

50TH ANNIVERSARY

FEDERAL RESERVE BANK OF BOSTON
ANNUAL REPORT 1963



No. 1

Treasury Department
Office of Comptroller of the Currency

Washington, D.C.

By virtue of the power vested in me by Section 4 of the
Act of Congress approved December 23, 1913 and known as the
Federal Reserve Act,
I, John Skelton Williams, Comptroller of the Currency,

do hereby certify that the
necessary provisions of law having been complied with, the

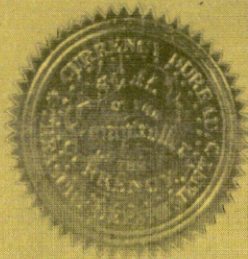
Federal Reserve Bank of Boston,

located in the City of Boston,
Commonwealth of Massachusetts, and in District No. 1,

as defined by the
Reserve Bank Organization Committee,

is authorized to commence business
and to exercise all powers granted to it by law.

In testimony whereof, witness my hand
and seal of office this fourteenth day of
November, 1914.



John Skelton Williams
Comptroller of the Currency.

Federal Reserve Bank of Boston



50TH ANNIVERSARY

Annual Report 1963

To the Member Banks of the Federal Reserve Bank of Boston:

It is a pleasure to send you the 1963 Annual Report of the Federal Reserve Bank of Boston.

This report is published on the Fiftieth Anniversary of the Federal Reserve System. The Act which created the System was signed into law by President Wilson on December 23, 1913, and the twelve Reserve Banks simultaneously opened their doors for business on November 16, 1914.

Over the subsequent fifty years the Federal Reserve System has developed into a major instrument for helping counteract inflationary and deflationary movements, and for assisting in creating conditions favorable to national growth, sustained high employment, stable values, and a rising standard of living. Through its influence on credit and money, it

affects indirectly every phase of American enterprise and every person in the United States.

The following pages reflect aspects of the stewardship exercised by the Federal Reserve Bank of Boston on behalf of New England's ten million inhabitants. They also trace significant changes which have taken place in the New England economy during the Reserve Bank's lifetime.

For the steadily increasing efficiency of the Bank's operations, I extend my own thanks and those of our directors to our officers and staff.

We also extend our thanks to New England bankers and other business leaders for their generous continuing cooperation.

January 31, 1964

George H. Ellis
President

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Comparative Statement of Condition

Assets

	December 31, 1963	December 31, 1962
Gold Certificate Reserves	\$ 800,698,707.63	\$ 963,845,811.80
Federal Reserve Notes of Other Federal Reserve Banks	37,225,150.00	44,526,775.00
Other Cash	9,181,862.48	23,865,255.63
Discounts and Advances	1,576,000.00	447,000.00
U.S. Government Securities— System Account	1,571,172,000.00	1,472,910,000.00
Cash Items in Process of Collection	741,814,143.44	721,168,423.78
Bank Premises	3,066,269.65	3,205,436.31
Foreign Currencies	7,325,774.84	3,790,482.01
All Other	11,736,347.59	13,363,401.77
Total Assets	<u>\$3,183,796,255.63</u>	<u>\$3,247,122,586.30</u>

Liabilities

Federal Reserve Notes (net)	\$1,925,992,915.00	\$1,796,816,275.00
Deposits:		
Member Bank Reserve Accounts	690,566,660.86	828,816,662.81
U.S. Treasurer—Collected Funds	36,597,776.13	45,884,215.52
Foreign	7,680,000.00	12,220,000.00
Other	4,614,958.49	3,916,694.46
Total Deposits	<u>\$ 739,459,395.48</u>	<u>\$ 890,837,572.79</u>
Deferred Availability Cash Items	443,665,162.87	489,029,203.92
Other Liabilities	3,829,282.28	3,434,384.59
Total Liabilities	<u>\$3,112,946,755.63</u>	<u>\$3,180,117,436.30</u>

Capital
Accounts

Capital Paid In	\$ 23,616,500.00	\$ 22,335,050.00
Surplus	47,233,000.00	44,670,100.00
Total Capital Accounts	<u>\$ 70,849,500.00</u>	<u>\$ 67,005,150.00</u>
Total Liabilities and Capital Accounts	<u>\$3,183,796,255.63</u>	<u>\$3,247,122,586.30</u>

Comparative Statement of Earnings and Expenses

	1963	1962
Current Earnings:		
Advances to Member Banks	\$ 235,128.53	\$ 165,245.69
Foreign Loans on Gold	31,918.96	45,934.04
Invested Foreign Currency Balance	97,018.13	164,611.74
U.S. Government Securities—System Account	57,691,810.02	53,177,710.10
All Other	15,031.04	15,310.28
Total Current Earnings	58,070,906.68	53,568,811.85
Net Expenses	12,522,759.85	11,852,878.85
Current Net Earnings	45,548,146.83	41,715,933.00
Additions to Current Net Earnings:		
Profit on Sales of Government Securities (net)	15,896.43	102,782.30
All Other	34,152.63	42,532.98
Total Additions	50,049.06	145,315.28
Deductions from Current Net Earnings	10,821.72	208,816.44
Net Additions (or Deductions)	39,227.34	(63,501.16)
Net Earnings before Payment to U.S. Treasury	\$45,587,374.17	\$41,652,431.84
* * * *		
Dividends Paid	\$ 1,376,442.38	\$ 1,296,551.92
Paid U.S. Treasury (Interest on Federal Reserve Notes)	41,648,031.79	37,797,779.92
Transferred to Surplus	2,562,900.00	2,558,100.00
	\$45,587,374.17	\$41,652,431.84

Volume Figures for Years 1962 and 1963

TRANSACTION	VOLUME IN PIECES OR UNITS (Daily Average)		VOLUME IN DOLLARS (Annual Total)	
	1963	1962	1963	1962
Discounts and Advances	3	3	\$1,206,233,000	\$702,173,000
Currency Sorted and Counted	1,222,336	1,161,449	2,025,521,547	1,997,297,261
Coin Counted and Wrapped	3,973,179	4,434,637	98,417,800	109,846,400
Check Collections	1,441,383	1,370,821	91,890,892,192	87,868,946,751
Noncash Collection:				
Notes, Drafts, and Coupons (except U.S. Government)	4,870	4,722	466,063,023	469,466,605
Safekeeping of Securities:				
Pieces Received and Delivered	1,011	813	11,254,073,586	9,639,475,032
Coupons Detached	2,134	1,958	48,462,868	44,724,787
Orders to Sell or Buy Securities Executed for Member Banks	12	11	468,996,450	428,372,450
Transfers of Funds	602	541	124,419,468,279	99,406,410,925
Issues, Redemptions and Exchanges:				
U.S. Securities (Direct Obligations)	1,295	1,276	18,824,399,656	18,859,318,903
U.S. Savings Bonds	39,250	40,117	543,468,449	558,678,972
All Other	14	19	38,518,000	42,191,700
U.S. Government Coupons Paid (Direct Obligations)	2,521	2,581	206,939,841	194,461,683
Federal Taxes: Depository Receipts and Direct Remittances	3,443	3,255	2,469,036,110	2,276,449,373
Currency Verified and Destroyed	189,829	215,024	63,165,000	73,699,000
Deposits and Withdrawals— Treasury Tax and Loan Accounts	590	537	8,275,390,616	7,705,011,730

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49 Year Comparison Statement of Condition

	December 31, 1963	December 31, 1914
Assets	Gold Certificate Reserves	\$ 13,020,000.00
	Federal Reserve Notes of Other Federal Reserve Banks	17,615.00
	Other Cash	944,540.48
	Discounts and Advances	143,527.60
	U.S. Government Securities— System Account	—
	Cash Items in Process of Collection	2,149,254.51
	Bank Premises	—
	Foreign Currencies	—
	All Other	—
	Total Assets	\$ 16,274,937.59
Liabilities	Federal Reserve Notes (net)	\$ 99,120.00
	Deposits:	
	Member Bank Reserve Accounts	14,210,590.47
	U.S. Treasurer—Collected Funds	—
	Foreign	—
	Other	789.53
	Total Deposits	\$ 14,211,380.00
	Deferred Availability Cash Items	394,371.95
Capital Accounts	Other Liabilities	775.51
	Total Liabilities	\$ 14,705,647.46
Capital Accounts	Capital Paid In	\$ 1,618,924.99
	Surplus	(Loss) 49,634.86
	Total Capital Accounts	\$ 1,569,290.13
	Total Liabilities and Capital Accounts	\$ 16,274,937.59



New England's 50 Years of Change and Growth

A Summary by the Federal Reserve Bank of Boston

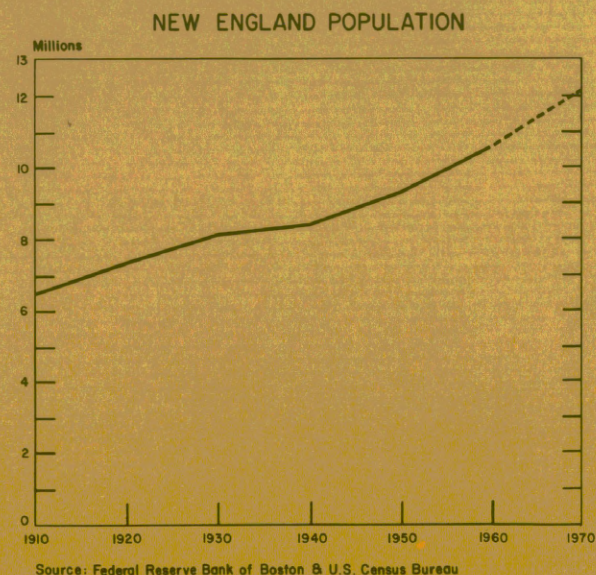
In the years which have elapsed since the founding of the Federal Reserve Bank of Boston in 1914, New England has weathered many economic storms and has on the whole shown remarkable flexibility. For the people of the region, the changes have resulted in a new economic focus and a vastly higher standard of living.

Within this period New England has provided more than a million additional jobs despite the stability in the size of its manufacturing employment. That this highly industrial region could absorb the loss of about 300,000 jobs in its once most important industry—textiles—is striking evidence of the strength and adaptability of its economy. The great expansion in the region's employment has been in the service industries.

THE CHANGE—THEN AND NOW

In 1919, with the end of the First World War, New England industry felt the impact of the great pent-up demand for consumer goods. Of that happy period this Bank's *Monthly Review* noted that

in Fall River, Massachusetts "the mills report a shortage of help and all who care to work can find employment." In Pawtucket, Rhode Island, "practically all plants either in textiles or metals are running to capacity. Their books are crowded with orders." The period was not, however, free of worry. In January



1920, the Bank reported that the Christmas trade had never been so enormous—"never was purchasing power, created

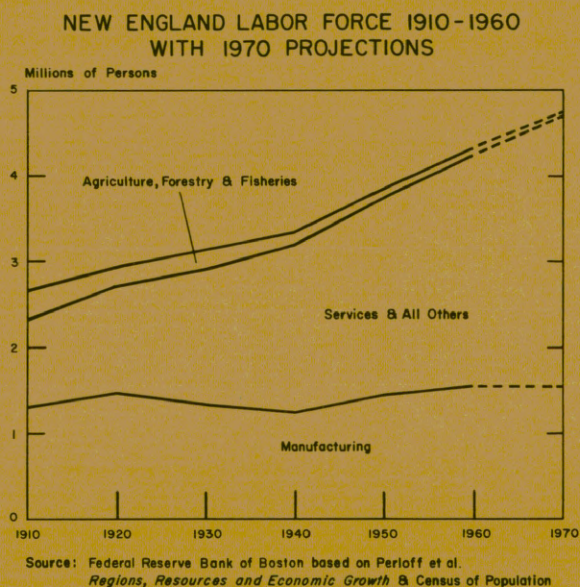
New England's 50 Years of Change and Growth

by high wages and profits, exercised with such extravagance and apparent disregard for the future." There was an "orgy of spending" both for luxuries and for "needlessly costly necessities."

The situation had changed sharply by the middle of 1920 and the euphoria vanished. New England was the first section of the country to feel the contraction. The Bank noted "a widespread

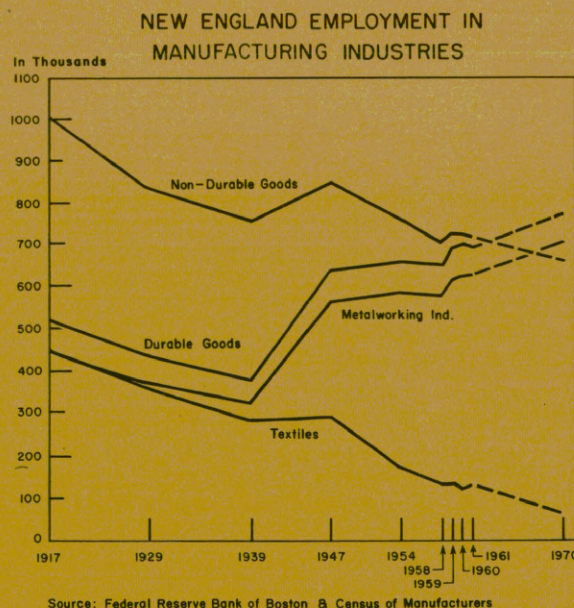
ance, finance, recreation, education, and other service industries.

Technological changes that developed under the impetus of World War II improved New England's competitive position. During the war, the federal government placed substantial military contracts with the region's metal working plants. While they worked on the new weapons, these companies became familiar with entirely new technologies and new production techniques. This experience enabled them to compete more effectively in the post-war period. It also greatly increased the importance of the metal-working industries in the region's economy. Their products are used primarily for space and defense needs. As a result, variations in govern-



curtailment in the operation of textile mills and shoe factories, and what might almost be called an epidemic of cancellation of orders." The decades of the twenties and the thirties continued to show a decline in those industries.

The 1919-1939 period was a time of fundamental readjustment in the region's economy. During this time manufacturing employment declined by more than one-fourth. This loss, however, was more than offset by a substantial gain in other jobs—particularly in insur-

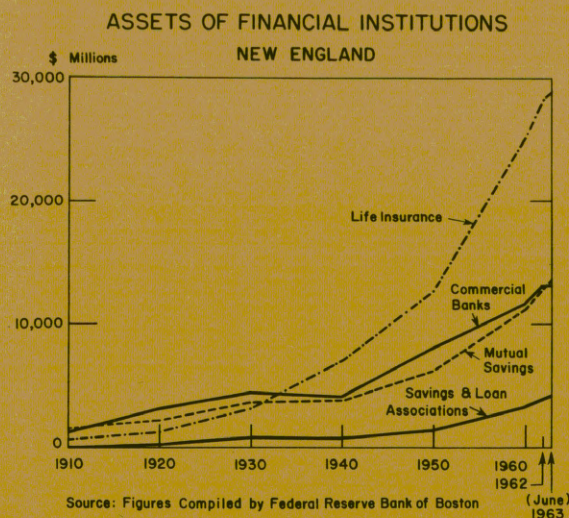


ment contracts have a severe impact on them. So far, however, these industries have continued their growth and now provide more manufacturing jobs than any others.

THE GROWTH—POPULATION

More than 10,500,000 people live in New England now—almost 4,000,000 more than 50 years ago. Most of these residents were born in the region; less than 6 of the 90 percent of native born inhabitants came from states outside the Northeast. The remaining one-tenth of the region's people are foreign born—a higher proportion than any other section except for New York State.

The latest Census Bureau estimates for 1970 indicate a further increase of about 1,600,000 in the region's population. This growing population will require a further expansion of public and private facilities and will provide new markets for many of the region's producers.



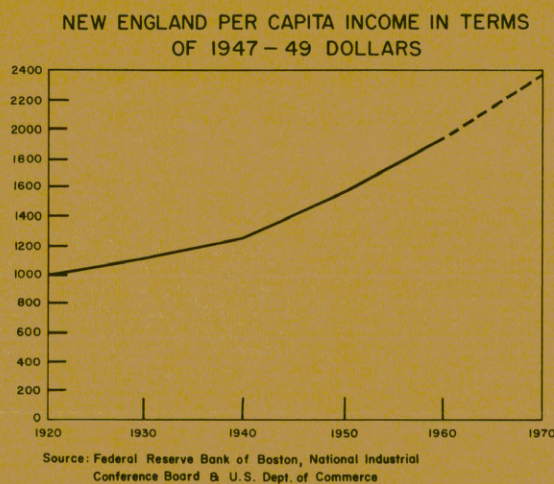
LABOR FORCE

The region's labor force is made up of about 4.5 million persons who work outside their homes. This represents an increase of about two-thirds since 1910. Projections for 1970 indicate a further growth to 4.8 million workers. This

expansion is largely the result of the great wave of post-war babies who will then be entering the labor market. Thousands of new jobs will be necessary to accommodate them.

INDUSTRIES

Along with the gains in the region's labor force, vital changes have also taken

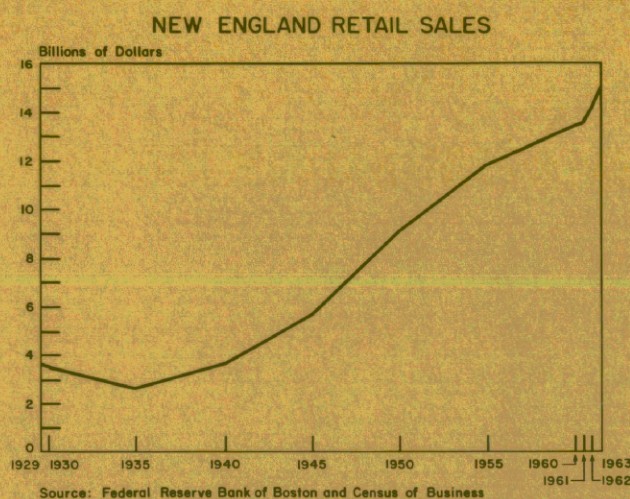


place in the ways by which New Englanders earn their living. One of the most significant changes has been the vast increase in the number of workers in service industries, such as finance, insurance, trade, and teaching. In 1960, almost 2.5 million people were attached to such industries, an increase of more than 125 percent in these past 50 years. Moreover, by 1970 more than 3 million New Englanders will be service industry workers, almost twice as many as in manufacturing then.

The importance of service industries has grown similarly in the nation and is normal for advanced economic communities. However, while in the nation

New England's 50 Years of Change and Growth

these industries could draw from the farm labor force, New England has so small a proportion of farm workers that the increase has come in place of manufacturing growth. Between 1920 and 1960, the proportion of New England's work force employed in manufacturing dropped from 50 to 32 percent.



The other striking development in the region's industrial picture has been the change in the character of its manufacturing activity, particularly since the end of World War II. In that period, durable goods have expanded sharply, as noted above. Among the latter the metal-working industries are particularly important. While in 1939 those industries accounted for only 28 percent of New England's manufacturing employment, by 1961 this proportion had increased to 44 percent. Projections for 1970 indicate a still further increase to almost half of all manufacturing jobs.

While employment in the soft goods industries has declined by more than

a third since its peak in 1919, some components—especially the apparel and paper industries—have shown substantial gains.

FINANCIAL ASSETS

The assets of New England's financial institutions, insurance, and investment companies have grown enormously in the last 50 years. From 1910 to 1962 commercial bank assets alone have increased by about 850 percent and those of mutual savings banks have grown almost as much—812 percent. Assets of the region's life insurance companies show even greater growth and now represent a higher proportion of the nation's assets in the industry than they did in 1910.

PER CAPITA INCOME

Individual incomes have also shown an enormous rise over this period and have consistently exceeded the United States average. In terms of 1947–1949 dollars, per capita income almost doubled in the years from 1920 to 1960, rising from \$1,009 to \$1,949. On the same base, 1970 projected individual income will be \$2,378.

RETAIL SALES

This steadily rising income has enabled the New Englander to raise his standard of living through the purchase of more goods and services. This is reflected in the tremendous growth in retail sales over the years. Since 1929, the date of the earliest comprehensive figures for New England, retail sales have increased from an annual rate of \$3.7 billion to an estimated high of \$15 billion in 1963.



Summary of Principal Changes

STATEMENT OF CONDITION

The Bank's total assets at the end of 1963 amounted to nearly \$3.2 billion—down slightly from a year ago. The principal assets comprised \$801 million of gold certificates and \$1.6 billion of U.S. government securities. On the liability side, Federal Reserve notes in circulation amounted to \$1.9 billion and deposits \$691 million.

Year end adjustments by New England member banks involved unusually large commercial and financial transfers to other Federal Reserve Districts, and resulted in reallocation of this bank's participation in U.S. securities in the System Open Market account and in gold certificate reserves. Holdings of U.S. securities increased about 7.5 percent. In contrast, gold certificate holdings declined by \$163 million, or 17 percent, as a result of inter-district settlements and the continuing gold loss of the nation. The District One gold ratio dropped to 30 percent from 36 percent a year ago.

Uncollected cash items showed a relatively sharp rise as check float set new records in both the nation and the region for the year end. A substantial increase in the volume of checks and processing delays, resulting in part from bad weather over much of the nation, disrupted collection schedules.

Foreign currency holdings stood at \$7.3 million, about double the year ago level, reflecting the participation of this Bank in a number of foreign currencies held in the Reserve System's invest-

ment account. Reciprocal currency agreements were made by the System with a number of foreign central banks beginning in 1962, and these mutual credit facilities have been used to help offset abnormal and temporary pressures on the dollar.

A rise in Federal Reserve notes, and declines in member bank reserve accounts and U.S. government deposits, accounted for the bulk of the change in liabilities. Currency circulation has been increasing at a somewhat faster rate in recent years, with most of the rise occurring in bills of large denomination. In addition, the beginning of changeover from \$1 silver certificates to \$1 Federal Reserve notes has served to increase the Bank's note liabilities. (Silver certificates are liabilities of the U.S. Treasury.)

Total capital accounts increased about 6 percent, or \$3.8 million, and reflected both the purchase of additional Reserve Bank stock by member banks and the amount transferred to surplus to maintain the account at twice "paid in" capital. At the year end these accounts were a little more than 2 percent of total resources.

EARNINGS AND EXPENSES

Total current earnings of the Bank rose \$4.5 million, owing primarily to the increase in interest earned on the Bank's share of U.S. government securities held in the System Open Market account. Although the Bank's holdings were higher throughout most of the year, some

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part of the increase is accounted for by a better rate of return on the portfolio. Most other earnings sources showed relatively small increases.

Net expenses rose about \$670 thousand. Although virtually all expense items were larger, the major increase—\$250 thousand—was in salary and wage payments to a somewhat larger average number of employees.

Net earnings after all adjustments totaled \$45.6 million, about \$4 million above 1962. About \$1.4 million was paid to member banks as their statutory 6 percent dividend on Federal Reserve Bank stock. Of the remainder, \$2.6 million was transferred to surplus and \$41.6 million paid to the Treasury as an interest charge levied by the Board of Governors under Section 16 of the Federal Reserve Act on Federal Reserve notes not secured by gold certificates.

VOLUME OF OPERATIONS

During the year 1963 more than 361 million checks were processed, amounting to \$92 billion—an increase over the previous year of 5 percent in both number and dollar volume. Amount encoded checks received for processing on electronic equipment increased from a daily average of 300 thousand in January to approximately 450 thousand in December. The total volume of checks handled by electronic high-speed equipment during 1963 was 121 million, as compared with 31 million items in 1962.

The dollar volume of currency received, counted and sorted by this Bank also continued its steady increase. In contrast, the amount and value of coin counted and wrapped during the year showed a significant decline, reflecting the continuing shortage of coin supplies throughout the nation. Throughout the year, armored car service provided by this Bank continued to increase, and such deliveries now include 82 percent of all banking offices outside the city of Boston.

The activities of the Fiscal Agency Department during 1963 followed very much the level of 1962 both in number of units handled and in dollar volume. The cash requirements of the Treasury Department continued high and various measures were taken to extend the maturity of the outstanding debt including a continuation of the advance refunding technique and the experiment of offering bonds at auction to syndicates of dealers.

Wire transfer of funds for member banks continued to expand by record-making amounts. During the year these transfers grew by 11 percent in number and by 25 percent in dollar volume, largely as a result of the increasingly active participation of member banks in the federal funds market.

In 1963, the daily average of member bank borrowing at the discount window was \$7,300,000 which was moderately higher than the previous two years but substantially below the level prevailing throughout most of the 1950's. The increase was principally a reflection of strong loan demand and somewhat less ease in monetary and credit policy during the last eight months of the year. As in 1962, borrowing in 1963 was concentrated among fewer banks than in the past, apparently the result of wider use of the federal funds market by the District's country banks.

Over the year as a whole, the larger volume of work was carried on with only a slight increase in the number of employees. The staff averaged 1442 during 1963, of which 1280 were full-time employees and 162 were part-time employees.

DIRECTORS

On September 25, 1963, Dr. John T. Fey, President of the University of Vermont, Burlington, Vermont, was appointed a Class C Director for the unexpired portion of the term ending December 31, 1965. He succeeds the late Wilbur H. Norton, President of Gorham Corp-

oration, Providence, Rhode Island, who died April 3, 1963.

In the annual election of Directors of the Bank, Darius M. Kelley, President and Trust Officer of The Orange National Bank, Orange, Massachusetts, was elected a Class A Director for the three-year term ending December 31, 1966. William R. Robbins, Vice President for Finance, United Aircraft Corporation, East Hartford, Connecticut, was re-elected as a Class B Director for the three-year term ending December 31, 1966.

Erwin D. Canham, Editor of The Christian Science Monitor, Boston, Massachusetts, was redesignated Chairman of the Board of Directors of the Bank and Federal Reserve Agent for 1964.

William Webster, Chairman of the Board, New England Electric System, Boston, Massachusetts, was reappointed a Class C Director for a term of three years ending December 31, 1966, and redesignated Deputy Chairman of the Board of the Bank for 1964.

OFFICERS

Robert W. Eisenmenger, formerly Industrial Economist and Acting Director of Research, was appointed Director of Research on August 1, 1963.

Jarvis M. Thayer, Jr., formerly Assistant Vice President, was appointed Cashier, effective January 1, 1964. He succeeded John E. Lowe, who died on January 22, 1964, after nearly 47 years of service with this Bank. From January 1, 1964 until his death, Mr. Lowe served as Special Adviser to the Bank.

Parker B. Willis, formerly Economic Adviser, was appointed Vice President and Economic Adviser, effective January 1, 1964.

Laurence H. Stone, formerly Assistant General Counsel of the Bank, was appointed Associate General Counsel, effective January 1, 1964.

Charles H. Brady, formerly Assistant Cashier, was appointed Assistant Vice President, with primary responsibility for the Bank's currency and coin functions, effective January 1, 1964.

Daniel Aquilino, formerly a Senior Examiner, was appointed Assistant Cashier, effective January 1, 1964.

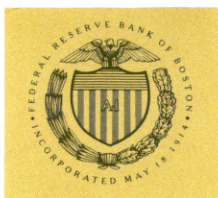
John J. Barrett, formerly Supervisor of the Expense Department, was appointed Assistant Cashier, effective January 1, 1964. Mr. Barrett becomes responsible for the Accounting, Expense and Wire Transfer Departments.

Harry R. Mitiguy, formerly Special Assistant to the First Vice President, was appointed Bank Relations Officer, effective January 1, 1964.

Weston L. Bonney, formerly Assistant Cashier, left this Bank on October 31, 1963, to accept a position with a local commercial bank.

FEDERAL ADVISORY COUNCIL

Lawrence H. Martin, President, The National Shawmut Bank of Boston, Boston, Massachusetts, was reappointed by the Board of Directors for a second year as the member of the Federal Advisory Council to represent the First Federal Reserve District for 1964.



Federal Reserve Bank of Boston

Directors *January 1, 1964*

Elected
or
Appointed

ERWIN D. CANHAM, <i>Chairman of the Board and Federal Reserve Agent; Editor, The Christian Science Monitor, Boston, Massachusetts</i>	1959
WILLIAM WEBSTER, <i>Deputy Chairman of the Board; Chairman of the Board, New England Electric System, Boston, Massachusetts</i>	1961
JAMES R. CARTER, <i>President, Nashua Corporation, Nashua, New Hampshire</i>	1962
OSTROM ENDERS, <i>Chairman of the Board, Hartford National Bank and Trust Company, Hartford, Connecticut</i>	1963
JOHN T. FEY, <i>President, University of Vermont, Burlington, Vermont</i>	1963
DARIUS M. KELLEY, <i>President, The Orange National Bank, Orange, Massachusetts</i>	1964
WILLIAM M. LOCKWOOD, <i>President, The Howard National Bank and Trust Company of Burlington, Burlington, Vermont</i>	1959
JOHN R. NEWELL, <i>President, Bath Iron Works Corporation, Bath, Maine</i>	1963
WILLIAM R. ROBBINS, <i>Vice President for Finance, United Aircraft Corporation, East Hartford, Connecticut</i>	1960

MEMBER OF FEDERAL ADVISORY COUNCIL

LAWRENCE H. MARTIN, *President, The National Shawmut Bank of Boston,
Boston, Massachusetts*

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Officers *January 1, 1964*

George H. Ellis, *President*

Earle O. Latham, *First Vice President*

D. Harry Angney, *Vice President*

Ansgar R. Berge, *Vice President*

Luther M. Hoyle, Jr., *Vice President*

Oscar A. Schlaikjer, *Vice President
and General Counsel*

Charles E. Turner, *Vice President*

G. Gordon Watts, *Vice President*

Parker B. Willis, *Vice President
and Economic Adviser*

John E. Lowe, *Special Adviser*

Robert W. Eisenmenger, *Director of
Research*

Stanley B. Lacks, *General Auditor*

Laurence H. Stone, *Secretary
and Associate General Counsel*

Jarvis M. Thayer, Jr., *Cashier*

Paul S. Anderson, *Financial Economist*

Lee J. Aubrey, *Assistant Vice President*

Charles H. Brady, *Assistant Vice
President*

Wallace Dickson, *Assistant Vice
President*

Loring C. Nye, *Assistant Vice President*

Richard A. Walker, *Assistant Vice
President*

Louis A. Zehner, *Assistant Vice President*

Harry R. Mitiguy, *Bank Relations Officer*

Daniel Aquilino, *Assistant Cashier*

John J. Barrett, *Assistant Cashier*

Ripley M. Keating, *Assistant Cashier*

Richard H. Radford, *Assistant Cashier*

Eugene M. Tangney, *Assistant Cashier*



