

1925

*Eleventh Annual Report*

*of the*

**FEDERAL RESERVE BANK  
OF PHILADELPHIA**



MADE TO THE FEDERAL RESERVE BOARD  
FOR THE THIRD FEDERAL RESERVE DISTRICT  
BY THE CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

**LETTER OF TRANSMITTAL**

*February 18, 1926*

Federal Reserve Board,  
Washington, D. C.

Sirs:

I have the honor to transmit herewith the eleventh annual report on the operations of the Federal Reserve Bank of Philadelphia, covering the year 1925.

Very truly yours,

**RICHARD L. AUSTIN**

*Chairman of the Board and  
Federal Reserve Agent*

1925

*Eleventh Annual Report*

*of the*

**FEDERAL RESERVE BANK  
OF PHILADELPHIA**

**MADE TO THE FEDERAL RESERVE BOARD  
FOR THE THIRD FEDERAL RESERVE DISTRICT  
BY THE CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT**

## CONTENTS

---

	Page
Profit and loss statement . . . . .	5
Statement of condition . . . . .	7
Loans and discounts . . . . .	8
Reserve position . . . . .	10
Federal reserve note issues . . . . .	11
Money rates and the discount rate . . . . .	12
Departmental operations . . . . .	13
Internal organization . . . . .	16
 Banks of the district:	
Changes in condition of member banks . . . . .	17
Membership . . . . .	18
Fiduciary powers . . . . .	18
Earnings and expenses of member banks . . . . .	19
Relations with banks . . . . .	20
 Business conditions:	
General conditions during 1925 . . . . .	20
Car loadings . . . . .	22
Employment and wages . . . . .	22
Building activity . . . . .	22
Retail and wholesale trade . . . . .	23



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

### *Profit and loss statement*

The profit and loss account of the Federal Reserve Bank of Philadelphia for 1925 is given below in comparison with results in the two preceding years:

	1923	1924	1925
Gross earnings.....	\$4,592,771	\$2,915,845	\$3,135,550
Current expenses.....	2,295,726	2,153,835	2,036,268
Current net earnings.....	\$2,297,045	\$762,010	\$1,099,282
Additions to current net earnings.....	19,617	22,131	566
Deductions from current net earnings	138,825	37,049	21,728*
Net deductions from current net earnings .....	\$119,208	\$14,918	\$21,162
Net earnings available for dividends, surplus and franchise tax.....	\$2,177,837	\$747,092	\$1,078,120
Distribution:			
Dividends .....	\$582,292	\$615,135	\$673,212
Paid to Government as a franchise tax .....	416,957	—	—
Transferred to surplus account....	1,178,588	131,957	404,908

\*Of this sum \$16,887 represents furniture and equipment charged off.

Various causes contributed to a better demand for credit, necessitating more rediscounting than during the previous year. The average of bills and securities held increased from \$71,608,000 in 1924 to \$86,506,000 in 1925, but the rate of return declined from 4.02 per cent to 3.58 per cent. Gross earnings surpassed those in 1924, but current expenses were lower than at any time since 1919. In comparison with 1921, the year of heaviest expense, a saving of \$331,000 was realized, principally owing to declines in salary pay-

*Eleventh Annual Report, Federal Reserve Bank of Philadelphia*

ments, printing and stationery, supplies, and in the cost of printing and redeeming Federal reserve currency.

Net earnings increased from \$747,092 in 1924 to \$1,078,120 in 1925. Increased capital, due to growth in membership and in the capital and surplus of member banks, made larger dividend payments necessary, leaving \$404,908 for transfer to the surplus account, which is still less than 100 per cent of the subscribed capital.

A comparison of current expenses in 1925 with those in 1924 is given in the table below:

	1924	1925	Percent change
<b>Operating departments:</b>			
Loans and discounts.....	\$56,975.07	\$53,436.09	— 6.2%
Currency and coin (includes insurance, mail and express charges for shipments).....	616,690.95	621,344.55	+ 0.8 "
Transit and collections.....	425,605.44	423,133.48	— 0.6 "
Fiscal agency functions.....	62,280.91	51,143.49	—17.9 "
Custody of securities and cash...	37,318.37	36,371.23	— 2.5 "
Purchase and sale of securities (includes insurance, mail and express charges for shipments)	25,753.89	31,672.75	+23.0 "
Transfer of funds.....	11,329.73	15,996.09	+41.2 "
Bank relations .....	8,042.43	13,364.06	+66.2 "
Federal Reserve Agent's dep'ts (includes custody of collateral against Federal reserve notes, note issues, examination of banks, research and preparation of statistics, publication of monthly business review and reference library) .....	148,725.09	105,108.86	—29.3 "
Maintenance of accounts.....	96,744.93	95,491.56	— 1.3 "
Maintenance of the audit.....	72,774.35	61,615.18	—15.3 "
<b>Service departments:</b>			
Telegraph and telephone (expenses in 1925 largely distributed to other departments) .....	44,298.52	20,718.96	—
Personnel .....	20,818.14	17,253.17	—17.1 "
Mail distribution and filing.....	20,240.85	18,329.91	— 9.4 "
Printing and supplies.....	45,476.62	27,117.55	—40.4 "
Guards .....	62,150.79	55,715.57	—10.4 "
<b>General:</b>			
Official salaries and supervisory expenses .....	146,913.55	142,813.91	— 2.8 "
Directors' fees and traveling expenses .....	7,565.40	7,176.34	— 5.1 "

*Eleventh Annual Report, Federal Reserve Bank of Philadelphia*

	1924	1925	Percent change
Assessment on account of Federal Reserve Board Expenses..	\$60,321.67	\$66,139.02	+ 9.6 "
Insurance .....	34,575.80	32,169.06	- 7.0 "
Legal expenses .....	5,462.02	2,846.91	-47.9 "
Traveling expenses (expenses in 1925 distributed to other departments) .....	5,288.64	-	-
Operation of banking house.....	128,279.15	126,553.87	- 1.3 "
Miscellaneous .....	10,203.44	10,756.77	+ 5.4 "
<b>Total—current expenses....</b>	<b>\$2,153,835.75</b>	<b>\$2,036,268.38</b>	<b>- 5.5%</b>

*Statement of condition*

The statement of this Bank at the end of 1925 appears in the following table, together with statements at the close of 1924 and 1923:

(000's omitted)	December 31, 1923	December 31, 1924	December 31, 1925
<b>RESOURCES</b>			
Gold reserves .....	\$249,034	\$231,567	\$216,812
Reserves other than gold .....	10,747	4,994	4,910
<b>Total reserves .....</b>	<b>\$259,781</b>	<b>\$236,561</b>	<b>\$221,722</b>
Non-reserve cash .....	1,345	1,731	1,716
<b>Bills discounted:</b>			
Secured by Government obligations .....	42,814	27,411	34,450
Other bills discounted .....	16,110	8,873	18,807
<b>Total bills discounted .....</b>	<b>\$58,924</b>	<b>\$36,284</b>	<b>\$53,257</b>
Bills bought in open market .....	33,261	18,276	16,923
U. S. Government securities .....	12,952	29,889	24,063
Federal intermediate credit bank bonds..	—	1,550	3,050
Foreign loans on gold .....	—	582	725
<b>Total bills and securities.....</b>	<b>\$105,137</b>	<b>\$86,581</b>	<b>\$98,018</b>
Uncollected items .....	53,356	59,472	65,526
All other resources .....	1,295	1,317	1,518
<b>Total resources .....</b>	<b>\$420,914</b>	<b>\$385,662</b>	<b>\$388,500</b>

(000's omitted)	December 31, 1923	December 31, 1924	December 31, 1925
<b>LIABILITIES</b>			
Federal reserve notes in actual circulation	\$221,038	\$168,737	\$155,933
Deposits:			
Member bank—reserve account.....	119,129	129,677	139,272
Government .....	2,437	2,152	1,256
Other deposits .....	337	807	1,211
Total deposits .....	\$121,903	\$132,636	\$141,739
Deferred availability items .....	47,805	53,591	58,539
Capital paid in .....	9,941	10,518	11,623
Surplus .....	19,927	20,059	20,464
All other liabilities .....	300	121	202
Total liabilities .....	\$420,914	\$385,662	\$388,500
Ratio of total reserves to deposit and Federal reserve note liabilities combined...	75.8%	78.5%	74.5%
Contingent liability on bills purchased for foreign correspondents .....	\$1,633	\$4,140	\$6,541

### *Loans and discounts of the Bank*

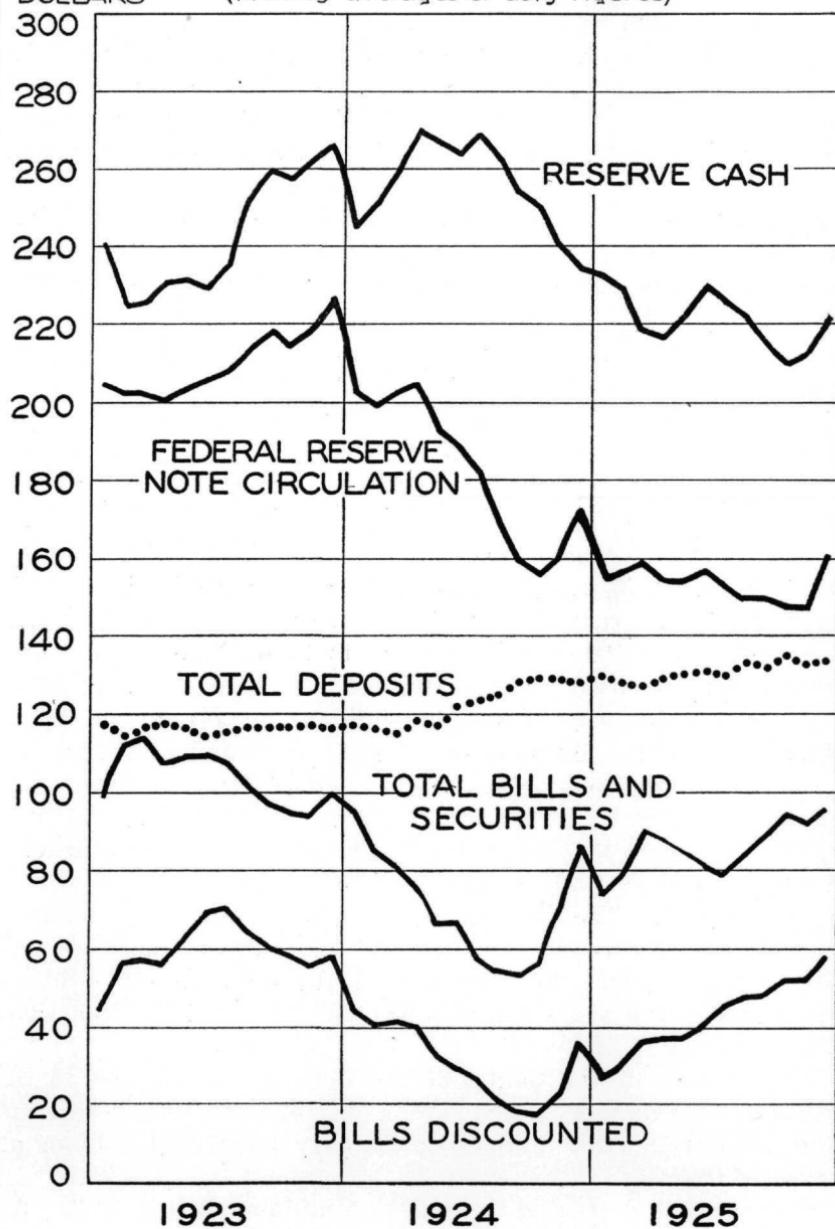
Holdings of bills and securities by this Bank increased from \$86,581,000 on December 31, 1924, to \$98,018,000 at the end of 1925. Bills discounted followed a generally rising course during the year, a course which was very similar to that followed by the Federal reserve banks as a whole. The lowest point here was 22.6 millions on January 20 and the highest, 66.5 millions on December 23. The net increase for the year was 17 millions, or 47 per cent. Holdings of other bills and securities rose from 50 millions at the beginning of the year to a peak of 66 millions on March 17. The total subsequently declined to 31 millions on July 28. Over the last five months of the year fluctuations were less striking and the year ended with holdings of 45 millions, a decline of 5 millions from the beginning of the year.

In past years variations in borrowing have mainly resulted from the changing needs of banks in the larger cities. Their weekly reports of condition, therefore, are of particular interest to those who would understand the changes in borrowings at the reserve banks. Borrowings by member banks in smaller centers show much less variation.

**FEDERAL RESERVE BANK  
OF PHILADELPHIA**

MILLIONS OF  
DOLLARS

(Monthly averages of daily figures)



### ***Reserve position of the Bank***

Owing to the fact that an increasing amount of gold certificates has been put into circulation, taking the place of Federal reserve notes in a measure, it is interesting to note the effect upon the reserve ratio. This ratio is the percentage of reserve cash to the combined liabilities—total deposits and Federal reserve notes in circulation. The offsetting of a deposit liability by an issue of notes makes no change in the actual liabilities of the reserve bank. However, if gold certificates are issued, reserve cash is diminished and the reserve ratio declines.

The amount of money in circulation in the United States has remained relatively steady during the past two years. The extent to which Federal reserve notes have been replaced by gold certificates appears in the table:

(000,000's omitted)	Gold certificates	Federal reserve notes	Other money	Total money
January 1, 1924..	\$582	\$2,224	\$2,145	\$4,951
"    " 1925..	970	1,842	2,181	4,993
"    " 1926..	1,114	1,816	2,078	5,008

The circulation of gold certificates increased 532 millions in the years 1924 and 1925 and Federal reserve notes declined 408 millions. The total circulation of Federal reserve notes fell 17 per cent in 1924 and a little over 1 per cent in 1925. The notes issued by this Bank decreased to a greater extent—24 per cent in 1924 and 8 per cent in 1925. From 169 millions on January 1, 1925, the circulation of this Bank declined to 148 millions on January 22, but rose to 164 millions on March 14. Thereafter the trend was irregular, but mainly downward, the lowest point being 143 millions on November 18. Undoubtedly the strike in the anthracite coal regions was partially responsible for the low level reached so late in the year. The Christmas season's demand for currency followed the usual course and circulation reached its maximum at almost 170 millions on December 24, dropping to 156 millions at the close of the year, which was nearly 13 millions less than at the beginning of the year.

The growth of the banks of the district is reflected in an increase in the balances carried here, a gain of more than 9 millions taking place from 129.7 millions on January 1 to 139.3 millions at the close of the year.

Reserve cash decreased by almost 15 millions during 1925. At the beginning of the year and in the last two months seasonal

*Eleventh Annual Report, Federal Reserve Bank of Philadelphia*

changes in Federal reserve note circulation exerted a greater influence upon the reserve ratio than did changes in deposits or reserve cash, but over the balance of the year the ebb and flow of gold more largely accounted for the significant changes in this ratio, as will be noted in the table below:

	Changes in reserve ratio	Changes in factors from which reserve ratio is computed (000's omitted)		
		Cash reserves	F. R. note circulation	Total deposits
Jan. 1—Jan. 21.....	+4.2%	—\$5,700	—\$20,300	—\$2,000
Jan. 21—Mar. 18.....	—8.5 "	—18,300	+	8,200 700
Mar. 18—July 8.....	+7.2 "	+18,000	—	3,400 100
July 8—Oct. 21.....	—9.1 "	—28,200	—	8,800 5,300
Oct. 21—Nov. 4.....	+6.0 "	+18,100	+	1,300 400
Nov. 4—Dec. 23.....	—6.2 "	— 5,300	+	23,000 6,000
Dec. 23—Dec. 31.....	+2.4 "	+ 6,600	—	12,800 12,000
Total changes.....	—4.0%	—\$14,800	—\$12,800	+\$9,100

During 1925 the reserve ratio of this Bank fluctuated more than 15 per cent, from a high point of 83.6 per cent on January 24 to a low of 68.2 per cent on October 16. At the close of the year the ratio was 74.5 per cent, only 4 per cent below the figure on December 31, 1924. During the last two years the reserve ratio of this Bank has usually been higher than that of the system.

### *Federal reserve notes*

A statement of the accounts of the Federal reserve agent follows:

	December 31 1923	December 31 1924	December 31 1925
<b>RESOURCES</b>			
Federal reserve notes on hand..	\$38,400,000	\$32,000,000	\$28,000,000
Federal reserve notes outstanding .....	255,836,875	215,664,025	195,800,860
Collateral security held:			
Gold certificates on hand.....	14,000,000	6,000,000	2,000,000
Gold in gold redemption fund.	13,180,115	14,847,265	11,784,100
Gold with Fed. Reserve Board	153,889,260	147,389,260	127,389,260
Eligible paper.....	80,849,544	52,898,583	56,640,423
Total resources .....	\$556,155,794	\$468,799,133	\$421,614,643

	December 31 1923	December 31 1924	December 31 1925
<b>LIABILITIES</b>			
Federal reserve notes received from comptroller—net.....	\$294,236,875	\$247,664,025	\$223,800,860
Collateral pledged by Bank against outstanding notes:			
Gold and gold certificates....	181,069,375	168,236,525	141,173,360
Eligible paper.....	80,849,544	52,898,583	56,640,423
	_____	_____	_____
Total liabilities.....	\$556,155,794	\$468,799,133	\$421,614,643

Federal reserve note circulation was lower in 1925 than in 1924, nevertheless a larger amount of new notes was required. In the table below amounts outstanding, issued and redeemed in 1924 and 1925, are given:

	1924	1925
Federal reserve notes:		
Outstanding, beginning of year.....	\$255,836,875	\$215,664,025
Issued (new notes) during year.....	128,160,000	133,200,000
Issued (fit notes) during year.....	16,000,000	10,000,000
	_____	_____
Notes redeemed and fit notes returned*.....	\$399,996,875	\$358,864,025
	_____	_____
Outstanding at end of year .....	184,332,850	163,063,165
	_____	_____
Outstanding at end of year .....	\$215,664,025	\$195,800,860

\* Includes \$16,000,000 fit notes returned in 1924 and \$10,000,000 in 1925.

### *Money rates and the discount rate*

In the last half of 1924 the market rate for commercial paper fell to 3-3½ per cent and 90-day bankers' acceptances were offered as low as 2 per cent. Towards the close of the year increasing firmness was manifested and this continued over the greater part of 1925, although rates for such paper were comparatively stable in the middle of the year. At the close of 1925 commercial paper was quoted at 4¼-4½ per cent, as compared with 3½-3¾ per cent at the close of 1924, and bankers' bills were offered at 3½ per cent as against 3 per cent in December, 1924.

Increasing demand for credit during 1925 was indicated in the expansion of the loans of member banks, and was followed by

larger borrowings from the reserve banks. Rates for money strengthened throughout the country as was shown by increases in the discount rates of several of the reserve banks, including this Bank. The change in the rate of this Bank took place on November 20, when it was advanced from 3½ to 4 per cent.

### *Departmental operations*

In the following table comparison is made of the operations of the principal departments of the Bank during 1925 with those in 1924:

	Number of items	Dollar amount of items
Bills discounted .....	+ 3.8%	+59.4%
Purchased bills .....	+36.4 "	+45.2 "
Currency received and counted.....	+ 6.3 "	+ 3.0 "
Coin received and counted.....	+22.7 "	+18.3 "
Checks handled .....	+12.1 "	+23.8 "
Collections handled:		
U. S. Government coupons paid.....	-13.3 "	- 8.9 "
All other .....	+ 5.9 "	+14.4 "
U. S. securities issued, redeemed and exchanged by fiscal agency department .....	-50.7 "	-20.6 "
Transfers of funds (exclusive of clearings by wire)	+ 4.0 "	+ 3.3 "

These percentages indicate a considerable increase in the volume of work handled by this Bank. In comparison with 1921, the year in which current expenses were largest, the changes are still more striking, as the following percentages (based on number of items handled) show: bills discounted, decreased 48 per cent; purchased bills, increased 53 per cent; currency counted, increased 67 per cent; checks handled (including return items), increased 23 per cent; United States Government coupons paid, decreased 51 per cent; other non-cash collection items handled, increased 119 per cent; the issue, redemption and exchange of United States securities, decreased 84 per cent; wire transfers and transfers for national banks to the 5 per cent redemption fund, increased 40 per cent.

The number of officers and employees has been reduced by 161, or 18 per cent, since the end of 1921.

*Eleventh Annual Report, Federal Reserve Bank of Philadelphia*

Details of the operations of the principal departments of the Bank are given in the table following:

	1923	1924	1925
<i>Total number of pieces handled</i>			
Bills discounted:			
Applications received .....	17,583	14,029	15,978
Notes discounted .....	53,614	35,579	36,921
Bills purchased in open market for own account .....	11,367	6,630	9,044
Currency received and counted	156,722,000	164,432,000	174,790,000
Coin received and counted....	194,118,000	216,525,000	265,610,000
Checks handled (exclusive of return items) .....	51,325,000	59,010,000	66,164,000
Collection items handled:			
U. S. Government coupons paid .....	6,355,000	4,952,000	4,292,000
All other .....	382,000	458,000	485,000
U. S. securities — issues, redemptions, and exchanges by fiscal agency department...	6,754,000*	1,211,000	597,000
Transfers of funds (exclusive of clearings by wire).....	74,031	78,662	81,822
<i>Total dollar amounts handled</i>			
Bills discounted .....	\$2,911,142,000	\$1,264,030,000	\$2,014,776,000
Bills purchased in open market for own account.....	159,105,000	89,140,000	129,441,000
Currency received and counted	1,011,761,000	1,084,405,000	1,117,470,000
Coin received and counted....	27,062,000	30,353,000	35,901,000
Checks handled (exclusive of return items) .....	15,808,129,000	20,795,229,000	25,743,036,000
Collection items handled:			
U. S. Government coupons paid .....	63,054,000	55,876,000	50,890,000
All other .....	432,479,000	462,479,000	529,267,000
U. S. securities — issues, redemptions, and exchanges by fiscal agency department...	578,493,000	456,097,000	361,969,000
Transfers of funds (exclusive of clearings by wire).....	3,379,281,000	4,748,989,000	4,907,549,000

\* Large total due to redemption of war savings securities which matured January 1, 1923.

*Eleventh Annual Report, Federal Reserve Bank of Philadelphia*

The number and amounts of items handled on the average working day appear in the following table:

	1923	1924	1925
<i>Average number of pieces handled</i>			
Bills discounted:			
Applications received .....	59	46	53
Notes discounted .....	179	118	123
Bills purchased for own account.....	38	22	30
Currency received and counted.....	522,000	544,000	581,000
Coin received and counted .....	647,000	717,000	882,000
Checks handled (exclusive of return items) .....	171,000	195,000	220,000
Collection items handled:			
U. S. Government coupons paid.....	21,183	16,397	14,260
All other collections.....	1,275	1,516	1,610
United States securities—issues, redemptions and exchanges by fiscal agency department .....	22,513	4,010	1,984
Transfers of funds (exclusive of clearings by wire) .....	247	260	272
<i>Average dollar amounts handled</i>			
Bills discounted .....	\$9,704,000	\$4,186,000	\$6,694,000
Bills purchased for own account.....	530,000	295,000	430,000
Currency received and counted.....	3,373,000	3,591,000	3,713,000
Coin received and counted.....	90,000	101,000	119,000
Checks handled (exclusive of return items) .....	52,694,000	68,858,000	85,525,000
Collection items handled:			
U. S. Government coupons paid.....	210,000	185,000	169,000
All other collections.....	1,442,000	1,531,000	1,758,000
United States securities—issues, redemptions and exchanges by fiscal agency department .....	1,928,000	1,510,000	1,203,000
Transfers of funds (exclusive of clearings by wire).....	11,264,000	15,725,000	16,304,000

During 1925 the department of bank examination made 56 credit investigations and examinations of member state institutions in co-operation with the state banking departments. In addition the department examined independently 11 state banks and trust companies which had applied for membership, made 3 independent credit investigations, and conducted 9 investigations in connection with the organization of new national banks. Twenty-one applications for fiduciary powers and 14 applications under the Clayton Act also were handled.

### *Internal organization*

The annual election for directors resulted in the re-election of Alba B. Johnson and John C. Cosgrove as directors for terms of three years from January 1, 1926, representing banks of class B, group 1, and class A, group 3, respectively. The Federal Reserve Board reappointed Harry L. Cannon as a class C director for a like term. By election of the board of directors, Levi L. Rue, president of the Philadelphia National Bank, represented this district 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, 1927
	Group 3	John C. Cosgrove, director, First National Bank, Hastings, Pa.	Johnstown, Pa.	Dec. 31, 1925
B...	Group 1	Alba B. Johnson, chairman of board, Southwark Foundry and Machine Co., Philadelphia	Rosemont, Pa.	Dec. 31, 1925
	Group 2	Edwin S. Stuart, merchant, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1926
	Group 3	Charles K. Haddon, merchant, Camden, N. J.	Haddonfield, N. J.	Dec. 31, 1927
C.....		Richard L. Austin, chairman of the board	Philadelphia, Pa.	Dec. 31, 1926
		Charles C. Harrison, deputy- chairman of the board	Philadelphia, Pa.	Dec. 31, 1927
		Harry L. Cannon	Bridgeville, Del.	Dec. 31, 1925

William A. Dyer, the cashier of the Bank, tendered his resignation to take effect May 31. A minute adopted by the board of directors read in part as follows:

“The Board of Directors of the Federal Reserve Bank of Philadelphia desires to record the regret with which it receives the resignation of Mr. William A. Dyer as cashier. . . .

“His resignation represents to this bank the loss of a most efficient officer, and to the directors and other officers the loss of a trusted and valued friend and colleague. . . .”

Mr. Dyer closed a service of almost seven years at this institution to take up the presidency of the Manayunk National Bank of Philadelphia. C. A. McIlhenny, formerly an assistant cashier, was appointed to succeed him.

At the end of 1925 the official staff numbered 11, as compared with 13 at the beginning of the year. The number of employees was reduced from 771 to 725.

Construction of a six-story addition to the Bank on a plot adjoining the rear of the building at the corner of Tenth and Ludlow Streets was started early in the year. This building should be completed within a few months and will give much needed space to the various departments of the Bank.

### *Banks of the district*

The industrial activity, large building programs, and the rising and active security markets which prevailed during 1925 resulted in increased loans by the member banks in the third district as in the country as a whole. The following are changes which took place in the condition of member banks during 1925:

Member banks	Third district	United States
Loans and discounts .....	+\$199,000,000	+\$2,094,000,000
Investments .....	— 28,000,000	+ 79,000,000
Deposits, total .....	+ 163,000,000	+ 1,867,000,000
Borrowings .....	+ 17,000,000	+ 355,000,000

The situation revealed by these figures differs materially from that in 1924, when deposits accumulated much more rapidly than did loans, with the result that borrowings were reduced and very large additions were made to investments in securities. During 1925, loans continued to increase, but deposits did not quite keep pace and the banks added to their borrowings.

The weekly reports of member banks in leading cities divide loans into "loans on securities" and "all other" loans, the latter being largely commercial in character. "Loans on securities" rose rather steadily from the middle of 1924 up to the end of 1925. At member banks in four cities of this district the increase in the years 1924 and 1925 was 118 millions, or 41 per cent, and at banks in 100 cities throughout the country was 1,661 millions, or 39 per cent. The greater part of these gains took place in 1925.

Commercial loans in the third district and in the United States showed approximately the same percentages of change in 1924 and 1925:

Commercial loans	Member banks in leading cities	
	Third district	United States
1924—changes in dollars.....	+\$19,100,000	+\$407,000,000
"      " per cent .....	+ 5.7%	+ 5.2%
1925—changes in dollars.....	+\$4,600,000	+\$101,000,000
"      " per cent .....	+ 1.3%	+ 1.2%

Fluctuations during 1925 in this district were very similar to those in 1924. In both years a high point was attained in the spring, and a peak was reached in the late summer or fall. The peak in 1925 was 386 millions and 1924, 390 millions. Over most of 1925 such loans slightly exceeded loans on like dates in 1924, but, allowing for seasonal changes, they have been very stable over the past year and a half.

#### *Membership*

The number of member banks in this district increased from 743 at the end of 1924 to 755 on December 31, 1925. Six national banks were liquidated in the course of the year, of which three were acquired by state banks or trust companies which already were members or later became members. Additional losses of national bank membership included a consolidation of two national banks and the insolvency of another. Offsetting these was the organization of ten new national banks. Ten additional state institutions were admitted to membership. Total membership at the end of 1925, by states, is given in the table below:

Number of member banks	National banks	State institutions	Totals
Pennsylvania .....	565	68	633
New Jersey .....	90	10	100
Delaware .....	18	4	22
<b>Totals .....</b>	<b>673</b>	<b>82</b>	<b>755</b>

#### *Fiduciary powers*

The number of national banks now having either partial or full fiduciary powers is 214, out of a total of 673 national banks in the district. Figures by states follow:

*Eleventh Annual Report, Federal Reserve Bank of Philadelphia*

National banks having trust powers	Full powers	Partial powers	Totals
Pennsylvania .....	138	33	171
New Jersey .....	25	8	33
Delaware .....	6	4	10
Totals .....	169	45	214

*Earnings and expenses of member banks*

An analysis of operating expenses and earnings of member banks for the year ended June 30, 1925, shows that expenses and net profits of banks in the third district compare favorably with those of members throughout the country:

Earnings and expenses of member banks	Amount on each \$100 of loans and investments	
	Third district	United States
Interest received .....	\$5.30	\$5.36
Other income .....	.92	1.05
Gross earnings .....	\$6.22	\$6.41
Salaries and wages .....	1.07	1.26
Interest on borrowed money .....	.07	.07
Interest on deposits .....	2.00	2.17
Taxes .....	.30	.35
Other expenses .....	.62	.74
Total expenses .....	\$4.06	\$4.59
Net earnings .....	\$2.16	\$1.82
Net losses .....	.17	.50
Dividends .....	1.06	.91
Net to profits and reserves.....	.93	.41
Other comparisons of interest:		
Loans and investments per \$100 of capital, sur- plus and undivided profits .....	\$487	\$626
Profits* on loans and investments .....	1.99%	1.32%
Profits* on capital, surplus and undivided profits .....	9.68%	8.24%

\* After deducting net losses, but before dividends.

*Relations with banks*

In order to facilitate co-operation between the banks of the district and the Federal Reserve Bank, a Federal reserve relations committee was appointed, consisting of twenty-four bank officers representing the New Jersey and Delaware Bankers' Associations and the six groups of the Pennsylvania Bankers' Association included in this district. Two meetings were held in 1925. At the meeting held on December 7 a plan was adopted to provide for a nominating advisory committee, which would recommend candidates to the member banks to fill vacancies in the board of directors of the reserve bank.

Contact with the banks of the district also is maintained through personal visits and attendance at bankers' meetings held in various parts of the district. During 1925 more than 800 visits were made to member and non-member banks.

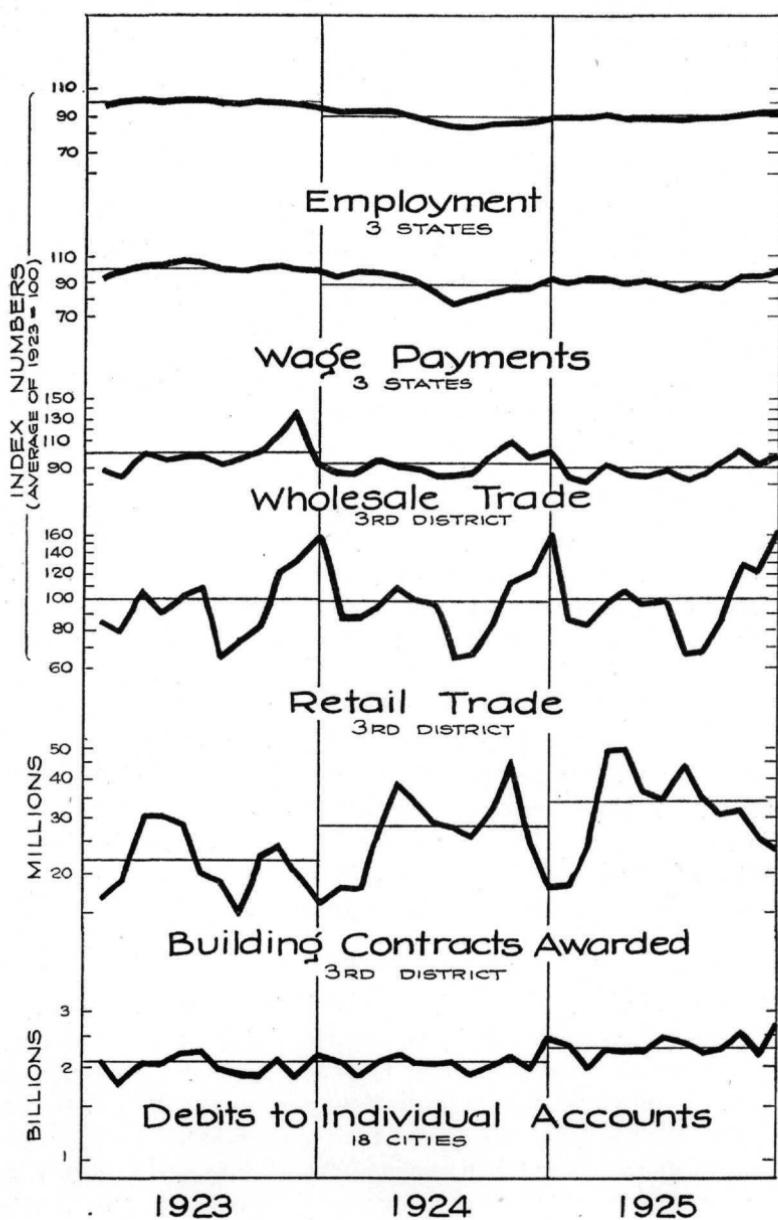
*Business conditions*

The industries of the third Federal reserve district are diverse and of manufactured products firms in this district produce a large part of the country's total. In mining the operations are large, the output of its coal mines including all of the anthracite coal and a substantial quantity of bituminous coal. The district experienced in 1925, excepting for the coal strike, the satisfactory conditions that prevailed generally throughout the country. Manufacturing was steadier than in 1924 and the output was greater. In wholesale prices there was less fluctuation than has occurred in the last ten years and the average for the year was 6 per cent above that in 1924. Debits to individual account, which are regarded as the most representative figures on the dollar volume of business, were 11 per cent larger at banks in the 18 most important cities of the district.

At the opening of 1925 the outlook for business in this district was good; prices were strong and production had recovered materially from the low point of the preceding summer. Sales in the early months of the year, however, did not come up to expectations and distribution in wholesale and retail channels was impeded by inclement weather; production declined, but not to nearly the same extent as in 1924.

Meanwhile building had gone forward in unusual volume and contracts reached record totals. The production of automobiles absorbed much material. Greatly increased sales of farm implements testified to an improved situation on the farms. Later in the

BUSINESS ACTIVITY IN THE  
THIRD FEDERAL RESERVE DISTRICT



year the railroads, which hitherto had been backward in purchasing, bought large quantities of equipment and supplies. Favorable conditions such as these, combined with steadiness of prices, were followed by greater activity and figures for the year show that production was the largest on record. The anthracite strike, which began on September 1, had the effect of curtailing the distribution of goods in the mining regions, but this section is well equipped with manufacturing plants which are not affected by mining operations.

*Car loadings*

The volume of business in the United States, as indicated by car loadings in the fifty-two weeks ended December 26, exceeded that in 1924 by 5.4 per cent, and in the Allegheny district (which comprises a group of railroads serving the third Federal reserve district and adjacent territory) the increase was 4.9 per cent. Loadings of merchandise and miscellaneous freight were heavier and large gains were made in ore and coke shipments. Larger crops of wheat, corn and oats in the third Federal reserve district probably account in part for heavier loadings of grain and grain products in the Allegheny district. Loadings of these commodities in the country as a whole declined. The output of corn in the United States was larger in 1925 than in 1924, but much of this crop is used on the farms and never enters into car loadings. The production of wheat was much smaller in 1925.

*Employment and wages*

Employment and payrolls fluctuated to a smaller extent in 1925 than in 1924 and were on higher average levels. In the states of Pennsylvania, New Jersey and Delaware the average of payrolls in 1925 was 3.4 per cent higher and in the United States, 3 per cent above 1924. There is a close relation in the movements of payroll figures in the three states to the national totals.

*Building activity*

The third district, in common with many other sections, shared in the building activity which marked 1925, but the increase in building contracts awarded over those in the previous year was 20 per cent as compared with a gain of 30 per cent in 36 states. The consumption of building materials was proportionately increased and caused a demand for labor sufficient to maintain the high rates of wages heretofore prevailing. Contracts awarded in this section for residential, educational, social and recreational buildings showed

*Eleventh Annual Report, Federal Reserve Bank of Philadelphia*

particularly large gains, but the construction of industrial buildings, public works and public utilities was in smaller volume than in 1924.

*Retail and wholesale trade*

Sales by department stores in all parts of the United States in 1925 were 5 per cent higher than in 1924 and at stores in the third district the increase was 2 per cent. Four mail order houses with a national distribution showed an increase of 12 per cent in sales and gains also were reported by chain stores, but the figures submitted by the latter are not altogether representative of changes in retail sales because of the constant increase in the number of stores.

The figures for the third district would have been somewhat larger if the coal strike had not been in effect in the last four months of the year. This, probably, accounts for the decline of 3 per cent from 1924 to 1925 in sales at wholesale by firms in this district, as national figures on wholesale distribution increased 2 per cent. The figures for the country as a whole show only slight changes in sales of groceries, shoes and drugs, but in meats the increase was 13 per cent, in dry goods 2 per cent, and in hardware 4 per cent.

# Federal Reserve Bank of Philadelphia

---

## *Directors and Officers*

### DIRECTORS

#### *Class A*

**Joseph Wayne, Jr., Philadelphia, Pa.**   **Alba B. Johnson, Rosemont, Pa.**  
**Francis Douglas, Wilkes-Barre, Pa.**   **Edwin S. Stuart, Philadelphia, Pa.**  
**John C. Cosgrove, Johnstown, Pa.**   **Charles K. Haddon, Haddonfield, N. J.**

#### *Class B*

#### *Class C*

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

---

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

---

### 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  
**C. A. McIlhenny,**  
Cashier and Secretary

**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

---

**William G. McCready,** Comptroller