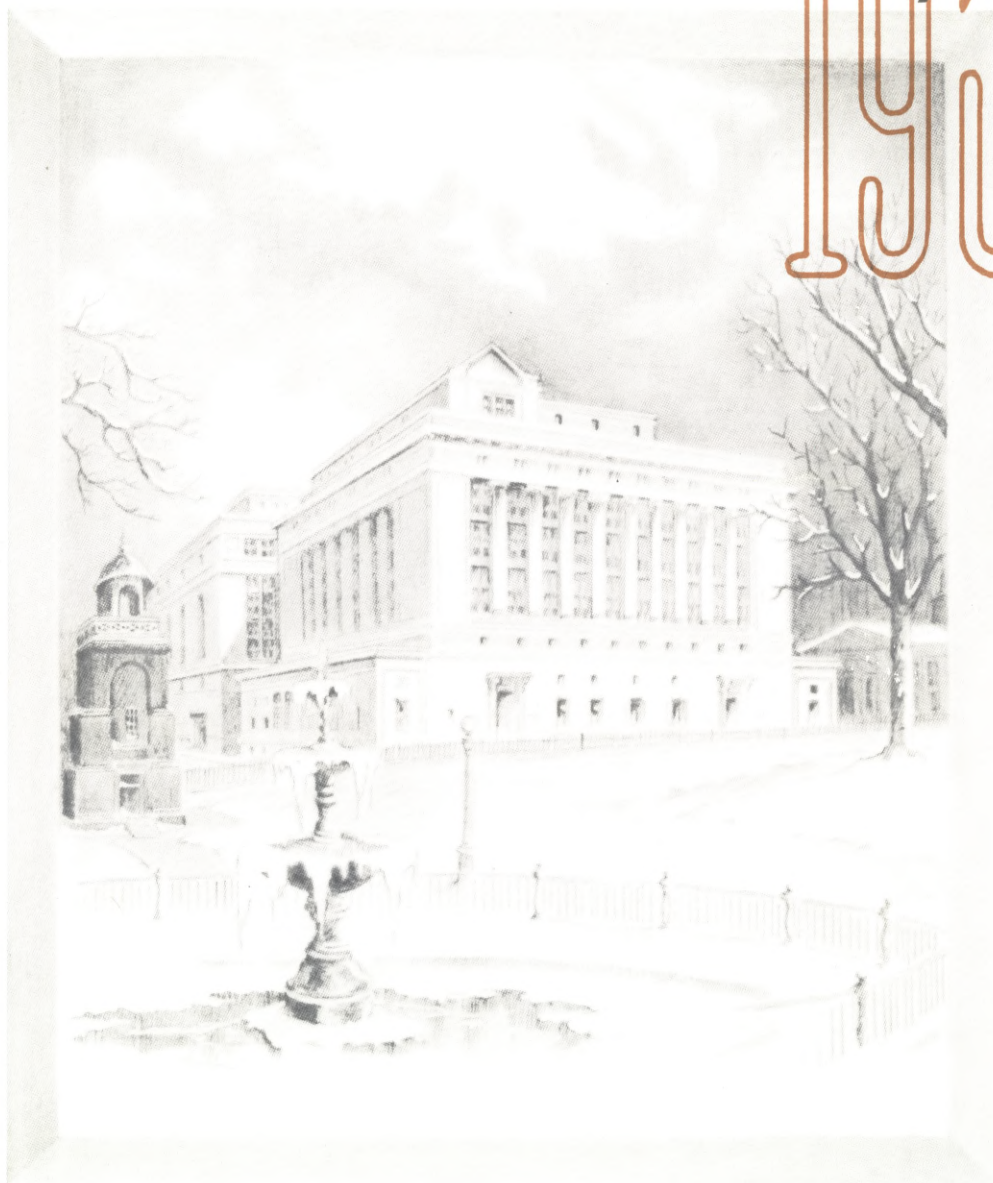


THIRTY-EIGHTH

Annual report
1952



THE FEDERAL RESERVE BANK OF RICHMOND

THIRTY-EIGHTH ANNUAL REPORT
FEDERAL RESERVE BANK OF
WITH BRANCHES IN BALTIMORE
SERVING THE FIFTH FEDERAL

FOR 1952
RICHMOND
AND CHARLOTTE
RESERVE DISTRICT

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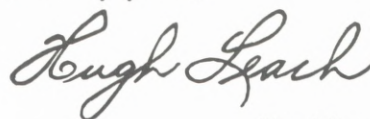
TO THE MEMBER BANKS

The past year was an eventful one for banking and business in the Fifth District. It was an eventful one for the Federal Reserve Bank of Richmond as well. I am happy to present some of the year's high lights in this thirty-eighth Annual Report, and I sincerely hope that you will find it interesting and informative.

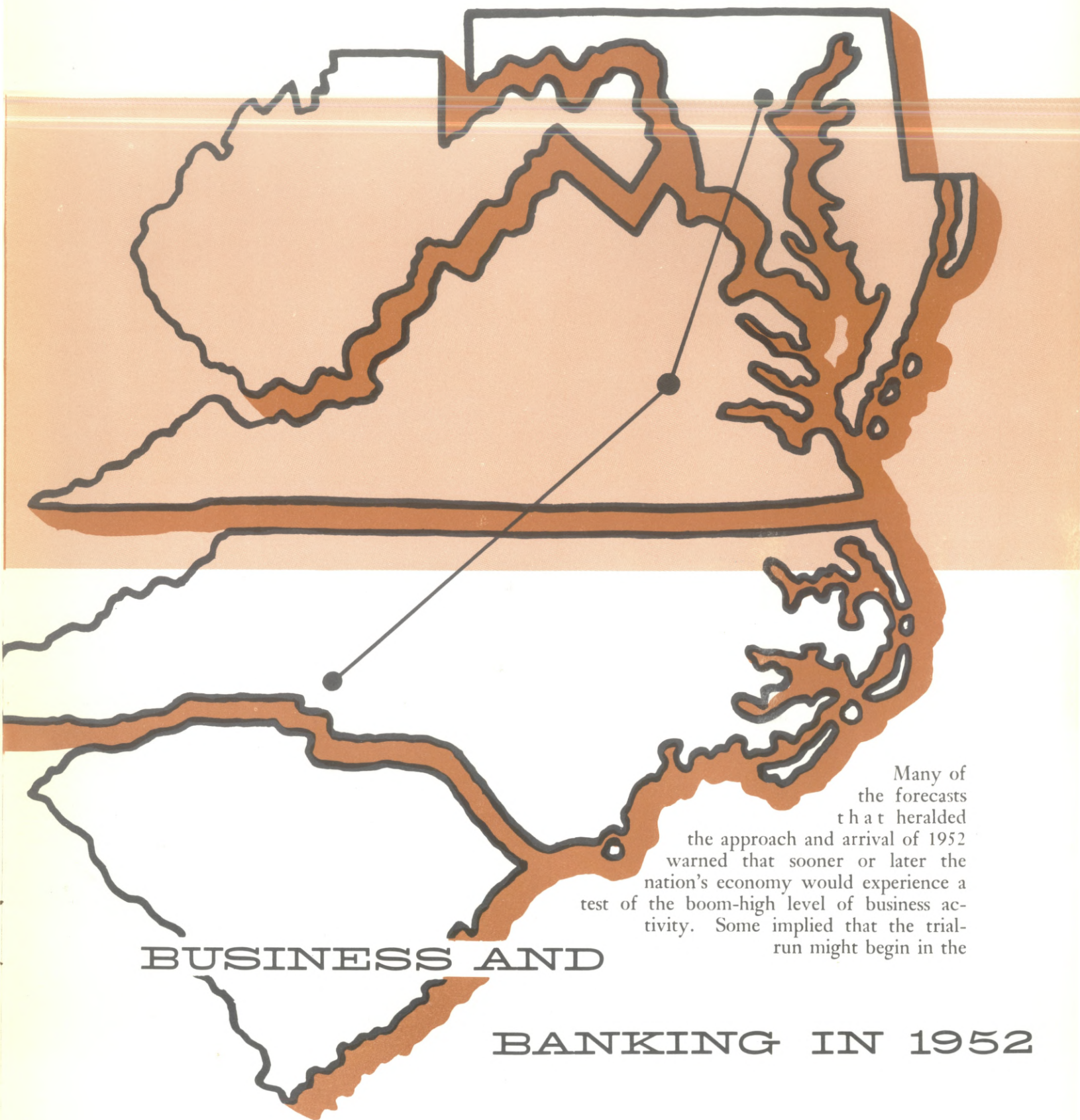
On the pages following we have sketched in words, charts, and pictures some of the more significant developments in our District, reviewed some of the bank's activities and services, and summarized our financial operations.

Back of all that we have been able to accomplish has been the friendly cooperation of the member banks of this District. We are grateful for your interest, your suggestions, and your continued support.

Sincerely yours,



President.



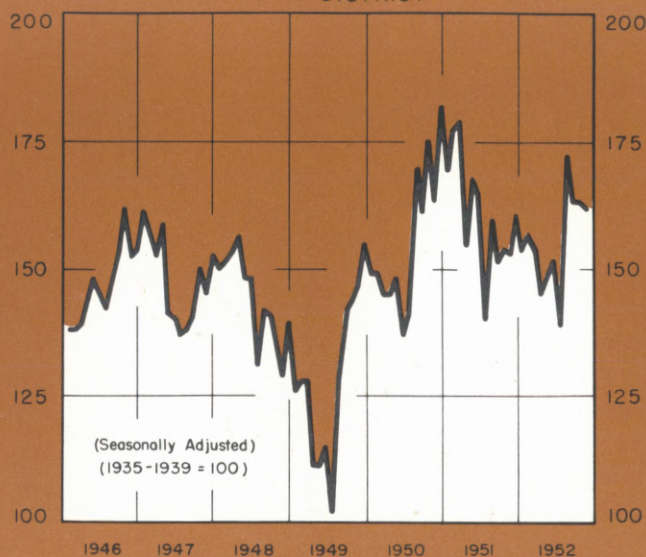
Many of the forecasts that heralded the approach and arrival of 1952 warned that sooner or later the nation's economy would experience a test of the boom-high level of business activity. Some implied that the trial-run might begin in the

BUSINESS AND

BANKING IN 1952

BUSINESS AND BANKING IN 1952

COTTON CONSUMPTION
FIFTH DISTRICT



Cotton consumption in Fifth District mills at the outset of 1952 was still tobogganing from the crest reached a year earlier. The long-awaited textile recovery began in early summer, and by August cotton consumption was back up to within 5 per cent of the postwar peak. Relatively high mill use in the last five months raised the year's total to within 3 per cent of the record set in 1951.

last half of 1952. Yet, despite the worst steel strike ever and the confusion and uncertainty of an election year, business activity expanded steadily and the economy closed out the year at record levels of income and output.

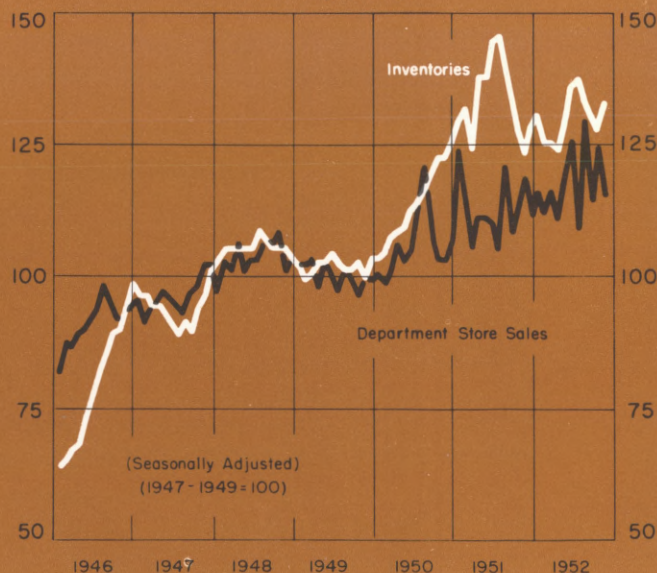
Even so, 1952 was a year during which supply and demand attained sufficient balance to permit a return of the impersonal forces of the market place for the determination of prices. Restraints on consumer and real estate credit were suspended, and although there was a large extension of credit in these fields during the year, the price level resisted upward pressures. In fact, the year as a whole was marked by softening prices despite the growth in business activity. Consumer prices at year's end were only two

percentage points above a year earlier, while wholesale prices were four points lower.

Banking—Loans Moved Steadily Upward

Fifth District member banks increased their loans outstanding in every month of 1952 except January—at a moderate pace during the first six months and at a much more rapid rate after July. Total loans outstanding at the end of the year amounted to \$2.3 billion, an increase of more than 10 per cent from year-end 1951. Consumer loans were stimulated in the District, as throughout the nation, by the removal of Regulation W. By mid-May amounts outstanding were increasing at a much more rapid pace than earlier and the accelerated growth was not checked by net repayments until the last month

DEPARTMENT STORE SALES AND INVENTORIES
FIFTH DISTRICT



Dollar volume of sales at Fifth District department stores was 4 per cent higher in 1952 than in 1951; figures for the country as a whole showed no change. Despite restraint exercised by consumers the District's persistent postwar growth in sales continued. Store stocks fluctuated within a narrower range than in the preceding two years, reflecting prevalent conservative inventory policy.

of the year. Business firms in the District reduced their outstanding bank loans moderately during the first half, but beginning late in July and continuing through November they turned more and more to their bankers for new money. The demand slackened in December, but the amount of business loans outstanding at the end of the year was about 9 per cent above a year earlier and at an all-time high.

Holdings of U. S. Government securities by the District's member banks increased moderately during 1952, the \$2.6 billion held at year-end exceeding by $2\frac{1}{2}$ per cent the amount held at the end of 1951.

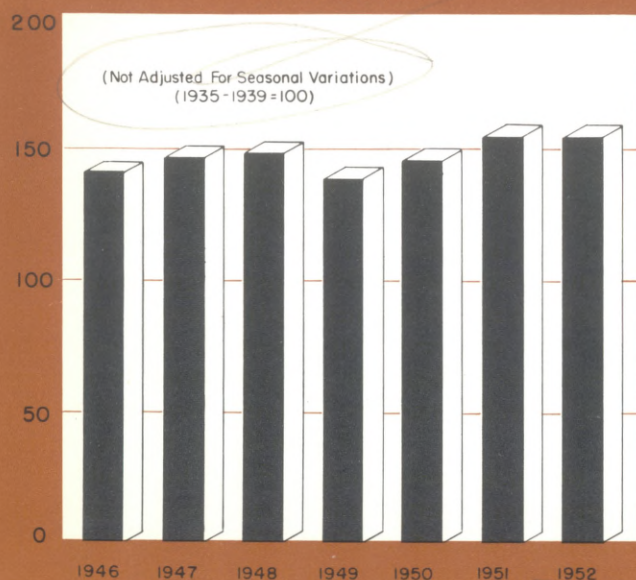
Their total deposits closely paralleled loan and investment changes, declining slightly in the first half and growing substantially during the last six months. The amount outstanding at the end

of 1952 was approximately 3 per cent greater than a year earlier and 7 per cent above the preceding June's figure.

A significant feature of the year's banking developments was increased member bank borrowing from all Federal Reserve Banks. From the early 1930's until the beginning of the 1950's borrowings were a relatively unimportant source of reserve funds for member banks. Increased resort to Reserve Bank credit appeared late in 1951, average daily borrowing in the Fifth District running close to \$20 million during December of that year. By July 1952 this was up to \$67.9

1950
1952

MANUFACTURING EMPLOYMENT
FIFTH DISTRICT



Following the recovery in textiles and furniture and settlement of the steel strike, manufacturing employment in the Fifth District rose sharply last August and, holding the gain through the Fall, closed out the year at a level just short of the all-time high of mid-1943.

million, and by the end of August daily average borrowings had reached \$74.5 million.

After a decline in September, borrowings ran exceptionally high during the last two months, reaching a high for the year of \$132.6 million on November 28.

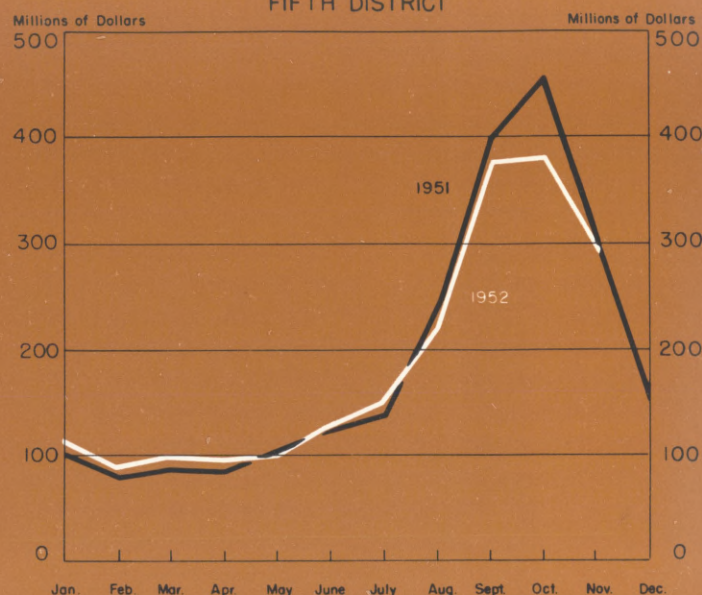
Industry—Most Lines Did Well

Despite the high levels of activity in defense-supporting durable goods industries, residential construction, and plant and equipment installations, depressed lines in consumer goods industries caused some slack in the District economy during the first half of 1952. Subsequent recovery in textiles and furniture in particular and in consumer goods in general filled in the gaps during the last six months, and by the end of the year all the major components of the District's industrial structure were contributing their share in producing a record flow of income.

BUSINESS AND BANKING IN 1952

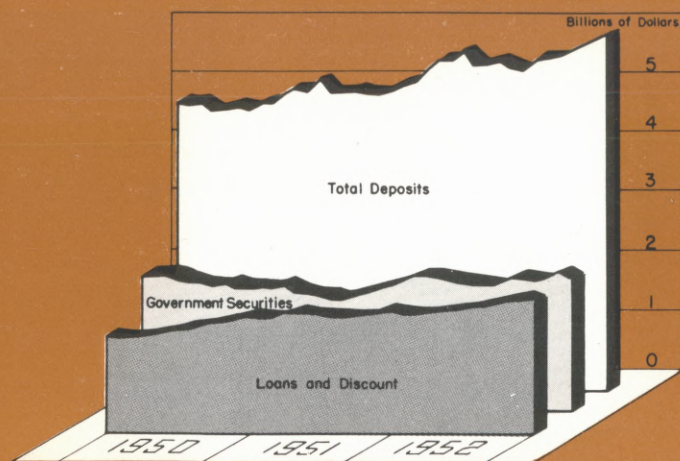
Recovery in the cotton textile industry during the last half fell short of pulling the year's total up to the 1951 level. However, the District fared better than the nation, with a decline in cotton consumption of only 3 per cent for the year as compared with a country-wide decline of 8.5 per cent. . . . 1952 shipments of rayon and acetate were off 2.8 per cent, but high-tenacity yarns and rayon staple and tow, produced principally in this District, showed gains. . . . Hosiery shipments exceeded the 1951 total by 8.4 per cent to reach a new high. The full-fashioned industry closed a year of considerable distress-pricing with a better inventory situation but with keen competition still bearing down on prices. . . . Apparel manufac-

CASH RECEIPTS FROM FARM MARKETINGS
FIFTH DISTRICT



Farmers of the Fifth District fared less well in 1952 than in 1951 and by comparison, because of unfavorable price changes for some products of this area, less well than farmers over the country as a whole. Cash receipts in this area through November were down 4 per cent from last year. It might have been worse, however. August rains arrived in time to end a serious drought that could have spelled disaster.

LOAN AND DEPOSIT TRENDS
FIFTH DISTRICT MEMBER BANKS



Total deposits at Fifth District member banks rose substantially in the last half of 1952 after declining slightly over the first six months. At year-end, total deposits amounted to \$6,797 million, the highest level ever attained. The principal factor causing this growth was the expansion of loans, particularly for commercial and industrial purposes.

turing, one of the notable postwar expansions in the District, added more than 5,000 new employees in 1952 to raise its total employment to 76,500. . . . Cigarette production in District plants, 3 per cent greater than in 1951, accounted for 79 per cent of total output in the nation. King-sized cigarettes held the headlines with a rate of growth that doubled their share of the market in 1952. . . . A phenomenal recovery was staged during the year by the furniture industry. Starting off with mountain-high inventories and gloomy prospects, it saw an upsurge in demand after last Spring so strong that, despite earlier losses, dollar volume for the year approximated the record set in 1951. . . . Bituminous coal production fell below 1951, with both domestic and export demand down. . . . District manufacturing employment rose to a postwar peak late in the year, moving very close to the record level of 1943. . . . Construction, transportation, communication, and

trade paced a steady growth of employment in non-manufacturing industries. . . . Government employment leveled off toward the close of 1952, with Federal jobs declining slightly and state and local continuing to rise.

Trade—Contradictory But Good

Consumer activity was marked by restrained but on the whole satisfactory buying and by seemingly contradictory rises in both borrowing and saving. Department store trade, for example, was restricted in the District to an increase of only 4 per cent during the year. This, however, was a relatively good showing since over the nation it held at about the 1951 level. Expansion of consumer credit was the well-spring for the growth of sales in a number of lines. Sales of District furniture stores, for example, were up 9 per cent in 1952 but were accompanied by an expansion of credit which by year-end had raised receivables to an all-time high 17 per cent above a year earlier.

During much of the year soft goods outsold consumer durables, but by the end of Summer the effects of sharp gains in personal incomes and extension of more liberal credit terms took hold and trade in durables picked up considerably. Television sales attained boom proportions, and demand for most "big ticket" items had strengthened considerably by the fourth quarter. Total retail sales of appliances in the nation approximated the 1951 volume. An important development was the sharp rise in automobile sales after the steel strike, with credit sales accounting for around 70 per cent of new cars sold in the latter part of the year as compared with 50 per cent in 1951.

Agriculture—Prices Down, Land Values Up

Fifth District farmers did not fare as well in 1952 as in 1951. Nevertheless, the year turned out considerably better than had been feared earlier in the season. Rains in early August came in the nick of time to arrest what would otherwise have been a devastating drought.

For the country as a whole, prices received by farmers averaged 5 per cent lower than in

1951, while prices they had to pay were slightly higher. Price changes of individual farm products were such that this area appears to have fared worse than others generally. Through November, cash returns from farm marketings for the District were trailing 4 per cent behind the corresponding period of 1951. Nationally, heavier marketings more than offset lower prices, and cash returns for the period were slightly more than a year ago.

The rise in farm land prices slowed appreciably, both in the District and nationally. Neverthe-

1950
1952

less, Fifth District land values

on November 1, 1952 averaged 6.4 per cent higher than a year earlier. This was double the rate of increase for the nation and the greatest increase of any Federal Reserve district.

Another Postponement?

With its principal industries busy, its highways and markets filled with the traffic of trade, and with its labor force almost fully employed at record rates of remuneration, the Fifth District entered the new year sharing the hope of the rest of the nation that 1953 would experience another postponement of the perennial postwar forecast, "a possible down turn in business activity during the second half of the year." Whatever the final outcome, there is initially a sound attitude of confidence tempered by cognizance of the ever-present weaknesses in a long inflationary growth.



NEW ADDITION AT RICHMOND



Sorting and Proving Checks

Veteran staff members whose recollections span the decades from the day when the Federal Reserve Bank occupied rented quarters in a commercial banking house on Richmond's Main Street can hardly remember a time when there seemed ever to be enough room to work in. Until now, that is. For with the opening late in 1952 of the new Eighth Street Addition, a six-story structure enlarging the head office premises by 64,000 square feet, the problem of where to take care of the steadily mounting work load was answered—for the present. If in future years need should again arise for further expansion, the new building's footings and columns will carry three additional floors.

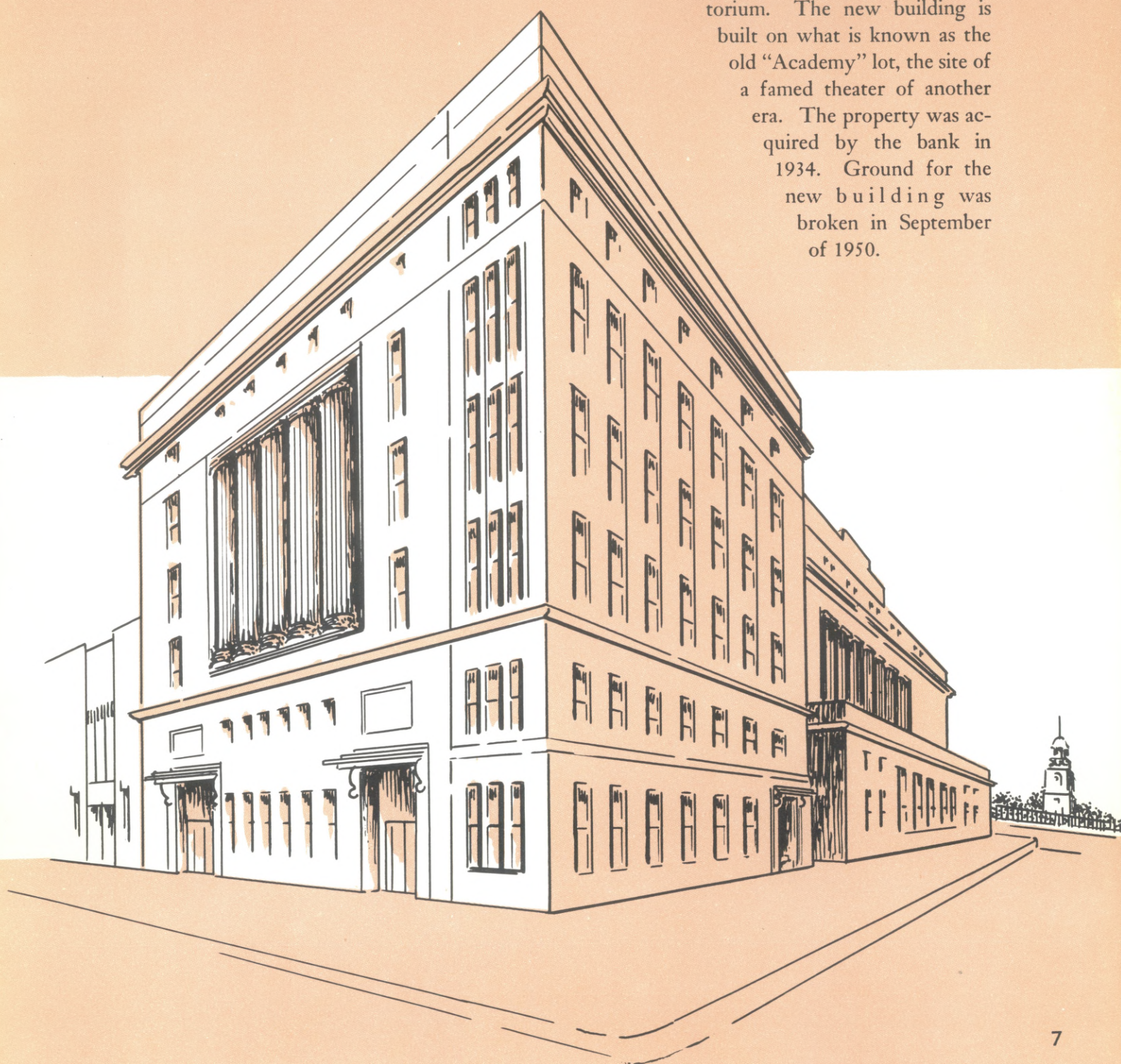
Nor is it beyond the realm of possibility that further expansion may become necessary in the years ahead. For as the economy of the Fifth District expands, so must the Federal Reserve Bank which serves it.



Research Department Library

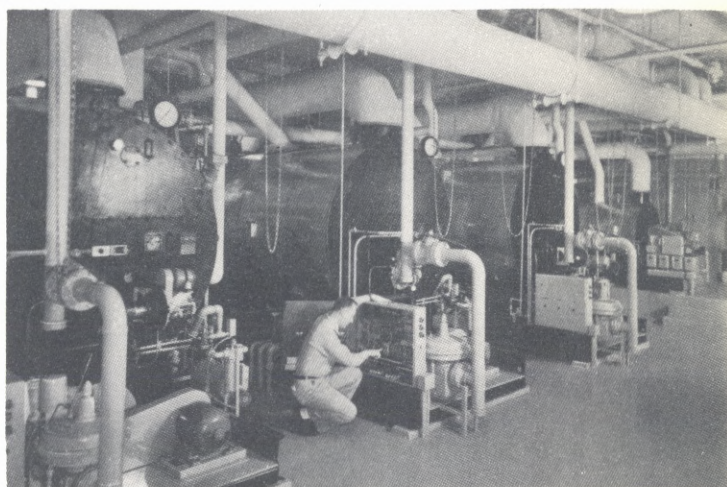
Built at a cost of approximately \$2,500,000, the new Eighth Street Addition is architecturally similar to the older Main Building, with which it is joined back-to-back above the first story. The steel, brick, and concrete structure is faced with Indiana limestone and fronting on Eighth Street are five Corinthian columns 40 feet in height. Two entrances open from the street, one

leading into the Personnel Department reception area and elevators, the other directly into an auditorium. The new building is built on what is known as the old "Academy" lot, the site of a famed theater of another era. The property was acquired by the bank in 1934. Ground for the new building was broken in September of 1950.



NEW ADDITION AT RICHMOND

When the bank began operating on November 14, 1914 (it was the first Federal Reserve Bank to notify the Secretary of the Treasury that it was open and ready for business) it had twenty staff members and occupied rented quarters in the old National State and City Bank building at 1109 East Main Street. Within two years it had a working force of 125 and had expanded into an adjoining building. By 1921 there were 541 employees scattered about five separate rented buildings. (Business was growing fast. For instance, in the first half of 1916, the year the bank began the collection of checks, the daily average number of items handled was 3,576; by 1920 it was 110,960.) In October 1921, after



New Heating Plant



Health Service Infirmary

seven years as a tenant, the bank moved into its first permanent location, described at the time as a "building of monumental and dignified character in keeping with the great institution it was designed to house". But even while this building was under construction it became apparent that yet more space would be needed, and a six-story annex was quickly raised at the rear. In 1931 and again in 1941 the Main Building had to be enlarged to accommodate the ever-expanding work load. By 1950 it was time to build again.

With six stories above ground and two levels below, the Eighth Street Addition, containing 64,000 square feet of usable space, is by far the biggest in the bank's series of building projects. The original Main Building and the Annex had a combined total of about 47,000 square feet of usable space—space not taken up by utilities, corridors, elevators, stairs, and the like. The 1931 expansion provided 37,000 more square feet and the 1941 project 7,000.

A model of a modern major edifice, the Addition was planned not only to obtain needed working space but also to provide excellent working



Main Cafeteria



Christmas Party in Auditorium

conditions and conveniences for the staff members. From sub-basement to roof these aims were carried out. A quick tour following that route would offer glimpses of:

Sub-basement—Boiler room, with three 200-horsepower oil-burning boilers for winter heating of entire bank; air conditioning equipment; headquarters of the building maintenance force; carpentry and sheet metal workshops; tool room; office machine repair shop; and electrical panels.

Basement—Garage area for the bank's cars; Protection Department's pistol and rifle range; guard station for security court.

First Floor—Personnel Department; auditorium, with seating capacity of nearly 600, motion picture equipment, and stage; Health Service infirmary, with two treatment and five patients' rooms.

Second Floor—Old records section, with upward of 5,000 files; maids' lounge and porters' lounge; photograph and fingerprint files.

Third Floor—Fiscal Agency and Securities Departments, where more than 120 people handle the Government's bond transactions for the Fifth District and hold member banks' securities.

Fourth Floor—Transit Department, a day and night operation, with more than 200 men and women and 78 complex proof machines processing an average of some 300,000 checks and 46,000 postal money orders a day. (So big is this department that it extends into the Main Building and the Annex.)

Fifth Floor—General Files Section; Accounting Department; Bank Accounts Department; teletype section; Research Department library.

Sixth Floor—Two cafeterias, the larger seating 300 persons; private dining room; kitchen; employees' lounge, library and reading room.

The new building was designed by Taylor and Fisher, architects, of Baltimore and built by the George A. Fuller Company, of Washington. Real property taxes are paid on the building just as they are on any other privately owned structure.

CRB

A YEAR'S ACTIVITY

As the pages before and after this one so plainly show, it seems an impossibility to report on a year of activity at this kind of institution without resort to trainloads of figures (of undeniable significance but perhaps of doubtful interest) and truckloads of words (testifying to remarkable but possibly uninspiring deeds). An annual report of a banking institution has to have figures, of course, and suitably dry words to augment or explain them. And yet this is a living organization, this Federal Reserve Bank of Richmond, not just buildings full of machines and ledgers. It is chockful of humankind, more than 1300 of them by year-end count, of both sexes, various ages, and many creeds.

It would be nice if we could tell you, our stockholders, about some of our people—about the young man in the telegraph section who nightly talks to friends all over the world on his “ham” wireless, about the guard who grows prize-winning dahlias, about the vice president who knows Italian opera, words and music, so well that he could perform at the Metropolitan if he could only sing, about the department manager who raises goats . . . but this is an annual report.

We'd like to mention how much we enjoyed visiting with many of you in your own offices—our people made more than a thousand calls on bankers in 1952. And how agreeable it was to see you at one or another of the more than three hundred meetings we attended, like West Virginia's School of Banking at Jackson's Mill, the conferences at Chapel Hill, Charlottesville, Natural Bridge, and Frederick, the conventions at Charleston, White Sulphur, Roanoke, Hot Springs, Pinehurst, and Atlantic City, and group and clearinghouse meetings all over the Fifth District. And how pleased we were that so many bankers (more than five

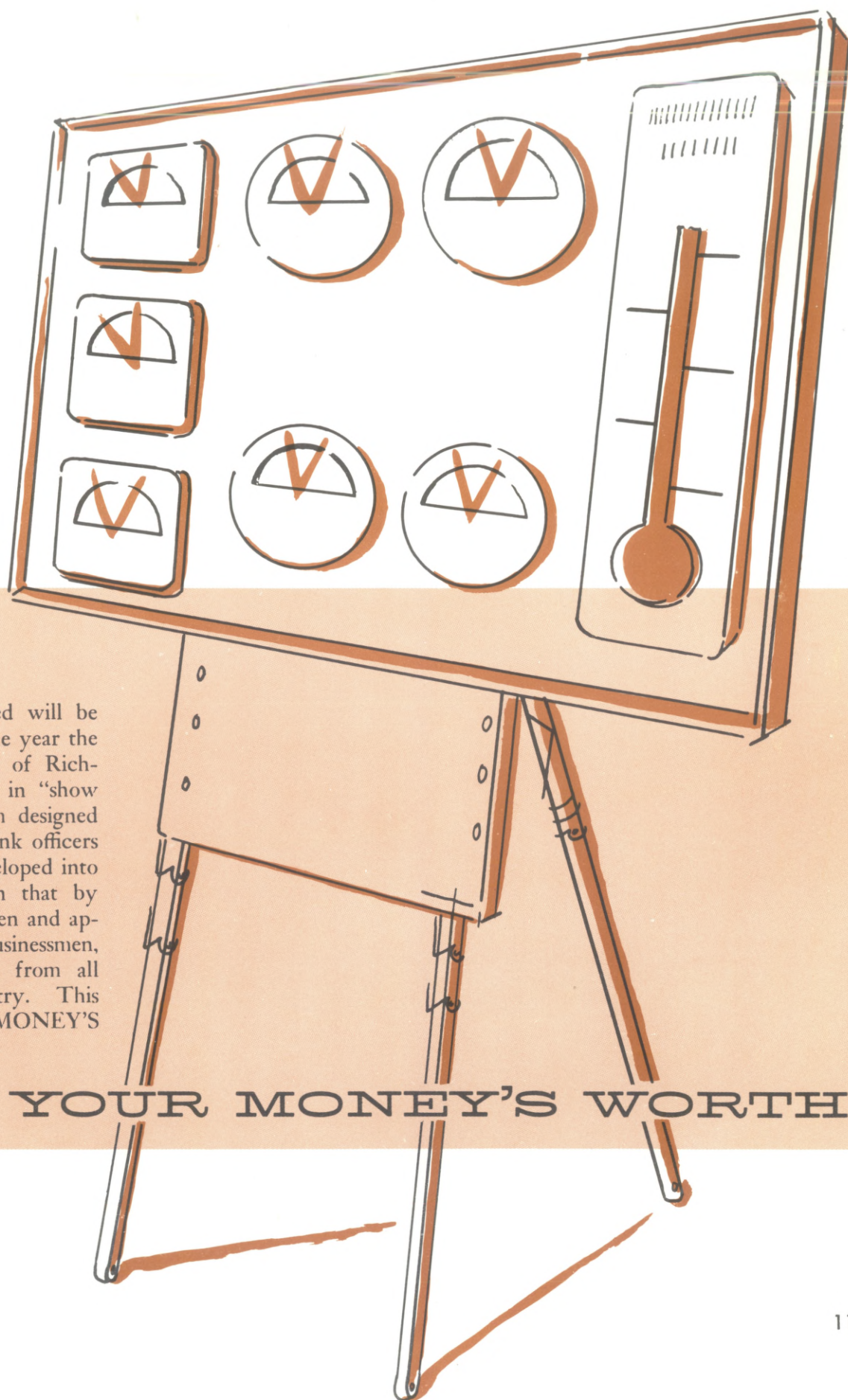
hundred) visited this bank. But none of those sentiments seems adaptable to charts or tables.

So, a few vital statistics not covered in other sections of this report may be admissible here: Our head office directors, as is noted in later pages, remain the same. Mr. Rust and Mr. Johnson were re-elected to new three-year terms. The Board of Governors reappointed Mr. Woodward for three years and redesignated him deputy chairman. Mr. McCormick was redesignated chairman.

There were changes in the directorates at each of the branches. Eugene G. Grady, president of the Western National Bank of Baltimore, and L. Vinton Hershey, president of the Hagerstown Shoe Company of Hagerstown, left the Baltimore board, both after six years. The latter had been board chairman for four years. Stanley B. Trott, president of the Maryland Trust Company of Baltimore, and Howard M. Taylor, Jr., vice president of the International Bedding Company of Baltimore, joined the board. Lacy I. Rice, president of the Old National Bank of Martinsburg, was re-elected.

At Charlotte, W. A. L. Sibley, vice president and treasurer of Monarch Mills, Union, South Carolina, left the board after six years, during two of which he had been chairman. George S. Crouch, board chairman of the Union National Bank of Charlotte, and Jonathan Woody, president of the First National Bank of Waynesville, were re-elected. A successor to Mr. Sibley has not yet been named.

Three new officers were chosen during the year. Economists Thomas I. Storrs and J. Dewey Daane were elected assistant vice presidents at the head office and A. Augustus Stewart, Jr., was named cashier of the Baltimore branch, replacing J. A. Johnston, who died in May.



The year just ended will be long remembered as the year the Federal Reserve Bank of Richmond made its debut in "show business". A program designed for North Carolina bank officers and directors was developed into a dramatic production that by year's end had been seen and applauded by bankers, businessmen, educators, and others from all sections of the country. This was—and is—YOUR MONEY'S WORTH.

YOUR MONEY'S WORTH

YOUR MONEY'S WORTH

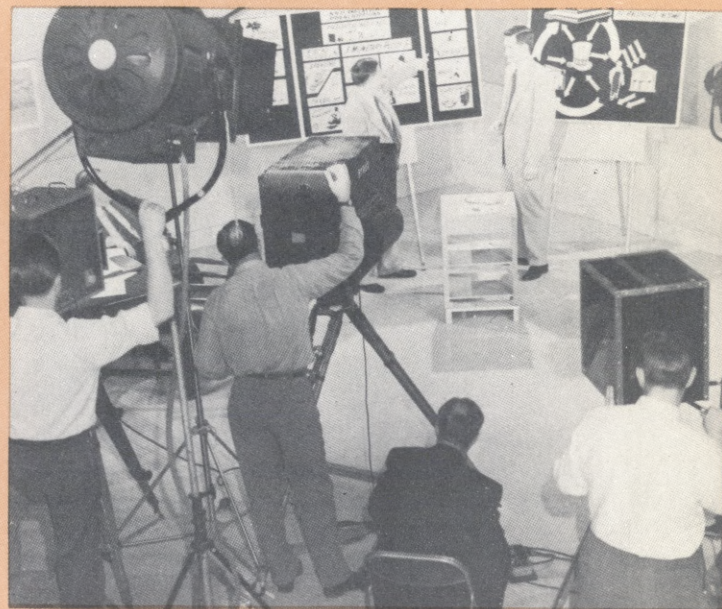
YOUR MONEY'S WORTH is a program designed to contribute to a broader understanding of the Federal Reserve System.

Basically it is an illustrated lecture, but in the unique manner of its presentation it goes far beyond the common concepts of that familiar teaching device. Combining the use of unusual illustrative technique and material with carefully worked out stage-craft, the program so effectively sets forth its complex theme that an economics professor at one of the Fifth District's leading universities was moved to call it a program that "gives a four-year course in economics and monetary policy in one easy lesson."

A banker in North Carolina, where the program was first presented in a series of "one night stands", was the first to refer to it as a theatrical event. "It's the best educational show I've seen since Chautauqua days," he said.

Pedagogy, drama, or a combination of the two, **YOUR MONEY'S WORTH** caught the imagination and drew the praise not only of Fifth District bankers but of many persons far removed from home territory.

YOUR MONEY'S WORTH, as the title implies, is concerned with the value of the American dollar, whose fluctuations in purchasing power the program uses as a basis for discussion of the factors making for economic instability. Tracing the development of the postwar inflation, it describes the inflation as an ailment in the body politic, likens it to an illness of the human system, and discusses the monetary, fiscal, and other medicines available to treat the disease. It gives primary emphasis to the medicines of monetary policy in the Federal Reserve System's pharmacopoeia.



Economic factors affecting stability—the flow of spendings in relation to the flow of goods, changes in the money supply through bank purchases of securities and the making of loans, fiscal and monetary actions, and others—are illustrated by means of charts and other devices constructed piece by piece before the eyes of the audience.

When **YOUR MONEY'S WORTH** was first presented, as a project sponsored by the Bank Management and Research Committee of the North Carolina Bankers Association, it was a program almost exclusively for bankers. By mid-year, however, partly in response to the request of a Virginia industrialist, it had become two separate productions—the banker version, a three-man, two-hour affair with an audience participation finale, and a two-man, forty-five minute layman's version. Both have been acclaimed.

The longer, or banker, version was seen by bankers of North Carolina at meetings in Chapel Hill, Pinehurst, Greensboro, Asheville, Hickory, Char-



lotte, Wilmington, Rocky Mount, and Elizabeth City; by Virginia bankers at Richmond, Roanoke, Norfolk, Alexandria, Staunton, and Bristol; and by West Virginia bankers at the state association's 1952 School of Banking at Jackson's Mill.

It was presented before the officers and directors of the Federal Reserve Banks of Boston, Cleveland, and Philadelphia; the Conference of Chairmen and the Conference of Presidents of the Federal Reserve Banks, and the members and staff of the Board of Governors of the Federal Reserve System.

The short version, first presented at the third biennial Conference on the Public and the Public Schools in Virginia, whose theme was "Education for Economic Understanding", was subsequently given before many teachers' workshops and community groups, a conference of the Virginia Farm Bureau Federation, and, among others, a women's finance forum. Excerpts from the show, one-man talks with **YOUR MONEY'S WORTH** illustrative devices, have been given before many other groups.

YOUR MONEY'S WORTH is destined for even wider attention in 1953. As 1952 drew to a close members of the cast were making the live presentation into a motion picture, a 16-mm. sound film in full color. At the same time the Virginia State Department of Education was translating the production into still another visual education medium, a film strip for use in school economics classes.

In addition, complete sets of all of the illustrative material for other casts of performers were provided each of the other Federal Reserve Banks for use in their districts. Several national educational organizations have asked for scripts and sets of material, and arrangements are being made to supply them through the Federal Reserve Banks of their districts. Similar sets are being made available also to professors of money and banking in Fifth District universities and colleges.

It is worthy of comment that **YOUR MONEY'S WORTH** is entirely a "home talent" production. The script was written here. The original illustrations were made here. The carpentry and construction work which created the physical "stage properties" were done here. The performers are members of the staff here.

Show business? The bank has no intention of invading the legitimate theater or offering competition to Hollywood. The aim is to enlarge understanding of the purposes and functions of the Federal Reserve System. Audience reaction leads to the conclusion that the dramatic technique of **YOUR MONEY'S WORTH** is an effective way to accomplish it.

As this report was going to press, the program discussed above was presented before both the Senate and House Banking and Currency Committees.

money

MONEY DEPARTMENT

The expanding economy of the Fifth District, growth in industry and trade, and increased activity at naval and military establishments had a stimulating effect on the public's demand for currency and coin in 1952. Answering the demand was one of the principal concerns of the Federal Reserve Bank, and during the twelve months covered by this report the head office and branches received and paid out a total of \$5,566,748,426 in cash.

The amount—of which \$5,462,894,008 was in paper money and \$103,854,418 in coins—was an all-time record, and it meant an all-time record amount of work for the people who did the job, the men and women of the Money departments of the bank and its Baltimore and Charlotte branches. To these people dollar figures denote actual pieces of paper and metal that must be lifted, carried, sorted, counted, listed, packaged, watched, checked and double-checked, and minutely accounted for, item by item.

The \$2,861,933,184 in currency and \$34,808,342 in coin handled by the 66 people in the head office Money Department meant 453,540,283

individual notes and 426,879,001 coins. Baltimore's \$1,503,242,647 and \$54,615,290 came to 234,657,269 notes and 788,078,617 coins for a staff of 31. At Charlotte, with 28 in the department, the \$1,097,718,177 in currency added up to 193,436,055 notes and the \$14,430,786 in coin to 172,887,201 pieces. Working in the coin rooms of the Federal Reserve Bank has much in common with stevedoring: \$103,854,418 in coins amounted to about 5680 tons, or some 22 tons per working day.

It is interesting to note that the average daily "handle" of currency and coin was \$9,655,805 at the head office, \$6,157,542 at Baltimore, and \$3,719,561 at Charlotte—interesting statistically, that is, but there were no average days. Many days the dollar amount—and tonnage—were considerably higher; other days they were lower, depending on the seasonal demand. December, for instance, was the busiest month at Richmond and Baltimore, and October at Charlotte. Months of least activity were February at the head office and Baltimore, and March at Charlotte.

The year brought a new high in the circulation of Federal Reserve Bank of Richmond "5-E" notes—\$1,905,449,205 outstanding on December 23, a 5.6 per cent increase over the previous high of \$1,805,173,440 on December 22, 1951. Average circulation during 1952 was \$1,836,108,005, a level 8 per cent above that of 1951, the previous peak year.

(Federal Reserve notes, issued by each of the twelve Reserve banks, make up about 85 per cent of the nation's currency, with Silver Certificates and United States notes, issued by the Treasury, constituting most of the rest.)

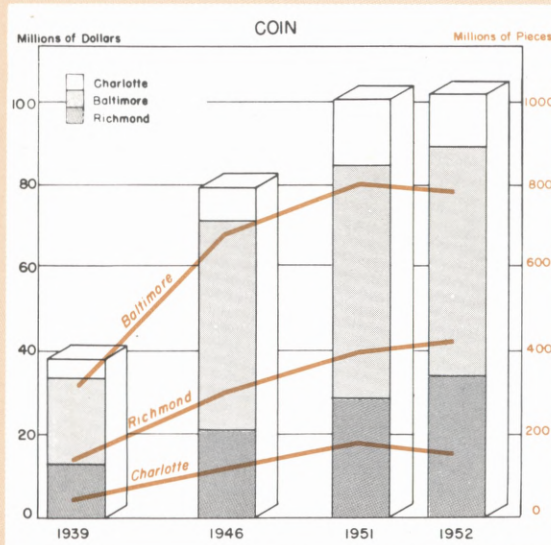
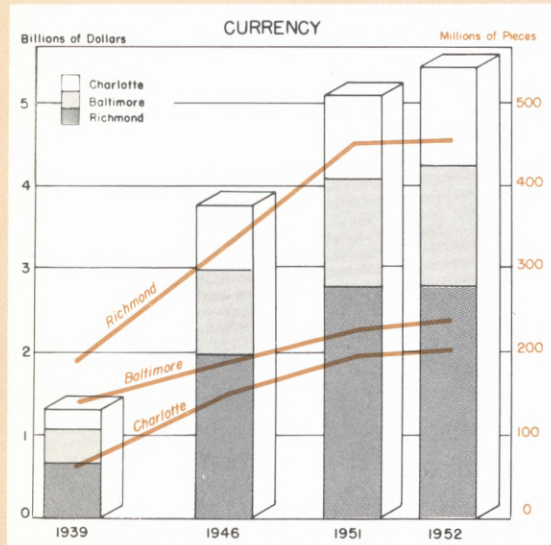
Collateral backing this bank's notes in circulation in 1952 averaged about \$600,000,000 in gold certificate reserves and roughly \$1,350,000,000 in Government securities. The proportion of gold certificates varies from time to time, but it has always been well above the 25 per cent minimum required by law.

other Reserve banks. The table shows the value of its own notes this bank got back from each of the other Reserve banks and the amount of their notes returned to them during 1952:

	From	To
Boston	\$21,452,500	\$ 7,826,500
New York	\$93,854,500	\$40,273,750
Philadelphia	\$49,305,250	\$28,348,000
Cleveland	\$18,095,000	\$27,025,500
Atlanta	\$51,011,750	\$24,655,500
Chicago	\$22,653,000	\$ 9,899,750
St. Louis	\$ 8,909,900	\$ 4,941,500
Minneapolis	\$ 2,755,500	\$ 624,750
Kansas City	\$ 4,111,000	\$ 2,016,750
Dallas	\$ 6,360,850	\$ 2,682,750
San Francisco	\$15,303,800	\$ 5,187,500

In addition to issuing currency, the Reserve banks also withdraw it from circulation. When

CURRENCY AND COIN RECEIVED AND PAID OUT

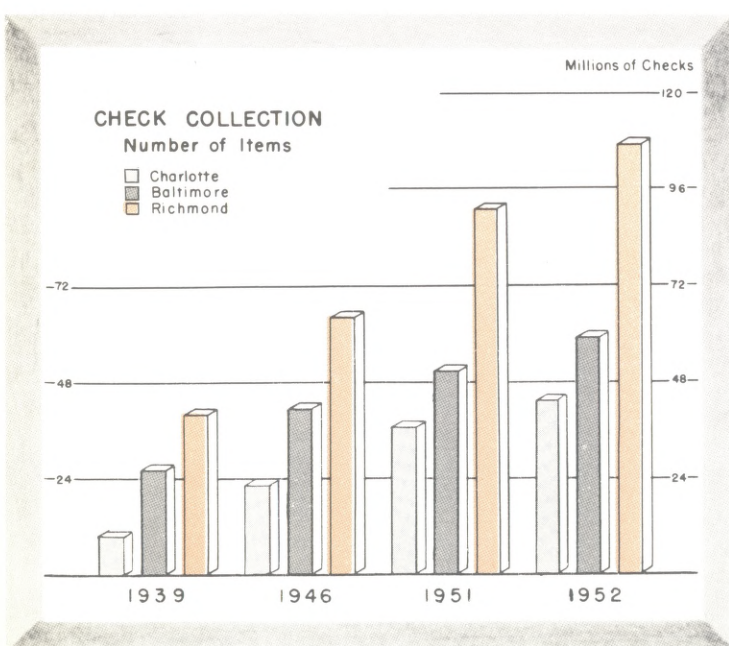
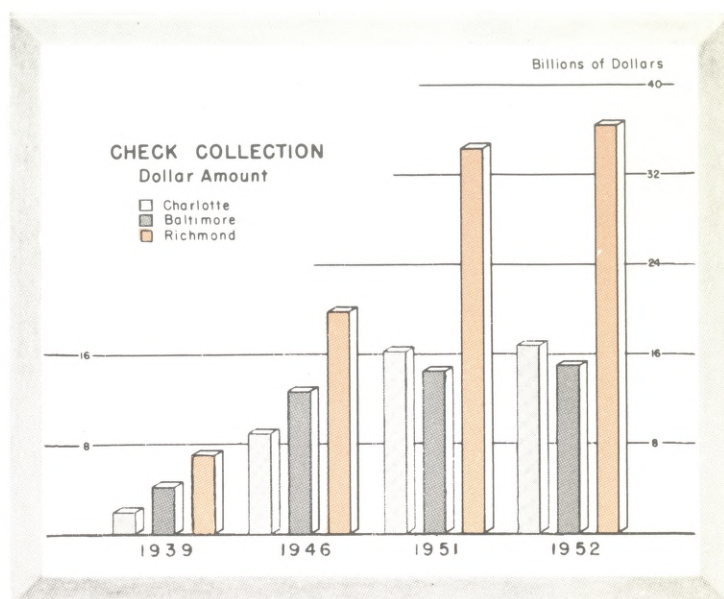


A sidelight on the way money gets around is found in the figures on interdistrict circulation of Federal Reserve notes, figures carefully kept because Reserve banks may not reissue notes of

paper money is worn-out or excessively dirty it is "canceled", written off the books, and sent to the Treasury for destruction. This bank canceled a total of \$812,692,417 in 1952.

Probably no better measure of the growth of the Federal Reserve Bank and its contribution to the increasing efficiency of the banking system could be found than the volume of check collection operations. With about 85 per cent of the nation's business transacted by check, a slight projection of the imagination could derive from these figures a pertinent commentary on the entire Fifth District economy.

The charts show vividly the increase in both the number of cash items (mostly checks) handled and the dollar amount represented at the Richmond head office and at the Baltimore and Charlotte branches. The percentage changes shown in the table tell their own story of remarkable growth in the scope of the job and reflect the efficiency of operation brought about in part by increased mechaniza-



tion. Not shown in charts or table is the significant volume of operations in noncash collection, which for the bank as a whole amounted to a record 577,000 items totaling \$177,402,000.

CHECK COLLECTION COMPARISONS

Office	1952 Totals	Percentage Increase Over		
		1939	1946	1951
RICHMOND				
Number of items	107,318,000	166	67	17
Dollar amount	\$36,396,512,000	399	83	6
Employees	209	118	27	3
BALTIMORE				
Number of items	59,003,000	222	41	15
Dollar amount	\$15,235,306,000	252	20	6
Employees	107	81	2	5
CHARLOTTE				
Number of items	43,390,000	338	91	19
Dollar amount	\$16,769,954,000	701	86	3
Employees	67	191	22	6
TOTAL				
Number of items	209,711,000	173	63	17
Dollar amount	\$68,401,772,000	399	64	5
Employees	383	115	18	4

CHECK COLLECTION

FISCAL AGENCY

"Fiscal Agent for the United States Government" is an imposing title involving an impressive amount of work by the Federal Reserve banks, principally in their Fiscal Agency departments.

In 1952 the Fiscal Agency departments of the Federal Reserve Bank of Richmond and its Baltimore and Charlotte branches processed almost 13,000,000 U. S. Government securities arising from issuing, exchanging, and redeeming Uncle Sam's IOUs. This was about 50,000 pieces per working day—a tremendous volume of work requiring a smoothly integrated working force operating with a minimum of lost motion.

This is not, by any means, a complete measure of all the work of the Fiscal Agency departments. The brief run-down in the accompanying table of the various tasks and the volume involved in acting as the financial representative of the U. S. Treasury indicates why Fiscal Agency kept 155 people busy at the head office and two branches of this bank.

The 1952 volume of operations in Fiscal Agency included issues of 5.9 million savings bonds amounting to almost \$363 million. As is often the case, the regular work load in Fiscal Agency was increased in 1952 by a special Treasury transaction, the introduction last Spring of the new type Series E Savings Bond. The result was a rise in the average number of savings bonds handled per working day from about 15,000 in 1951 to almost 20,000 this past year.

As a consequence of the new savings bond issue, Fiscal Agency had to call in stocks of "old type" E bonds held by 1,718 agents in this District and distribute stocks of new bonds. Some 490,000 old bonds were returned to the bank, and in turn, 922,000 new "Es" were shipped out. In one month, nearly a million bonds in excess of the number normally handled by Fiscal Agency passed along its "production line".

Needless to say, normal operations had to be, and were, carried on as usual.

to an increasing extent in 1952. Unpledged securities owned by member banks and held in safekeeping may be used for collateral purposes with any department of the Federal Reserve Bank. Unpledged securities in safekeeping, issued by the Government and payable by the Federal Reserve Bank as fiscal agent, are withdrawn on maturity or call dates and the proceeds credited to the owners' reserve accounts. The service also covers securities owned by a member bank which it has pledged for some purpose, as for example, to secure Treasury Tax and Loan deposits. All told, this bank and its branches received and delivered 116,443 securities in 1952. Many of the same securities were, of course, handled a number of times for various purposes.

VOLUME OF OPERATIONS—1952

	<i>Number</i>	<i>Amount</i>
Marketable Securities		
Issued, exchanged, and redeemed	141,007	\$5,656,015,646
Savings Bonds		
Issued	5,869,909	362,664,268
Redeemed	6,790,904	356,248,042
Safekeeping for the public	47,085	5,994,375
Treasury Tax and Loan Accounts		
Deposit accounts	135,374	3,294,904,802
Collateral accounts	2,290	963,389,100
Miscellaneous	1,878	13,402,150
Over-all total	12,988,447	10,652,618,384

The safekeeping and custody of securities is another service of this bank used by member banks

50,000
250 / 130,000,000
1250

BANK AND PUBLIC RELATIONS

Measured by the limiting brackets of the formal organization chart, it is one of the smallest of the bank's several departments, but in the real meaning of the term the Bank and Public Relations Department is by far the largest. Everyone in the bank and its branches—1,317 as the year closed—belongs to it. The man who polishes the handle of the big front door and the chairman of the board of directors are Bank and Public Relations representatives. So are the transit clerks, the typists, the vice presidents, the elevator operators, the economists, the guards, the auditors, the maintenance force, the cafeteria cooks and servers, and the field representatives. Every one of them represents the bank to some segment of the District's banking community and the public.

The wide scope of the Bank and Public Relations function makes it hard to measure the actual accomplishments of a year's activity. However, a few figures:

Staff people made 1,007 visits to Fifth District banks, attended 329 banker meetings, including all of the state conventions and conferences in the District and several outside, gave talks to 189 groups, served as faculty members at banking conferences in North Carolina, Virginia, West Virginia, Maryland, and at the Graduate School of Banking. Some 1,300 persons visited the bank and branches, prints of four films about the Federal Reserve were provided 150 schools and other borrowers (total audience: 8,395), and 8,755 copies of various publications were distributed.

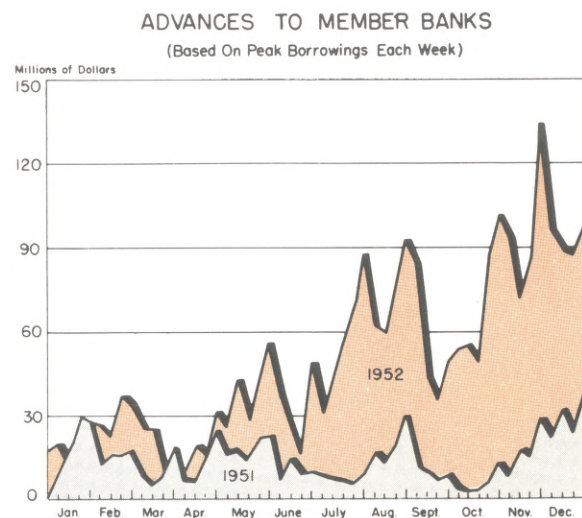
DISCOUNT AND CREDIT

The generally tight reserve positions of member banks throughout 1952 brought increased use of one of the advantages of System membership—the discount privilege. Ninety member banks availed themselves of this service in 1952 as against 83 in 1951; however, the number of transactions jumped 136% and aggregate borrowings soared 346%.

Year	Number of Banks	Number of Transactions	Aggregate Borrowings
1951	83	817	\$1,279,438,000
1952	90	1926	\$5,705,742,000

Easing of inflationary pressures during the year permitted the lifting of restrictions on instalment credit in May (Regulation W authority terminated June 30, 1952) and suspension of real estate credit restraints (Regulation X) in September. The Consumer Credit Department was dissolved and its residual functions were assumed by the Discount and Credit Department.

The V-loan program, under which Reserve banks handle applications for Government



guaranteed loans for defense and defense-related purposes, slowed considerably during 1952. Only six applications involving \$891,000 were approved and the credits made available as against 19 totaling \$6,206,100 the previous year.

Most of the activity in the Research Department of the Federal Reserve Bank of Richmond during 1952—as during previous years—was devoted to collecting, editing, analyzing and trying to make intelligible or meaningful those drab symbols commonly referred to as statistics.



ECONOMIC RESEARCH

The Research Department staff of economists and statisticians is responsible for gathering primary data from banks, industrial concerns, department stores, and the like, and, after collection, passing on the results in readable form. Some of the releases are weekly, some monthly, and others are on an annual basis.

Three areas of service to which data are directed are:

(1) The Board of Governors in Washington—where the transmitted data frequently become a part of the national figures, periodically released and widely used by business men as a measure of past performance and a guide to current trends and possible future developments.

(2) This bank's own directors and officers—for their information and use both in day-to-day operations and in policy determination.

(3) Member banks, business firms, colleges and universities—chiefly within the five-state area that comprises the Fifth Federal Reserve District, but also in many areas throughout the United States and in foreign countries as well.

Some statistics on the field of work which occupies Researchers' time may be used to etch a clearer mental picture of the nature and scope of the Research Department as it functions: During 1952, 1,228 respondents provided the bank with figures on such mat-

ters as bank debits in some thirty cities, weekly changes in business loans, business permits, retail trade, and department, furniture and household appliance stores. On the outgoing side, tabulations, with or without interpretation or editorial comment, were periodically sent out to some 2,800 individuals and firms.

Two publications—the *Monthly Review* and *Agricultural Items*—constitute the regular media by which the bank, through the Research Department, endeavors to provide economic and financial information for member banks, business, and interested individuals. During 1952, the *Monthly Review's* printings totaled more than 80,000, and *Agricultural Items* more than 60,000. In addition, extensive research on the part of the agricultural economists for a period of nearly two years was involved in the publication (in November 1952) of the 170-page booklet, "Flue-Cured Tobacco—An Economic Survey". More than 1,500 copies have already been distributed, not only in the Fifth District but throughout the United States and a number of foreign countries as well.

In addition to formulating the printed word—as evidenced by the above regular publications and numerous newspaper releases throughout the District—Researchers responded to hundreds of requests—telephonic, mail, and otherwise—in other words, played a sort of economic "Information Please".

PERSONNEL

The continuing improvement in the District's business, making jobs of all kinds more plentiful, and the step-up in the bank's service activity, making more work to be done here, combined to increase the problems of the department directly concerned with recruiting the people to do the work, the Personnel Department. While net employment rose by only 30 persons during 1952, there were total additions of 298—171 at Richmond, 83 at Baltimore, and 44 at Charlotte.

The recruiting of new people is but one part of the complex function of the Personnel Department, which is concerned also with making the bank "a good place to work". This department, among many things, administers salary schedules, conducts a continuing job evaluation and merit rating program, maintains detailed records for all staff members, and operates the health service and the cafeterias. (These are major projects in themselves. The head office infirmary, with two registered nurses, logged 12,652 visits; Baltimore and Charlotte, each with one registered nurse, had 3,279 and 1,870 respectively. Some 171,313 meals and snacks were served at the head



office, 115,025 at Baltimore, and 39,220 at Charlotte.)

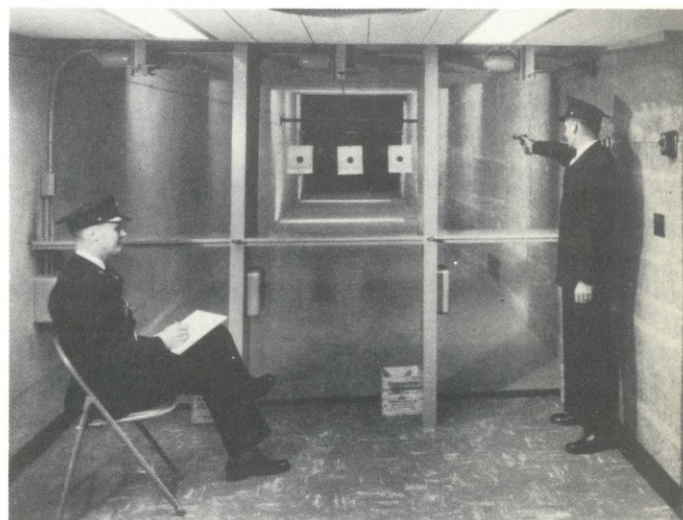
In addition, the Personnel Department joins with the Employees Council in sponsoring employee activities.

PROTECTION

One day last summer a telephone repair man, threading a maze of lines in one of the upper floors, tapped the wrong wire and set off the bank's emergency alarm. It was, of course, a false alarm, but within the few seconds before the reassuring all-clear was passed the entire Protection force had gone into action, every guard at his emergency station, firearms at the ready. Not a planned drill, it could have been the real thing—and the Protection force was prepared.

Day and night the picked men of the Protection Department are always prepared. Most of them former servicemen and many of them recognized marksmen, they are skilled in the use of a variety of weapons kept in several "arsenals" throughout the bank—revolvers, riot guns, submachine guns, tear-gas guns, and gas grenades.

Nerve-center of the Protection organization is a new, intricate central control station located in a basement room, headquarters of an intercommunication network connected to posts in all sections of the



bank's three buildings. In an emergency the entire force can be alerted and directed in a matter of seconds.

The most significant feature of Federal Reserve Bank operations in the past year was the increased reliance of member banks on borrowing in lieu of sales of securities as a means of adjusting reserve accounts. Earnings of the Federal Reserve Bank of Richmond from advances to member banks jumped from \$165,000 in 1951 to \$705,000 in 1952.

With inflationary pressures rather quiescent during the year, Federal Reserve policy was essentially one of mild restraint and limited *Open Market* operations. The result was a fairly steady pressure on bank reserves and a generally tight money market. Whereas Reserve System purchases of securities provide

amounted to about 90 per cent of net earnings after a modest addition to the contingency reserve and payment of the dividend to member banks (limited by law to 6 per cent of stockholdings). The payment represented interest on Federal Reserve notes in circulation not secured by gold certificates. The charge is levied by the Board of Governors pursuant to authority granted by Congress in connection with the delegation of authority to issue such notes.

From the Comparative Statement of Condition, shown on the following page, it will be observed that at year-end 1952, total assets had increased by \$191,000,000 to \$3,132,000,000, largely as a result of an in-

FINANCIAL RESULTS OF THE YEAR'S OPERATIONS

commercial banks with "permanent" reserves, borrowing by commercial banks is usually a temporary device, both because of the purposes for which Federal Reserve credit is available and because of the reluctance of banks to borrow. Thus, circumstances which dictate borrowing instead of sales of securities exert a restraining influence on credit expansion.

Bank preference for borrowed reserves was induced in part, undoubtedly, by the favorable "spread" that prevailed during much of the year between the yield on Treasury bills and the rediscount rate. While the former fluctuated between 1.51 and 2.23, the yield was generally above the 1.75 rate maintained on borrowings from the Reserve banks.

\$20,000,000 Paid To Treasury

Probably the second most interesting feature of the Comparative Statement of Earnings and Expenses is the \$20,000,000 payment to the United States Treasury. This

crease in cash assets of \$72,000,000 and in Government securities of \$55,000,000. On the liability side, Federal Reserve notes in actual circulation rose \$102,000,000 and member bank reserves were up \$31,000,000.

Paid-In Capital Increased

While holdings of Government securities were increased only moderately, there was a substantial shift in the composition of the account, particularly from certificates to the longer-term notes. The larger holdings and higher yield of the account were reflected in larger earnings, of course, and also in "other assets", which includes accrued interest.

The increase in bank premises represents expenditures for the new building, renovation of other quarters and additions to equipment.

Paid-in capital was increased by \$631,000, as member banks added more than \$20,000,000 to their capital and surplus accounts. This bank's surplus (Section 7) was increased \$2,223,000 from earnings for the year.

COMPARATIVE STATEMENT OF CONDITION

Assets

	<i>December 31, 1952</i>	<i>December 31, 1951</i>
Gold certificates	\$ 986,347,710.86	\$ 928,620,612.56
Redemption Fund for Federal Reserve notes	76,732,258.26	66,214,140.78
Other cash	27,616,071.82	23,885,673.20
Advances to member banks	5,704,500.00	2,340,000.00
Industrial loans	55,972.89	93,841.42
U. S. Government—Bills	50,148,000.00	31,110,000.00
—Certificates	337,650,000.00	846,097,000.00
—Notes	930,935,000.00	336,991,000.00
—Bonds	305,631,000.00	355,347,000.00
Due from foreign banks	1,157.07	1,409.74
Federal Reserve notes of other Reserve banks	50,710,320.00	48,796,410.00
Uncollected items	344,449,275.48	287,819,855.05
Bank premises	4,839,105.49	4,110,784.40
Other assets	10,887,104.00	8,840,545.72
TOTAL ASSETS	<u>\$3,131,707,475.87</u>	<u>\$2,940,268,272.87</u>

Liabilities

Member bank reserve accounts	\$ 849,024,558.86	\$ 848,054,375.71
U. S. Treasurer—general account	28,743,413.17	539,238.59
Foreign deposits	26,698,500.00	26,025,000.00
Other deposits	7,707,068.83	6,568,924.80
TOTAL DEPOSITS	<u>912,173,540.86</u>	<u>881,187,539.10</u>
Federal Reserve notes in actual circulation	1,887,062,610.00	1,785,153,400.00
Deferred availability items	280,791,180.34	225,183,652.78
Other liabilities	689,240.93	661,336.25
TOTAL LIABILITIES	<u>3,080,716,572.13</u>	<u>2,892,185,928.13</u>

Capital Accounts

Capital paid in	11,013,750.00	10,382,900.00
Surplus (Section 7)	29,247,937.12	27,024,687.76
Surplus (Section 13b)	3,349,144.81	3,349,144.81
Other capital accounts	7,380,071.81	7,325,612.17
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	<u>\$3,131,707,475.87</u>	<u>\$2,940,268,272.87</u>

Contingent liability on acceptances purchased for foreign correspondents	\$ 1,009,398.56	\$ 1,069,095.38
Commitments to make industrial loans	\$ 70,422.37	\$ 63,515.06

COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

Earnings

	<u>1952</u>	<u>1951</u>
Discount on advances to member banks	\$ 705,515.15	\$ 165,422.47
Interest and commitment fees on industrial loans	4,850.93	7,857.20
Interest on U. S. Government securities	29,640,766.84	25,827,614.62
Other earnings	7,056.82	9,542.77
TOTAL CURRENT EARNINGS	<u>30,358,189.74</u>	<u>26,010,437.06</u>

Expenses

Operating expenses (less reimbursements for certain Fiscal Agency and other expenses)	6,386,630.07	5,593,754.61
Assessments for expenses of Board of Governors	209,100.00	206,000.00
Cost of Federal Reserve currency	964,783.72	856,219.61
TOTAL NET EXPENSES	<u>7,560,513.79</u>	<u>6,655,974.22</u>
CURRENT NET EARNINGS	<u>22,797,675.95</u>	<u>19,354,462.84</u>

Add:

Profits on sales of U. S. Government securities	130,497.44	—
Sundry additions	1,693.10	1,255.63
TOTAL	<u>22,929,866.49</u>	<u>19,355,718.47</u>

Deduct:

Losses on sales of U. S. Government securities	—	101,555.33
Sundry deductions	2,225.08	10,487.56

Net Earnings	<u>\$ 22,927,641.41</u>	<u>\$ 19,243,675.58</u>
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Disposition of Net Earnings

Transferred to reserves for contingencies	\$ 55,180.93	\$ 54,664.22
Dividends paid member banks	643,140.74	610,303.89
Paid Treasurer of U. S. (Interest on F. R. notes)	20,006,070.38	16,720,823.44
Addition to Surplus Account (Section 7)	2,223,249.36	1,857,884.03
TOTAL	<u>\$ 22,927,641.41</u>	<u>\$ 19,243,675.58</u>

SURPLUS ACCOUNT (Section 7)

Balance at close of previous year	\$ 27,024,687.76	\$ 25,166,803.73
Addition account of earnings for year	2,223,249.36	1,857,884.03
BALANCE AT CLOSE OF CURRENT YEAR	<u>\$ 29,247,937.12</u>	<u>\$ 27,024,687.76</u>

CAPITAL STOCK ACCOUNT

(Representing amount paid in, which is 50% of amount subscribed)

Balance at close of previous year	\$ 10,382,900.00	\$ 9,845,300.00
Issued during the year	638,350.00	590,550.00
	11,021,250.00	10,435,850.00
Cancelled during the year	7,500.00	52,950.00
BALANCE AT CLOSE OF CURRENT YEAR	<u>\$ 11,013,750.00</u>	<u>\$ 10,382,900.00</u>



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