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Federal Reserve Bank
of Cleveland
1933

NINETEENTH ANNUAL REPORT
TO THE
FEDERAL RESERVE BOARD

ANNUAL REPORT

of the

Federal Reserve Agent

of the

Fourth Federal Reserve District

to the

Federal Reserve Board

Covering Operations
for the
Calendar Year
1933

FEDERAL RESERVE BANK OF CLEVELAND

Directors and Officers, 1934

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Robert Wardrop, Pittsburgh, Pa., 1935
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W. F. Taylor, Assistant Cashier
C. W. Arnold, Assistant Cashier
G. H. Wagner, Assistant Cashier
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John Omwake	H. N. Ott, Assistant Cashier
S. B. Sutphin	
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Lloyd W. Smith	C. J. Bolthouse, Assistant Cashier

NINETEENTH ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK
OF CLEVELAND

At the beginning of 1933 the country was in the fourth winter of the depression and it was generally believed that the worst of the financial difficulties characteristic of such a period were past. There had been a reduction in the number of bank failures from the high level of late 1931 and early 1932; still they were too numerous to inspire confidence. Inflation, free silver coinage, barter plans, and debt reduction were being discussed with increasing freedom. Unemployment was serious and local relief funds were insufficient to meet needs. Share-the-work plans had been in operation for approximately two months, under the direction of the Banking and Industrial committees. The report of the Share-the-work organization in the fourth district for March 1, shortly before the work was taken over by the Chamber of Commerce of the United States, showed that in 2,649 establishments, 131,165 persons had been added to or retained on pay rolls on account of work-sharing. The Federal Home Loan Bank Act was passed in July 1932, and by the beginning of 1933 some of the twelve Home Loan banks that were to form a reserve system for savings, building and loan associations were doing business. The Reconstruction Finance Corporation had been in operation for ten months and had made actual cash loans of $1,502,168,402. Banks had been advanced more funds than any other class of borrowers. The Banking and Industrial committees had been at work in Federal reserve districts for seven months. Their efforts were directed at establishing contacts between industries that needed and deserved credit and banks with money to lend.

Two disturbances in the banking system, in widely separated parts of the nation, and three months apart in time, were prophetic of a breakdown in the financial system of the United States, a system that can only function smoothly when the flow of business is continuous and uninterrupted in any of its component parts, and when the confidence of the public is unimpaired. The period was marked by bank failures and by business holidays and moratoria proclaimed by the mayors of various cities and towns.

Authorities in Nevada proclaimed a twelve-day business and bank holiday beginning November 1, 1932, for the purpose of allowing a State group banking organization respite from the demands of depositors. On February 3, 1933, the Governor of Louisiana declared February 4 to be a holiday. This action provided a large New Orleans bank with time to prepare to meet requests for payment of accounts when the banks reopened on Monday, February 6. Rumors as to the bank's solvency, started in another part of the country, had gained newspaper publicity and consequent credence among depositors of the southern bank.

On February 14, because of the inability of a group banking organization in Detroit to meet the demands of its depositors for extraordinary withdrawals, the Governor of Michigan declared an eight-day holiday. All banks and exchanges in the state were closed, and the situation of the people of Michigan started a wave of fear that spread across the country, with the result that on Inauguration Day, March 4, practically all banks in the United States had closed their doors to the panic-stricken demands of their depositors, or had placed restrictions on the withdrawal of funds.

The Governor of Ohio, on the day the Michigan moratorium on banking operations was declared, issued a statement to the effect that at that time there was no necessity for a similar move in Ohio. His decision was based on the fact that there was no appreciable disturbance to the banks of the state.

Member banks of the Cleveland Clearing House Association decided on Sunday, February 26, that restrictions on withdrawals should go into effect the following day. All but two banks allowed depositors to draw out 5 per cent of their accounts. One of these paid 1 per cent and the other continued to pay 100 per cent. Other clearinghouse associations in the state followed the Cleveland example, and within two days nearly all banks in Ohio had instituted some method of limiting the amounts paid out to depositors.

The Ohio Legislature met in special session on February 27 and passed two bills designed to safeguard Ohio banking. These bills, named for their sponsors the Lawrence bill and the Gradison bill, were immediately signed by the Governor and became law. The Lawrence Act permitted any bank, with permission of the State superintendent of banks, to limit withdrawals, make payments from deposits in whole or pro rata in part, and to segregate deposits. The Gradison Act made provision for reopening of closed banks.

National banks in the fourth district were able to take advantage of State emergency banking laws through the Couzens amendment to the National Banking Act, signed February 25 by the President, which granted to the Comptroller of the Currency power to exercise the same authority over national banks as was held by State officials over State banks in emergency situations.

The privilege of restricting deposits on and after February 28 was given the banks of Pennsylvania by resolution of the Legislature. The resolution, made a part of the Pennsylvania banking law March 8, was made retroactive to February 27, and was to be in existence for six months. Pittsburgh papers on March 4 announced that "Pittsburgh bankers today almost unanimously ignored the banking holiday declared by Governor Pinchot and conducted their business as usual."

Under authority of an emergency amendment to the West Virginia law passed February 28 by the regular session of the State

Legislature, the State banking commissioner issued instructions to all banks under his jurisdiction to restrict withdrawals of funds to 5 per cent of accounts, beginning March 1.

The Governor of Kentucky on March 1 invoked an old Kentucky law authorizing the Governor to proclaim legal holidays by designating certain days of thanksgiving. He said in his statement that "In consideration of the nation-wide banking situation and in view of the fact that the people of the State of Kentucky, though suffering from a general depression, may perhaps in comparison with the people of other states have reason for thanksgiving," he would declare a four-day legal holiday. All banks were closed on March 1, but on the other three days of the State holiday they were allowed to pay out an aggregate of 5 per cent of deposits.

Franklin D. Roosevelt was inaugurated as President of the United States on March 4, and his administration began with the entire nation in a state of financial chaos. Nearly all banks were closed; the ones that remained open were conducting business on a very restricted basis; commodity and stock exchanges were closed. The Federal Reserve Bank of Cleveland remained open to the public until the closing hour, March 4. Early on Monday, March 6, President Roosevelt issued a proclamation to the effect that all banks were to observe a holiday from March 6 to March 9, inclusive. This was also to prevent the export, hoarding, or earmarking of gold and silver coin, bullion, or currency, or speculation in foreign exchange. The new Congress was called into special session on March 9, and at its first meeting passed an emergency bank act. The five parts of the Banking Act of March 9 gave the President and the Secretary of the Treasury broad powers and confirmed previous emergency decrees; provided for the reorganization of some of the national banks; provided for the recapitalization of some banks through issuance of preferred stock; provided for new currency and credits by Federal reserve banks; and provided for amendment of the law and for funds to carry out its provisions. On March 9, also, the national banking holiday was indefinitely extended.

Plans to reopen the banks were announced on March 10. Banks in Federal reserve cities opened on March 13, banks in cities with organized clearinghouse associations opened on March 14, and banks in other communities opened on March 15. Member banks were licensed by the Treasury Department with the cooperation of Federal reserve banks, and nonmember banks were licensed by State authorities.

Bald statement of the essential facts fails utterly to reveal the excitement and tension of the period of the bank holiday, the magnitude of the tasks that were set and accomplished, and the overwhelming display of loyalty and devotion of persons who were concerned in any way with restoring the banking system to working order.

By the end of the business day March 15, well over 900 of the 1,409 member and nonmember banks in existence in the fourth district on January 1, 1933, had been licensed by the Treasury Department or by State authorities to resume full operations. The report for April 1 showed that 1,042 of the 1,392 banks then existing in the district were licensed. Through the months that followed, the slow, gruelling task of examining, reorganizing, consolidating, and placing in liquidation the banks that were not in a position to receive licenses immediately after the holiday was carried out. At the end of the year, 1,161 banks had received licenses and 175 were still operating on a restricted basis.

One natural and important consequence of the depression phase of the business cycle is the demand for legislative changes. This year in the fourth district was no exception. State legislatures early in the year passed laws amending their respective banking codes in such a way as to cope with the emergency and to conform with national enactments. The Ohio Legislature, which was in session the greater part of the year, passed laws allowing banks to restrict withdrawals and providing for reorganization and reopening or liquidation of banks not in a position to continue business. At this time also, provision was made for State banks to sell capital notes or debentures. Authority for the Governor of Ohio to appoint a banking advisory board of seven members, to include and to serve with the superintendent of banks, was written into the law. An act was passed in Ohio providing for separate reports of condition of trust companies and banks doing a trust business and according a preference to trust moneys deposited in another department of such an institution. In December the Governor of Ohio signed a bill permitting the establishment in Ohio of mutual savings banks. The three mutual savings associations in operation in Ohio had each previously been provided for by individual acts of the Legislature.

A resolution of the Ohio Legislature late in March empowered a Senate committee to make an investigation into banking practices which have prevailed in Ohio during recent years, with a view to preparing remedial legislation. Through the medium of hearings on closed banks in Cleveland and Toledo, the Senate committee was nearly ready, at the end of the year, to present a program for reform of Ohio bank laws.

The following paragraph is an excerpt from the introductory note to the Pennsylvania bank law:

"The codification and revision by the 1933 Legislature of the laws relating to banks, trust companies, and building and loan associations . . . is the first time in the history of the state (Pennsylvania) that the laws on these important subjects have been embodied in complete self-sustaining acts. Sixteen years ago the Legislature by the Act of July 25, 1917, created a commission of five persons to codify and revise the laws relating to banks, private bankers, and trust companies. By the Act of July 21, 1919, the commission was continued for a period of two years and was directed to include in the scope of its work the laws relating to savings institutions, building and loan associations, loan brokers, and all other institutions and persons under the supervision of the Banking Department. By the

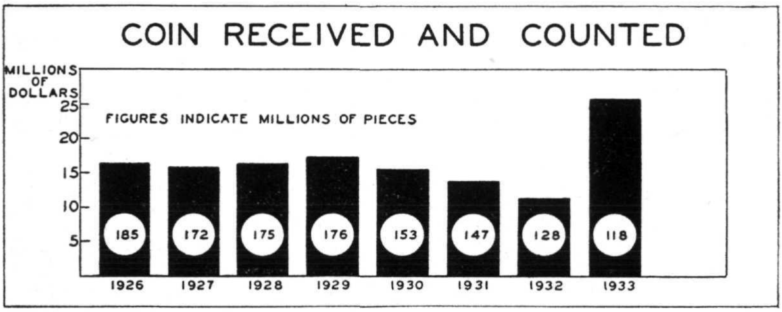
Act of May 27, 1921, the commission was again continued for two years. The commission made its report in 1923 but the Legislature failed to adopt the result of its work. In 1926 another attempt was made to prepare a codification and revision of the banking laws. The 1931 session of the Legislature made an appropriation to the Department of Justice directing it to submit to the 1933 session codifications and revisions of the banking and building and loan association laws. The banking codes were thoroughly considered by representatives of the State bankers' association and of the leading banking institutions of Philadelphia and Pittsburgh. Certain features were incorporated in the bills by the Legislature that were not originally proposed. The issuance of preferred stock was authorized, mortgage pools were prohibited except in trust departments, and the organization of trust companies without banking privileges was made possible." The building and loan code was approved by Governor Pinchot on May 5, 1933, and the department of banking code and the banking code on May 15, 1933.

The West Virginia Legislature met in regular and in extraordinary session in 1933. Emergency legislation was passed late in February, giving the commissioner of banking additional powers over banking institutions, a small loans bill became law without the approval of the Governor, laws affecting the deposit of State funds in banks were amended, as was the law concerning consolidation of banks, and in May a law was passed affecting county depositories. An act was passed providing for conservators for banks and providing for reopening of banks, and the law pertaining to limitations on loans by banking institutions and to the valuation of securities purchased by them was amended.

The Banking Act of 1933—the "Glass bill" revised, amended, and added to—was signed by the President on June 16, 1933. Its provisions are national in scope, and banks in this district made adjustments throughout the year to conform. Interest on demand deposits was prohibited immediately on passage of the law, and the Federal Reserve Board in August issued a regulation limiting the payment of interest on time deposits. Sections of the law pertaining to the regulation and divorcement of affiliates of member banks necessitated long, tedious hours of work by the Federal reserve bank and counsel. Member bank directorates were increased or decreased in number to agree with the law.

The provision of the law for the insurance of bank deposits was the section that created the greatest interest and received the most comment in the press. Directors of the Federal Deposit Insurance Corporation were announced in September, and the task of examining applying banks was begun, with the object of having the temporary insurance fund in working order by January 1. All member banks were required to become members of the temporary deposit insurance fund, which began operations on January 1, 1934. The first report of the Federal Deposit Insurance Corporation gives the number of banks in each state which made application and are now members of the temporary insurance fund. Of 1,001 banks in Pennsylvania on June 30, 1933, 995 were members of the insurance fund when it became operative; of 168 banks in West Virginia as of the same date, 157 qualified for deposit insurance; and of 422 banks in Kentucky, 378 held membership in the Federal Deposit Insurance Corporation. All member banks and all State nonmember banks in Ohio that applied for membership were admitted to the fund. The Ohio banking department announced that 401 State banks, 350 of which are nonmember banks, applied.

The history of the demand for gold early in 1933 is a chapter of the year that stands by itself and each staff member has personal reminiscences of a period that is unique in the annals of the Federal Reserve System. Gold coin in quantity was not shipped out of this bank to member banks for some time previous to the heaviest demand for gold for private hoarding early in 1933. Depositors of member banks who asked for gold were requested to come to the offices of the reserve bank for it. This practice may have deterred some persons from obtaining gold coin, although to onlookers in the bank on March 4 it seemed that everyone who could possibly want gold was in the lobby. The President's order of March 6, which declared the national banking holiday, also stopped the payment of gold coin and certificates.



The daily figures for payment of gold coin and certificates from the three offices of this bank from February 1 to March 4 reveal accurately the degree of panic that was prevalent. Two days after the Louisiana holiday, February 7, $46,810 in gold coin and certificates was paid out, and on February 14, the day the Michigan holiday was declared, $71,100 was paid out and the next day the figure jumped to $127,970. The day Cleveland banks declared restrictions on withdrawals, February 27, the total of gold coin and certificates paid out, which had been creeping higher for several successive days, amounted to $287,392. The demand for gold became fanatic during that week, and on Saturday, March 4, the bank paid out $864,000.

The President's order of March 6, closing the banks, stopped the paying out of gold and forbade hoarding. The gold began to be returned almost immediately, from two motives probably, because of the President's order, and because the safe disposition of any quantity of gold proved difficult to holders of the metal. On March 14, the first day banks in clearinghouse cities were open, this bank and its branches received $2,821,341 in gold coin and gold certificates, the largest amount that was received in any one day during the year. March 22 was the first day after March 10 that daily receipts dropped below one million dollars a day. Since gold receipts for a month after the sixth of March were so much larger than gold payments for a month immediately preceding the sixth of March, it was evident that long-hoarded gold was coming out of hiding as well as the gold that had recently been demanded in great quantity. Fluctuations in gold receipts throughout the year closely followed press announcements of Presidential and Treasury warnings concerning penalties for failure to return gold.

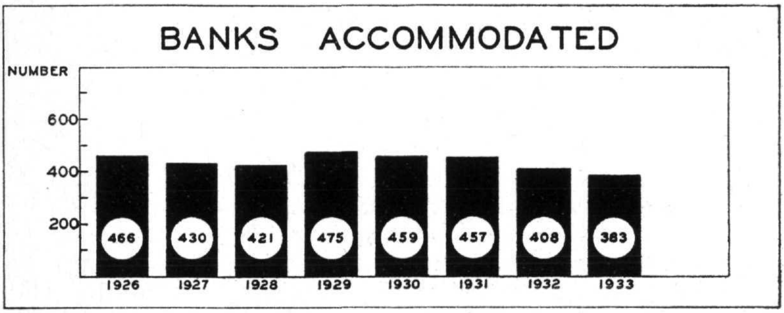
The Banking Act of March 9 contained a provision that the Reconstruction Finance Corporation might purchase preferred stock of national banks or make loans thereon in an attempt to aid in reorganizing the banks or strengthening the capital structure. The law also permitted the Reconstruction Finance Corporation to purchase preferred stock of State banks and trust companies in those states in which such institutions are authorized to issue preferred stock. Late in September a letter was sent by the Reconstruction Finance Corporation to all banks urging them to issue preferred stock or capital notes or debentures in a general effort to bolster the capital strength of the banks of the entire country and to prepare banks for membership in the Federal Deposit Insurance Corporation. Clearinghouse associations in the various cities of the district met and endorsed this move and banks acceded to the request of the President and the Reconstruction Finance Corporation. In October a special nonmember preferred stock board was formed as a division of the Reconstruction Finance Corporation with the intent of assisting nonmember banks to make ready for the insurance of deposits, and Mr. H. J. Stoddard was appointed supervisor for the fourth district. The Ohio Legislature passed a law allowing State banks to sell capital notes or debentures, the Kentucky Legislature gave to State banks the privilege of selling preferred stock, and the Pennsylvania banking law had incorporated in it a provision for the sale of more than one class of stock by State banks.

While figures for operations of the Reconstruction Finance Corporation in the fourth district are not available for publication, comparison of national figures at the end of 1933 with figures at the beginning of the year show the colossal growth of the Corporation's activities, in which this district shared. The fourth district received a proportionate number of the 12,584 loans, amounting to $2,749,227,461, made by the Corporation up until December 30, 1933, of which 37.4 per cent had been repaid at that time.

The Federal Home Loan Bank System had grown throughout 1933 until its membership numbered 2,065 at the end of the year, with total resources of $2,600,000,000, about 34 per cent of the entire assets of all building and loan associations in the United States. The Cincinnati Home Loan Bank was the first to pay a dividend. On October 23 President Roosevelt was handed a check for $95,830 as the Government's share in the first dividend declared by any of the Home Loan banks. The Home Owners Loan Corporation, a division of the Federal Home Loan Bank System, began operations in August in an effort to relieve urban home owners who were unable to meet mortgage payments and to aid the mortgage holders. In 1933 over 40,000 of these loans were made throughout the country and the Corporation had tentatively approved about 248,000 applications. Ohio and Pennsylvania have been leading states in the number of loans made.

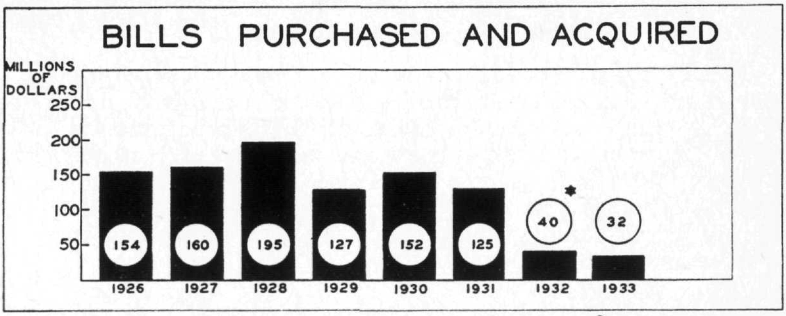
RESERVE BANK OPERATIONS

Flexibility of the Federal Reserve System was displayed in operations at the Federal Reserve Bank of Cleveland in the year 1933, though, to a considerable extent, the fluctuations were a result of factors not related to trade and industry. In the period immediately prior to, and for a time following the banking holiday in March, activity in practically all departments of this bank increased sharply, but as banking conditions improved a contraction in operations occurred generally.



For the year as a whole the total volume of credit extended to member banks was $823,000,000, compared with $1,889,000,000 in 1932, and was lower than in any year since the formative period of the Federal Reserve System. Despite this low total, bills discounted rose sharply in late February and early March (because of the demand for currency at that time) to approximately the level of late 1931 or early 1932, but they declined rapidly following the bank reopenings. During the year only 383 banks were accommodated, the smallest number in over twelve years and there were only 6,666 loan applications approved, less than half as many as in the preceding year. As a result, the total number of items handled by the discount department dropped to 26,857, compared with 46,140 items in 1932. A $25,000,000 rediscount, the first since shortly after the war, was made by this bank for about ten days in March for another Federal reserve bank.

There was a slight decrease from 1932 in the amount of acceptances purchased or acquired in the year, but the total volume, $32,000,000 (including bills payable in foreign currencies), was quite insignificant in comparison with the total amount of earning assets. These were made up chiefly of Government securities, purchases of which amounted to $334,000,000 in the year, only slightly less than in the preceding twelve months. Daily average earning assets in 1933 were $224,000,000, a gain of about $19,000,000 from 1932, but with the average rate of return only 2.05 per cent, current net earnings were down from the preceding year, despite the higher daily average of earning assets.

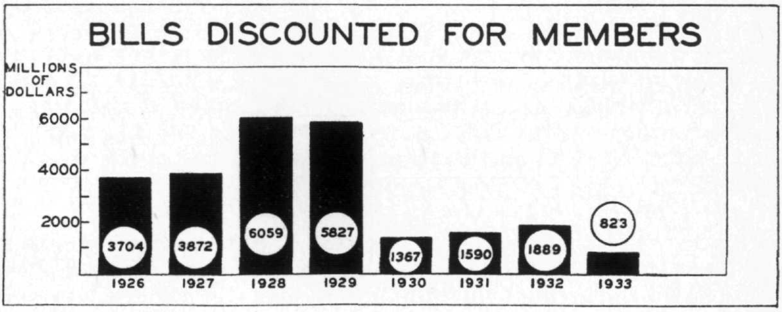


* REVISED FIGURE

These earnings amounted to $1,790,000 in 1933, compared with $2,545,000 in 1932. Dividend payments to member banks aggregated $789,000. After setting up a special reserve of $800,000 and making allowance for depreciation, etc., there was a deficit to surplus of $57,374.47. The Banking Act of 1933 abolished the franchise tax requirement of the Federal Reserve Act.

The closing of some member banks prior to or at the time of the banking holiday caused a reduction in paid-in capital stock of this bank in an amount greater than the expansion resulting from increased capitalization of some member banks in 1933, in a number of cases through the issue of preferred stock. At the year end the capital structure of the Federal Reserve Bank of Cleveland was:

Capital stock paid in...........	$12,403,700.00
Capital stock subscribed........	24,807,400.00
Surplus.......................	28,236,352.85



MEMBER BANK CREDIT

The closing of all banks in early March and the reopening of a smaller number than were in operation prior to the banking holiday destroyed the comparability of current banking statistics with those of preceding years, but certain conclusions as to the trend of banking developments in 1933 can be drawn from the figures that are available for a smaller group of banks.

A rapid shrinkage in deposits occurred at member banks in this district in the first ten weeks of 1933, (judging by the weekly figures of reporting member banks) when depositors were withdrawing funds from banks generally.

Following the restoration of more normal operating conditions in late March, banks in this district experienced a sharp rise in total deposits. From March 1 to the end of 1933 total deposits, excluding Government deposits, were up approximately 11 per cent at the weekly reporting banks. This resulted partly from a return flow of deposits transferred to other sections of the country, chiefly New York, prior to the banking holiday, and to a redeposit of hoarded funds. In addition, the Banking Act of 1933, which, among other things, prohibited the payment of interest on demand deposits, caused a considerable transfer of funds from demand to time accounts. As a result, demand deposits at the year end were approximately the same as in mid-March when the banks reopened, while time deposits at reporting banks were up about 17 per cent. Sizable additions were made to the banks' investments following the bank reopenings, entirely through the purchase of Government securities, but a continued liquidation of loans was evident throughout the year, both security and "all other" loans sharing in the decline.

The increase in holdings of Government securities at reporting member banks in the period following the banking holiday was slightly greater than the contraction in loans and investments in other than Government securities, but when the fact that 93 member banks remained unlicensed at the year end is considered, the liquidation of all member bank credit in the year 1933, amounting to about 20 per cent, was substantial, even though total loans and investments of reporting banks increased slightly toward the year end.

Condition of Fourth District Member Banks

(Figures in Millions)

	Dec. 30, 1933	Dec. 31, 1932	% change 1933 from 1932
Loans and discounts	$1,033	$1,538	—32.9
Investments—U. S. Govt. securities	673	591	+13.8
Investments—all other securities	392	514	—23.7
Total loans and investments	2,098	2,643	—20.6
Demand deposits	880	993	—11.4
Time deposits	997	1,243	—19.8
United States deposits	62	33	+87.9
Total deposits*	2,111	2,539	—16.9
Number of banks	544**	630	—13.7

* Including other items.

** Licensed member banks from which condition reports were received.

Total resources of 544 licensed member banks reporting on December 30, 1933, were $2,664,000,000 in contrast with $3,265,000,000 for all fourth district member banks on December 31, 1932. The following table shows the principal resources and liabilities of licensed member banks at the close of 1933, and all member banks at the end of the preceding year.

Despite the decline in deposits and the number of banks, member bank reserves with the Federal Reserve Bank of Cleveland were up sharply—amounting to $182,000,000 at the end of 1933, compared with $147,000,000 at the end of 1932.

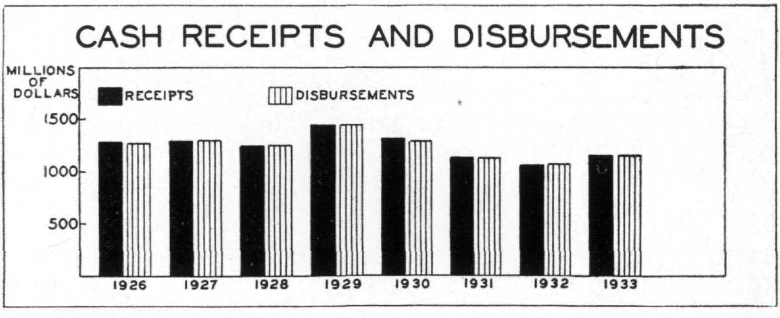
MEMBERSHIP CHANGES

By reason of bank suspensions in January and February of 1933, the closing of all banks in early March, and the reopening only of those whose condition met requirements set up by the Secretary of the Treasury, and increased interest in Federal reserve membership on the part of State banks, changes in membership in the year were numerous. As shown by stock records of this bank there were 643 member banks on December 30, 1933, but a considerable number were not licensed to operate 100%. At the beginning of the year there were 634 stockholding member banks in this district.

Many new national banks were organized in the year chiefly to take over assets of banks not licensed following the banking holiday and therefore caused no change in the number of banks actually operating. In this district 21 State banks were admitted to membership in 1933, the greatest number in many years.

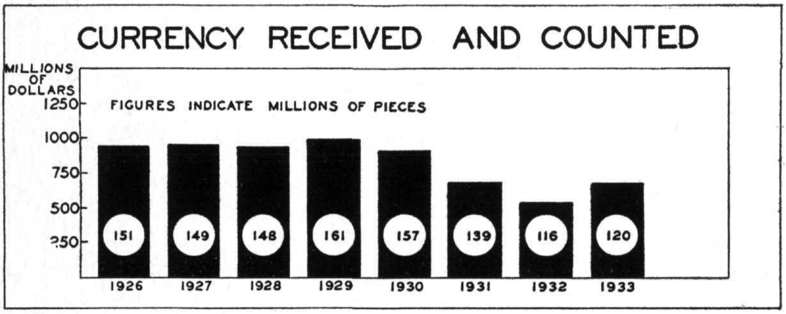
CURRENCY AND COIN OPERATIONS

The value of this bank's Federal reserve notes and bank notes in circulation at the end of 1933 was approximately $30 millions higher than at the close of 1932, and the total amount was somewhat greater than might have been expected under more normal conditions, judging by the relatively low level of business activity. Over the twelve-month period fluctuations in note circulation were unusually sharp. At the start of the year the volume of notes in circulation was somewhat under the level at the beginning of 1932, but, due to hoarding and increased needs of cash for business as a result of bank closings



in some communities, the decline in the number of checking accounts as a result of the check tax, metered service plans, etc., was considerably above the level even of 1929.

In mid-February, as banking conditions became more strained, demand for cash from banks increased sharply and note circulation of this bank rose nearly $150,000,000 to $423,000,000, a new high record, in little over a month. Following the banking holiday, note circulation declined rapidly and in the last half of the year was close to $300,000,000.



The law requires that a reserve of at least 40 per cent gold be maintained against Federal reserve notes in circulation and by reason of gold withdrawals in the early part of the year and the sharp increase in note circulation in the period, the reserve ratio declined sharply; in one week of March it was only slightly above its legal limit.

The Federal Reserve Act was amended by the act of March 9, 1933, to permit the issuance by Federal reserve banks of Federal reserve bank notes which could be secured by direct obligations of the United States Government up to 100 per cent of their value or by any notes, drafts, and bills acquired by the Federal reserve banks up to 90 per cent of their value. No reserves were required to be held against these notes. Issuance of Federal reserve bank notes by this bank was started in the latter part of March. By November 1st approximately $27,000,000 of these bank notes had been issued, but in the remainder of the year a slight contraction occurred.

The accompanying tables and charts show the extent to which operations of the money department increased in the year, but coin and currency receipts and disbursements were below the peak years, indicating a smaller turnover of funds. Much of the currency was

Total Cash Receipts and Disbursements

	Receipts	Disbursements
Cleveland	$578,690,539.93	$584,717,944.33
Cincinnati	210,480,949.93	212,922,780.46
Pittsburgh	347,193,375.70	349,651,689.79
Total	$1,136,364,865.56	$1,147,292,414.58

Currency Received and Counted

	Pieces	Amount
Cleveland	52,523,557	$347,211,830.00
Cincinnati	28,520,491	125,908,540.00
Pittsburgh	38,829,048	203,280,355.00
Total	119,873,096	$676,400,725.00

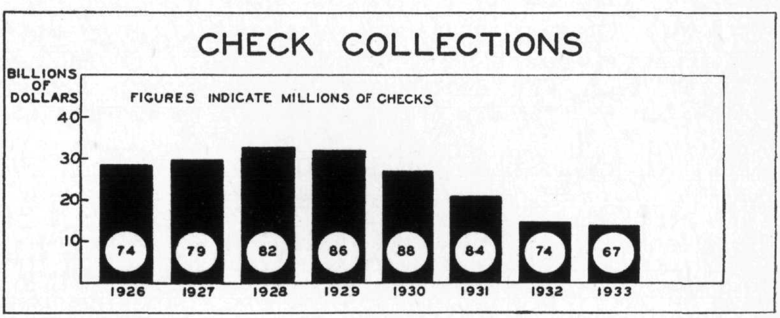
Coin Received and Counted

	Pieces	Amount
Cleveland	45,384,011	$11,444,796.00
Cincinnati	40,355,785	7,735,570.84
Pittsburgh	32,632,113	6,694,708.00
Total	118,371,909	$25,875,074.84

used by banks prior to the banking holiday to increase their cash position and was never circulated, being returned in many cases in its original packages.

CHECK COLLECTIONS

In the year 1933 checks collected through the Federal Reserve Bank of Cleveland numbered 67,356,172 and had a total value of $13,657,000,000. These figures represent declines from 1932 of 8 and 5 per cent, respectively, but the loss for the year was confined to the first six months. In the last half of the year an increase over 1932 was recorded, and the smaller decline in dollar volume than in number of items handled was partly attributed to the increase in prices in the last half of the year and to the advance in wage rates and pay rolls. The number of checks collected was about the same as in 1923, the total being sharply reduced at the time of the bank holiday in February and March, in which period many checks were returned unpaid and several thousands of cash letters containing tens of thousands of checks were returned without being handled. As a result the year established an all time high for returned checks, the volume for March being twelve times any single previous month. The reduction in the number of checks handled in 1933 also was affected by bank closings, the continuance of the check tax, and the more stringent regulations in regard to service charges.



The volume of checks collected in the first quarter of the year was down 24 per cent from the corresponding period of 1932. Improvement was noticed in the latter months and in December the number of checks collected was 14.5 per cent ahead of December 1932, and the dollar value was up 11 per cent in the same period. Part of this increase represented Government checks distributed in the latter half of the month through newly-created Federal agencies. The number of Government checks paid in the entire year reached a new high, a gain of 27.8 per cent from 1932 being shown. This reflected increased Government spending generally in this district, chiefly through other than CWA and PWA agencies, for operation of these two organizations did not get under way until the latter part of December.

Transit Department Check Clearings and Collections for Year 1933

Cleveland

	Items	Amounts
Items on Cleveland banks	5,506,479	$2,990,259,709.53
Items on other banks in district No. 4	17,418,198	1,510,773,949.20
Items on banks in other districts	1,388,884	154,588,759.50
Items on Treasurer of the United States	2,099,651	326,385,137.33
Total	26,413,212	$4,982,007,555.56
Items sent to Cincinnati and Pittsburgh branches	395,222	$ 45,903,048.70

Cincinnati

	Items	Amounts
Items on Cincinnati banks	3,219,362	$1,352,112,277.33
Items on other banks in district No. 4	9,916,647	622,225,278.53
Items on banks in other districts	421,851	47,312,093.76
Items on Treasurer of the United States	1,175,260	116,791,982.27
Total	14,773,120	$2,138,441,631.89
Items sent to Main Office and Pittsburgh Branch	134,280	$ 14,662,552.62

Pittsburgh

	Items	Amounts
Items on Pittsburgh banks	8,277,208	$5,260,588,705.00
Items on other banks in district No. 4	15,878,723	969,465,728.86
Items on banks in other districts	1,179,481	211,360,041.70
Items on Treasurer of the United States	874,428	94,988,425.00
Total	26,209,840	$6,536,402,900.56
Items sent to Main Office and Cincinnati Branch	119,455	17,422,465.08

Recapitulation

	Items	Amounts
Total number of items handled	67,356,172	
Total amount of items handled		$13,656,852,088.01
Items and amounts handled by both Main Office and branches and not duplicated in above figures	648,957	$ 77,988,066.40

NON-CASH COLLECTION

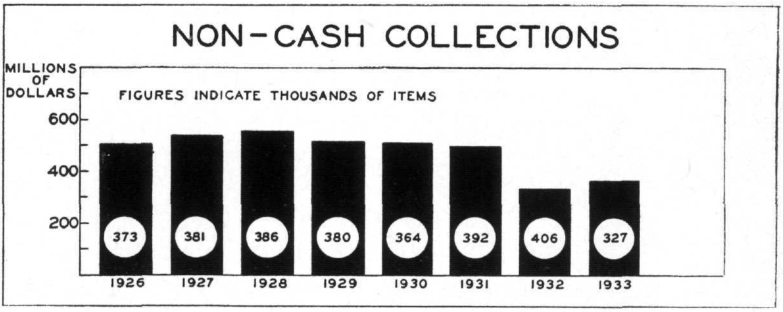
The non-cash collection department handled 468,444 items amounting to $405,846,056.45 in 1933. This was an increase of 15 per cent in number of items and of 26 per cent in amount from the preceding year.

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

	Number	Amounts
Main Office	397,949	$299,224,273.07
Cincinnati Branch	38,764	59,583,564.58
Pittsburgh Branch	31,731	47,038,218.80
Total	468,444	$405,846,056.45

On items handled through the three offices, collecting banks made collection charges on 41,291 items, aggregating $11,256,235.83, at a rate of .127 of one per cent.

Member banks sent direct to other Federal reserve banks and branches for collection 86,717 items, aggregating $73,824,566.55.



FISCAL AGENCY OPERATIONS

Because of the increased flotation of Government securities, operations of the fiscal agency department expanded. During the year 1933 there were issued forty-six series of Treasury bills, five series of certificates of indebtedness, four series of notes, and two series of bonds, a total of 57 issues as compared with 47 in 1932.

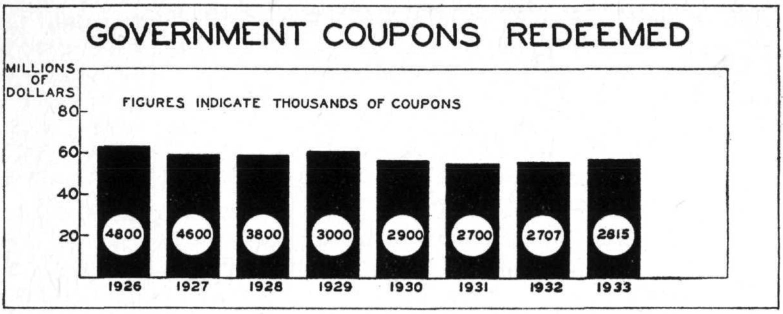
Allotments of ninety-one day Treasury bills in the fourth district, totaling $50,483,000, were made on twenty-three of the forty-six series. Certificates of indebtedness amounting to $64,499,000, Treasury notes aggregating $68,103,800, and bonds having a value of $190,387,900, were distributed in the year. The total value of all allotments in the period was $373,473,700.

Government securities delivered on allotment numbered 148,233 pieces.

Government securities received for exchange of denomination or form (within the issue) consisted of 42,384 pieces in coupon form and 11,198 pieces in registered form, aggregating $149,493,000, including $94,015,200 received for transfer by wire.

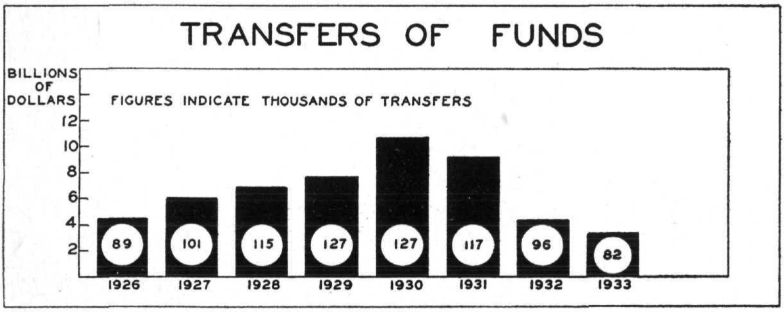
Wire transfers of Government short-term securities from other districts to this district aggregated $115,756,100; from this district to other districts $94,015,200.

Government coupons redeemed totaled 2,542,027, aggregating $48,442,723.95. Federal farm loan coupons redeemed totaled 272,955, aggregating $8,253,624.52.



Government obligations presented for redemption numbered 32,859 in registered form and 128,812 in coupon form and had a value of $233,440,340.

Federal farm loan bonds and Federal intermediate credit bank debentures presented for redemption numbered 616 and had a value of $1,827,000.



PERSONNEL

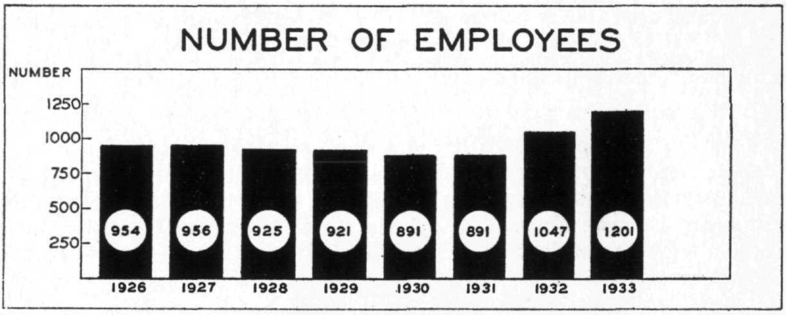
In the annual election by member banks in Group 3, Ben R. Conner of Ada, Ohio, was reelected Class A director and John E. Galvin of Lima, Ohio, was reelected Class B director for three-year terms ending December 31, 1936. The Federal Reserve Board appointed Lewis B. Williams Chairman of the Board and Federal Reserve Agent on March 15, 1933, to fill the unexpired term of George DeCamp who resigned, having served as Chairman of the Board and Federal Reserve Agent since December 1925. E. S. Burke, Jr., Cleveland, Ohio, was appointed Class C director and Deputy Chairman of the Board of Directors for the term of office expiring December 31, 1935.

The Board of Directors appointed Lloyd W. Smith of Pittsburgh director of the Pittsburgh Branch, to fill the vacancy created by the death of R. B. Mellon which occurred on December 1, 1933.

Howard Evans, Chief Examiner, was appointed Assistant Federal Reserve Agent, effective March 15. Elbert A. Carter was appointed Assistant Cashier on March 11 and Arthur G. Foster also was made Assistant Cashier, effective October 1.

The death of Charles L. Bickford, Assistant Cashier in charge of the money department, occurred on April 23, and on May 16 P. A. Brown, Assistant Cashier at Pittsburgh, was transferred to Cleveland to fill the vacancy created by Mr. Bickford's death. Charles J. Bolthouse was elected Assistant Cashier and transferred to the Pittsburgh Branch to assume charge of the money department at that office.

Increased activity in many departments, particularly in the fiscal agency and custodies departments, in the latter instance to handle collateral pledged with the Reconstruction Finance Corporation, necessitated the employment of much additional help. At the end of 1933 there were 1,201 officers and employees at the main office and branches, compared with 1,047 at the close of 1932. Of this number salaries of 149 were reimbursable to the bank.



1932 REVISED

The Share-the-work movement created on December 15, 1932, through voluntary contribution on the part of all officers and employees, was terminated on June 15, 1933, and practically all of the approximately 50 persons given employment when the plan was adopted were transferred to the regular pay roll of the bank in departments where the volume of work had increased.

GENERAL BUSINESS CONDITIONS

In the fields of trade and industry, as well as finance, the year 1933 no doubt can be classified as one of the most unusual on record. Variations in the rate of industrial production, in employment, and in public sentiment were very pronounced. Many new elements, such as the various newly-created Federal agencies, entered the general business picture, some of which, for a time at least, were quite confusing. Still, at the close of the year there was little doubt but that considerable progress toward recovery from the most severe depression on record had been made, notwithstanding the fact that many problems remained to be solved.

In the first quarter of 1933 the volume of production and trade was very limited in all important lines in this district. Steel ingot production was 30 per cent below the first three months of 1932. Building contracts awarded in this district were down 43 per cent; tire production was off 38 per cent; cement output 32 per cent; electric power production 8 per cent; department store sales 28 per cent; and debits to individual accounts, which represent chiefly check payments, were 24 per cent smaller in the first quarter (which included the bank holiday) than in the same period of 1932. The Federal tax on checks and the bank closings were factors contributing to this decline in bank debits, but they were responsible for only a part of the reduction.

Following the bank reopenings in mid-March and the readjustment of financial conditions so far as possible in such a short period of time, an unusually sharp increase in production occurred in many lines. The spring rise in manufacturing occurred later than usual, at a time when operations generally are tapering off for the summer. This, coupled with the increased demand for goods, resulting largely from talk of inflation and fear of rising prices, caused the adjusted production indexes in many lines to rise sharply between April and July.

The expansion, however, was not paralleled by an increase in consumption, partly because employment and pay rolls, and therefore purchasing power, lagged behind the increased production.

From August to November, though output in many lines exceeded the corresponding months of 1932, industrial production declined generally while surpluses piled up in the late spring and early summer were being absorbed. At the same time employment and pay rolls were expanding, partly through limitation of the number of hours worked and the establishment of minimum wage rates under the National Recovery Administration.

By November, employment and pay rolls had improved to the point where they were in closer balance with production than for many months. In the latter part of that period output increased sharply, a more pronounced gain being shown by the heavy industries.

This expansion continued in December and accompanying it was an increased demand for consumers' goods, resulting from distribution of a large volume of purchasing power through Civil and Public Works Administration channels.

Although the fluctuations in operating rates were unusually sharp in the period, most important lines of trade and industry in the fourth district reported a larger business volume than in 1932.

The employment situation in the fourth district improved in 1933, after declining for over three years. As the year ended the indexes for Ohio and western Pennsylvania were slightly below the peak touched in October, but average gains of 9 and 15 per cent, respectively, for the entire year were shown at industrial plants in these two sections. Pay roll indexes, which had fallen to lower levels in early 1933 than did those of employment, showed a proportionately greater increase in the latter part of the year because of the greater number of hours worked and wage increases.

Living costs of wage earners and lower-salaried workers in principal cities of the fourth district declined in the first half of 1933 to the lowest level since 1916, but an increase of about 5 per cent occurred in the latter half of the year. The gain was the first since 1929, but it was slightly smaller than the average increase in the entire country in the period.

There were only 1,685 commercial failures reported in the district in the entire year, a reduction of 42 per cent from 1932 and the smallest number reported since 1923. Liabilities of the defaulting concerns were 42.5 per cent less than in 1932.

The dollar volume of retail sales at department stores was just about the same in 1933 as in 1932, the gains in the closing months of the year offsetting the large reductions which occurred in the early periods. Higher retail prices were partly responsible for the increased volume of sales reported in the closing months of the year from similar periods of 1932, but as the year ended sales showed a greater gain from late 1932 than could be accounted for by the advance in prices. Collections improved in the period and there was comparatively less buying on credit than in 1932.

In the latter half of the year the dollar volume of wholesale sales in the four reporting lines in this section increased sharply and for the entire year hardware and dry goods sales were up about 11 per cent. Wholesale drug sales were down 7 per cent and grocery sales 1.8 per cent in the same period.

The following table shows changes in some business indicators of more or less importance to the fourth district:

Fourth District Unless Specified (000 omitted)	1933	1932	% change 1933 from 1932
Electric power production (Ohio, Pa., Ky.) . . k.w.h.	12,686,000	12,051,000	+ 5.3
Building contracts awarded . . . . $	122,454	127,084	— 3.6
Cement production (Ohio, Pa., W. Va.) . . . . bbls.	5,417	6,599	—17.9
Coal production . . . . tons	129,027	113,823	+13.4
Petroleum production (Ohio, Pa., Ky.) . . . . bbls.	21,508	23,264	— 7.5
Shoe production . . . . pairs	1	1	+23.5
Pig iron production, U. S. tons	13,192	8,674	+52.1
Steel ingot production, U. S. . . . . tons	22,879	13,323	+71.7
Automobile production, U. S. . . . . units	1,959	1,371	+42.9
Tire production, U. S. . . . . units	43,945	38,882	+13.0
Plate glass production, U. S. . . . . sq. ft.	89,915	49,919	+80.1
Glass container production, U. S. . . . . gross	23,522	20,558	+14.4
Index of machine tool orders, U. S. — 1922-24 = 100	49	35	+40.0
Iron ore receipts — Lake Erie ports . . . . tons	16,323	2,707	+503.0
Coal shipments — Lake Erie ports . . . . tons	32,333	25,173	+28.4

1 Confidential

With the automobile industry showing a 43 per cent production gain in 1933 from the low level of 1932, many closely allied industries in this district showed a corresponding or greater improvement.

A few lines, however, operated at low levels throughout most of the period. Brick production and cement output in the year were considerably below 1932, the stimulation afforded the building industry through Public and Civil Works Administration channels not occurring early enough in the year to allow the work to get under way in any volume. Building contracts awarded in the closing months of the year, however, were unusually large; in December they were five times greater than in December 1932. The recent gains were nearly enough to offset the large reductions in the first part of the year, and there were indications of increased activity at brick and tile plants as the year closed.

Generally speaking, the smaller industries of the district experienced a gain in production in the year 1933 from 1932. Considerable variation was apparent in employment and operating rates over the entire period in the various lines, but for most of them the year's results were better than in 1932. Paint sales increased quite sharply and stocks were reduced; sales of electrical apparatus improved; and operations of clothing plants, judging by employment reports, were at substantially higher levels than in 1932.

The agricultural situation was confusing. Yield per acre of principal crops in this district was considerably below the average of the preceding ten years, but as a result of higher prices, the farm value of these crops was up sharply from the low level of 1932. On the other hand, livestock prices remained unusually low and because of this, the gross increase in farm income (excluding production-control payments) for 1933, estimates for which are not yet available, was probably less than the gain in crop values. It was substantial, however, according to the Department of Agriculture, and farm purchasing power was up several points at the year end from the close of 1932. Stocks of grain and livestock on farms in this section were reduced in 1933.