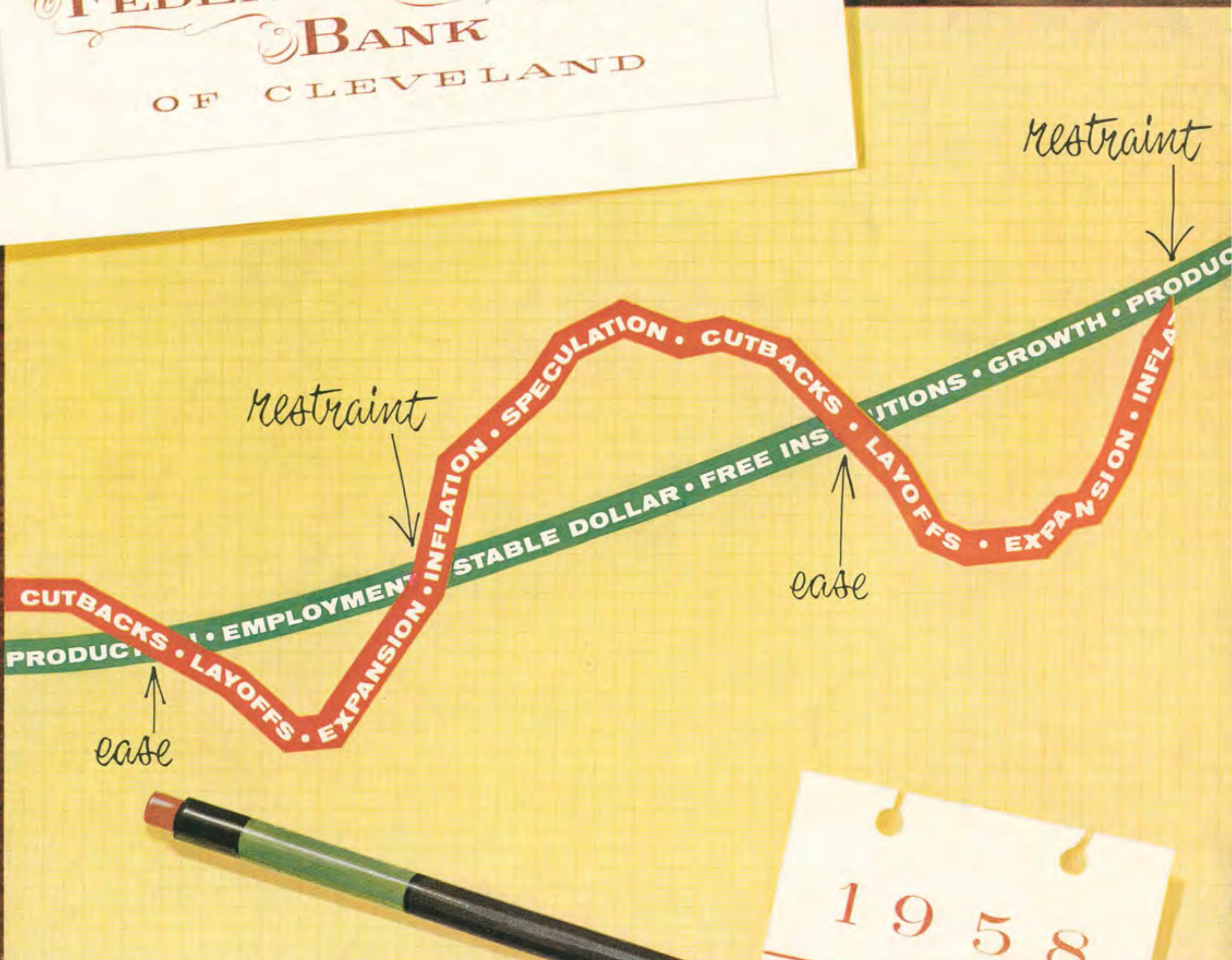
Federal Reserve Bank of Cleveland



1958

Annual Report

FEDERAL RESERVE BANK

OF CLEVELAND

CLEVELAND 1, OHIO

January 16, 1959

To the Banks in the
Fourth Federal Reserve District:

We are pleased to submit this report of the Federal Reserve Bank of Cleveland for 1958. In addition to a discussion of the financial and economic climate of the year, the report contains a section devoted to our greatly expanded Pittsburgh Branch and to the area which it serves. A similar presentation was given in the 1955 report for the Cincinnati Branch.

Although each year casts its own reflection of industrial and financial activity, 1958 was marked by the continuation of the sharp downturn in business until near midyear, followed by an equally rapid upturn which has overtaken much of the lost ground. The effect of these fluctuations was more pronounced in this district than generally in the nation, for many of our industries are of the heavy goods type most directly involved. On the whole, however, managers of business and financial concerns throughout the District have met successfully the many problems which inevitably accompany such a shrinkage in business activity. In fact, many companies have taken the opportunity during this recession to increase their efficiency, productivity and anticipated earnings.

The assistance given to us during the year by leaders of industry, agriculture and finance is acknowledged and appreciated. Without the cooperation and understanding of the business community and the public, the discharge of our responsibilities would be far more difficult.

Arthur B. Van Buskirk	W. D. Fulton
Chairman of the Board	President

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MONETARY POLICY... in an era of new dimensions

Strangely enough, in this new age of venturesome probing into the reaches of outer space, a purely earth-bound art continues to intrigue the minds of men everywhere. It is the art of monetary management.

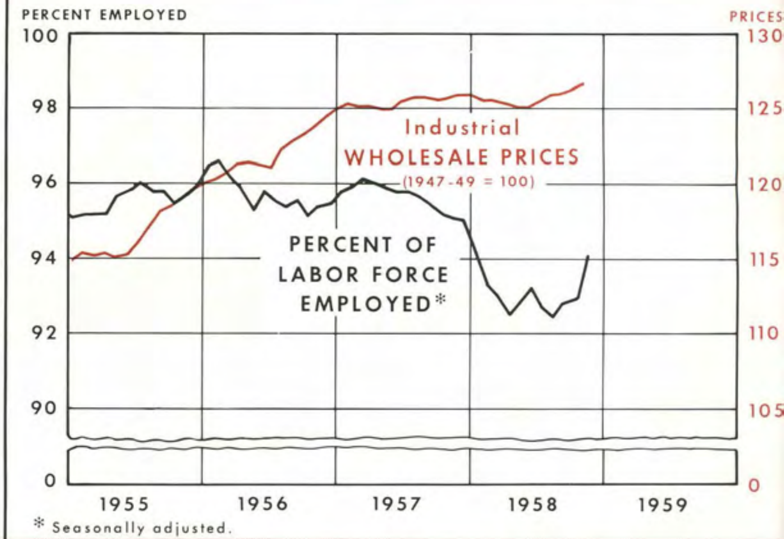
After centuries of human experience, experimentation and frustration, money has not yet become a tractable device. It has not been tamed to do man's bidding in any highly predictable sense. Occasionally it has been known to go on a wild rampage, leaving in its wake either the consequences of violent inflation, or conversely, the ravages of a devastating depression, much like a powerful experimental weapon suddenly gone berserk.

In this new era of technology an infinitely complex arrangement of electronic gear can be integrated in such a way as to guide a monstrous missile thousands of miles to a predetermined goal. But no computer has yet been devised which will predict the kind of environment a given monetary policy will encounter in the course of its trajectory. Possibly this failure is due largely to man's inability to make up his own collective mind as to appropriate aims and objectives. A master whose sense of direction is not clearly defined, and who is indecisive as to his target, can hardly expect high standards of obedience from the object of his discipline.

Meanwhile a dynamic economy will not stand still while broad considerations of strategy are being thrashed out. Each day's reconnaissance suggests new tactical problems. The past year produced perhaps more than the typical number of reminders that monetary management is not susceptible to simple solution and easy execution. One of the perplexities which provoked diverse public reactions was the behavior of prices throughout the industrial recession and the subsequent business recovery. Despite the existence of a noticeable degree of unemployment and excess

EMPLOYMENT and PRICES

....one of the features of 1958 was the relative firmness of prices of industrial products in the face of a considerable volume of unemployment and excess capacity in many industries. In fact, after only a few months of recovery, these prices were at a new all-time high.

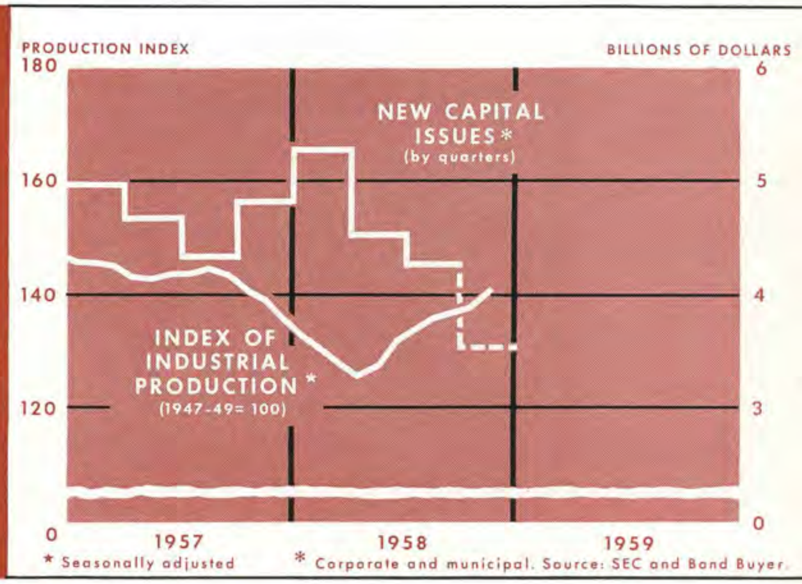


capacity, average prices of industrial products and commodities held very close to the record high level first reached nearly two years ago. On the basis of tradition and a century of experience, some price reaction should have occurred. Was that firmness, in the face of slackening business activity good, or bad? Opinion on this point was far from unanimous. Those who yearned for a quick return to higher levels of production and employment, with only an over-the-shoulder glance at the chronic decline in the purchasing power of the dollar, would have welcomed a more liberal monetary policy and a wider assortment or a more powerful charge of anti-recession measures. On the other hand, those who interpreted the firmness of the price structure as an indication that the subsequent business boom would touch off a new wave of inflation were apprehensive about the return of monetary ease as well as deeply anxious about the record peacetime Federal deficit which was looming.

Possibly much of the controversy regarding the nature and location of the enemy (of stability) stems from the fact that some years ago, with the commendable aim of minimizing the risk of another prolonged attack of depression, the ballast in the hold of the ship of state was deliberately shifted—officially and formally by the Employment Act of 1946. In the course of time, that stratagem may have induced a portside listing of the deck from which monetary policies are launched—a listing which, while significant, may not be ascertainable by traditional methods of dead reckoning. Until such time as this hypothesis is either vindicated or disproved, the question of the appropriateness of monetary policy will probably remain highly controversial.

NEW CAPITAL ISSUES during RECESSION and RECOVERY

. . . . the demand for new money on the part of corporations and municipalities did not recede concurrently as production declined, but established a new all-time high (in first quarter of 1958). It was not until after mid-year '58 that demand began noticeably to fall below year-earlier levels.



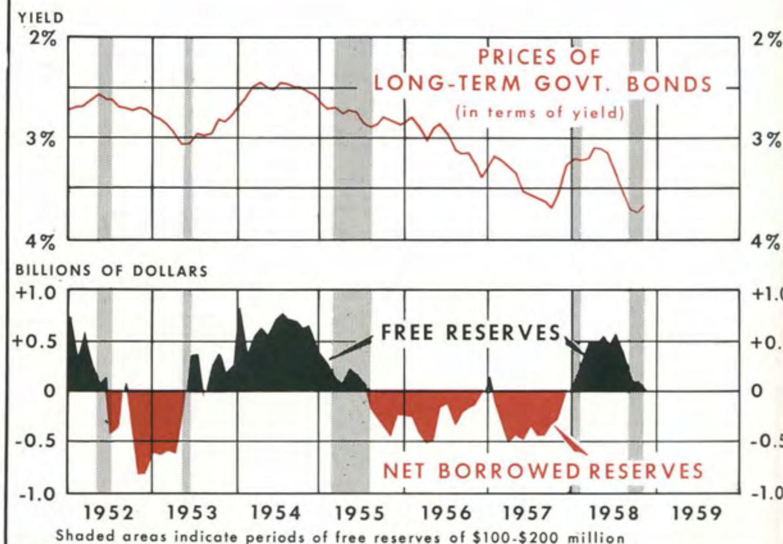
A second development which tended to obscure the sights in terms of the conduct of monetary policy was the volume of demand for new capital throughout most of 1958. On an accompanying chart it can be noted that the quantity of new money or credit sought by corporations and municipal bodies reached a record high level at the very time that industrial activity was at its lowest. It was not until a good measure of industrial recovery had been achieved that the demand for new capital funds abated noticeably.

Does this sequence suggest that a policy of growing ease should have been pursued throughout 1958 in order to maintain the demand for new capital? Or was the more recent rise in interest rates tenable on the grounds that capital spending would re-expand as industrial recovery progressed and that this, together with municipal and highway expenditures on a record scale, would soon be testing the nation's capacity to save? The precise character of the outlook was further blurred by the prospective needs of the U. S. Treasury which by the fourth quarter had reached a level of some 3 billion dollars (quarterly rate). The Treasury's requirements for new money more than offset the shrinkage in corporate investment. Fortunately, unlike the first problem, this question did not entail any deep philosophical considerations; it devolved entirely upon accurate analysis of the prospective demands for capital.

A third and almost spectacular phenomenon of 1958 was the apparent tendency of the capital market to discount prospective monetary policy far in advance of its appearance. Beginning in late 1957, the rise in prices of fixed income obligations of good quality was a perfectly logical as well as traditional concomitant

FREE RESERVES and U. S. GOVERNMENT BOND PRICES

....in the three periods prior to 1956 when free reserves were hovering in the $100-$200 million area, prices of long-term Government bonds fluctuated within a range of 2½% to 3%. But by late 1958, even though a moderate volume of free reserves was still being maintained, prices of Government bonds had declined to a new postwar low.



of industrial recession. It was only the speed of the readjustment in prices that suggested the presence of a new force. The power of that new force became violently evident with the realization that the business decline had halted and that a more than casual recovery had begun. Thenceforth the capital markets undertook to discount—again within a period of weeks rather than months—the potentiality of a boom-time degree of monetary restraint which obviously was still well beyond the realm of visibility.

That this headlong movement was *not* augmented by monetary action is indicated on the accompanying chart. It was market forces, and not the availability of bank credit, which drove bond prices down to new long-time lows. This suggests that prospective buyers were willing to put their money to work at long term only at such yields as might be expected to prevail during the next period of monetary restraint. The collapse in bond prices undoubtedly was accentuated by the growing "inflation psychosis" and by the ill-starred speculative positions built up earlier in the year. But the strong probability remains that henceforth the monetary authorities must be prepared to deal with a money and capital market which is becoming more and more sophisticated, if not in forecasting turns in the business cycle itself, at least in terms of what such turns might imply with respect to capitalized values of long-term securities.

Does this suggest, not altogether whimsically, that the objectives of central bank policy should be stated even more ambiguously than at present? Or, more seriously, does it suggest that the System must adopt new tactics and skills for use whenever the markets begin to run ahead of policy by a distracting margin?

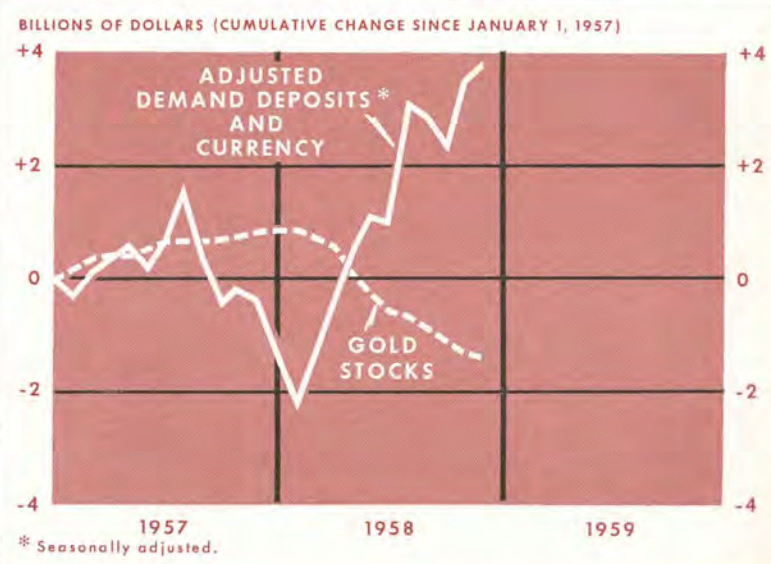
A fourth phenomenon which deserves thoughtful contemplation was the well-publicized gold outflow which began early in the year. As may be observed on the accompanying chart, the loss of gold, while of record amount, did not produce a concurrent shrinkage in the nation's money supply. In fact, by virtue of its statutory powers, as well as the existence of ample remaining gold stocks, the Federal Reserve System was able to offset completely the otherwise deflationary and restrictive effects of the gold outflow. This was accomplished initially by a series of reductions in member bank reserve requirements and subsequently by open market purchases of U. S. Government securities.

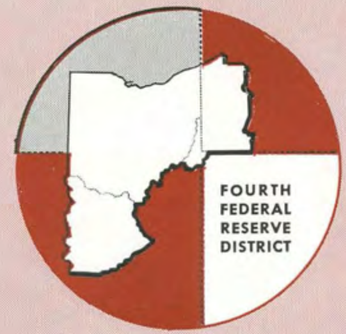
While this unprecedented movement of gold did not impair the maneuverability of the Federal Reserve System, it did serve as a pointed reminder that this country can hardly expect to enjoy perpetual immunity to a plague which has harassed virtually every responsible government in the free world. Among a host of nations large and small, only the United States has long been free from the difficult task of having to defend the value of its currency vis-a-vis the rest of the world. The experience of the year 1958 suggests that further complications in the task of monetary management may be in the making on this score.

All in all, 1958 will be remembered by most people for the single fact that a sharp business recession, which had given rise to considerable apprehension, ended in the early spring of the year, to be followed by an equally distinct phase of business recovery. The arts of monetary management played some part in the sequence of events, as is hinted by the symbolic representations of the design carried on the cover of this report. Neither that design, however, nor the reality underlying the design, should be read in terms of an all-powerful monetary authority which is calling all of the strategic signals. Monetary policy is only one of many factors constantly influencing the direction and momentum of the national economy.

U. S. GOLD STOCKS and the MONEY SUPPLY

.... the well-publicized outflow of gold during 1958 did not cause a shrinkage in the nation's money supply. In fact, the latter rose sharply during the first half year. The explanation is that gold losses were being more than offset by reductions in member bank reserve requirements and by System purchases of U. S. Government securities in the open market on a substantial scale.





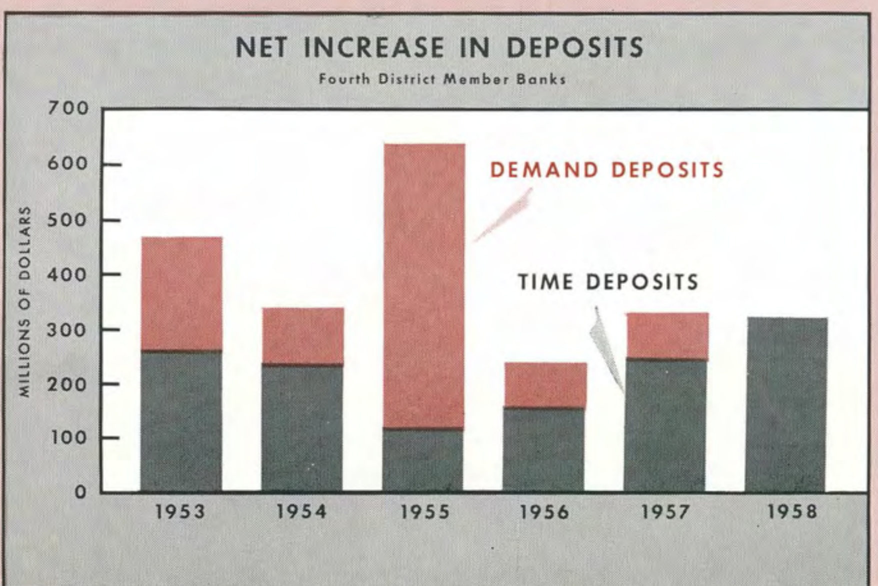
BANKING

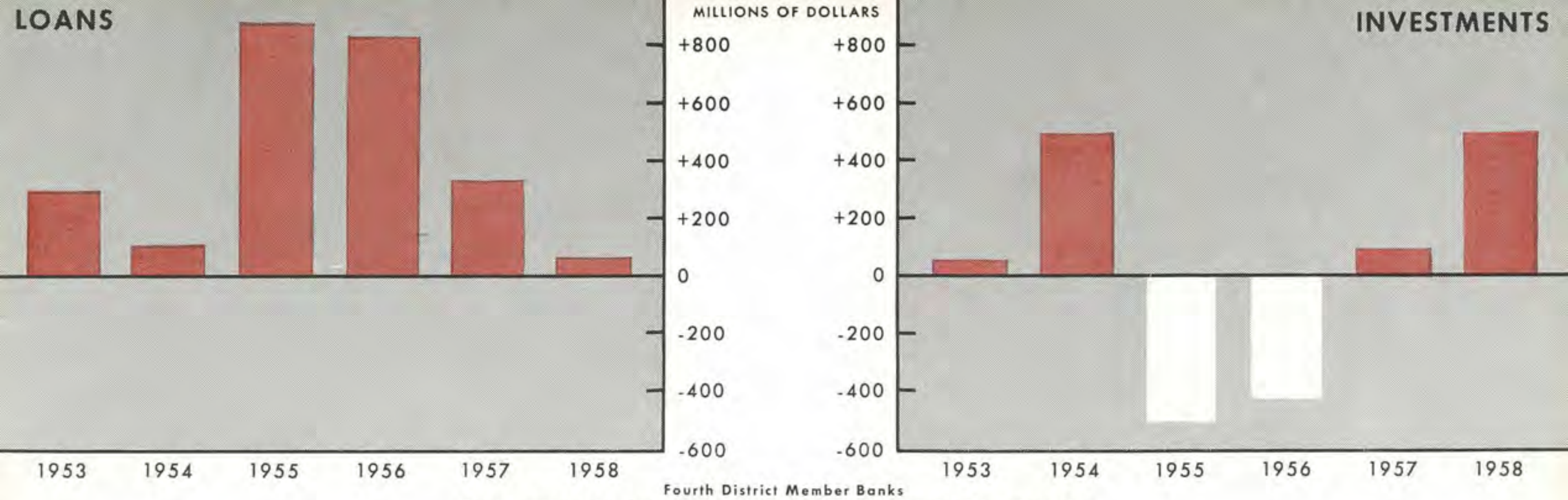
in the Fourth District in a year of recession and recovery

The record of banking in 1958 is written on a background of marked changes in the economy. The sharp decline in industrial production through April was followed by an equally sharp recovery. Contraction of business and consumer spending reduced the demand for bank loans during the decline, but the subsequent recovery was not fully reflected in bank loan expansion. Steps taken by the Federal Reserve System toward monetary ease, paving the way for an expansion of bank credit, continued past midyear. Subsequently, the policy of monetary ease was moderated, but not tightened to the degree that prevailed in early 1957.

The principal effect of this combination of changes upon the balance sheets of banks, in this District as elsewhere, was a substantial increase in holdings of U. S. Government securities and practically no change in the volume of loans outstanding. The fact that the loan volume showed little net change over the year was in significant contrast to the annual additions to loans which had prevailed during the previous three years.

Deposits. Total deposits at Fourth District member banks rose about $325 million during 1958. The policy of monetary ease, which was pursued during most of the year, resulted in a significant expansion of deposits during the year. The pattern of change





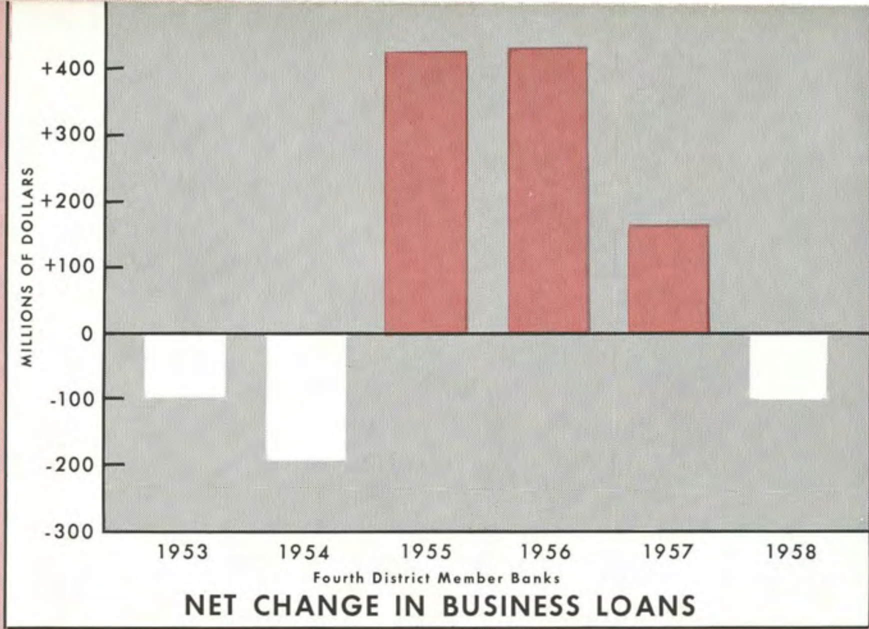
NET CHANGE IN LOANS AND INVESTMENTS

as between demand and time deposits, however, was quite different from that of other recent years.

During 1958, time deposits at Fourth District member banks rose about 7 percent, a near-record rate. Demand deposits showed little change. The decline in loans early in 1958 and their failure during the second half of the year to reflect fully the business recovery or seasonal influences were contributing factors. Growth in time deposits probably reflects higher interest rates paid as well as the sharp decline in the yield on Treasury bills. In addition, reduced activity in time deposit accounts during the recession, as holders became cautious and delayed purchases, partly accounts for the increase in time deposit balances which occurred during 1958.

Loans and Investments. Total loans and investments at Fourth District member banks rose about 5 percent in 1958. About nine tenths of the increase in bank credit represented additions to investments, principally U. S. Government securities. The predominance of additions to security holdings improved bank liquidity by reducing the ratio of loans to deposits from 48 percent to 46 percent. While this is a small percentage change, it represented a substantial dollar volume of potential loan expansion available to Fourth District member banks through the possible disposition of securities. The bulk of the addition to bank credit, however, occurred in lower-yielding assets. The lower rate of return on investments is shown by the fact that in 1957, for example, Fourth District member banks earned an average rate of return on loans of 5.11 percent in contrast to 2.50 percent on U. S. Government securities.

Composition of Loans. The composition of the loan portfolios of Fourth District member banks also changed markedly during



1958. Business borrowing slid off sharply during the first six months of the year. Inventory liquidation and curtailment of plant and equipment outlays contributed to a \$163 million reduction in business loans outstanding. A continuation of the practice of borrowing through long-term issues in the capital market, in relatively large volume, also reduced the dependence of business on bank credit.

Despite the business recovery during the last half of 1958, business borrowing from banks fell short of seasonal expectations. Business loans outstanding at Fourth District member banks increased an estimated \$63 million. For the entire year, outstanding business loans were reduced by about \$100 million.

Data obtained from a sample of fourteen large banks that report weekly to the Federal Reserve Bank indicate that all types of business, except *trade firms* and *commodity dealers*, reduced their bank-held debt during 1958. The largest reductions can be attributed to *sales finance companies*, *public utilities*, and *metals producers*.

Consumer borrowing at Fourth District banks also declined steadily during most of 1958. Smaller sales of autos and other consumer durables reduced the volume of outstanding consumer loans. Repayments on previously incurred instalment loans were also a factor.

On the other hand, two loan categories registered gains in 1958. Security loans increased about 10 percent in response to the large volume of Treasury financing. The residential construction industry, spurred by further Federal aids and an improved position in the competition for funds (at least during some parts of the year) experienced a marked recovery. Real estate loans were at a record high level at Fourth District member banks as the year ended.

An emergency BANKING PLAN

The Federal Reserve System has recognized the necessity of making preparations for the continuance of essential banking operations in the event of a national emergency such as a nuclear attack on our nation. To prepare for any contingency that such an attack might incapacitate the Cleveland, Cincinnati and Pittsburgh offices of this bank, a Records and Relocation Office was established in Athens, Ohio. This office is continuously active and is under the direction of a Resident Manager and four full-time employees. Records essential to the restoration of this bank are stored there, and all three offices, by use of microfilms or duplicate copies, send records of essential daily transactions to the Athens office. By means of these data, the staff can reconstruct the various accounts which would be necessary to resume operations of this bank in a limited capacity in Athens.

As a part of the preparedness measures to assure the continuity of operations of the commercial banking system, plans have been made by all Federal Reserve banks for decentralizing the collection of checks. In the Fourth District this bank has divided the district into 55 regional Emergency Check Clearing Groups. In each group an agent has been, or will be, appointed to act for Federal Reserve Bank of Cleveland in the clearing of checks drawn on banks within its own regional group and also checks drawn on banks in other regional groups and other Federal Reserve Districts. Each Agent will make a clearing house settlement with the Relocation Office.

In order to maintain a flow of cash during a national emergency, 20 banks in the Fourth District will be selected to act as agents of this bank to ship and receive currency from the commercial banks in their designated areas. It is planned to store cash at certain of these banks in the near future in order to be prepared for any emergency which might occur.

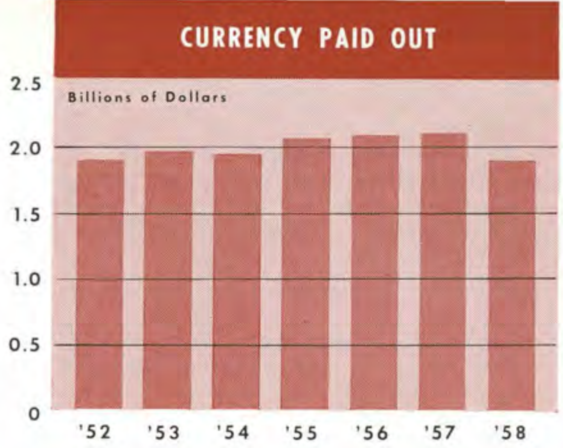
THE volume of SERVICE OPERATIONS
... three offices combined

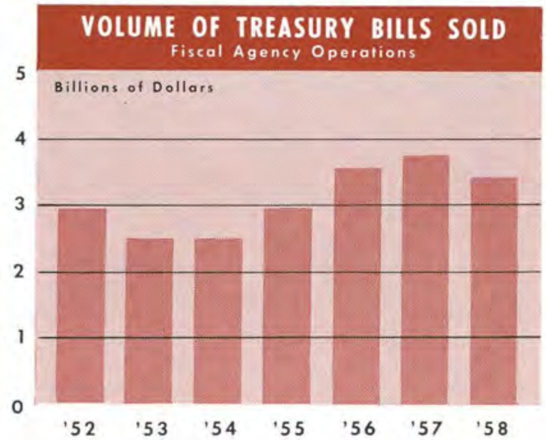
Accommodation to the changes which occurred in business and finance during the year 1958 took place within the day-to-day operations which make up the steady stream of central banking services to the banking and business community. The workload of this bank, however, was hardly diminished in the aggregate; some services were demanded in slightly smaller volume, while in other cases the workload increased as usual.

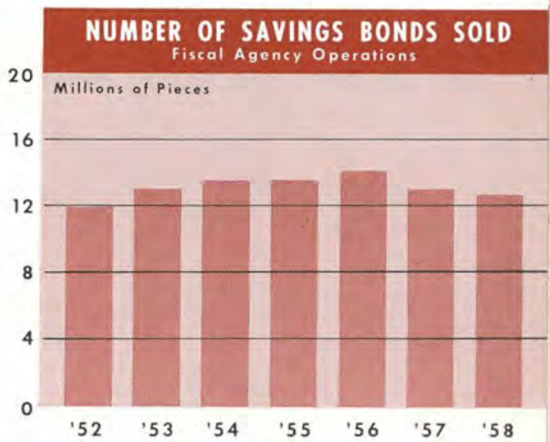
The *check collection* department—operating on a continuous round-the-clock system of shifts—had no letup at all during 1958. A total of 348 million checks was handled during the year by the three offices combined, amounting to a 2 percent gain from the previous year. The Cincinnati Branch and the Pittsburgh Branch showed increases of about 3 percent in each case, and the number of checks handled at the Main Office was a fraction of a percent larger than in the previous year.

The increase in the number of checks handled at the three offices during the year marked a resumption of the customary annual rise in this phase of the bank's workload; that rise had been interrupted in 1957 for the first time in the postwar period — entirely on account of a change in the procedures for handling Government checks which had the effect of reducing the collection load at this bank. During 1958, however, the number of Government checks handled by the bank leveled off at approximately the same figure as that for 1957. Other than Government checks, the 1958 volume showed a significant increase.

Approximately $1,900 million in *currency* and $103 million in *coin* was paid out to banks during the year, for use in meeting the demands of the public. That represented a decline from the previous year amounting to 10 percent for currency operations and a decline of less than 2 percent for coin. The greater steadiness of the coin volume is consistent with the fact that in the entire postwar period the requirements for coin







seem to have been more expansive than those for currency. (Reasons for such a development were suggested in last year's Annual Report.)

In the important area of the bank's operations where it serves as fiscal agent of the United States, the over-all volume showed little change in 1958. Some shifts occurred among the volumes of various classes of marketable Treasury issues, the sales of which in the Fourth District are handled by this bank; thus, the volume of *certificates* was up, while that of bills and of notes was moderately down from the large totals of the previous year. Sales of *U. S. Savings bonds* handled for the Treasury by the three offices totaled nearly 13 million pieces during the year, representing about 2 percent less than the previous year's total.

There are numerous important services of the bank which are not shown by the accompanying charts but which contributed as usual to the year's operations. These include the safekeeping of securities, the telegraphic transfer of funds and many others. In 1958, for example over 145,000 telegraphic transfers of funds were made, amounting to nearly $95 billion. This represented an increase of 6 percent over the previous year in number of transfers. It represented only a fraction of the 1,500,000 postings made to member bank reserve accounts by the Accounting Department in 1958.

The work force of the bank declined slightly in the course of the year. Thus the total of full-time employees at the three offices combined was about 1600 by the end of the year, as compared with about 1700 at the start. The change in numbers occurred almost entirely at the Main Office.

1st Quarter **2nd Quarter**

World Affairs

KHRUSCHEV ousts BULGANIN

REDS launch 1½ ton SPUTNIK III

DEGAULLE b

BANK OF ENGLAND starts to ease up
(from 7% Bank Rate)

.... recurring viole

Financial Developments

DISCOUNT RATE cut to 2¾% .... again, to 2¼% .... and to 1¾%

reflecting current credit policy

RESERVE RQMTS. cut
$500 million .... and another $500 million .... and $450 million

MARGIN RQMTS. CUT to 50%

.... U. S. GOLD STOCKS declining—hit 11-year low ....

Business News

Common stock pric

INDUSTRIAL PRODUCTION TURNS CORNER

.... Profits of Mfg. Corps 35% below yr. ago ....

Steel Operations down to 48% of capacity

Political Scene

.... **IS MASSIVE GOVERNMENT INTERVENTION NEEDED?** ....

85th Congress in Session

HOUSING ACT of 1958

HIGHWAY ACT ($1.8 billion)

ARMED FORCES PAY upped $580 mil

Higher Postal Rates enacted

UNEMP. BEN extended 13

General News

VAN CLIBURN acclaimed in MOSCOW

.... **Marriage rate at 25-y**

CHRONICLES OF '58

ːr 3rd Quarter 4th Quarter

½ ton
II

IMRE NAGY executed

"DOCTOR ZHIVAGO" stings REDS

Cold War intensified in Berlin

LE becomes Premier .... new constitution ok'd

IRAQ COUP

QUEMOY attacks begin

U. S. marines in LEBANON .... *stay until late October*

violence in ALGERIA and CYPRUS ....

into record high ground

DISC. RATE upped to 2% .... to 2½%

Fed. Res. holdings of U. S. govt. Sec. hit $26 billion for 1st time (up nearly $2½ billion in year)

MARGIN RQMTS. upped to 70% .... to 90%

182-day Treasury bills introduced

w ....

k prices rising persistently

DEBT LIMIT upped to $288 billion —as Treasury cash requirements reach record peacetime volume

ɴNER

.... Wholesale Prices steady near all-time high ....

Unemployment drops below four million but is still larger than year ago

.... AUTO PRODUCTION this year smaller than in 1929 ....

.... —a phenomenal Crop Year— .... Corn Referendum ok's lower support prices

....

Rates & Pay
cted

Taxes extended (exc. on R.R. freight)

Soc. Sec. taxes upped and benefits liberalized

Nov. 4
86th Congress to have large Dem. majorities

FED. EMPLOYEES pay upped 10%

P. BENEFITS
ded 13 wks.

ALASKA to become 49th State

PIONEER ROCKET goes 80,000 mi.

1st Atlas ICBM (at Canaveral)

JET LINER SERVICE to Paris begins

.... SHERMAN ADAMS in limelight ....

U. S. Population now 175,000,000

NAUTILUS "sails" under North Pole

at 25-year low ....

POPE PIUS XII at 82

CHAS. F. KETTERING at 82

THE

PITTSBURGH

BRANCH OF THE

FEDERAL RESERVE BANK OF CLEVELAND

...Grows with the industrially powerful area it serves

When the Pittsburgh Branch opened in March 1918 it had leased several floors of a building located at Liberty Avenue and Ninth Street. The Branch subsequently purchased this building and remodeled it in 1922, but in less than a decade it was outgrown. An entirely new building, designed to meet the special needs of the Branch, was completed on the Grant Street site in 1931. This building continues to serve the Branch, although it is now the smaller part of the newly remodeled and enlarged quarters which were opened for use in 1958.

The present ten-story addition provides two and one-half acres of new space, making available a total of 128,000 square feet of useable office space which is equipped with the most modern facilities for conducting large-scale central banking operations.

Liberty Avenue and Ninth Street
1918-1931

717 Grant Street
1931-1957

Enlarged and remodeled building
717 Grant Street; 1958—

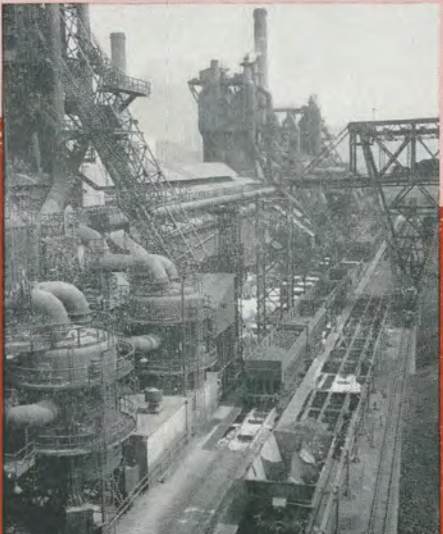
A chemicals plant in West Virginia

The area served

The four-county Standard Metropolitan Area of Pittsburgh is the industrial center of the 25 counties of Pennsylvania and West Virginia which are served by the Pittsburgh Branch of the Federal Reserve Bank of Cleveland. With a current population of nearly 2,500,000 the Pittsburgh metropolitan area ranks eighth among the nation's standard metropolitan areas and is the largest among those of the Fourth Federal Reserve District.

The area served by the Pittsburgh Branch extends considerably beyond the four-county central core. At the north, located on Lake Erie is *Erie,* Pennsylvania, a center of heavy industry with a current population (metropolitan area) of approximately 240,000. Next in order of population are *Wheeling,* West Virginia, and *New Castle,* Pennsylvania—historic seats of industry whose manufacturing enterprises are now moving towards diversification. Among the other highly industrialized cities of the area listed in order

Iron and steel



Coal processing plant on the Monongahela

of population are *Sharon* and *Butler* (Pennsylvania), *Weirton* (West Virginia) and *Oil City, Meadville, Uniontown* and *Warren* (Pennsylvania).

The production of coal, iron and steel is basically responsible for the area's industrial greatness. The coal industry has been altered over the years but it is still of great importance. Pittsburgh is still the steel capital of the nation, although it now shares its prestige with other steel centers to a greater extent than in the early days. The production of aluminum, glass, machinery, oil and chemicals is intertwined in a major way with the area's history and its industrial pattern. Few industries are unrepresented. Industrial research is now one of its major enterprises. Statistics show that the area's manufacturing strength has moved forward with the times.

Testing steel in a research laboratory

Shopping scene in McKeesport

Public square of a western Pennsylvania town (Mercer)

The new downtown Pittsburgh

The

Hum of business machines surrounds many of the branch's SERVICE OPERATIONS

Over more than forty years of service during which the nation has faced many economic crises, the Pittsburgh Branch has registered a steady growth in the volume of business transacted and has increased its service to banking, industry, commerce, agriculture and to the public. Although the geographical area served is small compared with the areas served by other branches of Federal Reserve banks, the volume of service operations is very large.

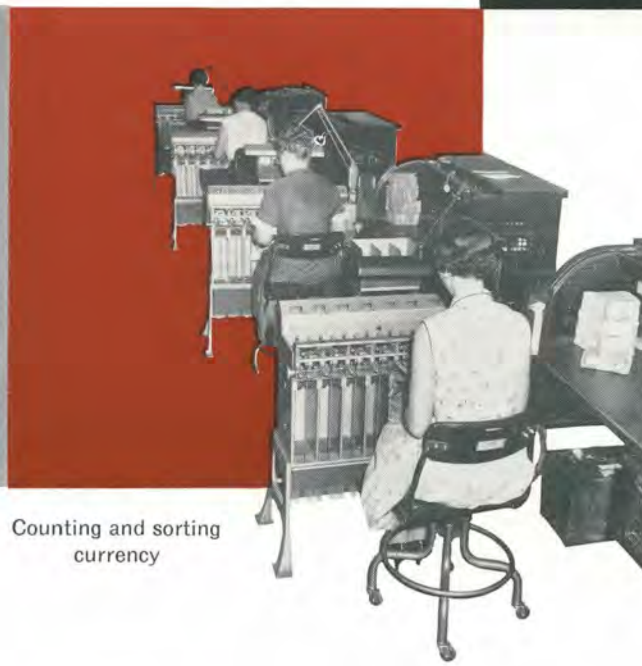
Intensive use of thoroughly modern equipment, as suggested by the accompanying photographs, helps the Pittsburgh Branch render efficient service.

One of the important functions of the Branch is to provide currency and coin through the commercial banking system for the use of industry and commerce. Approximately 93 per cent of the coin disbursed is wrapped in rolls. The machines used have a

Wrapping coin by machine

Handling checks by proof machine

Sending messages or money transfers by teletypewriter



Counting and sorting currency

capacity of approximately 50,000 rolls per day. Counting and sorting currency received from the banks is also an important operation. Each of the currency sorting machine operators at the Branch handles approximately 25,000 pieces per day.

The check collection department is the largest in the bank and operates practically 24 hours a day, six days a week, with a daily average volume of 422,000 items.

A daily average of 150 messages authorizing the transfer of funds is dispatched over a leased wire system by automatic teletypewriters connecting 36 Federal Reserve offices, the Board of Governors and the Treasury Department in Washington, D. C. Although not pictured, service contributions by the accounting, fiscal, securities and loan departments are important functions.

In providing efficient service, the most important asset of the Branch is its highly cooperative and well-trained personnel. As of December 1958, the Branch had 484 full-time employees, exclusive of officers, and five part-time employees. Of these, 54 have had the experience of 25 years or more of service, and in addition, 124 have had at least ten years of service. The six officers at the Branch have served a total of 221 years.

Storing coin in vault

past directors of the Pittsburgh Branch

	(affiliation at time of appointment)	
Ben Moreell	*Chairman of the Board,* Jones & Laughlin Steel Corporation, Pittsburgh	1957-58
Douglas M. Moorhead	*Farmer,* North East, Pa.	1953-58
Sumner E. Nichols	*President,* Security-Peoples Trust Company, Erie, Pa.	1956-58
John H. Lucas	*President,* Peoples First National Bank and Trust Company, Pittsburgh	1955-57
Henry A. Roemer, Jr.	*President,* Sharon Steel Corporation, Sharon, Pa.	1951-56
Albert L. Rasmussen	*President,* The Warren National Bank, Warren, Pa.	1954-56
Paul Malone	*President,* The Second National Bank, Uniontown, Pa.	1953-55
Montfort Jones	*Professor of Finance,* University of Pittsburgh	1949-54
Clifford F. Hood	*Executive Vice President*—Operations, United States Steel Company, Pittsburgh	1952-54
William B. McFall	*President,* Commonwealth Trust Company of Pittsburgh	1952-54
Hugo E. Laupp	*President,* Wheeling Dollar Savings & Trust Company, Wheeling, West Va.	1951-53
Sidney A. Swensrud	*President,* Gulf Oil Corporation, Pittsburgh	1949-52
John Barclay, Jr.	*President,* Barclay-Westmoreland Trust Company, Greensburg, Pa.	1950-52
Laurence S. Bell	*Executive Vice President,* Union National Bank of Pittsburgh	1946-51
Albert H. Burchfield, Jr.	*Vice President,* Joseph Horne Company, Pittsburgh	1946-51
Thomas C. Swarts	*Executive Vice President,* Woodlawn Trust Company, Aliquippa, Pa.	1945-50
Josiah M. Koch	*Vice President and Director,* Quaker State Oil Refining Corporation, Oil City, Pa.	1946-50
Robert E. Bowie	*President,* Security Trust Company, Wheeling, West Va.	1945-49
Howard W. Jordan	*President,* Pennsylvania Rubber Company, Jeannette, Pa.	1945-49
Archie J. McFarland	*President,* Wheeling Steel Corporation, Wheeling, West Va.	1943-48
Clarance Stanley	*President,* Union Trust Company, Pittsburgh	1938-45
Robert E. Doherty	*President,* Carnegie Institute of Technology, Pittsburgh	1942-45
Edwin B. Harshaw	*Vice President and Cashier,* Grove City National Bank, Grove City, Pa.	1941-44
William C. Arthur	*President,* Talon, Inc., Meadville, Pa.	1943-44
George T. Ladd	*President,* United Engineering and Foundry Company, Pittsburgh	1937-42
Harry S. Wherrett	*President,* Pittsburgh Plate Glass Company, Pittsburgh	1935-41
Samuel W. Harper	*President,* Wheeling Dollar Savings & Trust Company, Wheeling, West Va.	1938-40
Arthur E. Braun	*President,* Farmers Deposit National Bank, Pittsburgh	1926-37
Harry B. McDowell	*President,* McDowell National Bank of Sharon, Pa.	1936-37
Richard Coulter	*President,* First National Bank and Trust Company, Greensburg, Pa.	1933-35
J. Sumner Jones	*Secretary and Treasurer,* Stone & Thomas, Wheeling, West Va.	1931-36
Lloyd W. Smith	*President,* Union National Bank, Pittsburgh	1934-36
Arthur L. Humphrey	*President,* Westinghouse Air Brake Company, Pittsburgh	1927-35
James Rae	*Secretary and Treasurer,* Arbuthnot Stephenson Company, Pittsburgh	1930-34
Richard B. Mellon	*Vice President,* Mellon National Bank, Pittsburgh	1917-33
Joseph R. Eisaman	*Vice President,* First National Bank, Greensburg, Pa.	1925-32
Joseph R. Naylor	*President,* J. S. Naylor Company, Wheeling, West Va.	1925-30
Joseph B. Shea	*President,* Joseph Horne Company, Pittsburgh	1928-30
Charles W. Brown	*President,* Pittsburgh Plate Glass Company, Pittsburgh	1917-28
James D. Callery	*Chairman,* Pittsburgh Railways Company, Pittsburgh	1917-26
Charles D. Armstrong	*Vice President,* Armstrong Cork Company, Pittsburgh	1923-25
John R. McCune	*President,* Union National Bank, Pittsburgh	1922-23
Harrison Nesbit	*President,* Bank of Pittsburgh, N. A., Pittsburgh	1919-22
Thomas H. Given	*President,* Farmers Deposit National Bank, Pittsburgh	1917-19

Guiding the Pittsburgh Branch today

Chairman

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

DIRECTORS

(as of Jan. 1, 1959)

A. BRUCE BOWDEN, Vice President
Mellon National Bank and Trust Company
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

JOHN T. RYAN, JR., President
Mine Safety Appliances Company
Pittsburgh, Pennsylvania

WILLIAM A. STEELE, President
Wheeling Steel Corporation
Wheeling, West Virginia

IRVING W. WILSON, Chairman of the Board
Aluminum Company of America
Pittsburgh, Pennsylvania

JOHN W. KOSSIN
Vice President of Federal Reserve Bank of Cleveland, in charge of the Pittsburgh Branch

ARTHUR G. FOSTER
Cashier of the Pittsburgh Branch

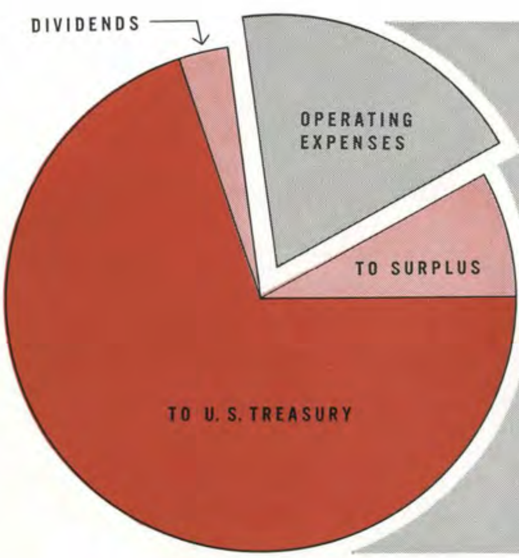
Comparative Statement of Condition

	Dec. 31, 1958	Dec. 31, 1957
ASSETS		
Gold Certificate Account	$1,443,592,901	$1,943,736,050
Redemption Fund for Federal Reserve Notes	87,749,785	79,557,320
TOTAL GOLD CERTIFICATE RESERVES	1,531,342,686	2,023,293,370
Federal Reserve Notes of Other Banks	29,107,120	28,480,370
Other Cash	28,070,601	22,701,267
TOTAL CASH	1,588,520,407	2,074,475,007
Discounts and Advances	4,368,100	4,200,000
U. S. Government Securities:		
Bills	199,221,000	86,395,000
Certificates	1,650,967,000	1,750,929,000
Notes	253,851,000	—0—
Bonds	219,876,000	246,100,000
TOTAL U. S. GOVERNMENT SECURITIES	2,323,915.000	2,083,424,000
TOTAL LOANS AND SECURITIES	2,328,283,100	2,087,624,000
Uncollected Cash Items	543,120,998	490,270,788
Bank Premises	9,432,144	9,678,357
Other Assets	12,769,566	19,341,216
TOTAL ASSETS	$4,482.126.215	$4 681,389,368
LIABILITIES		
Federal Reserve Notes	$2,571,637,845	$2,624,652,920
Deposits:		
Member Bank—Reserve Accounts	1,344,044,860	1,486,691,067
U. S. Treasurer—General Account	4,656,414	45,777,931
Foreign	20,915,000	30,690,000
Other Deposits	5,053,709	5,483,502
TOTAL DEPOSITS	1,374,669,983	$1,568,642,500
Deferred Availability Cash Items	413,145,265	371,625,775
Other Liabilities	1,853,247	1,483,968
TOTAL LIABILITIES	4,361,306,340	4,566,405,163
CAPITAL ACCOUNTS		
Capital Paid In	$ 34,246,150	$ 32,514,550
Surplus (Section 7)	76,642,500*	71,550,353
Surplus (Section 13b)	—0—*	1,005,665
Other Capital Accounts	9,931,225	9,913,637
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$4,482,126,215	$4,681,389,368
Contingent Liability on Acceptances Purchased for Foreign Correspondents	$ 6,034,200	$ 6,849,000
Industrial Loan Commitments	$ 35,000	$ 77,450

* Repayment of $1,015,571 to the Secretary of the Treasury resulted in the elimination of Surplus Section (13b) and a reduction of $9,906 in Surplus Section (7).

Comparison of Earnings and Expenses

	1958	1957
Total Current Earnings	$65,617,595	$66,494,591
Net Expenses	12.615,784	12,362,162
CURRENT NET EARNINGS	$53,001,811	$54,132,429
Additions to Current Net Earnings:		
Profit on Sales of U. S. Government Securities (Net)	13,848	14,874
Reimbursement for Fiscal Agency Expenses Incurred in Prior Years	—0—	114,553
All Other	18,656	4,625
TOTAL ADDITIONS	32,504	134,052
Deductions from Current Net Earnings:		
Reserves for Contingencies	17,393	18,614
Retirement System (Adjustment for Revised Benefits)	—0—	752,928
All Other	558	2,510
TOTAL DEDUCTIONS	17,951	774,052
Net Deductions		640,000
Net Additions	14,553	
Net Earnings Before Payments to U. S. Treasury	53,016,364	53,492,429
Paid U. S. Treasury (Interest on F. R. Notes)	45,918,551	46,416,660
Dividends	1,995,760	1,918,377
Transferred to Surplus (Section 7)	$ 5,102,053	$ 5,157,392



DISPOSITION OF GROSS EARNINGS

directors

FEDERAL RESERVE BANK OF CLEVELAND

A. B. Van Buskirk

J. H. Thompson

1959

(as of Jan. 1)

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

RAY H. ADKINS, President
The National Bank of Dover
Dover, 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

JOSEPH B. HALL, President
The Kroger Co.
Cincinnati, Ohio

CHARLES Z. HARDWICK
Executive Vice President
The Ohio Oil Company
Findlay, Ohio

GEORGE P. MACNICHOL, JR., President
Libbey•Owens•Ford Glass Company
Toledo, Ohio

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

MEMBER, FEDERAL ADVISORY COUNCIL

REUBEN B. HAYS, Chairman of the Board
The First National Bank of Cincinnati
Cincinnati, Ohio

officers

FEDERAL RESERVE BANK OF CLEVELAND

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*
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*
PAUL BREIDENBACH .... *Counsel*
FRED O. KIEL .... *Senior Economist-Office Manager, Research Department*
GEORGE T. QUAST .... *Chief Examiner*
HAROLD H. RENZ .... *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*


W. D. Fulton


D. S. Thompson

1959
(as of Jan. 1)

branch directors and officers

CINCINNATI

DIRECTORS—1959

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

FRANK J. VAN LAHR, President
The Provident Savings Bank and 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—1959

(Please see list, with photos, on page 23.)

OFFICERS

JOHN W. KOSSIN... *Vice President*
ARTHUR G. FOSTER .... *Cashier*

PAUL H. DORN
Assistant Cashier

CHARLES E. HOUPT
Assistant Cashier

JOHN A. SCHMIDT
Assistant Cashier

ROY J. STEINBRINK
Assistant Cashier

retirements and promotions

Retirements

H. E. J. SMITH, *Vice President,* December 31, 1958

HUGH M. BOYD, *Chief Examiner,* August 31

JOHN R. PRICE, *Assistant Cashier,* Pittsburgh Branch, January 31

W. HUNTER NOLTE, *Assistant Cashier,* Pittsburgh Branch, May 31

Promotions

PAUL BREIDENBACH, *Counsel,* July 1, 1958

FRED O. KIEL, *Senior Economist-Office Manager,* Research Department, January 1

GEORGE T. QUAST, *Chief Examiner,* September 1

HAROLD H. RENZ, *Assistant Chief Examiner,* September 1

CHARLES E. HOUPT, *Assistant Cashier,* Pittsburgh Branch, February 1

PAUL H. DORN, *Assistant Cashier,* Pittsburgh Branch, June 1

CLEVELAND · CINCINNATI · PITTSBURGH

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