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# Federal Reserve Bank of Cleveland

1931

SEVENTEENTH ANNUAL REPORT  
TO THE  
FEDERAL RESERVE BOARD

ANNUAL REPORT  
of the  
Federal Reserve Agent  
of the  
Fourth Federal  
Reserve District  
to the  
Federal Reserve Board

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Covering Operations  
for the  
Calendar Year  
1931

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FEDERAL RESERVE BANK OF CLEVELAND

## Letter of Transmittal

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January, 1932.

SIR:

I have the honor to transmit to you herewith the seventeenth annual report of the Federal Reserve Bank of Cleveland, covering operations for the calendar year 1931.

Respectfully,

GEORGE DECAMP,  
*Federal Reserve Agent.*

*Federal Reserve Board,  
Washington, D. C.*

## Directors and Officers, 1932

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### DIRECTORS

#### CLASS A

ROBERT WARDROP, Pittsburgh, Pa., 1932  
O. N. SAMS, Hillsboro, Ohio, 1933  
CHESS LAMBERTON, Franklin, Pa., 1934

#### CLASS B

G. D. CRABBS, Cincinnati, Ohio, 1932  
J. E. GALVIN, Lima, Ohio, 1933  
R. P. WRIGHT, Erie, Pa., 1934

#### CLASS C

GEO. DECAMP (Chairman), Cleveland, Ohio, 1932  
W. W. KNIGHT, Toledo, Ohio, 1933  
L. B. WILLIAMS (Deputy Chairman), Cleveland, Ohio, 1934

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### OFFICERS

GEO. DECAMP, Chairman of the Board and Federal Reserve Agent	E. R. FANCHER, Governor
W. H. FLETCHER, Assistant Federal Reserve Agent	M. J. FLEMING, Deputy Governor
J. B. ANDERSON, Assistant Federal Reserve Agent	F. J. ZURLINDEN, Deputy Governor
F. V. GRAYSON, Auditor	H. F. STRATER, Cashier and Secretary
	W. F. TAYLOR, Assistant Cashier
	C. W. ARNOLD, Assistant Cashier
	G. H. WAGNER, Assistant Cashier
	D. B. CLOUSER, Assistant Cashier
	C. L. BICKFORD, Assistant Cashier

### CINCINNATI BRANCH

#### DIRECTORS

THOS. J. DAVIS  
FRED A. GEIER  
B. H. KROGER  
E. S. LEE  
C. F. MCCOMBS  
JOHN OMWAKE  
GEO. M. VERITY

#### OFFICERS

C. F. MCCOMBS, Managing Director  
B. J. LAZAR, Cashier  
H. N. OTT, Assistant Cashier  
BRUCE KENNELLY, Assistant Cashier

### PITTSBURGH BRANCH

#### DIRECTORS

A. E. BRAUN  
J. R. EISAMAN  
A. L. HUMPHREY  
J. S. JONES  
R. B. MELLON  
J. C. NEVIN  
JAMES RAE

#### OFFICERS

J. C. NEVIN, Managing Director  
T. C. GRIGGS, Cashier  
P. A. BROWN, Assistant Cashier  
F. E. COBUN, Assistant Cashier

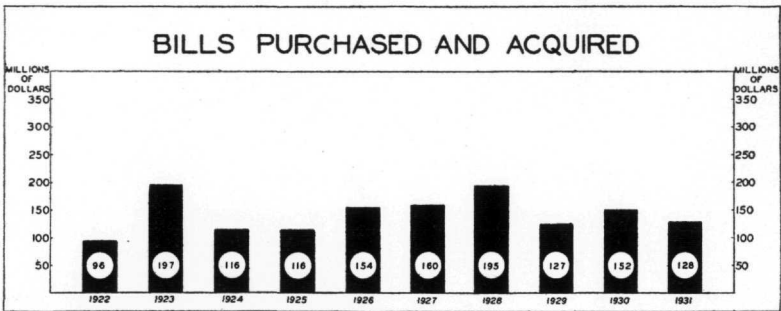


# SEVENTEENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF CLEVELAND

A continuation and deepening of the business depression which began in 1929; further sharp declines in commodity and security prices; an increase in business failures; dividend reductions or omissions; widespread unemployment; wage reductions; unusual withdrawals of bank deposits and hoarding of currency, with accompanying bank suspensions, were the outstanding developments of the year. Manufacturing operations in all lines were sharply curtailed.

## FEDERAL RESERVE CREDIT

The volume of Federal reserve credit was subject to unusually wide swings in all items except holdings of Government securities. Bills discounted during the latter part of April dropped below \$12 millions, a new low point since 1917. Following member bank suspensions in Toledo in August, discounts for members advanced sharply for the balance of the year, reaching a total of \$127,581,000 on December 23. Acceptance holdings, after the seasonal decline in the early part of the year, increased moderately in March and April after which they declined to nearly \$5 millions in early August.

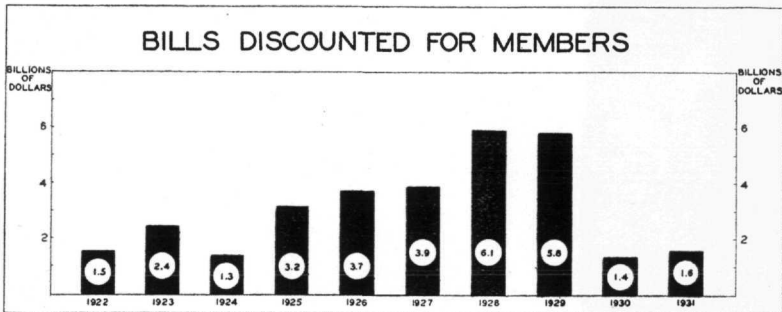


Following the withdrawal of foreign funds from the United States and the conversion into cash balances of bills held for foreign account, this bank, participating with other Federal reserve banks, increased its holdings of acceptances to \$57,566,000 in mid-October. Toward the end of the year holdings of bills ran off sharply until on December 30 they were within striking distance of the August low.

The total volume of bills and securities after the year-end liquidation was below \$100 millions from mid-January until the middle of

August, from which point it rose rapidly to a total of \$231 millions in late October. Between that point and the end of the year there was a liquidation of approximately \$43 millions. Declines occurring in both acceptances and security holdings in this period were offset in part by an increase in bills discounted for members.

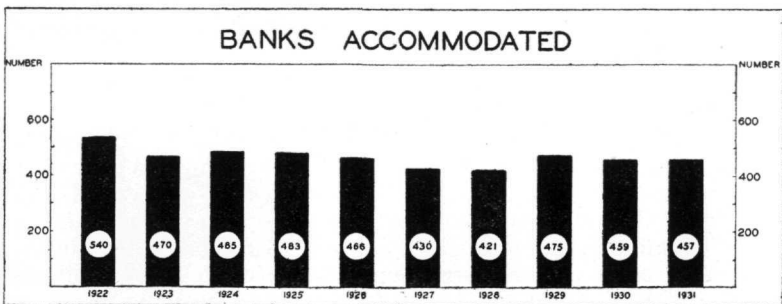
It is obvious that the increase in bills discounted and in total credit outstanding was not related to changes in business activity, since the greatest amount of Federal reserve credit was employed in this district at a time when business was at its very lowest ebb. They reflect rather an unusually heavy demand for currency occasioned by the withdrawal of deposits in banks and a desire on the part of banks themselves to liquefy their positions. The total amount



of Federal reserve credit in use was, however, much below that of 1920, and the reserve position of the Cleveland bank has at no time during the year fallen below 57.9 per cent.

Reserve deposits of member banks are lower, reflecting a decrease in their own deposit liabilities against which reserves must be carried, and the closing of some member banks during the year.

Increased activity in our discount department was reflected by an increase of approximately 800 in the number of approved applications for loans and rediscounts, reaching a total volume of \$1,590 millions as compared with \$1,367 millions in the year 1930. While the number of banks accommodated was substantially the same (457



as against 459), the number was proportionately greater because of the decrease in the average number of member banks throughout the year. In the main, the method employed by member banks to secure reserve bank credit has not materially changed, the bulk of borrowings taking the form of member bank collateral notes secured by commercial paper or by United States securities. This parallels the experience of other recent years.

The daily average volume of earning assets increased from a low of about \$87 millions in March to a high of about \$210 millions in November. The daily average was approximately \$27 millions above that of last year. By reason of lower discount rates prevailing however, the income from earning assets was more than \$500 thousand below that of 1930. The average rate of earnings was 2.21 per cent compared with 3.36 per cent in 1930.

The discount rate was changed three times during the year — from three to two and one-half per cent on May 9, raised to three per cent on October 10, followed by a further increase to three and one-half per cent on October 24.

### EARNINGS AND EXPENSES

Net earnings for the year available for dividends amounted to \$78,544.62, necessitating a charge to surplus to cover annual dividends in the amount of \$857,968.21. Earnings for the year were substantially below those of 1930, a reflection of lower rates, since the daily average of earning assets was more than 25 per cent in excess of that of the previous year. The average rate earned in 1931 was 2.21 per cent, a decline from 1930 of nearly 35 per cent.

Adjustments in capital account at the year-end and capital stock cancellations during the year are shown in the following comparison:

	Dec. 31, 1930	Dec. 31, 1931
Capital Stock (paid in) . . . . .	\$15,812,900.00	\$14,630,000.00
Capital Stock (subscribed) . . . . .	31,625,800.00	29,260,000.00
Surplus . . . . .	28,971,612.32	27,640,313.21

Reserves for depreciation, etc., other than on buildings, vaults, and equipment, amounting to \$748,523.87 were established, the bulk of which represented a write-down to market value of United States securities held in investment account.

### MEMBER BANK CREDIT

Figures of weekly reporting member banks indicate a substantial liquidation of bank credit in the Fourth district during the past year, amounting to slightly more than \$185 millions or 8.5 per cent. Loans on securities declined consistently throughout the year from a high of \$703 millions in January to a low of \$578 millions in December. "All other" loans receded relatively less — from \$759 millions to \$705 millions. Total loans of reporting members, representing

roughly 67 per cent of resources of all member banks in the district, showed a decline of nearly \$165 millions, while investment accounts showed an unimportant decrease.

Total deposits have declined to a greater extent than the loan account has been liquidated, the drop in the year being more than \$300 millions. Demand deposits have declined approximately \$200 millions and time deposits approximately \$125 millions. Savings deposits, at 27 large banks in the Fourth district, (selected so that consolidations would not affect the figures), were ten per cent smaller in December, 1931, than a year ago, and were lower than since 1927. Perplexity over the disturbed financial situation and actual need for money because of reduced earnings were factors contributing to the sharp reduction in the past year.

The changes in the principal items of reporting member bank credit are given in the tabulation below:

*Weekly Reporting Member Banks*

(Figures in Millions)

	Dec. 31, 1930	Dec. 31, 1931	Net Change
Loans on securities.....	\$ 706	\$ 578	-\$128
All other loans.....	769	705	- 64
Total investments.....	741	734	- 7
Total loans, discounts and investments.....	\$2,216	\$2,017	-\$199

**CHANGES IN MEMBERSHIP**

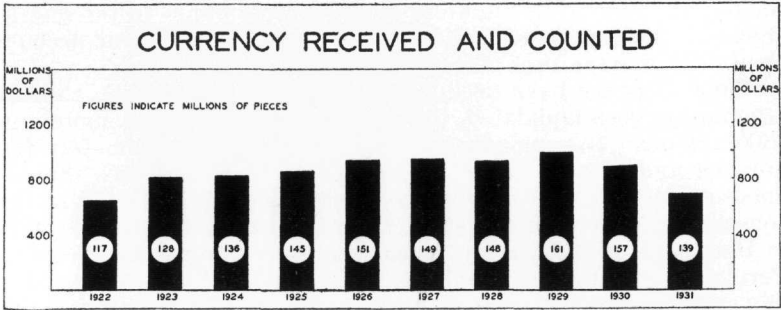
There was a net loss of ninety member banks in the district during the year. Thirty-one were the result of purchases, mergers or consolidations, fifty-one the result of receiverships, and thirteen were voluntary liquidations. Two state banks voluntarily withdrew from membership. Five national banks and two State banks were admitted during 1931.

On December 31, the number of member banks in the district was 682 of which 607 were national banks and 75 were State banks. Changes in the composition of membership are shown in the table given below:

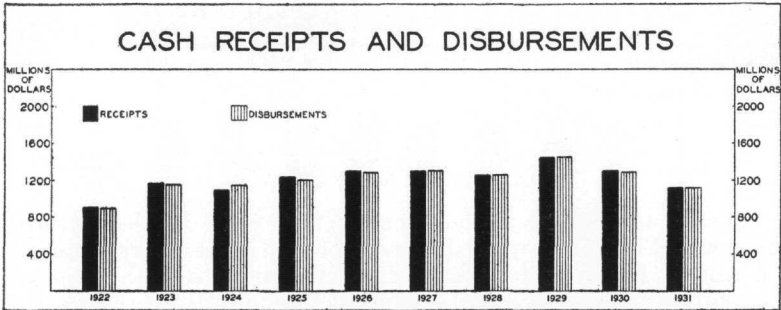
	National Banks	State Banks
Number of members 12-31-1930.....	676	96
Admitted in 1931.....	4	2
	680	98
Withdrawn in 1931.....	73	23
Number of members 12-31-1931.....	607	75

**FEDERAL RESERVE NOTES**

During the early months of 1931 the note circulation of this bank fluctuated within narrow limits at about the average level maintained throughout the preceding year. There was a moderate unseasonal

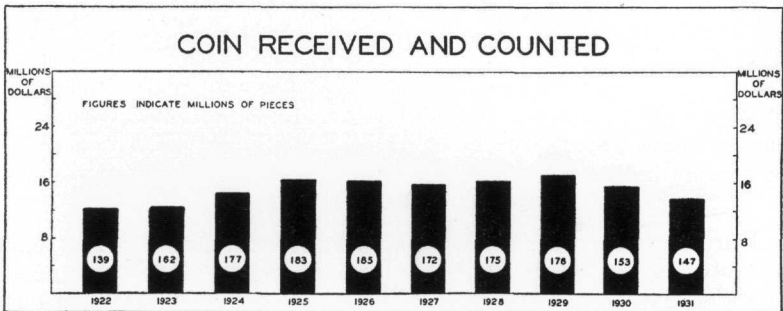


increase during the summer months, but following the suspension of four important banking units at Toledo withdrawals from individual deposit accounts on a large scale and demands from banks wishing to add to vault cash holdings necessitated a large increase in note issues. In the month of August, the liability of this bank for notes in circula-



tion increased over \$40 millions, and between the first of July and the year-end it was augmented about \$120 millions.

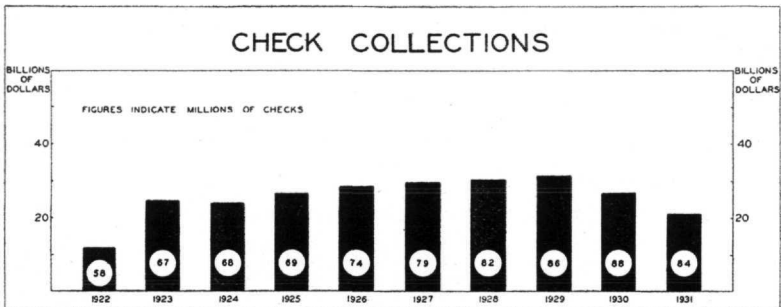
There was a marked reduction in the number of bank suspensions in November and December compared with those occurring in the immediately preceding months, and the increase in note circulation prior to the Christmas holidays was less than usual.



## CHECK COLLECTIONS

Check collection activities at the Federal Reserve Bank of Cleveland were maintained at substantially the levels of the two immediately preceding years, the decline in the number of items from 1930 being but about five per cent. In dollar value the total shows a decline of about 22 per cent, probably reflecting in large part the decline in prices and, to a degree, the ordering of goods in smaller-than-usual lots.

At the Cleveland office the number of items handled was approximately equal to the number handled in the preceding year, while the amount in dollar value declined nearly 17 per cent. At the Pittsburgh branch the number of items decreased less than four per cent, but in dollar value the shrinkage was nearly 27 per cent.



The closing of important banking units apparently had little effect upon the total volume of transit operations, the decrease in items handled because of suspensions being offset by items collected through the Federal Reserve Bank of Cleveland which usually were collected through correspondent banks in the cities affected by bank suspensions.

Details of check collection activities for 1931 are given below:

### *Transit Department Check Clearings and Collections for Year 1931*

#### *Cleveland*

	Items	Amounts
On Cleveland banks . . . . .	7,498,960	\$ 5,045,712,872.44
On other banks in District No. 4 . . . . .	24,702,791	2,163,604,054.81
On banks in other Districts . . . . .	886,305	77,547,247.84
On Treasurer of United States . . . . .	1,406,760	155,645,686.76
Total . . . . .	34,494,816	\$ 7,442,509,861.85
Items sent to Cincinnati and Pittsburgh branches . . . . .	306,551	\$ 36,533,570.05

*Cincinnati*

On Cincinnati banks . . . . .	3,704,930	\$ 1,936,762,739.29
On other banks in District No. 4 . . . . .	12,860,910	825,784,896.26
On banks in other Districts . . . . .	370,766	40,620,358.26
On Treasurer of United States . . . . .	964,320	133,492,446.56
Total . . . . .	17,900,926	\$ 2,936,660,440.37
Items sent to Main Office and Pittsburgh branch . . . . .	153,895	\$ 24,325,088.82

*Pittsburgh*

On Pittsburgh banks . . . . .	8,874,974	\$ 8,664,504,481.88
On other banks in District No. 4 . . . . .	19,967,309	1,220,398,919.68
On banks in other Districts . . . . .	983,094	332,694,088.08
On Treasurer of United States . . . . .	732,997	104,756,747.99
Total . . . . .	30,558,374	\$10,322,354,237.63
Items sent to Main Office and Cincinnati branch . . . . .	85,548	\$ 49,433,843.47

*Recapitulation*

Total number of items handled . . . . .	82,954,116	
Total amount of items handled . . . . .		\$20,701,524,539.85
Items and amounts handled by both Main Office and branches and not duplicated in above figures . . . . .	554,994	\$ 110,292,502.34

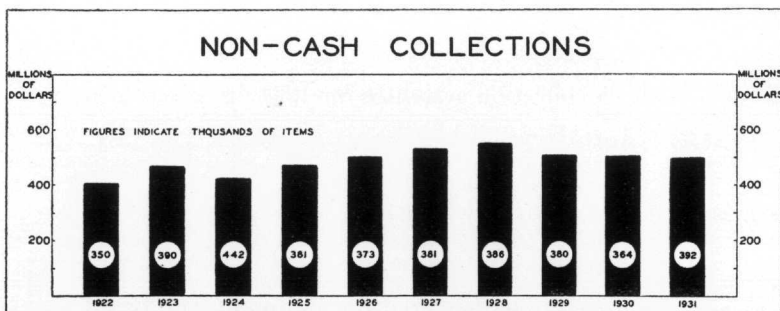
**NON-CASH COLLECTIONS**

In 1931, 391,793 items, amounting to \$497,085,723.14, were handled through the non-cash collection department.

The number and amounts of items handled at the main office and branches at Cincinnati and Pittsburgh were as follows:

	Number	Amounts
Main Office . . . . .	321,855	\$411,569,179.77
Cincinnati Branch . . . . .	38,847	48,760,340.22
Pittsburgh Branch . . . . .	31,091	36,756,203.15
Total . . . . .	391,793	\$497,085,723.14

On items handled through the three offices, collecting banks made collection charges on 29,832 items, aggregating \$10,552,955.30, at a rate slightly more than one-tenth of one per cent.



Member banks sent direct to other Federal reserve banks and branches for collection 62,191 items, aggregating \$68,806,450.62.

## FISCAL AGENCY OPERATIONS

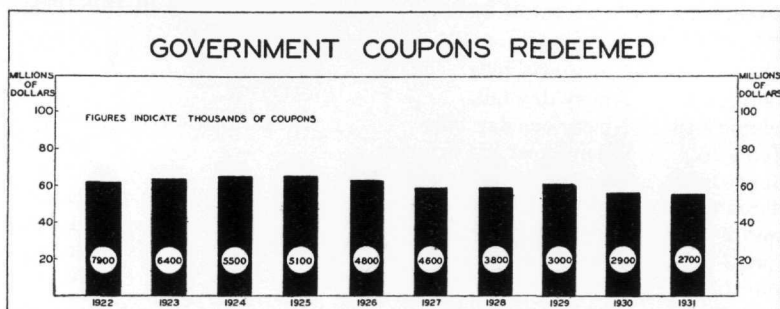
During the year 1931 there were issued twenty-nine series of Treasury bills, six series of certificates of indebtedness, one series of notes, and three series of bonds. Allotments thereon in this district were as follows:

February 3	Ninety day bills.....	\$ 000
February 4	Ninety day bills.....	000
February 16	Ninety-one day bills.....	3,000,000
March 16	Twelve year 3 $\frac{3}{8}$ % bonds.....	10,770,400
March 16	Six month 1 $\frac{1}{2}$ % certificates.....	5,605,000
March 16	One year 2% certificates.....	25,124,000
April 2	Ninety day bills.....	1,750,000
April 3	Ninety day bills.....	1,750,000
April 15	Eight month 1 $\frac{1}{8}$ % certificates.....	16,142,000
April 27	Ninety-one day bills.....	000
May 5	Ninety day bills.....	1,000,000
May 11	Ninety-one day bills.....	000
May 18	Sixty day bills.....	3,000,000
May 18	Ninety-one day bills.....	000
June 1	Ninety-one day bills.....	000
June 15	Eighteen year 3 $\frac{1}{8}$ % bonds.....	46,643,500
July 1	Ninety-one day bills.....	000
July 2	Ninety day bills.....	000
July 17	Ninety day bills.....	000
July 27	Ninety-one day bills.....	000
August 3	Ninety-one day bills.....	000
August 10	Ninety-one day bills.....	000
August 17	Ninety-one day bills.....	000
August 24	Ninety-one day bills.....	000
August 31	Ninety-one day bills.....	000
September 15	One year 1 $\frac{1}{8}$ % certificates.....	4,605,500
September 15	Twenty-four year 3% bonds.....	121,633,200
September 30	Ninety-one day bills.....	000
October 15	Ninety day bills.....	100,000
October 26	Ninety-one day bills.....	100,000
November 2	Ninety-one day bills.....	000
November 9	Ninety-one day bills.....	000
November 16	Ninety-one day bills.....	50,000
November 23	Ninety-three day bills.....	51,000
November 30	Ninety-three day bills.....	112,000
December 15	One year 3 $\frac{1}{4}$ % notes.....	26,748,500
December 15	Nine month 3% certificates.....	18,084,500
December 15	Six month 2 $\frac{3}{4}$ % certificates.....	210,000
December 30	Ninety-one day bills.....	310,000

Government securities delivered on allotment numbered 34,141 pieces.

Government securities received for exchange of denomination or form (within the issue) consisted of 78,949 pieces in coupon form

and 16,105 pieces in registered form, aggregating \$240,214,800, including \$62,153,450, received for transfer by wire.



Wire transfers of Government short-term securities from other districts to this district aggregated \$19,461,500; from this district to other districts, \$62,153,450.

Government coupons redeemed totaled 2,407,604, aggregating \$45,768,215.56. Federal farm loan coupons redeemed totaled 289,507, aggregating \$8,835,960.01.

Government obligations presented for redemption numbered 142 in registered form and 36,311 in coupon form and had a value of \$95,722,253.

Federal Intermediate Credit Bank debentures presented for redemption numbered 40 and had a value of \$2,000,000.

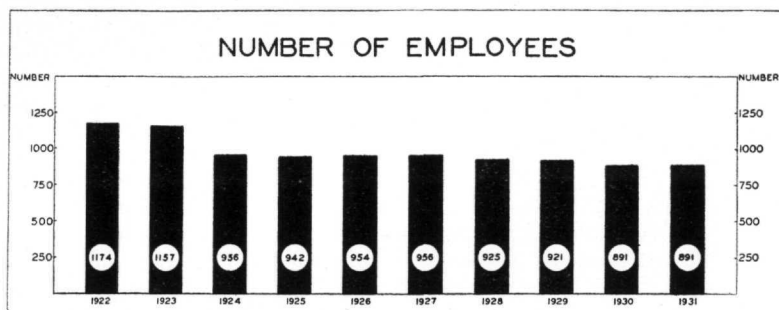
### PERSONNEL

In the November election by member banks in group 2, Chess Lambertson, of Franklin, Pennsylvania, was reelected Class A director, and R. P. Wright, of Erie, Pennsylvania, was reelected Class B director, for three-year terms ending December 31, 1934.

The Federal Reserve Board redesignated George DeCamp as Chairman of the Board and Federal Reserve Agent for the year 1932, and L. B. Williams as Deputy Chairman for the same period. Mr. Williams also was reappointed, by the Federal Reserve Board, for a three-year term as Class C director.

Fred A. Geier, of Cincinnati, Ohio, was reappointed by the Federal Reserve Board as a director of the Cincinnati branch, and James Rae, of Pittsburgh, Pennsylvania, was reappointed a director of the Pittsburgh branch, each for terms of three years. The Board of Directors of the main office reappointed E. S. Lee, of Covington, Kentucky, and A. E. Braun, of Pittsburgh, Pennsylvania, as director of the Cincinnati and Pittsburgh branches, respectively, also for three-year terms. C. F. McCombs and J. C. Nevin were reappointed

to serve as Managing Directors of the Cincinnati and Pittsburgh branches, respectively, for the year 1932.



While the work in some departments has increased heavily, there has been no change in the number of employees at the main office and branches during the year. The number of employees on the payroll on the last days of 1930 and 1931 is identical.

#### GENERAL BUSINESS CONDITIONS

With the exception of a slight upturn in the spring of 1931 similar to the one which developed in the early months of 1930, general business in the Fourth district has been declining for two and one-half years. The effects of depression became unusually severe in the latter part of the year, partly because of the district's highly industrialized make-up, and the dependence of many local factories on automobile and iron and steel production. The reduction in local industrial operations in 1931, consequently, was somewhat more severe than in some other sections of the country.

Unemployment was widespread, and this, coupled with a reduction in the number of hours worked, caused a substantial reduction in purchasing power and abnormal demands on relief organizations.

Operations in the iron and steel industry, one of the most important in the district, were down sharply from other years. Pig iron production in the entire country averaged only 50,041 tons a day. This was 42 per cent below 1930, 57 per cent under 1929, and lower than for any year since 1921. As the year ended, there were only 57 out of 301 furnaces in blast, a new all-time low, though average capacity of blast furnaces has increased nearly one-third in the past decade. Steel ingot production increased in the first quarter of the year from 33 to 60 per cent of capacity, but receded in the following three quarters to a low of about 25 per cent in December. Output for the year averaged only slightly above 80,000 tons a day, and was 37 per cent below the average of the preceding ten years. With automobile, rail and general industrial demand sharply curtailed,

local mills were operating at lower-than-average rates in most of 1931. Prices sagged during the period, though the reductions were much smaller than in 1930. Average prices are lower than since 1915.

Although the automobile industry had a very unsatisfactory year, production being about 30 per cent below 1930 and the smallest since 1921, some progress was made. Stocks were very much reduced, for in every month since May new car registrations exceeded production. In the final quarter of the year there was almost a complete shutdown of the industry, the seasonally adjusted index dropping to 26 per cent of the 1923-1925 monthly average in October. A slight expansion in production of new models was reported in November and December, the upturn being greater than seasonal, but monthly production was still below other years. This reduced automobile production had marked effect on parts and accessory demand and many local plants were shut down entirely or were operating at very low levels during much of the period.

This also affected the rubber and tire industry, so far as original equipment was concerned, but tire production in the year was not far below 1930, the demand for replacement tires offsetting in part the reduction in original equipment sales. Tire output in 1931 was only four per cent below the preceding year. Costs of raw materials have fallen sharply to the lowest levels in history, and prices of finished goods were reduced.

The coal industry was very depressed, being affected by reduced industrial demand, unusually warm weather, declining prices and labor troubles. Production of bituminous coal was about 20 per cent under 1930, and over 25 per cent below the average annual output of the preceding eight years. Shipments of coal from Lake Erie ports were 17 per cent smaller than a year ago, and less freight of all kinds was shipped on the Great Lakes (chiefly iron ore and coal mostly received at, or shipped from Lake Erie ports) than in any year but one since the War.

Practically all of the less important manufacturing industries of the Fourth district operated at lower levels in 1931 than in the past ten years. One exception was the shoe industry which reported output in the year slightly ahead of 1930, though activity was much below the average of preceding periods. Clothing manufacturers felt the effects of reduced purchasing power, unseasonable weather, and the reluctance of dealers to stock in usual amounts under prevailing conditions. Paint production was affected by reduced building operations and the decline in automobile production. Most other manufacturing concerns, including electrical supply, glass, china, pottery, tool, hardware and paper companies, operated at lower levels in 1931 than in 1930.

Farmers in the district raised one of the largest crops on record, in contrast to only an average harvest in the entire country. Composite crop yields were somewhat above the average of preceding

years, but the drastic reduction in prices to pre-war levels reduced farm income materially. Based on December 1 prices, the farm value of all crops raised in the entire country fell 49 per cent in the past two years.

Both retail and wholesale trade declined in dollar value, partly a result of lower prices. Based on reports received from department stores in the district, retail sales were down about 12 per cent from 1930, which in turn was off 10 per cent from 1929. Wholesale trade, as reflected by reports from four major lines, was about 25 per cent smaller than in 1930. Chain grocery sales, on a unit basis, were down five per cent in the period.

Building activity, which in 1930 was about 20 per cent below 1929, declined an additional 45 per cent in 1931. All major types receded sharply, but public works and utility building, counted on to aid in relieving unemployment, declined 50 per cent in the past year. Contemplated projects reported are about half as large as a year ago.