U. S. CENTRAL BANK POLICY 1951 TO 1956

By

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CHAPTER I

INTRODUCTION

Since 1950 the American economy has been characterized by a high degree of utilization of human and material resources, high levels of consumption and investment and by subsequent inflationary trends. Wholesale prices were rising between 1950-1956. Taking the period 1947-1949 as a base of 100, wholesale prices, excluding those in agriculture, reached 122.2 in the year ending 1956. If agricultural prices were included, index stood at 114.3 in December, 1956.

To combat inflation the monetary authorities have endeavored to limit the amount of central bank credit available to commercial banking system.

Federal Reserve statements of policy have indicated that it is the end of the Federal Reserve to check inflation through the restraint of bank credit only.[1] The price level tended to increase during the period of 1951-1956. Is this an indication of the failure of monetary authorities to check inflation or is there some other explanation to this apparent contradiction in the hypothesis that monetary policy is an effective tool for combating inflation?

In March, 1951, there was an accord between the Treasury and the Federal Reserve System: the Federal Reserve was to discontinue

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[1]Board of Governors of the Federal Reserve System, <u>Federal Reserve Bulletin</u> (Washington, D. C., August, 1957), p. 866.

supporting the prices of Treasury securities. The reason for taking the period from 1951 onwards is to see the effects of the weapons of the System when they were no longer affected by the necessity of supporting Treasury security prices. Moreover, the period should be long enough to examine the effects of the weapons used during a period of full employment and inflation; hence, the selection of six years from January, 1951, to the end of December, 1956.

In spite of the fact that the main concern is with monetary policy, it is not possible or even advisable to exclude the influence of fiscal policy. In order to have an effective program for economic stability, it is important that the actions of both central bank and fiscal authorities be coordinated. Consequently, some discussion is devoted to problems of a fiscal nature, especially as they affect the general level of aggregate demand.[2]

Chapter II describes the analysis and the consequent policies of the monetary authorities, while Chapter III shows the actual movements of the economic indicators. Chapter IV is an analysis and evaluation of the policies followed in accordance with the economic fluctuations of the time. How effective were the available weapons of the monetary authorities? Were the weapons adequate? Were they appropriate to the situation? Chapter V is a summary and conclusion of the findings.

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[2]The governmental spending, increase or decrease in that spending, deficit or surplus budget and government borrowing, etc., which may have an effect on the stock of money in the economy.

CHAPTER II

MONETARY WEAPONS, ITS USE AND DESIRED RESULTS

Before going into the details of all of the measures taken at different times and the results achieved, it is best to show the different weapons that the Federal Reserve System has to check different phases of the business cycle. Here we should know that other policies like fiscal policy, to affect fluctuations one way or the other, apart from monetary weapons are equally important in the present economy. When federal expenditures are at about 72 billion dollars or even more, a change in fiscal policy can have a considerable effect on the economy; it can not be ignored.

The following are the weapons of the Federal Reserve System: changes in reserve requirements in discount rates and in open market operations. At various times attempts have been made by the Federal Reserve System to combat inflation and so I have tried to show the measures taken by the System during these six years to combat it. One point of importance is, was it an inflationary period or not? Here I would agree with the authorities that the period was one of a mild inflation excepting a mild recession of 1954. There was full employment or perhaps more than full employment, and the wholesale prices of the commodities and stock prices were going up at a high level, especially during 1955 and 1956. Nineteen hundred and fifty-four was, however, a year when economic growth was temporarily checked and there was a little fall in industrial production with a slight rise in the unemployment figures. Hence, it may rather be called a mild recession, though more appropriate a word may be a temporary check of expansion and inflation. However, this recession was very mild and the employment and prices expanded once again by the middle of 1954 with increasing production (undeflated).

Discount Rate

There are many kinds of interest rates as there are many kinds and grades of loans and investments. Traditionally, Reserve Banking operations are not directed toward establishing any particular level or pattern of interest rates. Rather, they are aimed at expanding or contracting the flow of Reserve Bank credit as needed to maintain general economic and financial stability. Reserve Bank discount rates have a relationship to the cost of credit generally. Since Reserve Bank advances are extended on short-term paper of prime quality, the relationship between the discount rate and other market rates is closest in the short-term prime credit area.[1]

When the demand for credit is high, the Federal Reserve System may be directed to make credit costly and increase discount rates which may possibly contract credit. Adjustment of rates depends on the Federal Reserve policy for making a sound and strong credit development.

In January, 1951, the effective discount rate was 1-3/4 percent per annum. Changes in discount rates were as follows during these six years:

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[1]Board of Governors, The Federal Reserve System Purposes and Function, pp. 112 and 143.

TABLE I

CHANGES IN DISCOUNT RATE*

Month	Rate
August, 1950	1-3/4
January, 1953	2
February, 1954	1-3/4
April, 1954	1-1/2
April, 1955	1-3/4
August, 1955	2
September, 1955	2-1/4
November, 1955	2-1/2
April, 1956	2-3/4
August, 1956	3

*Source: Federal Reserve Bulletin, November, 1957, p. 422.

Here below is a discussion of the changes that took place in the discount rate. As there was no change in discount rate in 1951 and 1952, the discussion is omitted of the situation of 1951 and 1952, in this particular section. Therefore, the changes are discussed only for the years 1953, 1954, 1955 and 1956.

Early in 1953, when heavy utilization of productive resources and strong credit demands presented an inflationary threat, Federal Reserve policy was directed toward restraint of excessive bank credit expansion. In January the discount rate was raised to 2 percent from 1-1/3 percent. Member banks were borrowing large amounts from Reserve Banks in order to maintain their reserve position, and under these conditions banks became willing to make or renew loans.[2]

Total deposits and currency in December, 1952, were 200.4 billion dollars and in January, February, March, April and May, 1953 were respectively 198.2, 197.4, 196.9, 195.4 and 195.3 billion dollars. Every year there is usually a seasonal fall in total deposits and currency in January and February, but in 1953, the fall in this item was continuous until the end of May. This extended decline in the stock of money (and here the writer would include time deposits as well as demand deposits) came primarily through declines in demand deposits. This fall may be attributed to the Federal Reserve discount policy.

In late 1953 and in January, 1954, member banks were largely out of debt to the Federal Reserve. Early in 1954 with credit demands remaining slack and with the Federal Reserve policy continuing to be directed toward credit ease, the Director of Federal Reserve Banks, with approval of the Board of Governors, reduced discount rates from 2 percent to 1-3/4 percent. This action to bring the discount rate to 1-3/4 percent also had the effect of bringing the discount rate into closer alignment with prevailing market rates of interest.[3]

There was a reduction in discount rates in February and April, 1954, but like any other year, there was a fall in total deposits and currency and loans and investments in January, February and March, 1954. However, these figures started going up in April, 1954. Gross national product, national income and employment figures fell in 1954, leading to

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[2]Board of Governors of the Federal Reserve System, <u>Federal Reserve Bulletin</u> (Washington, D. C., February, 1954), p. 119.

[3]Ibid.

a reduction of discount rates and reserve requirements during this year. There was a reduction effective from February, 1954. This decrease in the minimum buying rate was in recognition of the existing market conditions and developments and was made in accordance with the Committee's general policy of actively promoting a condition of ease in the money market.

1955 and 1956

Between the third quarter of 1954 and 1956, gross national product had risen 52 billion dollars. Industrial production went up. The task was to check the inflationary tendencies and at the same time to continue the increase in production. During both years there were still upward trends in the level of prices. But to check the inflation, the measures taken by the System consisted only of rises in discount rates, four times in 1955 and twice in 1956.

Reserve Requirement

A member bank is required to keep as reserve on deposit with a Federal Reserve Bank the following percentages of its deposits:

TABLE II

RESERVE REQUIREMENTS

	Minimum	Maximum	Existing December 31, 1950
Central Reserve City Banks	13%	26%	22%
Reserve City Banks	10%	20%	18%
Country Banks	7%	14%	12%
Time Deposit (all banks)	3%	6%	5%

The upper limits and lower limits are so fixed that the System is permitted to change the requirements between the two extremes. For fixing the limits of the reserve requirements, classification of member banks is made as Central Reserve City Banks, Reserve City Banks, and Country Banks. The flexibility of these requirements gives the System power to change them according to the need to check business fluctuations in the economy. Total borrowing by member banks from Federal Reserve Banks on December, 1951, was 17,391 million dollars out of which 1,027 million dollars were excess reserves and 16,364 million were required reserves.[4]

During these six years reserve requirements were changed four times---in January, 1951; June, 1953, and twice in 1954, in June and July. The changes were as follows:[5]

TABLE III

CHANGES IN RESERVE REQUIREMENTS

	January 1951	July 1953	June 1954	July 1954
Central Reserve City	22-24%	22%	21%	20%
Reserve City	18-20%	19%		18%
Country	12-14%	13%		12%
Time Deposits	5-6%	6%	5%	

[4]Ibid., March, 1951, p. 290.

[5]Ibid., November, 1957, p. 1238.

1951[6]

The reasoing behind the change in 1951, according to the Bulletin, was a further step toward restraining inflationary expansion of bank credit in accordance with the statement issued by the Board on August 18, 1950, that the Board and Federal Reserve Open Market Committee were prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the government security market.

The increase was timed so as to absorb reserves coming into the banks from the post-holiday return flow of currency. The effect of this increase in reserve requirements was to raise the required reserves of member banks by a total of approximately 2 billion dollars which, under our fractional reserve system, would otherwise be the basis for about a sixfold increase in bank credit in the banking system as a whole.

Due to this change, the amount of required reserves increased from 16,509 million dollars in December, 1950, to 18,367 million dollars in March, 1951.

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[6] Ibid., January, 1951, p. 13.

TABLE IV

REQUIRED AND EXCESS RESERVES

	Required (Million Dollars)	Excess (Million Dollars)
December, 1950	16,509	1,172
January, 1951	18,047	927
February, 1951	18,366	700
March, 1951	18,367	647

Total deposits and currency still went on increasing; there was no fall in that figure.

July, 1953[7]

In July, 1953, there was a reduction in reserve requirements. The reason given in the Federal Reserve Bulletin for this reduction was to make available the reserve funds necessary to meet the essential needs of the economy, to help maintain the stability of the dollar, and to assure that seasonal needs would be met without undue strain on the economy. The reduction was preceeded and accompanied by open market purchases of Treasury bills by the Federal Reserve totaling more than 1 billion dollars.

At that time there were indications that Federal Reserve monetary measures were beginning to have a more restrictive effect than was appropriate for carrying out the general objectives of economic stability. These effects were beginning to appear in the capital market.

[7] Ibid., July, 1953, p. 689.

Demand for credit and capital was exceptionally strong in the late months of 1952 and in most of the first half of 1953. New securities issued by corporations and state and local governments aggregated about 7.5 billion dollars during the first half of 1953. Demand for both mortgage credit and consumer credit was going up.

Although the Treasury was not a net borrower in the first half of 1953, there was growing recognition during the period that Treasury receipts were lagging behind budget estimates while expenditures were continuing to rise and that the federal fiscal outlook was more unfavorable; hence, federal borrowing would probably be substantial in the second half of the year.

1954[8]

There was a reduction in the requirements of Central Reserve City Banks for demand deposits and for time deposits in June, 1954. In the period 1952-1953, reserves were supplied through Federal Reserve open market operations to meet the seasonal and growth needs of the economy.

In mid-1953, these operations were reoriented toward combating the deflationary demands then developing. As economic activity began to recede, the System's operations were further modified toward promoting credit ease. In May and June, 1954, the Federal Reserve System supplied banks with additional reserves through purchases of government securities in order to maintain a condition of ease in credit and capital market. The reduction in reserve requirements was made in anticipation of demands on bank reserves during the summer and fall by taking into account probable private financing requirements, including the marketing

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[8]Ibid., July, 1954, p. 681.

of crops and replenishment of retail stocks in advance of the demands during the fall and Christmas sale seasons as well as Treasury financing needs.

Looking to the seasonal demands during summer and fall, there was an increase in deposits and currency, investments and loans, Federal Reserve holdings and consumer credit during the years 1952, 1953 and 1954. Every year these figures rose from June to December and fell in January. However, there was a greater difference in total deposits and currency, and loans and investments between figures of December, 1953 and 1954 in comparison to the difference between December, 1952 and 1953.[9] This shows that demand for credit was more in the second half of 1954 compared to that of 1953, a result probably due to credit ease in 1954.

Open Market Operations

Open market operations refer to buying and selling securities in the open market by the Federal Reserve Open Market Committee.[10] Say, if credit is to be contracted, the Committee orders the sale of securities, so that money will be absorbed from the economy. With the purchase of these securities, cash and deposits of commercial banks will go down in a manner roughly proportional to the amount of the sales of securities. Public holdings of securities will increase and lead to a contraction in credit. If, on the other hand, credit is to be increased, the System

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[9]See Appendix I.

[10]Board of Governors, The Federal Reserve System Purposes and Functions, p. 38.

may buy securities increasing the amount of money in circulation and making credit conditions easier in the market.

From January, 1951, total Federal Reserve holdings started going up. From an amount of 23,051 million dollars in January, it reached 25,009 million dollars in December, 1951. During 1952, compared to 1951, the total holdings were more by about 900 million dollars. During 1953, total holdings increased by about 1,500 million dollars. Since 1954, there was a reduction in average of total holdings and it did not reach the heights of 1953 until the end of 1956.

From the later half of 1954 to December, 1956, there was an increase in inflationary tendencies with increasing prices. The policy was one of credit restraint which checked the inflation from being severe. The Federal Reserve holdings during all of the months in 1954, 1955 and 1956 were approximately the same. The fluctuation in holdings was only about 500 million dollars which was mainly to meet seasonal and fiscal needs. In December, 1954, Federal Reserve holdings of securities were 26,317; in December, 1955, 26,853; and in December, 1956, 27,156 million dollars. This shows that the policy was quite tight. These heights in December indicated mainly the seasonal demands which were going up. (However, these figures are seasonally adjusted.)

Before going into an examination of policy, it is perhaps best to see the figures of the Federal Reserve Banks' loans and securities which are given in the following table:

TABLE V

RESERVE BANK HOLDINGS OF LOANS AND SECURITIES
(Thousand Dollars)

Year	Total*	U. S. Government Securities	Industrial Loans	Discount and Advances	Acceptances
1951	23,045,707	22,748,210	4,646	292,770	81
1952	23,933,643	23,126,674	4,635	802,334	
1953	25,438,684	24,657,902	3,185	777,595	
1954	24,866,567	24,648,691	1,179	216,697	
1955	24,570,401	23,891,220	607	666,157	12,422
1956	24,563,300	23,708,594	837	833,297	20,662

*Based on the holdings at opening of business.

Source: Board of Governors of the Federal Reserve System, Annual Report Covering Operations for the Year, Washington, D. C., 1951-1956.

The above table gives an idea as to what were the actual holdings of the Federal Reserve System during each year using an average of the daily figures. The policy followed from time to time was different according to the condition of the economy. Here below is the policy followed by the System during these six years.

1951

In 1951, the policy was to arrange for such transactions for the System's open market account either in the open market or directly with the Treasury as may be necessary in the light of current and prospective economic conditions and the general credit situation of the country with a view to exercising restraint upon inflationary developments.

1952

Between June and September, 1952, Federal Reserve System purchases of securities during this period were made principally at times of Treasury financing. The timing of such purchases, therefore, was not always what appropriate credit policy would have suggested. During the last week of December, 1952, Federal Reserve purchases of government securities under repurchase agreements rose to almost 900 million dollars compared with just 300 million dollars a year earlier. The Committee suggested:

> During 1953, the policy should be in the light of current and prospective economic conditions and the general credit situation of the country with a view (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to avoid deflationary tendencies without encouraging a renewal of inflationary developments, and (c) to correct a disorderly situation in government security market.[11]

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[11] Board of Governors of the Federal Reserve System, Fortieth Annual Report Covering Operations for the Year 1953, p. 92.

By the end of 1953 the policy adopted was mainly to create ease in the money market.

1954

The Open Market Committee's review of the economic situation in 1954 showed that the recessionary tendencies which had appeared in the second half of 1953 were continuing. Industrial production had decreased by about 8 percent from the high levels of April-August, 1953, and other important measures of activity had shown similar declines although commodity prices had been relatively stable.

Until the end of 1954, the Committee did not feel that a policy of credit restraint was called for at the time. During this year the policy was to follow an easy money policy since recessionary forces were particularly strong in the first half of the year. In the second half of 1954 the conditions were improving.

1955

During 1955 the goal was to maintain conditions in the money market which would encourage recovery and avoid the development of unsustained expansion. The Committee's review of the economic situation indicated that the expansive forces had continued generally strong, both domestically and abroad, during the opening months of 1955. Recovery was well advanced from the recessionary low of mid-1954, but industrial activity was still slightly below the previous peak reached in mid-1953. In June, 1955, the Committee recognized that monetary policy was only one of the factors influencing the level of demand for goods and services.

From August, 1955 through 1956, the committee followed a clear-cut policy of restraining inflationary developments. Total holdings of securities by the System in 1954, 1955 and 1956 were 24,866,567; 24,570,401 and 24,563,300 thousand dollars. On the other hand the rise in the total stock of money in 1955 and 1956 was less than in 1954. In 1955, the rise in the stock of money was 6.2 billion dollars and in 1956, 5.4 billion dollars. In this period the discount rate was increased, reaching 3 percent in August of 1956. The Open Market Committee was directed to restrain inflationary developments in the interest of sustaining economic growth by taking into account the deflationary tendencies in the economy.

The Committee always tried to avoid any action at the time of Treasury financing which may disturb stability in the money market. It was suggested that while monetary policy could not be expected to achieve all the tasks of combating inflationary pressures, the System could be derelict in its duty if it did not exercise additional restraint in this situation.[12]

1956

The increase in the discount rate in April, 1956, had been followed by a period of severe pressure in the money market which the Committee had relieved somewhat by open market operations in late May and June. In May total Federal Reserve holdings were 25,237 million dollars, and it increased to 25,516 and 25,599 million dollars in June and July. The Committee did not believe, however, that this was the time for clearly increased restraints because the rise was not too significant due to the tight money policy followed during 1955 and 1956.

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[12] Forty-second Annual Report, 1955, p. 89.

<u>September, 1956</u>

"It did not appear that credit restraint thus far adopted had been too severe." However, in the autumn of 1956 the Committee thought that credit expansion had been checked and the credit restraint was the most effective at this time than any other time in the past two years.[13]

The Committee suggested the following in December, 1956:

> The review of the domestic businesses and financial situation indicated need for continued restraint on credit expansion in the near future, although it did not appear that additional restricting measures were necessary. Industrial production and prices had continued to advance over recent months, reaching new high levels. Increases in both production and prices had been widespread. Unemployment was low, G. N.P. had continued to rise and expansion in capital equipment expenditures had been greater than anticipated early in the year.[14]

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[13]The effects of the tight money policy were visible in the latter part of 1957 which shows that the policy was tight enough to check inflation before it became severe.

[14]*Forty-third Annual Report*, 1956, p. 46

CHAPTER III

THE MOVEMENTS OF ECONOMIC INDICATORS

To study the behavior of the economic indicators from 1951 to 1956, it is necessary to take some of the monthly figures into consideration. By checking some of the monthly figures of important economic indicators, it may be easier to examine the effects of the monetary weapons when they were used. The operations of the weapons were as follows: in January, 1951, reserve requirements were increased, and in June and July, 1954, they were reduced. There were increases in discount rates in January, 1953; April, August, September and November, 1955; and April and August, 1956. The discount rate was reduced in February and April, 1954.

Gross national product went up in 1951, 1952 and 1953. Taking into account the rise in the G.N.P. in real terms, i.e., in wholesale prices of each year, the gross national product stood at 285.9, 310.3, 329.8, 327.4, 353.8 and 362.5 billion dollars in each year. Taking the 1937-1939 as 100, it stood at 328.2, 346.4, 363.2, 361.2, 391.7 and 414.7 billion dollars in each year from 1951 onward.

The price level in 1951, 1952, 1953, 1954, 1955 and 1956 of all of the commodities (excluding agriculture) stood at 115.9, 113.2, 114.0, 114.5, 117.0 and 122.2 respectively. National income went up from 277.0 billion dollars in 1951 to 302 billion dollars in 1952 with unemployment levels as low as 1.6 million in 1953.

Nineteen hundred and fifty-four was a year of mild recession. Unemployment rose to 3.2 million; however, wholesale prices went up by 0.5 percent. Industrial production fell from an index of 134 in 1953 to 125 in 1954. In 1954, governmental expenditure fell by 6.5 billion dollars.

Total deposits and currency went up in each year by 10.5, 5.2, 9.1, 6.2 and 5.4 billion dollars from 1951 onward.

The figures of total assets of life insurance and saving and loan associations, and corporate dividends and current assets went up in each year from 1951 through 1956.

The recession of 1954 might have mainly resulted from two possible factors:

1. Fall in governmental spending by 6.5 billion dollars.
2. An inventory readjustment of industries, especially in automobile and steel.

In 1955, budgetary spending fell by 3.2 billion dollars. However, that did not affect production in 1955, and there was an increase in the gross national product by 30.5 billion dollars (undeflated). Rises in the wholesale prices proceeded at a very rapid rate, increasing by 2.5 percent in 1955 and 5.2 percent in 1956.

The following is a detailed examination of some of the important economic indicators:

Gross National Product

1951

Nineteen hundred and fifty-one was one of the years of the Korean War. Inflationary pressures were high; gross national product and almost all of the components in it went up. Gross national product was 328.2 billion dollars in 1951. In January, 1951, there was an increase in reserve requirements; however, the upward trend of production continued in that year. The increase in production in 1951 amounted to 45.6 billion dollars (undeflated).

<u>1952</u>

During 1952, gross national product increased by 18.2 billion dollars. Monetary policy was continued as it was in 1951; extra measures were not taken. The expansionary forces with high demands for goods and services were strong, and production was increasing.

<u>1953</u>

Nineteen hundred and fifty-three was a year of readjustment after the end of the Korean War. Demands for goods and services were high; hence, production increased and gross national product went up by 16.8 billion dollars. In February, 1953, there was an increase in the discount rate, but the upward movement continued.

<u>1954</u>

There was a mild recession in 1954. Twice there were reductions in reserve requirements, once in June and again in July. The discount rate fell to 1-1/2 percent. Gross national product fell by 2 billion dollars, but there was no fall in the price index. The fall in gross national product came mainly from a drop in gross private domestic investment and government purchases of goods and services. Nineteen hundred and fifty-four was a year of inventory readjustment, and consequently, there was a fall in steel and automobile production. All of these factors accounted for the fall in gross national product.

1955

The demand for U. S. goods and services in national and international markets was high, and therefore, production and employment increased in 1955. The demand for goods came mainly at the expense of dissaving. Gross national product went up by 30.5 billion dollars. Personal consumption expenditure went up by 17.8 billion dollars.

1956

Gross national product went up by 23.0 billion dollars in 1956. Nineteen hundred and fifty-five and 1956 both were inflationary years. Almost all of the economic indicators expanded and unemployment fell to 2.5 million. Personal consumption expenditures increased by 12.8 billion dollars.

Total Deposits and Currency, Total Loans and Investments

The examination of the stock of money and the volume of credit is very interesting and important because monetary weapons, in one way or the other, should have a direct effect on these indicators. Total deposits and currency, loans and investments and consumer credit went on increasing from year to year in the period under consideration.

1951

In January, 1951, there was an increment in reserve requirements; still, however, total deposits and currency increased by 0.1 billion dollars in February and remained at this level until the end of March, 1951. There was no increase in total loans and investments in February, but there was an increase in March, 1951 by 0.7 billion dollars. Instead of these figures going down, there were increases. By the end of 1951, total loans and investments had increased by 7.6 billion dollars and total deposits and currency by 10.0 billion dollars.

<u>1952</u>

During 1952, there was an increase of 10.4 billion dollars in total deposits and currency and an increase of 11.0 billion dollars in total loans and investments. The expansion was at a greater rate than in 1951. No extra monetary measures were taken during 1952 to tighten credit to a greater extent; the policy followed in 1952 was primarily the same as 1951.

<u>1953</u>

In January, 1953, there was an increase in the discount rate by 1/4 percent bringing the total rate to 2 percent. This increase led to a fall in the stock of money and loans and investments in the months of February, March, April and May. Usually there is a seasonal fall in these figures in January, February and March, but in 1953, they also fell in April and May. It is likely that this rise in the discount rate had an effect of checking expansions in the stock of money. Consumer credit, on the other hand, took its usual seasonal fall in February by an amount of 4 million dollars.

<u>1954</u>

In 1954, there was a mild recession. Discount rates fell in February and April; reserve requirements were reduced in June and July, and total deposits and currency started going up in May and continued rising until the end of the year till they were 8 billion dollars higher than the December, 1953 figures. Total loans and investments started going up from April, 1954, so that in December, 1954, they were higher by 10.2 billion dollars than the previous year. Evidently, the expansion was continuous and perhaps aggravated by the easing of credit in the economy.

1955

The discount rate rose during April, August, September and November. However, during most of these months total deposits and currency and loans and investments expanded. Loans and investments rose by 5.2 billion dollars, and the stock of money rose by 6.2 billion dollars. This would tend to indicate two things:

1. The expansionary force in the economy.
2. The tightening of credit was not strong enough.

1956

Discount rates rose in April and November of 1956. The rate of expansion was slightly checked. In May there was a fall in the stock of money by 2.0 billion dollars and a fall in loans and investments by 0.8 billion dollars. In December, 1956, figures for these indicators were higher by 5.6 and 4.2 billion dollars, respectively, than in December, 1955, but the rate of expansion was lower. Possibly this shows that the change in discount rates had some effect in checking the expansion of total deposits and currency.

Government Spending

In spite of the fact that the main concern is with the monetary policy, it is necessary to include the influences of fiscal policy. In order to have an effective program for economic stability, it is important that the actions of both fiscal and monetary authorities be coordinated.

1951, 1952 and 1953

Nineteen hundred and fifty-one was a budgetary surplus year with total expenditures of 44.1 billion dollars. Total expenditures in 1950 were 39.2 billion dollars. The increase in expenditures in 1952 and 1953 was 21.3 and 8.9 billion dollars respectively. The main reason for the increase was due to increases in defense spending---increased government purchases of goods and services. Nineteen hundred and fifty-two and 1953 were deficit years. In 1953, budgetary spending was at a record height of 74.3 billion dollars which added to the existing inflation. Increasing government expenditures at a level of full employment would tend to result in increases in price levels.

> Usually such a policy is to alleviate a business depression. This is often called "compensatory spending" because it is argued that the policy of government borrowing and spending may increase general purchasing power to such an extent as to compensate for the decline of private borrowing and spending to which the depression may be attributed.[1]

All of these factors worked together in 1951, 1952 and 1953 and added to the inflation.

1954

In 1954, there was a fall in government spending by 6.5 billion dollars. This can be said to be one of the possible reasons for a fall in production along with the inventory readjustment. There was a fall in total government expenditure on the one hand, whereas the System, on the other hand, had to reduce the discount rate and reserve requirements to ease credit and reduce unemployment. So here fiscal policies and monetary policies were not coordinated.

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[1]Sloan and Zurcher, Dictionary of Economics (New York, 1957), p. 89.

1955

There was a further reduction in government spending by 3.2 billion dollars. This action of government was this time coordinated with monetary policy which was directed toward tightening credit by increasing discount rates from time to time during this year.

1956

This was a year in which there was a budgetary surplus of 1.6 billion dollars, but total spending went up by 1.9 billion dollars. There was a reduction in public debt; monetary policies were mostly coordinated. Nineteen hundred and fifty-six was a year in which the policy of the System was to check inflation, but still, wholesale prices went up to 122.2 from a level of 117.0 in the previous year.

When government budget is at a level of about 17 percent of gross national product, any change in fiscal policy would most likely have a considerable effect on the economy. There were many occasions, as discussed in Chapter II, when the System had to meet the fiscal needs of the government from time to time. Such a policy under the existing inflationary situation would add to an inflation instead of checking one.

Income, Corporate Profits and Unemployment

Explanation of this indicator is given below in undeflated figures. However, the income figures in real terms, taking into consideration the wholesale price index of each year with 1947-1949 as constant, were 241.2, 260.0, 274.3, 271.0, 292.7, 300.4 in 1951, 1952, 1953, 1954, 1955 and 1956 respectively.

1951

In 1951, national income stood at 277.0 billion dollars, total personal income at 255.3 billion dollars, and corporate profits at 18.7 billion dollars. The economy was at a level of relatively full employment. Unemployment was only 1.8 million.

1952

National income and personal income figures in 1952 were 290.2 and 271.8 billion dollars respectively. Unemployment had fallen to 1.6 million which would indicate that there was a continuous expansion in the economy, taking into account the draft for the Korean War.

1953

In spite of the tight money policy that was in force in 1951, 1952 and 1953, there was an expansion in national income by 11.9 billion dollars, while corporate profits increased 0.6 billion dollars. Unemployment was at 1.6 million which would indicate as in 1952 that the economy was working at a more than full employment level. This would imply that there was an optimistic outlook of producers and a high foreign and domestic demand for U. S. goods and services.

1954

Nineteen hundred and fifty-four was a year of inventory readjustment and a fall in government spending; there was a fall in production. Unemployment consequently reached 3.2 million, but it still may be said that the economy was at full employment. Increasing unemployment and falling production made the System alert to the dangers of a depression and led to a comparatively easy money policy. There were reductions in discount rates and reserve requirements resulting in an increase in production and income toward the latter part of 1954. Still, national income fell by 3.1 billion dollars in 1954.

1955

National income rose by 25.1 billion dollars; personal income rose by 18.5 billion dollars. Unemployment declined and reached 2.6 million. Monetary policy once again was to check inflationary expansion; discount rates were raised four times in 1955.

1956

Nineteen hundred and fifty-six was an inflationary year. Discount rates rose twice in 1956. Prices went up faster, at a rate of 3.6 percent (all commodities); unemployment stood at 2.5 million. Corporate profits were 21.0 billion dollars in both the years, 1955 and 1956.

From the above discussion it is evident that the period from 1951 to 1956 was an inflationary one, excepting a mild slow-down of 1954.

Price Index

The wholesale price index shows a fall in 1952 and 1953. A rise took place from 1954 onward in the price of all of the commodities. If farm prices are excluded, there have been increases in price index of all commodities: 113.2, 114.0, 114.5, 117.0 and 122.2 in 1952, 1953, 1954, 1955 and 1956, respectively. During all these years a fall has nevertheless been recorded in farm prices.

The reason for a fall in farm prices and fall in farm income was due to 25 percent drop in farm exports and a price depressing bulge in farm production. Farm surplus was one of the problems.[2]

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[2] *Fortune*, "Business Round Up," December, 1953, p. 28.

Industrial Production

Industrial production rose in all the years excepting 1954. The index rose by 4 percent, 10 percent, 14 percent and 4 percent in the years 1952, 1953, 1955 and 1956; it fell by 9 percent in 1954, a recession year.

Recession was primarily due to inventory readjustment - defense production was easing and output of capital goods fell 10 percent from April, 1953, to March, 1954.[3]

There was a fall in government spending in 1954 which had an effect on demand and production. Due to high demands for goods and services, production went up in 1955 and 1956. Prices went up, and once again, the problem of checking inflation was faced by the System.

Other Financial Institutions

The present economic role played by financial institutions other than commercial banks is of great importance. Life insurance companies and saving and loan associations constitute the greatest part of non-bank financial institutions. Total assets of life insurance in 1951, 1952, 1953, 1954, 1955 and 1956 were 68,278; 73,375; 84,486; 90,432 and 96,011 million dollars. The assets of saving and loan associations amounted to 19,222; 22,660; 26,733; 31,736; 37,719 and 43,098 million dollars. Each year such an expansion of assets adds to the existing demands for goods and services and, thus in a period of relatively full employment of resources, lead to an increase in prices.

Total federal business type activities increased by 2-1/2 times in six years and total assets reached 66,019.5 million dollars in 1956.

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[3]Ibid., 1954, p. 27.

The forces of expansion were powerful that even in 1954, there was an expansion in financial assets. Moreover, corporate assets and dividends increased in each year adding to the pressure on the price.

CHAPTER IV

ENFORCEMENT AND OUTCOME

Nineteen hundred and forty-nine marked an upturn from a recession; 1950, the beginning of the Korean inflation; 1952, the "filling out again" of the post war boom; 1953, a year of readjustment; 1954, a slight decline in national income, and 1955 and 1956, a resumption in growth of national income.

Looking to the inflationary period of 1951 and 1952, it is easy to understand that the war economy led to inflation. The economy was expanding until the latter part of 1953. Nineteen hundred and fifty-four, especially the first half of the year, was a recessionary period when compared to the rate of expansion in 1951, 1952 and 1953. This recession was primarily due to inventory readjustment, a fall in government spending, ease in defense production, and a fall in output of capital goods by 10 percent in about twelve months. Contraction in steel and automobile production was responsible for most of the dip in retail sales. In all, cutbacks in defense, automobile, steel, paper-board, shoe and tire production, together with a modest decline in personal income and consumer spending for goods, can be said to be the reasons for the decline in the industrial production. Nineteen hundred and fifty-five and 1956, as was noted before, were years of recovery. A rise in exports had provided an unexpected stimulus to the economy.

Spending increased at the expense of personal savings which dipped from 8.6 percent of disposable income in the first quarter of 1954, nearly to the "normal" rate of 7 percent in the second quarter. Thus it was consumer, not business or government, who led the recovery to the quite consternation of the remaining apostles of pure Keynesianism.[1]

Easy money was the order of the day until April, 1955. There was no inflationary danger in sight and the government was consistently running deficit.

During 1951, the only measure taken was raising the reserve requirement to the maximum limits. It was a step to check inflation. In January, 1951, total loans and investment fell by 1.7 billion dollars, but still, they were at about 4.7 billion dollars higher than in 1950. Total deposits and currency went down by 1.8 billion dollars in January, 1951; the figure was higher by 5.2 billion dollars than the January, 1950 figure. Gross national product, income and the price indices went up in about the same proportion as they did in the past. This shows that this rise in the reserve requirements did not check very effectively the expansion possibly due to the expansionary forces being powerful. Required reserves went up by 2,466 million dollars, and hence, it checked the possibility of credit expansion proportionately. Excess reserves started falling from January to June. It can be said that expansion would have intensified in January, 1951, had there been no increase in reserve requirements.

In January, 1953, there was a rise in the discount rate by 1/4 percent. Total deposits and currency fell by 2.2 billion dollars in January; however, it was higher by 10 billion dollars than in the same period of the previous year. Another rise in total deposits and

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[1]*Fortune*, "Business Round Up," August, 1954, p. 23.

currency started by June, 1953. Total loans and investments decreased until June, 1953. However a rise was noted from July, 1953 up to the end of the year. Borrowing by commercial banks from the Federal Reserve System in 1953 was at the same level as 1952, i.e., at 0.8 billion dollars.

In February, 1953, the reduction in margin requirements shows that the System wanted to ease the situation in the stock market. The composite stock index began falling from January, 1953. Until the end of December, 1953, prices did not reach the level of December, 1952. However, these both actions, one of raising discount rate in January and lowering margin requirement in February, were contradictory policies. By the second half of 1953, inflation was in check.

In 1954, a recessionary tendency was visible. Falls in employment figures, industrial production and income led the System to follow easy money policy. Unemployment reached 3.2 million. Discount rate in February was reduced by 1/4 percent and a further reduction by 1/4 percent in the discount rate followed in April, 1954. In June and July there was a reduction in reserve requirements. Recovery started by the latter part of 1954. Total deposits and currency increased during all the months of 1954; by 9.1 billion dollars in 1954, compared to 5.3 billion dollars in 1953, and 10.5 billion dollars in 1952.

This recession was mainly due to inventory readjustments and cutbacks in auto, steel, paperboard, shoe, etc. Defense production was easing out. A rise in export provided an unexpected fillip to the economy. Reduction of reserve requirement added about 1,555 million dollars to available bank reserves. This means an increase in bank lending power by 8 billion dollars. Main reason to reduce requirement was to support new treasury financing expected early in August.[2]

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[2]Ibid., p. 25.

It is evident that the action taken to check this mild recession was very quick. The reason may be a fear of depression. Unemployment of 3.2 million can still be said as a full employment economy.

In 1955 and 1956, a change in the discount rates was the only measure taken to check inflation. The discount rate reached 3 percent. All of the economic indicators were going upward. Inflation was not checked even by the end of 1956. Inflation did not make the System as alert as did the recession. It shows that the fear of depression was of much more concern than inflation even though the existence of either one may have adverse consequences on the state of business activity.[3]

Why Such an Expansion?

Whenever there is a high demand for goods and services, production, income, employment and profits increase together with rises in prices, in turn leading to an inflationary trend. That was the basis of inflation during the period.

What Type of Demands?

There was a demand not only domestic but also foreign for American goods and services. There was a general shortage of dollars all over the world. All of the foreign countries, especially the newly developing ones, needed American goods and services. Domestic demand was high. Domestic demands can be divided into two parts: public and private. Both were high.

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[3]Fluctuations in the level of prices are assumed to be undesirable since these changes in the value of money, among other things, increase entrepreneurial uncertainty about the future and cause unnecessary redistribution of income.

Government Spending

A rise in government spending and a deficit budget added to the inflation. This is a measure of depression.[4] At the same time there was a continuous increase in public debt. Government had to borrow from the System from time to time. All of these factors added together added to the inflation. Such government actions (which add to inflation) weaken the actions (which check inflation) taken by the monetary authorities because one adds to the stock of money and, hence, to prices and the other tries to reduce the same. Monetary actions supported by government, therefore, achieve the desired results better and faster.

Use of Weapons

Central bank actions were not as active in inflation as they were in 1954. It has been very cautious in using the weapons. No drastic steps were taken. Probably the fear that depression may develop was a dominant characteristic in policy. No doubt, with increasing population, an increase in production and progress in the economy is needed but not an inflation with increasing prices. Monetary weapons were used to a very limited extent to check inflation. It is quite possible to use two or three weapons at one time, if needed, to check inflation, but such a use of the weapons was not made. Inflation was checked in 1954, but it was not mainly due to the use of the weapons but due to

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[4]Usually such a policy is to alleviate a business depression. This is often called "compensatory spending" because it is argued that the policy of government borrowing and spending may increase general purchasing power to such an extent as to compensate for the decline of private borrowing and spending to which the depression may be attributed.

readjustment in inventory and a fall in government spending. A mild slow-down in the economy was termed a recession in 1954, but the writer would term it as a check of inflation.

At times an easy money policy was followed to meet the seasonal needs. Usually such a policy is needed to avoid economic collapse, but under inflationary conditions such policy is not a necessity and only gives impetus to the existing inflation.

When expansionary forces are strong, a mild use of weapons can not be very effective. No doubt, there was some effect of the use of the weapons. Perhaps we can say boldly that if these weapons were not used the inflation might have been more.

CHAPTER V

SUMMARY AND CONCLUSION

An increase in reserve requirement and discount rates was principally used by the System to check the inflationary trend. In 1954, the inflation was checked. However, the increase in unemployment led to a fear of depression and an easy money policy was followed. In 1954, a reduction in reserve requirements and discount rates was helpful in mitigating the downturn. The downturn in 1954 had possibly come from fall in governmental spending as well as from the inventory readjustment especially in the automobile and steel industry. Open market operations of the Federal Reserve, however, were used to a limited extent. A tight money policy was followed in 1955 and 1956 to dampen the inflationary pressure. With member banks in possession of adequate excess reserves, there was little use made of borrowing from the System.

The force of the economic expansion was mainly due to the demands of the U. S. goods and services in national and international markets and the high level of governmental spending and demand for defense purposes.

It is extremely difficult to accurately measure the effects on business activity exerted by certain monetary policies. For instance, the increase in business activity or contraction which can be attributed to one weapon or the other in virtually impossible to assess. There is always a problem in that many factors operating together produce the results, and to determine the influence exerted by each factor seems an impossible task. One must consider the whole complex of monetary and fiscal measures, how their implementation influences the economy as indicated by changes in a particular criteria of policy. This, to a limited extent, the author has tried to do.

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APPENDIX

APPENDIX A

GROSS NATIONAL PRODUCT AND ITS COMPONENTS
(Billion Dollars)

	1951	1952	1953	1954	1955	1956
Gross National Product	328.2	346.4	363.2	361.2	391.7	414.7
Personal Consumption Expenditure	208.3	218.3	230.5	236.6	254.4	267.2
Durable	27.1	26.6	29.8	29.4	35.6	33.9
Nondurable	111.1	116.1	119.1	120.6	126.0	133.3
Services	70.1	75.6	81.7	86.6	92.8	99.9
Gross Private Domestic Investments	56.9	49.8	50.3	48.4	60.6	65.9
New Construction	23.3	23.7	25.8	27.8	32.7	33.3
Residential	11.0	11.1	11.9	13.5	16.6	15.3
Others	12.4	12.6	13.8	14.3	16.1	18.0
Producers Durable Equipment	23.2	23.1	24.3	22.5	23.7	28.1
Change in Business Inventory	10.4	3.0	.3	-1.9	4.2	4.6
Nonfarm only	9.0	2.1	.9	-2.4	4.0	5.0
Net Foreign Investment	.2	-.2	-2.0	-.4	-.4	1.4
Government Purchases of Goods and Services	62.8	77.5	84.4	76.6	77.1	80.2
Federal	41.0	54.3	59.5	48.9	46.8	47.2
State and Local	21.8	23.2	24.9	27.7	30.3	33.0

Source: (1) 85th Congress, First Session, Economic Indicator, January, 1958.

(2) Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, Washington, D. C., April, 1957, p. 471.

GROSS NATIONAL PRODUCT AND COMPONENTS

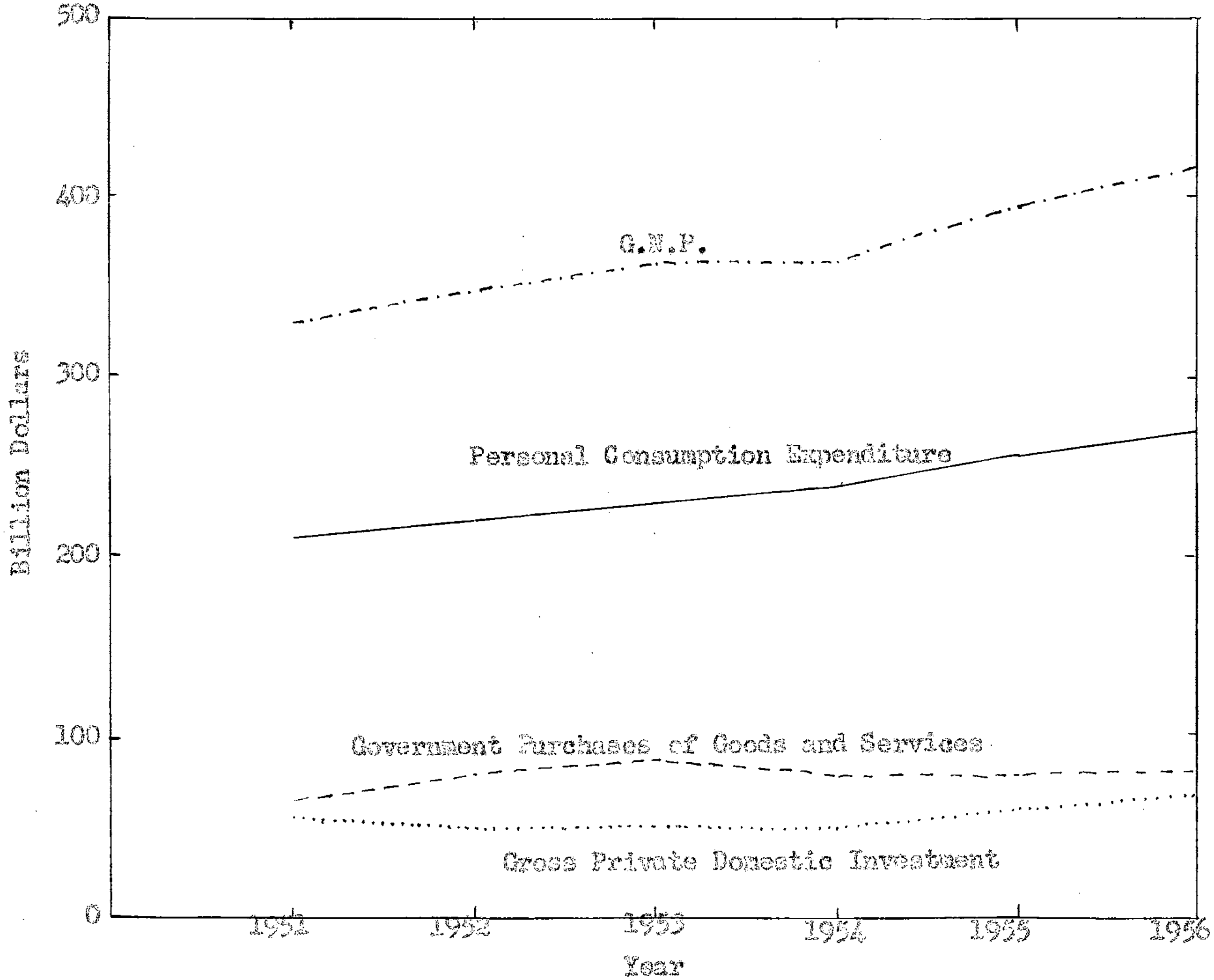

Figure 1

APPENDIX B

NATIONAL AND PERSONAL INCOME, CORPORATE PROFIT, POPULATION, AND UNEMPLOYMENT

	1951	1952	1953	1954	1955	1956
National Income (billions)	277.0	290.2	302.1	299.0	324.1	343.6
Total Personal Income (billions)	255.3	271.8	286.0	287.4	305.9	326.9
Disposable Personal Income (billions)	226.1	237.4	250.2	254.5	270.2	287.2
Corporate Profits (billions)	18.7	16.1	16.7	16.0	21.0	21.0
Population (thousands)	154,360	157,028	159,636	162,417	165,270	168,174
Unemployment Civilian Labor (thousands)	1,879	1,673	1,602	3,230	2,654	2,551
Per Capita Disposable Personal Income (1951 prices)	1,534	1,548	1,592	1,586	1,660	1,708

Source: 85th Congress, First Session, <u>Economic Indicator</u>, January, 1958.

INCOME AND CORPORATE PROFITS

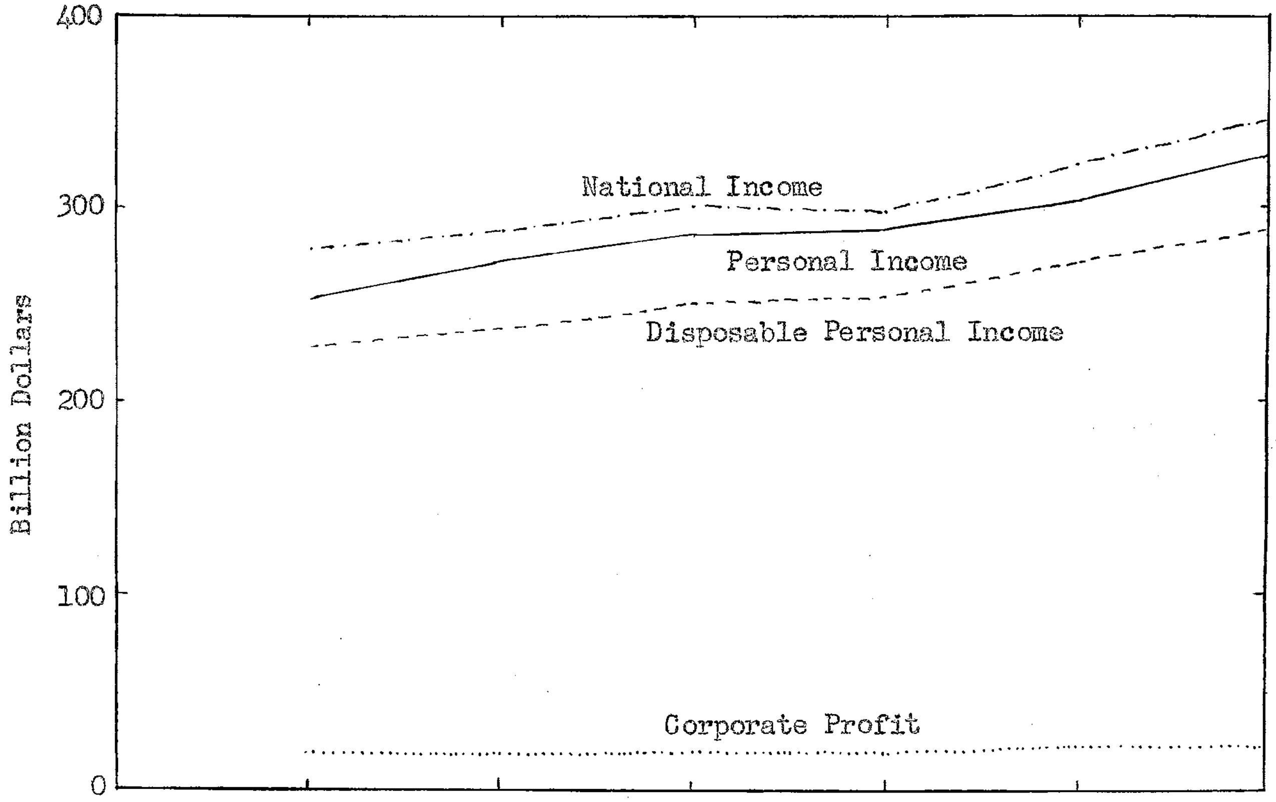

Figure 2

POPULATION AND UNEMPLOYMENT

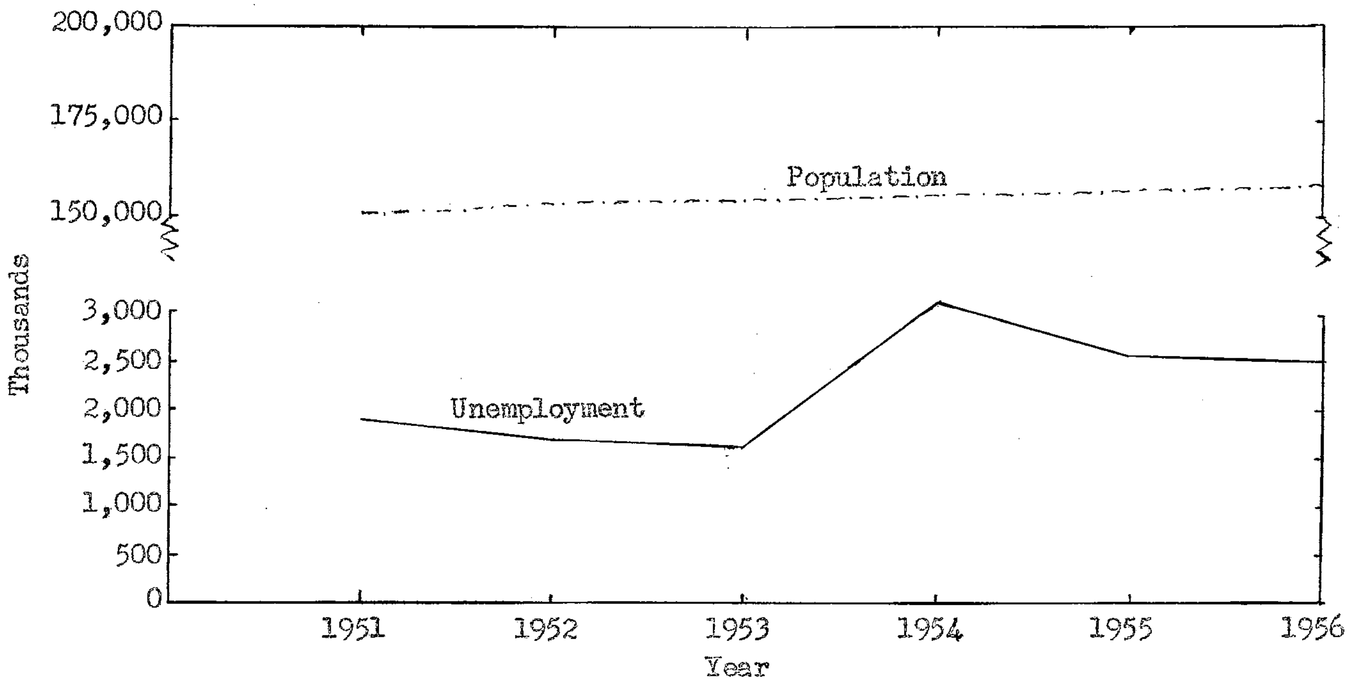

Figure 3

APPENDIX C

GOVERNMENT EXPENDITURE AND RECEIPT, AND PUBLIC DEBT
(Billion Dollars)

	1951	1952	1953	1954	1955	1956
Net Receipts[1]	47.6	61.4	64.8	64.7	60.4	68.2
Total Expenditure[1]	44.1	65.4	74.3	67.8	64.6	66.5
Balance	3.5	-4.0	-9.4	-3.1	-4.2	1.6
Public Debt[1]	255.3	259.2	260.1	271.3	274.4	272.8
U. S. Government Securities Held by Federal Reserve Banks (end of December)[2]	23.8	24.7	25.9	25.0	24.2	24.8

Source: [1]85th Congress, First Session, <u>Economic Indicator</u>, December, 1957.

[2]Board of Governors of the Federal Reserve System, <u>Federal Reserve Bulletin</u>, Washington, D. C., August, 1957, p. 946.

FISCAL ITEMS

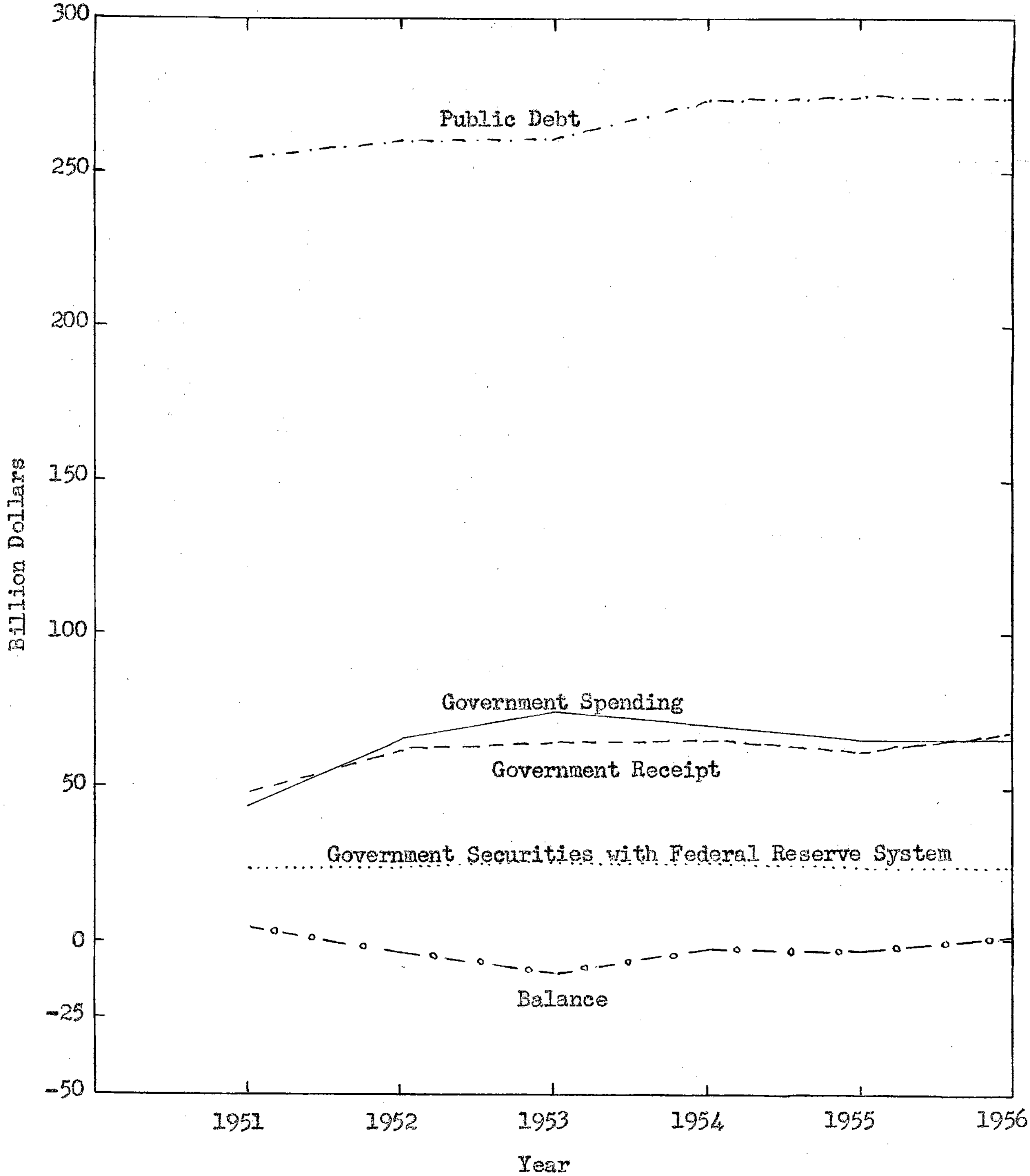

Figure 4

APPENDIX D

INDUSTRIAL PRODUCTION AND CONSUMER, WHOLESALE, AND STOCK PRICE INDICES

	1951	1952	1953	1954	1955	1956
Total Industrial Production (1947-49 = 100)	120	124	134	125	139	143
Wholesale Price (1947-49 = 100)						
1. All Commodities	114.8	111.6	110.1	110.3	110.7	114.3
2. Farm Product	113.1	107.0	97.0	95.6	89.6	88.4
3. Other Than Farm	115.9	113.2	114.0	114.5	117.0	122.2
Consumer Price (1947-49 = 100)						
1. All Items	111.0	113.5	114.4	114.8	114.5	116.2
2. Only Food	112.6	114.6	112.8	112.6	110.9	111.7
Stock Prices (1939 = 100)						
1. Composit Index	184.9	195.0	193.3	229.8	304.6	345.0
2. Total Manufactures	206.8	220.2	220.1	271.3	374.4	438.6

Source: (1) 85th Congress, First Session, Economic Indicator, December, 1957.

(2) Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, Washington, D. C., August, 1957, p. 946.

STOCK PRICE, INDUSTRIAL PRODUCTION AND
WHOLESALE PRICE INDICES

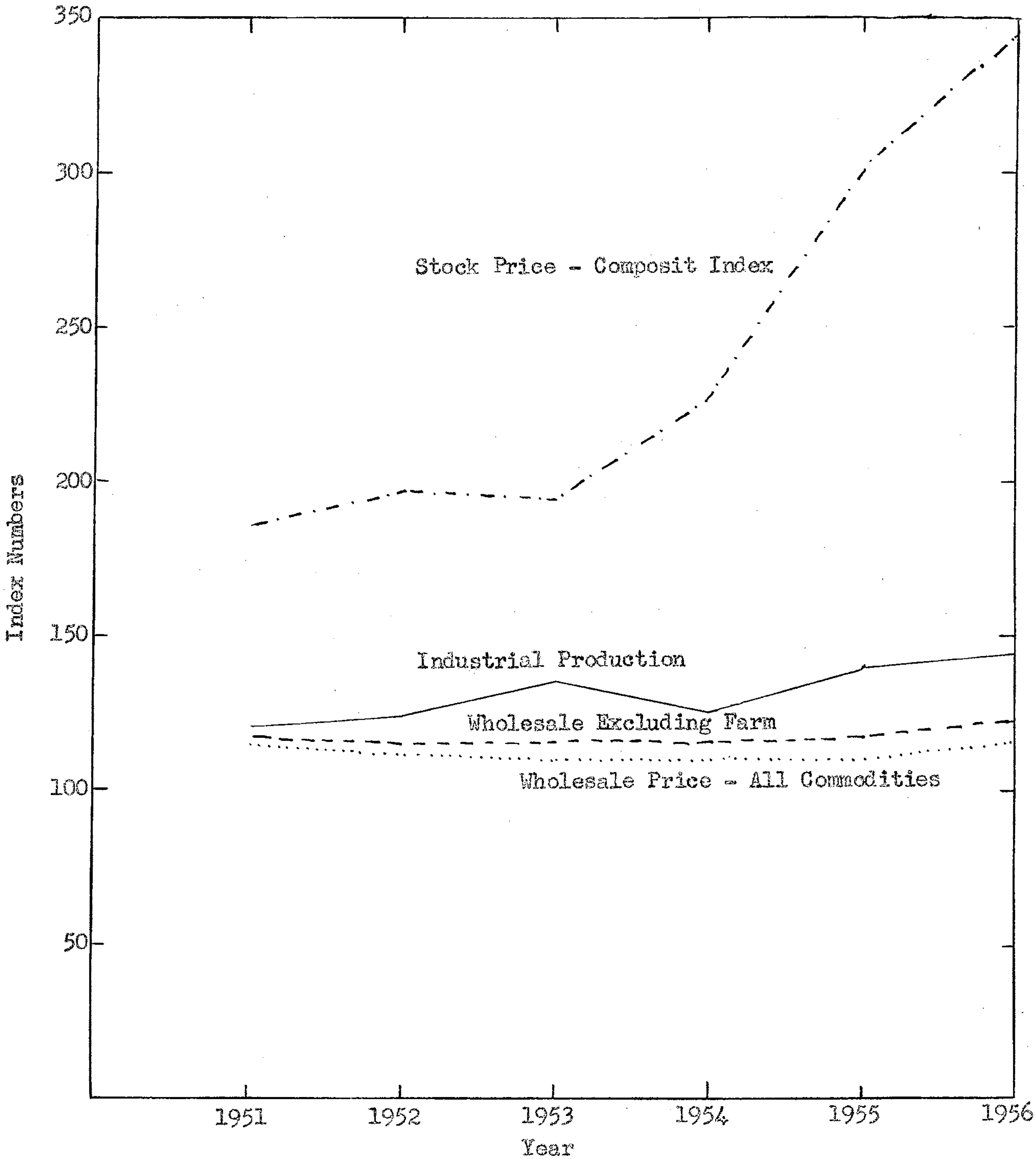

Figure 5

APPENDIX E

DEPOSITS, TOTAL CURRENCY IN CIRCULATION, LOANS AND INVESTMENTS, RESERVES, CONSUMER CREDIT AND BORROWING BY BANK

	1951	1952	1953	1954	1955	1956
Total Deposits and Currency (billions)	189.9	200.4	205.7	214.8	221.0	226.4
Demand Deposits	98.2	101.5	102.5	106.6	109.9	111.4
Time Deposits	61.5	65.8	70.4	75.3	78.4	82.2
U. S. Government Deposits	3.9	5.6	4.8	5.1	4.4	4.5
Currency in Circulation* (millions)	29,206	30,433	30,781	30,509	31,158	30,985
Loans and Investments (billions)	132.6	141.6	145.7	155.7	160.9	165.1
Loans	57.7	64.2	67.6	70.6	82.6	90.3
Investments	74.9	77.5	78.1	85.3	78.3	74.8
Required Reserve (billions)	18.5	19.6	19.3	18.5	18.3	18.4
Excess Reserve	.8	.8	.7	.7	.8	.6
Consumer Credit Outstanding (millions)	22,617	27,401	31,243	32,292	38,648	41,865
Borrowing at Federal Reserve Bank (millions)	.3	.8	.8	.1	.6	.8

Source: (1) 85th Congress, First Session, Economic Indicator, December, 1957.

*(2) Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, Washington, D. C. August, 1957, p. 929.

TOTAL DEPOSIT AND CURRENCY, LOANS AND
INVESTMENT, AND RESERVE REQUIREMENT

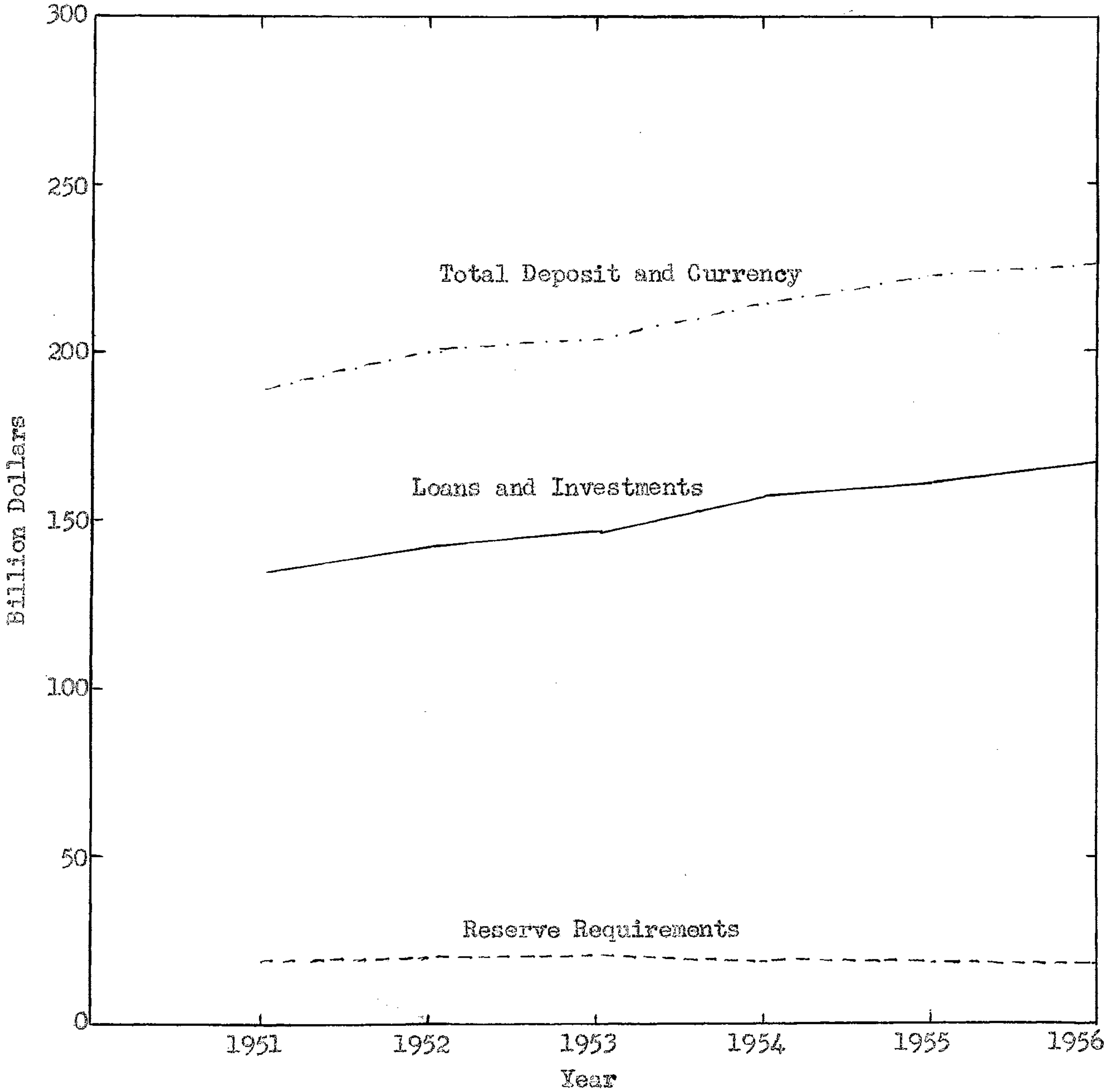

Figure 6

APPENDIX F

TOTAL ASSETS OF LIFE INSURANCE COMPANY, SAVING AND LOAN ASSOCIATION, CORPORATIONS, FEDERAL BUSINESS TYPE ACTIVITY AND CORPORATE DIVIDENDS

	1951	1952	1953	1954	1955	1956
			(Millions)			
Total Assets of Life Insurance[1]	68,278	73,375	78,533	84,486	90,432	96,011
Saving and Loan Association[1]	19,222	22,660	26,733	31,736	37,719	43,098
Total of Federal Business Type Activity (assets)[2]	26,744	29,945	38,937	41,403	45,304	66,019.5
			(Billions)			
Corporate Cash Dividends[3]	9.1	9.0	9.3	9.9	11.0	11.9
Current Assets of Corporations[3]	179.1	186.2	190.2	194.6	214.6	202.8

Source: [1]Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, Washington, D. C., August, 1957, p. 941.

[2]Ibid., p. 943.

[3]Ibid., p. 950.

ASSETS OF LIFE INSURANCE COMPANY, SAVING AND LOAN ASSOCIATION AND FEDERAL BUSINESS TYPE ACTIVITIES

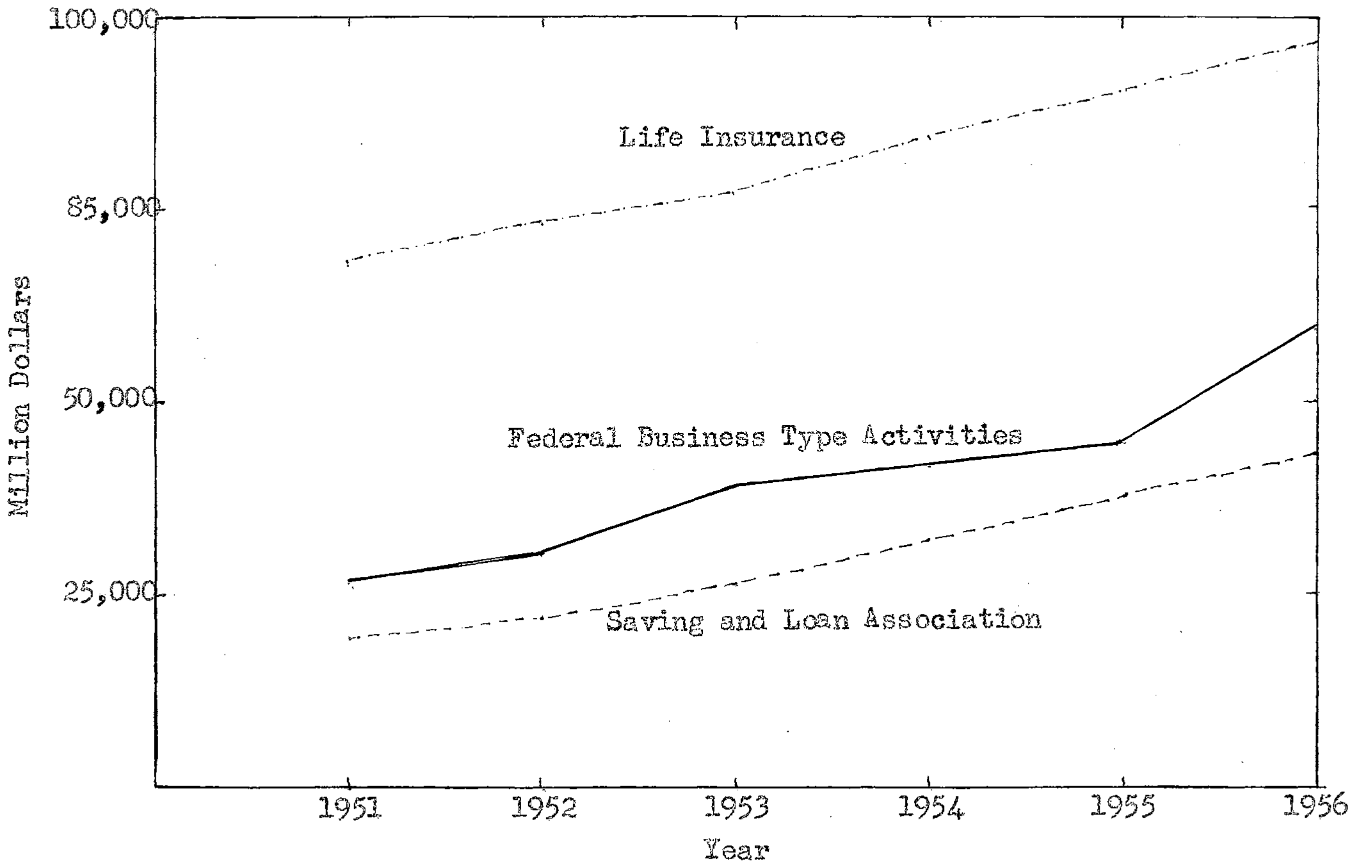

Figure 7

APPENDIX G

TOTAL RESERVE BANK CREDIT OUTSTANDING

(Including Total U. S. Government Securities, Discount and Advances and All Other Items - Million Dollars)

	1951	1952	1953	1954	1955	1956
January	23,051	23,783	26,478	25,437	25,449	25,879
February	23,188	23,904	26,194	25,688	25,021	25,183
March	24,150	23,270	24,927	25,316	24,989	25,517
April	23,560	23,632	25,546	25,382	25,070	25,411
May	23,481	23,152	25,589	25,781	24,924	25,237
June	24,043	23,551	25,414	25,642	24,958	25,516
July	24,033	24,821	26,176	25,183	25,497	25,599
August	24,309	25,216	25,958	24,696	25,450	25,357
September	25,058	24,742	26,252	25,183	25,525	25,737
October	24,427	25,855	26,550	25,401	25,792	25,698
November	27,734	26,740	26,133	25,944	26,089	26,097
December	25,009	25,825	26,880	26,317	26,853	27,157

Source: Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, Washington, D. C., December Issues for Years 1951-1956.

APPENDIX H

CONSUMER CREDIT OUTSTANDING
(Million Dollars)

	1951	1952	1953	1954	1955	1956
January	19,937	20,126	25,508	28,724		37,848
February	19,533	19,717	25,504	28,140	29,518	37,474
March	19,379	19,560	25,946	27,833	29,948	37,761
April	19,126	19,788	26,455	28,095	30,655	38,222
May	19,207	20,293	27,056	28,372	31,568	38,919
June	19,256	20,961	27,411	28,666	32,471	39,454
July	19,132	21,213	27,581	28,725	32,896	39,474
August	19,262	23,030	27,810	28,736	33,636	39,878
September	19,362	23,414	27,979	28,856	36,161	40,074
October	19,585	24,050	28,166	28,975	36,573	40,196
November	19,989	24,525	28,252	29,209	37,114	40,631
December	20,644	25,705	28,896	30,125	38,648	41,863

Source: 82nd to 85th Congress, Economic Indicator, December issues for 1951 to 1956.

APPENDIX I

TOTAL STOCK OF MONEY AND TOTAL LOANS AND INVESTMENTS
(Billion Dollars)

	Total Deposits and Currency						Total Loans and Investments of Commercial Banks					
	1951	1952	1953	1954	1955	1956	1951	1952	1953	1954	1955	1956
January	178.8	188.2	198.2	203.5	213.4	217.2	125.0	132.8	140.8	145.3	156.2	159.4
February	178.9	188.0	197.4	202.5	212.0	216.1	125.0	132.2	140.1	145.3	154.8	158.4
March	179.9	188.7	196.9	201.3	210.6	217.8	125.7	132.5	140.0	142.8	153.5	159.9
April	179.8	188.7	195.4	202.3	213.0	219.4	125.4	132.3	138.5	144.1	155.5	160.1
May	179.2	189.3	195.3	203.6	212.6	217.4	125.1	133.1	138.5	145.7	155.6	159.7
June	180.8	191.4	196.6	205.3	213.5	219.7	126.0	134.4	138.0	146.4	155.3	160.0
July	180.8	193.4	201.3	204.9	214.6	217.5	126.1	136.8	143.2	147.3	157.0	159.6
August	181.6	193.1	201.1	206.3	214.2	219.1	127.0	136.6	143.1	149.5	156.7	161.0
September	183.8	194.2	201.1	207.7	214.8	220.1	128.6	137.1	143.0	150.6	157.3	162.0
October	185.8	196.1	201.7	211.4	216.7	220.9	130.5	139.4	143.9	154.1	158.9	162.5
November	187.1	198.9	203.6	211.3	217.2	222.9	131.9	141.7	145.5	155.7	159.4	163.0
December	189.8	200.4	205.7	213.7	221.0	226.4	132.6	141.6	145.7	155.9	160.9	165.1

Source: 82nd to 85th Congress, Economic Indicator, December Issues for Years 1951-1956.

VITA

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Master of Science

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Major Field: Economics

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