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ANNUAL REPORT

of the

Federal Reserve Agent

of the

Fourth Federal
Reserve District

to the

Federal Reserve Board

Covering Operations

for the

Calendar Year

1930

FEDERAL RESERVE BANK OF CLEVELAND

Letter of Transmittal

January 28, 1931.

SIR:

I have the honor to transmit to you herewith the sixteenth annual report of the Federal Reserve Bank of Cleveland, covering operations for the calendar year 1930.

Respectfully,

GEORGE DECAMP,
Federal Reserve Agent.

HON. EUGENE MEYER, *Governor,*
Federal Reserve Board,
Washington, D. C.

Directors and Officers, 1931

DIRECTORS

CLASS A

CHESSE LAMBERTON, Franklin, Pa., 1931
ROBERT WARDROP, Pittsburgh, Pa., 1932
O. N. SAMS, Hillsboro, Ohio, 1933

CLASS B

R. P. WRIGHT, Erie, Pa., 1931
G. D. CRABBS, Cincinnati, Ohio, 1932
J. E. GALVIN, Lima, Ohio, 1933

CLASS C

L. B. WILLIAMS (Deputy Chairman), Cleveland, Ohio, 1931
GEO. DECAMP (Chairman), Cleveland, Ohio, 1932
W. W. KNIGHT, Toledo, Ohio, 1933

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
W. H. FLETCHER, Assistant Federal Reserve Agent	H. F. STRATER, Cashier and Secretary W. F. TAYLOR, Assistant Cashier C. W. ARNOLD, Assistant Cashier
J. B. ANDERSON, Assistant Federal Reserve Agent	G. H. WAGNER, Assistant Cashier D. B. CLOUSER, Assistant Cashier C. L. BICKFORD, Assistant Cashier
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
J. S. JONES
R. B. MELLON
J. C. NEVIN
JAMES RAE

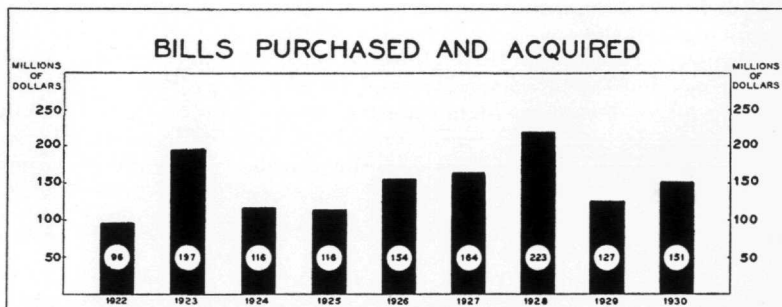
OFFICERS

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

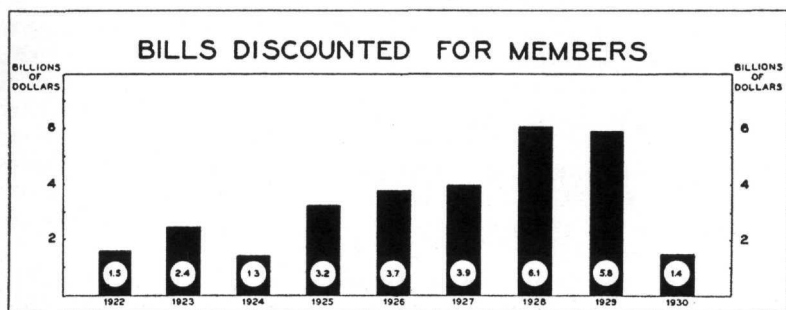
SIXTEENTH ANNUAL REPORT FEDERAL RESERVE BANK OF CLEVELAND

FEDERAL RESERVE CREDIT

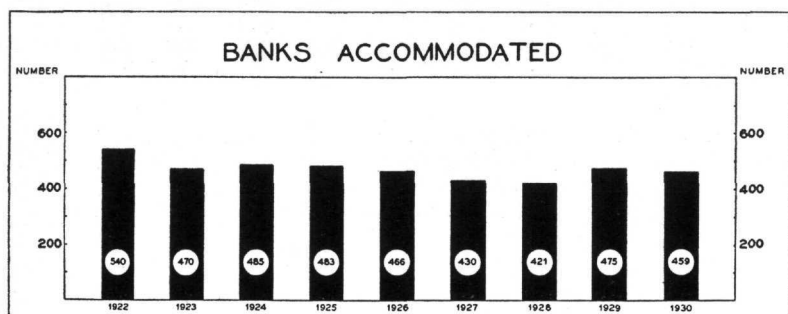
Reflecting the decline in manufacturing activity, the lessened volume of commercial transactions, and lower prices of commodities, the local use of Fourth District bank credit was sharply restricted in comparison with that of recent years. From the high point reached in the fall months of 1929, at which season there is usually the greatest demand for reserve funds, the total volume of bills and securities held by the Cleveland reserve bank fell from in excess of two hundred millions to less than eighty millions of dollars. While in total amount the decline was not substantially greater than the decrease from the high point of 1928 to the low point of 1929, it was much more precipitate, the movement from one extreme to the other occurring in a five-month period.



In comparison with the immediately preceding years, the composition of the items making up the total has undergone marked change. Bills discounted for members dropped to less than twelve millions in September — the lowest figure for that item since the early months of 1917. Government securities held increased sharply, from a level of thirty millions at the beginning of the year to slightly more than double that amount in mid-December, and were higher than since late in 1927 when this bank's holdings of Government securities were largely increased in keeping with the easy money policy adopted as a System matter. Bankers' bills purchased have fluctuated within rather narrow limits, and represent almost in entirety purchases by the Open Market Committee in which this bank shares.



To the extent that the earning resources of the Cleveland bank are influenced by such open market operations, the employment of reserve funds locally is obscured. Purchases from our members of Government securities and of acceptances have represented but a small part of the holdings of this bank; consequently, the small extent of direct member bank borrowing evidences the limited use of reserve bank credit by Fourth District members during the year. Especially is this true with respect to banks in the more important centers. During 1929 nearly 90 per cent of direct borrowings was for the account of city banks. In the past year, country bank discounts at this bank held at substantially the levels of recent years, while city bank borrowings fell sharply to a level as low as three million dollars in late September. During the latter months both city and country bank borrowings increased seasonally, the former in greater proportion than the latter, but at the higher point at the year end were well below the average of the past several years. There was practically no change from the preceding year in the number of banks to which credit was extended.



The discount rate was reduced four times; from 5 to 4½ per cent on February 8; to 4 per cent on March 15; to 3½ per cent on June 7 and to 3 per cent on December 29. The last-mentioned rate is the lowest ever established by this bank for all classes of paper of all maturities.

EARNINGS AND EXPENSES

Current net earnings, reflecting both a smaller volume of discounts and lower rates, were less than one-fourth the similar figure for 1929. The effect upon open market rates of the easy money policy adopted and pursued by the System throughout the year is evidenced by earnings on bankers' acceptances, which were \$539,000 this past year against \$1,130,000 in the preceding twelve months, while purchases for 1930 were \$25,000,000 in excess of those of last year. Earnings on government securities were much larger, by reason of greatly increased average holdings.

Total expenses were reduced \$136,000 from the previous year, notwithstanding that the volume of work in most departments was not greatly changed.

There is given below a distribution of net income for 1930:

Net Income Available for Dividends, Reserves, and Surplus, January 1, 1930 to December 31, 1930.....	\$1,047,123.08
Withdrawn from Reserve for Undetermined Losses	200,000.00
TOTAL.....	\$1,247,123.08
Distribution:	
Depreciation Allowances on Bank Premises.....	\$ 274,387.30
Reserve for Self Insurance.....	188,958.61
Dividends Paid to Members.....	952,933.47
TOTAL.....	\$1,416,279.38
Deduct Total Amount Available.....	1,247,123.08
Net Deficit Charged to Surplus.....	\$ 169,156.30

MEMBER BANK CREDIT

Following the abrupt decrease in credit extended by Fourth District reporting member banks (representing about 65 per cent of the member bank resources of our territory) which accompanied the security market collapse of 1929, a rapid expansion carried the total to a new high level, at \$2,300 millions in late September. This was the result of an increase in investment account, which had shown a practically uninterrupted upward trend from the first week of January. At the high point, investments had increased \$208 millions from the first of the year, partly offset by a reduction of about \$40 millions in "all other" loans. Loans on security collateral remained unchanged.

From September until the end of December a moderate decline in loans, plus a somewhat pronounced liquidation in investment account, reduced total reporting member bank credit about \$95 millions to the lowest level attained at any time during the last half of the year.

The net result of changes in the loan and investment accounts during the year may be observed in the following table:

Weekly Reporting Member Banks

	Dec. 31, 1929	Dec. 31, 1930	
		(Figures in Millions)	
			Net change
Loans on securities.....	\$ 752	\$ 706	-\$46
All other loans.....	818	769	- 49
Total investments.....	604	741	+137
Total loans, discounts and investments.....	\$2,174	\$2,216	+\$42

Deposits at weekly reporting member banks increased rapidly the first nine months of 1930, demand deposits growing from \$1,006 millions in January to \$1,170 millions at the high point of the year, reached on July 16. Time deposits gained sharply in the first three months of the year, reflecting in part the deposit of public funds received through tax payments and in part deposits of corporate funds which had previously been placed in the call market. By mid-September, time deposits had increased more than \$100 millions from the first of the year, bringing total deposits to new all-time "high" of \$2,204 millions. From that point on, a greater-than-seasonal movement resulted in a loss of more than \$50 millions to the year end.

Between the middle of July and the last of December, member banks experienced an unusual shrinkage of demand deposits, the decline in five months amounting almost to nine per cent. At no other time since weekly figures have been compiled has a loss of such proportions occurred. A large part of this decrease resulted from the withdrawal of deposits in city banks on the part of country banks wishing to improve their cash position. "Due to" balances of weekly reporting banks (all in the more important cities, and including all reserve cities in the district) decreased \$92 millions during the last three months of the year.

CHANGES IN MEMBERSHIP

There was a net loss of twenty-five in the number of member banks in the Fourth District during 1930, twenty-two of which were national and three of which were state banks.

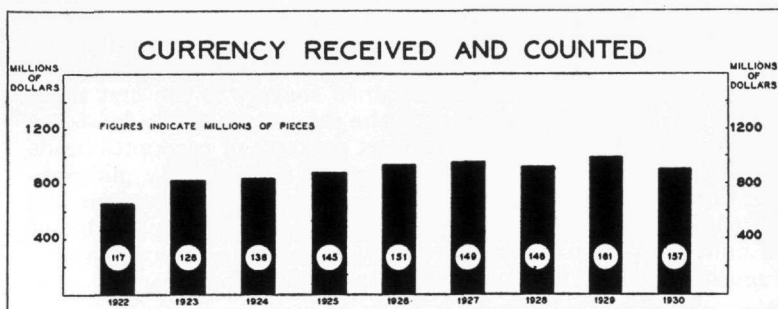
Thirty national banks and six state banks surrendered membership in the system. The greater part of these losses was the result of mergers, consolidations and the like, one state member withdrawing voluntarily.

The schedule below shows the changes in membership structure for the year:

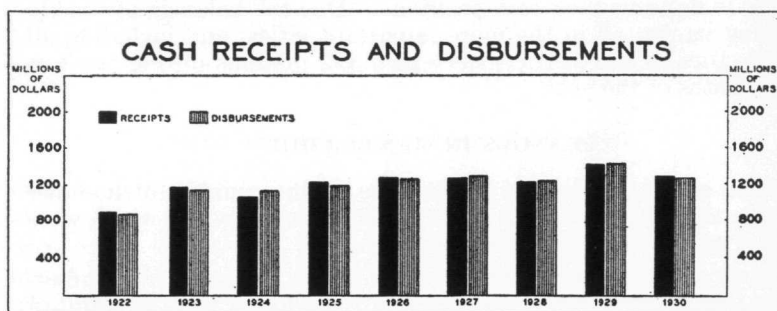
	National Banks	State Banks
Number of members 12-31-1929.....	698	99
Admitted in 1930	8	3
	<hr/>	<hr/>
Withdrawn in 1930	706	102
	30	6
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Number of members 12-31-1930.....	676	96

FEDERAL RESERVE NOTES

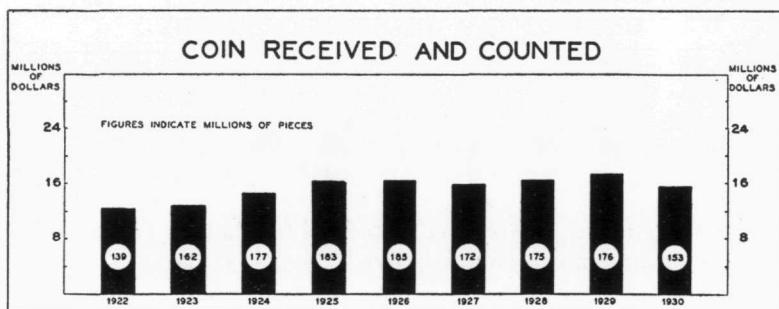
Following the introduction of the new-size currency in July of 1929, the System experienced a sharp and sustained rise in note circulation, continuing until the demand for year-end holiday currency had been satisfied. From the high point in December a persistent



decline occurred until late August of 1930, when a slightly belated seasonal expansion began. From late October to the week preceding Christmas an unusually rapid increase in notes in circulation took place, amounting to more than \$365 millions.



Contrary to the experience of the System as a whole, the note circulation of the Cleveland bank increased steadily throughout the first eight months (after the seasonal early-year contraction), and for an extended period during the summer months this bank had in actual circulation a greater amount of reserve notes than any other bank in the System. Despite this unusual condition, the volume of our currency in use averaged lower than that of any year since 1918.



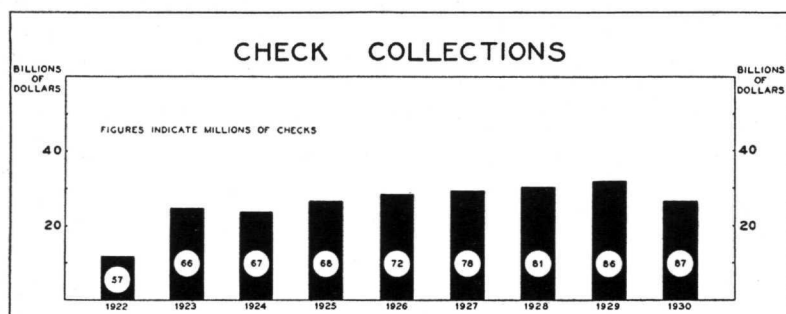
The rapidity with which the new-size money supplanted the old is reflected in the currency receipts at this bank, shown in the following table:

*Receipts of Currency—July 1929-December 1930**

1929	Per Cent Distribution of	
	Old Size	New Size
July.....	99.9	0.1
August.....	99.0	1.0
September.....	96.0	4.0
October.....	90.0	10.0
November.....	79.0	21.0
December.....	68.0	32.0
1930		
January.....	49.0	51.0
February.....	32.0	68.0
March.....	24.0	76.0
April.....	12.0	88.0
May.....	9.0	91.0
June.....	7.0	93.0
July.....	7.0	93.0
August.....	4.0	96.0
September.....	3.0	97.0
October.....	3.0	97.0
November.....	3.0	97.0
December.....	2.0	98.0

CHECK CLEARING AND COLLECTION

Despite a much-lesened volume of business, the number of checks collected by the reserve bank increased slightly, the total number being 86,825,493 compared with 85,515,197 in 1929. The increase was greatest at Pittsburgh and Cleveland and negligible at Cincinnati. It is probable that clearings figures at the latter point were influenced by important bank consolidations occurring there during the year.



In dollar amount, the total collected fell far short of the preceding year, the loss amounting to nearly five billions of dollars.

*The above figures relate to dollar values — not to number of pieces.

Details of check collection activities for 1930 are given below:

Transit Department Check Clearings and Collections for Year 1930

Cleveland

	Items	Amounts
On Cleveland banks	7,699,143	\$ 5,949,749,774.54
On other banks in District No. 4	25,324,565	2,787,401,254.74
On banks in other Districts	790,301	82,112,614.51
On Treasurer of United States	1,153,745	110,405,902.36
Total	34,967,754	\$ 8,929,669,546.15
Items sent to Cincinnati and Pittsburgh branches	334,211	\$ 50,292,741.67

Cincinnati

On Cincinnati banks	4,903,119	\$ 2,371,668,612.84
On other banks in District No. 4	13,840,893	1,075,454,277.99
On banks in other Districts	643,766	73,367,443.72
On Treasurer of United States	766,567	115,612,571.63
Total	20,154,345	\$ 3,636,102,906.18
Items sent to Main Office and Pittsburgh branch	268,333	\$ 38,905,868.52

Pittsburgh

On Pittsburgh banks	9,885,507	\$11,992,988,971.01
On other banks in District No. 4	20,255,717	1,530,341,066.56
On banks in other Districts	891,349	451,047,256.85
On Treasurer of United States	670,821	79,343,302.81
Total	31,703,394	\$14,053,720,597.23
Items sent to Main Office and Cincinnati branch	82,786	\$ 60,284,125.83

Recapitulation

Total number of items handled	86,825,493	
Total amount of items handled		\$26,619,493,049.56
Items and amounts handled by both Main Office and branches and not duplicated in above figures	685,330	\$ 149,482,736.02

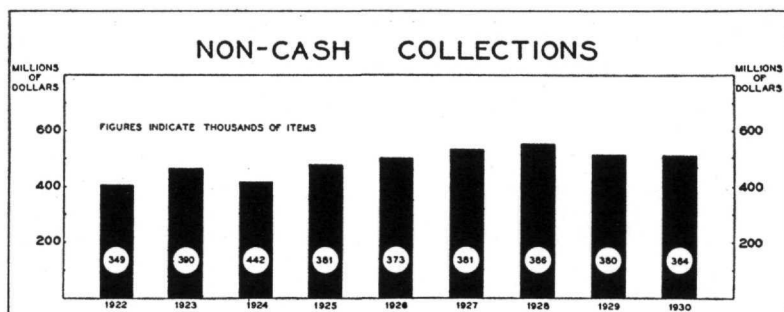
NON-CASH COLLECTIONS

In 1930, 364,099 items, amounting to \$508,980,797.66, 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 were as follows:

	Number	Amounts
Main Office	299,896	\$421,592,601.66
Cincinnati Branch	34,417	36,587,074.86
Pittsburgh Branch	29,786	50,801,121.14
Total	364,099	\$508,980,797.66

On items handled through the three offices, collecting banks made collection charges on 29,740 items, aggregating \$10,539,506.94, at a rate slightly more than one-tenth of one per cent.



Member banks sent direct to other Federal Reserve banks and branches for collection 58,508 items, aggregating \$69,883,828.43.

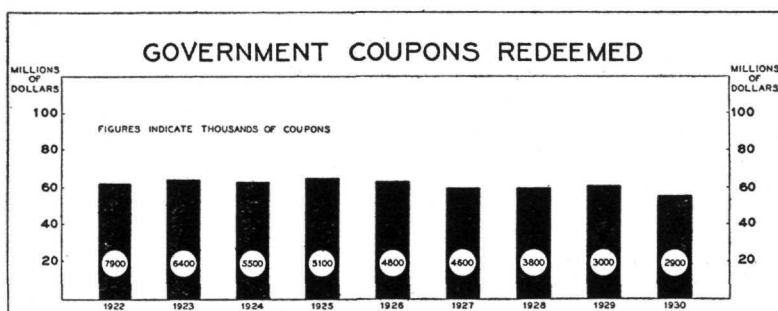
FISCAL AGENCY OPERATIONS

During the year 1930 there were issued five series of Treasury certificates of indebtedness and eight series of Treasury bills. Allotments thereon in this district were as follows:

February 18	Ninety day bills.....	\$ 1,500,000
March 15	Nine month 3¼% certificates.....	25,313,000
April 15	Ninety day bills.....	1,000
May 19	Ninety-one day bills.....	000
June 16	One year 2⅞% certificates.....	20,042,500
July 14	Sixty-three day bills.....	000
August 18	Ninety-one day bills.....	1,000,000
September 15	One year 2⅞% certificates.....	23,531,000
October 15	Sixty-two day bills.....	500,000
October 16	Sixty-two day bills.....	500,000
November 17	Ninety-one day bills.....	2,650,000
December 15	Six month 1¾% certificates.....	10,347,000
December 15	One year 1⅞% certificates.....	21,679,000

Government securities delivered on allotment numbered 7,375 pieces.

Government securities received for exchange of denomination or form (within the issue) consisted of 51,314 pieces of coupon form and 12,938 pieces in registered form, aggregating \$105,666,850, including \$60,989,050 received for transfer by wire.



Wire transfers of Government short-term securities from other districts to this district aggregated \$20,792,500; from this district to other districts, \$60,989,050.

Government coupons redeemed totaled 2,573,888, aggregating \$47,274,784.47. Federal farm loan coupons redeemed totaled 287,165, aggregating \$8,813,595.20.

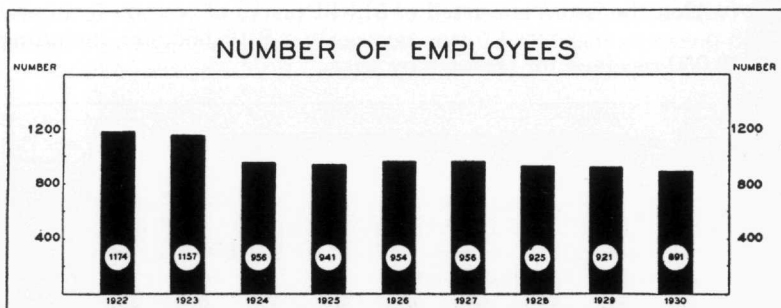
Government obligations presented for redemption numbered 451 in registered form and 25,471 in coupon form and had a value of \$83,675,951.

PERSONNEL

In the November election by member banks in group 3, O. N. Sams, of Hillsboro, Ohio, was reelected Class A director, and John E. Galvin, of Lima, Ohio, elected Class B director, for three-year terms ending December 31, 1933.

The Federal Reserve Board redesignated George DeCamp as Chairman of the Board and Federal Reserve Agent for the year 1931, and L. B. Williams as Deputy Chairman for the same period. Mr. W. W. Knight also was reappointed, by the Federal Reserve Board, for a three-year term as Class C director.

George M. Verity, of Middletown, Ohio, was reappointed by the Federal Reserve Board as a director of the Cincinnati branch, and J. S. Jones, of Wheeling, West Virginia, appointed a director of the Pittsburgh branch, each for terms of three years. The Board of Directors of the main office reappointed B. H. Kroger, of Cincinnati, Ohio, and R. B. Mellon, of Pittsburgh, Pennsylvania, as directors of the Cincinnati and Pittsburgh branches, respectively, also for three-year terms. C. F. McCombs and J. C. Nevin were reappointed to serve as Managing Directors of the Cincinnati and Pittsburgh branches, respectively, for the year 1931.



There has been no change in the official staffs at the main office and branches, and the number of employees was 891 at the end of the year.

J. A. House, President of the Guardian Trust Company, Cleveland, Ohio, was elected a member of the Federal Advisory Council to represent the Fourth District for the coming year.

NEW PITTSBURGH BRANCH BUILDING

On November 1, 1930, ground was broken for the erection of a new building to house our Pittsburgh branch. The new structure will be located at Grant Street and Ogle Way on a plot approximately 75 by 195 feet. The proposed building will be of "set-back" type with Creole marble base and Cherokee marble shaft. The land cost was \$780,000, and the expenditure of \$875,000 authorized by Congress in accordance with amendment to Section 10 of the Federal Reserve Act does not include the cost of vaults, permanent equipment, etc., which will be in the neighborhood of \$575,000.

The present space occupied by the branch is inadequate by reason of the narrowness of the building, which requires that some departments be distributed over two or more floors. The new branch is designed to permit centralization of working forces and operations of individual departments on the same floors, and should result in more efficient and economical operation of the branch.

BUSINESS CONDITIONS

A business depression of unusual severity, still in progress as the year closed, characterized 1930. Industrial operations were sharply curtailed, especially in the major lines of industry upon which Fourth District prosperity largely depends. Unemployment was widespread and purchasing power substantially reduced. Both wholesale and retail trade declined in dollar value, partly a reflection of lower commodity prices. Lake shipping was dull, the ore movement to lower lake ports being the smallest since 1924.

The District's basic industry, iron and steel, reduced operations very materially. For the entire country, output in 1930 was only 64 per cent of capacity, while in the same period of 1929 operations averaged 92 per cent. Local mills, being very dependent on the automobile industry for their market, up until December carried the brunt of the decline. Some of the large orders for pipe to be used in western projects benefited Youngstown mills, but they have now about disappeared. With building, railroad equipment and general manufacturing purchases in very small volume, the steel industry experienced the effects of a typical buyer's market. Prices declined sharply, the composite average falling to \$31.68, the lowest since 1915, as against \$35.93 last year.

The automobile companies have had an unsatisfactory year. Production was about 37 per cent below that of 1929. Stocks of both new and used cars have been reduced. The curtailment of automobile production had a very depressing effect on the numerous parts

and accessory firms located in this District. Many factories shut down entirely or were operating on very limited schedules for much of the year.

This also had its effect on the rubber and tire industry so far as demand for new car tires was concerned. The decline, however, in the demand for replacement tires has been great also, somewhat of a paradox to the industry.

In 1929 renewal tire sales were estimated by the Department of Commerce at 47,053,000 units, while in 1930 the maximum estimate of renewal sales is placed at 40,000,000 tires. In addition to this, the industry has suffered heavy financial losses from the decline in crude rubber and cotton prices.

Building, one of the few industries which did not make a particularly impressive showing in 1929, continued to decline at a rapid rate in 1930. Although decreases have been recorded in all types, the greatest falling-off in this district has been in residential building.

Clothing manufacturers have been hampered by unseasonable weather to quite an extent and by the fact that dealers were somewhat overstocked with goods at the beginning of the year. Declining prices also have had a deterring effect. The shoe industry has experienced a decided downward trend in both production and profits.

Farmers have been confronted with many difficulties. Drought damage to crops, particularly corn, was very severe. Composite crop yields were over 20 per cent below the preceding ten-year average in this District, and accompanying this there has been a decided drop in agricultural prices. These two declines have greatly affected total farm income.

The dollar volume of retail trade was about ten per cent below 1929, based on the reports received from department stores through the District. How much of this reduction was due to the lower retail prices prevailing in 1930 can only be estimated, but there seems to be no doubt but that part of the falling-off in sales can be explained in this way. Wholesale firms reported large decreases in most lines. Chain store operations held up rather well.

Coal production was affected by the drop in manufacturing activity, 1930 output in this District being about ten per cent below 1929. Cement production increased about six per cent, output being stimulated by the large amount of public utility and road construction. Most of the smaller industrial concerns, including paint, glass, tool and equipment, hardware, etc., were operating at lower levels in 1930 than in 1929.