

Fifteenth Annual Report
of the
**FEDERAL RESERVE BANK
OF PHILADELPHIA**



**MADE TO THE FEDERAL RESERVE BOARD
FOR THE THIRD FEDERAL RESERVE DISTRICT
BY THE CHAIRMAN OF THE BOARD
AND FEDERAL RESERVE AGENT**

1929

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1929

LETTER OF TRANSMITTAL

January 30, 1930.

Federal Reserve Board,
Washington, D. C.

Sirs:—

I have the honor to transmit herewith the fifteenth annual report on the operations of the Federal Reserve Bank of Philadelphia, covering the year 1929.

Very truly yours,

R. L. AUSTIN

*Chairman of the Board and
Federal Reserve Agent*

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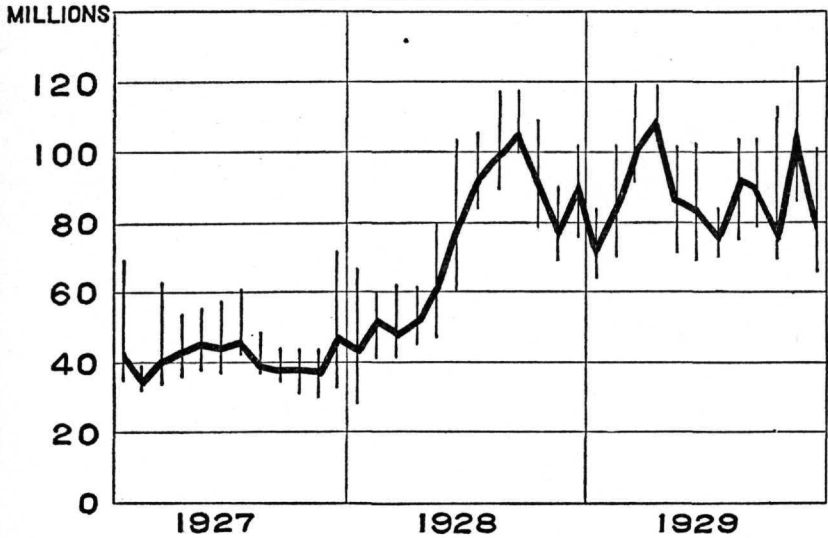
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FEDERAL RESERVE BANK OF PHILADELPHIA

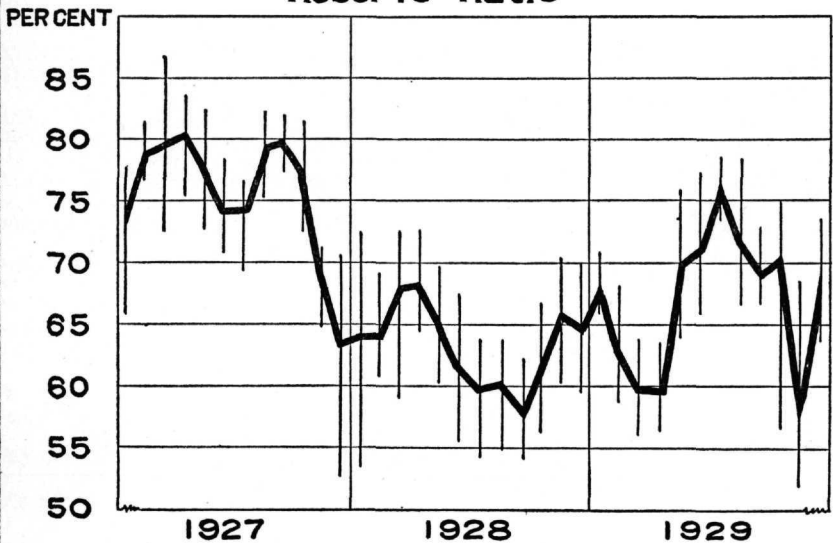
Heavy lines Monthly
Averages

Light vertical lines High and
low points

Bills Discounted



Reserve Ratio



Annual Report of the Federal Reserve Bank of Philadelphia for 1929

The profit and loss account of the bank for 1929 follows,
together with figures for the two years preceding:

	1929	1928	1927
Gross earnings:			
From bills discounted.....	\$4,493,786	\$3,498,453	\$1,648,548
From bills bought.....	666,005	932,744	603,587
From United States securities.....	808,116	914,403	970,386
From other sources.....	108,141	48,946	141,105
Total earnings.....	\$6,076,048	\$5,394,546	\$3,363,626
Expenses:			
Maintaining the accounts of the bank..	97,701	96,129	95,873
Loans and discounts.....	55,734	52,368	53,097
Currency and coin*.....	701,912	480,667	618,412
Transit and collections.....	451,798	436,352	436,406
Fiscal agency functions.....	31,459	48,365	44,006
Custody of securities, including pur- chases and sales.....	71,404	73,950	67,970
Transfer and telegraphic service.....	21,669	20,428	20,257
Official salaries and supervisory expenses	162,165	161,973	155,391
Federal reserve agent's department: (Custody of collateral against federal reserve notes, note issues, bank ex- amination, library, statistical and business reporting work).....	85,813	88,527	86,009
Maintaining the general audit.....	59,362	57,405	59,124
Bank relations.....	15,801	19,214	12,513
Insurance (other than on currency, coin, and security shipments).....	33,117	33,866	33,292
Operation of banking house.....	165,319	182,110	188,471
This bank's portion of Federal Reserve Board expenses.....	75,170	66,695	74,621
Miscellaneous.....	169,467	168,193	161,240
Current expenses*.....	\$2,197,891	\$1,986,242	\$2,106,682
Current net earnings.....	\$3,878,157	\$3,408,304	\$1,256,944
Additions to current net earnings.....	\$ 1,181	\$ 1,481	\$ 2,646
Deductions from current net earnings....	77,350	127,144	83,121
Net deductions.....	\$ 76,169	\$ 125,663	\$ 80,475
Net earnings available for dividends, surplus, and franchise tax.....	\$3,801,988	\$3,282,641	\$1,176,469
Distribution of net earnings:			
Dividends.....	\$ 938,312	\$ 843,755	\$ 781,540
Paid to government as a franchise tax..	0	0	0
Transferred to surplus account.....	2,863,676	2,438,886	394,929

* Of which \$278,563 in 1929 and \$76,725 in 1928 represented the cost of federal reserve currency.

Average holdings of bills discounted for member banks were materially larger than in 1928 and in excess of any year since 1921. A discount rate of 5 per cent obtained throughout the year, whereas in 1928 lower rates were in effect during the first half. These two factors—a higher level of discounts and a heavier charge—account largely for an increase in the gross earnings of the bank from \$5,394,546 in 1928 to \$6,076,048 in 1929.

The bank was called upon to extend services to its member banks in greater volume than ever before and, in common with the other reserve banks, handled a considerable amount of detail in connection with the replacement of the old series currency with new bills of smaller size. Active though it was, the ordinary expenses of the bank show little change in total, the chief item contributing to an expansion of \$211,000 in its current expenses being an increase of \$202,000 in the cost of printing and shipping federal reserve notes.

The net earnings of the bank, following adjustments, amounted to \$3,801,988, or 16 per cent in excess of 1928. Dividends amounting to \$938,312 were paid to the member banks and \$2,863,676 was added to the surplus account, which at the end of the year failed by a considerable margin to equal the subscribed capital.

Statement of condition

The statement of the bank for December 31 shows an improvement in the reserve position over that of a year earlier. Cash reserves have increased largely, although a portion of this was due to the more liberal use of federal reserve notes in place of other currency. Although bills discounted averaged heavier than in 1928, year end figures show a decline, and holdings of purchased bills are in smaller volume than a year ago, but the portfolio of government securities has increased.

The increase of \$1,931,000 in the capital stock of the bank was the largest in any year since 1915. The number of member banks was reduced somewhat during the year through consolidations and a few withdrawals, but additions to membership through new members and the absorption of non-members more than compensated for this insofar as the resources of the member banks were concerned. On October 4, 1929, the resources of the members, at \$3,331,000,000, were larger than ever before.

In condensed form, the statements of the bank as of the close of 1929 and 1928 follow:

Fifteenth Annual Report, Federal Reserve Bank of Philadelphia

(000's omitted)	December 31, 1928	December 31, 1929	Changes during 1929
RESOURCES			
Gold reserves	\$179,131	\$203,722	+\$24,591
Reserves other than gold	6,453	12,470	+ 6,017
Total reserves	\$185,584	\$216,192	+\$30,608
Non-reserve cash	1,486	3,483	+ 1,997
Bills discounted:			
Secured by government obligations	59,548	34,511	- 25,037
Other bills discounted	24,766	31,266	+ 6,500
Total bills discounted	\$ 84,314	\$ 65,777	-\$18,537
Bills bought	16,234	8,540	- 7,694
United States securities	21,447	41,806	+ 20,359
Other securities	0	1,000	+ 1,000
Total bills and securities	\$121,995	\$117,123	-\$ 4,872
Uncollected items	60,242	59,284	- 958
All other resources	2,019	1,937	- 82
Total resources	\$371,326	\$398,019	+\$26,693
LIABILITIES			
Federal reserve notes in actual circulation	\$142,948	\$162,344	+\$19,396
Deposits:			
Member bank—reserve account	133,515	133,193	- 322
Government	985	2,329	+ 1,344
Other	688	599	- 89
Total deposits	\$135,188	\$136,121	+\$ 933
Deferred availability items	54,342	55,931	+ 1,589
Capital paid in	14,536	16,467	+ 1,931
Surplus	24,101	26,965	+ 2,864
All other liabilities	211	191	- 20
Total liabilities	\$371,326	\$398,019	+\$26,693
Ratio of total reserves to deposit and federal reserve note liabilities combined	66.7%	72.4%	+ 5.7%
Contingent liability on bills purchased for foreign correspondents	\$ 30,688	\$ 52,481	+\$21,793

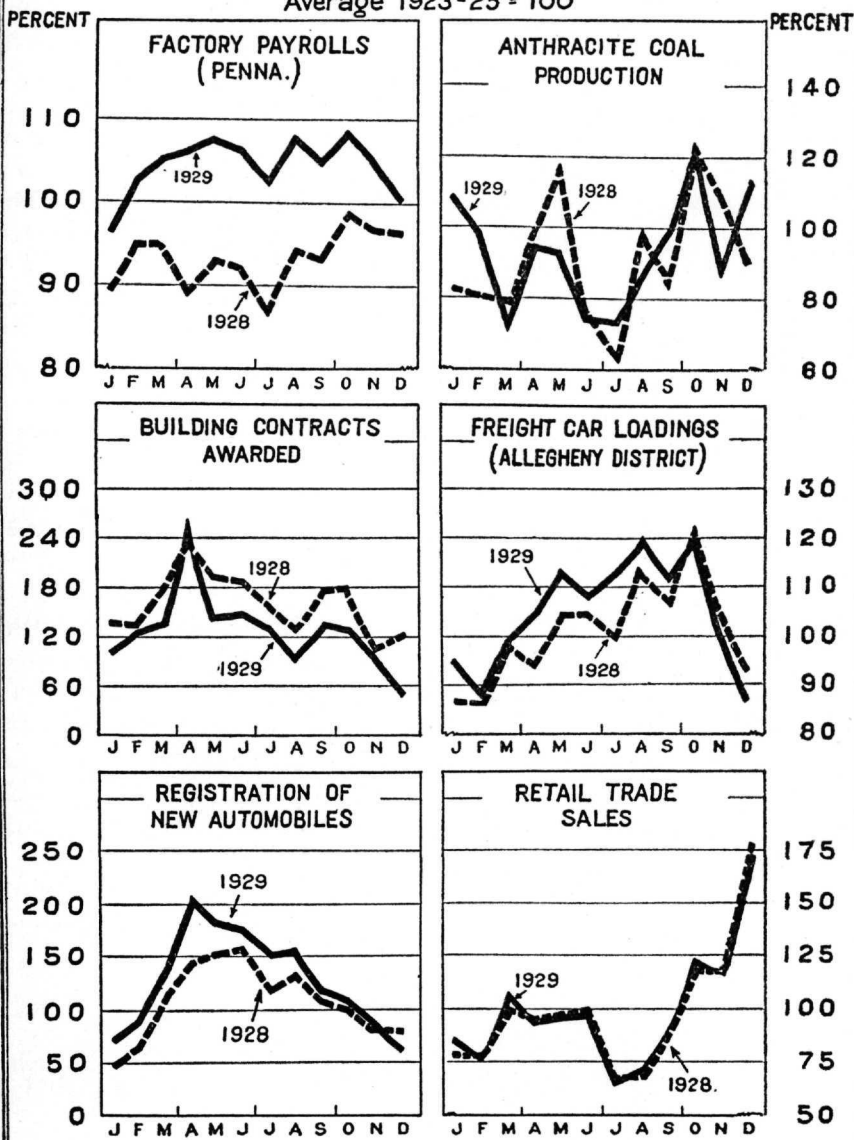
Business conditions in the Philadelphia District

The volume of transactions in trade and industry during 1929 was large, reaching high levels in the first three quarters of the year. Earnings, corporate and individual, increased in comparison with the preceding year. The productivity of labor was well maintained and industry as a whole was free from interruptions. The turnover of goods increased; inventories of raw materials and finished products were not burdensome; and there was an absence of speculation in merchandise. Commodity prices fluctuated within a rather narrow range, although they were somewhat below the general level prevailing in 1928. Trade, industry, and agriculture

BUSINESS INDICATORS

Philadelphia Federal Reserve District

Average 1923-25 = 100



had an ample supply of funds for their requirements. Thus, in broad retrospect, the year 1929 may be characterized as one of general prosperity and industrial advancement in this district.

The output of manufactured products, representing about 9 per cent of the country's total, was considerably larger than in 1928. Factory employment and wage payments exceeded the averages of 1928 by 6.1 and 10.3 per cent, respectively, indicating a higher rate of plant activity. This favorable comparison may be attributed to larger production of such leading manufactures as food, metal, textile, chemical, and leather products. Production of building materials generally was in smaller volume, reflecting lessened operations in construction. The peak of factory activity was reached in the fall as is usual for this district. Beginning in November, however, industrial recession was more drastic than was normally to be expected.

Building operations fell off substantially in comparison with 1928, the decline being chiefly caused by a sharp drop in the construction of various classes of dwellings. The value of contracts awarded was 20 per cent smaller than in 1928.

The real estate market continued unsatisfactory. The number of real estate deeds and the value of mortgages recorded in Philadelphia were smaller. Properties sold by the sheriff of Philadelphia county increased materially in comparison with other recent years.

In response to a more active demand from industries, the production and shipment of bituminous coal showed a noticeable gain over the previous year. The output of anthracite also was larger.

The farm value of crops in the aggregate was noticeably larger than in 1928. This gain was due to higher prices of farm products, since the acreage harvested was about equal to that of 1928 and the yield per acre was smaller. The sale of animal products also was estimated to be larger. The supply of farm labor on the whole was adequate and farm wage rates in this district were slightly higher than in 1928.

Railroad shipments of commodities in this section rose sharply between spring and fall, exceeding the volume recorded in the previous three years. From October, however, freight car loadings declined considerably to within a few points of the low level established in December, 1927.

The dollar volume of retail and wholesale sales by reporting firms was slightly smaller than in 1928. This probably was due, in part, to the fact that prices were somewhat lower. Sales of new passenger automobiles, as measured by registrations, showed a

gain of 18 per cent over the preceding year. Similarly, sales of ordinary life insurance were about 12 per cent larger.

Consumption, as well as output, of food products in 1929 compared favorably with the volume for 1928. This is indicated by animal slaughterings and shipments in this section and by monthly receipts of dairy and poultry products in Philadelphia and in the district.

Foreign trade handled at the Port of Philadelphia increased, the value of imports and exports exceeding substantially the amount recorded for the previous year. Imports were about twice as large as exports.

The number of commercial failures in this district increased somewhat but the amount of liabilities involved was smaller than in any of the previous three years.

The cost of living in Philadelphia, as estimated by the United States Bureau of Labor Statistics, increased about three-tenths of one per cent as against a rise of one-tenth of one per cent in the country as a whole between December, 1928, and December, 1929. The expenditure for food showed the sharpest advance—almost 3 per cent—while rents showed the largest decline—nearly 5 per cent. In comparison with 1920, the cost of living in Philadelphia was 18 per cent higher; it was also 75 per cent above the pre-war level.

Financial conditions in the Philadelphia district

A number of developments have influenced financial conditions in this district during 1929. Over the greater part of the year business activity was on the upswing; stock prices reached very high levels, and new securities were issued in record volume. The loans of the member banks increased, borrowings from the Federal Reserve Bank were heavy, and money rates tended upward. Late in the year credit conditions became somewhat easier with declining business activity and falling stock prices.

Money rates

Money rates were firm and generally higher than in 1928. From an average of a little over 5½ per cent in December, 1928, the charges of large Philadelphia member banks on commercial loans to customers rose to 5¾-6 per cent in the late summer and fall of 1929; in November and December there were slight declines.

Prior to the spring of 1929, the maximum rate of interest on call loans was restricted to 6 per cent by the laws of Pennsylvania, but this limitation was removed by an act of the legislature

approved April 18 by which act loans of not less than \$5,000, payable on demand and collaterally secured by warehouse receipts, bills of lading, certificates of stock, certificates of deposit, bills of exchange, bonds, or other negotiable instruments, now may bear any rate of interest agreed upon in writing by the parties to such transactions.

Shortly after the enactment of this act, the renewal rate for call loans in Philadelphia advanced to levels about the same as those charged in New York, the highest being 15 per cent on July 2. The decline of the call loan rate in New York late in November and in December to $4\frac{1}{2}$ per cent, however, was not reflected in Philadelphia, the renewal rate remaining at 6 per cent to the end of the year.

The discount rate of this bank was maintained unchanged at 5 per cent, but the buying rate on endorsed bankers' bills of ninety days' maturity was raised from $4\frac{1}{2}$ to a high of $5\frac{1}{2}$ per cent on March 26, and later was reduced to 4 per cent.

Reporting member banks

The weekly reports of member banks in Philadelphia, Camden, Scranton, and Wilmington, which have about 45 per cent of the earning assets of all members in the district, show that their total loans and investments averaged much the same as in 1928. Nevertheless, more detailed examination of their reports reveals a rising tendency in loans, with some interruption in the spring and early summer, to a high point in the middle of November. Over a considerable part of this period there was an accompanying decline in deposits, indicating the loss of funds. This loss was met partially by a material reduction in the investments of the banks and by the accumulation of capital funds.

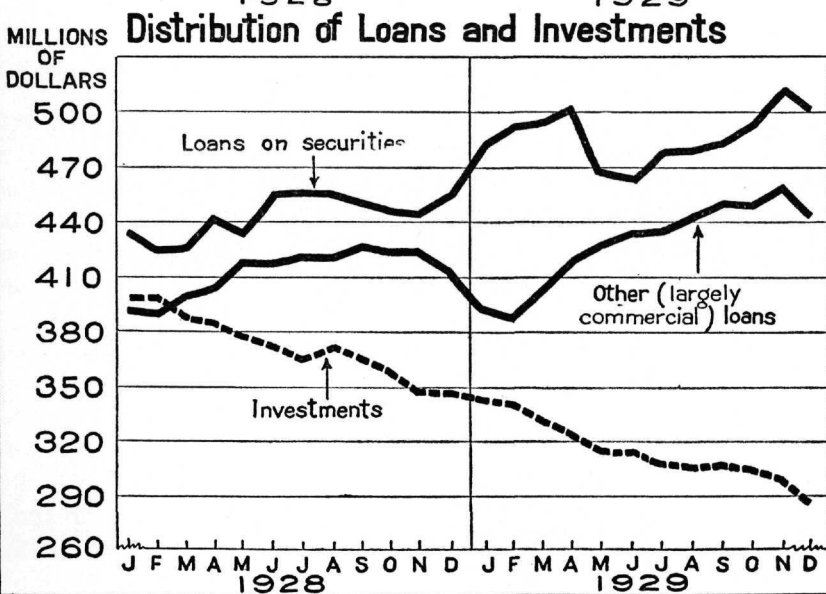
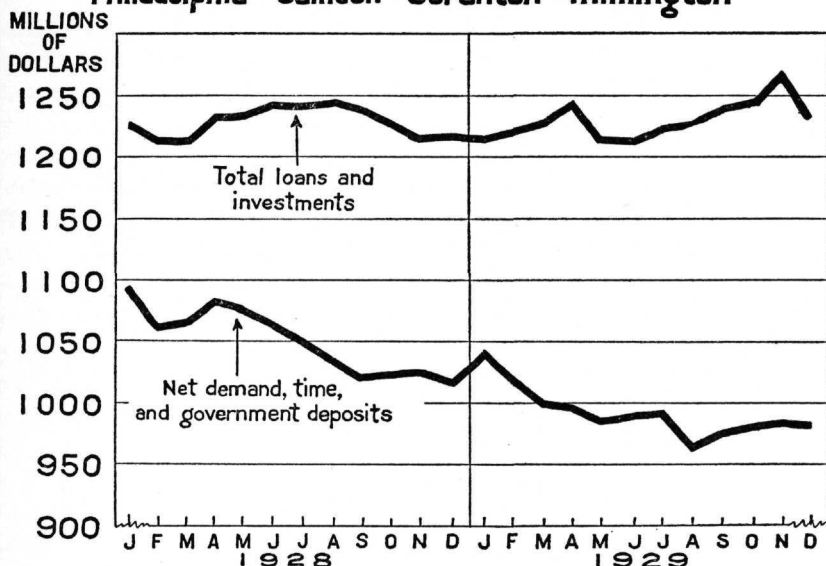
The decline in deposits lasted up to the end of August. In this period stock prices rose materially and a large volume of funds was absorbed by the security market, suggesting that a portion of the decrease in deposits, at least, was due to the loaning of funds in the New York call market or to trading in securities on the part of customers of local banks. The average of deposits in October, November, and December was slightly higher than that in September.

Fluctuations in loans on securities granted by banks in these four cities were large and the year as a whole shows an increase in the total.

Business men have been amply supplied with the necessary

REPORTING MEMBER BANKS

Philadelphia - Camden - Scranton - Wilmington



Fifteenth Annual Report, Federal Reserve Bank of Philadelphia

funds to carry on their operations, and the advances in rates were not sufficient to interfere seriously with their plans. The rising tide of business in this district was reflected in a sweeping upward trend in loans other than those made on the security of stocks and bonds.

"All other" loans are most diverse in character, representing not only loans to business men to carry on their operations, but real estate loans and many other classes of loans as well. Changes in an item comprising such a miscellany of credit at all times are difficult to interpret, but it may be assumed that fluctuations are due mainly to varying business conditions. Following the usual seasonal tendency, a low point in these so-called "commercial" loans was reached early in February; the upward movement which ensued was substantial and, with minor intermediate recessions, lasted until the middle of September. Ordinarily, the high point does not come later than October, but this year November was marked by a rapid and appreciable rise to a new high point. In December these loans turned downward, as was to be expected in view of the decline, partly seasonal, in manufacturing activity and in several lines of wholesale trade. Over nearly the whole of the year the volume of "commercial" loans was larger than on corresponding dates in 1928, no doubt reflecting better business conditions this year.

Federal Reserve Bank

Heavier demands upon the member banks for funds were reflected in an increase in their borrowings from the Federal Reserve Bank from an average of 75 millions in 1928 to nearly 89 millions in 1929. The reserve ratio fluctuated within upper and lower limits of 78.6 and 51.9 per cent, respectively, but the average for the year was 67.6 per cent, as compared with 63.6 per cent in the year preceding.

Expanding loans and declining deposits at the reporting member banks led to a material increase in borrowing from the Bank during February, March, and April. Several months of decline in borrowing followed; this decrease was particularly marked in May.

In August there was an increase in borrowing, similar to that of a year earlier, but this was short-lived, and bills discounted in October averaged little higher than in July. In the closing week of October member banks increased their loans and met with unfavorable interdistrict balances at a time when there was acute dis-

turbance in the stock market, necessitating heavy borrowing from this bank. During the first half of November the high point for the year of 124 millions in bills discounted was reached and the reserve ratio receded to a low of 51.9 per cent. Substantial recovery from this condition took place in the weeks following. Despite the usual strong demand for currency in the last week of November and in December, the average of bills discounted in December was below the average for the year, as the member banks found, in unusually favorable interdistrict balances, an offset to their losses through currency disbursements.

Discount policy

Over the greater part of 1929, business in this district was moving forward actively, prices on the whole were rather stable, and conservative policies were being followed in maintaining stocks of goods within reasonable limits. This was in quite a contrast with developments in the security markets. Large fluctuations in prices of securities, heavy turnover, and mounting security loans, called for the utmost vigilance to prevent the use of federal reserve credit for speculative purposes. At one period our board felt that these conditions justified an increase in the discount rate and voted to establish a rate of 6 per cent, but this rate was not approved by the Federal Reserve Board, and the 5 per cent rate continued to be in effect.

In the last six or seven weeks of the year there was a decline in borrowings from this bank and some recovery on the part of the member banks from a rather strained condition. But the loans of the member banks continued large, preventing a satisfactory easing of the credit situation.

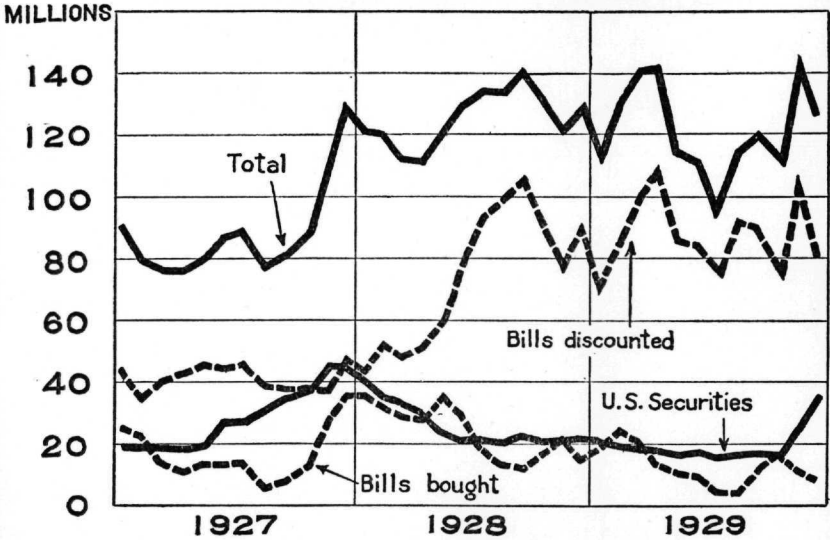
At the opening of 1929 the buying rate for ninety-day endorsed bankers' bills was $4\frac{1}{2}$ per cent. Changes during the year follow: Jan. 4— $4\frac{3}{4}$ %; Jan. 21—5 %; Feb. 15— $5\frac{1}{8}$ %; Mar. 21— $5\frac{3}{8}$ %; Mar. 26— $5\frac{1}{2}$ %; July 13— $5\frac{1}{4}$ %; Aug. 9— $5\frac{1}{8}$ %; Oct. 24—5 %; Nov. 1— $4\frac{3}{4}$ %; Nov. 15— $4\frac{1}{4}$ %; Nov. 22—4 %.

Discounts and purchases of bills and securities

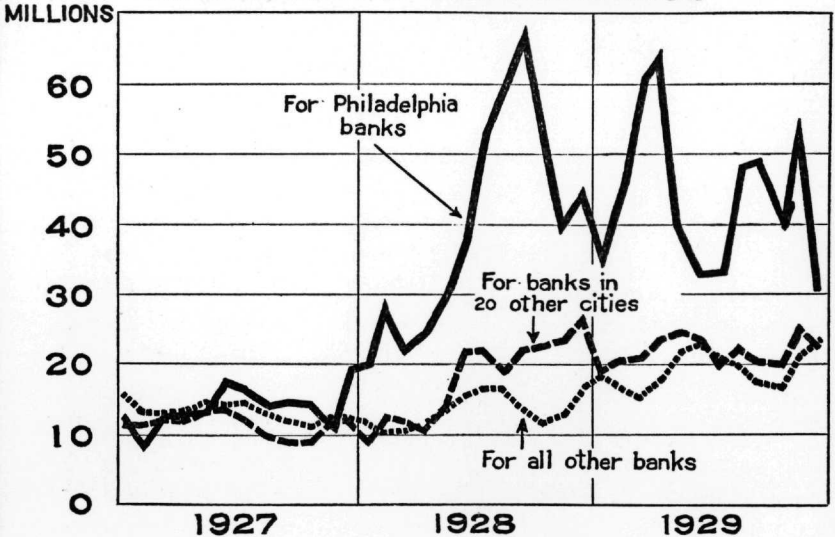
This bank's holdings of bills and securities averaged 123 millions in 1929, as compared with 126 millions in 1928. Annual and monthly averages in total and by classes follow :

BILL AND SECURITY HOLDINGS

Federal Reserve Bank of Philadelphia



Distribution of Bills Discounted



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(In millions of dollars)	Bills discounted	Bills bought	U. S. securities	Other securities*	Totals
Annual averages:					
1921.....	\$124.9	\$ 9.2	\$26.9	#	\$161.0
1922.....	53.2	20.4	29.3	#	102.9
1923.....	59.9	23.1	21.4	#	104.4
1924.....	31.3	11.4	27.8	\$1.1	71.6
1925.....	43.5	18.5	21.4	3.1	86.5
1926.....	50.9	18.6	21.3	2.9	93.7
1927.....	42.1	17.4	29.3	1.0	89.8
1928.....	75.4	24.5	26.4	#	126.3
1929.....	88.9	13.1	20.4	.5	122.9
Monthly averages:					
1928—Dec.....	91.3	16.1	21.9	.1	129.4
1929—Jan.....	73.1	19.4	21.4	0	113.9
Feb.....	85.5	25.0	20.1	0	130.6
Mar.....	101.6	21.2	18.5	.3	141.6
Apr.....	110.0	13.5	18.2	.8	142.5
May.....	86.7	11.2	16.7	.8	115.4
June.....	84.7	9.7	17.8	.4	112.6
July.....	77.3	4.9	16.5	.3	99.0
Aug.....	92.8	4.4	17.7	.3	115.2
Sept.....	90.6	12.0	18.0	.3	120.9
Oct.....	78.7	16.8	17.5	.8	113.8
Nov.....	106.9	12.2	25.3	1.1	145.5
Dec.....	80.1	8.2	36.2	1.1	125.6

* Includes foreign loans on gold.

Less than \$100,000.

In the past year 594 member banks borrowed from this bank, as compared with 562 in 1928. Trends of discounting are discussed on page 13.

Although the volume of bankers' acceptances outstanding in the country was greater in 1929 than in any previous year, this bank's holdings of purchased bills, and those of the system as well, were the lowest in years. From 16 millions at the beginning of the year there was an increase to 27 millions in the middle of February, but an ensuing decline to little over 2 millions at the beginning of August. In the late summer and fall an increase is usual, and in August, September, and October purchases raised the bank's holdings to 18 millions. The buying rate of the bank was out of line with open market rates in November and over part of December, and maturing bills were not entirely replaced, so that at the end of the year only 8 millions were on hand.

In the first ten months of 1929 holdings of United States securities changed comparatively little, although there was a slight decline. Late in October, and in the two months following, the federal reserve system increased its purchases of United States securities. Our participation in these purchases increased our holdings 25 millions in this period.

Secured and unsecured borrowing

An interesting development during the past year has been the trend toward "unsecured" borrowing (so-called) from the reserve bank, as distinguished from the use of bills secured by United States securities. During 1928 "unsecured" borrowing only occasionally rose as high as 30 millions, but in the fall of 1929 a high of 68 millions was reached. This tendency is illustrated in the following figures, which compare the peaks of borrowing in 1928 and 1929:

	High point 1928 Sept. 1	High point 1929 Nov. 9	Changes
Bills discounted:			
Secured by U. S. securities.....	\$87,700,000	\$60,000,000	-\$27,700,000
All other.....	30,800,000	64,200,000	+ 33,400,000
Totals.....	\$118,500,000	\$124,200,000	+\$5,700,000

The actual holdings of United States securities by all member banks in the Philadelphia district amounted to 217 millions on October 4 (a portion of which was required to secure national bank notes and some of which probably had been sold under repurchase agreements), as against 249 millions a year earlier, a decrease of 32 millions. Most of this decrease was shown by the Philadelphia member banks.

At the time of the October call, member banks in this district reported 291 millions of paper eligible for rediscount at the Federal Reserve Bank. In total this is more than ample to care for the usual borrowing needs of the district, but this paper is not evenly distributed among the banks in proportion to their total resources; some banks have more than enough, and others appear to have very little that can be rediscounted, a condition which they should make every effort to correct and which in some cases has been done.

Borrowing by cities

Although, as in previous years, changes in borrowing by Philadelphia banks have accounted for the principal fluctuations in bills discounted, relatively large changes also have taken place in the past two years in discounts for banks in other cities. End of the year figures showing bills discounted for banks in various cities follow:

Fifteenth Annual Report, Federal Reserve Bank of Philadelphia

	December 31			
	1929	1928	1927	1926
Allentown.....	\$ 339,000	\$ 768,000	\$ 77,000	\$ 330,000
Atlantic City.....	2,199,000	2,014,000	1,943,000	3,341,000
Bethlehem.....	1,157,000	149,000	585,000	612,000
Chester.....	985,000	1,800,000	1,583,000	625,000
Easton.....	1,389,000	474,000	945,000	1,354,000
Harrisburg.....	140,000	0	0	0
Hazleton.....	110,000	873,000	534,000	721,000
Johnstown.....	0	0	60,000	40,000
Lancaster.....	153,000	0	0	0
Lebanon.....	150,000	115,000	150,000	200,000
Norristown.....	334,000	600,000	150,000	270,000
Philadelphia.....	24,521,000	43,066,000	43,893,000	36,509,000
Reading.....	2,358,000	2,026,000	240,000	1,572,000
Scranton.....	2,425,000	6,195,000	1,318,000	540,000
Trenton.....	60,000	2,187,000	1,193,000	671,000
Wilkes-Barre.....	2,002,000	790,000	250,000	756,000
Williamsport.....	642,000	521,000	395,000	1,240,000
Wilmington.....	317,000	920,000	85,000	190,000
York.....	1,172,000	839,000	160,000	655,000
Other communities.....	25,324,000	20,977,000	13,810,000	18,215,000
Totals.....	\$65,777,000	\$84,314,000	\$67,371,000	\$67,841,000

Industrial classification of rediscounts

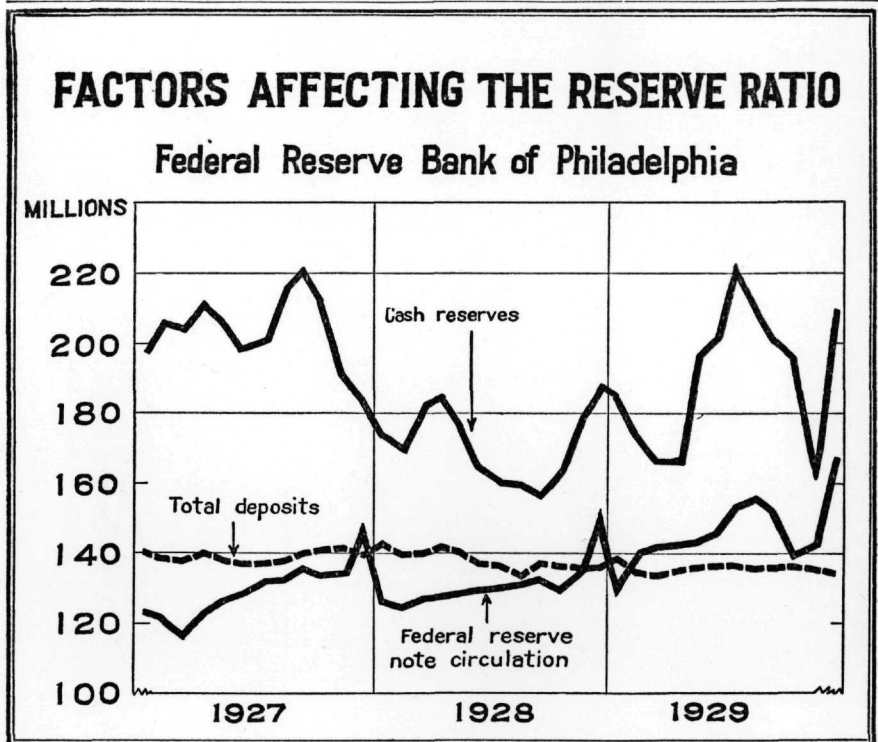
This year, as in the two years preceding, the paper of manufacturers and dealers in textiles and textile materials, and in foods and food products was of outstanding importance in the total rediscounted by this bank. Next in order came department stores, metals and metal products, and building materials. These figures, it should be borne in mind, in no way indicate the proportion of these various classes of paper held by the member banks. Figures for the past three years follow :

	1929	1928	1927
Agriculture.....	1.0%	0.9%	1.7%
Automobiles.....	2.8 "	3.2 "	4.1 "
Building materials.....	5.7 "	5.0 "	9.7 "
Chemicals and drugs.....	0.5 "	1.1 "	1.3 "
Cigars and tobacco.....	4.5 "	8.6 "	3.6 "
Contractors and builders.....	1.6 "	1.8 "	3.0 "
Department stores.....	11.4 "	4.5 "	3.9 "
Furniture.....	1.8 "	2.1 "	2.7 "
Foods and food products.....	14.5 "	15.4 "	15.3 "
Hides, leather and shoes.....	5.4 "	5.0 "	6.9 "
Metals and metal products.....	5.8 "	6.4 "	5.4 "
Paper and printing.....	2.1 "	1.8 "	3.2 "
Rubber.....	2.7 "	2.7 "	1.6 "
Textiles and textile materials.....	21.8 "	23.1 "	21.6 "
Miscellaneous.....	18.4 "	18.4 "	16.0 "
Total rediscounts.....	100.0%	100.0%	100.0%

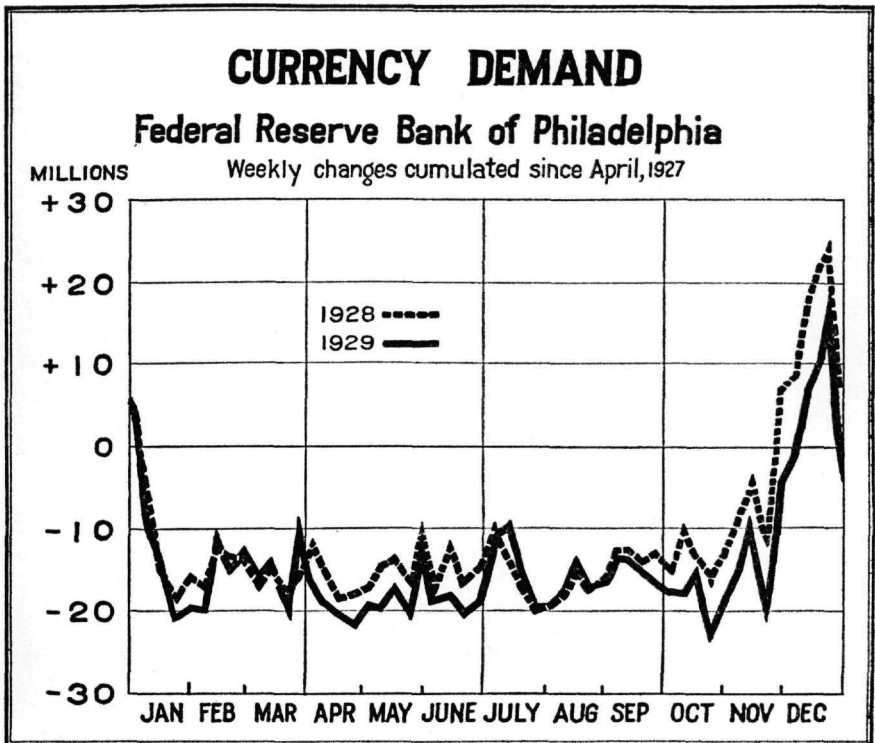
Reserve position

Fluctuations in the reserve ratio of this bank during 1929 were more marked than in 1928. The daily average, however, was 67.6 per cent, as compared with 63.6 per cent in the earlier year. Changes in the reserve ratio and in the factors from which it is computed follow (all figures are daily averages) :

(Dollar figures in millions)	Reserve ratio		Fed. res. note circulation		Total deposits		Cash reserves	
	1929	1928	1929	1928	1929	1928	1929	1928
Jan	68.4%	64.3%	\$131.8	\$127.2	\$139.4	\$143.8	\$185.4	\$174.3
Feb	63.2 "	64.4 "	140.1	125.0	135.4	140.4	174.2	170.8
Mar	60.1 "	68.1 "	142.8	127.5	134.9	140.7	166.8	182.7
Apr	59.9 "	68.6 "	143.1	128.6	135.9	142.3	167.1	185.8
May	70.1 "	65.4 "	144.2	129.2	136.7	140.8	196.8	176.7
June	71.3 "	61.7 "	146.6	130.4	136.9	137.8	202.0	165.5
July	76.6 "	60.0 "	153.7	130.8	137.4	137.2	223.1	160.8
Aug	71.8 "	60.3 "	156.4	131.7	136.2	134.4	210.2	160.5
Sept	69.5 "	58.3 "	152.3	133.3	136.9	137.9	201.1	158.2
Oct	70.6 "	61.5 "	140.6	130.4	137.0	137.0	196.1	164.5
Nov	59.6 "	66.0 "	143.5	135.8	136.2	136.4	166.9	179.5
Dec	69.1 "	65.0 "	167.8	153.2	135.2	136.8	209.4	188.4
Year	67.6%	63.6%	\$147.0	\$132.0	\$136.5	\$138.8	\$191.8	\$172.3



Changes in the currency demand at the Federal Reserve Bank are shown in the accompanying chart, weekly changes being cumulated in order to show continuous lines. Fluctuations from late in January to November were almost entirely within a range of 10 millions but clearly show the influence of various holidays. Daily figures also would bring to light changes which are due to weekly and semi-monthly payroll demands. Over much of the year currency demand ran slightly below the corresponding dates of 1928, the principal exception being a short period following the issue of new currency of the smaller size. The average volume of federal reserve notes of this bank in circulation, however, showed a considerable increase over 1928; this may be ascribed in part to the prompt placing of federal reserve notes, of the new series, into circulation, and to the policy adopted later in the year of accumulating gold certificates as a means of strengthening the reserve position of the bank.



Federal reserve note issues

The replacement of the old series, or large size paper money, with smaller size money of the new series kept certain departments of the bank busily engaged over a large part of 1929. Preparatory to July 10, when the issue of the new currency began, sample sets were sent out to banks with a request to submit their estimates of the amount of new currency that would be needed on the issue date. It was not possible to fill in total the original applications for the new notes, and subsequently the new bills were issued only as redemptions of the old were made. In judging of the fitness of the used notes, however, less rigid standards were applied, and redemptions were much heavier than in the corresponding period of 1928.

At the end of 1929 a considerable portion of the outstanding federal reserve notes of this bank still was of the old series, as may be noted below :

	Large size or old series	Small size or new series
Five dollar denomination.....	\$15,091,015	\$ 21,629,500
Ten dollar "	16,889,290	38,826,600
Twenty dollar "	28,834,400	27,125,500
Fifty dollar "	18,702,800	5,799,000
One hundred dollar "	7,103,800	6,798,000
Five hundred dollar "	1,063,000	400,000
One thousand dollar "	3,522,000	800,000
Totals.....	\$91,206,305	\$101,378,600

The amount of new federal reserve notes issued to the bank increased from \$149,800,000 in 1928 to \$190,920,000 in 1929; of the latter total, \$88,960,000 was in notes of the old series, and \$101,960,000 new series.

A statement of the federal reserve agent's accounts follows as of the close of each of the past three years :

Fifteenth Annual Report, Federal Reserve Bank of Philadelphia

	December 31		
	1929	1928	1927
Notes received from comptroller.....	\$236,885,000	\$221,234,000	\$211,867,000
Notes on hand.....	44,300,000	30,300,000	33,100,000
Notes outstanding.....	\$192,585,000	\$190,934,000	\$178,767,000
Collateral held:			
Gold and gold certificates on hand...	\$ 40,200,000	0	0
Gold redemption fund.....	0	13,357,000	8,990,000
Gold fund—Federal Reserve Board..	96,400,000	101,777,000	65,777,000
Discounted and purchased bills.....	56,415,000	76,072,000	106,059,000
Total collateral.....	\$193,015,000	\$191,206,000	\$180,826,000

To simplify accounting practice, the agent's redemption fund, formerly maintained at Washington, was eliminated, and redemptions of notes forwarded to Washington by reserve banks now are made simply by reducing the liability on outstanding federal reserve notes. In the case of the comparatively small amounts forwarded or presented at the Treasury department by others than reserve banks, outstanding federal reserve notes also are reduced, and the comptroller is reimbursed from the bank's gold redemption fund.

Fiscal agency activities

Measuring the volume of work by the number of pieces handled, fiscal agency activities for the government in connection with security issues and coupons were smaller than in 1928. None of the Liberty Loan issues matured, the maturities being confined to seven issues of certificates of indebtedness. Total redemptions of these maturing series amounted to \$101,044,400, as against original allotments to the district of \$163,151,700. The proportion of redemptions to allotments works out at 62 per cent during 1929, as compared with 24 per cent for similar issues in 1928, and 35 per cent in 1927, indicating that a much larger proportion of the maturing series had been retained in the district than in earlier years.

Four new issues of certificates of indebtedness were offered on the income tax dates, the first bearing $4\frac{3}{4}$ per cent interest, the second $5\frac{1}{8}$ per cent, the third $4\frac{7}{8}$ per cent, and the last $3\frac{1}{8}$ per cent. Subscriptions totaled \$328,157,500, and allotments to the district were \$133,561,000. An offering of Treasury bills on a discount basis in December elicited only \$205,000 of subscriptions in this district and none were allotted here.

Departmental operations

All of the principal departments of the bank which are directly concerned with the extension of services to member banks were more active in 1929 than in 1928. The departments which handle fiscal agency activities for the United States government, however, reported a smaller volume of business in 1929.

The physical volume of operations of various departments is shown below:

	1929	1928
Number of pieces or transactions handled:		
Notes and bills discounted.....	59,776	41,284
Notes (currency) counted.....	215,029,000	214,881,000
Coins counted.....	331,780,000	328,886,000
Ordinary checks handled (including return items).....	70,234,000	67,522,000
U. S. government checks handled.....	1,952,000	1,963,000
Items payable at a future date (collection items):		
United States coupons paid.....	1,680,000	2,545,000
All other items.....	607,000	552,000
Transfers of funds.....	122,529	116,576
U. S. securities issued, redeemed, canceled or exchanged	111,814	554,785

Checks handled in the transit department averaged 233,000 in number for every working day of 1929, and on one day, just before a holiday, amounted to as many as 355,000 checks. The total sum in dollars represented by these checks in 1929 was \$39,123,000,000, an increase of 38 per cent over 1928.

Of the 122,529 transfers made during the year, 23,861 for a total amount of \$50,000,000 were payments to the 5 per cent redemption fund of national banks. Other mail and telegraphic transfers of funds, 98,668 in number, involved the shifting of \$8,304,000,000.

The average daily amount of securities held in custody here for member banks was \$221,864,000 in 1929.

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Personnel

Board of Directors

Class	Name	Residence	Term expires
A.	Group 1 Joseph Wayne, Jr., president, Philadelphia National Bank, Philadelphia, Pa.	Philadelphia, Pa.	December 31, 1929
	Group 2 George W. Reily, president, Harrisburg National Bank, Harrisburg, Pa.	Harrisburg, Pa.	December 31, 1930
	Group 3 John C. Cosgrove, vice pres., First National Bank, Hastings, Pa.	Johnstown, Pa.	December 31, 1931
B.	Group 1 C. Frederick C. Stout, member, John R. Evans and Co., Philadelphia, Pa.	Ardmore, Pa.	December 31, 1931
	Group 2 Arthur W. Sewall, president, General Asphalt Co., Philadelphia, Pa.	Philadelphia, Pa.	December 31, 1929
	Group 3 Arthur C. Dorrance, general manager, Campbell Soup Co., Camden, N. J.	Riverton, N. J.	December 31, 1930
C.	Richard L. Austin, chairman of the board	Philadelphia, Pa.	December 31, 1929
	Alba B. Johnson, deputy chairman of the board	Rosemont, Pa.	December 31, 1930
	Harry L. Cannon	Bridgeville, Del.	December 31, 1931

With the close of 1929, the terms of Joseph Wayne, Jr., Arthur W. Sewall, and Richard L. Austin as directors of the bank terminated. The annual election resulted in the unanimous re-election of Mr. Wayne as a class A director by the banks in group 1, and of Mr. Sewall as a class B director by the banks in group 2. Mr. Austin was reappointed by the Federal Reserve Board as a class C director for a term of three years.

Appointments by the Federal Reserve Board for 1929 included that of Richard L. Austin as chairman of the board and federal reserve agent, Alba B. Johnson as deputy chairman of the board, and Arthur E. Post and Ernest C. Hill as assistant federal reserve agents.

Levi L. Rue, chairman of the board of directors of the Philadelphia National Bank, was appointed to represent this district upon the Federal Advisory Council during 1929. During the year Mr. Rue could not attend two meetings of the council, and Howard A. Loeb, chairman of the Tradesmens National Bank and Trust Company, Philadelphia, represented the district as his alternate.

At a meeting of the board held January 2, George W. Norris

was appointed governor of the bank; William H. Hutt, deputy governor; C. A. McIlhenny, cashier and secretary; W. J. Davis, J. M. Toy, R. M. Miller, Jr., F. W. LaBold, S. R. Earl, assistant cashiers; and William G. McCreedy, comptroller.

The number of officers was unchanged at 12 during 1929, but the number of employees increased from 700 to 702.

Banks of the district

Membership

Banking changes in this district were numerous during 1929, and the number of active member banks declined from 778 to 764. Five new national banks started operation, one branch of a state bank was nationalized, and three other state banks entered the system under their old charters. Losses, other than those arising from consolidation, included the withdrawal of two state bank members and the insolvency of one national bank.

Consolidations again were a feature of the banking year. There were ten cases of consolidation between member banks, and ten instances in which member banks consolidated with nonmembers, losing their membership.

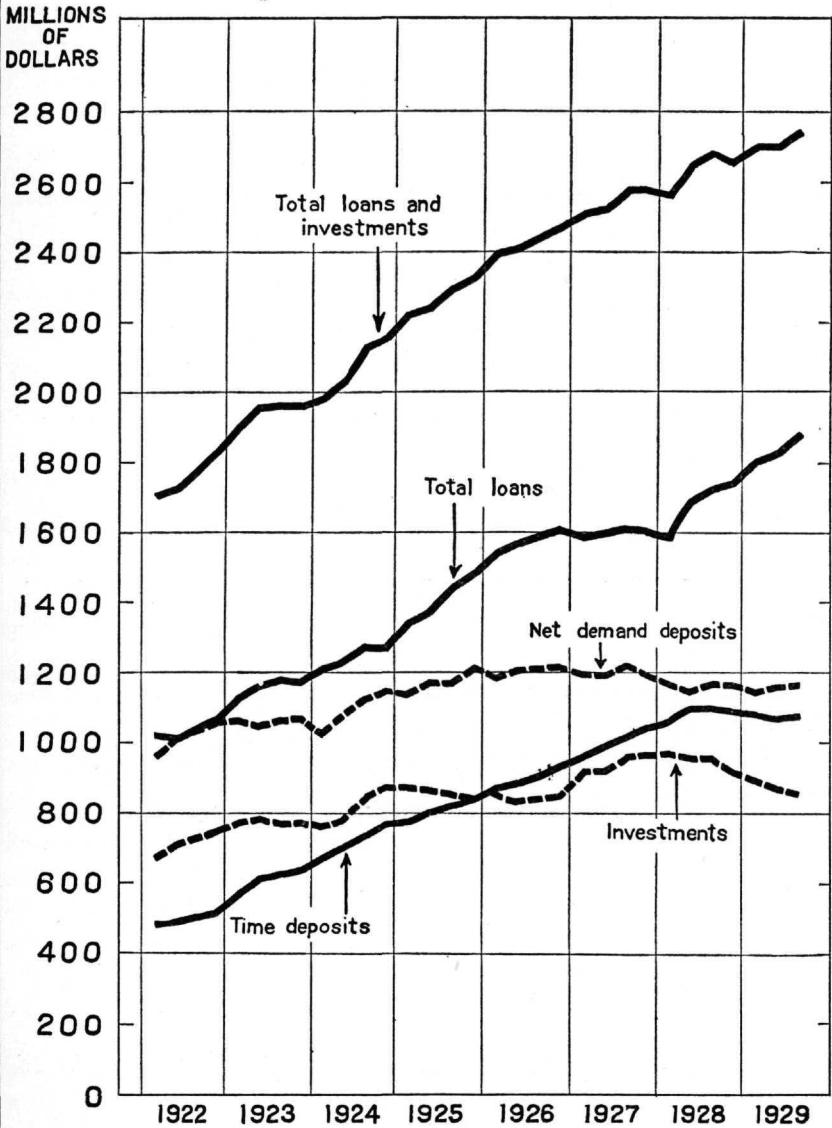
Changes in the number of member banks are given below:

	National banks	State member banks	Totals
Active membership, December 31, 1928.....	687	91	778
Changes during 1929:			
<i>Gains—</i>			
New national banks.....	5	0	5
Conversion of state bank branch into na- tional bank.....	1	0	1
New state bank members.....	0	3	3
	6	3	9
<i>Losses—</i>			
Suspension.....	1	0	1
Withdrawal of state member bank.....	0	2	2
Consolidation of national banks.....	4	0	4
Consolidation with member bank.....	3	3	6
Consolidation with nonmember.....	7	3	10
	15	8	23
Active membership, December 31, 1929.....	678	86	764

The table given above does not call attention to a number of instances in which member banks have taken over nonmember

ALL MEMBER BANKS

Philadelphia Federal Reserve District



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banks. Apart from other factors that may have affected banking during the year, the net result of additions and withdrawals has been to increase appreciably the banking power of the system in this district. The member banks in this district have been conspicuous for the strength of their capital structure: on October 4 the capital, surplus, and undivided profits of member banks in this district were equal to 26.4 per cent of their total deposits. The closest approach to this by any other federal reserve district was 20.4 per cent in New York, and the system as a whole shows a ratio of 17.8 per cent.

Changes in the condition of member banks follow:

(000's omitted)	October 4, 1929	October 3, 1928
Loans:		
Acceptances payable in U. S.	\$ 2,307	Data not available
Bills, acceptances, etc. payable in foreign countries	3,772	
Commercial paper bought in open market	16,139	
Loans to banks	51,159	
Loans on securities (exclusive of loans to banks)	724,842	
Real estate loans	221,681	
All other loans (including overdrafts)	869,751	
Total loans.	\$1,889,651	\$1,729,944
U. S. government securities	217,173	249,598
Other securities	648,103	713,919
Total loans and investments.	\$2,754,927	\$2,693,461
Capital, surplus, undivided profits, and reserves for dividends, contingencies, etc.	651,832	582,059
Net demand deposits	1,171,097	1,177,686
Time deposits	1,084,492	1,106,901
Government deposits	29,694	8,499
Bills payable and rediscounts	101,593	113,808

Fiduciary powers

During 1929, seventeen national banks in this district were granted the right to exercise fiduciary powers, and one bank which had partial powers was given additional powers. Of the number of original grants of these privileges, four were the result of consolidations in which five banks figured which previously were in the possession of these powers. Deductions from the list of the banks having fiduciary powers also included the liquidation of five additional national banks and the insolvency of another.

At the end of the year 1929, or 43 per cent of the 678 active national banks in the district were privileged to exercise all or a part of the fiduciary powers which may be granted under the Federal Reserve Act. Annual changes in the figures follow:

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	Number of banks granted		Totals
	Full powers	Partial powers	
December 31, 1924.....	150	46	196
“ “ 1925.....	169	45	214
“ “ 1926.....	195	43	238
“ “ 1927.....	224	36	260
“ “ 1928.....	254	32	286
“ “ 1929.....	262	30	292

Acceptance powers

Five banks, located in Philadelphia, have the right to accept bills up to 100 per cent of capital and surplus. These banks are the Corn Exchange National Bank and Trust Company, the First National Bank, the Market Street National Bank, the Philadelphia National Bank, and the Trademens National Bank and Trust Company. No changes were made in this list during 1929.

The volume of outstanding acceptances executed by banks in this district on December 31 was \$25,652,000, an increase of 47 per cent over a year earlier. Of the bills outstanding at the end of December, 68 per cent were issued in connection with import transactions, 15 per cent constituted warehouse credits, 7 per cent were export bills, and 5 per cent were based on goods stored in or shipped between foreign countries.

Bank relations activities

The members of the bank relations department, who are traveling throughout the district calling on banks, etc., made approximately 1,350 visits to banks in this district during 1929. Periodic visits to member banks are made with the purpose of giving information regarding the services offered by the Federal Reserve Bank and the means by which they most satisfactorily may be utilized; visits also are made to nonmember banks to maintain friendly relations, the effort being made to call upon every bank in the district at least once a year. Special visits to the number of 150 were made: collection facilities were installed in 27 banks, and block systems of settlements in two others; in one county a county clearings plan of settlement of checks was installed, and the preliminary work for such a system was done in another county.

The Committee on Federal Reserve Relations held its annual meeting in this bank on December 16. This committee is composed of representatives of the bankers' associations in this district. The minutes of the meeting follow:

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After a greeting from Mr. Austin, Mr. Norris reviewed federal reserve policy during the past year, pointing out that both the Federal Reserve Board and the Federal Reserve Bank of this district had given warning last spring of the dangerous volume of speculative security loans, which culminated in the collapse of security values in October and November, and noting further the fact that this collapse would have been much more disastrous if the large city banks, especially in New York, had not been able to avail themselves of the assistance of the federal reserve system.

Referring to the belief expressed at the last meeting of this committee that it would be very helpful if the eligibility requirements of paper were more clearly and generally understood, it was stated that the Federal Reserve Board was preparing an article fully explaining this matter, to be published in pamphlet form and distributed to the member banks. Attention was also drawn to an illustrated placard, distinguishing various types of paper that were eligible from others that were not, which had been prepared by the Federal Reserve Bank of Philadelphia and sent to the member banks some months ago.

It was stated that in the recent crisis many country member banks in this district had found themselves short of paper eligible for rediscount, owing to their practice of taking non-negotiable judgment notes, and it was suggested that they should have at least a portion of their notes in eligible form.

After discussion, it was agreed that the practice followed in this district of having a committee composed of representatives selected by each group, was a better means of maintaining contact between the Federal Reserve Bank and the other banks of the district, than the method followed in some other districts of having an annual meeting of stockholders.

There was extended discussion of the subject of giving member banks a larger share of the earnings of reserve banks, and the following resolution was adopted:

Resolved, that this committee feels strongly that the member banks, which furnish all the capital and the greater part of the earnings of the reserve banks, are entitled to a larger share of the earnings of those banks;

Resolved further, that while flexibility in the proportion of the earnings of the reserve banks to be distributed among the member banks is desirable, in view of the practical difficulties in the way of a flexible distribution, a flat increase to not less than an 8% cumulative dividend rate would be a satisfactory solution.

In view of the fact that at the meetings of the various bankers' association groups it often happened that the appointment of members to this committee was overlooked, a resolution was unanimously adopted as follows:

Resolved, that the officers of the reserve bank be requested to furnish to the representatives of each of the groups in this committee an abstract of the proceedings at

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this meeting, and that a report of the same be made by them at the next succeeding group-meeting, and

Further Resolved, that the receipt of this report, and the appointment of the group representatives on this committee for the following year be made, if possible, a part of the regular order of business for each group meeting.

Bank examination activities

The department of bank examination co-operated with the state banking departments in the examination of 84 state member institutions. In addition two complete examinations were made of state banking institutions in connection with contemplated applications for membership, and one independent credit investigation of a national bank. Representatives of the department also participated by special request in two other examinations or audits. Investigations were conducted in connection with nine applications for the organization of new national banks and one application for conversion of a state bank into a national bank; 18 applications by national banks for permission to exercise fiduciary powers were received and acted upon, and 27 applications under the Clayton Act for interlocking directorates were examined and recommendations made in connection therewith.

In addition, the department rendered general service in the installation of improved trust department and banking department forms of accounting, in conferences with supervisory authorities and with officers and directors regarding the condition of certain institutions and in connection with matters of criticism and constructive suggestions contained in the reports of examinations and credit investigations, in the provision of information on the various statutes and regulations under which the member banks operate, increases in capital stock, consolidations, conversions, etc.

Collection and analysis of financial and business information

Shortly after the organization of the federal reserve system, it was recognized that dependable economic measurements of financial and business conditions were indispensable to the Federal Reserve Board and to the officers and directors of the federal reserve banks. To render the most effective service to banking and business, it was of paramount importance that the reserve system should at all times be informed thoroughly of the situation throughout the country. A department of statistics and research

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was established in every reserve bank for the purpose of collecting and interpreting such regional and national data as were not obtained by other agencies and for the assembling, in usable form, of other available information.

Banks and business men have generously co-operated with the department of statistics and research of this bank by voluntarily sending us reports containing all sorts of figures reflecting financial and business operations. These reports are held in strict confidence. They do this in the realization that these figures will be compiled and used by the reserve bank in the interests of sound banking and business conditions. These figures are supplemented by special questionnaires and personal interviews, so that it may be possible to supply the latest and most accurate data on current conditions. As a result, the department has been able to publish monthly surveys of business and financial conditions for the benefit of member banks, reporting firms, and the general public.

As a foundation for the studies and deductions which are constantly being made, a large amount of statistics and other information has been accumulated. Statistical series extending back over several years have been assembled on employment, wage payments, and many other items which measure productive activity; data also have been assembled pertaining to building and real estate, wholesale and retail trade, sales of automobiles, life insurance sales, consumption and output of food products, freight car loadings, check payments, the condition of member banks, money rates, commercial paper sales, and other series indicating business and banking activity. These figures are available to the banking and business community, to economists, and others.

In a territory with such a variety of industries as is found in the Philadelphia Federal Reserve District, much original study and research must be done in order to get a comprehensive knowledge of the actual state of business. New series of figures showing business operations must be continually added to those already at hand, in order that our information may keep pace with the movement of business. This work of course is more or less inchoate, and the department is constantly striving toward improvements in its scope and methods, so as to enhance the value of its services to member banks and business.

Though small in area, the district is very important industrially, as the following table shows:

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Manufacturing	In the Philadelphia District*	In the United States*	Per cent of Philadelphia district to United States
Number of wage earners (average).....	826,000	8,502,000	9.7
Wages.....	\$1,029,418,000	\$10,858,000,000	9.5
Cost of materials.....	2,877,993,000	35,183,300,000	8.2
Value of products.....	5,290,099,000	61,896,700,000	8.5
Value added by process of manufacture	2,412,106,000	26,713,400,000	9.0

* Averages of three census years.

To supplement the fact-finding and interpretative work of the department of statistics and research, and also to be of service to other departments of the bank, a reference library is maintained. This library has gathered together thousands of carefully selected books, pamphlets, and periodicals treating of banking, business, and economics. It has been of material assistance to the officers of this bank and to others who are interested in banking problems, offering as it does not only the opportunity of studying current conditions, but also of researching in banking developments during the earlier years of our country. All member banks may borrow books and periodicals, and call upon the library for other services which may come within its province.

Federal Reserve Bank of Philadelphia

Directors and Officers Appointed and Elected for the Year 1930

DIRECTORS

Class A

John C. Cosgrove, Johnstown, Pa.
George W. Reily, Harrisburg, Pa.
Joseph Wayne, Jr., Philadelphia, Pa.

Class B

Arthur C. Dorrance, Riverton, N. J.
Arthur W. Sewall, Philadelphia, Pa.
C. Frederick C. Stout, Ardmore, Pa.

Class C

Richard L. Austin, Philadelphia, Pa.
Harry L. Cannon, Bridgeville, Del.
Alba B. Johnson, Rosemont, Pa.

Member of Federal Advisory Council

Levi L. Rue, Philadelphia, Pa.

Alternate

Howard A. Loeb, Philadelphia, Pa.

OFFICERS

Richard L. Austin,
Chairman and Federal Reserve Agent

Alba B. Johnson,
Deputy Chairman

Arthur E. Post, Assistant Federal
Reserve Agent

Ernest C. Hill, Assistant Federal
Reserve Agent

George W. Norris,
Governor

William H. Hutt,
Deputy Governor

C. A. McIlhenny,
Cashier and Secretary

W. J. Davis, Assistant Cashier

J. M. Toy, Assistant Cashier

R. M. Miller, Jr., Assistant Cashier

F. W. LaBold, Assistant Cashier

S. R. Earl, Assistant Cashier

William G. McCreedy, Comptroller