


1951

# Annual report

**FEDERAL RESERVE BANK  
OF CLEVELAND**

**THE FOURTH FEDERAL RESERVE DISTRICT**



**FEDERAL  
RESERVE  
BANK  
OF  
CLEVELAND**

*with branches at CINCINNATI and PITTSBURGH serving the FOURTH*

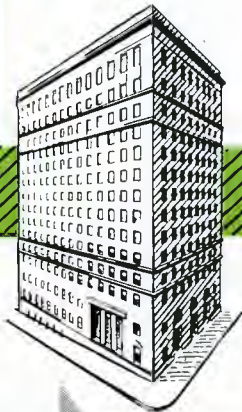


CLEVELAND

**FEDERAL RESERVE DISTRICT**

*Annual report*

1951



CINCINNATI



PITTSBURGH

# FEDERAL RESERVE BANK OF CLEVELAND

January 18, 1952

To the Member Banks of the Fourth  
Federal Reserve District and Others:

We are pleased to submit this report which describes changes in this bank's accounts and operations against the background of a year of significant developments in American business.

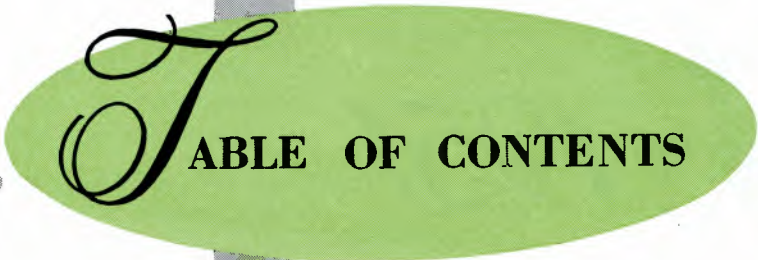
While we take satisfaction from the further increase of the bank's net worth, we wish to express again the principle that the competence of a public service institution such as this is not evaluated in terms of dollar earnings. As part of the Federal Reserve System our continuing objective is to help promote and maintain credit conditions which are consistent with long-range national welfare, regardless of near-term effect upon this bank's income, and to perform our service operations with utmost efficiency and regard for the convenience of the banking system and the public.

In carrying out all phases of our objective, we have endeavored to keep in close touch with economic developments in this area, and to obtain a cross-section of views on questions of credit and financial policy. This important aspect of our activities could not have been realized without effective cooperation from bankers, and from leaders in agriculture, commerce, and industry. Our appreciation of that cordial cooperation is hereby gratefully acknowledged.

Sincerely yours,

*Ray M. Gidney*  
President

*Geo. C. Brown*  
Chairman



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A PROFILE OF 1951

... the gyrations of a select group  
of commodity prices ... the slow but persistent  
rise in the cost of living ...  
the further expansion of bank loans  
and of the money supply ...  
supplemented by an increase in bank  
holdings of Government securities ...  
the passive trend of consumer credit ...  
a major change in the cost of long-term  
money ... and finally, a contrast between  
two major industries, with implications  
for the Fourth District.

ONE OF THE most conspicuous economic landmarks of 1951 was the extraordinarily high peak which was scaled by basic raw material prices very early in the year and the abrupt retreat which followed. The steady depreciation in market prices of basic materials, from February until August, lent support to the belief that the initial post-Korean boom had been an exaggeration of the longer-range supply-demand situation.

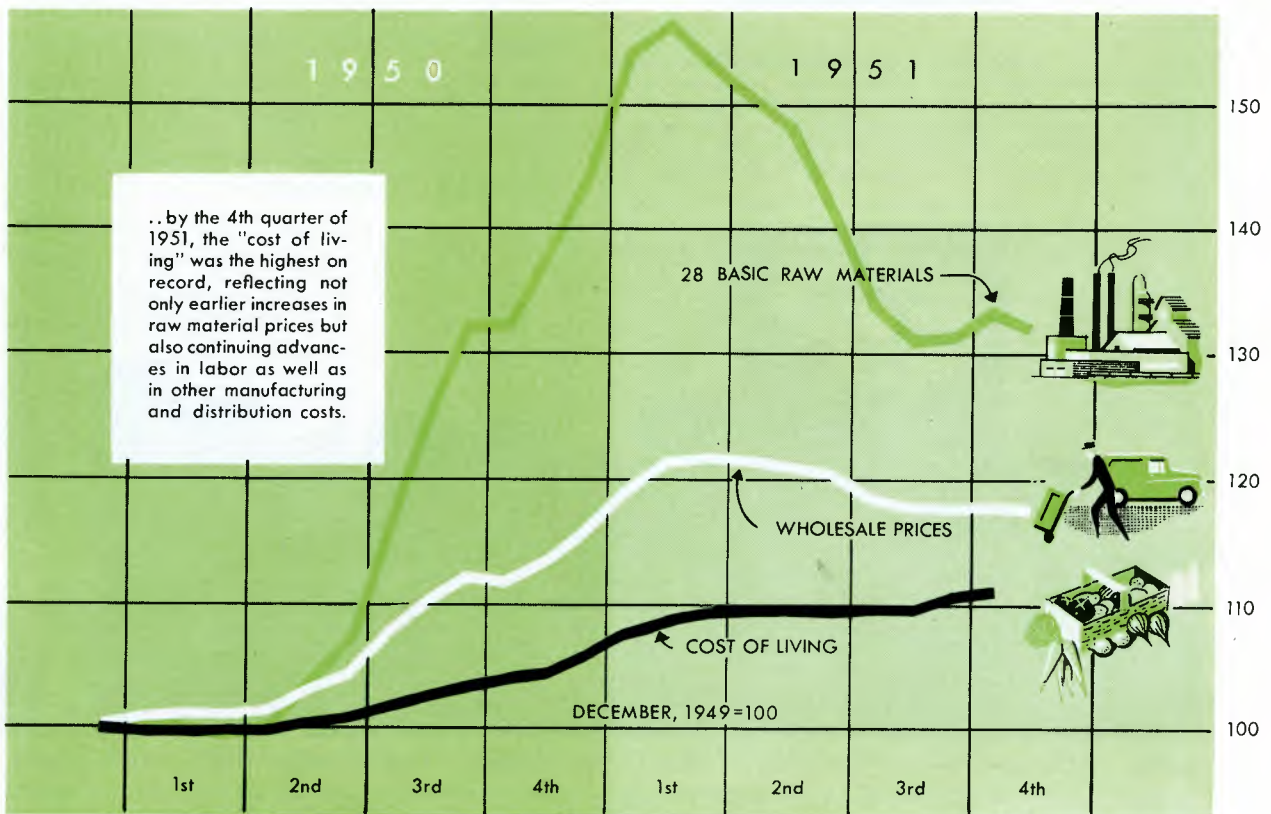
The fact that the subsequent downward readjustment stopped, however, at a plateau some 30 percent above pre-Korean levels suggests that there was more than a trace of authenticity in the original advance. This thesis is reinforced by the behavior of the more sluggish, but also more comprehensive, consumers price index over the past year or two. In the fourth quarter of 1951, long after the earlier buying waves had backtracked some distance, the cost of living was still edging upward into record high ground. Prices of the myriad items

of household expenditures were reflecting not only earlier increases in raw material costs, but also continuing increases in labor as well as other manufacturing and selling expenses. The long-term rise in construction costs was exerting an upward pressure in terms of the rent component. New and higher excise taxes as well as rising transportation costs were producing a similar impact.

The rise in the cost of living during 1951 was not so rapid as in the first six months after the Korean outbreak. The high pitch to which public buying had risen a year ago was succeeded by a psychology of moderation. Individuals and consumers became content to spend a smaller portion of their disposable personal income than had been the case during the second half of 1950. Despite the slowdown in consumer buying, however, the uptrend in living costs has been tenacious enough to suggest a degree of vitality in the inflationary movement.

### THREE MEASURES OF PRICE FLUCTUATIONS

December 1949 = 100



### MONEY SUPPLY AT NEW PEAK

An important factor which provided reinforcement for the general upward trend of prices over the past year or two was the expansion in the nation's privately-held money supply.

Within the past year the aggregate of all checking accounts and savings balances at commercial banks, together with currency and coin, reached the \$160,000,000,000 mark\* for the first time. The quantity of money available for expenditure by individuals and business enterprises at any given moment of the present is roughly three times as large as at the end of 1939. The rate at which goods and

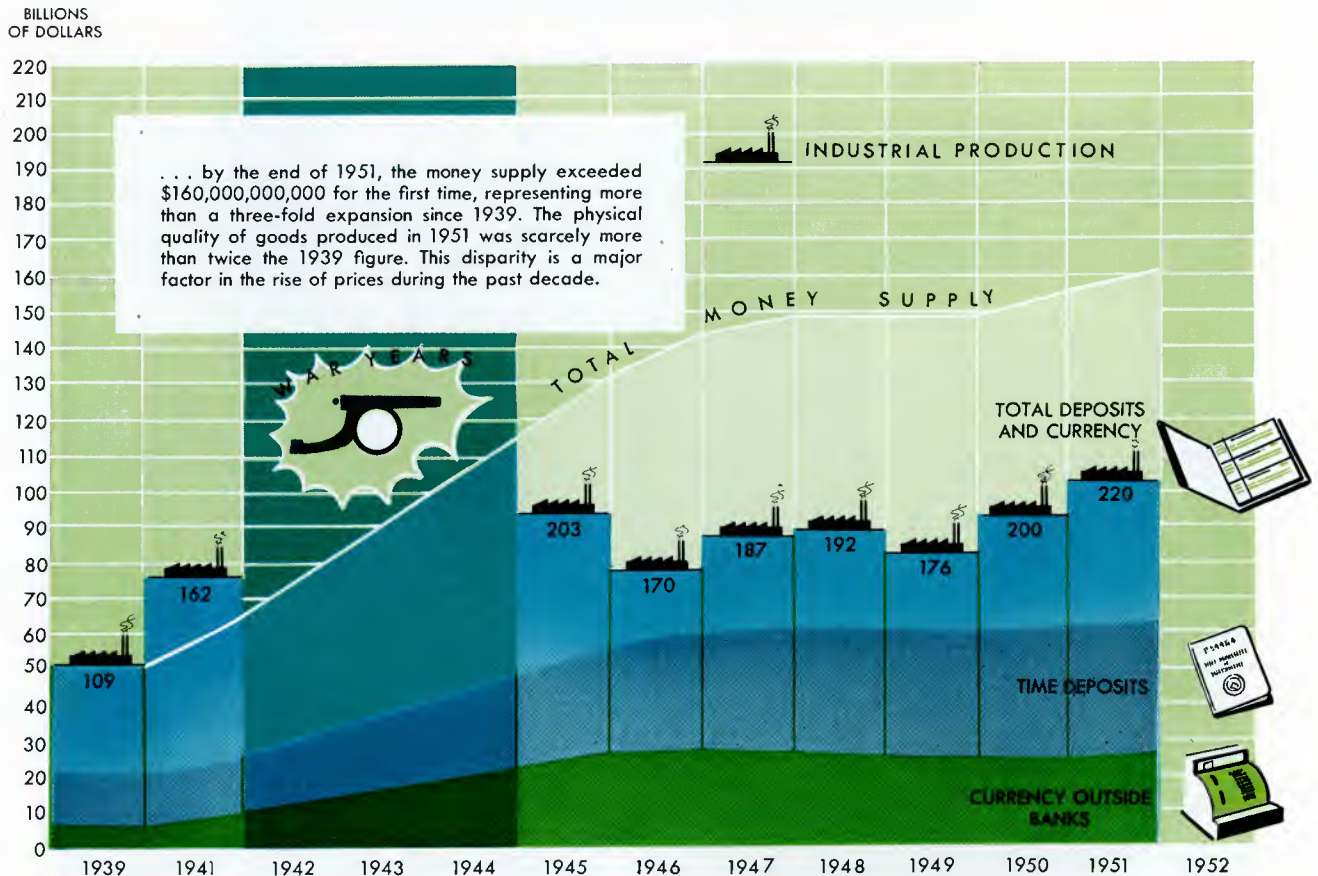
\*In this computation deposits of mutual savings banks and of the Postal Savings System are not included.

services are produced and offered for sale, however, has scarcely doubled in the same interval.

The most recent annual increment in the privately-held money supply was roughly equivalent to that of the preceding year, making an aggregate increase of about \$13,000,000,000 for the biennium. During the preceding two-year interval, 1948 and 1949, the nation's money supply in private hands had declined slightly. But the resumption of bank lending on a vigorous scale, precipitated by the Korean War, created a large volume of new bank deposits, only a fraction of which was offset by a reduction of Government security holdings by banks.

Most of the expansion last year, as in 1950,

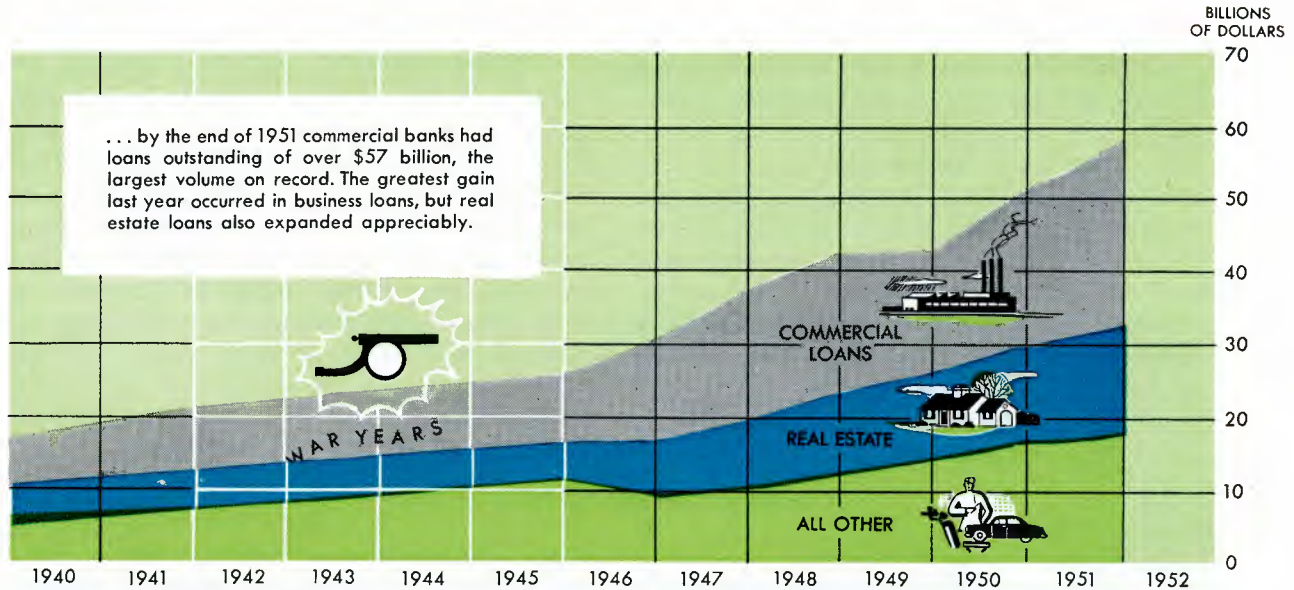
### MONEY SUPPLY\* AND INDUSTRIAL PRODUCTION by years, 1939 to date



\*Adjusted demand deposits and time deposits of all commercial banks, plus currency outside banks



## BANK LOAN EXPANSION, BY THREE MAJOR GROUPS at selected year-ends, 1940 to date (all insured commercial banks)



occurred in the form of demand deposits, whose velocity of turnover is much more rapid than that of time deposits.

In the face of the long-run expansion of purchasing power, or in the medium of exchange, a price inflation of some considerable dimensions was quite inevitable. Most of the disparity in rate of growth, it may be noted, occurred prior to 1946 or, in effect, during the war years. Since that time, fluctuations in the money supply have been more consistent with changes in the physical volume of output of goods and services.

The volume of goods produced during 1951, however, although a new postwar high, is in a sense overstated in the accompanying chart, for an increasing proportion of the gross national product is once more being devoted to purposes of national defense, while output for civilian purchase and use is being restrained. In the face of a possible reduction in the volume of civilian goods, a continuing growth of the money supply makes more difficult the curbing of inflationary influences.

### BANK LOANS AT RECORD HIGH

The prime mover behind the postwar expansion of the privately-held money supply — cash on hand and in banks — has been the almost uninterrupted rise of bank loans. The volume of lending diminished noticeably for a time during 1949, but contraction was confined almost entirely to commercial or business loans while borrowing for other purposes continued unimpeded. Moreover, the unprecedented inflationary rise in 1950 made up for the slackening which had occurred in the preceding year.

Last year's expansion of bank loans was somewhat less spectacular than that which featured the year of the Korean outbreak, with respect to each of the three broad categories of bank lending. Much of the expansion during 1951 occurred in response to the needs of defense and defense-supporting industries. The volume of new loans on real estate, however, also was considerably in excess of repayments. Miscellaneous loans, including consumer loans and security loans showed little change during 1951.

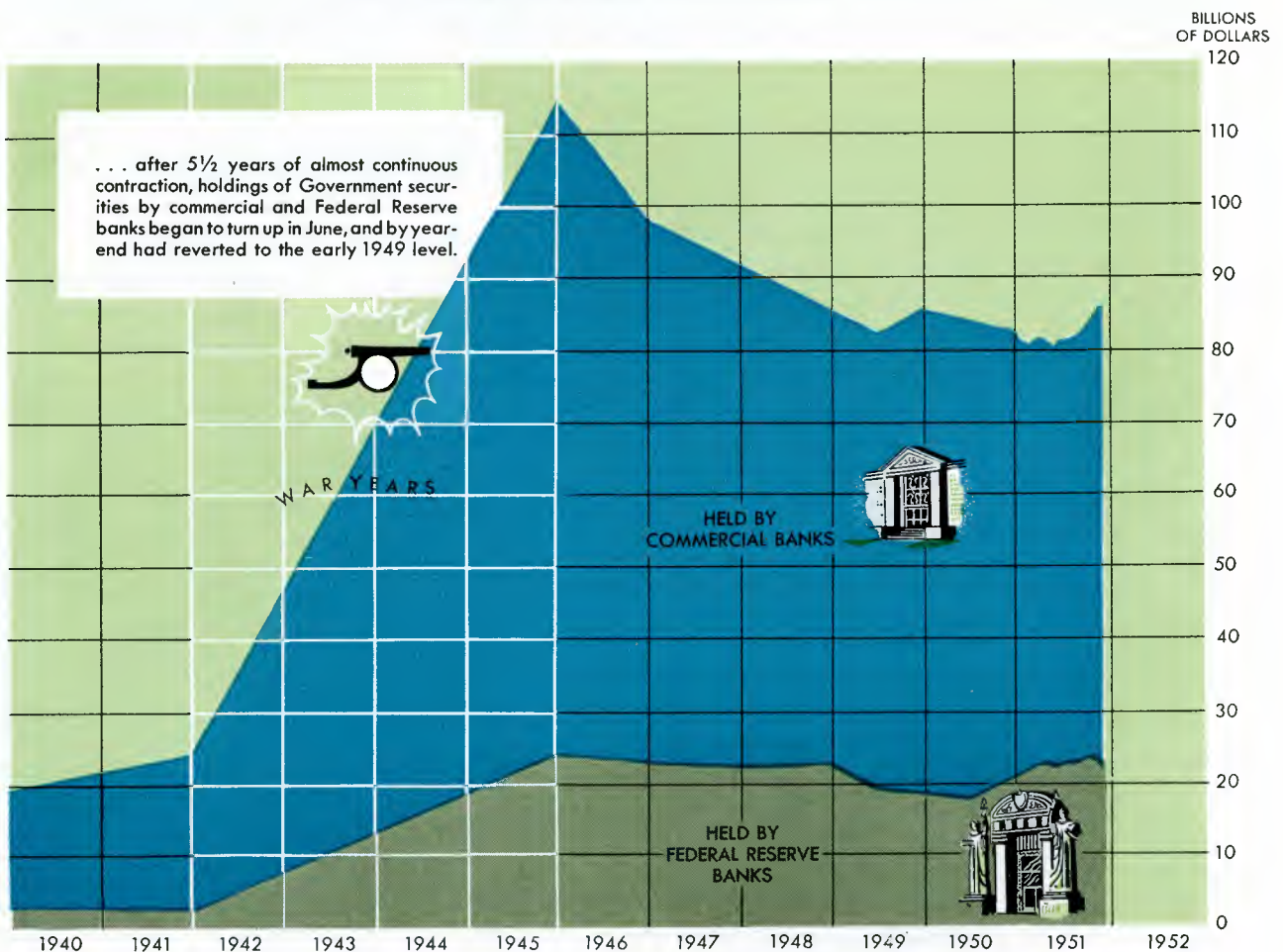
The persistent expansion of bank loans—and accordingly of bank deposits—has been not only a cause of the new and higher price level, but also a concurrent result of a price inflation which gradually made obsolete any former concepts of what constituted adequate working capital.

At today's inflated values, a much larger amount of money is required to meet a payroll of 100 employees, than was needed in 1941. More cash is necessary to carry the same quantity of raw materials, to maintain the same physical stock of finished goods, and to extend normal trade credit to customers, than was the case ten years ago. The contrast is further accentuated by the fact that many businesses today are employing more workers,

consuming more raw material, and are finding it necessary to expand their plants and equipment. Moreover, such facilities inevitably cost much more than the prewar buildings and machinery being replaced, for which depreciation reserves had been established but on the basis of lower prices.

It is not easy to picture any diminution of bank lending, so long as the rearmament program is expanding, and during a time when many plant and equipment expenditures cannot be financed out of accumulated depreciation reserves. And if bank loans should expand once again by several billion dollars, as has been the case in five of the last six years, an appreciable price deflation would be an inconsistency. Perhaps as in the past, when the

### HOLDINGS OF GOVERNMENT SECURITIES BY BANKING SYSTEM\* at selected intervals, 1939 to date



\*All Commercial Banks and Federal Reserve Banks

turn finally comes, both bank borrowing and prices in general will begin to recede almost simultaneously.

### BANK PORTFOLIOS TOUCH POSTWAR LOW

By the end of last May the volume of Government securities held by all commercial and Federal Reserve banks had reached a new postwar low of roughly \$80 billion, as against a portfolio of nearly \$115 billion at the close of the Eighth War Loan in December 1945.

The contraction of bank-held Federal debt which took place in that 5½ year interval is widely regarded as one of the most effective counter-inflationary developments of the postwar period, in that it represented, for the period as a whole, an effective offset to bank lending, as depicted on page 7 of this Report.

The contraction of bank holdings of Treasury securities was almost identical in amount with the concurrent expansion of bank loans. Some of the reduction in portfolios was made possible by cash redemptions of short-term securities by the Treasury, both from cash balances on hand at the end of 1945 and from the proceeds of budgetary surpluses. Cash accumulations in trust funds such as the Federal Old Age and Unemployment Trust funds likewise were used to retire maturing obligations held partly by banks. Sales of securities to nonbank investors were another, but minor, factor.

There are growing indications, however, that this anti-inflationary phase may have run its course, at least for a time. During the second half of 1951, the banking system began to enlarge its holdings of Government obligations with corresponding effect upon the privately-held money supply. Most if not all of the recent increase has been in the form of relatively new short-term obligations. These were made available to the money market by the Treasury, whose cash reserves were being depleted by the continuing rise in defense expenditures.

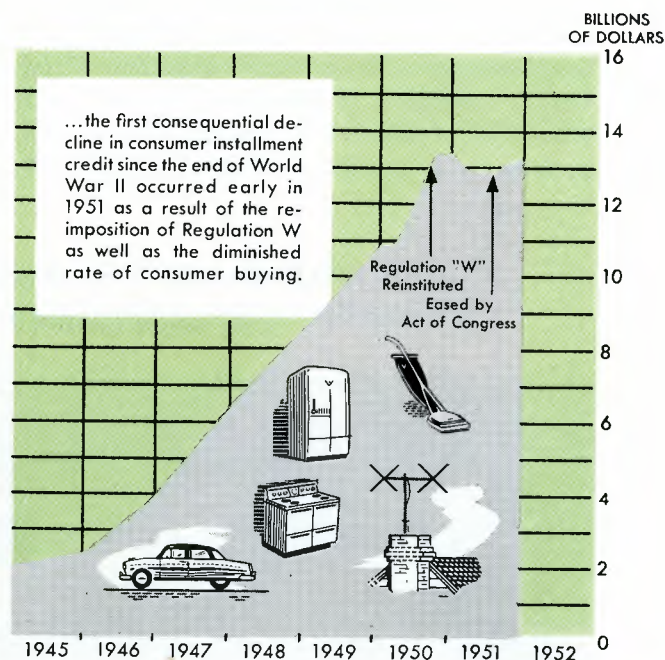
Under existing conditions of full employment, with industry working at capacity in most lines, and with the cost of living at an all-time high, the expansion of bank investments (as well as loans) is not conducive to the creation of an atmosphere of stability.

If national defense and other Federal expenditures continue to exceed current revenues

throughout the new year, the least inflationary manner of bridging the gap would be for the Government to borrow the difference from nonbank investors exclusively. Otherwise another substantial increment to an already more-than-adequate money supply will be almost inevitable.

## CONSUMER INSTALMENT CREDIT OUTSTANDING

at selected intervals, 1945 to date



### CONSUMER DEBT STOPS GROWING

Inasmuch as a further expansion of bank loans is believed to be quite likely, and since there is at least some possibility that bank credit also may be re-inflated via the investment route, the rate at which consumers incur instalment indebtedness becomes increasingly significant.

Late in 1950 the five-year-long expansion of consumer instalment credit outstanding came to a halt at a point not far below \$14 billion. During the past twelve months, repayments from month to month on existing automobile and appliance debt diverted as much consumer purchasing power as was concurrently being put forth in the form of new loans. For the

year as a whole, consumer borrowing seems to have been essentially neutral in respect to inflationary or deflationary effect. To what extent the turn was due to restrictions invoked through the reinstatement of Regulation W, or to the ultimate abatement of buying enthusiasm, is less relevant than the fact that at least one avenue of credit extension ceased to contribute to inflationary pressures.

A high degree of stability (or even actual contraction) in net borrowing by consumers would aid in mitigating inflationary forces during the period of heavy military expenditures. There is no definite assurance, however, that the credit restrictions currently in effect will keep this type of credit from expanding during 1952. Unit sales of consumer durable goods (the chief generator of instalment credit) will presumably be smaller, but the aggregate cost

at point of delivery to the consumer may not shrink proportionately.

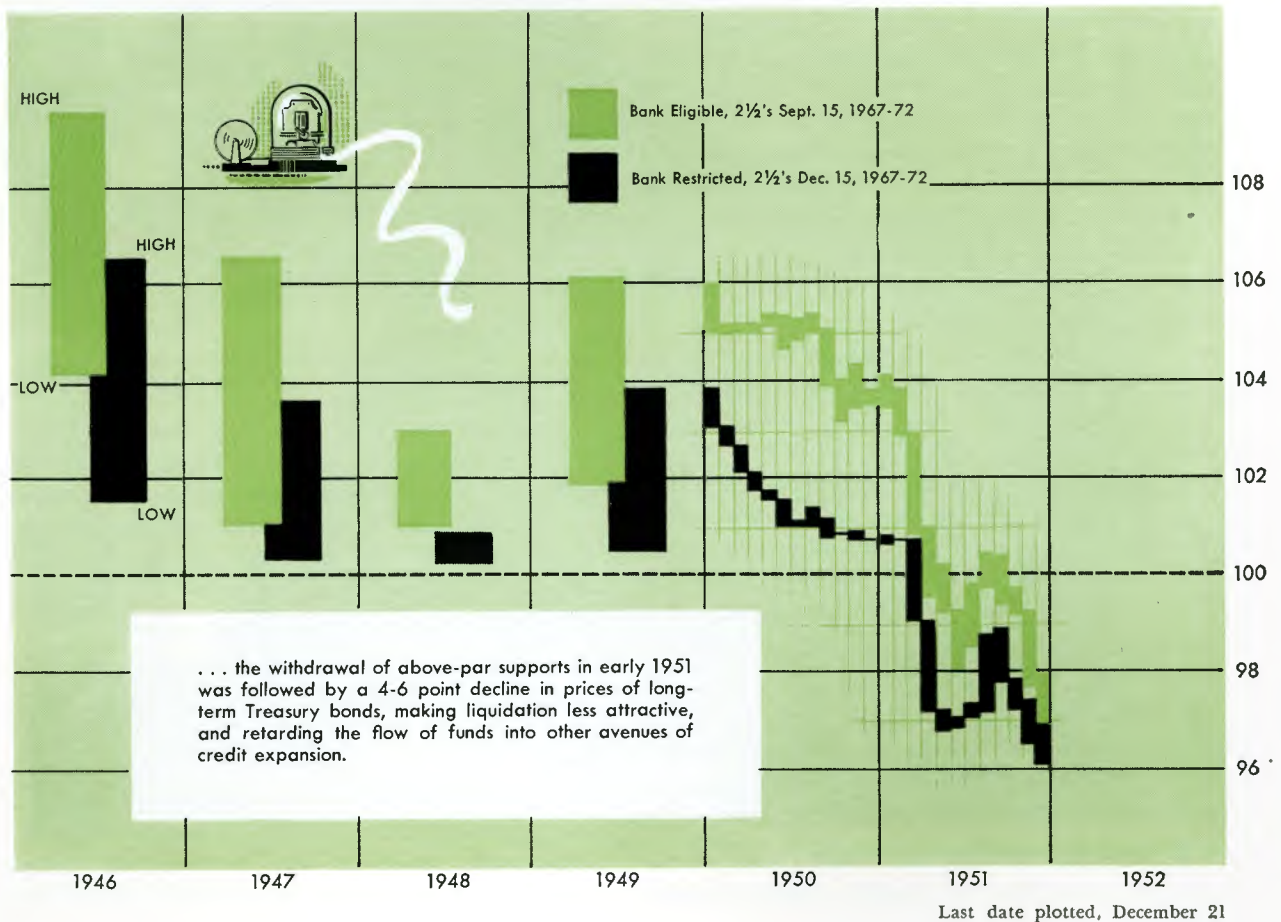
### THE DROP IN BOND PRICES

The abrupt decline in prices of long-term Treasury bonds, and the reciprocal rise in the cost of money, will probably be remembered longer than any other feature of the fiscal or monetary landscape of 1951.

Beginning in 1946, the availability and relative attractiveness of other investment opportunities led many institutional as well as other investors to reduce gradually their holdings of Government securities. Until early in 1951 such a shift of investment frequently resulted in a capital gain, especially if it involved bonds that had been acquired during or before the war.

The four-to-six point decline in long-term

**PRICE RANGE OF LONG-TERM TREASURY BONDS**  
by years 1946-49, by months 1950-51



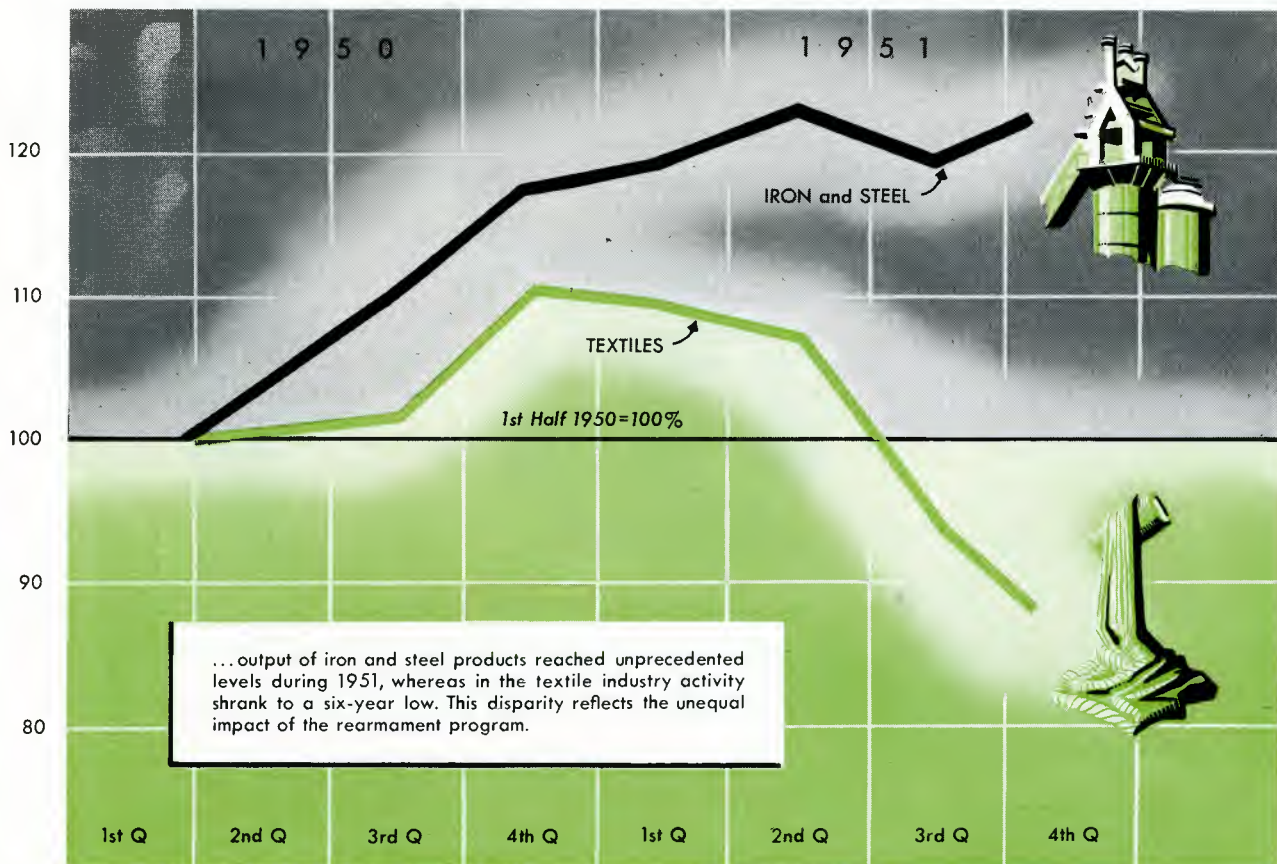
Treasury bond prices during 1951, however, altered the situation. Such liquidation now frequently results in a loss to the seller and thereby has become less attractive. Borrowers in the meantime are also faced with a simultaneous stiffening in interest rates, which is a deterrent of some degree to new or expansionary undertakings. The higher yields now obtainable on gilt-edge securities likewise tend to reduce the capitalized value of all income-producing property, at a time when many other influences are pushing prices upward.

The downward readjustment in market prices of long-term Treasury bonds, which was most pronounced in March and April, was the direct and largely anticipated result of the Treasury-Federal Reserve accord on fiscal and credit policies reached early in March. Since that date the System has not been committed to

make purchases of Government securities at predetermined levels solely for support purposes, but has adhered to the objective of maintaining orderly conditions in the market for such securities. From about April onward price-supporting purchases have been confined to periods of heavy refunding operations by the Treasury, and in most instances the expansion of holdings proved to be quite temporary. In early December the System's portfolio of Government securities was scarcely any larger than it had been in April.

Thus by restricting its purchases of Government securities, the System has been able to avoid expanding the volume of the nation's credit base. Prior to mid-April such purchases had made possible further increases in bank credit and in the money supply which feeds the fires of inflation.

### CONTRAST BETWEEN TEXTILE AND STEEL PRODUCTION first half 1950 = 100



## UNEVEN IMPACT OF DEFENSE PROGRAM

It was inevitable that the monetary and credit expansion of 1951 and earlier years, the impact of the defense program as well as the fluctuations in commodity prices, should have cast their shadow into every geographical area of the country and across every type of economic activity.

Yet complete uniformity of environment in these broad respects did not produce symmetrical results throughout every region and industry. Other factors were presumably more influential in some instances in determining the rate of production and selling prices.

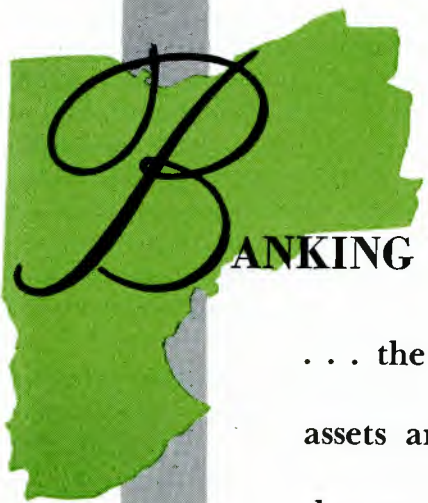
Perhaps the most extreme case of dissimilarity in response, at least among major industries, may be observed in the contrast between activity in the iron and steel group, and in the textile industry, over the past year or so. Production of iron and steel, and their fabrication into an infinite variety of end-products for both civilian and military use, was limited chiefly by plant and transportation capacity throughout 1951. On the other hand in the textile industry, production and employment declined almost continuously during the past year and by October were the lowest for the

month since 1945 when postwar readjustments were in full swing. (See chart on preceding page.)

The slowdown of retail trade after the January peak was soon reflected in swollen inventories of textiles and textile products in the hands of processors and manufacturers, as well as retailers. Nothing could illustrate more clearly the uneven impact of the rearmament program, coupled with the consequences of wide fluctuations in consumers' buying moods.

The trend of affairs in iron and steel is probably more influential in determining business conditions in the general area of the Fourth District than in the rest of the country. In the same sense, the textile industry is of somewhat less economic significance here than in some other Districts. Thus the disparity among industries inevitably creates variations in business activity in geographical terms. For example, department store sales during 1951 exceeded those of the preceding year by a wider margin in the Fourth District than in any of the other eleven Districts. This performance may be attributable, at least in part, to the prominence of steel and metal-fabricating industries in this area.





## BANKING IN THE FOURTH DISTRICT

. . . the further growth of this bank's  
assets and liabilities to a record high . . .  
the new peak of notes in circulation . . . two  
ledgers in true perspective . . . the reserve  
position of member banks . . . the  
fourteenth year of deposit expansion . . .  
the relative importance of defense and  
defense - supporting loans . . .  
and finally, the disposition of this  
bank's gross earnings.

## RESOURCES AT NEW PEAK

**T**HE resources or assets of this bank continued in a rising trend during 1951, marking the second successive year of expansion from what might be described as the postwar low, reached very early in 1950. The increase over the past two years was approximately \$570,000,000. The previous all-time high, established in November 1948, was exceeded in September of the past year.

The expansion of 1951 was not reflected in all types of assets. Holdings of gold certificate reserves, for example, were essentially unchanged for the year as a whole; in fact gold certificate reserves of this bank have fluctuated within a narrow range for more than four years.

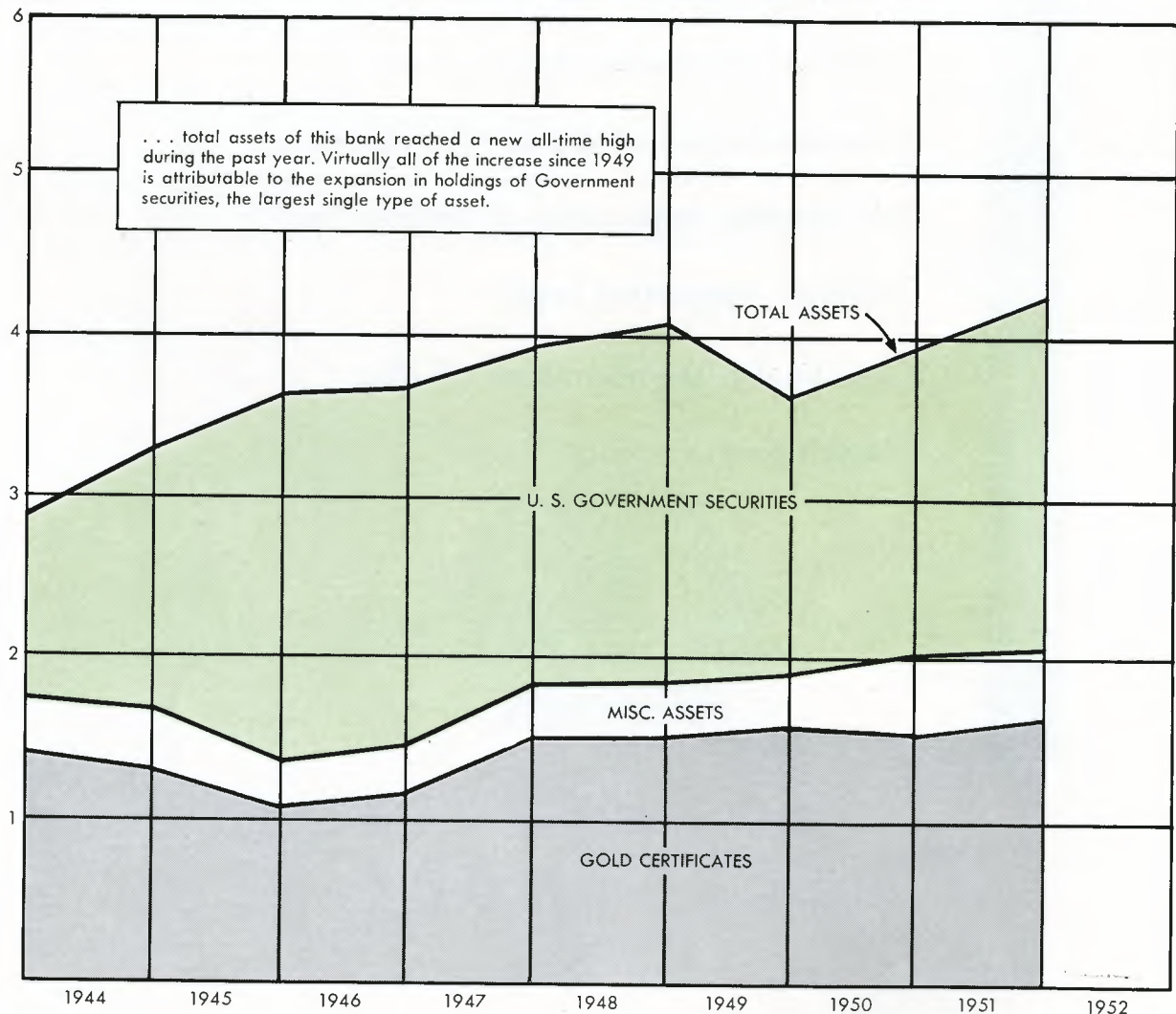
Changes in the gold certificate reserves of

this bank correspond rather closely with the movement of gold into and out of this country, in response to trade and other developments. The gold certificate reserves are also affected, however, when the Treasury withdraws funds from this bank for transfer to another Federal Reserve bank — an almost daily occurrence. Moreover, at infrequent intervals, this bank's share in the System Open Market portfolio of Government securities is altered slightly, and on such occasions an equivalent volume of gold certificate reserves changes ownership among the Federal Reserve banks.

The miscellaneous group of assets, most of which consists of items in process of collection, was slightly smaller than a year earlier. The volume of loans and rediscounts, currency and

## COMPOSITION OF ASSETS of this bank at year ends, 1943 to date

BILLIONS OF  
DOLLARS





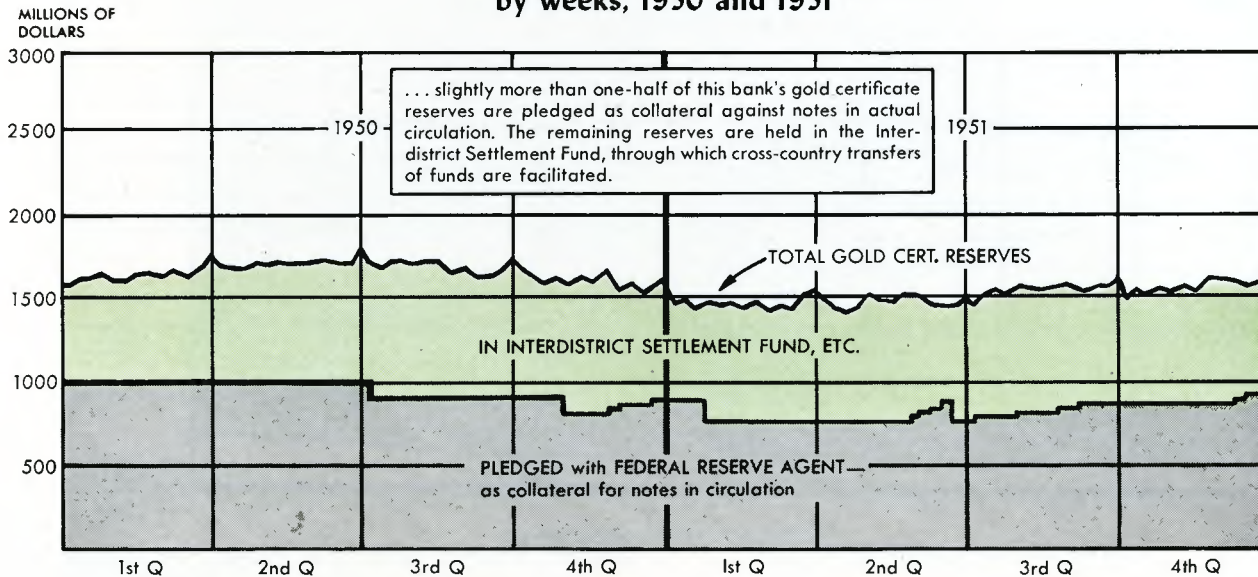
coin, and other assets including premises, was too small in dollar amount to be shown separately on the scale of the accompanying chart.

The only type of asset which increased significantly during 1951 as a whole was that represented by Government security holdings, which were in excess of \$2,000,000,000 at some time during each month. The year's high of \$2,253,000,000, which was established on October 5, was about one percent short of the all-time high reached in September 1947.

The bulk of the portfolio of Treasury securities at year-end consisted of certificates of indebtedness and notes maturing in less than five years. About 23 percent was in the form of Treasury bonds.

Increases and decreases in this bank's assets are largely a product of the fact that, by acting jointly in open-market purchases and sales of Government securities, the twelve Federal Reserve banks can and do *initiate* changes in their combined total resources, which in turn cause precisely similar changes (in direction and amount) in their liabilities. It is largely through this medium and authority that the System is able to affect the size of the nation's credit base and underlying credit conditions. Any increase in this bank's income which may result from such expansion of assets is turned over almost in its entirety to the Treasury as indicated on page 23 of this Report.

### GOLD CERTIFICATE RESERVES by weeks, 1950 and 1951



#### STATUS OF GOLD CERTIFICATE RESERVES

The Federal Reserve Act (as amended in 1945) stipulates that for every \$1,000 of notes to be put into actual circulation, the issuing bank must transfer at least \$250 of gold certificate reserves into the custody of the Federal Reserve Agent. At the end of 1951, about one-half of this bank's gold certificate reserves were pledged with the Federal Reserve Agent for the Fourth District.\*

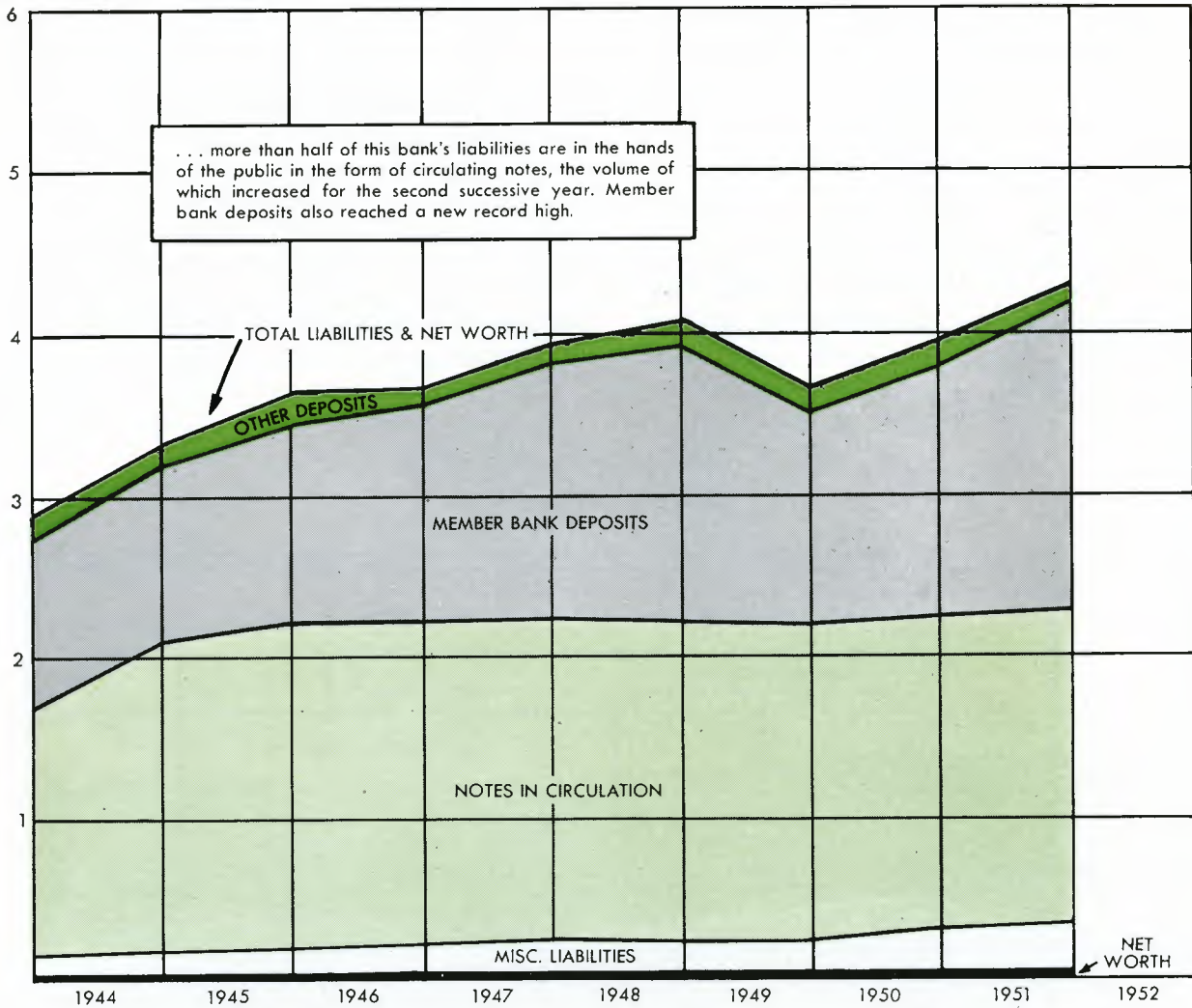
The free or unpledged gold certificate reserves exist in the form of an equity in what is known as the Interdistrict Settlement Fund, through which an almost instantaneous transfer of funds at the request of member banks,

or the Treasury, from one part of the country to another, can be accomplished. At the close of each day's business this bank's credits to other Federal Reserve banks are wired to the Board of Governors. As soon as the reports from all twelve banks are computed, this bank's equity in the Interdistrict Settlement Fund is established for the ensuing twenty-four hour period.

\*Each Federal Reserve bank also is required by statute to establish a gold certificate Redemption Fund with the Treasury, equal to five percent of the note issue not covered by gold certificate reserves, out of which the bank's notes are redeemed when presented for that purpose. In the illustration above, a further \$37.50 of gold certificate reserves would have to be allocated to the Redemption Fund. This provision was more significant some years ago when the notes were freely convertible into gold coin.

## COMPOSITION OF LIABILITIES AND NET WORTH of this bank at year ends, 1943 to date

BILLIONS OF  
DOLLARS



### GROWTH OF LIABILITIES

The approximately \$570,000,000 expansion of this bank's assets during the past two years was accompanied by an almost identical increase in liabilities, which means that changes in capital accounts (net worth) were relatively small over the same interim. At the end of 1951, this bank's net worth stood at roughly \$84,000,000, up about \$3,200,000 for the year and more than double the approximately \$40,000,000 equity of record on the last day of 1943 (the first date plotted on the adjoining chart).

Of the existing net worth, nearly \$22,500,000 represents capital stock owned by member banks. The remainder consists of balances in the earned surplus and other accounts.

Although this bank does not transact much

business directly with the public, in actual practice more than one-half of its liabilities are in possession of the public, and for varying lengths of time ranging from several days to months or years. No corporate liability is so widely held as are the notes of this and the other eleven Federal Reserve banks. The volume of notes in circulation is governed almost entirely by the public's desire for hand-to-hand currency, a demand which ebbs and flows from day to day and month to month.

Although member bank deposits (the legal reserves of member banks) are only the second largest liability of this bank, they are generally susceptible to wider fluctuation than is any other type of liability.

The rise in member bank reserves over the past two years is largely the result — not the

cause — of the expansion of U. S. Government security holdings by all twelve Federal Reserve banks combined, as described on a preceding page. During the last eight months of 1951, however, when purchases of Government securities by the System were held to a minimum, and while banks throughout the country were paying out (net) to the public nearly \$2,000,000,000 in currency, member bank reserves were being replenished by a considerable inflow of gold as well as by a decline in foreign deposits.

The category of "other deposits" includes the Treasury's balance at this bank, deposits payable to foreign central banks and governments, and some miscellaneous deposit liabilities. The largest balance carried by the Treasury at any one time during 1951 was \$204,000,000, on March 19, when internal revenue receipts were the heaviest of the year. With respect to foreign deposits, the peak occurred on June 25 when they stood at \$89,000,000. The foreign deposit accounts frequently are unchanged for a week or longer, but the U. S. Treasurer's account is an extremely active one, with a great many debit and credit entries each day.

**CURRENCY DEMAND STRONG**

Until the past year, the volume of this bank's notes outstanding had never exceeded the \$2,-

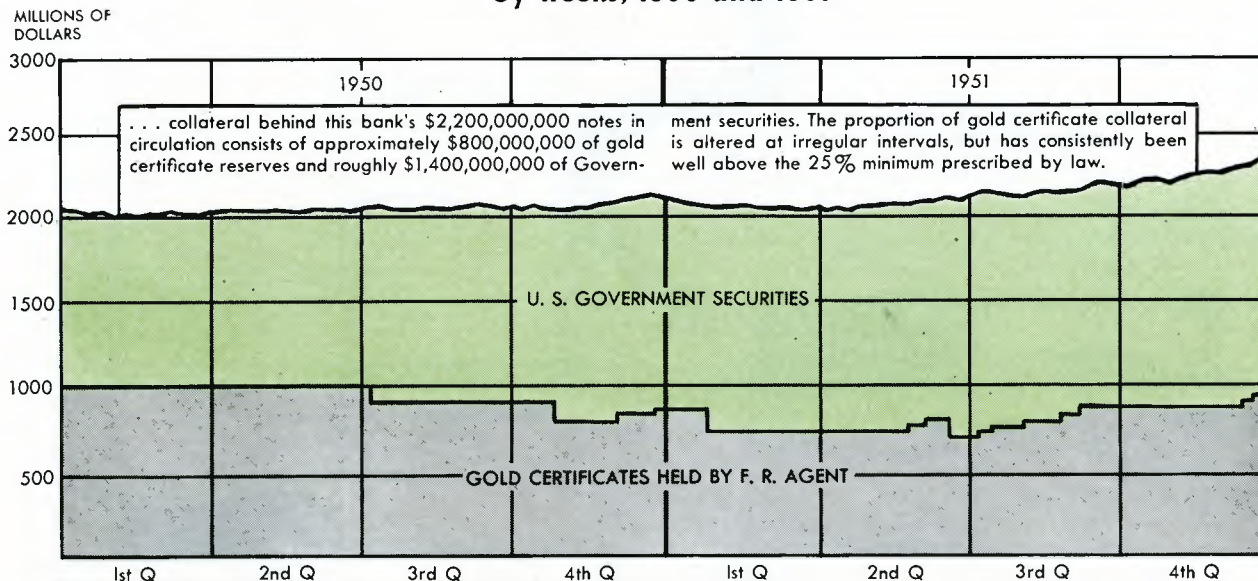
175,000,000 mark, which was recorded on December 21, 1948. At no time in the intervening months, however, did the circulation drop below \$2,000,000,000.

The expansion of trade and industry since 1949 has had its slow but persistent effect upon the public's demand for currency. As early as August of the past year, the former record was exceeded, with the bulk of the seasonal bulge still to come. By December 26, note circulation reached a new top of \$2,304,000,000 which in the normal seasonal swing should not be exceeded for at least several months into 1952.

The return flow of notes which usually is quite pronounced during January affects this bank's balance sheet only in the sense that note liabilities are converted into deposit liabilities payable to the member banks from whom currency shipments are being received. This is just the reverse of what happens when the note flow is outward, to the public.

This bank's notes have a wide geographical distribution beyond their home District, presumably because of the location of this District as well as the commercial activity of the area. During 1951 over \$416,000,000 of this bank's "4-D" notes, which had found their way into other Districts, were returned by the receiving banks. It is illegal for a Federal Reserve bank to pay out the notes of any other Federal Reserve bank.

**NOTES IN CIRCULATION  
by weeks, 1950 and 1951**



### DUAL NATURE OF MEMBER BANK RESERVES

Although this bank's total assets are in excess of \$4 billion, the combined resources of all 685 member banks in the Fourth District add up to nearly \$12 billion—an aggregate nearly three times as large as this bank. The relative size of this District's central bank and the consolidated footings of all member banks are illustrated on the adjoining chart.

More significantly, however, the chart also depicts the dual nature of member bank reserves. On the books of this bank they are *liabilities*, the volume of which is affected by changes in the System's holdings of Government securities, and of gold certificates, as well as by changes in rediscounts or in other kinds of assets.

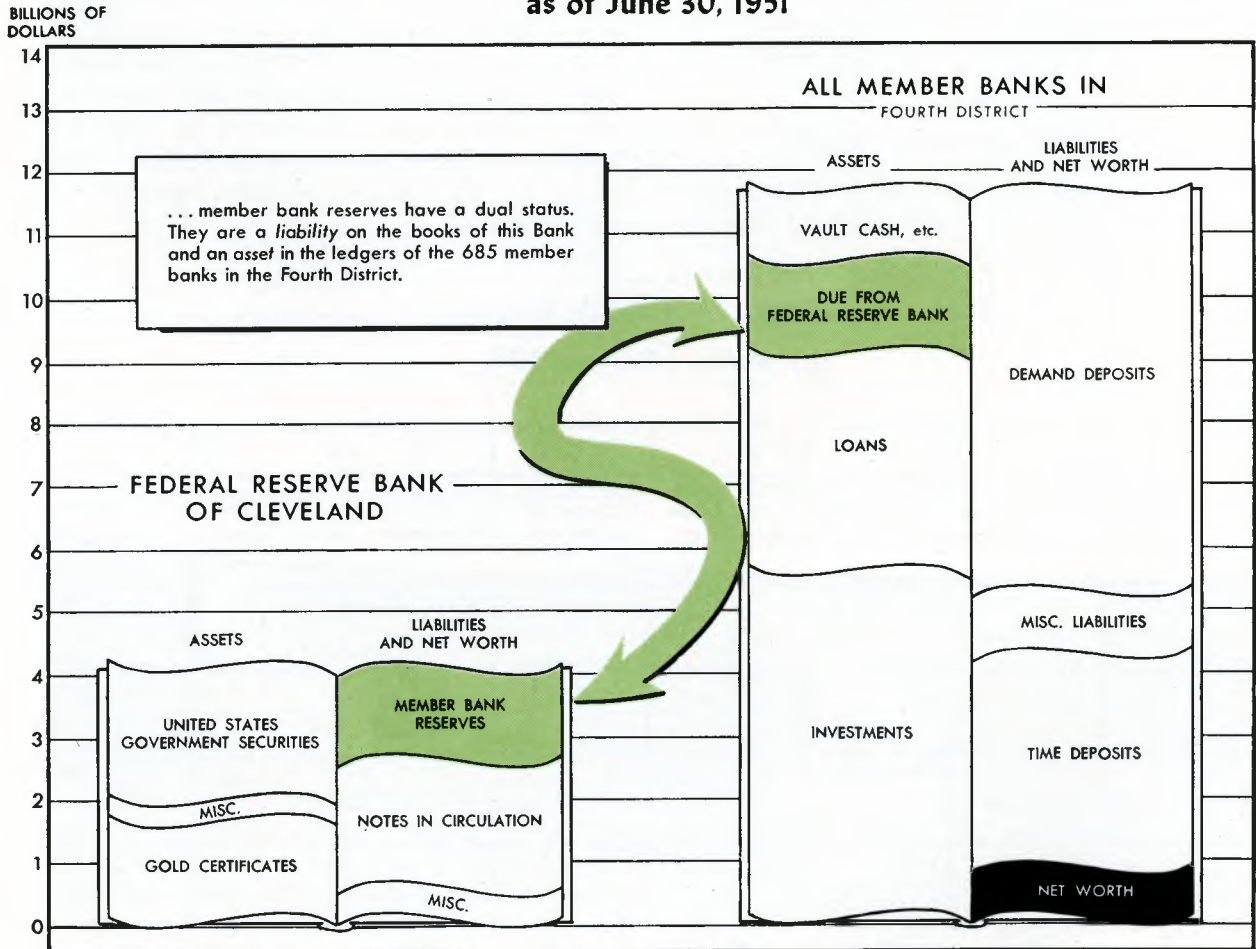
The same member bank reserves which appear as liabilities of this bank simultaneously exist as *assets* on the collective ledger of the

member banks. The amounts of the two accounts are more than approximately equal—they are precisely identical, down to the final cent. Any development which changes the aggregate in one position is immediately reflected in the other.

While there is no difference whatever in dollar volume, it may be noted that as assets on member banks' books, the legal reserves do not loom relatively so large as they do in the form of liabilities in this bank's ledger. Both loans and investments (income-producing assets) of member banks are much larger than legal reserves in dollar volume. Nevertheless it is the size of the "Due from Federal Reserve Bank" item which determines the maximum amount of deposit liabilities, either checking or savings deposits, that any given member bank can carry for any weekly or semi-monthly period.

Member banks can replenish reserves by dis-

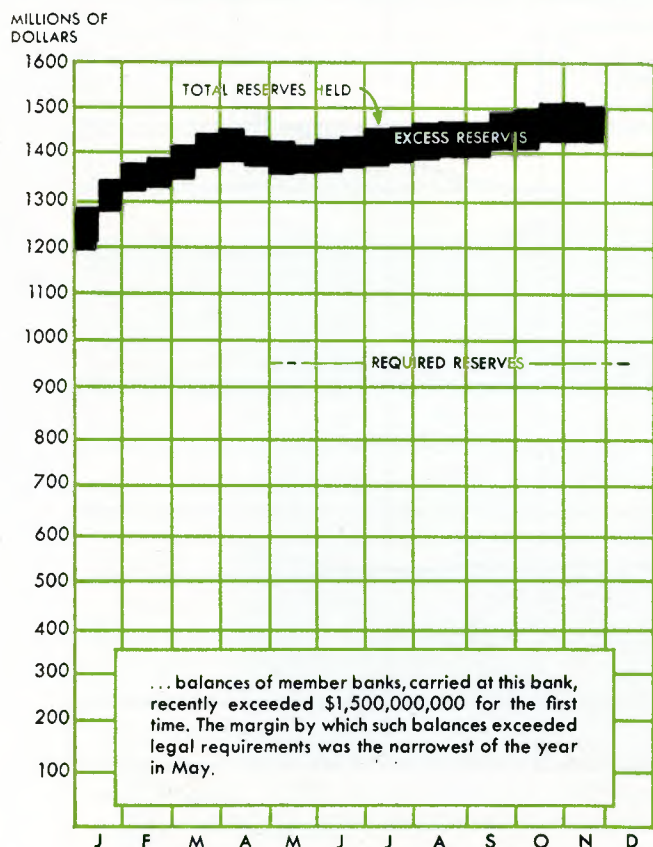
### COMPARATIVE SIZE AND POSITION OF MAJOR BALANCE SHEET ITEMS as of June 30, 1951



posing of investments and by borrowing from this bank or from some other member bank holding an excess of reserves. A shrinkage in loans accomplishes a similar result in that it is usually accompanied by a decline in deposits, thereby reducing the reserves required. Also, when an individual depositor shifts funds from a checking account into a savings account at a member bank, the required reserve is automatically reduced.

Furthermore, member bank reserves increase when notes come back from circulation with corresponding credits to the sending bank's reserve account. It may be said that in essence the substantial note liability of this bank, extant in the hands of the public, first had to exist as a deposit liability before it could be converted into hand-to-hand money, in the same sense that someone must have a balance at a commercial bank before a check can be cashed.

## MEMBER BANK RESERVES Fourth District at semi-monthly intervals during 1951



### MEMBER BANK RESERVES

Late in 1951 the aggregate of member bank reserve balances carried at this bank exceeded \$1,500,000,000 for the first time. Roughly two-thirds of the reserves are owned by the larger banks in *Cleveland, Cincinnati, Pittsburgh, Columbus, and Toledo*, known as reserve cities. The remaining \$500,000,000 (approximately) is carried by all other member banks in the Fourth District.

Fluctuations in reserve requirements of all member banks combined are shown at semi-monthly intervals by the series of steps in the accompanying chart. A member bank may permit its balance to be deficient for a short time, without penalty, provided the daily average of reserves held over the accounting period\* is at or above the computed legal minimum.

For all member banks as a group, the smallest margin by which total reserves exceeded requirements during 1951 was in the second half of May when excess reserves totaled only \$54,000,000, or less than four percent above requirements. During January the differential had been larger, partly in anticipation of stepped up requirements. In a relative sense, however, the margin of excess reserves held by member banks fluctuated within a narrow range during the past year.

Advances to member banks for the purpose of maintaining reserves at the required minimum were somewhat larger during 1951 than in the preceding year. Borrowings from this bank averaged over \$14,000,000 per day, for a year-to-year gain of approximately 46 percent. As against that level for the year as a whole, advances to member banks reached a peak last February and again in December, during which daily average indebtedness was in excess of \$42,000,000 and \$30,000,000, respectively.

Of the 685 member banks in the District, 93 obtained advances from this bank at one time or other during 1951. The discount rate stood unchanged at 1¾ percent throughout the year.

### GROWTH OF MEMBER BANK DEPOSITS

Marking the 14th consecutive year of expansion, member bank deposits† crossed the \$10,000,000,000 level during 1951 for the first time. The annual increment, estimated at

\* The accounting period for reserve city banks is one week, while for country banks the computation is made at semi-monthly intervals.

† Against which legal reserves must be maintained

around \$700,000,000, was the largest for a single year since 1946.

As has been the case over the past four years, the bulk of last year's deposit growth was in the form of net demand deposits\* which entail the higher reserve requirement. Time deposits, against which reserves of only 6 percent must be maintained, also edged up to a new all-time high, but their expansion over the past four years has been scarcely more than nominal.

Percentage-wise, the largest increase (9.7 percent) last year occurred in net demand deposits of *country* banks. At *reserve city* banks such deposits expanded 9.2 percent. On the other hand, time deposits gained only 2.5 percent at country banks as against 5.2 percent at metropolitan banks.

The expansion of total deposits during 1951, like that of the preceding year, is chiefly

\* Gross demand deposits, less cash items in process, and due from other banks

attributable to the nationwide growth of bank loans, the proceeds of which inevitably caused a deposit expansion throughout the country. Another but much smaller portion of the expansion can be attributed to a net inflow of funds from other Districts, and from the growth of holdings of Government securities by the banking system, which was resumed last spring. The international movement of gold was a negligible factor for the year as a whole.

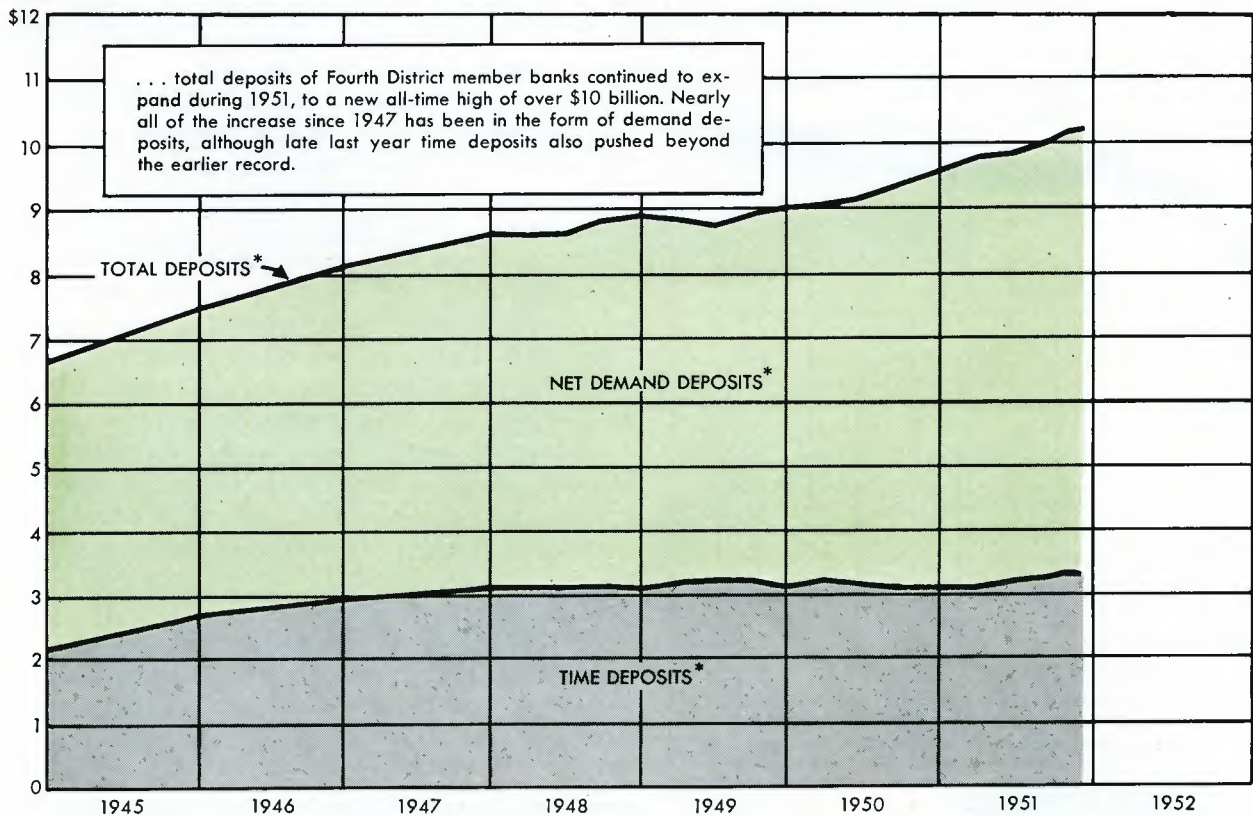
#### LENDING FOR DEFENSE

More is known about the nature and causes of last year's expansion of bank loans, than about any similar movement in the past. A new statistical report on bank loans was inaugurated last May, under the auspices of the Voluntary Credit Restraint Committee, whereby a number of large metropolitan banks began to report each week certain information with respect to new business loans made, and old loans repaid. Under this procedure all transactions in excess of \$50,000 each are classified

### DEPOSITS OF MEMBER BANKS

#### Fourth District — Annually, 1944-47; quarterly, 1948 to date

BILLIONS OF DOLLARS

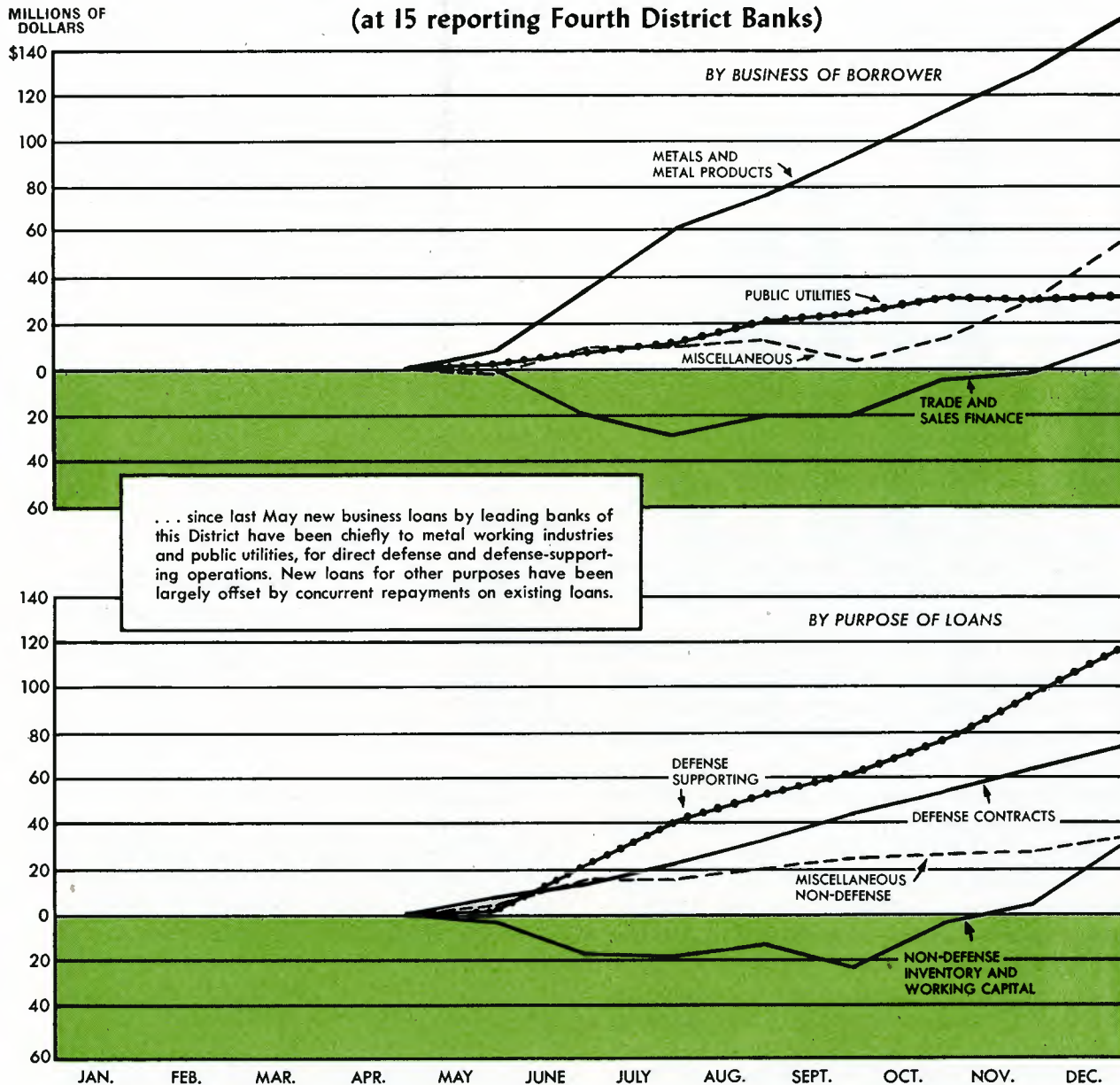


\*Reserve Requirements, effective since February 1, 1951:   
 Against Net Demand Deposits: Reserve City Banks . . . 20%   
 Country Banks . . . . . 14%   
 Against Time Deposits: All Member Banks . . . 6%

## CUMULATIVE CHANGES IN BUSINESS LOANS SINCE MAY 1951

by business of borrower and purpose of loan

(at 15 reporting Fourth District Banks)



by reporting banks, with respect to purpose of the loan and also by type of borrower.

From May through December loans made directly for the purpose of financing *defense* contracts ranked second in terms of net dollar expansion. They were exceeded by loans made to *defense-supporting* industries such as steel, machinery, mining, transportation equipment, and similar enterprises.

Loans to *nondefense* industries for inventory and working capital purposes declined throughout the summer, and then began to expand

markedly in October. The gain during the final quarter more than offset the aggregate reduction which had been recorded in earlier months.

The dollar amounts of cumulative increase (or decrease) shown in the accompanying chart cannot be evaluated as closely as might be desired, because the amount of each type of loan outstanding last May is not known. Defense contract loans, rather than defense-supporting, presumably expanded by the greatest percentage.

With regard to type of business of borrower, the metals and metal-products group came in for many more dollars of credit than all others combined. The increment at the 15 reporting banks was close to \$155,000,000 for the period. But here, too, the dollar increase suggests an exaggerated picture of the percentage expansion. The metals and metal-working industries may have been the largest debtors (of the several groups) at the time this new reporting series was initiated.

For the interval as a whole, the trade and sales finance group shows a small net increase in bank indebtedness. Repayments greatly exceeded new loans during June and July, but thereafter new borrowings were in the ascendancy.

#### NEW BANKS AND BRANCHES

Three new banks were chartered within the Fourth District during 1951—one each in the Ohio cities of Bowling Green, Fairborn, and Galion. No new banks were chartered during the year in the Fourth District portions of Pennsylvania, Kentucky or West Virginia.

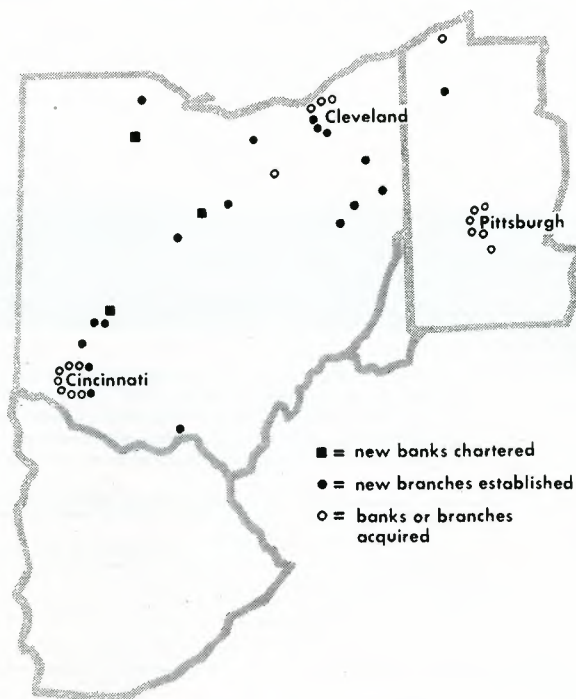
At the same time 18 new branches were established by existing banks. The new branches are located chiefly in the Northeastern section of Ohio and the Dayton-Cincinnati section, as shown by the accompanying map. One new branch each, however, was established also at Sylvania, near Toledo, and at Portsmouth, Ohio, and Meadville, Pennsylvania.

In addition to the establishment of entirely new branches, a number of existing banks or their branches were acquired by expanding banks and integrated into the latter's operations. This development was most pronounced in the Pittsburgh and Cincinnati sections, although such expansion also occurred in Cleveland, Medina, and in Erie, Pennsylvania. During 1951 one bank in the District went into liquidation. At the close of the year, there were

1110 banks in the District, and 332 branches.

An accompanying table shows the total number of banks (not including branches) located in the Fourth District as of the close of 1951. The distribution of the banks is shown accord-

#### NEW BANKS CHARTERED and Branches Set up or Acquired in 1951



ing to the states in which they are located, as well as membership or non-membership in the Federal Reserve System. Reference in the table to the Cleveland and Cincinnati territories of Ohio distinguishes the areas served directly by the main office of this bank and by the Cincinnati Branch, respectively; the Pennsylvania and West Virginia banks of the Fourth District are served by the Pittsburgh Branch, while the Kentucky banks fall within the territory served by the Cincinnati Branch.

NUMBER OF BANKS IN THE FOURTH DISTRICT  
as of December 31, 1951 (exclusive of branches)

	MEMBER BANKS		TOTAL MEMBER	NON-MEMBER	TOTAL BANKS
	STATE	NATIONAL			
OHIO—Cleveland territory.....	156	149	305	178	483
OHIO—Cincinnati territory.....	24	90	114	62	176
PENNSYLVANIA (4th District portion).....	36	159	195	67	262
KENTUCKY (4th District portion).....	9	50	59	105	164
WEST VIRGINIA (4th District portion).....	5	7	12	13	25
	230	455	685	425	1110

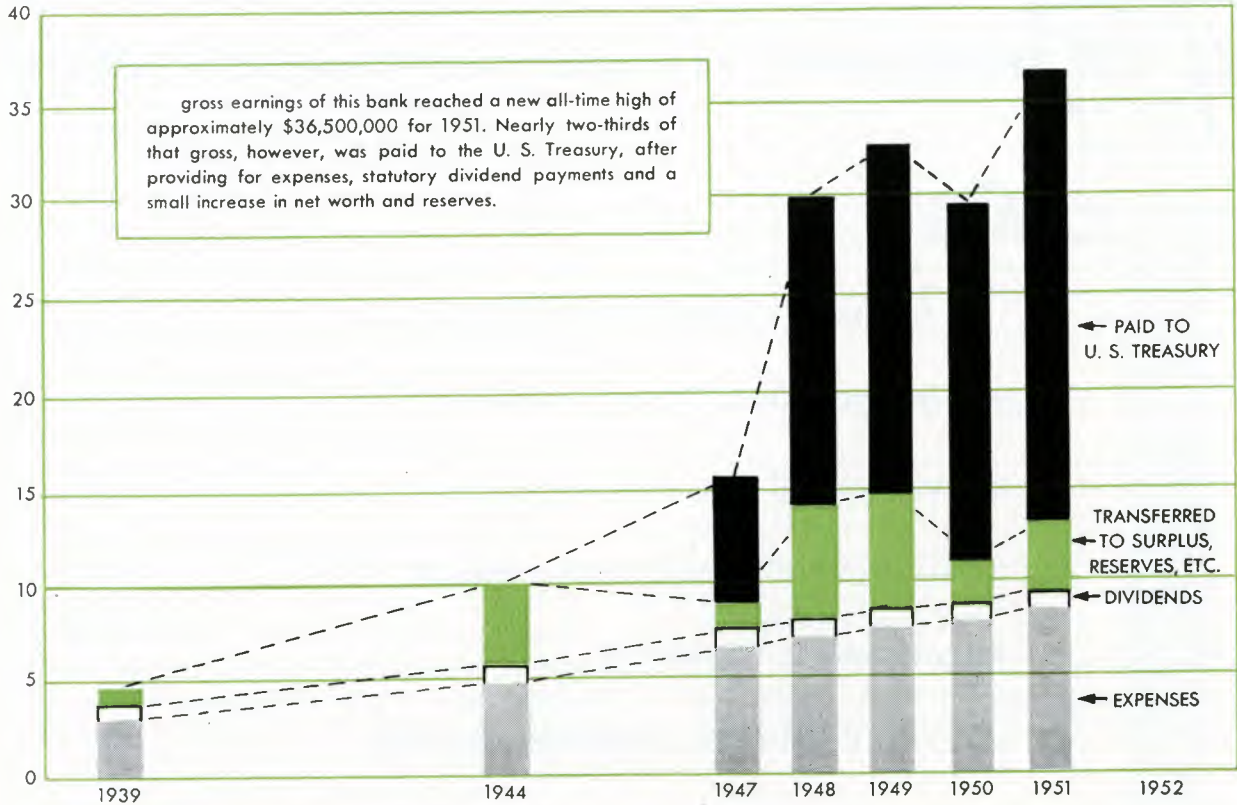


## DISPOSITION OF GROSS EARNINGS

### Federal Reserve Bank of Cleveland

selected years

MILLIONS OF DOLLARS



#### RECORD GROSS EARNINGS

The gross earnings of this bank during 1951 totaled approximately \$36,500,000, nearly all of which was received in the form of interest income from Government securities owned. Interest income from advances to member banks and other loans and commitments was slightly in excess of \$260,000. With respect to profits or losses on securities sold, transactions of this type produced a net loss of \$148,000. This situation is attributable to the sale of Government securities at less than cost, under conditions of rising money rates.

Of the record gross earnings achieved during 1951, approximately \$8,700,000, or about 24 percent, was used for current operating expenses, for the expense of printing new notes (to meet expanding demand and to replace unfit notes) and for this bank's pro rata share of the expenses of the Board of Governors.

The statutory six percent dividend on outstanding capital stock held by member banks absorbed another \$1,300,000 of gross income.

The 1951 aggregate dividend payment was the largest on record by a small margin. As member banks expand their own capital and surplus accounts, they are required by law to subscribe proportionately to additional stock of this bank. Since such additional stock also carries the statutory six percent dividend rate, banks welcome the privilege of adding to their holdings.

Finally, a large segment of the 1951 gross income was paid to the U. S. Treasury pursuant to a tax imposed by the Board of Governors in 1947. The tax is levied on the portion of notes outstanding which is not covered by gold collateral, but the rate is computed so that the aggregate of the tax is equivalent to roughly 90% of the bank's earnings after expenses and dividends. Payments to the Treasury during 1951 were made in four instalments totaling nearly \$24,000,000.

The remainder, or approximately \$2,600,000, was transferred to surplus, by authority of Section 7 of the Federal Reserve Act.



## NEW DEVELOPMENTS AND SUMMARY OF ACCOUNTS

.... this bank's role in handling the new  
punch-card Postal Money Orders ...  
the widespread coin shortage ....  
administration of the defense-related  
Regulations V, W, and X ....  
notes on number of employees, building  
operations, etc. .... financial  
statements, current and historical ....  
roster of directors, officers,  
and others.

## THE NEW PUNCH-CARD POSTAL MONEY ORDERS

**A** LONG-OVERDUE simplification in the method of issuing and paying Postal Money Orders was instituted during the past year, through the cooperation of the Post Office and Treasury Departments and banking authorities. The only change visible to the public eye was in the physical appearance of the money orders which, since July 1, have been issued only in punch-card form. That modification, however, had wide implications.

Under the new method a postal money order, instead of being a source of annoyance to the vast and intricate check collection system of the country, immediately acquires many of the characteristics of an ordinary check. Its eventual collection no longer entails any charges or costs, either to the holder or to the bank cashing it or accepting it for deposit.

The new procedure has spared the public some inconvenience, and has expedited handling of the one-to-two million such items issued each day, which now can be "cashed" at any bank. Prior to this innovation, relatively few money orders were collected through this bank. Since July, however, the three

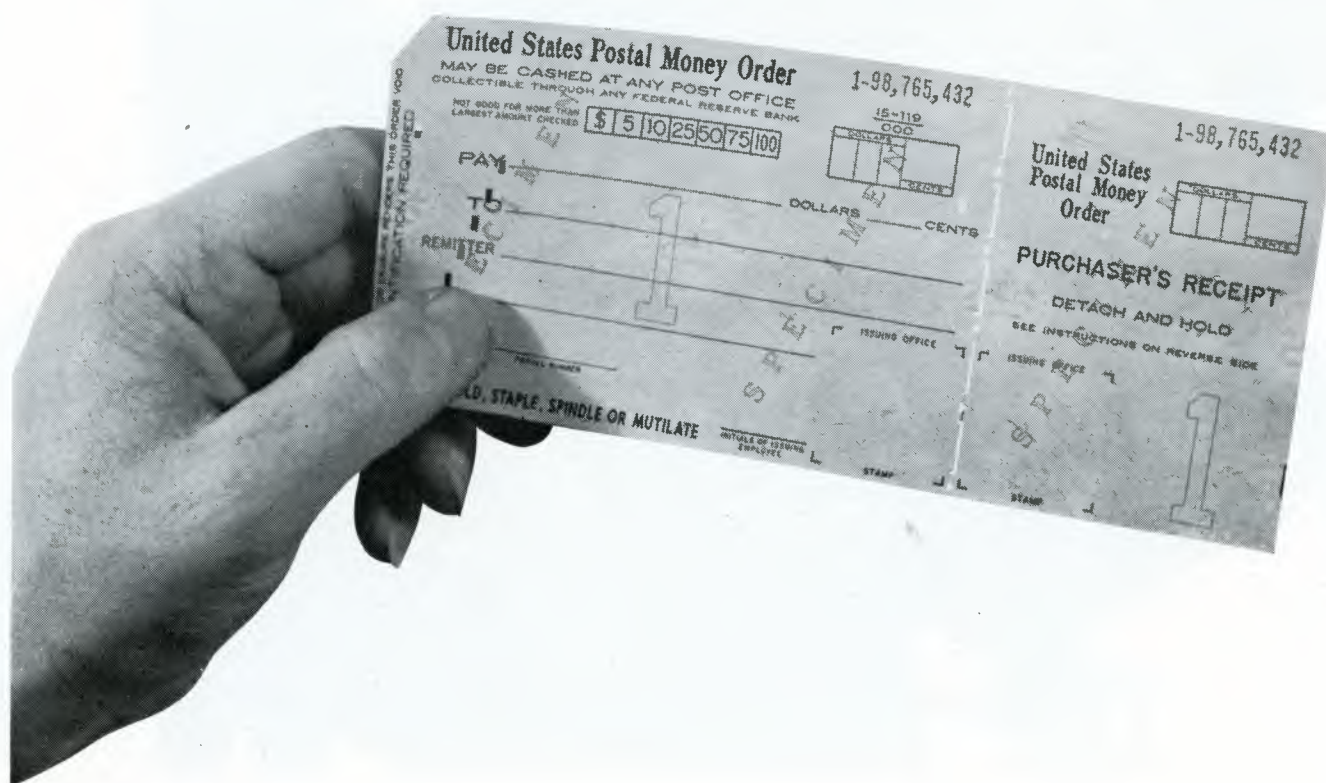
offices of this bank have been handling more than 100,000 postal money orders each business day, the processing of which occupies 32 full-time employees and the use of 22 specially designed punch-proofing machines.

The improvement is the outcome of several years of study, and a long series of conferences among representatives of the Post Office Department, the Treasury Department, the American Bankers Association, and the Federal Reserve System. It is the latest in a series of developments in the history of the Postal Money Order System which dates back to 1864.

### Historical Setting

Upon establishment of the Federal Reserve System in 1914, all postal money orders deposited in banks could be collected through their Federal Reserve bank or their city correspondent bank located in a Federal Reserve city without the payment of a fee regardless of where such orders were issued or were payable.

On August 1, 1934, the regulations of the Post Office Department were revised to provide



that if a money order was presented at an office other than the one where issued or where payable, the postmaster paying the order should deduct a fee equal to the amount originally charged for the issuance of the order.

The Federal Reserve banks continued to accept postal money orders in cash letters from member banks and nonmember clearing banks, but instead of presenting them to their local Post Office for payment, the money orders were forwarded to member banks, nonmember clearing banks or par nonmember banks located at the points on which the orders were drawn or issued.

This practice did not prove satisfactory. The method of collection was difficult and many banks objected to receiving no reimbursement for their services in presenting the money

orders to postmasters for payment. A number of banks declined to handle postal money orders on the prescribed basis. In addition to the initial expense of collection they complained that on occasion the local postmaster did not have sufficient funds on hand to pay the bank on the day of presentation. This made it necessary for the bank to carry the items on its books and to arrange another trip to the post office by special messenger to present the money orders for payment on the following business day.

Because of the difficulties encountered in collecting the money orders, the Federal Reserve banks agreed that, beginning February 2, 1942, they would not accept postal money orders for collection either as cash or noncash items unless they were drawn on, or issued by, a



Post Office in a Federal Reserve bank or branch city or in Washington, D. C. Many of the large commercial banks continued to handle postal money orders for their country correspondent banks in spite of the difficulties encountered in making collection.

After a great deal of study the American Bankers Association appealed to the authorities of the Post Office Department to change their procedure of paying postal money orders. For several years the Post Office Department, which was fully aware of the need for streamlining the money order system, and the Federal Reserve System had been giving considerable study to the collection of money orders. As a result of these various studies representatives of the Post Office Department, the Treasury Department, the ABA, and the Federal Reserve System worked out an entirely new plan for the issuance and payment of postal money orders. Although the new plan involved almost revolutionary changes in the accounting of the Post Office Department, the postal authorities were extremely anxious to put the new plan into operation because research over the previous five years proved conclusively that the new procedure would save the Post Office Department several millions of dollars annually.

### Procedural Detail

The new plan provided that, effective July 1, all postal money orders shall be issued in punched card form; that the new type money orders, when cashed or received for deposit at banks, shall be deposited in the normal course of business with the Federal Reserve banks and branches as cash items for immediate credit. The Federal Reserve banks in turn receive payment through the U. S. Treasurer's general account carried on the books of the Federal Reserve banks.

When the money orders are received by a Federal Reserve bank from local member banks and nonmember clearing banks, or from out-of-town member banks and nonmember clear-

ing banks for immediate credit to their account on the books of the Federal Reserve bank, the following procedure is followed:

1. The money orders are processed through the use of punch-proof machines which were designed and built for this specific purpose. The operator lists the amount of each money order and the machine punches that amount in the money order and automatically sorts and tabulates the amount on the tapes supplied for each of the twelve regional post offices.

2. At the same time that the money orders are listed and sorted according to regional post offices the machine prepares a master tape which is used to balance the incoming deposits or cash letters.

3. At the end of each day the tapes for each regional post office are assembled and balanced to the total of money orders received for the day. The money orders are also assembled by regional post offices and the listing tapes attached to each separate sort.

4. After the day's work has been balanced, the Federal Reserve bank charges the U. S. Treasurer's general account on the books of the bank for the total of the money orders processed, and then prepares the orders for delivery to the local post office the morning of the next business day.

5. Each morning a representative of the local post office located in the Federal Reserve bank or branch city picks up the money orders processed by the Federal Reserve bank the previous business day. The regional post office then tabulates the money orders by regional districts, punches new cards for all mutilated money orders, balances and tabulates such cards and verifies the total of the day's work as reported by the Federal Reserve bank. The regional post offices then make final payment and settlement with the Treasurer.



## THE COIN SHORTAGE



This bank along with others in the nation encountered a special operational problem during the year in the form of an unusually severe shortage of pennies and, to a less extent, other coins.

The origin of the shortage lay in a combination of factors on both the demand and supply sides. The demand for money in the form of small coins had been mounting for some time, due not only to rising prices, changes in excise taxes, etc., but also due to greater use of parking meters and vending machines. At the

same time on the supply side, the shortage of metals, especially copper, occasioned by the requirements of the defense program, played its part.

The inflow of new and used coin began to lag behind trade requirements in late summer. For a time the gap could be filled out of existing stocks, but by November the problem in terms of day-to-day operations had become acute. At the main office of this bank, for example, the working stock of coin which ordinarily runs between \$1,500,000 and \$2,000,000 had been reduced to between \$300,000 and \$400,000. It had become necessary to ration the supply of pennies to 75 percent of the normal demand of commercial banks.

Special appeals to the public to turn in any idle accumulations of coin for deposit credit or paper money were showing favorable results by year end, although more remained to be accomplished before the difficulties could be considered ended. A gratifying instance of cooperation was that of the commercial banks of the Fourth District in response to this Bank's appeal to assist in an educational campaign addressed to the general public.

### Currency and Coin operations during 1951

Currency and Coin on hand December 29, 1950.....		\$119,409,096
<b>Receipts during 1951:</b>		
From Public (chiefly via banks).....	\$1,587,834,253	
Fit.....	\$1,041,196,841	
Unfit.....	546,637,412	
From Treasury (Silver Certificates, U. S. Notes and coin).....	156,060,982	
From Other F. R. Banks*.....	230,230,350	
From F. R. Agent (new notes).....	633,485,000	
Total Incoming.....		\$2,607,610,585
<b>Payments during 1951:</b>		
To Banks in Cleveland, Cincinnati, and Pittsburgh.....	\$ 883,732,314	
To All Other Banks.....	1,015,332,235	
To Other F. R. Banks**.....	171,376,200	
To Treasury (unfit) for Redemption.....	546,637,412	
Total Outgoing.....		2,617,078,161
Net Decrease during 1951.....		9,467,576
Currency and Coin on hand December 31, 1951.....		<u>\$109,941,520</u>

\*Notes originally issued by this bank.

\*\*Notes originally issued by the other eleven F. R. Banks.

## DEFENSE-RELATED ACTIVITIES

### REGULATION V LOAN ACTIVITY

Under Regulation V\* this bank, as Fiscal Agent of the United States, is authorized to issue guarantees of loans by financing institutions to enterprises engaged in production deemed essential for national defense. Guarantees are made on behalf of the armed services and several other agencies of the Federal Government.

The need for guaranteed loans arises from the fact that in many cases the amount of credit applied for is greatly in excess of the normal requirements of the borrower, and involves a risk which financing institutions may be reluctant to assume without assistance. Loans made to date range in amounts from \$10,000 to several million dollars and are made not only to enterprises holding prime Government contracts but also to concerns which act as subcontractors for other business concerns.

With respect to the number of V-loans made, 27 percent were to the aircraft industry, 13 percent to tank manufacturers, and 11 percent to shell producers. The remaining 49 percent were related to a variety of products ranging from wool socks and barracks bags to bridge components, pontoons, life vests, as well as radio, electronic, and photographic equipment.

Many of the guarantees covered loans made to concerns located in heavily industrialized regions, but a number of enterprises in less-populated areas also received advances under the provisions of the Regulation. Approximately 20 percent of the number of loans were in amounts of under \$100,000.

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\*Regulation V was reinaugurated in September, 1950, pursuant to the enactment of the Defense Production Act and Executive Order No. 10161.

### LOANS AND COMMITMENTS UNDER SECTION 13B

Accelerated activity under the defense production program also brought an increased number of requests for loans and commitments under the provisions of Section 13b of the Federal Reserve Act. The Section authorizes direct loans and commitments by this bank to established businesses in the Fourth District, for periods up to five years when the desired funds are not obtainable from the usual sources.

At the end of 1951 the amount of such loans and commitments outstanding was roughly \$950,000. Early in the negotiations with respect to each loan, the Industrial Advisory Committee of this bank (see page 39 of this Report) is consulted. The Committee reviews the application and makes recommendations as to the advisability of extending credit or entering into commitments.



## REGULATION W (Consumer Credit)

For the purpose of administering Regulation W (consumer credit) in the Fourth Federal Reserve District, this bank during the past year maintained an average staff of 36, including field investigators operating from the three offices.

At the close of 1951, more than 18,000 registration statements were on file, from a broad range of vendors and lenders whose business was of such a nature as to come within the Regulation. Approximately five percent of the total were received within the year, chiefly from newly-established business. The bulk had registered shortly after the Regulation was inaugurated in September, 1950.

By type of business, the current list of registrants may be classified as follows, in round numbers:

### Vendors

Automobile Dealers.....	4,500
Household Appliance Stores.....	2,650
Heating, Plumbing, etc., Dealers and Contractors.....	2,100
Furniture Stores.....	2,050
Hardware and Automotive Stores.....	1,350
Department Stores.....	550
Miscellaneous.....	1,090

### Lenders

Small loan companies.....	400
Sales Finance Companies.....	110
Other Financial (Including banks).....	3,200
	<hr/>
	18,000

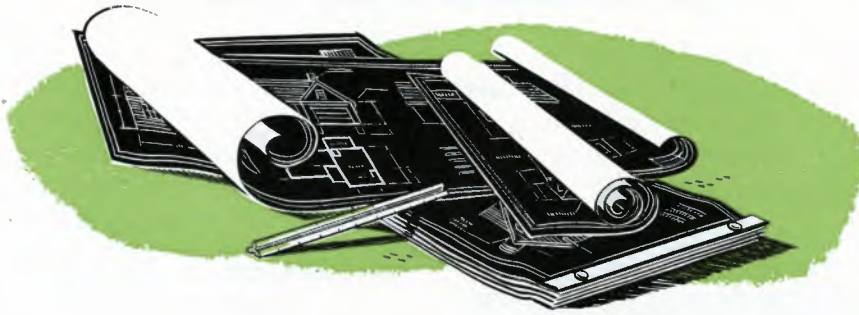
All of these firms must be kept advised through official channels of amendments to the Regulation from time to time, as well as other matters having a bearing upon the terms under which credit may be extended. During 1951, three notifications of amendments and five circulars on other matters were distributed to the entire mailing list.

It is also incumbent upon the staff to ascertain the degree of conformance with the stipulations of the Regulation and to promote high standards of compliance. Up to the year-end, roughly 40 percent of the registrants had been visited by representatives of this bank, for the purpose of determining whether credit-granting practices were consistent with the Regulation. Most of the exceptions noted were of minor degree and not of willful intent.

Under existing legislation the authority to restrict consumer credit will expire on June 30, 1952.







**REAL ESTATE CREDIT (Regulation X)**

This bank has had the responsibility of administering the provisions of Regulation X in the Fourth Federal Reserve District, since the inception of real estate credit control in October 1950. The Regulation was issued by authority of the Defense Production Act, enacted earlier in the year, as an aid in combating inflation and for the purpose of curbing the use of vital materials and labor for nondefense purposes.

Initially only new one- or two-family houses were made subject to limitations in the use of credit, but early in 1951 the Regulation was broadened to cover the financing of new multi-family residential and commercial buildings.

The results of the Regulation were slow in materializing because of the large volume of commitments in force at the time it became effective. The volume of new projects started, however, gradually diminished during the second half of the year. Builders were becoming more hesitant to embark on new construction under conditions whereby the buyer of an \$18,000 house, for example, had to make a down payment of at least \$6,600. Some sizable commercial projects also were deferred. The diminution in construction activity, while in accord with the aims of the Regulation, was also attributable in part to the increasing scarcity of mortgage money from midsummer onward.

In launching the program envisioned in the Regulation, this bank received registration statements from nearly 3,700 lenders, or lenders' agents, who may be classified as follows by type of business:

Commercial and savings banks.....	1,221
Savings and loan associations.....	829
Realtors.....	515

Small loan and finance companies.....	240
Mortgage companies, brokers, and agents....	150
Investors.....	122
Builders and developers.....	104
Heating, plumbing, etc., contractors and dealers.....	65
Insurance companies.....	43
Misc. (endowed institutions, credit unions, etc.).....	407
	<hr/>
	3,696

The problem of dealing with such a wide variety of firms and individuals engaged in extending real estate credit is shared with other supervisory authorities in banking, insurance and other fields, at the state as well as national level.

Now that registration has been virtually completed, administrative duties in connection with Regulation X revolve largely around interpretation and compliance. A staff of twelve, of which eight are located at the main office, handles a large volume of letter and telephone inquiries regarding the particular application of the Regulation with respect to a specific project. Part of the staff's time is also occupied with the matter of general compliance with the restrictions.

In order to keep abreast of current developments in the real estate business, and to obtain the views of leaders in the field most directly affected by the Regulation, an Advisory Committee has been established and is functioning in each of the three largest cities in the District.

The members of the Committees, listed on the succeeding page, recognize the broad objectives of the Regulation and are in a position to make practicable suggestions with respect to policies and administrative procedures.

## Advisory Committees on Real Estate Credit

### For Cleveland Area

EVERETT C. ANDREWS, President  
E. C. Andrews Company

IRVING W. DISTEL, Vice President  
Society for Savings in the City of Cleveland

DONALD C. DUNLAP, Realtor

A. C. FINDLAY, Executive Vice President  
Union Savings & Loan Company

ROBERT L. FREE, Vice President  
Cragin, Lang and Company

ERNEST M. GREEN, Secretary-Treasurer  
Loesch and Green Construction Company

GEORGE E. HAGENBUCH,  
Executive Vice President and Counsel  
Citizens Federal Savings & Loan Association

WILLIAM E. MILLER, President  
Fraser Mortgage Company

HARRY R. TEMPLETON, Vice President  
The Cleveland Trust Company

A. A. TREUHAFT, President  
Keyes-Treuhaft Company

G. STANLEY YOUNG, Executive Vice President  
Land Title Guarantee & Trust Company

### For Cincinnati Area

ERWIN G. DOWNING, Vice President  
Fifth Third Union Trust Company

JESSE HIGGINS, Manager  
Allied Construction Industries of Cincinnati

WALTER JULIUS, Vice President  
Federal Home Loan Bank of Cincinnati

THOMAS McILVAIN, Builder and Realtor

HARRY J. MOHLMAN, Secretary  
Cincinnati Real Estate Board

JOHN G. QUICK, Vice President  
Union Central Life Insurance Company

WILLIAM A. RECKMAN, President  
Western Bank & Trust Company

HARRY SIEMERS, Secretary  
Franklin Savings & Loan Company

PAUL J. VOLLMAR, Vice President  
Western & Southern Life Insurance Company

LOUIS WEILAND, Director and Attorney  
Inter-Valley Building & Loan Association

### For Pittsburgh Area

HARRY D. GRIFFITHS, Manager  
Mortgage Department  
Reliance Life Insurance Company

H. W. HANNA, Executive Director  
Home Builders Association of Allegheny County

JOHN H. KUNKLE, President  
Union Title Guaranty Company  
President and Director, Fort Pitt Federal  
Savings & Loan Association

GEORGE PARKER, President  
Federal Home Loan Bank of Pittsburgh

VINCENT P. SCHNEIDER, Vice President  
Peoples First National Bank & Trust Company

JOHN H. SCOTT, President  
Scott Mortgage Company

WALTER SCOTT, SR., Vice Pres. and Treasurer  
Scott & McCune, Inc.

ELMER S. STANIER, Vice Pres. and Treasurer  
Dollar Savings Bank

ELMER F. STRIEPEKE, Manager  
Mortgage Department  
Commonwealth Trust Company

FRANK T. TROHAUGH, General Manager  
Jenkins Arcade Company

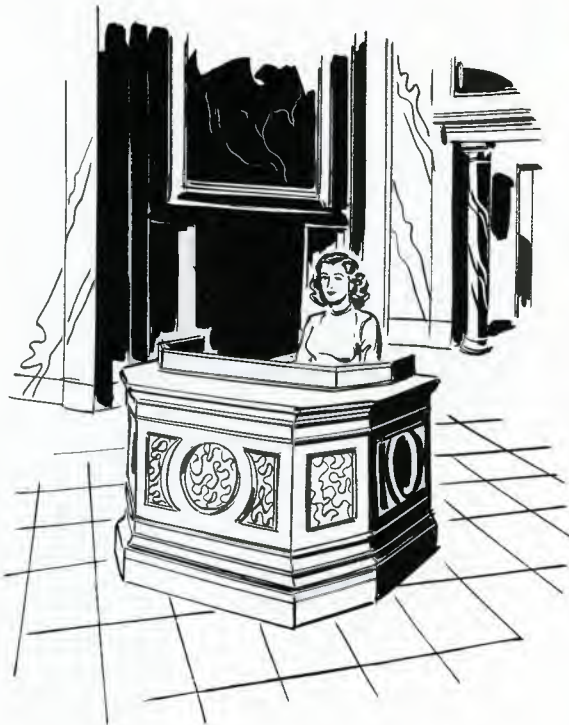
## SHOP NOTES

*Personnel.* The combined total of full-time employees at the three branches of this bank was 1,702 as of December 31, 1951. This represented an increase during the year of nearly 100 full-time employees, most of whom were required for the check collection department. Slight reductions occurred in the fiscal agency department, but these were approximately balanced by increases in the number of employees in maintenance and protection.

The accompanying chart shows the annual changes in full-time employment since 1946 in the three largest departmental groups and in the 19 others combined.

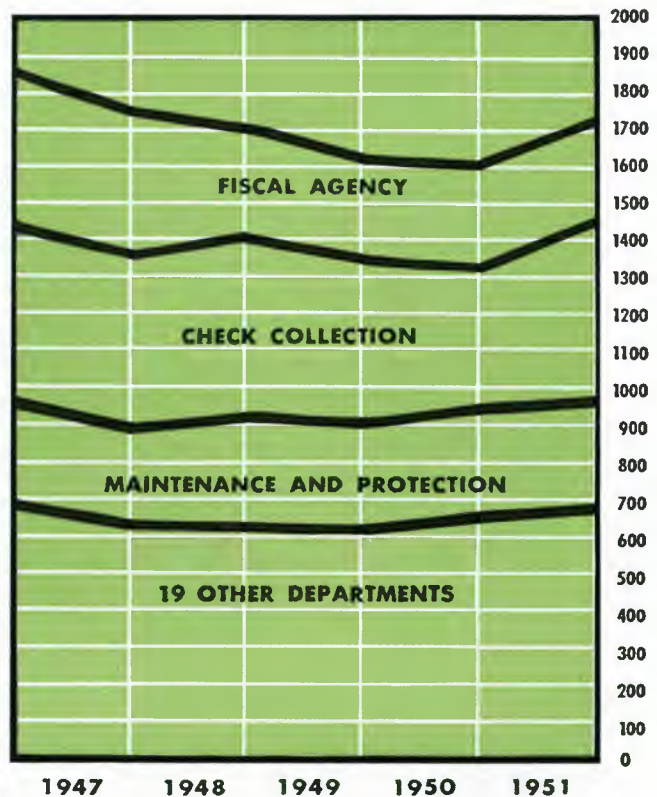
All three branches of the bank are located in communities in which tight labor markets were experienced during 1951. Owing to the difficulty of obtaining full-time employees, numerous part-time shifts were established to assist in handling the increased volume of work. As of December 31, there were 147 part-time workers and hourly workers at the three branches combined. Here again the needs of the check collection department played the central role.

*Building Changes.* At the Pittsburgh Branch a substantial program of modernization and



re-decoration was completed during the year. A somewhat similar program was in process at the Cincinnati Branch. In the main office at Cleve-

**Number of full-time employees  
at year end**



land, the power plant was reconditioned during 1951, and new elevators are now in process of being installed.

*Soil Conservation Movie.* A motion picture film entitled "Soil Conservation Pays" was prepared during the year by this bank in cooperation with farmers, agricultural agencies and educational institutions. The film is to be shown to farm groups, bankers' meetings and civic groups. Release date is scheduled for an early month in 1952.

*Visitors.* During the course of the past year, one or more personally-conducted tours were provided almost daily for visitors at each of the three offices of this bank. At the main office, over 2,200 guests were shown through the various facilities and operations.



# COMPARATIVE STATEMENT OF CONDITION

December 31, 1951 and December 29, 1950

<b>ASSETS</b>	Dec. 31, 1951	Dec. 29, 1950
Gold certificates.....	\$1,519,769,426	\$1,476,814,243
Redemption fund for Federal Reserve notes.....	75,407,470	67,288,483
TOTAL GOLD CERTIFICATE RESERVES.....	1,595,176,896	1,544,102,726
Other cash.....	19,113,546	22,754,336
TOTAL CASH.....	1,614,290,442	1,566,857,062
Discounts and advances.....	670,000	149,214
Industrial loans.....	—0—	150
U. S. Government securities:		
Bills.....	43,703,000	115,311,000
Certificates.....	1,188,604,000	216,370,000
Notes.....	473,409,000	1,161,131,000
Bonds.....	499,195,000	428,263,000
TOTAL U. S. GOVERNMENT SECURITIES.....	2,204,911,000	1,921,075,000
TOTAL LOANS AND SECURITIES.....	2,205,581,000	1,921,224,364
Federal Reserve notes of other banks.....	11,121,000	11,177,000
Uncollected cash items.....	383,721,074	457,756,953
Bank premises.....	4,763,860	4,793,961
Other assets.....	12,771,485	11,249,340
TOTAL ASSETS.....	\$4,232,248,861	\$3,973,058,680

## LIABILITIES

Federal Reserve notes.....	\$2,286,835,610	\$2,112,367,140
Deposits:		
Member bank—reserve accounts.....	1,471,669,874	1,323,910,224
U. S. Treasurer—general account.....	3,733,226	81,647,730
Foreign.....	48,406,500	80,780,700
Other deposits.....	12,471,596	14,158,900
TOTAL DEPOSITS.....	1,536,281,196	1,500,497,554
Deferred availability cash items.....	323,937,998	278,952,556
Other liabilities.....	1,288,990	504,159
TOTAL LIABILITIES.....	4,148,343,794	3,892,321,409

## CAPITAL ACCOUNTS

Capital paid in.....	22,497,850	22,001,400
Surplus (Section 7).....	50,648,468	48,014,194
Surplus (Section 13b).....	1,005,665	1,005,665
Other capital accounts.....	9,753,084	9,716,012
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	\$4,232,248,861	\$3,973,058,680
Contingent liability on acceptances purchased for foreign correspondents	\$ 1,988,517	\$ 1,969,894
Industrial loan commitments.....	\$ 901,734	\$ 457,500



# COMPARISON OF EARNINGS AND EXPENSES

FOR THE YEARS 1951 AND 1950

	1951	1950
Earnings.....	\$ 36,566,612	\$ 25,692,094
Expenses.....	8,731,626	7,355,408
NET EARNINGS.....	<u>27,834,986</u>	<u>18,336,686</u>
ADDITION TO NET EARNINGS:		
Profit on U. S. Government securities sold (net).....	—0—	3,471,928
All other.....	30,189	22,857
TOTAL ADDITIONS.....	<u>30,189</u>	<u>3,494,785</u>
DEDUCTIONS FROM NET EARNINGS:		
Loss On U. S. Government securities sold (net).....	148,481	—0—
All other.....	9,904	13,001
TOTAL DEDUCTIONS.....	<u>158,385</u>	<u>13,001</u>
Net additions.....	—0—	3,481,784
Net deductions.....	128,196	—0—
Transferred to reserves for contingencies.....	37,072	31,791
Paid U. S. Treasury (interest on F. R. notes).....	23,708,414	18,516,075
Net earnings after reserves and payments to U. S. Treasury.....	<u>3,961,304</u>	<u>3,270,604</u>
Dividends paid.....	1,327,030	1,213,208
Transferred to surplus (Section 7).....	<u>\$ 2,634,274</u>	<u>\$ 2,057,396</u>





## STATEMENT OF EARNINGS AND EXPENSES

SINCE THE BANK'S OPENING, NOVEMBER 16, 1914

YEAR	EARNINGS	EXPENSES	NET EARNINGS	ADDITIONS TO NET EARNINGS	DEDUCTIONS FROM NET EARNINGS	NET EARNINGS BEFORE DISPOSITION
1914-15.....	\$ 113,815	\$ 169,589	\$ 55,774*	\$ —	\$ —	\$ 55,774*
1916.....	452,129	150,224	301,905	—	8,097	293,808
1917.....	1,367,216	358,078	1,009,138	—	255,456	753,682
1918.....	5,226,864	906,401	4,320,463	—	184,667	4,135,796
1919.....	7,800,829	1,342,617	6,458,212	—	364,427	6,093,785
1920.....	14,458,619	2,329,155	12,129,464	63,246	372,679	11,820,031
1921.....	9,390,863	2,871,012	6,519,851	125,071	360,539	6,284,383
1922.....	4,994,282	2,461,266	2,533,016	48,889	313,217	2,268,688
1923.....	4,655,090	2,550,659	2,104,431	11,951	1,195,161	921,221
1924.....	3,770,689	2,664,850	1,105,839	39,997	1,618,989	473,153*
1925.....	4,013,456	2,599,629	1,413,827	333,802	537,053	1,210,576
1926.....	4,517,884	2,531,746	1,986,138	10,549	335,925	1,660,762
1927.....	4,197,836	2,610,474	1,587,362	2,138	481,310	1,108,190
1928.....	6,250,553	2,596,814	3,653,739	3,193	476,217	3,180,715
1929.....	6,986,580	2,785,979	4,200,601	175	495,334	3,705,442
1930.....	3,585,202	2,649,497	935,705	378,496	530,424	783,777
1931.....	3,038,083	2,623,842	414,241	268,941	604,637	78,545
1932.....	5,128,554	2,583,904	2,544,650	323,120	996,514	1,871,256
1933.....	4,705,091	2,915,300	1,789,791	138,477	1,196,585	731,683
1934.....	4,137,556	2,946,569	1,190,987	769,651	917,941	1,042,697
1935.....	3,674,866	2,954,884	719,982	510,364	449,485	780,861
1936.....	3,537,159	2,923,092	614,067	560,189	455,350	718,906
1937.....	3,986,619	2,770,245	1,216,374	239,497	374,810	1,081,061
1938.....	3,490,621	2,797,658	692,963	838,948	482,285	1,049,626
1939.....	3,845,841	2,860,488	985,353	457,512	546,201	896,664
1940.....	4,405,454	2,910,118	1,495,336	1,339,571	913,600	1,921,307
1941.....	4,123,894	3,360,435	763,459	132,323	12,443*	908,225
1942.....	4,975,032	3,606,964	1,368,068	336,129	387,729	1,316,468
1943.....	6,750,584	4,192,397	2,558,187	3,523,320	899,733	5,181,774
1944.....	9,643,754	4,594,525	5,049,229	330,542	401,924	4,977,847
1945.....	13,289,224	4,436,638	8,852,586	406,086	123,057	9,135,615
1946.....	13,873,579	4,982,573	8,891,006	184,973	332,370	8,743,609
1947.....	15,189,482	6,277,763	8,911,719	255,381	255,483	8,911,617
1948.....	29,265,175	6,757,536	22,507,639	596,085	4,016,649	19,087,075
1949.....	29,331,256	7,186,175	22,145,081	3,069,130	4,165,071	21,049,140
1950.....	25,692,094	7,355,408	18,336,686	3,494,785	44,792	21,786,679
1951.....	36,566,612	8,731,626	27,834,986	30,189	195,457	27,669,718

\*Contra Entry



# STATEMENT OF DISPOSITION OF NET EARNINGS

BY YEARS, SINCE NOVEMBER 16, 1914

YEAR	NET EARNINGS		TRANSFERRED TO SURPLUS		PAID U. S. TREASURY				BALANCE TO PROFIT & LOSS
	BEFORE DISPOSITION	DIVIDENDS PAID	SECTION 7	SECTION 13b	FRANCHISE TAX	SECTION 13b	INTEREST ON F. R. NOTES OUTSTANDING	OTHER TRANSFERS	
1914-15	\$ 55,774*	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 55,774*
1916	293,808	143,237	—	—	—	—	—	—	150,571
1917	753,682	716,168	—	—	—	—	—	—	37,514
1918	4,135,796	716,107	3,552,000	—	—	—	—	—	132,311*
1919	6,093,785	556,785	5,537,000	—	—	—	—	—	—
1920	11,820,031	604,194	11,215,837	—	—	—	—	—	—
1921	6,284,383	660,228	2,329,442	—	3,294,713	—	—	—	—
1922	2,268,688	692,436	861,264	—	714,988	—	—	—	—
1923	921,221	725,626	195,595	—	—	—	—	—	—
1924	473,153*	756,152	1,229,305*	—	—	—	—	—	—
1925	1,210,576	778,811	431,765	—	—	—	—	—	—
1926	1,660,762	808,505	852,257	—	—	—	—	—	—
1927	1,108,190	832,583	275,607	—	—	—	—	—	—
1928	3,180,715	856,843	2,323,872	—	—	—	—	—	—
1929	3,705,442	910,007	2,795,435	—	—	—	—	—	—
1930	783,777	952,934	169,157*	—	—	—	—	—	—
1931	78,545	936,513	857,968*	—	—	—	—	—	—
1932	1,871,256	858,427	180,083	—	832,746	—	—	—	—
1933	731,683	789,058	57,375*	—	—	—	—	—	—
1934	1,042,697	769,096	281,757	8,156*	—	—	—	—	—
1935	780,861	772,127	—	—	—	8,734	—	—	—
1936	718,906	752,931	48,456*	—	—	14,431	—	—	—
1937	1,081,061	773,118	294,467	—	—	13,476	—	—	—
1938	1,049,626	799,145	250,254	—	—	227	—	—	—
1939	896,664	823,216	73,738	290*	—	—	—	—	—
1940	1,921,307	842,330	1,063,869	—	—	15,108	—	—	—
1941	908,225	869,942	22,825	—	—	15,458	—	—	—
1942	1,316,468	888,550	421,070	—	—	6,848	—	—	—
1943	5,181,774	922,163	4,259,012	—	—	599	—	—	—
1944	4,977,847	967,057	4,010,790	—	—	—	—	—	—
1945	9,135,615	1,025,112	8,103,326	—	—	7,177	—	—	—
1946	8,743,607	1,094,157	7,648,580	—	—	872	—	—	—
1947	8,911,617	1,123,392	779,013	1,461*	—	—	7,010,673	—	—
1948	19,087,075	1,138,865	1,794,840	—	—	—	16,153,370	—	—
1949	21,049,140	1,156,753	1,989,249	—	—	—	17,903,138	—	—
1950	21,786,679	1,213,208	2,057,396	—	—	—	18,516,075	—	—
1951	27,669,718	1,327,030	2,634,274	—	—	—	23,708,414	—	—
* Contra Entry									
ADJUSTMENTS			-14,146,864(1a)	1,015,572(2)					14,146,864(1b)
			-6,120,844(3)						
			7,043,820(4)						

NOTES:

- 1(a) Purchase of Federal Deposit Insurance Corporation Stock in 1934.
- 1(b) Transfer to Treasury of Proceeds of Redemption of FDIC Stock in 1947.
- 2 Payments received from Treasury, relative to Section 13b loans in 1934-5.
- 3 Transferred from Surplus to Reserves for Contingencies.
- 4 Transferred from Reserves for Contingencies to Surplus (Section 7).

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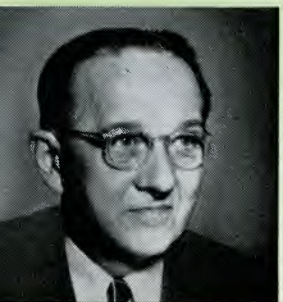
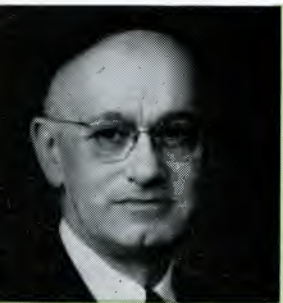
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