1960 annual report

FEDERAL RESERVE BANK OF CLEVELAND

with a special section on...

Population Changes, 1950-1960,

in the

FOURTH FEDERAL RESERVE DISTRICT

Business activity reached new high ground in 1960, but receded moderately during the latter part of the year. Short-run contractions in business activity are characteristic of a dynamic free-enterprise system. Each of the three postwar adjustments has been shallow and short, and each has been followed by sustained periods of rapid growth.

Maladjustments in the Fourth Federal Reserve District have centered around steel and closely related heavy industries, which bulk large in the economy of our region. Meanwhile, many sections of the economy maintained or bettered the performance of the preceding year.

Monetary policy in 1960 responded flexibly and promptly to underlying economic conditions. The Federal Reserve System took significant steps to relieve pressures on the banking system and to encourage the use of funds for investment, production, and employment. Interest rates moved lower as the demand for funds subsided and the credit base increased.

During 1960 the nation's international balance of payments has been helped by an improvement in export trade. Monetary policy has been designed to encourage sustainable growth in business activity and employment and to promote confidence in the dollar. Meanwhile, the nation's substantial gold reserve allows time to attack the balance of payments problem on a broad national front.

We greatly appreciate the assistance and cooperation given us by leaders in banking, industry, and agriculture.

Chairman of the Board

President

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PROBLEMS

FOR MONETARY POLICY

A year ago in this space attention was called to the emergence of what were designated as "three potentially critical problems" with which monetary policy might have to come into closer grips during 1960. Today it seems appropriate, first to review the denouement, if any, of the perplexities envisioned a year ago, and then to delineate those which seem most likely to cause furrowed brows during 1961.

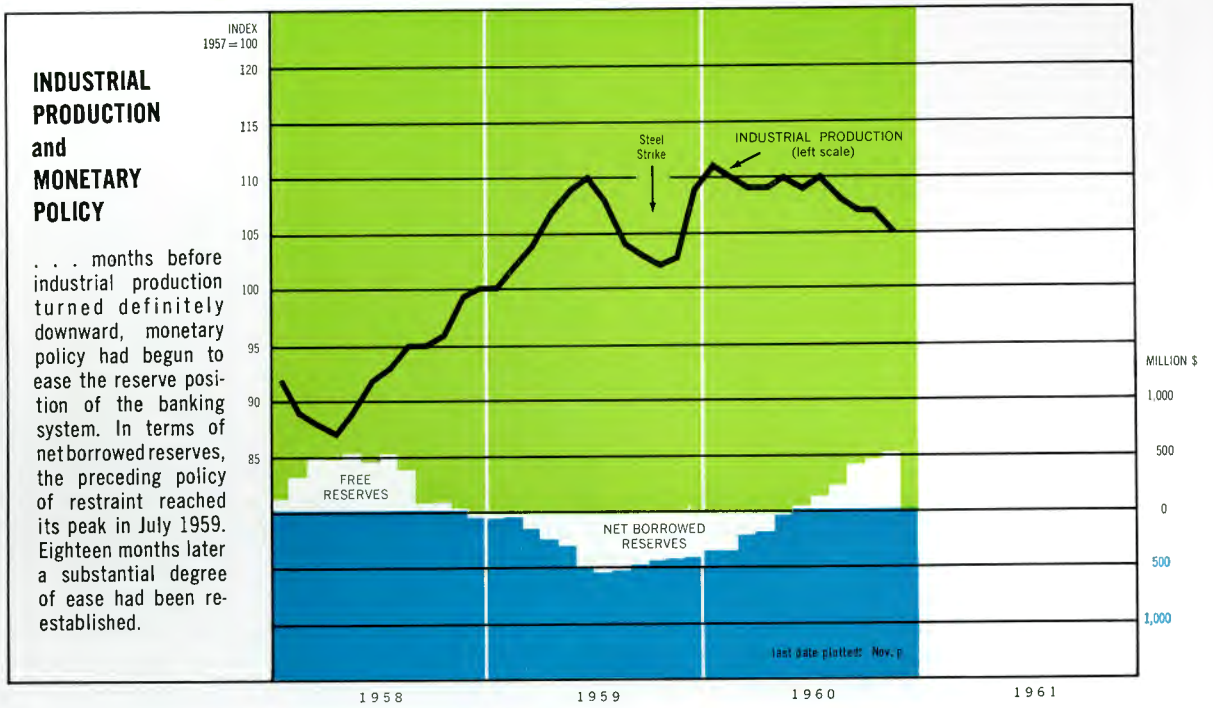
Lending Capacity. One of the mooted unknowns of a year ago was the question of the lending capacity of the commercial banking system. The ratio of loans to deposits had risen to the highest point in nearly three decades. Because of the relatively well-loaned-up position of many banks, it was visualized that further loan expansion into the 'Sixties would sooner or later be inhibited unless it be accompanied by deposit growth.

This specific threat—if that it was—drew still closer during the early months of 1960 as loan volume continued to expand in response to economic conditions. After mid-year, however, partly because of an apparent diminution in loan demand, and partly because of a slow rise in deposits, the ratio began to recede. By year end it had retraced essentially all of the first-half bulge—but no more. Thus the question still remains unanswered: How much allowance, if any, should be made in the formulation of monetary policy for such restraint as may be inherent in the current loan-deposit ratio?

Excess of Liquidity. Another of last year's uncertainties was the liquidity of the economy. In the course of economic recovery during 1958-9, an expansion of the money supply (using the conventional meaning) had been substantially supplemented by the issuance of short-term Treasury bills which were contemplated by many holders as nothing less than interest-bearing cash — the best of both worlds. Here was a potential source of difficulty for the monetary authorities. At a time when the situation generally might call for continued restraint, a considerable portion of holders might attempt to convert into conventional cash for corporate and other purposes. This contingency did not materialize. There was no significant exodus from Treasury bills; no new nonbank buyers had to be found.

Moreover, this was the first year since calendar 1954 in which there was no net increase in the amount of Treasury bills outstanding. Over the past year as a whole the Treasury experienced a cash surplus; monetary policy was free from the exigencies which often accompany deficit financing.

All of this does not mean that the question of liquidity has been solved. The volume of short-term Treasury bills outstanding in the hands of nonbank holders is approximately $39 billion—an aggregate of liquid assets equal to roughly 26 percent of total demand deposits in existence. It is only in an environment of retarded economic activity



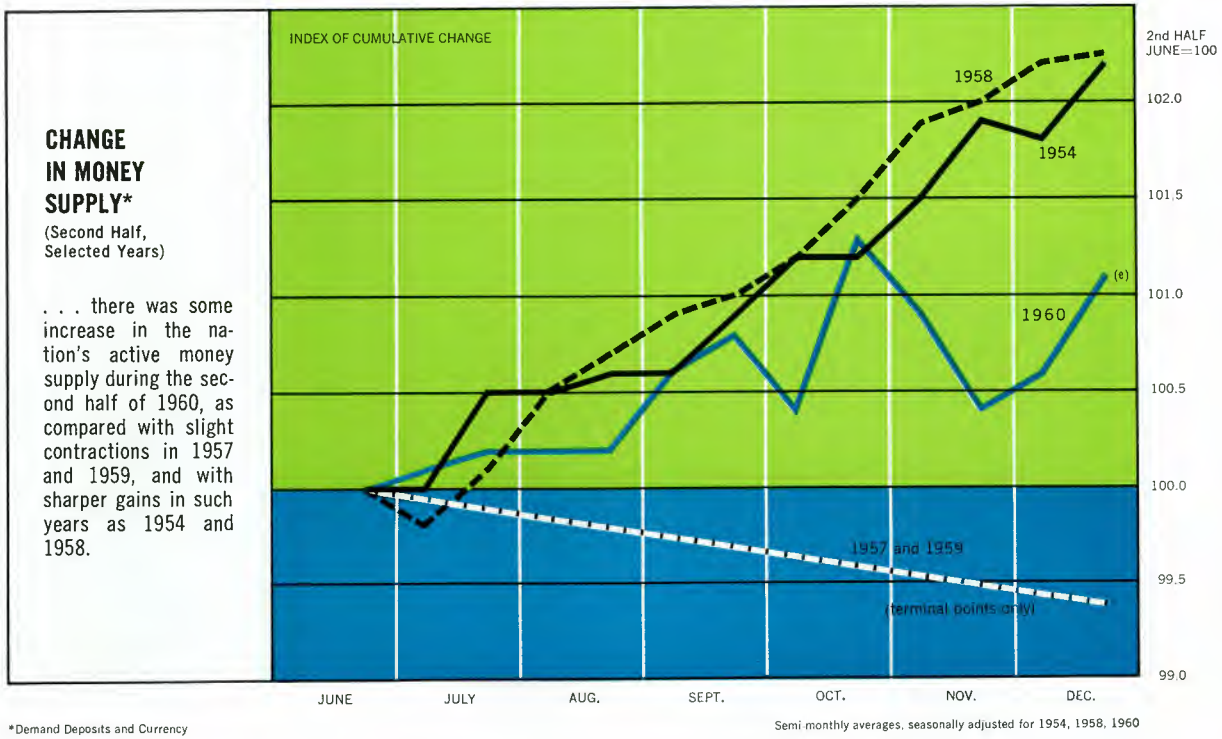
such as the present that this bogy tends to disappear from view.

The Gold Situation. In contrast to the liquidity question, the third potential problem of a year ago permitted scarcely any relaxation. It was observed here that domestic monetary policy for the first time might have to take into consideration not only the traditional criteria—employment and prices—but also the situation with regard to this country's international balance of payments. The manner in which this potential problem became more and more real during 1960 is reviewed in a subsequent paragraph. Meanwhile, the fact that two of the three specters of a year ago failed to reach a critical stage is not necessarily a propitious omen, particularly when it appears that the escape was provided partly by an adverse turn in business developments.

The remainder of this review is devoted to the current edition of demonstrative problems for monetary policy and their evolution during the past year. Each of the four is illustrated in an accompanying chart.

Recession or What? The first to be considered is the business outlook at year end and its significance for monetary policy. The profile of economic activity is depicted by the upper curve in the first of the accompanying charts.

On the whole, the year did establish a new all-time high in employment by a margin of some 2 percent, a new all-time high of industrial production by a margin of 3 percent, and a new all-time high in the gross national product by a margin of 4 percent. But the year was not very old when it became apparent that a certain zest was lacking. Moreover, the average of wholesale prices, particularly nonagricultural products, was trending slowly downward, attesting to a slackening of demand. The prices of common stocks turned downward after reaching an all-time high in January. Two phases of share liquidation exacted a toll from business psychology. The second phase covered the period June to October in which month equity prices were the lowest in nearly two years. Moreover, the economy was functioning in a fiscal climate quite in contrast to that of 1959 when nongovernment demand for goods and services was being supplemented by a Treasury cash deficit of something like $7 billion.



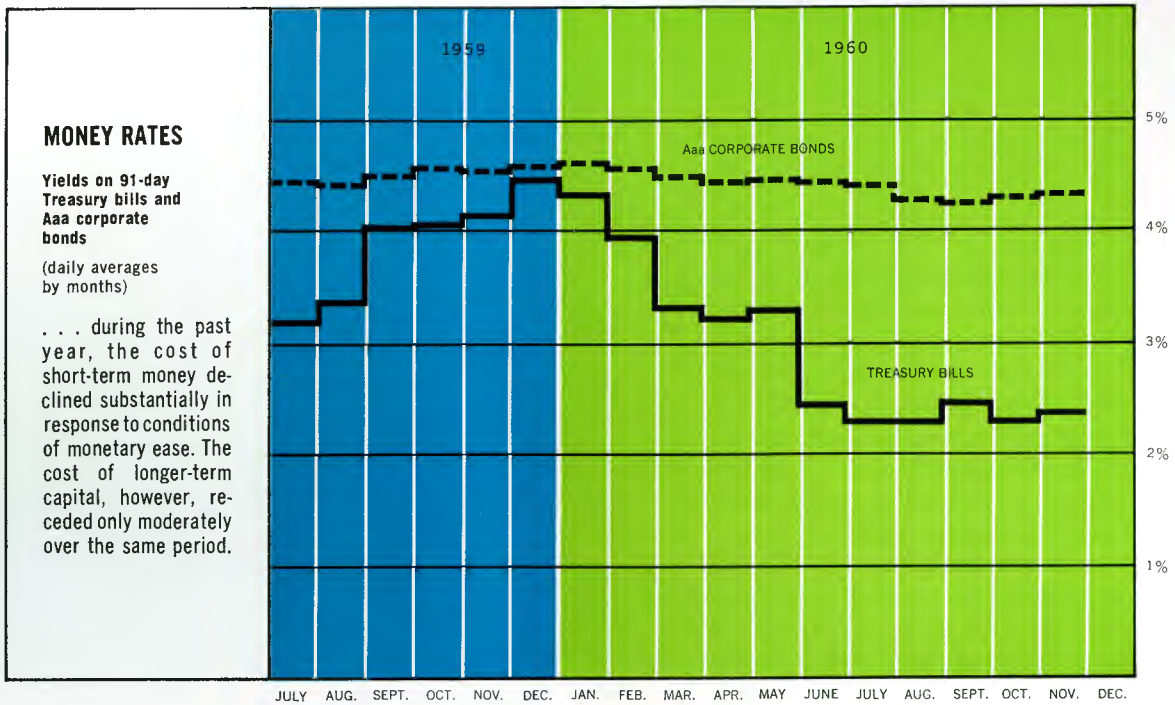
It was in this kind of environment, both actual and prospective, that the immediate objective of monetary policy was shifted, albeit rather gradually in the early stages. As may be observed in the accompanying chart, months before industrial production turned definitely downward, the reserve position of member banks had begun to ease. The 1958-9 policy of leaning against the booming wind had reached its greatest intensity in July 1959, when measured in terms of net borrowed reserves.

During the latter months of 1959 and into early 1960, the slackening of restraint was moderate. Beginning in March, however, the movement toward ease attained greater momentum. By June, member banks were literally out of debt (net) to the Federal Reserve banks; and by November, borrowings had almost vanished. Some easing was accomplished by means of open market purchases of Government securities, and some by the validation of all vault cash as legal reserves, as well as by a further lowering of percentage requirements at central reserve city banks. In any event, the transformation from relative tightness to moderate ease was not accidental; it was intentional—if not precisely calculated from month to month.

By year end, however, this question was still unanswered: Should policy be predicated on the assumption that the current economic malaise will be relatively short and mild and will respond to traditional remedies? If not, what more can monetary policy do if its actions should result in accentuating the outflow of gold and short-term capital?

Reflation of the Money Supply. The second problem of current concern is the recent rate of reflation of the nation's active money supply. The twelve months ended at mid-1960 (not shown on chart) witnessed a somewhat unusual degree of shrinkage in aggregate demand deposits. To some extent, especially in the earlier stages, this had been deliberately encouraged as a means of deterring inflationary forces; to some extent it was an autonomous development not in accord with expectations and intent.

During the second half of 1960 the secular upward trend resumed once more. The expansion since June is shown



in the accompanying chart against a background of the expansions experienced during the early stages of recovery in 1954 and in 1958. (The rate of *shrinkage* which occurred in the second half of such years as 1957 and 1959 is also shown.)

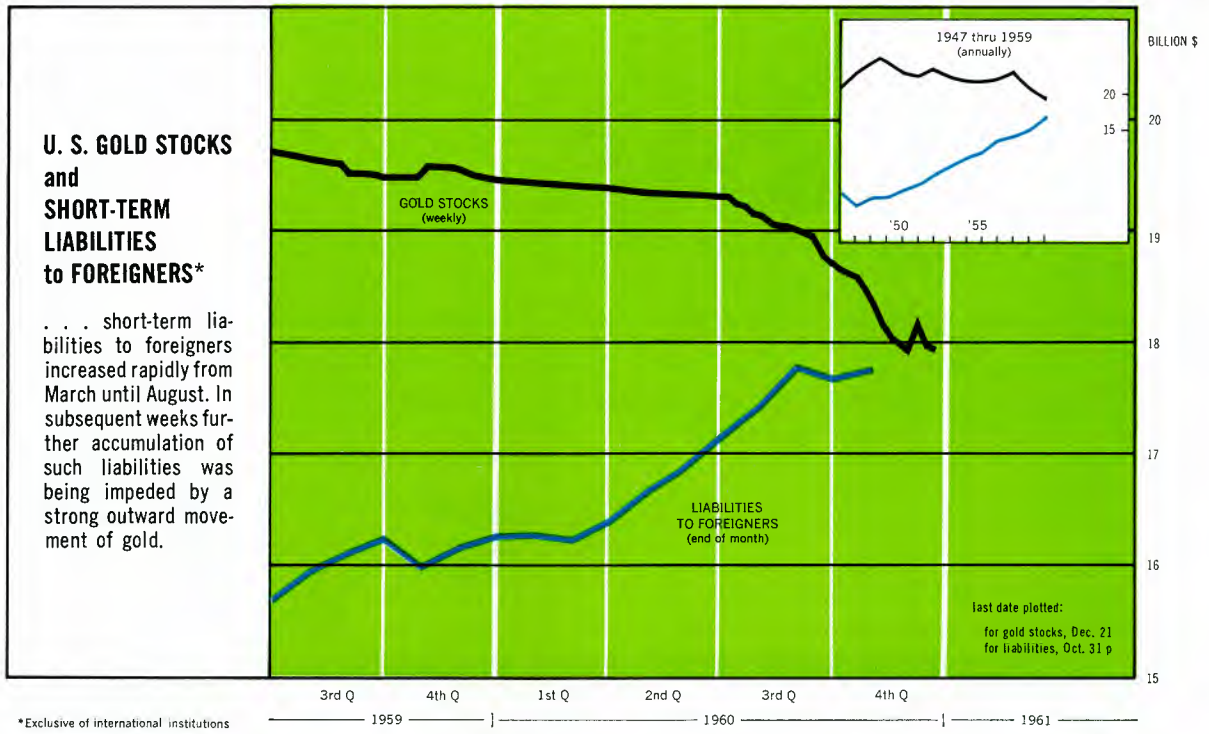
Any judgment as to the propriety of the rate of expansion of demand deposits in the latter months of 1960 must take into account the extraordinary increase in commercial bank savings deposits over the same period—a much sharper increase than that which was observed in earlier reflationary movements.

The problem for 1961 in this case is the determination of the rate of demand deposit growth which would be most auspicious, and how it can be promoted without precipitating new strains on the balance of payments.

The Cost of Long-term Money. A third area which contains some ingredients for potential trouble is one which has to do with money rates, particularly the rate on long-term funds—funds used to finance residential construction, corporate expansion, and municipal improvements.

During the past year, the cost of credit and capital declined as would be expected, given the change in monetary policy. The cost of short-term money declined from 4½ percent to 2½ percent or less, in terms of the market rate on 91-day Treasury bills (depicted in an accompanying chart). The cost of long-term money, as represented by the market yield of outstanding Aaa corporate bonds, decreased only around ½ percent. In neither of these categories was the decline as noticeable as in previous periods of ease such as 1954 and 1958. And what is more conspicuous is the fact that there was virtually no net decline during the latter half of 1960, at the very time when the softness in business activity was becoming most evident, and greater monetary ease was being contrived.

It is not within the purview of this discussion to look into the several conceivable causes of the so-called stickiness of rates. Long-term rates (which have been the focus of greater attention) are some distance removed from the direct path of monetary policy. They are influenced largely by implicit market forces — by the collective evaluation of prospects by lenders and borrowers of capital. In any



case, the question at the close of 1960 was: Does the current cost of long-term money represent an impediment to the resumption of economic growth? If a lower cost is desirable, precisely what would be the most expedient rate and how could it be maintained without sacrificing the services and functions of a free market?

The Reduction in Gold Stocks. The fourth problem confronting monetary policy as of year end is the gold outflow, which was alluded to earlier. As may be noted in the accompanying chart, this problem remained obscure during the first half year; it was not until July that the outward movement of gold was resumed and attracted renewed publicity. The transfer of ownership of short-term credits to foreigners — as distinguished from the transfer of the metal itself — had reappeared somewhat earlier, as reflected in the renewed rise in short-term liabilities to foreigners beginning in March. That increase was halted in later months — partly because of an accelerated gold outflow which offset further accruals, and possibly because of some actual improvement in the balance of payments.

In the case of this fourth problem, the situation clearly is more nearly crucial than it was a year ago. It may be amenable to solution in several ways—by measures, policies, and attitudes adopted domestically, by forthright cooperation from abroad (of which some indications have already appeared), by a cooling off of the boom overseas, or by some combination of all three.

The problem goes far beyond the jurisdiction of the Federal Reserve System. Conceivably some surcease will emerge for one cause or another during 1961. If it should not, then domestic monetary and credit policies may have to be formulated with increased emphasis upon international factors. In preserving the vitality of the key currency of the Western World, appropriate monetary policy must be consistent with *both* domestic and international needs.

Population Changes, 1950-1960,

in the

FOURTH FEDERAL RESERVE DISTRICT

The taking of a decennial Census of Population brings an unusual opportunity for assessing the human resources of the Fourth Federal Reserve District. According to the preliminary census reports for 1960, the Fourth District had a population increase of 14 percent since 1950, while the United States had a 17 percent increase. Population changes within the Fourth District have included widely different patterns of gains and declines, as shown on the following pages in terms of metropolitan areas, central cities and suburbs, various classifications of cities of 5,000 to 50,000, and counties.

Metropolitan areas include one or more complete counties, containing a central city of at least 50,000 population. The Springfield Metropolitan Area, for example, includes only one county because both the central city of Springfield and the suburban area of Springfield are contained within the boundary of Clark county. The Dayton Metropolitan Area, however, includes Montgomery County, which is the location of the central city of Dayton, and also Greene and Miami counties; the latter two counties are included within the Dayton Metropolitan Area because the central city of Dayton draws heavily on the population of these two counties for its suburban labor force and trade.

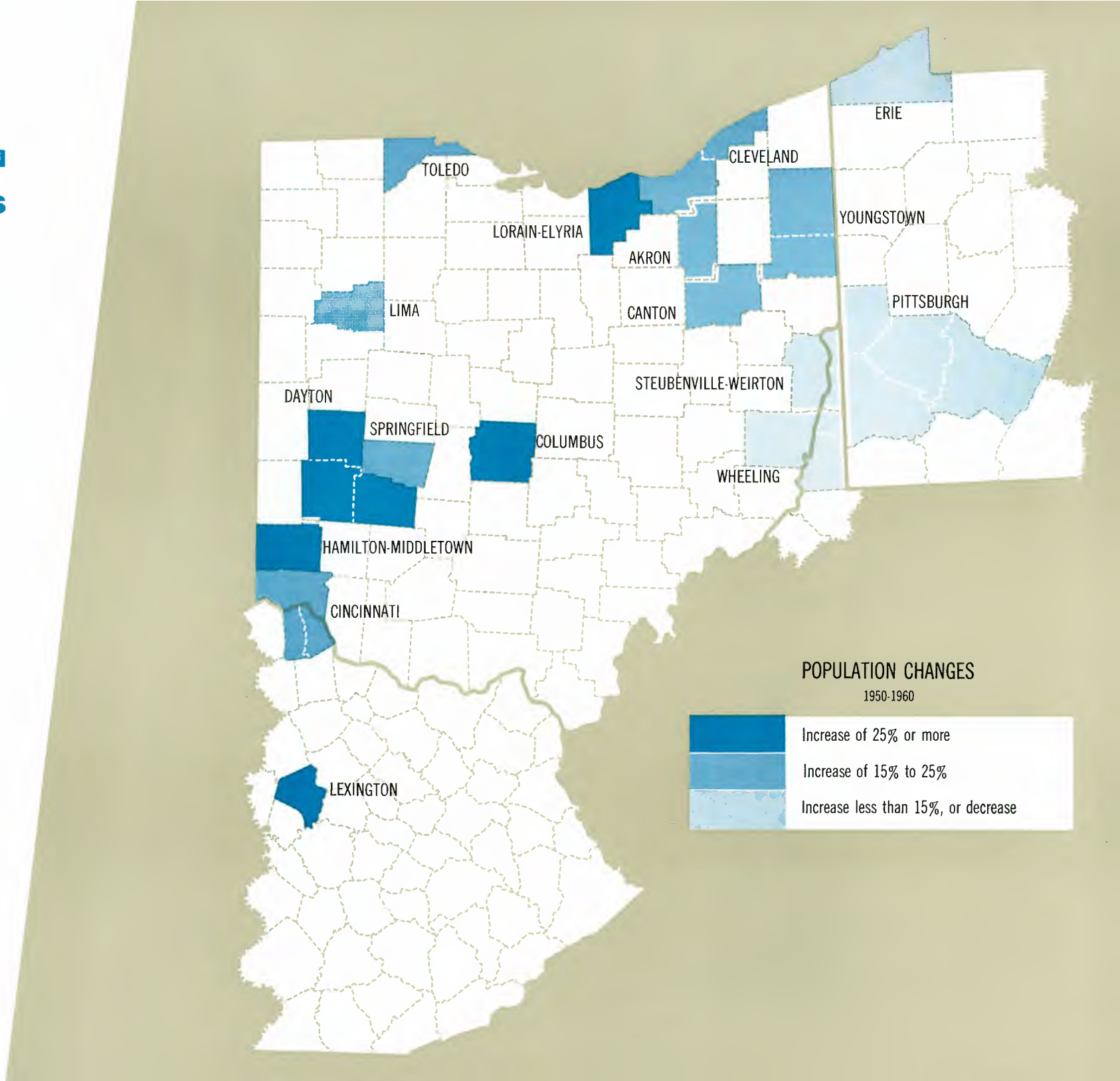
There are seventeen metropolitan areas which are located completely within the Fourth District. Since 1950, these metropolitan areas have had an 18 percent increase in population. Of the five metropolitan areas which have shown the largest population increase, four lie between Cleveland and Cincinnati. The eight metropolitan areas which had a moderate population increase are located in northern and southwestern Ohio. Of the four remaining metropolitan areas, three had small population increases and one underwent a decline.

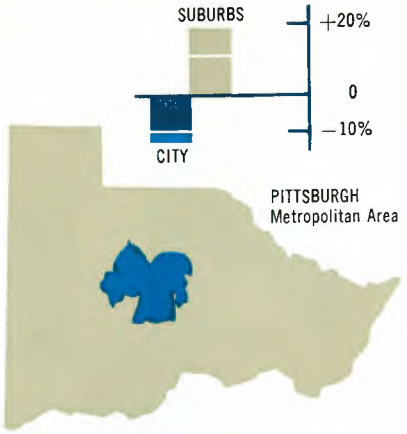
METROPOLITAN AREAS

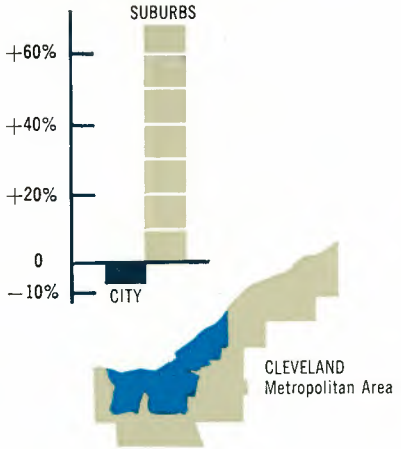
(in order of population)

	1960 Population	% Change 1950-1960
Pittsburgh (Allegheny, Beaver, Washington, Westmoreland)	2,392,086	+8%
Cleveland (Cuyahoga, Lake)	1,786,740	+22%
Cincinnati (Hamilton, Ohio; Campbell and Kenton, Ky.)	1,060,068	+17%
Dayton (Greene, Miami, Montgomery)	689,339	+33%
Columbus (Franklin)	680,183	+35%
Akron (Summit)	508,788	+24%
Youngstown (Mahoning, Trumbull)	507,557	+22%
Toledo (Lucas)	454,472	+15%
Canton (Stark)	337,984	+19%
Erie (Erie)	247,538	+13%
Lorain-Elyria (Lorain)	215,822	+46%
Hamilton-Middletown (Butler)	198,166	+35%
Wheeling (Marshall and Ohio, W. Va.; Belmont, Ohio)	189,490	−4%
Steubenville-Weirton (Jefferson, Ohio; Brooke and Hancock, W. Va.)	168,293	+7%
Springfield (Clark)	130,701	+17%
Lexington (Fayette)	129,722	+29%
Lima (Allen)	102,785	+17%
Total Metropolitan Areas	9,799,734	+18%

METROPOLITAN AREAS







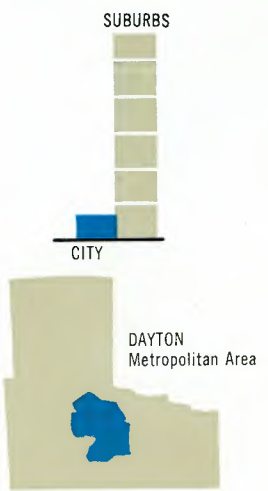
CENTRAL CITIES VS. SUBURBS

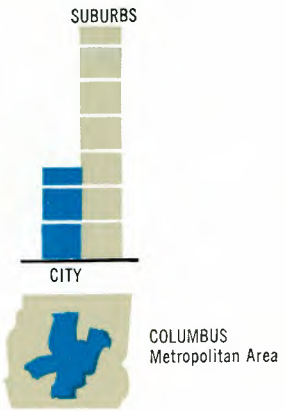
Marked growth of suburban communities, coupled with relatively small increases, or even outright declines, in populations of central cities is commonly recognized as a feature of the nineteen fifties. How the trend worked out in the Fourth District is shown by percentage rates of increase or decrease in the bar charts on this page and the facing page.

The migration of population to the suburbs has thus changed the population proportions between central cities and suburbs. For example, in 1950 the corporate city of Pittsburgh accounted for 31 percent of its metropolitan area, but by 1960 Pittsburgh's proportion had fallen to 25 percent. The corporate city of Cleveland's proportion declined from 62 to 49 percent of its metropolitan area during the same period. (Whichever year, 1950 or 1960, is considered, however, it should be understood that the corporate city of Cleveland is larger in population than the corporate city of Pittsburgh; conversely, whichever year is considered, the Metropolitan Area of Pittsburgh, which is defined so as to include four counties, is larger than the two-county Metropolitan Area of Cleveland.)

It will be noted from the accompanying illustrations that the Youngstown Metropolitan Area presents a somewhat special case. The two-county Youngstown Metropolitan Area registered a 22 percent increase in population between 1950 and 1960; at the same time the population of the city of Youngstown decreased by 2 percent (from 168,330 to 165,844) while the population of the city of Warren *increased* by 19 percent (from 49,856 to 59,546 and the suburban communities of the two cities increased by 42 percent (from 198,358 to 282,167).

The twelve suburban areas of the Fourth District which have shown very large population gains are suburbs of metropolitan areas which have generally been the location of large new investment in manufacturing industry and a large rise in employment in service trades. Of the four suburban areas which have shown a smaller population gain (or, in one case, a population decline) three are suburbs of metropolitan areas which have been traditional centers of the coal or steel industries.





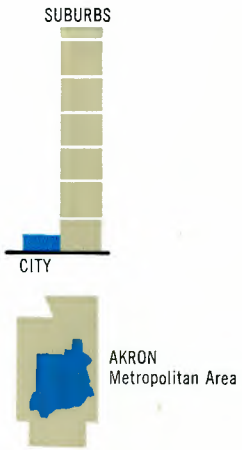
Population Changes, 1950 - 1960

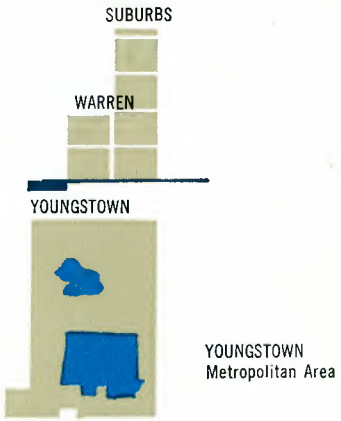
At the same time, it may be observed that the so-called "decline" of the central city does not necessarily imply deterioration. Due to the demands for downtown commercial expansion and better roads to the suburbs, large central cities have replaced part of their existing housing areas with new offices, expanded factories and thruways. Furthermore, a declining population of a central city does not necessarily mean that the central city has been allowed to become unattractive. During the time that the population of Pittsburgh was declining more than any other central city in the Fourth District, Pittsburgh, as is well known, accomplished a remarkable downtown redevelopment project which has increased the beauty and convenience of that city's center.

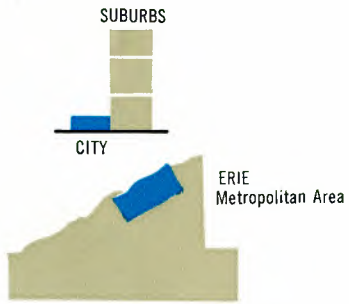
CENTRAL CITIES vs. SUBURBS

(in order of population of metropolitan areas)

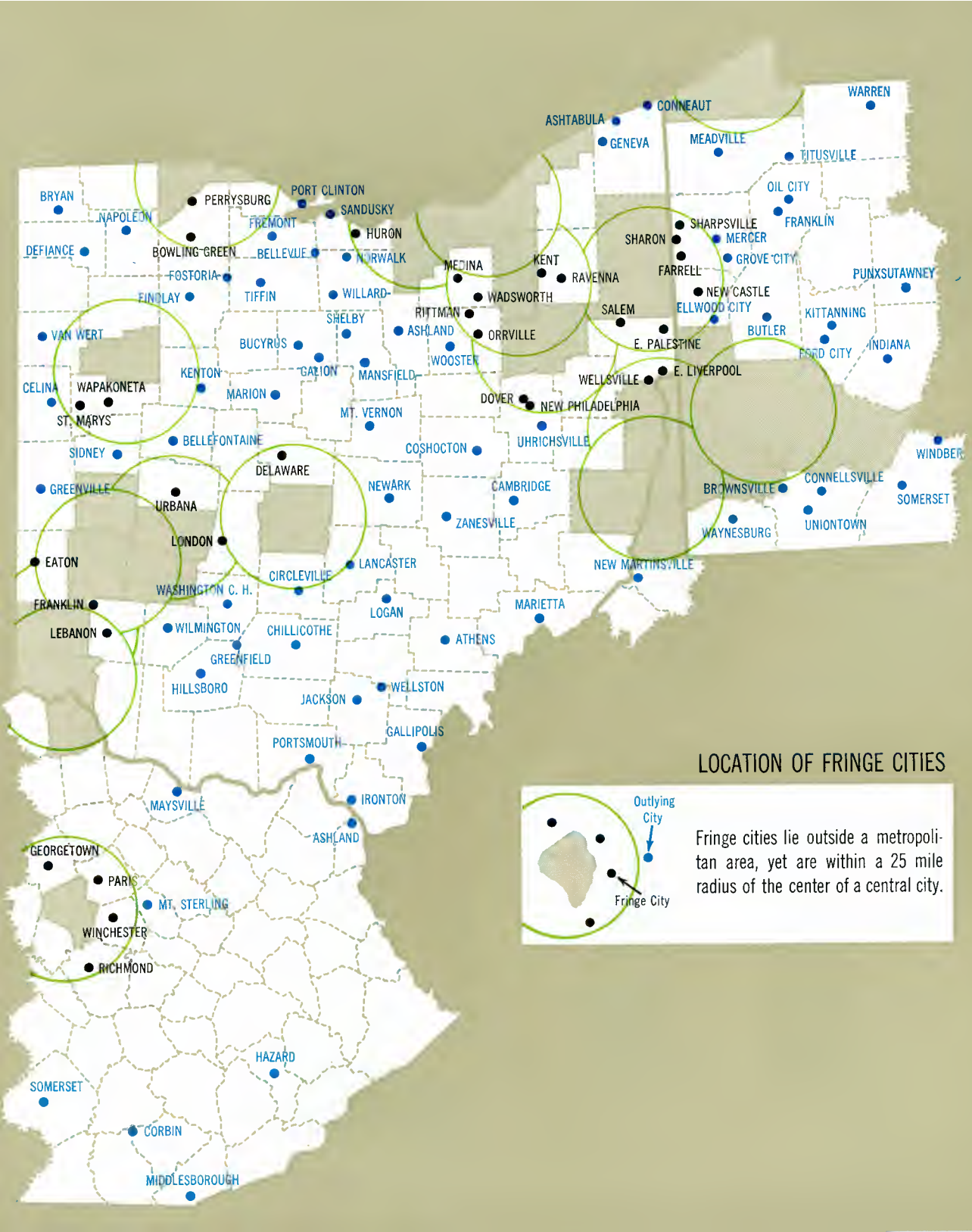
	% Change 1950-1960	
	Central City	**Suburbs**
Pittsburgh	−12%	+17%
Cleveland	−5%	+67%
Cincinnati	−2%	+41%
Dayton	+6%	+57%
Columbus	+25%	+66%
Akron	+5%	+63%
Youngstown	−2%	+42%
Warren	+19%	
Toledo	+4%	+51%
Canton	−4%	+35%
Erie	+4%	+26%
Lorain	+33%	+56%
Elyria	+43%	
Hamilton	+24%	+52%
Middletown	+25%	
Wheeling	−10%	−1%
Steubenville	−8%	+10%
Weirton	+17%	
Springfield	+5%	+47%
Lexington	+12%	+49%
Lima	−2%	+41%
Totals	+2%	+36%







BEYOND THE METROPOLITAN AREAS



LOCATION OF FRINGE CITIES

Fringe cities lie outside a metropolitan area, yet are within a 25 mile radius of the center of a central city.

Fringe vs. Outlying Cities

The decentralizing tendencies of the '50s were not limited to the movement of population from central cities to suburbs as identified in the two previous pages. In fact the movement went beyond the county lines which make up the boundaries of metropolitan areas.

In order to make the point clear, a comparison may be made between population changes in certain cities which are referred to here as "fringe cities" and population changes in other cities termed "outlying cities".

Fringe cities lie outside a metropolitan area, yet are within a twenty-five mile radius of the center of a central city. Outlying cities are the remaining cities which lie more than twenty-five miles from the center of a central city.

The fringe cities of the entire District showed a 10 percent increase in population over the decade, while the outlying cities on the average gained only 7 percent.

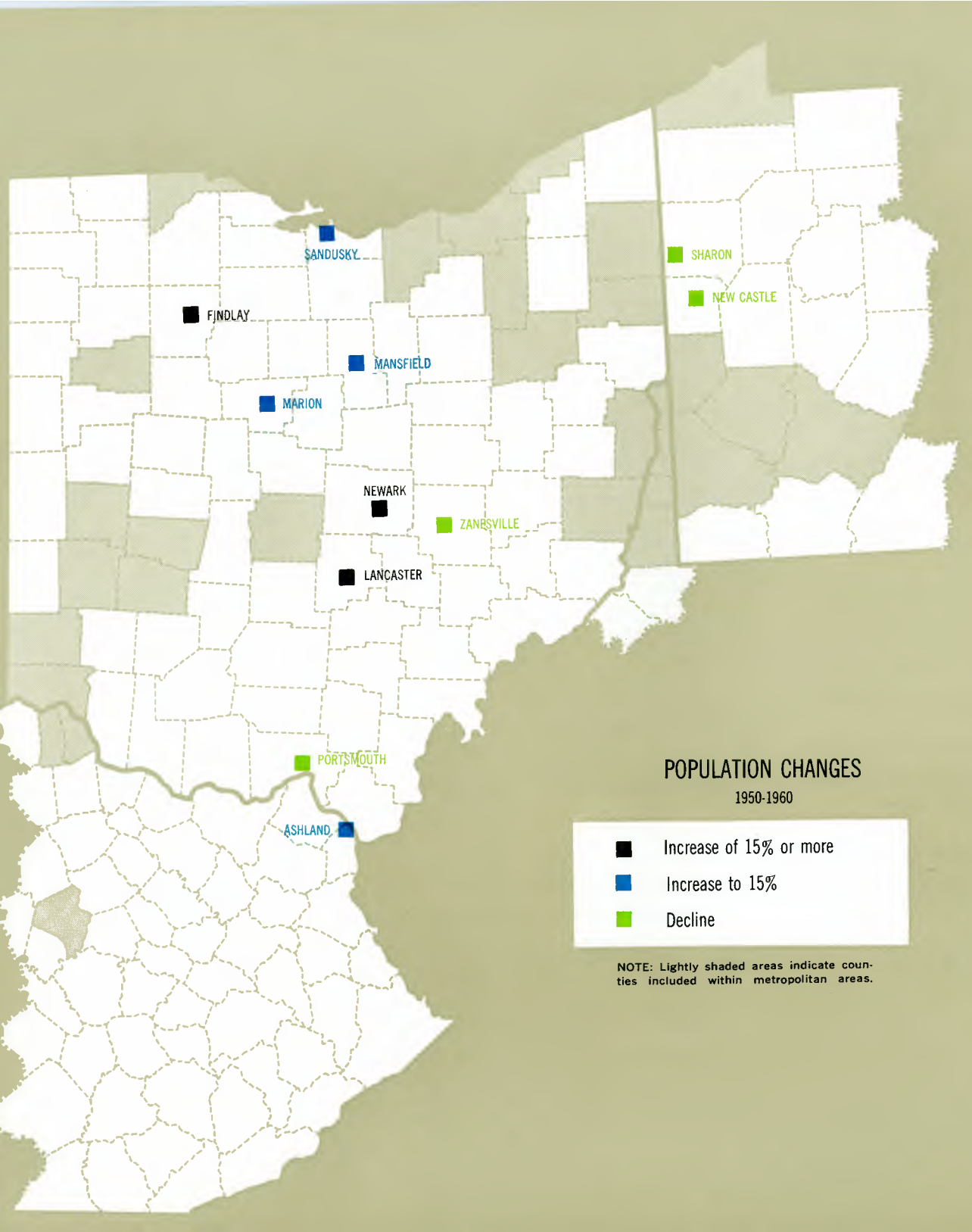
To a large extent the population gains of fringe cities are associated with the population gains of the metropolitan areas to which they are adjacent. The metropolitan areas of Lorain-Elyria, Dayton, Columbus and Hamilton-Middletown, for example, had large increases in population amounting to an average of 35 percent. (See table on p. 8.) Fringe cities which are neighboring to these four metropolitan areas had similarly large population increases amounting to an average of 31 percent. Pittsburgh, Steubenville-Weirton, and Wheeling metropoltan areas, on the other hand, had population changes amounting to an average increase of only 7 percent. At the same time, six cities which are classified here as fringe cities, and which are located near the Ohio-Pennsylvania border, showed a 7 percent decrease in population over the interval of the decade.

FRINGE vs. OUTLYING CITIES

(fringe cities listed in order of percent change)

	1960 Population	% Change 1950-1960
Huron	5,163	+105%
Medina	8,227	+61%
Franklin	7,918	+47%
Kent	17,748	+43%
Rittman	5,378	+41%
Perrysburg	5,515	+38%
Wadsworth	10,590	+33%
Lebanon	5,967	+29%
Orrville	6,464	+25%
St. Marys	7,728	+25%
Georgetown (Ky.)	6,859	+24%
London	6,368	+22%
Eaton	5,011	+18%
Wapakoneta	6,718	+16%
Dover	11,231	+14%
Bowling Green	13,603	+13%
Delaware	13,242	+12%
Paris (Ky.)	7,724	+12%
Urbana	10,406	+12%
Sharpsville (Pa.)	6,024	+11%
Richmond (Ky.)	11,327	+10%
Ravenna	10,864	+10%
Winchester (Ky.)	10,149	+10%
New Philadelphia	14,128	+9%
Salem	13,797	+8%
East Palestine	5,241	+1%
Farrell (Pa.)	13,584	0%
Sharon (Pa.)	25,211	−5%
New Castle (Pa.)	44,714	−8%
Wellsville	7,078	−9%
East Liverpool	22,158	−10%
Total, 31 Fringe Cities	346,135	+10%
Total, Outlying Cities	1,059,222	+7%

CITIES OF 25,000 - 50,000 POPULATION



Beyond the Metropolitan Areas

The same list of cities of the Fourth District which lie outside of metropolitan areas, and which have been classified as either "fringe" or "outlying" cities in the preceding two pages, may now be classified according to their size in 1960. Three size classifications are employed in this pair of pages and the succeeding four pages, viz. 25,000 to 50,000 population as of 1960 for the largest size; 10,000 to 25,000 for the intermediate size; and 5,000 to 10,000 for the smallest size.

This pair of pages deals with the eleven cities of the Fourth District which have a population in the range of 25,000 to 50,000, but which are located outside of metropolitan areas. Eight are located in Ohio, and the remaining three are located in western Pennsylvania or eastern Kentucky.

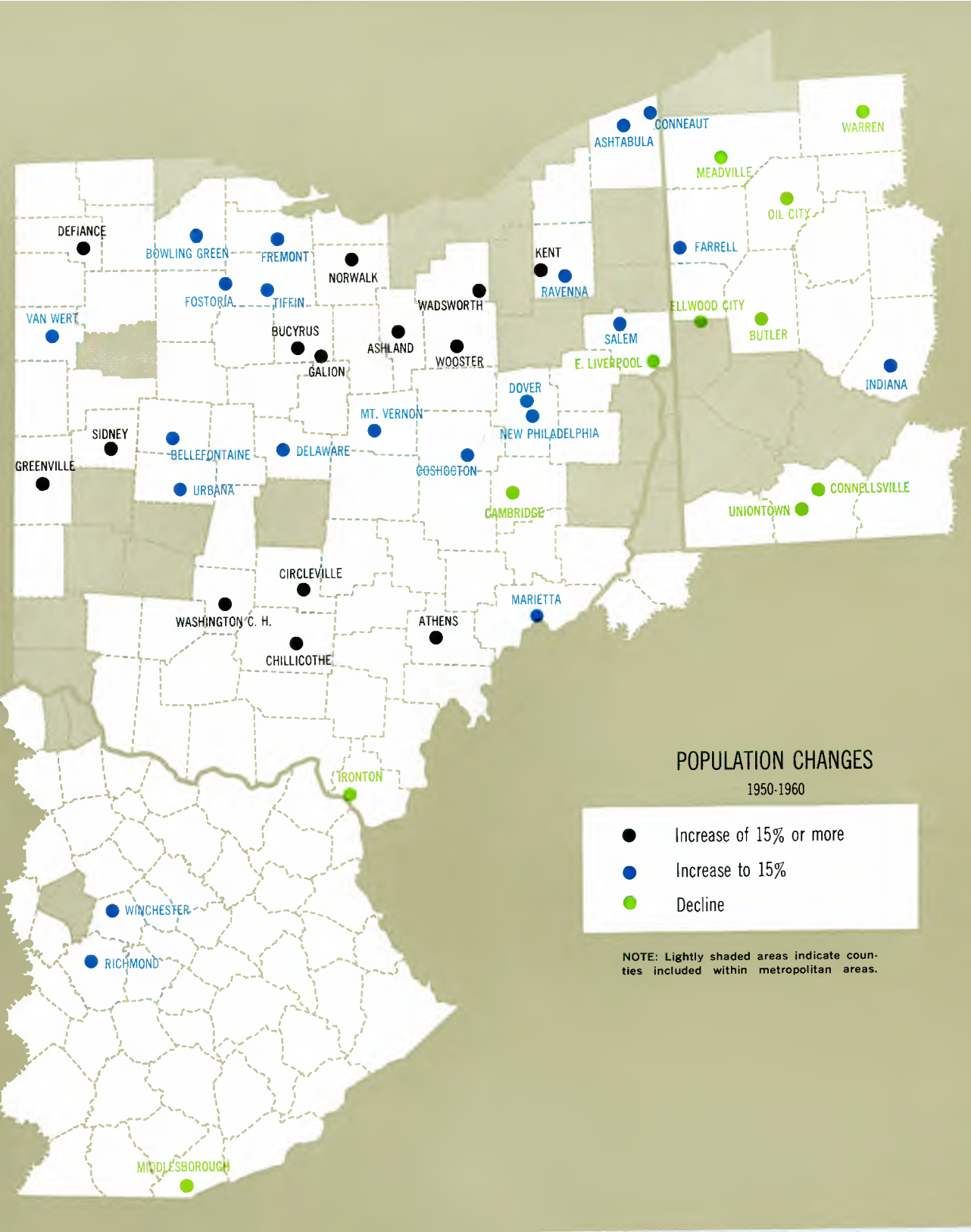
The average population increase of the eleven cities of this size category has been 5 percent, which is considerably lower than the 14 percent increase for the Fourth District. Findlay, Newark, and Lancaster had population increases above the average of the District. Sandusky, Mansfield, and Marion had population increases, but the gains were at a lower rate than the Fourth District average. Ashland (Ky.) had no population change, while Sharon (Pa.) Zanesville, New Castle (Pa.) and Portsmouth underwent population declines.

CITIES OF 25,000 TO 50,000

	1960 Population	% Change 1950-1960
Findlay	30,241	+27%
Newark	41,807	+22%
Lancaster	28,964	+20%
Marion	37,058	+10%
Mansfield	47,198	+8%
Sandusky	31,731	+8%
Ashland (Ky.)	31,150	0%
Sharon (Pa.)	25,211	—5%
Zanesville	38,510	—5%
New Castle (Pa.)	44,714	—8%
Portsmouth	33,410	—9%
Total, 11 Cities	389,994	+5%

The three cities of the 25,000-50,000 size category which showed the largest population gains (mentioned above as being Findlay, Newark and Lancaster) are all located in Ohio. In each case the employment statistics show a substantial rise in manufacturing employment over the interval of a decade, a rise which has been larger than the average for the Fourth District. Also, the three named cities are located in relatively prosperous farm areas of the rich, glaciated land of western or north-central Ohio. The agricultural factor in the population gains of such cities does not apply by way of any increase in the number of farmers (generally the number of farmers is declining) but rather by a demand for a multitude of service or product accessories which are needed on modern farms.

In three of the four cities of the 25,000-50,000 range which showed population decreases between 1950 and 1960, the employment statistics show marked declines in manufacturing employment. In addition, agriculture has not greatly prospered in the areas surrounding these four cities.



CITIES OF 10,000 - 25,000 POPULATION

POPULATION CHANGES
1950-1960

- Increase of 15% or more
- Increase to 15%
- Decline

NOTE: Lightly shaded areas indicate counties included within metropolitan areas.

Beyond the Metropolitan Areas

Northern Ohio and western Pennsylvania are dotted with cities in the population range of 10,000 to 25,000. These cities pinpoint the location of old trade routes which ran between the East and the Midwest. North of Columbus there were two principal routes: One ran from the Erie canal west through Van Wert, Ohio, and the other went from the Erie canal west through Greenville, Ohio. There was also a route which ran north and south between Toledo on Lake Erie and Marietta on the Ohio River.

The forty-six cities of the Fourth District which are in this population classification had a population increase of 8 percent between 1950 and 1960, which is below the Fourth District average. Fourteen of them, however, had large population gains; they lie either in an area which stretches from Greenville to Kent or in an area between Washington C. H. and Athens. Ten of these fourteen cities lie within two hours' shipping distance of Ohio's metropolitan areas. Such cities have become important suppliers of manufactured and agricultural products to metropolitan areas.

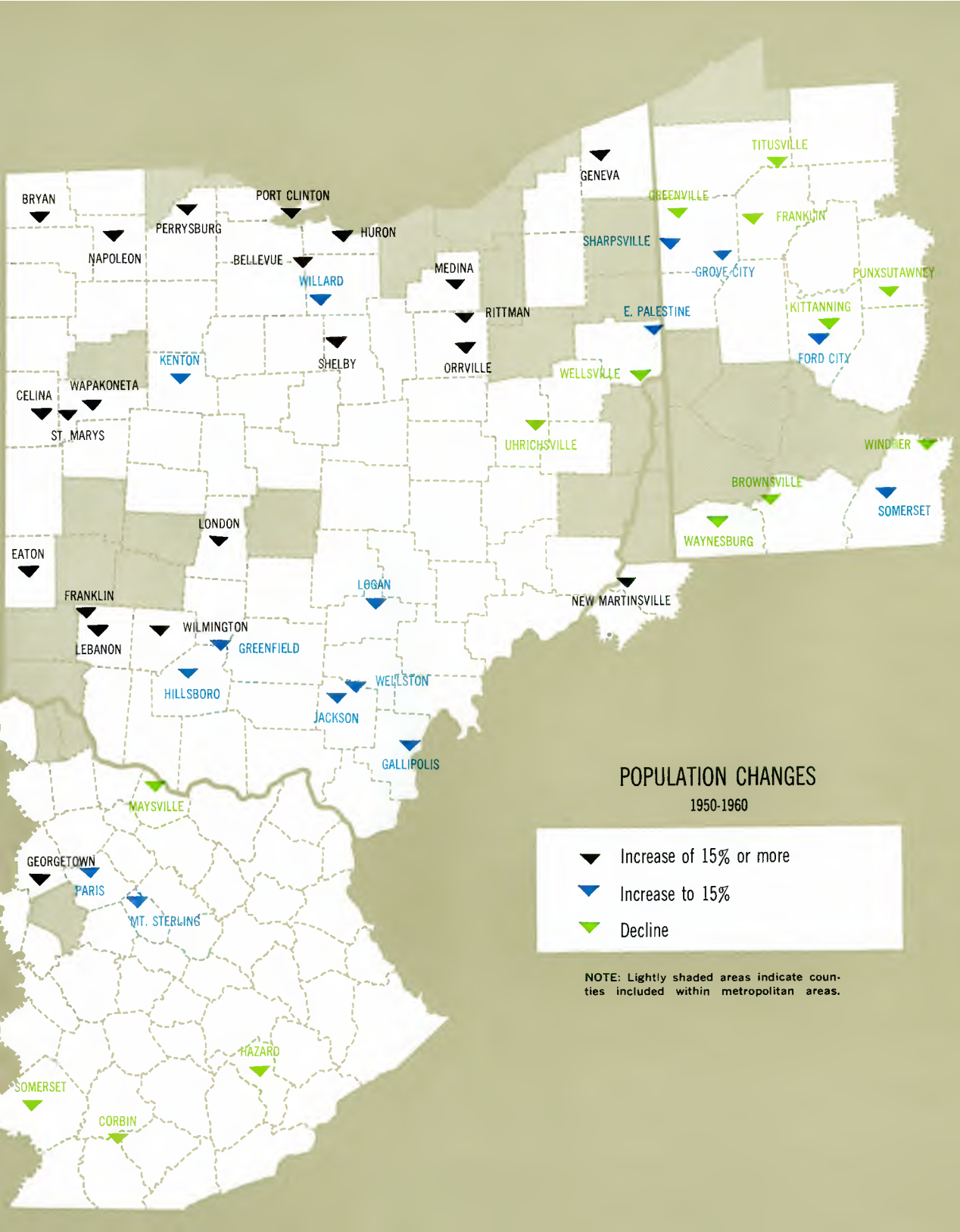
The twenty-one cities which had moderate population gains are widely scattered.

Eleven cities of the District showed population declines, due in numerous cases to the adverse fortunes of coal mining.

CITIES OF 10,000 TO 25,000

	1960 Population	% Change 1950-1960
Kent	17,748	+43%
Athens	16,448	+41%
Wadsworth	10,590	+33%
Norwalk	12,855	+32%
Defiance	14,525	+29%
Sidney	14,600	+27%
Galion	12,643	+27%
Circleville	11,010	+26%
Chillicothe	24,732	+23%
Ashland	17,420	+22%
Wooster	16,916	+21%
Greenville	10,538	+19%
Bucyrus	12,261	+19%
Washington C.H.	12,275	+16%
Dover	11,231	+14%
Bowling Green	13,603	+13%
Tiffin	21,402	+13%
Fremont	18,676	+13%
Delaware	13,242	+12%
Coshocton	13,067	+12%
Urbana	10,406	+12%
Bellefontaine	11,334	−11%
Indiana (Pa.)	12,969	+10%
Richmond (Ky.)	11,327	+10%
Ravenna	10,864	+10%
Winchester (Ky.)	10,149	+10%
Fostoria	15,695	+9%
New Philadelphia	14,128	+9%
Van Wert	11,275	+9%
Mt. Vernon	13,238	+9%
Salem	13,797	+8%
Marietta	16,678	+4%
Ashtabula	24,313	+3%
Conneaut	10,367	+1%
Farrell (Pa.)	13,584	0%
Cambridge	14,458	−2%
Warren (Pa.)	14,478	−3%
Ellwood City (Pa.)	12,388	−4%
Connellsville (Pa.)	12,728	−4%
Ironton	15,597	−5%
E. Liverpool	22,158	−9%
Oil City (Pa.)	17,665	−10%
Butler (Pa.)	20,873	−11%
Meadville (Pa.)	16,556	−13%
Uniontown (Pa.)	17,690	−14%
Middlesborough (Ky.)	12,408	−14%
Total, 46 Cities	672,905	+8%

CITIES OF 5,000 - 10,000 POPULATION



Beyond the Metropolitan Areas

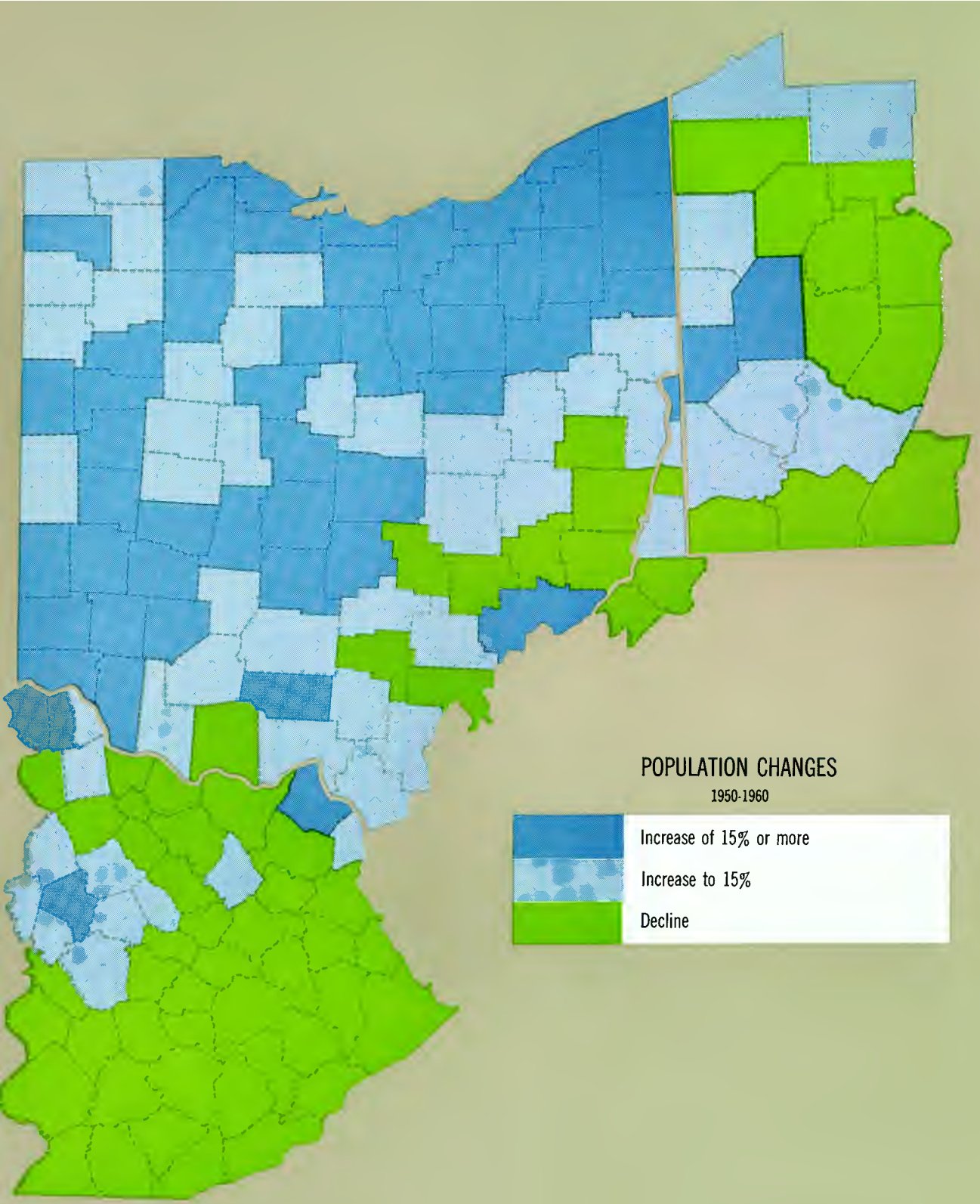
Cities which have a population in the range of 5,000 to 10,000 show two patterns in their location. In northern and southwestern Ohio nearly all such cities are fairly near metropolitan areas; one-half of them lie within 25 miles of the center of a metropolitan area and are considered here to be "fringe" cities, as identified on page 13. A more scattered geographic pattern is shown by cities of the 5,000-10,000 class which are located in southeastern Ohio, parts of western Pennsylvania, and southeastern Kentucky.

The fifty-one cities of the Fourth District which fall in this population class had a population gain of 9 percent, which is lower than the Fourth District average. Nineteen of them, however, had large population increases. Nearly all of the nineteen cities are located within two hours' shipping distance of the metropolitan areas of northern and southwestern Ohio.

Cities of this size class which are located in Kentucky and other southern areas of the District generally had either moderate population gains or declines. Such cities tend to be centers for farm products, farm services and light industry which is intended to serve a local market, and some of them are historic centers of the coal mining industry. Where new industry has not entered to offset the decline in coal mining, employment and subsequently population have declined.

CITIES OF 5,000 TO 10,000

	1960 Population	% Change 1950-1960
Huron	5,163	+105%
Medina	8,227	+61%
Franklin	7,918	+47%
Rittman	5,378	+41%
Perrysburg	5,515	+38%
New Martinsville (W. Va.)	5,623	+38%
Celina	7,642	+34%
Lebanon	5,967	+29%
Napoleon	6,702	+26%
Orrville	6,464	+25%
St. Marys	7,728	+25%
Georgetown (Ky.)	6,859	+24%
Port Clinton	6,828	+23%
London	6,368	+22%
Geneva	5,669	+20%
Wilmington	8,858	+20%
Bellevue	8,256	+20%
Eaton	5,011	+18%
Wapakoneta	6,718	+16%
Bryan	7,316	+15%
Shelby	9,123	+15%
Willard	5,429	+14%
Grove City (Pa.)	8,342	+13%
Paris (Ky.)	7,724	+12%
Greenfield	5,418	+11%
Sharpsville (Pa.)	6,024	+11%
Gallipolis	8,740	+11%
Jackson	6,932	+7%
Logan	6,325	+6%
Somerset (Pa.)	6,291	+6%
Hillsboro	5,411	+6%
Kenton	8,747	+3%
Ford City (Pa.)	5,441	+2%
E. Palestine	5,241	+1%
Mt. Sterling (Pa.)	5,321	+1%
Wellston	5,701	0
Somerset (Ky.)	7,051	−1%
Punxsutawney (Pa.)	8,815	−2%
Maysville (Ky.)	8,452	−2%
Franklin (Pa.)	9,539	−5%
Greenville (Pa.)	8,736	−5%
Waynesburg (Pa.)	5,156	−7%
Uhrichsville	6,185	−7%
Titusville (Pa.)	8,332	−7%
Corbin (Ky.)	7,077	−9%
Wellsville	7,078	−10%
Kittanning (Pa.)	6,784	−12%
Windber (Pa.)	6,954	−13%
Hazard (Ky.)	5,883	−16%
Brownsville (Pa.)	5,996	−22%
Total, 50 Cities	342,458	+9%


POPULATION CHANGES
1950-1960
Increase of 15% or more
Increase to 15%
Decline

COUNTIES

COUNTIES OF THE FOURTH DISTRICT

	1960 Population	% Change 1950-1960		1960 Population	% Change 1950-1960		1960 Population	% Change 1950-1960		1960 Population	% Change 1950-1960
Lake	148,115	+95%	Greenup (Ky.)	29,079	+17%	Muskingum	78,271	+5%	Forest (Pa.)	4,509	−9%
Clermont	80,156	+90%	Clinton	29,824	+17%	Gallia	26,061	+5%	Carter (Ky.)	20,649	−9%
Geauga	47,331	+78%	Allen	102,785	+17%	Highland	29,465	+5%	Fleming (Ky.)	10,733	−10%
Warren	65,729	+71%	Mahoning	299,318	+16%	Woodford (Ky.)	11,668	+4%	Lincoln (Ky.)	16,701	−11%
Boone	21,962	+69%	Washington	51,372	+16%	Jefferson	100,001	+4%	Clay (Ky.)	20,642	−11%
Medina	65,071	+61%	Kenton (Ky.)	120,066	+15%	Pendleton (Ky.)	9,940	+4%	Grant (Ky.)	8,754	−11%
Greene	94,202	+60%	Holmes	21,590	+15%	Boyd (Ky.)	51,546	+3%	Elliott (Ky.)	6,304	−11%
Lorain	215,822	+46%	Lucas	454,472	+15%	Marshall (W. Va.)	38,026	+3%	Pulaski (Ky.)	34,102	−11%
Portage	90,931	+42%	Hancock (W. Va.)	39,459	+15%	Coshocton	32,047	+3%	Menifee (Ky.)	4,251	−11%
Franklin	680,183	+35%	Mercer	32,417	+15%	Hardin	29,483	+3%	Fayette (Pa.)	168,185	−11%
Butler	198,166	+35%				Washington (Pa.)	214,896	+3%	Nicholas (Ky.)	6,653	−12%
Pike	19,301	+32%	Fulton	29,172	+14%	Hocking	19,998	+2%	Bracken (Ky.)	7,398	−12%
Trumbull	208,239	+31%	Campbell (Ky.)	86,756	+14%	Montgomery (Ky.)	13,269	+2%	Garrard (Ky.)	9,684	−12%
Montgomery	521,876	+31%	Williams	29,825	+14%	Athens	46,716	+2%	Rockcastle (Ky.)	12,231	−12%
Richland	117,673	+29%	Mercer (Pa.)	126,284	+13%	Bourbon (Ky.)	18,016	+2%	Bath (Ky.)	9,088	−13%
Fayette (Ky.)	129,722	+29%	Morrow	19,351	+13%	Scioto	83,637	+1%	Greene (Pa.)	39,345	−13%
Erie	67,526	+29%	Henry	25,243	+13%	Scott (Ky.)	15,184	0%	Martin (Ky.)	10,129	−13%
Wayne	75,148	+28%	Brown	24,995	+13%	Rowan (Ky.)	12,734	0%	Wolfe (Ky.)	6,495	−15%
Licking	90,012	+27%	Erie (Pa.)	247,538	+13%	Guernsey	38,334	0%	Robertson (Ky.)	2,444	−15%
Sandusky	57,291	+24%	Lawrence	55,206	+12%				Lee (Ky.)	7,390	−15%
Summit	508,788	+24%	Westmoreland(Pa.)	351,735	+12%	Venango (Pa.)	64,971	−1%	Estill (Ky.)	12,401	−16%
Wood	72,368	+21%	Seneca	59,158	+12%	Harrison (Ky.)	13,644	−1%	Lawrence (Ky.)	12,050	−16%
Pickaway	35,628	+21%	Putnam	28,150	+12%	Mason (Ky.)	18,362	−1%	Pike (Ky.)	67,788	−17%
Defiance	31,358	+21%	Ross	60,629	+11%	Monroe	15,200	−1%	Knott (Ky.)	16,849	−17%
Hancock	53,517	+21%	Clark (Ky.)	20,951	+11%	Morgan	12,665	−1%	Knox (Ky.)	25,130	−17%
Fairfield	62,901	+21%	Paulding	16,626	+11%	Crawford (Pa.)	77,788	−2%	Johnson (Ky.)	19,652	−18%
Marion	60,163	+20%	Champaign	29,607	+11%	Armstrong (Pa.)	79,165	−2%	Jackson (Ky.)	10,668	−19%
Ottawa	35,237	+20%	Logan	34,444	+10%	Powell (Ky.)	6,630	−3%	Whitely (Ky.)	25,665	−20%
Preble	32,368	+20%	Union	22,662	+10%	Indiana (Pa.)	75,024	−3%	Magoffin (Ky.)	11,088	−20%
Miami	73,261	+20%	Knox	38,648	+10%	Adams	19,864	−3%	Morgan (Ky.)	10,908	−20%
Stark	337,984	+19%	Carroll	20,798	+9%	Clarion (Pa.)	37,217	−3%	Floyd (Ky.)	41,519	−22%
Huron	46,899	+19%	Wyandot	21,586	+9%	Laurel (Ky.)	24,895	−4%	Breathitt (Ky.)	15,475	−23%
Delaware	36,042	+19%	Fayette	24,601	+9%	Wetzel (W. Va.)	19,356	−4%	Letcher (Ky.)	29,911	−24%
Madison	26,436	+19%	Darke	45,473	+9%	Lewis (Ky.)	12,945	−4%	Perry (Ky.)	34,934	−25%
Crawford	45,765	+18%	Tuscarawas	76,451	+9%	Perry	27,636	−5%	McCreary (Ky.)	12,330	−26%
Hamilton	853,246	+18%	Jessamine (Ky.)	13,429	+8%	Belmont	83,491	−5%	Bell (Ky.)	35,004	−27%
Cuyahoga	1,638,625	+18%	Columbiana	106,591	+8%	Vinton	10,227	−5%	Owsley (Ky.)	5,329	−27%
Beaver (Pa.)	206,373	+18%	Warren (Pa.)	45,981	+8%	Meigs	22,036	−5%	Harlan (Ky.)	50,765	−29%
Shelby	33,454	+17%	Brooke (W. Va.)	28,833	+7%	Ohio (W. Va.)	67,973	−5%	Leslie (Ky.)	10,926	−30%
Auglaize	35,925	+17%	Allegheny (Pa.)	1,619,082	+7%	Jefferson (Pa.)	46,654	−5%			
Ashtabula	92,216	+17%	Lawrence (Pa.)	112,484	+7%	Tyler (W. Va.)	9,970	−5%			
Ashland	38,720	+17%	Van Wert	28,565	+6%	Somerset (Pa.)	77,141	−6%			
Clark	130,701	+17%	Madison (Ky.)	32,976	+6%	Harrison	17,921	−6%			
Butler (Pa.)	113,932	+17%	Jackson	29,220	+5%	Noble	10,873	−8%			

Total 169 Counties 14,864,814 +14%

Note: All counties are in Ohio unless otherwise designated.

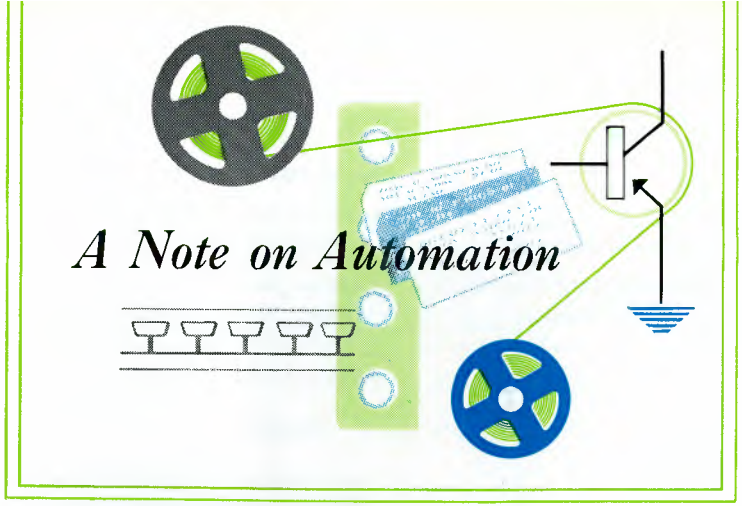
FOURTH DISTRICT SUMMARY

	1960 Population		% Change 1950-1960
Cleveland Cluster	3,356,891		+23%
Cleveland Metropolitan Area	1,786,740		+22%
Akron " "	508,788		+24%
Youngstown " "	507,557		+22%
Canton " "	337,984		+19%
Lorain-Elyria " "	215,822		+46%
Pittsburgh Cluster	2,749,869		+7%
Pittsburgh Metropolitan Area	2,392,086		+8%
Wheeling " "	189,490		−4%
Steubenville-Weirton "	168,293		+7%
Cincinnati Cluster	2,078,274		+24%
Cincinnati Metropolitan Area	1,060,068		+17%
Dayton " "	689,339		+33%
Hamilton-Middletown "	198,166		+35%
Springfield " "	130,701		+17%
Columbus Metropolitan Area	680,183		+35%
Toledo " "	454,472		+15%
Erie " "	247,538		+13%
Lexington " "	129,722		+29%
Lima " "	102,785		+17%
Total Metropolitan Areas		9,799,734	+18%
Cities of 25,000-50,000 (outside of metropolitan areas)	389,994		+5%
Cities of 10,000-25,000 (outside of metropolitan areas)	672,905		+8%
Cities of 5,000-10,000 (outside of metropolitan areas)	342,458		+9%
Total, cities outside of metropolitan areas		1,405,357	+7%
Rural population of counties containing cities of 5,000-50,000 (outside of metropolitan areas)	2,475,756		+11%
Rural population of entire counties containing no city as large as 5,000	1,183,967		−2%
Total rural population, as defined above		3,659,723	+6%
Total, 4th District		14,864,814	+14%

The accompanying summary table brings together the population picture for the Fourth District. Sub-totals, expressed as percentage shares of the grand total, show that 66 percent of the Fourth District's population lives in metropolitan areas, 9 percent lives in cities from 5,000 to 50,000 which are located outside of metropolitan areas, and 25 percent lives in the remainder of the District, which is classified here as "rural".

The rural classification employed here has been adopted for convenience in rounding out the picture. This classification arbitrarily counts the entire population of counties which make up metropolitan areas as urban, with no allowance for rural components. On the other hand, the classification counts as entirely rural the populations of *all* cities below 5,000 which are located outside of metropolitan areas. (According to Census classification of "rural", the rural population of the Fourth District was 31 percent of total population in 1960.)

Twelve of the seventeen metropolitan areas which are listed in the summary table have been specially arranged into "clusters". The Pittsburgh cluster, for example, includes the Pittsburgh, Wheeling, and Steubenville-Weirton Metropolitan Areas. The Cleveland, Pittsburgh, and Cincinnati clusters, taken together, contain more than one-half of the Fourth District's population. Two of the three clusters had gains in population which were larger than the District gain. The Cincinnati cluster had a population increase of 24 percent, while the Cleveland cluster had a population increase of 23 percent and the Pittsburgh cluster had a 7 percent population gain. (The five metropolitan areas which are not parts of clusters, as well as the individual metropolitan areas which are included in the three clusters, were discussed on page 8.)



Federal Reserve Bank of Cleveland is considering an electronic data-processing system for delivery and installation early in 1962. The computer system which is to be selected from alternative possibilities will be fully transistorized, with core memory and magnetic tape drives, as well as other appropriate input and output accessories. It will be suitable for use in the data processing involved both in regular bank operations and in original research applications.

Reasons for making the turn to electronic data processing include the assurance of greater speeds in operation and promptness in achieving utilizable results, as well as the unleashing of new types of computations which will enhance the bank's services and which would not have been feasible under the older methods of data processing. Total volume of employment at the bank will be affected little, if at all.

Moderate savings on costs of processing the existing work load are contemplated as likely for the first few years of electronic operation. Savings are expected to be increased over the long pull, especially in view of larger work loads and the development of new types of statistical tasks.

During the year 1960, a considerable share of staff talent at the bank was devoted to detailed studies of feasibility of electronic data processing, cost estimates, factors in the selection of specific equipment, and prospective changes in the organization of work and of personnel. Continuation and intensification of preparations for the advent of the computer are planned for 1961.

Analysis of work methods specifically designed for the turn to the computer represents, in one sense, a continuation of methods studies which have been given much attention in recent years, and which yield rich returns in efficiency of work. A new aspect, however, which is now in full swing, is the training of selected members of bank personnel for technical programming for the computer; it is planned to have this work done by employees familiar with the bank's procedures rather than by outside technicians.

Concurrent with the preparation for the electronic data processing system, progress has been made in the related program of automated processing of checks through use of encoded magnetic ink characters. In that program, the bank shares with other Reserve banks and with the entire commercial banking system in an effort to streamline the processing of the growing mountain of paper checks generated by modern business and banking procedures. The check-processing program has been made possible by the cooperation of office equipment manufacturers and check printers throughout the nation.

Pilot tests of various types of equipment recently developed for automatic sorting and listing, with factory rated processing speeds in excess of 40,000 checks per hour, are expected to be completed before the end of 1961. The arduous task of handling well over a million checks every working day at the three offices of this bank is expected to be considerably lightened when the full effect of check automation takes hold some years hence.

Comparative Statement of Condition

		Dec. 31, 1960	Dec. 31, 1959
ASSETS	Gold Certificate Account	$1,357,217,756	$1,634,684,463
	Redemption Fund for Federal Reserve Notes	92,223,845	87,707,525
	TOTAL GOLD CERTIFICATE RESERVES	1,449,441,601	1,722,391,988
	Federal Reserve Notes of Other Banks	31,021,730	34,132,800
	Other Cash	33,051,387	32,179,897
	TOTAL CASH	1,515,515,718	1,788,704,685
	Discounts and Advances	752,000	750,000
	U.S. Government Securities:		
	Bills	249,174,000	225,602,000
	Certificates	778,386,000	909,674,000
	Notes	1,072,356,000	953,250,000
	Bonds	218,493,000	215,040,000
	TOTAL U.S. GOVERNMENT SECURITIES	2,318,409,000	2,303,566,000
	TOTAL LOANS AND SECURITIES	2,319,161,000	2,304,316,000
	Cash Items in Process of Collection	555,899,237	565,403,408
	Bank Premises	8,617,022	9,315,267
	Other Assets	17,767,789	22,453,372
	TOTAL ASSETS	$4,414,959,766	$4,690,192,732
LIABILITIES	Federal Reserve Notes	$2,574,550,235	$2,570,371,585
	Deposits:		
	Member Bank—Reserve Accounts	1,253,849,313	1,460,302,533
	U.S. Treasurer—General Account	37,749,426	32,803,569
	Foreign	20,116,000	31,320,000
	Other Deposits	6,600,563	26,294,895
	TOTAL DEPOSITS	1,318,315,302	1,550,720,997
	Deferred Availability Cash Items	406,097,241	457,026,300
	Other Liabilities	2,596,988	2,438,680
	TOTAL LIABILITIES	4,301,559,766	4,580,557,562
CAPITAL ACCOUNTS	Capital Paid In	37,800,000	36,265,000
	Surplus	75,600,000	72,530,000
	Other Capital Accounts	—o—	840,170
	TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$4,414,959,766	$4,690,192,732
	Contingent Liability on Acceptances Purchased for Foreign Correspondents	$ 21,826,800	$ 7,407,000

Comparison of Earnings and Expenses

	1960	1959
Total Current Earnings	$93,899,647	$76,455,955
Net Expenses	13,378,348	12,746,585
CURRENT NET EARNINGS	80,521,299	63,709,370
Additions to Current Net Earnings:		
Profit on Sales of U.S. Government Securities (Net)	209,320	16,502
Transferred from Reserves for Contingencies (Net)	840,170	9,083,117
All Other	817	4,506
TOTAL ADDITIONS	1,050,307	9,104,125
Deductions from Current Net Earnings	569	178
Net Additions	1,049,738	9,103,947
Net Earnings Before Payments to U.S. Treasury	81,571,037	72,813,317
Dividends	2,219,154	2,150,830
Paid U.S. Treasury (Interest on F.R. Notes)	76,281,883	74,774,987
Transferred to Surplus	$ 3,070,000	$ 4,112,500

Federal Reserve Bank of Cleveland

Directors 1961

Chairman

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

Deputy Chairman

JOSEPH H. THOMPSON
Vice Chairman of the Board
The M. A. Hanna Company
Cleveland, Ohio

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

FRANCIS H. BEAM
Chairman of the Board
The National City Bank of Cleveland
Cleveland, Ohio

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

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

W. CORDES SNYDER, JR.
Chairman of the Board and President
Blaw-Knox Company
Pittsburgh, Pennsylvania

EDWIN J. THOMAS
Chairman of the Board and
Chief Executive Officer
The Goodyear Tire & Rubber Company
Akron, 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 1961

WILBUR D. FULTON ..... *President*
DONALD S. THOMPSON..... *First Vice President*
W. BRADDOCK HICKMAN .. *Senior Vice President*
ROGER R. CLOUSE .. *Vice President and Secretary*
GEORGE H. EMDE ..... *Cashier*
EDWARD A. FINK ..... *Vice President*
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*
ELFER B. MILLER ..... *General Auditor*
PHILLIP B. DIDHAM ... *Assistant Vice President*
ELMER F. FRICEK ..... *Assistant Vice President*
HARRY W. HUNING ... *Assistant Vice President*
JOSEPH M. MILLER .... *Assistant Vice President*
JOHN E. ORIN ..... *Assistant Vice President*
PAUL BREIDENBACH ..... *Counsel*
ADDISON T. CUTLER ..... *Special Economist*
FRED O. KIEL ..... *Senior Economist-Office Manager, Research Department*
GEORGE T. QUAST ..... *Chief Examiner*
CHARLES J. BOLTHOUSE ..... *Assistant Cashier*
CHARLES E. CRAWFORD ..... *Assistant Cashier*
ANNE J. ERSTE ..... *Assistant Cashier*
ROBERT G. HOOVER ..... *Assistant Cashier*
JOHN J. HOY ..... *Assistant Cashier*
HARMEN B. FLINKERS ..... *Assistant Secretary*
ALVAH R. MILLS ..... *Assistant General Auditor*

Branch Directors and Officers

Pittsburgh

DIRECTORS — 1961

Chairman

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

G. L. BACH
Dean
Graduate School of Industrial Administration
Carnegie Institute of Technology
Pittsburgh, Pennsylvania

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

S. L. DRUMM
President
West Penn Power Company
Greensburg, Pennsylvania

SAMUEL R. EVANS
President
Windber Trust Company
Windber, Pennsylvania

CHAS. J. HEIMBERGER
President
The First National Bank of Erie
Erie, Pennsylvania

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

OFFICERS — 1961

JOHN W. KOSSIN ..... *Vice President*
JOHN A. SCHMIDT ..... *Cashier*
PAUL H. DORN ..... *Assistant Cashier*
CHARLES E. HOUPT ..... *Assistant Cashier*
FRED S. KELLY ..... *Assistant Cashier*
ROY J. STEINBRINK ..... *Assistant Cashier*

Cincinnati

DIRECTORS — 1961

Chairman

HOWARD E. WHITAKER
Chairman of the Board
The Mead Corporation
Dayton, Ohio

H. W. GILLAUGH
President
The Third National Bank and Trust Company of Dayton, Ohio
Dayton, Ohio

IVAN JETT
Farmer
Georgetown, Kentucky

LOGAN T. JOHNSTON
President
Armco Steel Corporation
Middletown, Ohio

WALTER C. LANGSAM
President
University of Cincinnati
Cincinnati, Ohio

LEROY M. MILES
President
First National Bank and Trust Company of Lexington
Lexington, Kentucky

FRANK J. VAN LAHR
President
The Provident Bank
Cincinnati, Ohio

OFFICERS — 1961

RICHARD G. JOHNSON ..... *Vice President*
PHIL J. GEERS ..... *Cashier*
JOHN BIERMANN, JR. .... *Assistant Cashier*
GEORGE W. HURST ..... *Assistant Cashier*
WALTER H. MACDONALD . *Assistant Cashier*