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Federal Reserve Bank of Cleveland

1934

TWENTIETH 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
1934

FEDERAL RESERVE BANK OF CLEVELAND

Letter of Transmittal

April 4, 1935.

Sir:

I have the honor to transmit to you herewith the twentieth annual report of the Federal Reserve Bank of Cleveland, covering operations for the calendar year 1934.

Respectfully,

W. H. Fletcher,

Acting Federal Reserve Agent.

Federal Reserve Board,
Washington, D. C.

Directors and Officers, 1935

DIRECTORS

CLASS A

Robert Wardrop, Pittsburgh, Pa., 1935
Ben R. Conner, Ada, Ohio, 1936
Chess Lamberton, Franklin, Pa., 1937

CLASS B

G. D. Crabbs, Cincinnati, Ohio, 1935
J. E. Galvin, Lima, Ohio, 1936
R. P. Wright, Erie, Pa., 1937

CLASS C

E. S. Burke, Jr., (Acting Chairman),
Cleveland, Ohio, 1935
W. W. Knight, Toledo, Ohio, 1936

OFFICERS

E. S. Burke, Jr., Acting Chairman
of the Board
W. H. Fletcher, Acting Federal
Reserve Agent
J. B. Anderson, Assistant Federal
Reserve Agent
Howard Evans, Assistant Federal
Reserve Agent
F. V. Grayson, Auditor

M. J. Fleming, Governor
F. J. Zurlinden, Deputy Governor
H. F. Strater, Deputy Governor
and Secretary
W. F. Taylor, Cashier
C. W. Arnold, Assistant
Deputy Governor
D. B. Clouser, Assistant Cashier
P. A. Brown, Assistant Cashier
E. A. Carter, Assistant Cashier
A. G. Foster, Assistant Cashier
R. B. Hays, Assistant Cashier

CINCINNATI BRANCH

DIRECTORS

W. H. Courtney
T. J. Davis
B. H. Kroger
B. J. Lazar
John Omwake
S. B. Sutphin
G. M. Verity

OFFICERS

B. J. Lazar, Managing Director
H. N. Ott, Cashier
Bruce Kennelly, Assistant Cashier
R. G. Johnson, Assistant Cashier

PITTSBURGH BRANCH

DIRECTORS

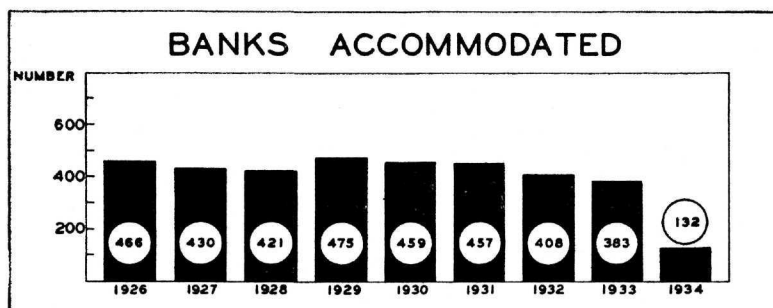
A. E. Braun
Richard Coulter
T. C. Griggs
A. L. Humphrey
J. S. Jones
L. W. Smith
H. S. Wherrett

OFFICERS

T. C. Griggs, Managing Director
G. H. Wagner, Cashier
F. E. Cobun, Assistant Cashier
C. J. Bolthouse, Assistant Cashier

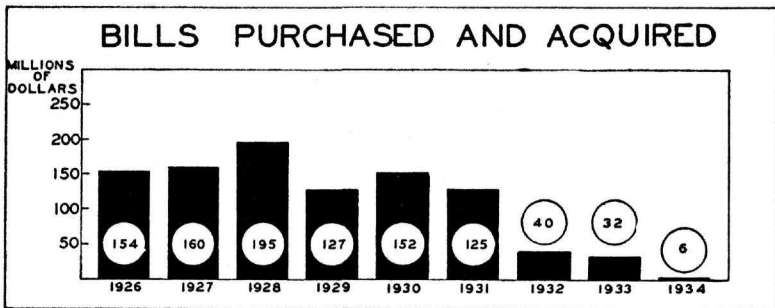
TWENTIETH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF CLEVELAND

Notwithstanding a substantial growth in deposits during 1934 and a consequent increase in reserve requirements, member banks in the Fourth Federal Reserve District held a large amount of excess reserves throughout the year and had no recourse to Federal reserve bank credit. The continued liquidation of existing loans and a lack of demand for new loans during 1934, despite a substantial increase in the volume of business over the previous year, also were factors contributing to an easy money situation.



In the entire year, loans or advances were made to but 132 member banks in this district, as compared with 383 in 1933, and with over 400 in each of the preceding ten years. Only 828 applications for loans were handled compared with 6,684 in the preceding year, and the aggregate amount involved excluding loans to industry, reached a total of \$29,207,000 compared with \$848,847,000 in 1933, and much larger amounts in each year of the preceding decade. The number of individual items handled was reduced from 26,874 in 1933 to 2,813 in 1934.

The total volume of bills purchased in the open market or acquired through the Open Market Committee at New York, at approximately \$6,200,000, (including bills payable in foreign currencies) was of little importance in comparison with other recent years. Not only was the available supply of acceptances limited, but the general demand for such investments was great and interest rates thereon were sharply reduced.

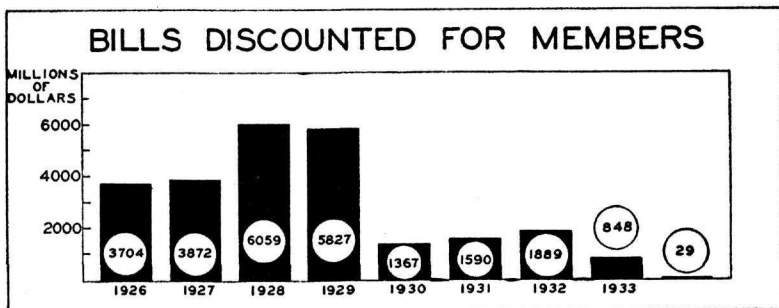


Investments in United States Government securities, representing chiefly the purchase of new issues to replace maturing ones, amounted to \$245,541,000 (including United States securities bought from other Federal reserve banks), but average holdings of Government securities by this bank remained unchanged at about \$213,000,000 throughout the year and made up the bulk of earning assets.

The rediscount rate, which had been fixed at 2½ per cent since October 1933, was reduced to 2 per cent early in February. This reduction in interest and the lower rate on new issues of Government securities was reflected in the rate of return on the invested assets of this bank, averaging 1.86 per cent in the year compared with 2.05 per cent in 1933. Gross earnings were reduced \$568,000 to \$4,138,000; net earnings at \$1,191,000 compared with \$1,790,000 in the previous year. Dividend payments to member banks totaled \$769,000, and after depreciation allowances and reserves for contingencies the sum of approximately \$282,000 was transferred to surplus.

MEMBER BANK CREDIT

During the year, the number of licensed member banks in the fourth district increased from 544 to 627; consequently, a comparison of condition figures of all member banks for the period covered by this report does not reflect changes which have occurred in the position of the same group of banks. The rehabilitation of member institutions progressed further throughout



the year, a reflection of which is better shown in condition reports of weekly reporting member banks, the number and identity of which are the same for the whole period.

Total loans and discounts of these institutions decreased from \$450 millions to \$390 millions, or 13.3 per cent. Of this decline, more than two-thirds is accounted for in loans on securities, the "all other" loan classification, including commercial and industrial loans, declining but \$17 millions (7.5 per cent) in the year.

Total loans and investments increased 8.1 per cent, the loss in loan account being more than offset by an increase of \$150 millions in investments, largely Government securities.

Total deposits of reporting member banks increased 18.9 per cent from December 1933. Demand deposits increased 33 per cent in the year, while other deposits showed small but unimportant gains in the period.

Condition of Fourth District Member Banks

(Figures in Millions)

	Dec. 31, 1934	Dec. 30, 1933	% change 1934 from 1933
Loans and discounts	\$ 944	\$1,033	- 8.6
Investments—U. S. Govt. securities	982***	673	+45.9
Investments—all other securities	440	392	+12.2
Total loans, discounts and investments	2,366***	2,098	+12.8
Net Demand deposits	1,203	880	+36.7
Time deposits	1,108	997	+11.1
United States deposits	91	62	+46.8
Total deposits*	2,648	2,111	+25.4
Number of banks**	627	544	+15.3

*Including other items.

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

***Includes \$75,000,000 securities fully guaranteed by U. S. Government.

That continued contraction in loan account at member banks has taken place is clear, however, from a comparison of total loans and discounts of all member banks at the year end with the same item a year ago. Notwithstanding an increase in the number of

Condition of Fourth District Weekly Reporting Member Banks

(Figures in Millions)

	Dec. 26, 1934	Dec. 27, 1933	% change 1934 from 1933
Loans on securities	\$ 181	\$ 224	-19.2
"All other" loans	209	226	- 7.5
Total loans	390	450	-13.3
Investments—U. S. Govt. securities	593	458	+29.5
Investments—all other securities	215	200	+ 7.5
Total investments	808	658	+22.8
Total loans, discounts and investments	1,198	1,108	+ 8.1
Demand deposits	717	539	+33.0
Time deposits	437	427	+ 2.3
United States deposits	52	48	+ 8.3
Total deposits	1,206	1,014	+18.9
Number of banks	33	33	—

banks, amounting to more than 15 per cent, loan account dropped from \$1,033 millions to \$944 millions — a decrease of 8.6 per cent. A portion of this represents loans charged-off; a substantial amount represents mortgage loans transferred from banks to the Home Owners' Loan Corporation, Federal land banks, and other Governmental or quasi-Governmental agencies, and a further contraction in loans on securities.

INDUSTRIAL AND COMMERCIAL LOANS UNDER SECTION 13b

In June of 1934 the Congress enacted Section 13b of the Federal Reserve Act. By its terms a Federal reserve bank may, in order to provide working capital to an established industrial or commercial business located in its district, exercise the following new functions, subject to certain specified limitations:

(a) Make direct loans to such businesses, or purchase obligations of, or make commitments with respect thereto, in cases where such borrowers are unable to secure requisite financial assistance on a reasonable basis from the usual sources;

(b) Purchase from or discount for banks or other financing institutions, obligations entered into for the purpose of obtaining working capital for such businesses, or make loans or advances on the security thereof;

(c) Make commitments with respect to such purchases, discounts, loans or advances;

(d) Participate on an agreed basis with banks or other financing institutions in such loans or advances.

Immediately following the passage of the Act an Industrial Advisory Committee, composed of five members, was appointed by this bank. The personnel of this committee was:

F. A. Smythe, Chairman
President, Thew Shovel Co.,
Lorain, Ohio

Daniel R. Davies, Vice Chairman
President, Acme Machinery Co.,
Cleveland, Ohio

H. L. Kutter,
President, Black and Clawson Co.,
Hamilton, Ohio

Frank B. Bell,
President, Edgewater Steel Co.,
Oakmont, Pennsylvania

Edward C. Folsom,
President, Ottawa River Paper Co., and
Railway Materials Company,
Toledo, Ohio

The function of this committee is to examine applications for loans and to transmit each application to the Federal reserve bank with its recommendation. The law provides that each member of this committee shall be actively engaged in some industrial pursuit and that he shall serve without compensation.

Every effort has been made to acquaint the business interests of this district with the fact that these new credit facilities are available to them. A number of circular letters were sent to each financing institution in the district explaining the provisions

of the Act, pointing out the necessity for and desirability of such loans, their attractiveness from an earnings standpoint, and the lack of interference either with solvency or liquidity. Officers and principal employees of the Federal reserve bank and branches were instructed with regard to the provisions of Section 13b and the procedure which was to be followed. The bank relations staff has visited both member and nonmember banks urging them to make inquiry among their customers to determine whether loans of this type were needed in their communities. Eight meetings were held at the principal centers in the district which were attended by a total of nearly 300 representatives of banks located in industrial cities. These meetings were conducted by senior officers of the reserve bank. The provisions of the law were carefully explained and banks were urged, in the interests of needy business, to take advantage of the new legislation.

Mr. F. A. Smythe, Chairman of the Industrial Advisory Committee delivered a radio address in August covering activities under Section 13b, following widespread publicity as to the time and the station from which this talk would be made.

Mr. R. B. Hays, Executive Secretary of the Industrial Advisory Committee of this bank also addressed the Cleveland Chapter of the National Association of Cost Accountants, the Ohio State Conference of Credit Men, and the Northern Ohio Chapter of the American Institute of Accountants, in an attempt to acquaint these organizations with the provisions of the law and the procedure to be followed.

The appended tabulation indicates the number and amount of applications recommended by the Industrial Advisory Committee and approved by the reserve bank. Total applications approved by the bank to December 31, conditionally and unconditionally, were in excess of \$4 millions. The difference between the number of approved applications and the number of advances made and commitments operative is explained by the fact that conditions imposed frequently require agreements with other creditors, the preparation of mortgages, or other items which involve the time element.

Applications Approved

	No.	Amount
Applications approved by Industrial Advisory Committee . . .	116	\$4,934,300
Applications approved by Federal Reserve Bank of Cleveland .	96	4,049,967

Advances and Commitments Made

	No.	Federal Reserve Bank of Cleveland	Participations by banks and financing institutions	Total
Advances	58	\$ 956,310	\$ 3,700	\$ 960,010
Commitments	22	1,031,200*	174,000	1,205,200
Total	80	\$1,987,510*	\$177,700	\$2,165,210

* Includes commitments of \$52,500 which later become advances.

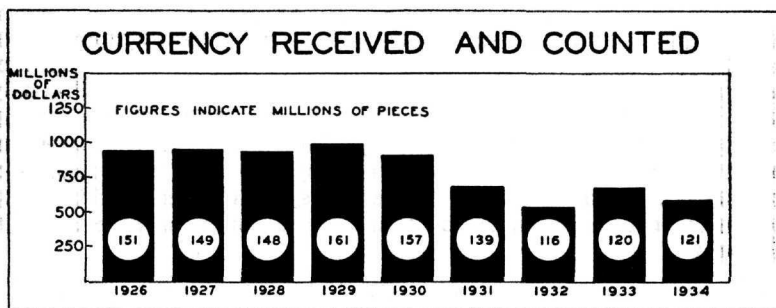
MOVEMENT OF MEMBERSHIP

The number of licensed member banks increased from 544 at the close of 1933 to 627 a year later, at which time but one member bank, a small State institution, remained unlicensed. Successions and reorganizations of previously unlicensed banks accounted for the major part of the increase, although 20 State banks became members of the Federal Reserve System during the year.

The following table gives in summary form the changes occurring in fourth district bank membership in 1934:

	Licensed	Unlicensed
Number of member banks, Dec. 30, 1933	544	72
Successions	59	53
Reorganizations	8	7
New banks	3	—
New State members	20	—
Conversion from State to national	1	—
Liquidations	6	4
Receiverships	—	4
Mergers	2	—
State bank withdrawals	—	3
Number of member banks, Dec. 31, 1934	627	1

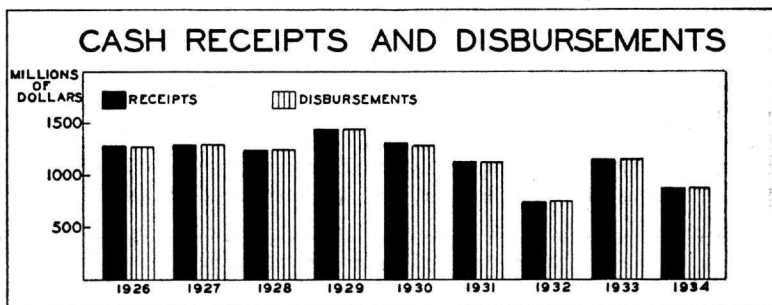
At the end of the year the records of this bank showed but ten unlicensed banks, both member and nonmember, in the district. Of the nine unlicensed nonmember banks, eight were located in the State of Ohio, and one in the State of Kentucky. The total number of banks in the district was 1,274, of which 646 were non-member State institutions.



NOTE CIRCULATION

The amount of Federal reserve notes in circulation throughout 1934 was substantially greater than the average of preceding years (with the exception of a short period immediately following the banking holiday of 1933), and appeared to be much in excess of normal trade requirements. The increase in this item is explained, in part, by the withdrawal from circulation of other forms of currency including Federal reserve bank notes (which decreased approximately \$25,000,000 during the first half of the year) and to a lesser extent gold certificates, which still are coming into the bank in unimportant volume; and to the fact that at various times

throughout the year there was outstanding a sizable amount of bills of large denominations, reflecting in part deposits of public funds in safety deposit boxes because of the unwillingness of banks to accept such deposits or to qualify as depositories of public funds. During the year this bank paid out over \$17,000,000 in denominations of \$500 or over which, on the basis of definite information, was to be used solely for this purpose. After these funds were allocated to the various receiving agencies by the county treasurers the large bills were returned to the bank, and by the end of the year practically all had been retired from circulation.



The seasonal return of currency following the expansion which occurred in December 1933, was less than usual. Starting early in February, the volume of notes outstanding increased until mid-July in an amount roughly proportionate to the decrease in Federal reserve bank notes, which were eliminated from the reserve bank statement in the latter month through the deposit with the United States Treasurer of lawful money to provide for the redemption of the small amount then outstanding.

Total Receipts and Disbursements

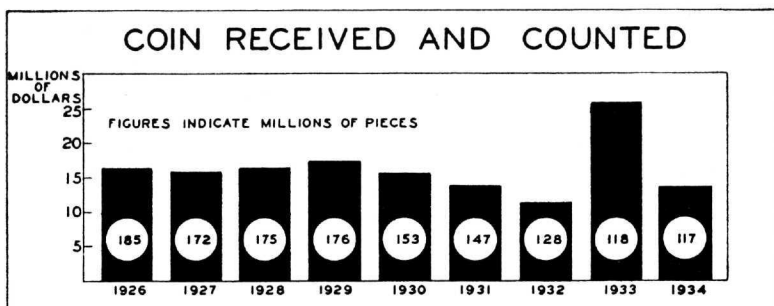
	Receipts	Disbursements
Cleveland	\$400,438,766.72	\$399,455,661.52
Cincinnati	165,873,177.66	166,648,109.67
Pittsburgh	316,725,074.78	320,022,118.84
Total	\$883,037,019.16	\$886,125,890.03

Currency Received and Counted

	Pieces	Amount
Cleveland	52,065,462	\$276,954,580
Cincinnati	27,803,841	102,851,880
Pittsburgh	41,451,799	208,159,860
Total	121,321,102	\$587,966,320

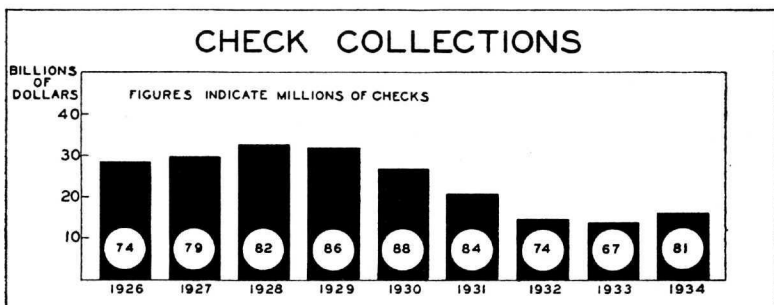
Coin Received and Counted

	Pieces	Amount
Cleveland	38,301,322	\$ 3,920,943.00
Cincinnati	44,862,906	5,705,109.50
Pittsburgh	33,765,829	3,816,689.50
Total	116,930,057	\$ 13,442,742.00



CHECK COLLECTIONS

Increased business activity in 1934 compared with 1933 was reflected in operations of the check collection department. There were 80,532,379 checks collected through this bank, an increase of 19.6 per cent from 1933, and the largest number handled since 1931. These checks were valued at \$16,035,000,000, a gain of



17.4 per cent from 1933. While gains from 1933 were reported in all types of checks, the greatest increase was in items drawn on the Treasurer of the United States. In the year 1934 slightly more than ten per cent of all checks handled by this bank, or 8,510,000 items, were drawn on the United States Treasury. These had an aggregate value of \$625,586,000. In 1933 Government checks handled numbered slightly less than 4,000,000. These checks represented payment of pensions, activity of the many newly-created Federal agencies such as the AAA, CWA, FERA, etc.

Transit Department Check Clearings and Collections for Year 1934

Cleveland		
	Items	Amounts
Items on Cleveland banks	6,047,098	\$3,484,065,918.23
Items on other banks in District No. 4	20,864,890	1,918,240,232.27
Items on banks in other districts	1,397,761	159,440,545.45
Items on Treasurer of the United States	4,295,807	362,072,202.91
Total	32,605,556	\$5,923,818,998.86
Items sent to Cincinnati and Pittsburgh branches	424,002	\$ 49,036,876.07

Cincinnati

	Items	Amounts
Items on Cincinnati banks	3,066,185	\$1,544,363,599.73
Items on other banks in District No. 4	11,300,445	770,246,509.05
Items on banks in other districts	509,874	57,135,836.15
Items on Treasurer of the United States	2,076,181	142,621,416.76
Total	16,952,685	\$2,514,367,361.69
Items sent to Main Office and Pittsburgh branch	193,884	\$ 13,922,791.46

Pittsburgh

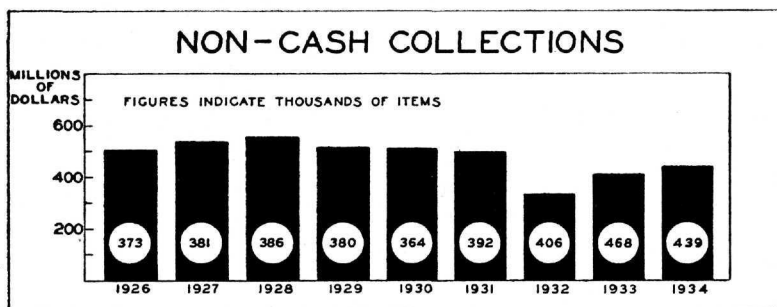
	Items	Amounts
Items on Pittsburgh banks	10,344,045	\$6,032,867,077.11
Items on other banks in District No. 4	17,132,649	1,196,659,351.71
Items on banks in other districts	1,359,148	246,083,278.24
Items on Treasurer of the United States	2,138,296	120,892,375.01
Total	30,974,138	\$7,596,502,082.07
Items sent to Main Office and Cincinnati branch	99,939	\$ 15,188,425.50

Recapitulation

	Items	Amounts
Total number of items handled	80,532,379	
Total amount of items handled		\$16,034,688,442.62
Items and amounts handled by both offices and branches and not duplicated in above figures	717,825	\$ 78,148,093.03

NON-CASH COLLECTIONS

A decline of 6.4 per cent in the number of items handled through the non-cash collection department was evident in 1934 from 1933. There were 438,511 items handled, having a value of \$440,155,-353.02; this amount was slightly larger than the value of all items



collected in 1933. The number and amounts of items handled at the main office and branches at Cincinnati and Pittsburgh are as follows:

	Number	Amounts
Main Office	375,812	\$302,831,900.88
Cincinnati Branch	34,134	69,288,915.84
Pittsburgh Branch	28,565	68,034,536.30
Total	438,511	\$440,155,353.02

On items handled through the three offices, collecting banks made collection charges on 46,609 items, aggregating \$11,711,252, at an average rate of .137 of one per cent.

Member banks sent direct to other Federal reserve banks and branches for collection 81,186 items aggregating \$73,755,206.64.

FISCAL AGENCY OPERATIONS

The fiscal agency department was more active in 1934 than in any year since the period of war or post-war financing. The United States Treasury Department issued 73 series of securities, compared with 57 issues in 1933, and 47 in 1932. Of this total 59 consisted of relatively short-term Treasury bills issued on a discount basis. Allotments of these bills in the fourth district were made on 37 issues and the total amount was \$49,385,000. Competition for these short-term investments during the year was so great, because of the plethora of investment funds, that local banks had difficulty obtaining allotments.

Banks in the fourth district took \$35,086,000 of the one issue of certificates of indebtedness issued by the Treasury Department in 1934. Allotments among banks in the fourth district of the nine series of notes, which ranged in maturity from 13½ months to five years, amounted to \$192,355,650 in the year. Distribution of the four series of bonds having maturities from 12 to 18 years amounted to \$157,792,650 in the period. Total allotments in the fourth district on these various issues numbered 165,248 pieces, and had a total value of \$434,618,800.

Many of these issues represented refunding of maturing Government obligations and there were 56,313 pieces in registered form and 177,495 in coupon form, having an aggregate value of \$241,120,300, presented at this bank in 1934 for redemption and in exchange for new issues. These figures do not include Treasury savings certificates, war savings stamps and thrift stamps numbering 1,111, and having a value of \$1,978, which were redeemed in the year.



Government securities received for exchange of denomination or form (within the issue) consisted of 77,381 pieces in coupon form and 9,612 pieces in registered form, aggregating \$285,317,590,

including \$215,945,600 received for transfer by wire to banks in other districts. Wire transfers of Government securities from other districts to this district aggregated \$165,132,750 in the year.

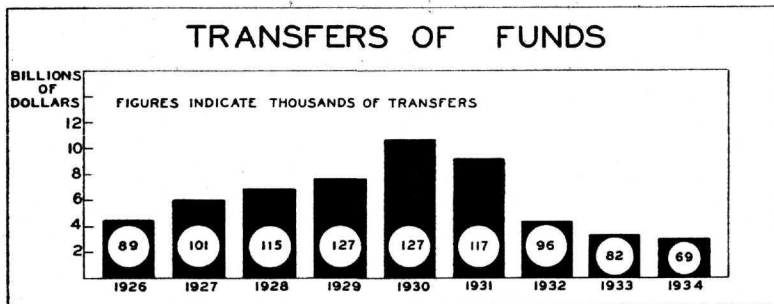
In addition to the issue and redemption of regular Government securities, semi-Governmental financing operations were conducted through the Federal reserve banks. These consisted of five series of bonds, three of which were Home Owners' Loan Corporation bonds, one a Federal Farm Loan bond and the other a Federal Farm Mortgage Corporation bond. Total allotments on these five issues in this district aggregated \$31,115,500. There were 7,603 pieces delivered.

Home Owners' Loan Corporation 4 per cent bonds received for conversion into 3 per cent bonds numbered 62,682 and aggregated \$29,702,950 face amount. Home Owners' Loan Corporation coupons redeemed totaled 416,780, aggregating \$3,346,920.48.

Federal Farm Loan bonds presented for redemption and in exchange for new issues numbered 13,222 and aggregated \$16,614,700 face amount.

Federal Intermediate Credit Bank debentures presented for redemption numbered 66 and aggregated \$1,425,000 face amount.

Federal Farm Mortgage Corporation coupons redeemed totaled 54,672, aggregating \$549,155.76. Federal Farm Loan coupons redeemed totaled 274,279, aggregating \$8,187,251.68.



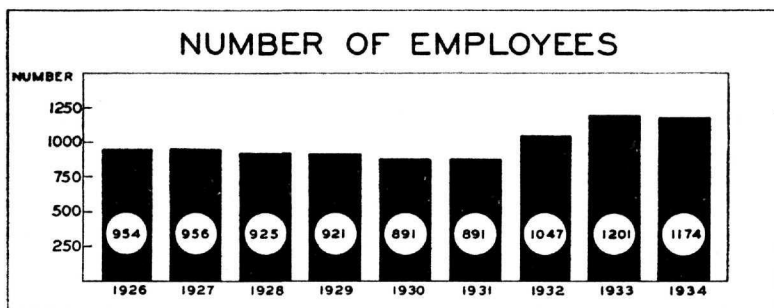
PERSONNEL

There was a slight reduction in the total number of employees at this bank and branches in the year 1934. On December 31 there were 1,174 officers and employees at the main office and branches compared with 1,201 at the close of 1933. The number of employees whose salaries were reimbursable to the bank increased from 149 in the year, the expansion being chiefly in the Fiscal Agency department.

In the annual election by member banks in Group 2, Chess Lamberton of Franklin, Pennsylvania, was re-elected Class A

director, and R. P. Wright of Erie, Pennsylvania, was re-elected Class B director for three-year terms ending December 31, 1937.

The Federal Reserve Board appointed H. S. Wherrett of Pittsburgh, Pennsylvania, director of the Pittsburgh branch for a three-year term ending December 31, 1937. The board of directors reappointed A. E. Braun of Pittsburgh, Pennsylvania, director of the Pittsburgh branch for a three-year term ending December, 1937. Mr. Braun also was redesignated as member of the Federal Advisory Council to represent the fourth district for the year 1935. W. H. Courtney of Lexington, Kentucky, was appointed director of the Cincinnati branch February 9, 1934 to fill the unexpired term of C. N. Manning, resigned, and was reappointed for the three-year term ending December, 1937. S. B. Sutphin of Cincinnati, Ohio, was appointed director of the Cincinnati branch on April 24, 1934 to fill the unexpired term of Fred A. Geier, deceased, and was reappointed for the three-year term ending December, 1937.



Following the resignation of L. B. Williams, Chairman of the Board and Federal Reserve Agent from March 15, 1933 to November 28, 1934, the Federal Reserve Board appointed E. S. Burke, Jr., of Cleveland, Ohio, (who was appointed Deputy Chairman and Class C director in March 1933) Acting Chairman of the Board. W. H. Fletcher, Assistant Federal Reserve Agent for twelve years, was designated Acting Federal Reserve Agent at the same time.

The death of Joseph C. Nevin occurred on October 2, 1934. He served the bank as Assistant Federal Reserve Agent from January 1918, to July 1923, and as Cashier from that date to January 1926, when he was appointed Managing Director of the Pittsburgh branch. The board of directors, on November 20, 1934, announced the appointment of T. C. Griggs, formerly Cashier of the Pittsburgh branch, as Managing Director of that branch, effective November 9, 1934, and G. H. Wagner, Assistant Cashier at the main office, as Cashier of the Pittsburgh branch, effective January 16, 1935.

GENERAL BUSINESS CONDITIONS

Industrial operations and the volume of trade in the fourth district in the year 1934, taken as a whole, showed some improvement from the preceding year, but rather wide fluctuations from month to month were evident in the period. Expectations of a continued upswing, which were inspired by the improvement recorded in the first six months of the year, were not realized and a sharp recession in the summer and fall months caused activity in this section, as well as in the entire country, to decline sharply. Toward the close of the year, however, an improvement of much greater-than-seasonal proportions got under way. The expansion was chiefly due to increased operations in the automobile industry and allied lines and, therefore, was particularly helpful to the fourth district as a whole. One of the sharpest gains in production ever recorded was shown in December and at the close of the year operating rates in most industries were much above those prevailing at the close of 1933.

Throughout the year the effect of operations of many newly-created Federal agencies was quite noticeable on trade and industry in this district. Employment and payrolls in the year compared more favorably with 1933 than did production and earnings, probably as a result of the minimum wages and maximum number of hours stipulated in the various codes of the National Industrial Recovery Administration. Despite this improvement unemployment was a major problem and relief payments made in the year were an important factor in sustaining the volume of retail trade.

Agricultural benefit payments made through the Agricultural Adjustment Administration for various crop reduction programs, while of less importance in the fourth district than in some sections of the country, augmented purchasing power of farm communities to a considerable degree. Larger crops than were harvested in 1933 and higher prices also were factors contributing to the increase in retail buying in small centers of the fourth district. At reporting stores in these areas dollar sales in 1934 averaged 27 per cent above the preceding year, whereas in the entire district sales were up only 16.5 per cent in the period.

The dollar value of building contracts awarded in the fourth district was 21 per cent larger than in 1933, but Federally-financed projects accounted for practically all of the gain. Toward the end of the year there was a slight improvement in residential construction as activity of the Federal Housing Administration increased, but other branches of the industry continued at low levels and, despite the gain in total awards from 1933, building operations in 1934 were much below the average of the preceding ten years.

From the following tabulation of some business indicators of more or less importance to the fourth district an idea as to how 1934 compared with 1933 can be obtained.

<i>Fourth District Unless Otherwise Specified (000 omitted)</i>	1934	1933	% change 1934 from 1933
Automobile Production, U. S. units	2,779	1,920	+44.7
Building Contracts Awarded \$	148,516	122,454	+21.3
Cement Production bbls.	7,311	5,417	+35.0
Coal Production tons	142,018	129,027	+10.1
Coal Shipments—Lake Erie Ports tons	35,971	32,333	+11.3
Commercial Failures number	779 †	1,685 †	-53.8
Debits to Individual Accounts \$	20,341,000	17,392,000	+17.0
Department Store Sales \$	191,754	164,574	+16.5
Electric Power Production (Ohio, Pa., Ky.) k.w.h.	14,045,000	12,686,000	+10.7
Foundry Equipment—Index of Sales (1922-1924 = 100)	60.5	37.3	+62.2
Glass—Container Production, U. S. gross	35,799	23,522	+52.2
Glass—Plate Production, U. S. sq. ft.	91,807	89,915	+ 2.1
Iron Ore Receipts—Lake Erie Ports tons	15,573	16,323	- 4.6
Machine Tools—Index of new orders (1926 = 100)	46.3	27.1	+70.8
Petroleum Production (Ohio, Pa., Ky.) bbls.	21,625	19,712	+ 9.7
Pig Iron Production, U. S. tons	15,977	13,222	+20.8
Shoe Production pairs	†	†	+ 2.6
Steel Ingot Production, U. S. tons	25,261	22,594	+11.8
Tire Production, U. S.* casings	47,233	45,304	+ 4.3

† Confidential

‡ Actual Number.

* Adjusted to represent 100% production.

With the exception of iron ore receipts all items in the foregoing table showed gains in 1934 from the preceding year. (The sharp reduction in the number of commercial failures was, of course, a decided improvement.) Increases ranged from 2.6 per cent in shoe production to 45 per cent in automobile output, the gains in the majority of cases being greater than ten per cent.

Indicative of the general improvement in the year was the fact that debits to individual accounts at banks in leading cities of the district were approximately 17 per cent larger than in 1933. A rise in the general price level throughout the year was responsible for part of the gain, but the increase was more than could be accounted for in this way. Living costs of wage earners at the close of 1934 were approximately 2.5 per cent higher in Cleveland, Pittsburgh and Cincinnati than at the close of 1933, according to the Bureau of Labor's index, but retail prices at department stores, judging by Fairchild's index, were slightly lower at the year end than at the close of 1933, although in the early months of the period they were somewhat higher than in the spring of the preceding year.

The 45 per cent increase in automobile production in 1934 from 1933 was very beneficial to many industries in the fourth district. Truck production was up 63 per cent in the year and passenger car output increased 39 per cent. Operations in the industry were better than since 1930. Much of the increased demand for steel in 1934 was from the automobile industry which took 21 per cent of all steel produced. The gain in steel production was 12 per cent from 1933, but rather wide swings in the rate of activity from month to month were evident throughout the year. In May and June output of the entire industry was close to 60 per cent of capacity; by September it had dropped to below 20 per cent, but a substantial recovery occurred toward the close of the year. Fourth district mills (with the exception of those at Pitts-

burgh) operated throughout most of the period at higher-than-average rates.

Approximately 47,000,000 tires were made in the country in 1934, a gain of more than four per cent from 1933. Prices also were advanced in the year and though manufacturing and raw material costs increased, the tire industry fared better than in other recent years.

The glass industry enjoyed a rather favorable year. Increased orders from automobile makers benefited plate glass producers and repeal of prohibition stimulated buying of molded glassware materially. Demand for other flat glass was limited because of the depressed condition in the building industry, but output exceeded 1933 by a sizable amount. Operations of china and pottery plants in 1934 were at a higher rate than in 1933, but output of brick and tile plants was very limited.

Other industries of more or less importance in this district showed improvement in most cases. Automobile parts and accessory plant operations followed closely those of the auto industry. Paint sales in 1934 were well above the two preceding years; increased demand from the auto industry, the modernization program of the Federal Housing Administration and the improvement in purchasing power, resulting in an increased demand for paints of all types. Machine tool and electrical supply sales also were considerably larger in 1934 than in 1933, and demand for paper and boxboard expanded with the gain in wholesale and retail trade.

Reporting lines of wholesale trade in the fourth district showed gains in dollar sales ranging from 18 to 23 per cent in 1934 from 1933, and collections improved in both the wholesale and retail fields. There was slightly less buying on credit at department stores in the year than in 1933, but the ratio of installment to total sales increased slightly in the period compared with the preceding year.

The year 1934 compared more favorably with the preceding period so far as fourth district farmers were concerned than was true in many sections of the country. In Ohio, gross cash income from principal agricultural products was 15.7 per cent larger in 1934 than in 1933, and including Agricultural Adjustment Administration benefit payments the gain was 22 per cent. These increases occurred despite the fact that yields of all major crops, except wheat, in this section were much below the ten-year average, but local crops compared more favorably with preceding years than in the entire country. The 1934 corn crop in the fourth district was 20 per cent smaller than the average of the preceding ten years, but in the entire country it was 45 per cent under the ten-year average and the smallest crop in over 50 years. Late-maturing crops, such as potatoes, which were benefited by late rains, compared quite favorably with preceding years.

Farm cash income was aided materially by higher prices; at the year end prices of farm products were about 35 per cent higher than at the close of 1933. Despite the smaller crops, purchasing power of farmers, generally speaking, was greater in this section than in 1933. This was augmented by payments of the Agricultural Adjustment Administration which amounted to \$14,510,000 in this district in the year. Local farmers were paid \$9,882,000 under the corn-hog reduction program; \$2,554,000 for wheat acreage curtailment; and \$2,074,000 for tobacco acreage not planted.

From practically all angles, 1934 saw some improvement from the preceding year.