

ANNUAL REPORT

of the

Federal Reserve Agent

of the

Fourth Federal
Reserve District

to the

Federal Reserve Board

Covering Operations

for the

Calendar Year

1929

FEDERAL RESERVE BANK OF CLEVELAND

Letter of Transmittal

January 22, 1930.

SIR:

I have the honor to transmit to you herewith the fifteenth annual report of the Federal Reserve Bank of Cleveland, covering operations for the calendar year 1929.

Respectfully,

GEORGE DECAMP,
Federal Reserve Agent.

HON. ROY A. YOUNG, *Governor,*
Federal Reserve Board,
Washington, D. C.

Directors and Officers, 1930

DIRECTORS

CLASS A

O. N. SAMS, Hillsboro, Ohio, 1930
CHESS LAMBERTON, Franklin, Pa., 1931
ROBERT WARDROP, Pittsburgh, Pa., 1932

CLASS B

S. P. BUSH, Columbus, Ohio, 1930
R. P. WRIGHT, Erie, Pa., 1931
G. D. CRABBS, Cincinnati, Ohio, 1932

CLASS C

W. W. KNIGHT, Toledo, Ohio, 1930
L. B. WILLIAMS (Deputy Chairman), Cleveland, Ohio, 1931
GEO. DECAMP (Chairman), Cleveland, Ohio, 1932

OFFICERS

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

CINCINNATI BRANCH

DIRECTORS

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

OFFICERS

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

PITTSBURGH BRANCH

DIRECTORS

A. E. BRAUN
J. R. EISAMAN
A. L. HUMPHREY
R. B. MELLON
JOSEPH R. NAYLOR
J. C. NEVIN
JAMES RAE

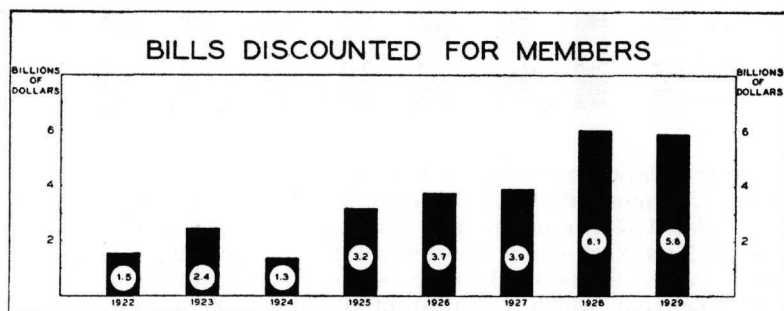
OFFICERS

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

FIFTEENTH ANNUAL REPORT FEDERAL RESERVE BANK OF CLEVELAND

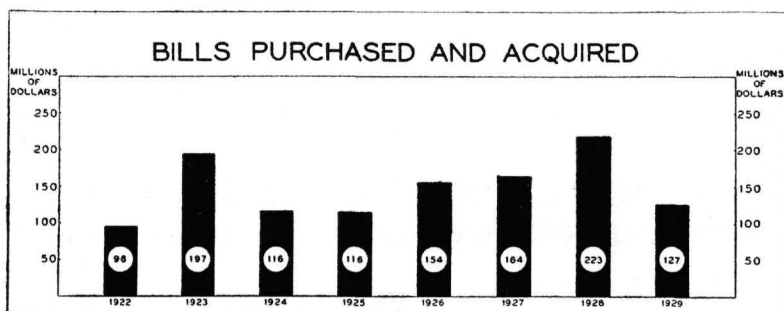
FEDERAL RESERVE CREDIT

Notwithstanding that general manufacturing in the fourth district was unusually active during the past year, new high production records being established in a number of industries, the volume of bank credit extended by commercial banks was but slightly higher than in the previous year, while reserve bank credit utilized was less than in 1928. This reduction occurred in spite of an increase of 54 in the number of borrowing banks and of nearly 34% in the number of approved applications for rediscounts and advances. Including holdings of Government securities and bills purchased in the open market, the daily average of earning assets at the Cleveland reserve bank was less by about \$4,000,000 than in the year immediately preceding.

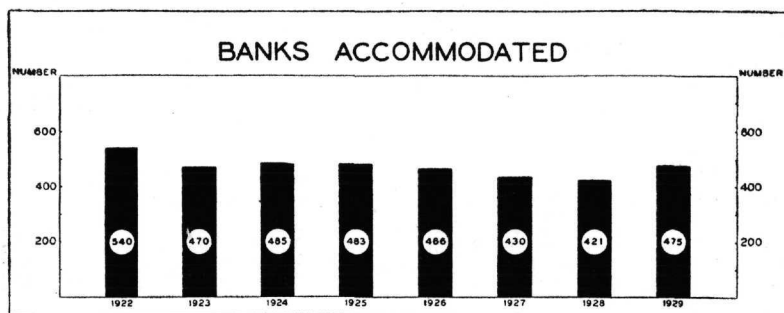


The number of rediscount items handled increased sharply, 17,843 pieces being accepted as against 11,184 in 1928. Collateral notes also were greater in number, a comparison showing 13,149 and 9,914 for the same periods. The number of bankers acceptances handled was reduced from 15,209 to 7,330, bringing the total for all items handled to a little more than 5 per cent above that of last year.

The reserve ratio of the Cleveland bank fluctuated rather widely, exhibiting a sharp drop between the first of August and the first of November. This was occasioned by a loss in gold holdings, resulting



largely from the transfer of funds out of the district through the gold settlement fund. In the period above-mentioned both note circulation and deposit liability fell off, (the latter but slightly) the total amount being about \$21,000,000. From August 7 to November 6 the gold holdings of this bank decreased nearly \$125,000,000, which, notwithstanding the decline in liabilities subject to reserve, brought



the reserve ratio down from 81.9, the high point of the year, to 52.4 per cent. Immediately following the severe break in security quotations in late October and in early November, with a sharp reduction in loans in New York and a transfer of funds to the interior, gold holdings increased \$75,000,000 to the end of the year, bringing the ratio to 71.8 per cent, which was substantially above the level of the early part of 1929 or of the late months of the year before.

MEMBER BANK CREDIT

Total credits extended by reporting member banks in the fourth district fluctuated within a comparatively narrow range throughout the year, and at its close were \$17,000,000 below the amount reported for the average of the last month of 1928. There were, however, important changes in some items. Loans on securities reached the "high" in early November, approximately \$80,000,000 above the January average. "All other" loans increased less than was expected in a period of such activity as developed during the year, indicating

to a degree the ability of business to finance its operations without recourse to the use of bank credit, either through the use of its own cash resources, the sale of its securities, or otherwise.

The increase in loan account of reporting members has been offset by a corresponding drop in investment account, which shows a decrease for the year of about \$100,000,000.

A feature disclosed by figures of a special group of reporting banks is an interruption of the trend in savings deposits, which had moved steadily upward for a number of years. The average increase for the previous three years was in the neighborhood of \$47,000,000, whereas 1929 recorded a decrease of \$12,000,000.

EARNINGS AND EXPENSES

Gross earnings for the calendar year 1929 were \$6,987,000, exceeding the figure for the previous year by \$736,000, largely because of higher discount rates prevailing at the reserve bank. Total expense increased \$189,000, leaving current net earnings of \$4,201,000, distributed as follows:

Reserves and charges.....	\$ 495,000
Dividends.....	910,000
Transferred to surplus account.....	2,796,000
	<hr/>
	\$4,201,000

Net earnings for the year amounted to approximately 1.9 per cent of average capital, surplus and deposits, combined.

CHANGES IN MEMBERSHIP

During the year seven banks, three national and four state, were admitted to membership. There were 30 losses to membership for the reasons given below:

Voluntary withdrawals.....	3
Insolvencies.....	3
Absorbed by other member banks.....	5
Absorbed by non-member banks.....	4
Consolidated with national banks.....	5
Consolidated with state member banks.....	4
Succeeded by new member banks.....	5
Voluntary liquidation (terminal).....	1

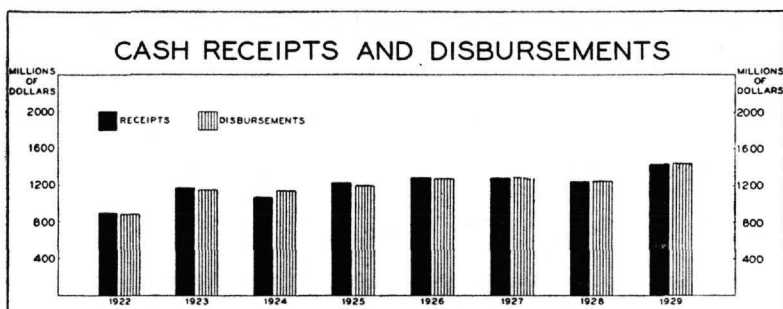
The net result of membership changes was a loss of 23 banks. On December 31, 1929, there were 698 national and 99 state bank members in the fourth district.

FEDERAL RESERVE NOTES

The circulation of federal reserve notes in the fourth district during the past year, despite an increase in general business activity over that of 1927 and 1928, was below the average of either of those two years. The decrease is attributed in part to the more general use of

checks, the tendency toward the use of checks for payroll purposes, and in the last few months of the year to a reduction in production and the volume of retail sales.

The introduction of the new small-size currency, which was shipped to banks for payment into circulation on July 10, increased the circulation for that week, but the "curiosity demand" which it was thought might result in currency expansion for some weeks or months was soon satisfied, circulation for the week following the new issue being lower than for the week immediately preceding. Except for the week of December 24, when expansion usually occurs as a result of the holiday demand, the volume of our notes in circulation since the small-size currency was paid out has been lower than that of any week in the first half-year, barring the week of Feb. 6.



Details of the operations of the money department are given in the following schedule:

Total Receipts and Payments All Sources

Office	Receipts	Payments
Cleveland.....	\$ 643,261,000	\$ 645,334,000
Cincinnati.....	218,672,000	220,356,000
Pittsburgh.....	572,623,000	571,278,000
	\$1,434,556,000	\$1,436,968,000

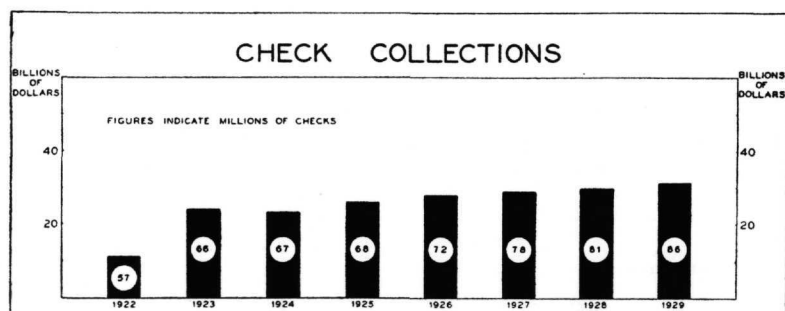
Currency Received and Counted

Office	Total Pieces	Total Amount
Cleveland.....	71,768,000	\$435,235,000
Cincinnati.....	32,701,000	142,364,000
Pittsburgh.....	56,877,000	415,051,000
	161,346,000	\$992,650,000

CHECK CLEARING AND COLLECTION

While both the total number of items handled and the amounts collected for all three offices of the bank combined show increases over those of the previous year, there was a marked decrease at the

main office in checks drawn on Cleveland banks. This has been largely the result of an increase in the membership of the local clearing-house association. It is also partly due to mergers and consolidations of important Cleveland banking units, which, however, did not take place until late in the year, and consequently did not materially affect 1929 figures.



The number of employees in the check collection department has decreased more than 10 per cent in the last year, the daily average number of items handled per employee has increased nearly 200 and the cost per item handled shows a small reduction.

The accompanying table gives details of check collection operations:

Transit Department Check Clearings and Collections for Year 1929

Cleveland

	Items	Amounts
On Cleveland banks.....	7,255,185	\$ 7,920,680,649.93
On other banks in fourth district.....	24,977,805	3,310,011,713.43
On banks in other districts.....	1,091,602	142,439,800.24
On Treasurer of United States.....	1,090,118	115,953,091.56
	34,414,710	\$11,489,085,255.16
Items sent to Cincinnati and Pittsburgh branches.....	355,934	69,964,684.24

Cincinnati

	Items	Amounts
On Cincinnati banks.....	4,864,874	\$ 5,537,701,822.53
On other banks in fourth district.....	13,778,240	1,226,876,556.12
On banks in other districts.....	593,856	84,525,891.84
On Treasurer of United States.....	772,058	123,409,959.33
	20,009,028	\$ 6,972,514,229.82
Items sent to main office and Pittsburgh Branch.....	270,854	48,855,913.14

Pittsburgh

	Items	Amounts
On Pittsburgh banks.....	9,831,389	\$10,655,718,080.04
On other banks in fourth district.....	19,836,074	1,657,245,839.56
On banks in other districts.....	751,441	513,882,613.49
On Treasurer of United States.....	672,555	85,191,243.84
	31,091,459	\$12,912,037,776.93
Items sent to main office and Cincinnati branch.....	62,339	\$72,831,397.69

Recapitulations

Total number of items handled.....	85,515,197	
Total amount of items handled.....		\$31,373,637,261.91
Items and amounts handled by both main office and not duplicated in above figures.....	689,127	\$191,651,995.07

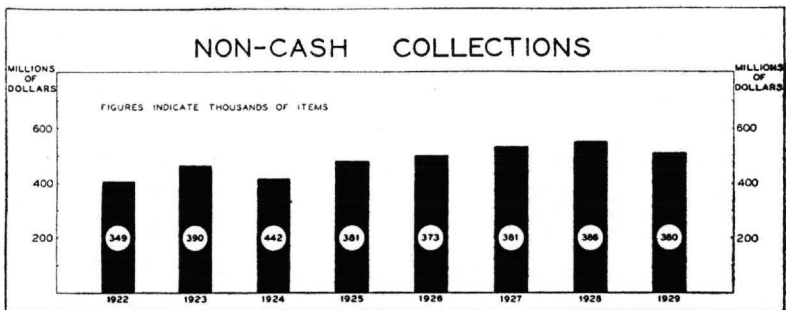
NON-CASH COLLECTIONS

In 1929, 380,464 items amounting to \$511,642,761.49 were handled through the non-cash collection department.

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

	Number	Amounts
Main office.....	311,974	\$417,301,673.22
Cincinnati branch.....	38,570	43,794,850.91
Pittsburgh branch.....	29,920	50,546,237.36
	380,464	\$511,642,761.49

On items handled through the three offices, collecting banks made collection charges on 32,396 items at a rate slightly more than 1/10 of one per cent.



Member banks sent direct to other federal reserve banks and branches for collection, 53,436 items aggregating \$63,811,839.39.

The total number of collection items handled for the year shows a decrease of a little more than one per cent in the number of items handled. This may be attributed to bank consolidations, financing by credit companies, increase in chain stores which operate on a cash basis and the elimination and consolidation of small business firms. The gradual absorption of the small merchant and manufacturer into the large chains and units is responsible to a degree for the declining numbers of trade acceptances and notes received by the collection department. The item loss in commercial paper handled is offset in part by the increased number of coupons and securities received for collection during 1929.

FISCAL AGENCY OPERATIONS

During the year 1929 there were issued four series of Treasury certificates of indebtedness and one series of Treasury bills. Allotments thereon in this district were as follows:

March 15 nine-month 4% certificates.....	\$31,122,000
June 15 nine-month 5 1/8% certificates.....	33,110,500
September 16 nine-month 4 7/8% certificates.....	44,753,000
December 16 nine-month 3 1/8% certificates.....	11,891,000
December 17 ninety-day Treasury bills.....	2,450,000

Government securities delivered on allotment numbered 21,449 pieces, representing 1,435 separate transactions.

Government securities received for exchange of denomination or form (within the issue) consisted of 51,612 pieces of coupon form and 9,741 pieces in registered form, aggregating \$119,704,650. Against such receipts there were delivered 46,510 obligations in coupon form and 16,008 in registered form. There were 10,047 separate exchange transactions.



Government and federal farm loan coupons redeemed during 1929 totaled 3,021,777 aggregating \$60,555,310. Government obligations presented for redemption numbered 2,282 in registered form and 72,339 in coupon form and had a value of \$133,970,983. Included in these coupon form redemptions were 2,709 Treasury savings certificates and war savings stamps, which totaled \$74,533. There also were redeemed 14 federal land bank bonds valued at \$39,100. In all, 16,914 separate redemption transactions were functioned.

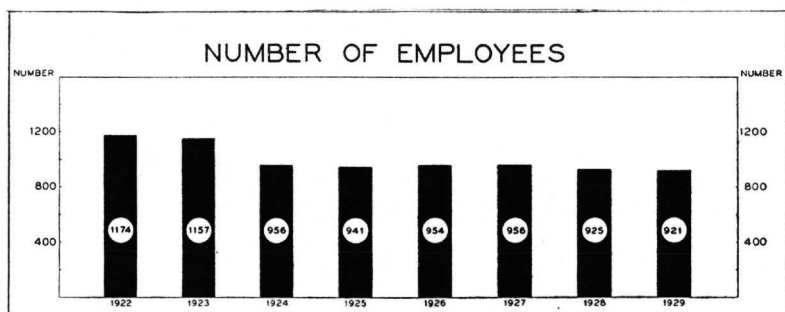
PERSONNEL

In the regular November election, Robert Wardrop, of Pittsburgh, Pennsylvania, and George D. Crabbs, of Cincinnati, Ohio, were re-elected Class "A" and Class "B" directors, respectively, for the three-year terms ending December 31, 1932. There were no other nominations for either post.

The Federal Reserve Board reappointed George DeCamp as Class "C" director for three years, at the same time redesignating him as Chairman of the Board and Federal Reserve Agent for the usual one-year term.

The Reserve Board also reappointed John Omwake and A. L. Humphrey as directors at the Cincinnati and Pittsburgh branches, respectively, for three-year terms. Thomas J. Davis and Joseph R. Eisaman were elected by the Board of Directors of the main office to serve at Cincinnati and Pittsburgh for similar periods. The present Managing Directors at the branches, C. F. McCombs at Cincinnati and J. C. Nevin at Pittsburgh, were also reelected to serve for the year 1930.

In May, the Reserve Board authorized the appointment at each branch of an Acting Assistant Federal Reserve Agent for a six-month period, in connection with the maintenance and issue of a supply of new small-size currency. In December these appointments were extended to Feb. 1, 1930.



There has been no change in the official staff of the bank, and the number of officers and employees dropped from 923 at the close of 1928 to 921 last December.

GENERAL BUSINESS CONDITIONS

Business conditions in the fourth district for the year 1929 as a whole, were unusually good. Operations at industrial plants attained peak levels and most concerns experienced the best year in history. Not only was the output of goods in unprecedented volume, but the earnings reported by many corporations have never before been equaled.

In the first half of 1929, general business improved with each succeeding month, continuing the uptrend which started early in 1928. The turning point was reached in early summer, and industrial activity began to recede gradually in August. The peak, however, was so far above the general level of preceding years that even with the gradual falling-off which was noticed in autumn and the more drastic declines of November and December, operations at the year end were only slightly less than the average of the past three years.

Employment and payrolls have been well maintained. The high point of the year occurred in August, with mild recessions in Septem-

ber and October. In the last two months of the year this decline was somewhat accelerated. In spite of these decreases, employment averaged higher than last year.

Iron and steel, the district's basic industry, fared unusually well during the first half of the year but operations fell off in the fall until output in December was at a lower rate than in other parts of the country. In the early part of the year heavy automotive requirements, coupled with large orders from other sources, kept steel mills working at capacity for months. In the latter part of the year, however, local mills have borne the brunt of the decline in steel requirements, due to the large proportion of automotive steel produced locally. Rail orders, which have been unusually large recently, counterbalanced the decrease in some centers, but have benefited few of the fourth district steel mills. The increased volume of business in the first part of the year was contracted for at relatively high prices, so that earnings showed a decided gain over former years.

The rubber and tire industry, after staging a recovery in late 1928, operated at record levels for the first few months of 1929, but was soon confronted with abnormal inventories of finished goods. This situation was partly remedied by a sharp decline in production which occurred in the third quarter. In spite of this, output for the year was only slightly less than in 1928. In the latter months of 1929, prices of crude rubber, which had been around twenty cents for some time, fell to around sixteen cents, due partly to larger imports.

Coal production in the district showed improvement throughout the year, reflecting increased operations at Ohio mines, which have been producing on a more satisfactory scale than for the past several years. Production for 1929 was substantially greater than in the same period of last year. Shipments of coal at Lake Erie ports were the largest ever reported, being 14 per cent larger than 1928, the best previous year. Prices, however, are still low and wages of workers and net earnings were unsatisfactory but were better than for some time.

Building was the only major industry which has not made a favorable showing. Over-built conditions in some sections and high financing costs have resulted in relatively little building in the residential field. Other types, however, have not been affected to such a degree and were about on a par with 1928.

Most other types of industrial activity were satisfactory. Consumption of electric power exceeded 1928 by about ten per cent. Motor accessory, machinery, tool and equipment concerns enjoyed a very prosperous year. Paint production was in record volume and demand from automotive sources kept operations at glass factories at high levels.

Agricultural production was about the same as in 1928. Decreases in some crops were counterbalanced by increases in others. The tobacco crop was slightly larger than in 1928, but was of poorer quality.

*Statement of condition of the Federal Reserve Bank of Cleveland
December 31, 1929 and December 31, 1928*

RESOURCES	1929	1928
Cash Reserves:		
Gold with Federal Reserve Agent	\$130,900,000.00	\$119,070,895.00
Gold settlement fund — Federal Reserve Board	70,959,579.80	72,505,853.84
Gold redemption fund — Federal Reserve notes	6,493,334.30	7,414,225.11
Gold bullion, coin and certificates	45,906,231.87	39,847,450.69
Total gold reserves	\$254,259,145.97	\$238,838,424.64
Legal tender notes, silver coin and certificates	8,618,135.00	11,687,024.00
Total cash reserves	\$262,877,280.97	\$250,525,448.64
Non-Reserve Cash	6,724,403.46	6,504,202.34
Bills and Securities:		
Bills discounted for members	76,718,607.35	92,702,241.74
Bills bought in open market	23,499,106.07	52,377,239.91
U. S. Government securities	29,478,800.00	32,961,800.00
Other securities	1,500,000.00
Total bills and securities	\$131,196,513.42	\$178,041,281.65
Uncollected Items	66,851,964.38	67,068,387.44
Bank Premises — Less reserves for depreciation	6,267,803.43	6,535,180.62
Miscellaneous Assets	1,087,613.31	1,113,530.16
Total Resources	\$475,005,578.97	\$509,788,030.85
LIABILITIES		
Federal Reserve Notes (in actual circulation)	\$188,197,920.00	\$216,890,225.00
Deposits:		
Member bank — Reserve account	173,739,386.42	182,774,489.60
U. S. Treasurer — General account	1,981,661.90	1,215,785.61
Other deposits	2,255,055.57	1,507,600.01
Total deposits	\$177,976,103.89	\$185,497,875.22
Deferred Availability Items	62,957,322.61	65,383,472.73
Other Liabilities:		
Capital stock paid in	\$ 15,632,200.00	\$ 14,418,550.00
Surplus fund	29,140,768.62	26,345,333.54
Miscellaneous liabilities	1,101,263.85	1,252,574.36
Total Liabilities	\$475,005,578.97	\$509,788,030.85