reported monthly: Total	Africa: South Africa	Africa: Rho-desia	Africa: Ghana	Africa: Belgian Congo	North and South America: United States	North and South America: Can-ada	North and South America: Mex-ico	North and South America: Nica-ragua[1]	North and South America: Brazil	North and South America: Chile	North and South America: Colom-bia	Other: Aus-tralia	Other: India
1951	840.0	763.1	403.1	17.0	22.9	12.3	66.3	153.7	13.8	8.8	4.8	6.1	15.1	31.3	7.9
1952	868.0	785.7	413.7	17.4	23.8	12.9	67.4	156.5	16.1	8.9	4.9	6.2	14.8	34.3	8.9
1953	864.5	780.5	417.9	17.5	25.4	13.0	69.0	142.4	16.9	9.1	4.0	4.6	15.3	37.7	7.8
1954	r910.0	830.4	462.4	18.8	27.5	12.8	65.1	152.8	13.5	8.2	4.2	4.4	13.2	39.1	8.4
1955	r955.5	877.7	510.7	18.4	23.8	13.0	65.7	159.1	13.4	8.1	3.9	4.3	13.3	36.7	7.4
1956	994.0	914.8	556.2	18.8	21.9	13.1	65.3	153.4	12.3	7.6	4.3	3.3	15.3	36.1	7.3
1957	r1,036.0	956.3	596.2	18.8	27.7	13.1	63.0	155.2	12.1	6.9	4.2	3.6	11.4	37.9	6.3
1958	1,064.0	[2]981.5	618.0	19.4	29.2	12.8	63.0	158.8	11.6	7.2	3.9	....	13.0	38.6	6.0
1958—May	....	81.3	51.6	1.6	2.4	1.0	4.6	13.3	.9	.6	.4	.3	1.1	3.2	.4
June	....	81.5	50.6	1.6	2.5	1.4	4.9	13.4	.9	.6	.3	.3	1.2	3.3	.5
July	....	84.5	52.4	1.5	2.5	.9	6.1	13.2	.7	.7	.4	.5	1.3	3.7	.5
Aug.	....	83.1	52.6	1.6	2.5	1.2	5.4	12.8	1.0	.7	.3	.7	.9	3.0	.5
Sept.	....	[2]84.7	53.0	1.7	2.5	1.1	6.2	13.1	1.2	.6	.4	....	.9	3.5	.5
Oct.	....	[2]86.7	54.0	1.6	2.4	.9	6.7	14.0	1.1	.6	.3	....	1.3	3.3	.5
Nov.	....	[2]83.3	53.3	1.7	2.5	1.0	5.5	12.9	1.1	.6	.3	....	1.0	3.1	.5
Dec.	....	[2]83.3	53.1	1.7	2.2	.7	5.9	13.2	.5	.6	.3	....	1.0	3.6	.5
1959—Jan.	....	....	54.1	1.6	2.6	1.2	4.2	13.2	....	.5	.3	....	1.3	2.8	.4
Feb.	....	....	52.8	1.5	2.6	.9	4.1	12.5	....	.8	.3	....	1.1	3.0	.5
Mar.	....	....	55.9	1.7	2.6	1.0	3.8	13.2	....	.6	.3	....	.7	....	....
Apr.	....	....	57.9	....	....	....	3.8	13.2	....	.5	.3	....	1.0	....	....
May	....	....	....	....	....	....	4.1	13.3	....	.7	....	....	....	....	....

r Revised.

[1] Gold exports, representing about 90 per cent of total production.

[2] Excluding Chile.

Sources.—World production: estimates of the U. S. Bureau of Mines. Production reported monthly: reports from individual countries except Ghana, Belgian Congo and Brazil, data for which are from American Bureau of Metal Statistics. For the United States, annual figures through 1957 are from the U. S. Bureau of the Mint and figures for 1958 and 1959 are from American Bureau of Metal Statistics.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[End-of-month figures. In millions of dollars]

Item	1958			1959	
	June	Sept.	Dec.	Mar.	June
Dollar deposits and U. S. securities	917	900	943	937	966
Other currencies and securities[1]	752	747	693	636	657
Effective loans[2]	2,829	2,999	3,275	3,408	3,387
Other assets[3]	93	91	101	92	93
IBRD bonds outstanding	1,658	1,687	1,792	1,840	1,905
Undisbursed loans	675	753	910	893	839
Other liabilities	27	27	24	28	28
Reserves	350	366	382	401	420
Capital[3]	1,881	1,904	1,904	1,911	1,911

Area and member country[4]	Loans by country, June 30, 1959				
	Principal	Disbursed	Repaid	Outstanding	
				Total	Sold to others[5]
Continental Western Europe, total	1,418	1,177	239	937	160
Austria	91	60	......	60	3
Belgium and Luxembourg	173	153	20	133	35
Denmark	60	42	5	38	4
Finland	102	61	15	46	3
France	302	267	26	242	10
Italy	258	174	3	171	21
Netherlands	236	236	154	83	81
Norway	75	64	2	62	2
Turkey	61	59	6	53	......
Yugoslavia	61	61	9	52	......
Sterling area, total	1,416	1,179	131	1,048	118
Australia	318	318	32	285	32
Ceylon	25	13	(6)	13	1
India	532	429	32	397	31
Pakistan	126	87	15	72	2
Union of S. Africa	197	175	42	132	28
United Kingdom	193	142	8	134	25
Other	25	16	1	15	......
Latin America, total	934	671	111	560	18
Brazil	267	176	26	150	(6)
Chile	74	48	8	40	1
Colombia	131	99	29	70	1
Ecuador	46	14	1	13	(6)
El Salvador	32	23	2	21	......
Mexico	186	157	15	142	7
Nicaragua	23	20	6	15	1
Peru	62	41	5	35	2
Uruguay	64	55	8	47	2
Other	50	38	11	27	2
Asia (excluding Sterling area), total	595	322	18	304	20
Iran	147	75	......	75	5
Japan	254	174	5	169	12
Lebanon	27	6	......	6	......
Malaya	36	(6)	......	(6)	1
Philippines	19	13	......	13	1
Thailand	107	48	7	41	1
Other	6	6	6	......	......
Africa (excluding Sterling area), total	63	28	1	27	3
Ethiopia	24	12	1	11	1
Sudan	39	16	......	16	2
Total	[7]4,426	3,377	501	2,876	[8]319

INTERNATIONAL MONETARY FUND

[End-of-month figures. In millions of dollars]

Item	1958			1959	
	Apr.	July	Oct.	Jan.	Apr.
Gold	1,238	1,242	1,307	1,332	1,352
Investments[9]	200	200	200	200	200
Currencies:[1]					
United States	696	664	717	780	951
Other	6,060	6,119	6,025	5,958	5,807
Gold and currency in separate accounts:[10]					
Gold	......	......	......	......	1
Currency	......	......	......	......	4
Unpaid member subscriptions	898	873	958	979	944
Other assets	8	8	9	9	9
Member subscriptions	9,088	9,088	9,193	9,228	9,228
Reserves and liabilities	12	18	23	30	40

Country	Quota		Cumulative net drawings on the Fund		
	Total	Paid in gold	1958	1959	
			May	Apr.	May
Argentina	150	38	75	94	97
Bolivia	10	3	8	9	9
Brazil	150	38	75	113	113
Burma	15	1	15	12	12
Chile	50	9	37	42	42
Colombia	50	13	35	30	25
Cuba	50	13	....	25	25
France	525	108	328	394	394
Haiti	8	2	1	4	4
Honduras	8	2	4	1	3
India	400	28	200	200	200
Indonesia	110	16	55	55	55
Iran	35	9	17	17	17
Mexico	90	23	....	23	23
Paraguay	8	2	6	6	6
Peru	25	3	....	15	15
Philippines	15	4	15	21	21
Sudan	10	(6)	....	5	5
Turkey	43	11	18	39	39
Union of South Africa	100	25	25	36	25
United Arab Republic	60	10	30	30	30
United Kingdom	1,300	236	562	345	345
United States	2,750	688	[11]−1,991	[11]−1,763	[11]−1,751
Yugoslavia	60	8	23	23	23

1 Currencies include demand obligations held in lieu of deposits.
2 Represents principal of authorized loans, less loans not yet effective, repayments, the net amount outstanding on loans sold or agreed to be sold to others, and exchange adjustment.
3 Excludes uncalled portions of capital subscriptions.
4 Loans to dependencies are included with member.
5 Includes also effective loans agreed to be sold but not yet disbursed.
6 Less than $500,000.
7 Includes $209 million in loans not yet effective.
8 Includes $299 million not guaranteed by the Bank.
9 U. S. Treasury bills purchased with proceeds from sale of gold.
10 Paid by member pending increase in quota becoming effective.
11 Represents sales of U. S. dollars by the Fund to member countries for local currencies, less repurchases of such currencies with dollars.

UNITED STATES BALANCE OF PAYMENTS

[Department of Commerce estimates. Quarterly totals in millions of dollars]

Item	1956				1957				1958				1959
	1	2	3	4	1	2	3	4	1	2	3	4	1p
Exports of goods and services, total[1]	**5,380**	**6,009**	**5,753**	**6,563**	**6,743**	**7,010**	**6,326**	**6,654**	**5,566**	**5,920**	**5,571**	**6,142**	**5,414**
Merchandise	3,960	4,420	4,112	4,887	5,108	5,158	4,462	4,662	4,054	4,191	3,806	4,176	3,789
Services[2]	1,420	1,589	1,641	1,676	1,635	1,852	1,864	1,992	1,512	1,729	1,765	1,966	1,625
Imports of goods and services, total	**4,870**	**4,997**	**5,113**	**4,849**	**5,092**	**5,318**	**5,361**	**5,152**	**4,904**	**5,250**	**5,372**	**5,425**	**5,440**
Merchandise	3,255	3,173	3,156	3,220	3,297	3,344	3,265	3,385	3,139	3,166	3,124	3,517	3,607
Services	834	1,025	1,263	948	915	1,124	1,381	1,047	936	1,176	1,407	1,070	1,028
Military expenditures	781	799	694	681	880	850	715	720	829	908	841	838	805
Balance on goods and services[1]	**510**	**1,012**	**640**	**1,714**	**1,651**	**1,692**	**965**	**1,502**	**662**	**670**	**199**	**717**	**−26**
Unilateral transfers (net)[3]	**−574**	**−635**	**−544**	**−645**	**−576**	**−662**	**−499**	**−581**	**−562**	**−599**	**−541**	**−616**	**−620**
Private remittances and pensions	−154	−163	−164	−184	−184	−174	−164	−180	−178	−170	−173	−186	−187
Government nonmilitary grants	−420	−472	−380	−461	−392	−488	−335	−401	−384	−429	−368	−430	−433
U.S. long- and short-term capital (net)[3]	**−554**	**−899**	**−987**	**−1,179**	**−1,070**	**−1,563**	**−544**	**−956**	**−888**	**−1,247**	**−783**	**−892**	**−483**
Private, total	*−417*	*−690*	*−806*	*−1,077*	*−813*	*−1,364*	*−410*	*−588*	*−642*	*−1,025*	*−451*	*−726*	*−394*
Direct investment	−288	−353	−524	−694	−402	−993	−339	−324	−155	−411	−156	−372	−242
Portfolio and short-term investment	−129	−337	−282	−383	−411	−371	−71	−264	−487	−614	−295	−354	−152
Government	−137	−209	−181	−102	−257	−199	−134	−368	−246	−222	−332	−166	−89
Foreign capital and gold (net)	**605**	**441**	**647**	**−195**	**−381**	**316**	**−269**	**227**	**585**	**1,069**	**907**	**878**	**924**
Increase in foreign short-term assets and Government securities	498	391	668	−283	−199	514	−260	275	202	9	450	479	768
Increase in other foreign assets	119	153	143	115	166	127	18	50	13	−15	−26	52	60
Gold sales by United States	−12	−103	−164	−27	−348	−325	−27	−98	370	1,075	483	347	96
Errors and omissions	13	81	244	305	376	217	347	−192	203	107	218	−87	205

p Preliminary.
1 Excluding military transfers under grants.
2 Including military transactions.
3 Minus sign indicates net outflow.

OPEN MARKET RATES

[Per cent per annum]

Month	Canada		United Kingdom				France	Germany		Netherlands		Switzerland
	Treasury bills 3 months[1]	Day-to-day money[2]	Bankers' acceptances 3 months	Treasury bills 3 months	Day-to-day money	Bankers' allowance on deposits	Day-to-day money[3]	Treasury bills 60-90 days[4]	Day-to-day money[5]	Treasury bills 3 months	Day-to-day money	Private discount rate
1956—Dec.	3.61	3.18	5.07	4.94	4.15	3.50	3.55	4.75	4.81	3.48	3.23	1.50
1957—Dec.	3.65	3.60	6.67	6.43	5.67	5.00	5.72	3.75	3.25	4.64	3.33	2.50
1958—June	1.75	1.72	4.65	4.45	3.95	3.30	7.51	2.75	3.44	2.90	2.34	2.50
July	1.31	1.18	4.31	4.15	3.62	3.00	6.85	2.63	2.88	2.88	2.49	2.50
Aug.	1.29	.67	3.98	3.81	3.36	2.70	6.97	2.50	2.56	2.62	2.08	2.50
Sept.	2.02	.48	3.82	3.65	3.17	2.50	6.46	2.50	2.88	2.62	2.16	2.50
Oct.	2.48	1.51	3.80	3.65	3.19	2.50	5.50	2.38	2.56	2.83	2.50	2.50
Nov.	3.00	2.10	3.67	3.46	2.97	2.32	5.26	2.38	2.88	2.40	1.79	2.50
Dec.	3.46	2.07	3.34	3.16	2.70	2.00	6.07	2.38	2.63	2.26	1.50	2.50
1959—Jan.	3.34	2.07	3.28	3.12	2.73	2.00	4.39	2.25	2.38	2.04	1.58	2.50
Feb.	3.70	2.96	3.23	3.09	c2.73	2.00	4.23	2.25	2.94	1.75	1.26	2.50
Mar.	4.16	4.00	3.41	3.30	2.67	2.00	4.36	2.25	2.44	1.68	1.42	2.25
Apr.	4.57	4.41	3.40	3.25	2.69	2.00	4.13	2.00	2.31	1.61	1.50	2.00
May	4.98	4.26	3.43	3.33	2.67	2.00	3.88	2.00	2.56	1.63	1.34	2.00
June	5.15	4.49	3.54	3.45	2.74	2.00	....	2.00	2.50	1.82	1.46	2.00

c Corrected.
1 Based on average yield of weekly tenders during month.
2 Based on weekly averages of daily closing rates.
3 Beginning January 1957, rate shown is on private securities. Previous figures are averages of rates on government and private securities.
4 Rate in effect at end of month.
5 Based on average of lowest and highest quotation during month.

CENTRAL BANK RATES FOR DISCOUNTS AND ADVANCES TO COMMERCIAL BANKS[1]

[Per cent per annum]

Country	Rate as of July 31, 1958		Changes during the last 12 months												Rate as of July 31, 1959
			1958					1959							
	Per cent	Month effective	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	
Argentina[2]	6.0	Dec. 1957													6.0
Austria	5.0	Nov. 1955									4.5				4.5
Belgium	3.75	July 1958	3.5					3.25							3.25
Brazil[2]	10.0	Apr. 1958													10.0
Burma	3.0	Feb. 1948													3.0
Canada[3]	1.12	July 1958	1.74	2.52	3.08	3.13	3.74	3.53	4.32	4.55	5.01	5.15	5.36	5.72	5.72
Ceylon	2.5	June 1954													2.5
Chile[2]	6.0	Feb. 1957													6.0
Colombia[2]	4.0	July 1933													4.0
Costa Rica[2]	3.0	Apr. 1939													3.0
Cuba[2]	5.5	Dec. 1957													5.5
Denmark	5.0	Apr. 1958	4.5												4.5
Ecuador	10.0	May 1948													10.0
Egypt	3.0	Nov. 1952													3.0
El Salvador[2]	4.0	Apr. 1957													4.0
Finland[2]	6.5	Apr. 1956								6.0					6.0
France	5.0	Aug. 1957			4.5				4.25		4.0				4.0
Germany	3.0	June 1958						2.75							2.75
Greece	10.0	May 1956													10.0
Honduras[4]	2.0	Jan. 1953													2.0
Iceland	7.0	Apr. 1952													7.0
India[5]	4.0	May 1957													4.0
Indonesia[2]	3.0	Apr. 1946													3.0
Iran	4.0	Aug. 1948													4.0
Ireland	5.0	May 1958		4.5		4.25									4.25
Israel	6.0	Feb. 1955													6.0
Italy	3.5	June 1958													3.5
Japan[2]	7.67	June 1958		7.3					6.94						6.94
Mexico	4.5	June 1942													4.5
Netherlands	3.5	June 1958				3.0		2.75							2.75
New Zealand	7.0	Oct. 1955													7.0
Nicaragua	6.0	Apr. 1954													6.0
Norway	3.5	Feb. 1955													3.5
Pakistan	3.0	July 1948						4.0							4.0
Peru[2]	6.0	Nov. 1947													6.0
Philippine Republic[2]	4.5	Sept. 1957							6.5						6.5
Portugal	2.0	Jan. 1944													2.0
South Africa	4.5	Sept. 1955						4.0							4.0
Spain	5.0	July 1957													5.0
Sweden	4.5	May 1958													4.5
Switzerland	2.5	May 1957							2.0						2.0
Thailand	7.0	Feb. 1945													7.0
Turkey	6.0	June 1956													6.0
United Kingdom	5.0	June 1958	4.5			4.0									4.0
Venezuela	2.0	May 1947													2.0

[1] Rates shown represent mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which the largest proportion of central bank credit operations is understood to be transacted. In certain cases other rates for these countries are given in note 2.

[2] Discounts or advances at other rates include: *Argentina*—3 and 5 per cent for certain rural and industrial paper, depending on type of transaction; *Brazil*—8 per cent for secured paper and 4 per cent for certain agricultural paper; *Chile*—rates of more than 6 per cent for rediscounts in excess of 50 per cent of the rediscounting bank's capital and reserves, and 2 and 4 per cent for certain types of agricultural paper; *Colombia*—3 per cent for agricultural paper and for loans on products in bonded warehouses; *Costa Rica*—5 per cent for paper related to commercial transactions (rate shown is for agricultural and industrial paper); *Cuba*—4.5 per cent for sugar loans and 4 per cent for loans secured by national public securities; *El Salvador*—3 per cent for agricultural and industrial paper and 2 per cent for special cases; *Finland*—rates ranging up to 7.25 per cent for longer term paper (rate shown is for 3 months commercial paper); *Indonesia*—various rates depending on type of paper, collateral, commodity involved, etc.; *Japan*—penalty rates (exceeding the basic rate shown) for borrowings from the Central bank in excess of an individual bank's quota; *Peru*—4 per cent for industrial paper and mining paper, and 3 per cent for most agricultural paper; and *Philippine Republic*—4.5 per cent for crop loan paper and 5 per cent for export packing credit paper.

[3] Since Nov. 1, 1956, the discount rate has been set each week at ¼ of one per cent above the latest average tender rate for Treasury bills; end-of-month rate shown.

[4] Rate shown is for advances only.

[5] Since May 16, 1957, this rate applies to advances against commercial paper as well as against government securities and other eligible paper.

FOREIGN EXCHANGE RATES

[Average of certified noon buying rates in New York for cable transfers. In cents per unit of foreign currency]

Year or month	Argentina (peso) Official	Argentina (peso) Free	Australia (pound)	Austria (schilling)	Belgium (franc)	Canada (dollar)	Ceylon (rupee)	Finland (markka)
1953	....	7.198	224.12	3.8580	2.0009	101.650	21.046	.4354
1954	....	7.198	223.80	3.8580	1.9975	102.724	21.017	.4354
1955	....	7.183	222.41	3.8580	1.9905	101.401	20.894	.4354
1956	5.556	2.835	222.76	3.8580	2.0030	101.600	20.946	.4354
1957	5.556	2.506	222.57	3.8539	1.9906	104.291	20.913	.3995
1958	[1]5.556	[1]2.207	223.88	3.8536	2.0044	103.025	21.049	.3118
1958—July	5.556	2.352	223.42	3.8536	2.0049	104.162	20.996	.3118
Aug.	5.556	2.221	223.51	3.8536	2.0050	103.645	21.020	.3118
Sept.	5.556	2.025	223.37	3.8536	2.0056	102.357	21.016	.3118
Oct.	5.556	1.656	223.67	3.8536	2.0061	103.005	21.049	.3118
Nov.	5.556	1.386	223.55	3.8536	2.0056	103.253	21.039	.3118
Dec.	[1]5.556	[1]1.518	223.41	3.8536	2.0057	103.660	21.032	.3118
1959—Jan.	[2]1.5187		223.62	3.8444	2.0003	103.402	21.046	.3115
Feb.	1.5242		223.85	3.8481	2.0004	102.583	21.063	.3114
Mar.	1.4703		224.12	3.8484	1.9997	103.117	21.074	.3114
Apr.	1.3680		224.42	3.8487	2.0037	103.774	21.089	.3114
May	1.1774		224.27	3.8488	2.0057	103.838	21.081	.3114
June	1.1091		224.11	3.8510	2.0027	104.278	21.072	.3120
July	1.1851		224.04	3.8506	2.0031	104.456	21.062	.3120

Year or month	France (franc)	Germany (deutsche mark)	India (rupee)	Ireland (pound)	Italy (lira)	Japan (yen)	Malaysia (dollar)	Mexico (peso)	Netherlands (guilder)
1953	....	....	21.049	281.27	....	....	32.595	11.607	26.340
1954	....	23.838	21.020	280.87	....	....	32.641	9.052	26.381
1955	....	23.765	20.894	279.13	....	....	32.624	8.006	26.230
1956	....	23.786	20.934	279.57	....	.2779	32.582	8.006	26.113
1957	.2376	23.798	20.910	279.32	....	.2779	32.527	8.006	26.170
1958	[3].2374	23.848	21.048	280.98	....	.2779	32.767	8.006	26.418
1958—July	.2379	23.856	21.000	280.40	....	.2779	32.688	8.006	26.391
Aug.	.2382	23.861	21.019	280.51	....	.2779	32.701	8.006	26.409
Sept.	.2381	23.867	21.003	280.33	....	.2779	32.672	8.006	26.434
Oct.	.2381	23.892	21.029	280.70	....	.2779	32.744	8.006	26.508
Nov.	.2381	23.897	21.026	280.55	....	.2779	32.828	8.006	26.508
Dec.	[3].2330	23.907	21.015	280.38	....	.2779	32.768	8.006	26.506
1959—Jan.	.2037	23.930	21.041	280.65	....	.2779	32.838	8.006	26.514
Feb.	.2037	23.928	21.059	280.93	....	.2779	32.892	8.006	26.500
Mar.	.2039	23.914	21.073	281.27	[4].1610	.2779	32.917	8.006	26.488
Apr.	.2039	23.913	21.101	281.65	.1610	.2779	32.975	8.006	26.501
May	.2039	23.911	21.087	281.45	.1610	.2779	32.951	8.006	26.488
June	.2039	23.931	21.049	281.25	.1611	.2779	32.870	8.006	26.504
July	.2038	23.918	21.032	281.17	.1611	.2779	32.856	8.006	26.515

Year or month	New Zealand (pound)	Norway (krone)	Philippine Republic (peso)	Portugal (escudo)	South Africa (pound)	Spain (peseta)	Sweden (krona)	Switzerland (franc)	United Kingdom (pound)
1953	278.48	14.015	49.676	3.4887	280.21	....	19.323	23.316	281.27
1954	278.09	14.008	49.677	3.4900	279.82	....	19.333	23.322	280.87
1955	276.36	14.008	49.677	3.4900	278.09	....	19.333	23.331	279.13
1956	276.80	14.008	49.676	3.4900	278.52	....	19.333	23.334	279.57
1957	276.56	14.008	49.693	3.4900	278.28	....	19.331	23.330	279.32
1958	278.19	14.008	49.695	3.4900	279.93	[5]2.3810	19.328	23.328	280.98
1958—July	277.62	14.008	49.695	3.4900	279.35	2.3810	19.328	23.335	280.40
Aug.	277.73	14.008	49.695	3.4900	279.46	2.3810	19.328	23.335	280.51
Sept.	277.55	14.008	49.695	3.4900	279.28	2.3810	19.328	23.335	280.33
Oct.	277.93	14.008	49.695	3.4900	279.66	2.3810	19.328	23.300	280.70
Nov.	277.78	14.008	49.695	3.4900	279.51	2.3810	19.328	23.300	280.55
Dec.	277.60	14.009	49.695	3.4900	279.33	2.3810	19.329	23.317	280.38
1959—Jan.	277.87	14.012	49.695	3.4917	279.60	2.3810	19.326	23.190	280.65
Feb.	278.15	14.018	49.695	3.4974	279.88	2.3810	19.327	23.184	280.93
Mar.	278.49	14.029	49.695	3.4980	280.22	2.3810	19.325	23.133	281.27
Apr.	278.86	14.048	49.695	3.5026	280.60	2.3810	19.330	23.134	281.65
May	278.67	14.041	49.695	3.5019	280.40	2.3810	19.326	23.133	281.45
June	278.47	14.052	49.695	3.5004	280.20	2.3810	19.327	23.194	281.25
July	278.38	14.050	49.695	3.5001	280.12	[6]2.0679	19.330	23.204	281.17

[1] Based on quotations through Dec. 29, 1958.
[2] Effective Jan. 12, 1959, the Argentine Government established a single exchange rate for the peso in place of the former official and free rates.
[3] Effective rate of 420 francs per U. S. dollar, established Aug. 12, 1957, was extended to all foreign exchange transactions on Oct. 28, 1957, and on June 23, 1958, became the official rate. On Dec. 29, 1958, the franc was further devalued to 493.706 francs per U. S. dollar.
[4] Based on quotations beginning Mar. 2, 1959.
[5] Based on quotations beginning Jan. 2, 1958.
[6] Effective July 20, 1959 the par value for the Spanish peseta was set at 60 pesetas per U.S. dollar.

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Unless otherwise noted, the material listed may be obtained from the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C. Where a charge is indicated, remittance should accompany order and be made payable to the order of the Board of Governors of the Federal Reserve System. A more complete list, including periodic releases and additional reprints, appeared on pages 681-84 of the June 1959 Bulletin.

THE FEDERAL RESERVE SYSTEM—PURPOSES AND FUNCTIONS. April 1954. 208 pages.

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

FEDERAL RESERVE BULLETIN. Monthly. Subscription price in the United States and its possessions, Bolivia, Canada, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Republic of Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, El Salvador, Uruguay, and Venezuela is $6.00 per annum or 60 cents per copy; elsewhere $7.00 per annum or 70 cents per copy. Group subscriptions in the United States for 10 or more copies to one address, 50 cents per copy per month, or $5.00 for 12 months.

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TREASURY-FEDERAL RESERVE STUDY OF THE GOVERNMENT SECURITIES MARKET. PART I. 108 pages. July 1959. Parts II and III will be issued later. Individual books $1.00 each; set of 3 books $2.50.

THE FEDERAL FUNDS MARKET—A Study by a Federal Reserve System Committee. May 1959. 111 pages. $1.00 per copy; in quantities of 10 or more for single shipment, 85 cents each.

DEBITS AND CLEARINGS STATISTICS AND THEIR USE (rev. ed.). May 1959. 144 pages. $1.00 per copy; in quantities of 10 or more for single shipment, 85 cents each.

ALL-BANK STATISTICS, 1896-1955. Revised statistics for all banks in the United States, by class of bank, together with descriptive and explanatory material. Part I, U. S. Summary. Part II, Summaries by States and other areas. April 1959. 1,229 pages. $4.00.

THE FEDERAL RESERVE ACT, as amended through December 31, 1956, with an Appendix containing provisions of certain other statutes affecting the Reserve System. 385 pages. $1.00.

FLOW OF FUNDS IN THE UNITED STATES, 1939-53. A new accounting record designed to picture the flow of funds through the major sectors of the national economy. December 1955. 390 pages. $2.75.

A STATISTICAL STUDY OF REGULATION V LOANS. September 1950. 74 pages. 25 cents per copy; in quantities of 10 or more copies for single shipment, 15 cents each.

BANKING AND MONETARY STATISTICS. Statistics of banking, monetary, and other financial developments. November 1943. 979 pages. $1.50.

RULES OF ORGANIZATION AND RULES OF PROCEDURE—Board of Governors of the Federal Reserve System. 1946. 31 pages.

REGULATIONS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

ADMINISTRATIVE INTERPRETATIONS OF REGULATION F—SECTION 17—COMMON TRUST FUNDS. 9 pages.

CONSUMER INSTALMENT CREDIT—Six books (Parts I-IV) giving the results of an intensive study of consumer instalment credit, undertaken by the Board on request of the Council of Economic Advisers by direction of the President. Pt. I—*Growth and Import,* Vol. 1, $1.25, Vol. 2, $1.00; Pt. II—*Conference on Regulation,* Vol. 1, $1.75, Vol. 2, $.60; Pt. III—*Views on Regulation,* $1.00; Pt. IV—*Financing New Car Purchases,* $.60. *Requests and remittances for these six books should be directed to the Superintendent of Documents, Government Printing Office, Washington 25, D. C.*

REPRINTS

(From Federal Reserve Bulletin unless preceded by an asterisk)

THE MONETARY SYSTEM OF THE UNITED STATES. February 1953. 16 pages.

INFLUENCE OF CREDIT AND MONETARY MEASURES ON ECONOMIC STABILITY. March 1953. 16 pages.

FEDERAL FINANCIAL MEASURES FOR ECONOMIC STABILITY. May 1953. 7 pages.

*DETAILED DESCRIPTION OF SOURCES AND METHODS USED IN REVISION OF SHORT- AND INTERMEDIATE-TERM CONSUMER CREDIT STATISTICS. April 1953. 25 pages.

DEPARTMENT STORE SALES AND STOCKS, BY MAJOR DEPARTMENTS (Revised Indexes). November 1953. 65 pages.

FEDERAL RESERVE MONTHLY INDEX OF INDUSTRIAL PRODUCTION, 1953 Revision. December 1953. 96 pages.

SEASONAL ADJUSTMENT FACTORS FOR DEMAND DEPOSITS ADJUSTED AND CURRENCY OUTSIDE BANKS. March 1955. 4 pages.

A FLOW-OF-FUNDS SYSTEM OF NATIONAL ACCOUNTS, ANNUAL ESTIMATES, 1939-54. October 1955. 40 pages.

SURVEY OF BANK LOANS FOR COMMERCIAL AND INDUSTRIAL PURPOSES. Business Loans of Member Banks. April 1956. 14 pages. Credit Lines and Minimum Balance Requirements. June 1956. 7 pages.

REVISION OF CONSUMER CREDIT STATISTICS. October 1956. 24 pages. (Also, similar reprint from April 1953 BULLETIN.)

INDEX OF ELECTRICITY AND GAS OUTPUT. October 1956. 15 pages.

AGRICULTURAL LOAN SURVEY. November 1956 and January, February, and March 1957 BULLETINS. 52 pages.

UNITED STATES BANKING ORGANIZATION ABROAD. December 1956. 16 pages.

SUMMARY FLOW-OF-FUNDS ACCOUNTS 1950-55. April 1957. 20 pages.

SURVEY OF FINANCE COMPANIES, MID-1955. April 1957. 17 pages.

REVISION OF MONTHLY DEPARTMENT STORE INDEXES. December 1957. 30 pages.

MEMBER BANK LENDING TO SMALL BUSINESS, 1955-57. April 1958. 19 pages.

REVISED WEEKLY INDEX OF DEPARTMENT STORE SALES. April 1958. 10 pages.

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OWNERSHIP OF DEMAND DEPOSITS. April 1959. 3 pages.

MEMBER BANK TERM LENDING TO BUSINESS, 1955-57. April 1959. 16 pages.

*PART I, ALL-BANK STATISTICS, 1896-1955. Reprint of the U. S. Summary containing a description of revised statistics for all banks in the United States, by class of bank, together with revised statistics. April 1959. 100 pages.

BANKING AND MONETARY STATISTICS, 1958. Selected series of banking and monetary statistics for 1958 only. February and May 1959. 12 pages. (Similar reprint of 1957 data, February and May 1958 BULLETINS.)

SURVEY OF COMMON TRUST FUNDS, 1958. May 1959. 6 pages. (Also, similar reprints from August 1956, June 1957, and May 1958 BULLETINS.)

PUBLIC DEBT MANAGEMENT. June 1959. 5 pages.

1959 SURVEY OF CONSUMER FINANCES. Preliminary Findings. March 1959. 4 pages. The Financial Position of Consumers. July 1959. 24 pages. (Similar Surveys are available for earlier years from 1952, 1953, 1955, 1956, 1957, and 1958 BULLETINS.)

INTEREST RATES IN LEADING COUNTRIES. July 1959. 6 pages.

MONEY AND CREDIT IN ECONOMIC EXPANSION. July 1959. 10 pages.

THE BALANCE SHEET OF AGRICULTURE, 1959. July 1959. 9 pages.

A QUARTERLY PRESENTATION OF FLOW OF FUNDS, SAVING, AND INVESTMENT. August 1959. 49 pages.

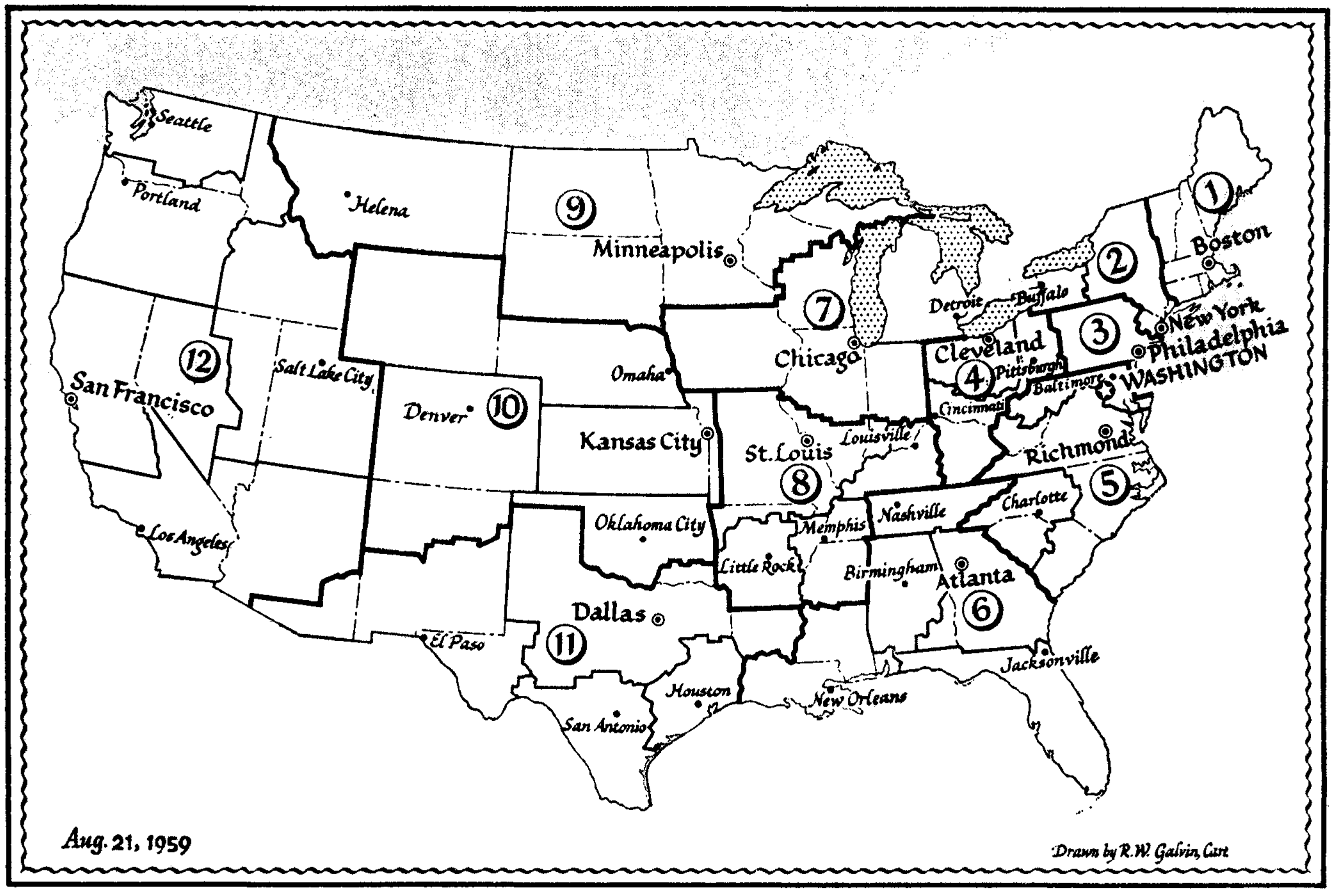
THE GOVERMENT SECURITIES MARKET. August 1959. 22 pages.

Index to Statistical Tables

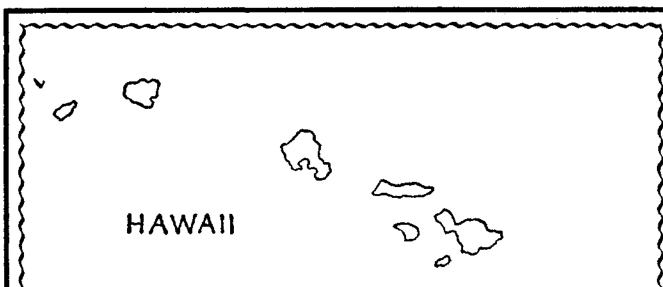
Alaska was added to the Twelfth Federal Reserve District as of January 3, 1959, and became part of the Seattle Branch Territory of that District.

Hawaii was added to the Twelfth Federal Reserve District as of August 21, 1959, and became part of the Head Office Territory of that District.

BOUNDARIES OF FEDERAL RESERVE DISTRICTS AND THEIR BRANCH TERRITORIES



THE FEDERAL RESERVE SYSTEM



Legend

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

✪ Board of Governors of the Federal Reserve System

⦿ Federal Reserve Bank Cities • Federal Reserve Branch Cities