

**TENTH ANNUAL REPORT**  
*of the*  
**FEDERAL RESERVE BANK**  
**OF PHILADELPHIA**



**FOR THE YEAR ENDING**  
**DECEMBER 31, 1924**

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**PUBLISHED BY THE**  
**FEDERAL RESERVE AGENT**  
**OF THE**  
**FEDERAL RESERVE BANK OF PHILADELPHIA**

**LETTER OF TRANSMITTAL**

*January 28, 1925.*

Federal Reserve Board,  
Washington, D. C.

Sirs:

I have the honor to submit herewith the tenth annual report on the operations of the Federal Reserve Bank of Philadelphia, covering the year 1924.

Very truly yours,

**RICHARD L. AUSTIN,**  
*Chairman of the Board and  
Federal Reserve Agent*

**Tenth Annual Report**  
**of the**  
**Federal Reserve Bank of Philadelphia**

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## Tenth Annual Report of the Federal Reserve Bank of Philadelphia

### *Profit and loss*

The profit and loss statement covering the operations of the Federal Reserve Bank of Philadelphia for the year 1924 is as follows:

	1924	1923	1922
Gross earnings.....	\$2,915,845	\$4,592,771	\$4,251,950
Current expenses.....	2,153,835	2,295,726	2,053,919
Current net earnings.....	\$762,010	\$2,297,045	\$2,198,031
Additions to current net earnings.....	\$22,131	\$19,617	\$82,678
Deductions from current net earnings....	37,049	138,825	43,833
Net additions to current net earnings...	*\$14,918	*\$119,208	\$38,845
Net earnings available for dividends, sur- plus and franchise tax.....	\$747,092	\$2,177,837	\$2,236,876
Distribution:			
Dividends.....	\$615,135	\$582,292	\$541,552
Paid to Government as franchise tax...	0	416,957	855,364**
Transferred to surplus account.....	131,957	1,178,588	839,960**

\*Net deduction

\*\*Bank also charged its surplus and paid the United States Government \$36,366 as an additional franchise tax for 1921.

Owing to smaller earning assets and the lower rate of return on them, gross earnings declined from \$4,593,000 in 1923 to \$2,916,000 in 1924. Current expenses also declined somewhat, falling from \$2,296,000 in 1923 to \$2,154,000 in 1924. Current net earnings were \$762,000, or 7.4 per cent of the average capital stock, as compared with 23.7 per cent in 1923.

Adjustments, including among other items an addition of \$20,433, representing appreciation in the value of United States securities held, and a deduction of \$23,306, charged off in connection with furniture and equipment, resulted in the deduction of \$15,000 from current net earnings, leaving \$747,000 available for the payment of dividends, franchise tax, or addition to surplus. Dividends amounted to \$615,000. The Federal Reserve Act provides that, after the payment of dividends, the surplus may be built up to 100 per cent of the subscribed capital stock before anything shall be paid to the Government as a franchise tax. This year only \$132,000 remained which, even when added to the surplus, failed to bring that surplus up to the amount permitted, so that no payment could be made to the Government.

*Statement of condition*

The statement of condition of the Federal Reserve Bank of Philadelphia as of the close of 1924 is given below in comparison with statements for the two previous years:

RESOURCES (000's omitted)	December 31, 1924	December 31, 1923	December 30, 1922
Gold reserves . . . . .	\$231,567	\$249,034	\$235,589
Reserves other than gold . . . . .	4,994	10,747	14,805
<b>Total reserves . . . . .</b>	<b>\$236,561</b>	<b>\$259,781</b>	<b>\$250,394</b>
Non-reserve cash . . . . .	1,731	1,345	*
Bills discounted:			
Secured by Government obligations . . . . .	\$27,411	\$42,814	\$38,872
Other bills discounted . . . . .	8,873	16,110	10,738
<b>Total bills discounted . . . . .</b>	<b>\$36,284</b>	<b>\$58,924</b>	<b>\$49,610</b>
Bills bought in open market . . . . .	18,276	33,261	23,380
U. S. Government securities . . . . .	29,889	12,952	29,190
Federal intermediate credit bank bonds . . . . .	1,550	0	0
Foreign loans on gold . . . . .	582	0	0
<b>Total earning assets . . . . .</b>	<b>86,581</b>	<b>\$105,137</b>	<b>\$102,180</b>
Uncollected items . . . . .	59,472	53,356	58,032
All other resources . . . . .	1,317	1,295	1,006
<b>Total resources . . . . .</b>	<b>\$385,662</b>	<b>\$420,914</b>	<b>\$411,612</b>
<b>LIABILITIES</b>			
Federal reserve notes in actual circulation . . . . .	\$168,737	\$221,038	\$214,067
Deposits:			
Member bank—reserve account . . . . .	129,677	119,129	119,075
Government . . . . .	2,152	2,437	255
Other deposits . . . . .	807	337	587
<b>Total deposits . . . . .</b>	<b>\$132,636</b>	<b>\$121,903</b>	<b>\$119,917</b>
Deferred availability items . . . . .	53,591	47,805	49,331
Capital paid in . . . . .	10,518	9,941	9,327
Surplus . . . . .	20,059	19,927	18,749
All other liabilities . . . . .	121	300	221
<b>Total liabilities . . . . .</b>	<b>\$385,662</b>	<b>\$420,914</b>	<b>\$411,612</b>
Ratio of total reserves to deposit and Federal reserve note liabilities combined	78.5%	75.8%	75.0%
Contingent liability on bills purchased for foreign correspondents . . . . .	\$4,140	\$1,633	\$2,752

\*Not shown separately prior to 1923.

*Business conditions*

Industrial and trade changes in the Third Federal Reserve District during 1924 closely paralleled those in the country as a whole. Business activities varied widely throughout the year, easy money and credit conditions prevailed, and the rates for money reached a low level.

With the exception of January and February, the first half of the year was marked by a steady decline in productive activity, accompanied by a falling off of factory employment in Pennsylvania, New Jersey and Delaware of 13 per cent. This curtailment was followed by a decline in the buying power of the community. Sales of department stores and many lines of wholesale trade fell below those of corresponding months in 1923; this, together, with a decline of 5 per cent in wholesale prices, induced a general disinclination on the part of manufacturers and distributors to carry more than a minimum amount of goods.

The downward movement in productive activity ceased at the close of August and in the following month definite evidences of improvement appeared. The volume of buying increased, working forces were enlarged and factory production expanded. Reports received from more than a thousand firms located in the three states of this district showed an increase from July to December of 7 per cent in employment and of 19 per cent in total wages paid. Though a seasonal improvement occurred in the volume of wholesale and retail buying, it was nevertheless noted that sales over a number of the months continued to fall behind those of the corresponding months in 1923. But it is noteworthy that in December the volume of sales by retail firms was 3 per cent in excess of the large sales which received so much comment in December, 1923, and that similar comparison of all the lines of wholesale trade reporting to this Bank also showed advances.

In explaining the improvement in business conditions, so apparent during the last quarter of the year, several factors are to be noted: An increased confidence among manufacturers and distributors in the business outlook; the encouraging transportation and agricultural situation; and the optimism resulting from the betterment in European affairs.

### *Condition of member banks*

Figures reported by member banks in Philadelphia, Camden, Scranton and Wilmington, as given below, indicate the banking changes in the third Federal reserve district:

All figures in millions of dollars	Actual Jan. 2 1924	Changes in period from			Actual Dec. 31 1924
		Jan. 2 to May 28	May 28 to Dec. 3	Dec. 3 to Dec. 31	
Loans secured by stocks and bonds	\$288.6	— 7.2	+53.1	—16.4	318.1
All other (largely commercial) loans and discounts.....	336.0	+25.0	+12.8	—18.7	355.1
Total loans and discounts.....	624.6	+17.8	+65.9	—35.1	673.2
Investments.....	291.2	+12.4	+57.5	+14.1	375.2
Total loans and investments... ..	915.8	+30.2	+123.4	—21.0	1,048.4
Total deposits*.....	817.1	+ 9.6	+147.6	—20.2	954.1
Borrowings from Federal Reserve Bank of Philadelphia.....	23.7	—13.2	— 7.5	+10.1	13.1

\*Includes net demand deposits, time deposits and Government deposits.

During 1924 total loans, discounts and investments advanced 133 millions, loans secured by stocks and bonds increasing 30 millions, commercial loans—19 millions, and investments—84 millions. Deposits gained 137 millions and borrowings from the Federal Reserve Bank were reduced 11 millions. Up to the end of May commercial loans increased, loans secured by stocks and bonds fell off and additions to investments were moderate.

From May 28 to December 3 a large gain in deposits is to be noted. Loans and discounts increased but not in sufficient amount to absorb the available funds, so that heavy purchases of securities were made by the banks. The advance in loans during this period was due principally to an increase in loans secured by stocks and bonds.

The last four weeks of the year witnessed a decline in deposits and a reduction in both classes of loans, but the volume of securities held increased somewhat. Rediscounting at the reserve bank was heavier. The falling off in deposits and increase in borrowing from the reserve bank were partly due to the withdrawal of Christmas savings funds and the need for large quantities of cash in connection with the holiday trade.

The figures given in preceding paragraphs pertain to changes in the condition of member banks in four of the larger cities of the district and probably are more sensitive to changes in trade conditions than the composite figures for all member banks in the district. Items taken from the call reports of all members are given in the following table:

All figures in millions of dollars	Sep. 14 1923	Dec. 31 1923	Mar. 31 1924	June 30 1924	Oct. 10 1924
Loans and discounts.....	1,195	1,191	1,219	1,241	1,287
Securities.....	776	781	774	792	852
Capital.....	129	131	132	135	138
Surplus and undivided profits.....	270	270	278	291	305
Total deposits (gross).....	1,861	1,940	1,897	1,987	2,110
Total resources.....	2,403	2,492	2,443	2,524	2,656

In the course of a little more than a year, from September 14, 1923 to October 10, 1924, the loans and discounts of all member banks increased 92 millions of dollars. Member banks in the four larger cities accounted for approximately 40 millions of this amount, so that loans in the smaller centers increased 52 millions. The security holdings of all members increased 76 millions, whereas those of member banks in the four cities gained 63 millions, thus leaving 13 millions increase in other cities and towns.

Rates for commercial paper declined from  $4\frac{3}{4}$  per cent in January to 3 per cent in August. The rate remained between 3 and  $3\frac{1}{4}$  per cent until the middle of November, but rose to  $3\frac{1}{2}$  and  $3\frac{3}{4}$  per cent toward the close of the year.

# Bank Operations

## *Loan and discount operations*

Developments at the Federal Reserve Bank of Philadelphia are illustrated by the charts on page 12. A diminishing demand for rediscount accommodation carried the borrowings of member banks down from 58.9 millions on December 31, 1923 to 16.9 millions on September 23, 1924. A slight upward tendency in rediscounts followed which was much accelerated during the greater part of December, as the needs for currency to conduct the holiday trade and pay off depositors in Christmas savings clubs made themselves felt. The high point in December was 47.7 millions, reached on the 27th. With the passing of the holiday trade currency was returned, rediscounts decreased and by the end of the year had fallen to 36.3 millions.

From 33.3 millions at the end of 1923 the Bank's holdings of purchased bills declined to less than a million in August. Increases later in the year brought the total up to 18.3 millions on December 31. Investments in United States securities were built up from 13 millions to a little more than 37 millions on June 14; thereafter holdings of these securities declined to a level of 30 to 31 millions, which was maintained for the balance of the year. Small amounts of Federal intermediate credit bank bonds were purchased and, in December, a participation of \$582,000 in a foreign loan secured by gold added slightly to the investment holdings.

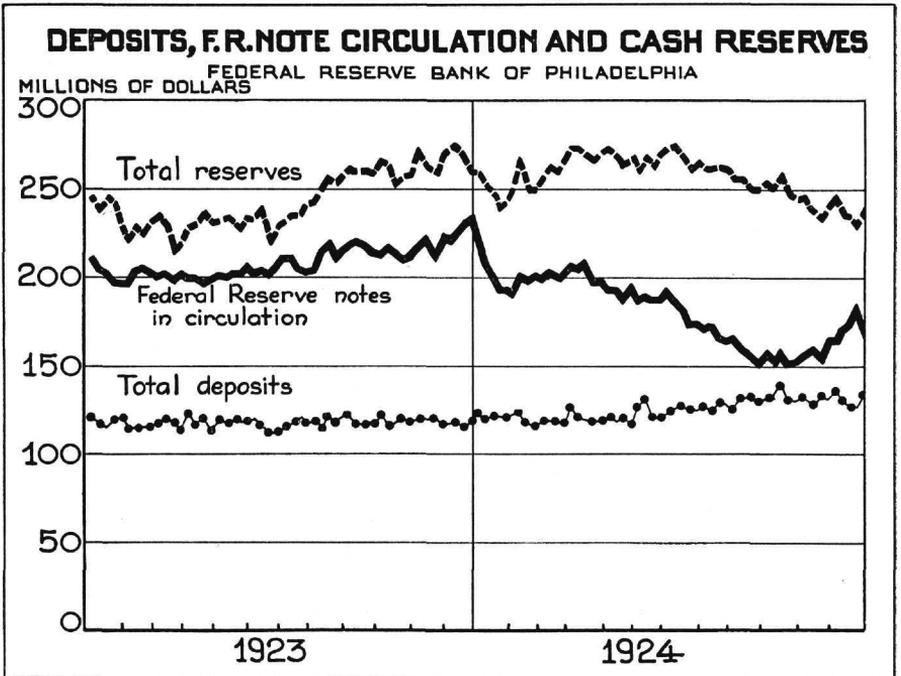
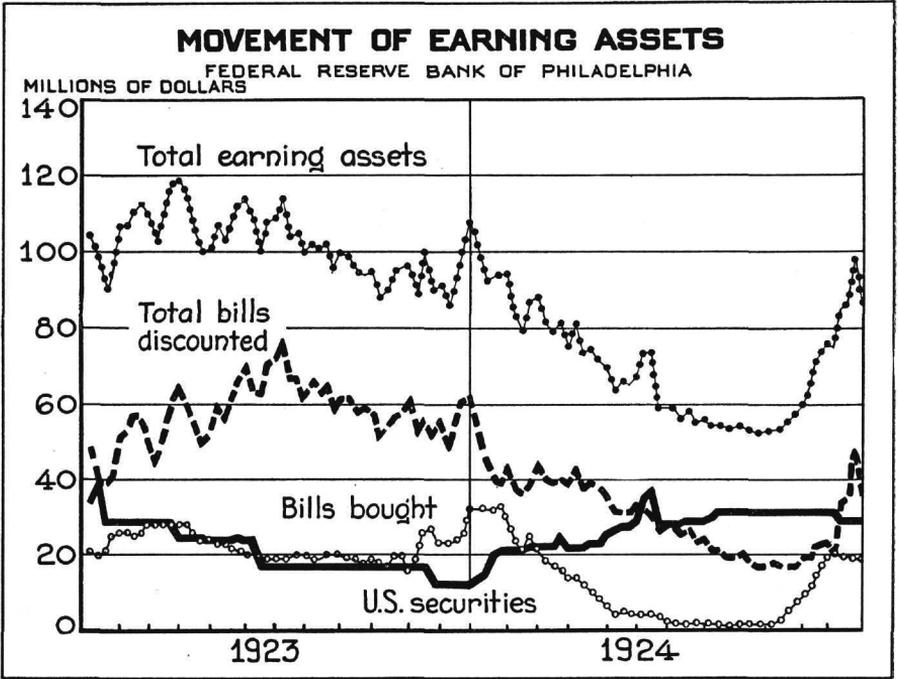
Total earning assets, from 105 millions at the end of 1923, declined to 52 millions on September 23; by December 26 they had increased to 103 millions, but decreased to 87 millions on December 31.

## *Reserve position*

Beginning with April, the reserve position of this Bank was affected by the policy then adopted of making payments partly in gold certificates instead of entirely in Federal reserve notes. Cash reserves, barring minor fluctuations, rose from an average of 185 millions in May, 1921, to 271 millions in April, 1924. By December they had been reduced to an average of 236 millions.

During the year the circulation of Federal reserve notes decreased considerably, falling from an average of 206 millions in April to 157 millions in October. Increases in November and December raised the average to 174 millions in the latter month, but, in comparison with 228 millions in December, 1923, this sum appeared moderate. Total deposits increased gradually throughout most of the year, as member banks had to increase their reserves because of larger deposits.

It is to the reserve ratio that one must turn to observe the general effect of these changes. On the liability side a comparatively small increase in deposits was far outbalanced by the decline in note circulation, but cash reserves, as was noted, also fell off markedly. The reserve ratio increased from an average of 77.4 per cent in December, 1923 to 88.9 per cent in August, 1924. Over most of the summer it held close to 90 per cent, but by December the ratio had fallen to an average of 78.1 per cent.



**Rediscount rates**

In view of the prevailing low level of money rates, the limited demand for commercial credit, and the general slackness in business activity, the rediscount rate on all classes of paper maturing in 90 days or less was reduced to  $3\frac{1}{2}\%$ , effective June 19. Prior to that date a rate of  $4\frac{1}{2}\%$  had been charged on all discounts except those of nine months' agricultural paper, which were charged  $5\%$ . On June 26 a rate of  $3\frac{1}{2}\%$  on paper having more than 90 days to run was put into effect.

**Federal reserve note issues**

Comparative statements of the accounts of the Federal reserve agent follow:

RESOURCES	December 31 1924	December 31 1923	December 30 1922
Federal reserve notes on hand.....	\$32,000,000	\$38,400,000	\$48,920,000
Federal reserves notes outstanding.....	215,664,025	255,836,875	243,717,975
Collateral security held:			
Gold certificates on hand.....	6,000,000	14,000,000	7,000,000
Gold in gold redemption fund.....	14,847,265	13,180,115	14,461,215
Gold with Federal Reserve Board.....	147,389,260	153,889,260	157,889,260
Eligible paper.....	52,898,583	80,849,544	69,325,115
Total resources.....	\$468,799,133	\$556,155,794	\$541,313,565
<b>LIABILITIES</b>			
Federal reserve notes received from comp- troller—net.....	\$247,664,025	\$294,236,875	\$292,637,975
Collateral pledged by Bank against out- standing notes:			
Gold and gold certificates.....	168,236,525	181,069,375	179,350,475
Eligible paper.....	52,898,583	80,849,544	69,325,115
Total liabilities.....	\$468,799,133	\$556,155,794	\$541,313,565

The practice of paying out gold certificates naturally resulted in a reduction in the circulation of Federal reserve notes. This was particularly to be noted in connection with issues of the \$10, \$20 and \$50 denominations. Comparative figures on issues, redemptions, etc., follow:

	1924	1923	1922
<b>Issued:</b>			
\$5.....	\$51,000,000	\$45,600,000	\$50,200,000
\$10.....	31,280,000	57,800,000	58,120,000
\$20.....	44,080,000	69,400,000	55,040,000
\$50.....	14,200,000	26,800,000	21,500,000
\$100.....	2,800,000	4,800,000	6,000,000
\$500.....	0	400,000	200,000
\$1000.....	800,000	1,600,000	800,000
Totals.....	\$144,160,000	\$206,400,000	\$191,860,000
<b>Returned to Federal reserve agent and redeemed.....</b>	168,332,850	194,281,000	171,012,000
<b>Outstanding December 31.....</b>	215,664,025	255,837,000	243,718,000

*Departmental operations*

The small decrease in operating expenses makes it of interest to ascertain just why this should be so. A study of the table below shows that, though rediscount operations and certain activities incident to the conduct of Government business declined, in the performance of many other important functions the services of the Bank were called upon more heavily than heretofore. Currency and coin operations were larger than in 1923, but the increase was especially marked in connection with check collections, the collection of time items and wire transfers (other than those to the 5 per cent redemption fund of national banks), all of which constitute important banking services for the district and necessitate the maintenance of adequately equipped departments.

Comparison of 1924 operations with those of 1923 follow:

	Number of items	Dollar amount
Bills discounted .....	—34%	—57%
Purchased bills .....	—42 “	—44 “
Transit checks handled .....	+16 “	+32 “
Government checks handled .....	— 1 “	—18 “
Non-cash items handled .....	+20 “	+ 7 “
Wire transfers of funds .....		
To 5% redemption fund of national banks .....	*	—17 “
All other transfers .....	+10 “	+41 “
United States coupons paid .....	—22 “	—11 “
Currency counted .....	+ 5 “	+ 7 “
Coin counted † .....	+12 “	+12 “
U. S. securities issued, redeemed, cancelled or exchanged by fiscal agency department .....	—84 “ **	—30 “

\*Decrease of .4 of one per cent.

\*\*Decrease particularly marked because of redemption of war savings stamps early in 1923.

†1924 figures inclusive of gold coin.

A discussion of the operations of the Bank which omits reference to the statistical and library activities would be incomplete. For some years past a statistical department has been maintained which is charged, among other things, with preparing a monthly survey of business and financial conditions. Appreciation of the value of these reviews is attested by requests constantly received for it. The mailing list now includes 18,500 names.

A reference library has been carefully built up which contains many books, pamphlets and magazines dealing with financial and business subjects. A total of 19,010 items was circulated, and 2,670 questions were referred to the library for information in the course of 1924. During the year the member banks were made familiar with its resources through the distribution of a catalogue and explanatory letters calling attention to the manner in which it might be helpful to them. Much use has been made of it thus far and it is anticipated that further familiarity with its services will demonstrate even more its value to the member banks.

The statistical department is glad to respond to requests for information which may come within the scope of its activities.

*Internal organization*

The annual election resulted in the reelection of Francis Douglas as a class "A" director to represent the group 2 banks, and of Charles K. Haddon as a class "B" director to represent the group 3 banks. Their terms run for three years from January 1, 1925.

The resignation of Henry B. Thompson as a class "C" director was received with regret by his associates on the board. He served continuously as one of the class "C" directors of this Bank from August 1916, and in that time rendered valued services to the Bank. Harry L. Cannon, of Bridgeville, Delaware, was appointed a director by the Federal Reserve Board on April 15 to complete the unexpired term of Mr. Thompson and Charles C. Harrison was appointed deputy chairman of the board. Appointments of the Federal Reserve Board for 1925 include the reappointment of Richard L. Austin as Federal reserve agent and chairman of the board, and of Mr. Harrison as deputy chairman. Mr. Harrison also was designated as a class "C" director for a term of three years beginning January 1, 1925. Levi L. Rue was reelected by the board of directors of this Bank to represent it on the Federal Advisory Council during 1925.

**Board of Directors**

Class	Name	Residence	Term expires
A...	Group 1. Joseph Wayne, Jr., President, Girard National Bank, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1926
	Group 2. Francis Douglas, Cashier, First National Bank, Wilkes-Barre, Pa.	Wilkes-Barre, Pa.	Dec. 31, 1924
	Group 3. John C. Cosgrove, Director, First National Bank, Hastings, Pa.	Johnstown, Pa.	Dec. 31, 1925
B...	Group 1. Alba B. Johnson, Vice-president, Southwark Foundry & Machine Co., Philadelphia, Pa.	Rosemont, Pa.	Dec. 31, 1925
	Group 2. Edwin S. Stuart, merchant, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1926
	Group 3. Charles K. Haddon, Vice-President Lumberman's Insurance Co., Philadelphia, Pa.	Haddonfield, N. J.	Dec. 31, 1924
C.....	Richard L. Austin Charles C. Harrison Harry L. Cannon	Philadelphia, Pa. Philadelphia, Pa. Bridgeville, Del.	Dec. 31, 1926 Dec. 31, 192 <del>4</del> <sup>4</sup> Dec. 31, 192 <del>4</del> <sup>5</sup>

The resignation, early in the year, of Walter T. Grosscup, assistant Federal reserve agent in charge of bank examination, reduced the official staff from 14 to 13. The number of employees declined in the course of the year from 822 to 771.

The plot purchased by the Bank at the corner of Tenth and Ludlow streets has been cleared, but plans for the building to be erected upon it are yet incomplete.

## *Membership*

The number of member banks in this district increased from 725 at the end of 1923 to 743 on December 31, 1924, owing to an increase of ten in the national bank membership and of six in that of state banks and trust companies. Sixteen new national banks were organized in the course of the year and six liquidated. Seven state institutions were admitted to membership, and one was liquidated.

Data on the number of member banks by states, as of December 31, 1924, follow:

	National banks	State banks	Totals
Pennsylvania.....	566	58	624
New Jersey.....	87	10	97
Delaware.....	18	4	22
Totals.....	671	72	743

## *Fiduciary powers*

During 1924, 27 additional national banks in the third Federal reserve district were granted the right to exercise fiduciary powers, but the liquidation of two banks already in the possession of such privileges made the net increase for the year 25. The applications of two banks already in the possession of partial powers to exercise full powers also were approved. In all, as of December 31, 1924, 196 banks possessed these powers, either partially or in full. This number is divided by states in the table below.

	Full powers	Partial powers	Totals
Pennsylvania.....	121	34	155
New Jersey.....	24	8	32
Delaware.....	5	4	9
Totals.....	150	46	196

## *Bank relations*

The effort is being made to maintain a close contact with the banks in the district through personal visits to member and non-member banks, through the attendance of officers of this bank and members of the bank relations department at group meetings and bankers' conventions in various parts of the district, and also by addresses made by officers and others of this bank before meetings of bankers and civic and business men's organizations. It is believed that these contacts have been productive of good by enlarging the acquaintance of the officers of this bank with those of its member banks and by disseminating a fuller knowledge of the system and its operations.

To facilitate this work committees have been appointed by the New Jersey Bankers' Association and by the various groups of the Pennsylvania Bankers' Association to discuss with the officers of the Federal Reserve Bank the services which are being rendered and to take up with them any criticisms or suggestions for improving the functioning of the system. These committees, too, are a medium through which bankers and the public may become better acquainted with the advantages offered by the system.

# Federal Reserve Bank of Philadelphia

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## *Directors and Officers*

### DIRECTORS

#### *Class A*

Joseph Wayne, Jr., Philadelphia, Pa.  
Francis Douglas, Wilkes-Barre, Pa.  
John C. Cosgrove, Johnstown, Pa.

#### *Class B*

Alba B. Johnson, Rosemont, Pa.  
Edwin S. Stuart, Philadelphia, Pa.  
Charles K. Haddon, Haddonfield, N. J.

#### *Class C*

Richard L. Austin, Philadelphia, Pa.  
Charles C. Harrison, Philadelphia, Pa.  
Harry L. Cannon, Bridgeville, Del.

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Member of Federal Advisory Council  
Levi L. Rue, Philadelphia, Pa.

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### OFFICERS

Richard L. Austin,  
Chairman and Federal Reserve Agent  
Charles C. Harrison,  
Deputy Chairman  
Arthur E. Post, Assistant Federal  
Reserve Agent

George W. Norris,  
Governor  
William H. Hutt,  
Deputy Governor  
Edwin S. Stuart,  
Deputy Governor  
William A. Dyer,  
Cashier and Secretary

C. A. McIlhenny, Assistant Cashier  
W. J. Davis, Assistant Cashier  
J. M. Toy, Assistant Cashier  
R. M. Miller, Jr., Assistant Cashier  
F. W. LaBold, Assistant Cashier  
S. R. Earl, Assistant Cashier

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William G. McCreedy, Comptroller