Federal Reserve Bank of Cleveland

Serving

Cleveland · Pittsburgh · Cincinnati
Columbus · Toledo · Akron · Dayton
Youngstown · Erie · Canton · Springfield
Covington · Hamilton · Lexington · Wheeling · Warren
Lorain · Lima · McKeesport · Mansfield · New Castle · Zanesville
Cuyahoga Falls · Middletown · Portsmouth · Steubenville · Newark
Marion · Massillon · Newport · Elyria · Ashland · Barberton · Sandusky · Lancaster
Alliance · Aliquippa · Findlay · East Liverpool · Ashtabula · Washington · Chillicothe
New Kensington · Weirton · Butler · Tiffin · Oil City · Meadville · Uniontown
Piqua · Niles · Fremont · Beaver Falls · Ironton · Painesville · Marietta

Annual Report 1957
<table>
<thead>
<tr>
<th>City</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland</td>
<td>Machinery, transportation equipment, primary metals</td>
</tr>
<tr>
<td>Pittsburgh (Pa.)</td>
<td>Steel, machinery, metal products</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>Machinery, transportation equipment, food and beverages</td>
</tr>
<tr>
<td>Columbus</td>
<td>Airplanes, appliances, auto parts</td>
</tr>
<tr>
<td>Toledo</td>
<td>Auto parts, glass, oil refining</td>
</tr>
<tr>
<td>Akron</td>
<td>Rubber products, aircraft parts, machinery</td>
</tr>
<tr>
<td>Dayton</td>
<td>Machinery, appliances, electric industrial apparatus</td>
</tr>
<tr>
<td>Youngstown</td>
<td>Steel, electrical machinery, metal products</td>
</tr>
<tr>
<td>Erie (Pa.)</td>
<td>Machinery, metal products, paper products</td>
</tr>
<tr>
<td>Canton</td>
<td>Steel, machinery, metal products</td>
</tr>
<tr>
<td>Springfield (Ky.)</td>
<td>Transportation equipment, machinery, metal products</td>
</tr>
<tr>
<td>Covington (Ky.)</td>
<td>Paper bags, beer, machinery</td>
</tr>
<tr>
<td>Hamilton</td>
<td>Auto parts, paper products, machinery</td>
</tr>
<tr>
<td>Lexington (Ky.)</td>
<td>Tobacco processing, electric equipment, paper products</td>
</tr>
<tr>
<td>Wheeling (W. Va.)</td>
<td>Machinery, glass containers, collapsible tubes</td>
</tr>
<tr>
<td>Warren</td>
<td>Steel, auto parts, light bulbs</td>
</tr>
<tr>
<td>Lorain</td>
<td>Steel, power shovels, shipbuilding</td>
</tr>
<tr>
<td>Lima</td>
<td>Electric motors, machinery, aircraft parts</td>
</tr>
<tr>
<td>McKeesport (Pa.)</td>
<td>Steel</td>
</tr>
<tr>
<td>Mansfield</td>
<td>Appliances, tires, metal products</td>
</tr>
<tr>
<td>New Castle (Pa.)</td>
<td>Steel, industrial equipment, chinaware</td>
</tr>
<tr>
<td>Zanesville</td>
<td>Clay-glass products, electric machinery, steel</td>
</tr>
<tr>
<td>Cuyahoga Falls</td>
<td>Dairy products, machinery</td>
</tr>
<tr>
<td>Middletown</td>
<td>Steel, machinery, paper products</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>Steel, shoes</td>
</tr>
<tr>
<td>Steubenville</td>
<td>Steel, paper products, dinnerware</td>
</tr>
<tr>
<td>Newark</td>
<td>Glass fibers, aluminum mill products, truck axles</td>
</tr>
<tr>
<td>Marion</td>
<td>Machinery, steel, appliances</td>
</tr>
<tr>
<td>Massillon</td>
<td>Steel, machinery, metal products</td>
</tr>
<tr>
<td>Newport (Ky.)</td>
<td>Steel, men’s clothing</td>
</tr>
<tr>
<td>Elyria</td>
<td>Electric motors, auto parts, air-brake equipment</td>
</tr>
<tr>
<td>Ashland (Ky.)</td>
<td>Oil refining, steel</td>
</tr>
<tr>
<td>Barberton</td>
<td>Industrial boilers, rubber goods, chemicals</td>
</tr>
<tr>
<td>Sandusky</td>
<td>Ball bearings, auto parts, televisions</td>
</tr>
<tr>
<td>Lancaster</td>
<td>Glass products, electrical equipment, valves</td>
</tr>
<tr>
<td>Alliance</td>
<td>Steel products, industrial equipment, electric motors</td>
</tr>
<tr>
<td>Aliquippa (Pa.)</td>
<td>Steel, ferro-alloys</td>
</tr>
<tr>
<td>Findlay</td>
<td>Textile products, rubber tires, machinery</td>
</tr>
<tr>
<td>East Liverpool</td>
<td>Dinnerware, electrical porcelain, machinery</td>
</tr>
<tr>
<td>Ashtabula</td>
<td>Chemicals, ferro-alloys, electric motors</td>
</tr>
<tr>
<td>Washington (Pa.)</td>
<td>Glass products, steel</td>
</tr>
<tr>
<td>Chillicothe</td>
<td>Paper, shoes, aluminum products</td>
</tr>
<tr>
<td>New Kensington (Pa.)</td>
<td>Aluminum products</td>
</tr>
<tr>
<td>Weirton (W. Va.)</td>
<td>Steel, steel products</td>
</tr>
<tr>
<td>Butler (Pa.)</td>
<td>Steel, freight cars, refractories</td>
</tr>
<tr>
<td>Tiffin</td>
<td>Electrical equipment, plumbing fixtures, machinery</td>
</tr>
<tr>
<td>Oil City (Pa.)</td>
<td>Oil refining, steel products, machinery</td>
</tr>
<tr>
<td>Meadville (Pa.)</td>
<td>Fasteners, rayon yarn, heating equipment</td>
</tr>
<tr>
<td>Uniontown (Pa.)</td>
<td>Coal mining, clothing</td>
</tr>
<tr>
<td>Piqua</td>
<td>Textile products, machinery</td>
</tr>
<tr>
<td>Niles</td>
<td>Steel, titanium mill products, trailers</td>
</tr>
<tr>
<td>Fremont</td>
<td>Appliances, electric batteries, steel products</td>
</tr>
<tr>
<td>Beaver Falls (Pa.)</td>
<td>Boiler tubing, building materials, chinaware</td>
</tr>
<tr>
<td>Ironton</td>
<td>Chemicals, coke</td>
</tr>
<tr>
<td>Painesville</td>
<td>Chemicals, rayon yarn</td>
</tr>
<tr>
<td>Marietta</td>
<td>Ferro-alloys, plastics, metal furniture</td>
</tr>
</tbody>
</table>
A Note On

CITIES

of the FOURTH DISTRICT

The cities named on the cover design are in order of population ranging from the largest, with close to one million, down to some cities in the 20,000 class. A complete list of Fourth District cities would include hundreds of additional entries.

The manufacturing strength of each city is suggested by the list of leading industries (or industry groups) shown on the facing page.

The order of listing is determined by the current population estimates for each corporate city. If the “standard metropolitan area”, which includes one or more counties, had been used to determine the order of listing, a number of differences would be noted. Pittsburgh, for example, would score as larger than Cleveland; Dayton would move up in rank.

Certain cities which are primarily suburban or residential have been omitted from the list, in order to make a clearer showing of the industrial pattern. Examples of omitted cities are Lakewood, Cleveland Heights, Shaker Heights, etc., in the Cleveland area, Norwood in the Cincinnati area, Upper Arlington in the Columbus area.
To the Banks in the
Fourth Federal Reserve District:

We are pleased to present this report of the Federal Reserve Bank of Cleveland for 1957.

The year was significant in that it brought into production expanded facilities of many industries within the borders of the Fourth District. This expansion took place not only in the larger industrial cities, but in a considerable number of medium-size and smaller towns. Truly this is an area rich in skills, research and well-tooled plants catering to the demands of the nation and of the world.

For most of the year the demands for credit were large and persistent. The banks of the district have demonstrated an endeavor to meet the requirements of business, individuals and agriculture promptly and effectively.

So that we might discharge our responsibilities properly, we have called on men of industry, agriculture and finance for their observations and counsel. Their cooperation and assistance have been much appreciated.
TABLE of CONTENTS

Monetary Policy in a Year of Business Shifts .................. 4

The Year in Fourth District Banking ............... 9

1957 in Review (chart) ....................... 12

The Volume of Service Operations .................. 14

A Daily Round of Activities .................. 16

Statement of Condition .................. 20

Earnings and Expenses .................. 21

Directors ........................................ 22

Officers ........................................ 23

Branch Directors and Officers .................. 24
Perhaps the most curious economic development during 1957 was the downturn in industrial production — which came to an end in April. That downturn not only came to a halt, but was succeeded by a visible expansion in the face of widespread misgivings and uncertainties.

That strange sequence was subsequently eclipsed by the more pronounced slowdown which emerged sometime after Labor Day. Yet, if it were possible to identify and evaluate correctly the various forces which quietly arrested the earlier downturn, some indications might be derived with respect to the probable depth and duration of the present phase of reduced industrial activity.

It is neither the intention nor within the competence of this review to conduct a searching probe into the causes of the spring and summer recovery — however mild — but rather to reconsider the adverse emotional setting out of which it materialized and to restate the questions which it posed for monetary management.

Throughout the first quarter of 1957, business sentiment was anything but buoyant. If business recessions were triggered by psychology alone, the index of business activity would not have tilted upward last spring. Industrial production, which had topped out in late 1956, was slowly ebbing through the winter months. Conditions in the automotive trade were described as spotty. Sales of the 1957 models admittedly were not living up to earlier expectations. The television industry as well as producers of other household durables were in the throes of curtailing output in conformity with a reduced level of shipments.

Basic commodity prices had begun to weaken at about the same time. This was particularly true of such key commodities as steel scrap, non-ferrous metals, textiles, and lumber. Moreover, by March the rate at which new housing units were being started was the lowest in eight years. In such a psychological environment, earlier estimates of future expenditures on plant and equipment were becoming suspect, particularly when a leading motor car manufacturer announced the postponement of a major expansion.
program in northern Ohio, and a well-known electrical equipment concern revealed that it was suspending construction on several partly-completed facilities. Meanwhile, the squeeze on profit margins was the subject of much comment and Wall Street was evaluating the outlook in fairly gloomy terms by mid-February.

Individuals of eminence did not conceal their concern regarding the precarious state of the economy. One widely publicized admonition, regarding the nature of a potential depression, took the form of a picturesque phrase; others drew analogies from the situation preceding the famous downturn of a generation or more ago.

As usual there was no unanimity as to the cause or causes of the midwinter downward slope. In some quarters it was ascribed to the international unsettledment generated by the Suez emergency; in others there was apprehension that a humiliating settlement might devitalize the shaken economies of Western Europe. The February cut in the bank rate in England was interpreted as presaging industrial weakening abroad.

In some circles, it was the threat of a prospective Federal deficit that represented a discouraging element; in others it was the threat of curtailed Federal expenditures that contributed to uneasiness and uncertainty.

As will be well remembered, the worst—or even the worse—did not occur, despite a psychological climate conducive to further retrenchment. The recession—which failed to develop—was followed by a four- or five-month recovery in industrial production, which similarly did not quite regain all of the lost ground. And in that strange sequence lie

---

**THREE YEARS OF HIGH LEVEL EMPLOYMENT**

![Graph showing employment levels from 1954 to 1958](image)

*Not adjusted for seasonal influences.*
some of the elements of the dilemma which confronted the monetary authorities during much of 1957.

Considered in isolation, the gradual retraction of industrial activity during the early months of the year, accompanied by talk of possibly an imminent recession, might have suggested the propriety of an obvious and unmistakable move in the direction of easier monetary and credit conditions. As is indicated in the first accompanying chart, however, at no time during the first nine or ten months of 1957 was there in existence and available a reservoir of unused manpower. To the contrary throughout most of last year, despite some shrinkage in industrial activity, there prevailed an almost continuous shortage of human resources, especially in the form of skilled labor. (During 1957 the vast agglomeration of service industries for the first time surpassed the producers of goods in aggregate number of employees.) To have inflated further the credit base, and the credit-extending capacity of the economy, in response to the record demand for funds, during a period of nearly-full employment and still rising prices, would have served scarcely any other purpose than to accentuate the recovery of mid-summer which, if encouraged, would have tended to increase the distortions and to prolong the inevitable phase of industrial readjustment and reorientation.

The level of manpower — and factory — utilization, moreover, is not the only criterion for making or altering monetary policy. There is a valid basis for the assumption that the nation as a whole wishes monetary policy to be evolved also in the light of what is happening to the purchasing power of current personal income as well as of accumulated personal savings.

The second accompanying chart illustrates the extent to which such purchasing power deteriorated during the past two years. Considering in turn this specific aspect — and again in isolation — no loosening of the credit strings was warranted at any time during the past eighteen months or so. During the past year, the principle of "creeping inflation" was brought to the forefront of public attention. Its advocates suggested that a shrinkage in the purchasing power of the dollar at a rate of two to three percent per annum might be preferable to consequences of strict adherence to the target of longer-run stability in the price level.

Perfect and continuous stability in the internal value of the dollar obviously is not achievable, is probably not even desirable. The necessity of having to choose between stability and "creeping inflation," however, was only of academic and theoretical importance during virtually all of 1957, for the fact is that, from early 1956, the purchasing power of an earned or a saved dollar had declined even more rapidly than the limit of tolerance suggested by adherents of the "creeping inflation" doctrine. The behavior of the consumer price index, as well as of wholesale prices, during 1957 provided
a relatively clear mandate with respect to the kind of credit policy needed.

In addition to the continuing manpower shortage, and the persistent rise in average prices, the psychological climate also was the cause of considerable concern to monetary management, especially during midsummer. The state of the economy in terms of resources employed is measurable with at least some degree of mathematical precision. Similarly, the behavior of prices or, conversely, changes in the purchasing power of the monetary unit, are readily susceptible to statistical measurement. The emotional state of the economy, however, is not so precisely ascertainable.

... the purchasing power of the dollar continued to decline during 1957 to a new record low. The rate of deterioration, measured from early 1956, represented not only a marked departure from price stability but actually exceeded the limit of tolerance imposed by the controversial "creeping inflation" doctrine.

During the early months of 1957, when so many misgivings were being expressed, inflationary psychology was on the wane. But the subsequent improvement in production and employment was accompanied by an extraordinary resurgence of ebullience, possibly abetted by widespread discussion of the merits—or inevitability—of chronic inflation.

The unrealistic extremity to which that ebullience was carried is illustrated on the final chart. Notwithstanding the appearance of a mild profit squeeze, and the continuing decline in the market value of many competing types of investments, notably Triple A corporate bonds, the prices of common stocks once again rose to a point where the yield thereon was well below four percent—a yield which admittedly did not seem far out of line with precedents established in both 1955 and 1956. The significant difference was, however, that in this latest case, the rate of return on common stocks compared quite unfavorably with that obtainable on the highest grade debt instru-
ments. Apparently inflationary fervor had reached a new degree of intensity during the months of June, July and August. Under such circumstances an easier credit policy might well have been described herein at some length. There is considerable justification, however, in observing the judicial principle of making no comments "while the case is being tried." In due course this latest

... during June, July, and August 1957, the yield on industrial common stocks was lower than the return on gilt-edge corporate bonds. This unusual relationship confirmed the presence of a pervasive inflationary psychology.

interpreted by the speculative community as an act of validation of the inflationary trend. If economic readjustments are in some degree a function of the preceding excesses, the restraint imposed by the credit situation during mid-1957 was a contribution to longer-run stability.

The change in economic climate which emerged in the closing months of 1957 probably deserves more attention in this review than the peculiar sequence of events which preceded it and which has development will fall into intelligible perspective. Meanwhile it may be observed that, as was the case in the spring of 1957, business recovery seldom, if ever, has waited for confidence to lead the way. Accordingly, the mere prevalence of pessimism at any given time — perhaps as at the present — is not a barrier to the emergence of an upward movement in production and employment. When recovery comes, business confidence will follow in its wake.
The close relationship between banking trends and business activity was evident in the changing banking scene during 1957. Demands for bank credit, principally by business borrowers, continued strong through the first half of the year. At the same time, the Federal Reserve System was following a policy of restraining an inflationary expansion of money and credit. During the first half of the year, banks in the Fourth Federal Reserve District, as well as in the nation, continued to reduce their holdings of Treasury securities in order to meet the demand for loans.

Thus, an expansion similar to that which marked 1956 seemed to be making a repeat performance. Later, however, the pace of business activity receded and, consequently, trends in banking contrasted sharply with those of earlier months.

Loans. By the end of June, business loans outstanding at the seventeen weekly reporting member banks of the Fourth District had increased by $173 million, well above the $122 million added in the comparable 1956 period. In the second half of 1957, however, business concerns of the District reduced
their loans at reporting banks in the amount of $56 million, in contrast to the acceleration in borrowing which had occurred in the second half of the previous year. Sample data available from fourteen of the weekly reporting member banks indicate that the largest reductions were made by metals producers, sales finance companies, and public utilities. In part, the slower rate of bank borrowing can be attributed to a heavier volume of long-term financing through the capital market. A major factor, however, was the lack-luster pace of business that led to a less than seasonal build-up of inventories.
Securities. Selling of securities by banks in order to meet a growing demand for bank loans has typified much of the postwar period. Since the end of 1945, loan portfolios of all Fourth District member banks have more than quadrupled while security holdings have been reduced by one-third. During the second half of 1957, however, the shift from securities to loans was reversed.

Deposits. Total deposits at all Fourth District member banks remained relatively stable during the year. Deposits had increased only slightly in 1956 and the gain in 1957, amounting to about $159 million, was even smaller. Reflecting in part the decline in loans, deposits subject to withdrawal on demand declined $62 million for the year. A part of this decline probably represents a movement from demand deposits to time and savings deposits, as the latter increased $221 million, partly in response to increased interest rates paid. While demand deposits decreased over the year, the effective volume of such funds increased as depositors wrote more checks and the annual rate of turnover rose from 23.3 in 1956 to 24.1 in 1957.

Banking Structure. Trends in banking structure during 1957 continued the postwar movement toward branch banking. Of the 82 branches added to the Fourth District banking structure during the year, 73 are newly established branches and 11 are former main offices of merged or absorbed banks. Only two branches were discontinued. While the number of insured commercial branches increased, the number of banks declined by eight.

On December 31, there were 971 insured commercial banks with 733 branch offices serving the banking needs of the Fourth Federal Reserve District.
1st Quarter

GHANA becomes a nation

SUEZ adventure being liquidated

KING SAUD visits U.S.

JORDAN’S status threatened

Principle of Creeping Inflation debated vigorously

Industrial Stock Prices recover 1956 losses

Common Stock

Steel Rate at 97%

Housing Starts at 8-yr. low

2nd Quarter

BRITAIN has H-bomb

1st BRIT. SHIP passes thru SUEZ

JORDAN’S status threatened

Principle of Creeping Inflation debated vigorously

Industrial Stock Prices recover 1956 losses

Common Stock

Steel Rate at 97%

Housing Starts at 8-yr. low

Congress in Session

U.S. POPULATION now 170,000,000

Jan 16

TOSCANINI at 89

May 20

GILBERT MURRAY at 91
3rd Quarter

MALAYA becomes a nation

4th Quarter

1957 in Review

RUSSIA has ICBM—and launches satellites

SPUTNIK I

SPUTNIK II "with dog"

KREMLIN shake-up
MALENKOV, MOLOTOV, et al. banished

SYRIA becoming danger spot

F. R. ups Disc.
rate to 3 1/2%

Bank of England
ups rate to 7%

cuts rate to 3%

Cost of living at all-time high

new AUTO models
(production = 6,200,000
in past 12 mos.)

Steel Rate below 70%
to 3-yr. low

CIVIL RIGHTS BILL
enacted

HOUSING ACT OF ’57

"noncallable" feature appearing in new issues

and then decline sharply

Copper at 28c
(vs. 46c yr. ago)

MACKINAC BRIDGE
opened

ASIAN FLU

N.Y. GIANTS to move
to San Francisco

67,000,000 employed
(all-time high)

Trouble in Little Rock

ATOMIC REAC
of Shippingport

AFL-CIO
suspends Teamsters Union

Sept 20

SIBELIUS at 91
The year 1957 witnessed no letup in this bank’s workload in the provision of services to the banking and business community—a complex of activities which bulks larger in manpower requirements than do the more sensitive functions which center about credit control and monetary policy. With few exceptions, the major operating divisions of the bank encountered a larger volume of activity than in the previous year, although the margins of increase tended to be smaller than has frequently been the case.

Activity in check collection during 1957 represented a special case, insofar as the grand total of checks handled at the three offices declined by one-half percent. (It was the first decline, on an annual basis, during the entire postwar period.) The decline, however, is entirely attributable to a change in the procedure for clearance of government checks which resulted in a 21% drop in the number of government checks handled at this bank during the year. Exclusive of government checks, the number of checks handled by the three offices rose 2% from the record load of 1956. (The check collection department is the largest employing unit of the bank; it conducts a three-shift round-the-clock series of operations, with an average daily load in excess of 1 million checks.)

About $105 million in coin was paid out to banks during the year, for use in meeting the demands of the public. That represented a 5% rise from the large figure of the previous year. Currency payments, however, increased by only one percent. The charts show month-to-month variations in comparison with the previous year.

The fact that coin payments increased at a greater rate than currency payments represents the continuation of a well-marked trend. A comparison of the two activities in respect to rates of gain between the years 1948 and 1957 brings out the point: Coin payments rose by 142% between 1948 and 1957 while currency payments rose by only 29%. Among the factors that have been suggested to explain the large increase in public demand for coin is the increased use of vending machines and parking meters. The relatively small increase in needs for cur-
rency, in turn, may be a reflection of greater preference for use of checking accounts.

Sales of marketable Treasury issues, handled by this bank as fiscal agent of the United States, showed a significant increase from the volume handled in the previous year. Treasury bills, as charted, scored a 7% increase for the year. Certificates and notes, which are sold at somewhat irregular intervals through the year, were handled in a volume which was 75% larger than that of 1956. (These are not shown in the accompanying charts.)

Savings bond sales handled for the Treasury by the three offices totaled nearly 14 million pieces during the year. That represented an increase of one percent from the corresponding figure for the previous year. Redemptions of savings bonds were also large during 1957. Relationships of redemptions and sales on a district-wide basis should not, however, be taken as reliable indicators of net savings trends, insofar as the Federal Reserve district lines are easily crossed at either end of the transaction between citizen and government.
A Daily Round of Activities

at the

Federal Reserve Bank of Cleveland

A highly abridged “diary” of a sample day at the Federal Reserve Bank of Cleveland is suggested on the following three pages. Typical items of transactions, selected for their usefulness in standing for many thousands of similar or related items, are noted in turn for each of the following: this bank’s relationships with member banks of the district; this bank’s relationships with the Board of Governors of the Federal Reserve System; this bank’s relationships with the other eleven Federal Reserve Banks.

Artistic license is taken in the selection of the items which follow. In addition to the fact that many important phases of the bank’s operations are necessarily left unmentioned, it is also apparent that some of the selected items might not happen to “bunch up” in the form of actual occurrences within one single day. However, the possible exaggerations in the latter respect are of far less significance than the omissions of important types of transactions.

Among the areas of omitted items is the entire range of direct dealings between this bank and the general public; these take the form of numerous transactions in the field of fiscal agency operations of the bank, and also in the general area of public information and the exchange of opinion about problems of credit policy.

Another area of relationship which fails to find a place in the following pages is the large range of transactions between this bank and the U. S. Treasury. In addition to the continuous inflow and outflow of Treasury deposits, this bank’s activities include a multitude of transactions growing out of its role as fiscal agent of the United States.
Transactions with Member Banks

What happens at this bank as pertaining to a member bank, e.g., the ABC National Bank of Youngstown.

2:00 A.M. The night shift of this bank receives cash letter from ABC National Bank of Youngstown.

(The cash letter is an itemization of checks drawn against other banks for clearance and credit to account of ABC bank; checks accompany the letter.)

8:30 A.M. The day shift of this bank continues the sorting and listing of checks received by the night force from ABC bank, and from other banks, and prepares cash letters for sending checks to the various drawee banks for collection. The amount due the ABC bank will be credited to its balance at this bank (its reserve account) tomorrow.

9:30 A.M. Shipment of coin and currency to ABC bank is prepared in the amount and denominations previously requested by telephone. The balance of ABC bank is debited by a corresponding amount.

10:05 A.M. This bank sells $1 million in Treasury bills for ABC bank as requested by telephone. Bills are withdrawn from the safekeeping account of the ABC bank.

11:05 A.M. Wire transfer of funds between ABC bank and a bank in Illinois is arranged through the Federal Reserve Bank of Chicago. The balance of the ABC bank here is debited by the appropriate amount.

2:30 P.M. This bank grants ABC bank’s request by telephone for a 3-day loan and passes credit to its reserve account. Collateral in the form of U. S. securities is withdrawn from the safekeeping account of the ABC bank with this bank.

6:00 P.M. Daily statement of the day’s activity in the reserve account of the ABC bank is forwarded to it.

8:00 P.M. Twilight shift of mail department makes delivery of cash letters and other mail to post office, airport, express company, private carrier, and bus line.

What happens at the ABC National Bank of Youngstown, for example, as pertaining to this bank.

8:30 A.M. Receives from this bank for collection an assortment of checks drawn against the ABC National Bank of Youngstown.

9:30 A.M. Officer of ABC bank calls officer at this bank regarding margin requirements of Regulation U as applicable to a proposed loan by the ABC bank to be secured by shares of stock.

10:00 A.M. Telephones this bank to arrange wire transfer of funds to the reserve account credit of a bank in Illinois to be debited against ABC bank’s account with the Federal Reserve Bank of Cleveland.

11:00 A.M. Telephones this bank to arrange wire transfer of funds to the reserve account credit of a bank in Illinois to be debited against ABC bank’s account with the Federal Reserve Bank of Cleveland.

1:03 P.M. Receives shipment of coin and currency from this bank as requested on the preceding business day.

1:30 P.M. An officer of this bank drops in, in the course of a bank relations visit.

3:30 P.M. Prepares cash letter and accompanying checks to be sent to this bank for collection and for crediting to the account of ABC bank.
Transactions with the Board of Governors

What happens at this bank as pertaining to the Board of Governors of the Federal Reserve System.

9:30 A.M. Receives telegram from Board listing total for the previous day of credits to this bank from other Federal Reserve banks and branches that participate in the Interdistrict Settlement Fund.

11:10 A.M. Sends reports on business conditions in the Fourth District.

12:05 P.M. Receives instructions from the Board of Governors concerning the share of this bank’s earnings to be paid over to the U. S. Treasury, after operating expenses and dividends have been met.

2:30 P.M. Receives examiners from the Board of Governors who are to make a periodic, but unannounced, examination of this bank’s operations.

3:40 P.M. President Fulton leaves by plane for Washington to attend one-day meeting of the Federal Open Market Committee. (The committee includes members of the Board of Governors and presidents of Reserve banks; it meets every three weeks to reappraise main lines of credit policy.)

3:45 P.M. Receives statement from Board of Governors showing this bank’s share of expenses of leased wire system.

3:50 P.M. Receives letter from Board of Governors containing itinerary of an official of Bank of England who will visit this bank next week.

4:30 P.M. Sends to the Board of Governors the recently completed results of examination of four state member banks located in this District. (Each of the 205 state member banks of the District is examined once a year by examiners of this bank, acting on behalf of the Board of Governors.)

5:15 P.M. Telegraphs to the Board the total amount of credits due today from this bank to each of the other Federal Reserve banks and branches that participate in the Interdistrict Settlement Fund.

What happens at the Board of Governors of the Federal Reserve System as pertaining to this bank.

9:15 A.M. Approves appointment of Mr. Y as a Federal Reserve Agent’s Representative at the Pittsburgh Branch of this bank, to succeed Mr. X.

9:45 A.M. Notifies this bank that the Comptroller of the Currency has been requested to place an order with the Bureau of Engraving and Printing for the printing of Federal Reserve Notes of this bank in designated denominations and amounts, to be delivered during fiscal year 1958.

10:00 A.M. Asks for list of employees and other personnel data for this bank, as of the first of the month.

11:05 A.M. Approves establishment by this bank, without change, of the discount rate. This is the rate of interest paid by member banks when they borrow from this bank.

(The discount rate is reviewed by our directors every two weeks, at which time the existing rate either is re-established or is superseded by a higher or lower rate. In neither case does the action become effective until approved by the Board of Governors.)

1:30 P.M. Requests the cooperation of this bank in a special survey to determine whether small business has been at a disadvantage in obtaining bank loans.

3:00 P.M. Approves this bank’s budget for the coming year, including planned expenditures for enlargement of the Pittsburgh Branch building.

4:50 P.M. Sends notification to this bank of its pro rata share of payments due to cover the operating expenses of the Board of Governors.
Transactions with other Reserve Banks

What happens at this bank as pertaining to other Federal Reserve Banks.

9:15 A.M. Sends daily code report to the Federal Reserve Bank of New York. For selected banks in this District, the report shows totals of required reserves, maintained reserves, and borrowings. Data will be used to estimate daily reserve positions of banks in the large cities and will contribute to information used daily by the manager of the System’s open market account.

10:00 A.M. Federal Reserve Bank of St. Louis requested by wire to complete wire transfer of U.S. government securities sold by a member bank of this District. (New certificates will be issued to the purchasers by the Federal Reserve Bank of St. Louis.)

10:20 A.M. Receives bundles of checks for collection from other Federal Reserve banks. These are checks drawn against banks in this District.

11:05 A.M. Wires Federal Reserve Bank of Chicago to pay XYZ Bank of Illinois the sum designated by ABC National Bank of Youngstown, Ohio. (Federal Reserve Bank of Chicago will credit the reserve balance of the XYZ Bank of Illinois.)

5:00 P.M. Sends bundles of checks for collection to Federal Reserve Bank of Atlanta, for example. These are checks drawn on banks located in the Sixth (Atlanta) Federal Reserve District. Cash letter accompanies checks. The Federal Reserve Bank of Atlanta will credit this bank for the appropriate amount on a deferred availability basis; credit will be effected through the Interdistrict Settlement Fund.

What happens at other Federal Reserve Banks as pertaining to this bank.

9:05 A.M. Federal Reserve Bank of Philadelphia notifies this bank that a meeting of the System Committee on Banking and Credit Policy will meet at the Federal Reserve Bank of Philadelphia next month. (Representatives of all twelve Federal Reserve banks and of the Board of Governors will attend.)

9:40 A.M. The Federal Reserve Bank of Richmond wires this bank to pay the LMN Bank of Akron a specified sum. This will be credited to the reserve account of the LMN bank.

11:00 A.M. Federal Reserve Bank of New York wires this bank and other Federal Reserve banks a daily report on factors affecting the New York market for government securities immediately after the market opening for the day.

2:30 P.M. Federal Reserve Bank of St. Louis telegraphs this bank that wire transfer of securities has been completed in accordance with this bank’s request as of 10:00 A.M.

4:10 P.M. Head of research at another Federal Reserve Bank seeks information regarding this bank’s procedures for machine tabulation of the deposit-ownership survey.
### COMPARATIVE STATEMENT OF CONDITION

**ASSETS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Dec. 31, 1957</th>
<th>Dec. 31, 1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Certificate Account</td>
<td>$1,943,736,050</td>
<td>$1,934,798,478</td>
</tr>
<tr>
<td>Redemption Fund for Federal Reserve Notes</td>
<td>79,557,320</td>
<td>77,869,350</td>
</tr>
<tr>
<td><strong>Total Gold Certificate Reserves</strong></td>
<td>$2,023,293,370</td>
<td>$2,012,667,828</td>
</tr>
<tr>
<td>Federal Reserve Notes of Other Banks</td>
<td>28,480,370</td>
<td>19,697,070</td>
</tr>
<tr>
<td>Other Cash</td>
<td>22,701,267</td>
<td>21,211,456</td>
</tr>
<tr>
<td><strong>Total Cash</strong></td>
<td>$2,074,475,007</td>
<td>$2,053,576,354</td>
</tr>
<tr>
<td>Discounts and Advances</td>
<td>4,200,000</td>
<td>3,525,000</td>
</tr>
<tr>
<td><strong>U. S. Government Securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills</td>
<td>86,395,000</td>
<td>148,878,000</td>
</tr>
<tr>
<td>Certificates</td>
<td>1,750,929,000</td>
<td>945,602,000</td>
</tr>
<tr>
<td>Notes</td>
<td>0</td>
<td>791,749,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>246,100,000</td>
<td>242,332,000</td>
</tr>
<tr>
<td><strong>Total U. S. Government Securities</strong></td>
<td>$2,083,424,000</td>
<td>$2,128,561,000</td>
</tr>
<tr>
<td><strong>Total Loans and Securities</strong></td>
<td>$2,087,624,000</td>
<td>$2,132,086,000</td>
</tr>
<tr>
<td>Uncollected Cash Items</td>
<td>$490,270,788</td>
<td>$540,172,184</td>
</tr>
<tr>
<td>Bank Premises</td>
<td>$9,678,357</td>
<td>$7,805,250</td>
</tr>
<tr>
<td>Other Assets</td>
<td>19,341,216</td>
<td>21,491,011</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$4,681,389,368</td>
<td>$4,755,130,799</td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th>Item</th>
<th>Dec. 31, 1957</th>
<th>Dec. 31, 1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Reserve Notes</td>
<td>$2,624,652,920</td>
<td>$2,592,653,310</td>
</tr>
<tr>
<td>Deposits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Bank—Reserve Accounts</td>
<td>1,486,691,067</td>
<td>1,470,223,397</td>
</tr>
<tr>
<td>U. S. Treasurer—General Account</td>
<td>45,777,931</td>
<td>31,313,072</td>
</tr>
<tr>
<td>Foreign</td>
<td>30,690,000</td>
<td>20,936,000</td>
</tr>
<tr>
<td>Other Deposits</td>
<td>5,483,502</td>
<td>10,970,646</td>
</tr>
<tr>
<td><strong>Total Deposits</strong></td>
<td>$1,588,642,500</td>
<td>$1,539,443,115</td>
</tr>
<tr>
<td>Deferred Availability Cash Items</td>
<td>$371,625,775</td>
<td>$513,240,182</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>1,483,968</td>
<td>1,454,292</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$4,566,405,163</td>
<td>$4,646,790,899</td>
</tr>
</tbody>
</table>

**CAPITAL ACCOUNTS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Dec. 31, 1957</th>
<th>Dec. 31, 1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Paid in</td>
<td>$32,514,550</td>
<td>$31,046,150</td>
</tr>
<tr>
<td>Surplus (Section 7)</td>
<td>71,550,353</td>
<td>66,392,961</td>
</tr>
<tr>
<td>Surplus (Section 13b)</td>
<td>1,005,665</td>
<td>1,005,665</td>
</tr>
<tr>
<td>Other Capital Accounts</td>
<td>9,913,637</td>
<td>9,895,124</td>
</tr>
<tr>
<td><strong>Total Liabilities and Capital Accounts</strong></td>
<td>$4,681,389,368</td>
<td>$4,755,130,799</td>
</tr>
<tr>
<td>Contingent Liability on Acceptances Purchased for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Correspondents</td>
<td>$6,849,000</td>
<td>$4,531,800</td>
</tr>
<tr>
<td>Industrial Loan Commitments</td>
<td>$77,450</td>
<td>$121,111</td>
</tr>
</tbody>
</table>
## COMPARISON OF EARNINGS AND EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Current Earnings</td>
<td>$ 66,494,591</td>
<td>$ 51,157,205</td>
</tr>
<tr>
<td>Net Expenses</td>
<td>12,362,162</td>
<td>11,043,778</td>
</tr>
<tr>
<td><strong>Current Net Earnings</strong></td>
<td>$ 54,132,429</td>
<td>$ 40,113,427</td>
</tr>
<tr>
<td>Additions to Current Net Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on Sales of U. S. Government Securities (Net)</td>
<td>14,874</td>
<td>24,350</td>
</tr>
<tr>
<td>Reimbursement for Fiscal Agency Expenses Incurred in Prior Years</td>
<td>114,553</td>
<td>0</td>
</tr>
<tr>
<td>All Other</td>
<td>4,625</td>
<td>5,925</td>
</tr>
<tr>
<td><strong>Total Additions</strong></td>
<td>134,052</td>
<td>30,275</td>
</tr>
<tr>
<td>Deductions from Current Net Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves for Contingencies</td>
<td>18,614</td>
<td>16,896</td>
</tr>
<tr>
<td>Retirement System (Adjustment for Revised Benefits)</td>
<td>752,928</td>
<td>0</td>
</tr>
<tr>
<td>All Other</td>
<td>2,510</td>
<td>21,889</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td>774,052</td>
<td>38,785</td>
</tr>
<tr>
<td>Net Deductions</td>
<td>640,000</td>
<td>8,510</td>
</tr>
<tr>
<td>Net Earnings Before Payments to U. S. Treasury</td>
<td>53,492,429</td>
<td>40,104,917</td>
</tr>
<tr>
<td>Paid U. S. Treasury (Interest on F. R. Notes)</td>
<td>46,416,660</td>
<td>34,468,380</td>
</tr>
<tr>
<td>Dividends</td>
<td>1,918,377</td>
<td>1,806,754</td>
</tr>
<tr>
<td>Transferred to Surplus (Section 7)</td>
<td>$ 5,157,392</td>
<td>$ 3,829,783</td>
</tr>
</tbody>
</table>

### Disposition of Gross Earnings

- **Operating Expenses**
- **Paid U. S. Treasury**
- **Dividends**
- **Transferred to Surplus**
DIRECTORS

Federal Reserve Bank of Cleveland

Chairman
ARTHUR B. VAN BUSKIRK, Vice President and Governor
T. Mellon and Sons, Pittsburgh, Pennsylvania

Deputy Chairman
JOSEPH H. THOMPSON, President
The M. A. Hanna Company, Cleveland, Ohio

AUBREY J. BROWN, Professor of Agricultural Marketing and Head of Department of Agricultural Economics
University of Kentucky
Lexington, Kentucky

JOHN A. BYERLY, President
Fidelity Trust Company
Pittsburgh, Pennsylvania

KING E. FAUVER, Director
The Savings Deposit Bank and Trust Company
Elyria, Ohio

J ohn P. McWILLIAMS, Chairman of the Board
Youngstown Steel Door Company
Cleveland, Ohio

PAUL A. WARNER, President
The Oberlin Savings Bank Company
Oberlin, Ohio

MEMBER, FEDERAL ADVISORY COUNCIL

FRANK R. DENTON, Vice Chairman of the Board
Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania

INDUSTRIAL ADVISORY COMMITTEE

HERBERT P. LADDS (Chairman)
President, The National Screw and Manufacturing Company, Cleveland, Ohio

SAM W. EMERSON (Vice Chairman)
President and Treasurer, The Sam W. Emerson Company, Cleveland, Ohio

PAUL A. WARNER, President
The Oberlin Savings Bank Company
Oberlin, Ohio

1958
OFFICERS

Federal Reserve Bank of Cleveland

1958

WILBUR D. FULTON, President
DONALD S. THOMPSON, First Vice President

Dwight L. Allen ................ Vice President
Roger R. Clouse .......... Vice President and Secretary
George H. Emde ................ Cashier
Clyde Harrell ................ Vice President
L. Merle Hostetler .......... Vice President
Richard G. Johnson .......... Vice President
John W. Kossin ............. Vice President
Martin Morrison ............ Vice President
Harold E. J. Smith .......... Vice President
Paul C. Stetzelberger ....... Vice President
Carl F. Ehninger ............ General Auditor
John J. Balles ............. Assistant Vice President
Phillip B. Didham .......... Assistant Vice President

Edward A. Fink ............ Assistant Vice President
Joseph M. Miller .......... Assistant Vice President—
Office Manager, Research Department
Fred O. Kiel ............... Senior Economist—
Hugh M. Boyd .............. Chief Examiner
George T. Quast .......... Assistant Chief Examiner
Charles J. Bolthouse ...... Assistant Cashier
Charles E. Crawford .......... Assistant Cashier
Elwood V. Denton .......... Assistant Cashier
Anne J. Erste ............... Assistant Cashier
Elmer F. Fricek .......... Assistant Cashier
John J. Hoy ................. Assistant Cashier
John E. Orin ............... Assistant Cashier

Harmen B. Flinkers, Assistant Secretary

ALFRED H. LANING

SERVED the Federal Reserve System from February 1915 through December 1957

RETIRED as Vice President of the Federal Reserve Bank of Cleveland, December 31, 1957

Symbolic of the careers of men of conspicuous ability who have given their working lives to the Federal Reserve System
BRANCH DIRECTORS and OFFICERS

CINCINNATI

DIRECTORS—1958

ANTHONY HASWELL (Chairman)
President, The Dayton Malleable Iron Company, Dayton, Ohio

Roger Drackett, President
The Drackett Company
Cincinnati, Ohio

W. Bay Irvine, President
Marietta College
Marietta, Ohio

Ivan Jett
Farmer
Georgetown, Kentucky

Franklin A. McCracken
Executive Vice President and Trust Officer
The Newport National Bank
Newport, Kentucky

William A. Mitchell, President
The Central Trust Company
Cincinnati, Ohio

Thomas M. Wolfe, President
The Athens National Bank
Athens, Ohio

OFFICERS

Richard G. Johnson .......... Vice President
Phil J. Geers ................. Cashier

John Biermann, Jr. .......... Assistant Cashier
George W. Hurst .......... Assistant Cashier
Walter H. MacDonald .......... Assistant Cashier

PITTSBURGH

DIRECTORS—1958

JOHN C. WARNER (Chairman)
President, Carnegie Institute of Technology, Pittsburgh, Pennsylvania

Lawrence O. Hotchkiss, President
The First National Bank of Mercer
Mercer, Pennsylvania

Frank C. Irvine, President
First National Bank in Tarentum
Tarentum, Pennsylvania

Douglas M. Moorhead
Farmer
North East, Pennsylvania

Ben Moreell, Chairman of the Board
Jones & Laughlin Steel Corporation
Pittsburgh, Pennsylvania

Sumner E. Nichols, President
Security-Peoples Trust Company
Erie, Pennsylvania

Irving W. Wilson, Chairman of the Board
Aluminum Company of America
Pittsburgh, Pennsylvania

OFFICERS

John W. Kossin .......... Vice President
Arthur G. Foster .............. Cashier

Charles E. Houpt .......... Assistant Cashier
W. Hunter Nolte .......... Assistant Cashier

John A. Schmidt .......... Assistant Cashier
Roy J. Steinbrink .......... Assistant Cashier