

Sixteenth 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

1930

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1930

Letter of Transmittal

March 7, 1931.

Federal Reserve Board,
Washington, D. C.

Sirs:—

I have the honor to transmit herewith the sixteenth annual report on the operations of the Federal Reserve Bank of Philadelphia, covering the year 1930.

Very truly yours,

R. L. AUSTIN

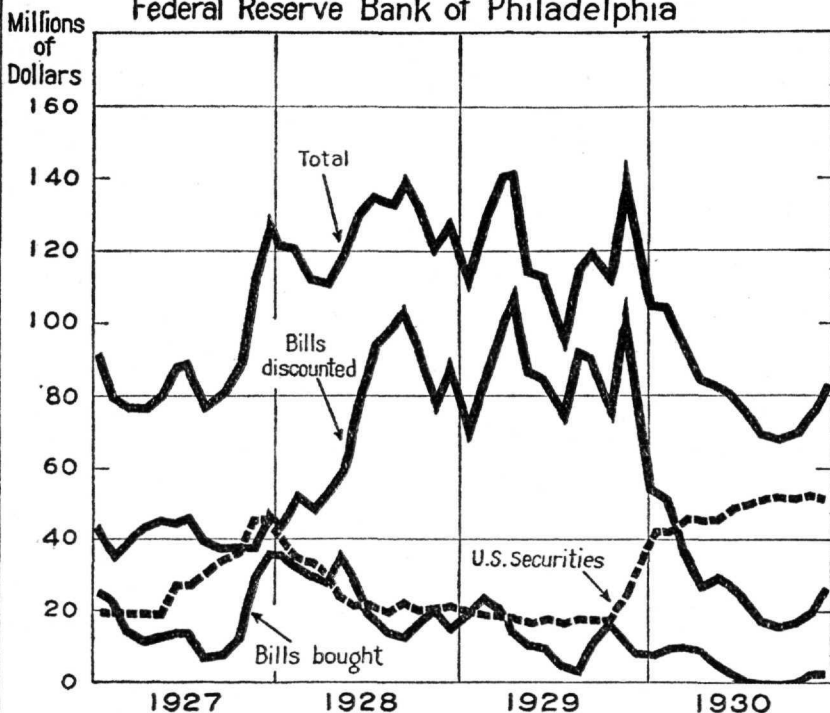
*Chairman of the Board and
Federal Reserve Agent*

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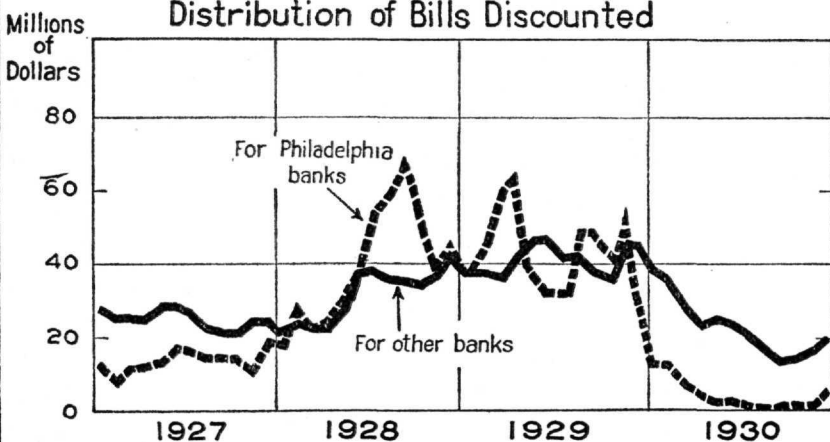
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BILL AND SECURITY HOLDINGS

Federal Reserve Bank of Philadelphia



Distribution of Bills Discounted



Annual Report of the Federal Reserve Bank of Philadelphia for 1930

Business and financial conditions in 1930 were totally different from those that prevailed over the greater part of 1929. Productive, distributive, and speculative activity was on a smaller scale and lower prices for both commodities and stocks were recorded. These circumstances reduced the demand for bank credit. More extended discussion of these factors, with special reference to the Philadelphia District, will follow in later pages, but this general background should be borne in mind in reviewing the operating results of this bank.

Profit and loss account

Comparison of the profit and loss accounts of this bank for each of the past three years follows:

	1930	1929	1928
Earnings:			
From bills discounted	\$1,217,736	\$4,493,786	\$3,498,453
From bills bought	155,562	666,005	932,744
From United States securities	1,521,825	808,116	914,403
From other sources	101,119	108,141	48,946
Gross earnings	\$2,996,242	\$6,076,048	\$5,394,546
Current expenses	2,041,627	2,197,891	1,986,242
Current net earnings	\$ 954,615	\$3,878,157	\$3,408,304
Additions to current net earnings	\$ 192,688	\$ 1,181	\$ 1,481
Deductions from current net earnings ..	44,533	77,350	127,144
Net deductions	\$ 148,155*	\$ 76,169	\$ 125,663
Net earnings available for dividends, surplus and franchise tax	\$1,102,770	\$3,801,988	\$3,282,641
Distribution of net earnings:			
Dividends paid	\$1,002,601	\$ 938,312	\$ 843,755
Paid to Government as a franchise tax ..	0	0	0
Transferred to surplus account	100,169	2,863,676	2,438,886

* Net addition.

Greatly reduced borrowings by the member banks, smaller holdings of purchased bills and lower rates of return on both classes of bills, account for the large decline in the gross earnings of the bank. Despite larger sums earned as interest on increased holdings of government securities, gross earnings, at \$2,996,242, were the lowest since 1924.

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Expenses of a service institution such as a reserve bank do not increase or decrease in direct proportion to changes in earnings. A number of the departments of the bank continue to handle a volume of business which in number of pieces does not vary greatly, but tends rather to increase from year to year. So it is that expenses do not show a large decline in 1930, just as in 1929, a year of great activity in business, they were little greater than in 1928 when the cost of federal reserve currency is omitted from the comparison. Expenses divided according to departments are compared below:

	1930	1929	1928
Maintaining the accounts of the bank	\$ 97,713	\$ 97,701	\$ 96,129
Loans and discounts	54,075	55,734	52,368
Currency and coin *	390,237	423,349	403,942
Transit and collections	432,758	451,798	436,352
Fiscal agency functions	25,383	31,459	48,365
Custody of securities, including purchases and sales	68,370	71,404	73,950
Transfer and telegraphic service	26,983	21,669	20,428
Official salaries and supervisory expenses . .	158,739	162,165	161,973
Federal reserve agent's department: (Custody of collateral against federal re- serve notes, note issues, bank exami- nation, library, statistical and business reporting work)	88,709	85,813	88,527
Maintaining the general audit	60,093	59,362	57,405
Bank relations	18,182	15,801	19,214
Insurance (other than on currency, coin, and security shipments)	32,476	33,117	33,866
Operation of banking house	154,412	165,319	182,110
This bank's portion of Federal Reserve Board expenses	78,901	75,170	66,695
Miscellaneous	174,141	169,467	168,193
Totals *	\$1,861,172	\$1,919,328	\$1,909,517
Cost of federal reserve currency	180,455	278,563	76,725
Total current expenses	\$2,041,627	\$2,197,891	\$1,986,242

* Omitting cost of federal reserve currency.

After the payment of \$2,041,627 of expenses, current net earnings of \$954,615 remained, which was insufficient to pay dividends. Profit on sales of United States securities, however, raised the total of earnings available for distribution to \$1,102,770. Of this sum \$1,002,601 was paid out in dividends and the balance was added to the surplus of the bank. The net earnings of the bank since organization in 1914 have amounted to \$42,100,000, which has been distributed as follows: Dividends paid—\$9,500,000; paid to the government as a franchise tax—\$5,500,000; transferred to surplus account—\$27,100,000.

Statement of condition

Comparative statements of the condition of this bank as of the close of 1929 and 1930 follow:

(000's omitted)	December 31, 1929	December 31, 1930	Changes
RESOURCES			
Gold reserves	\$203,722	\$238,552	+ \$34,830
Reserves other than gold	12,470	8,874	- 3,596
Total reserves	\$216,192	\$247,426	+ \$31,234
Non-reserve cash	3,483	5,145	+ 1,662
Bills discounted:			
Secured by government obligations	34,511	10,272	- 24,239
Other bills discounted	31,266	15,391	- 15,875
Total bills discounted	\$ 65,777	\$ 25,663	- \$40,114
Bills bought	8,540	3,496	- 5,044
United States securities	41,806	54,204	+ 12,398
Other securities	1,000	610	- 390
Total bills and securities	\$117,123	\$ 83,973	- \$33,150
Uncollected items *	59,284	52,152	- 7,132
All other resources	1,937	2,818	+ 881
Total resources	\$398,019	\$391,514	- \$ 6,505
LIABILITIES			
Federal reserve notes in actual circulation	\$162,344	\$153,727	- \$ 8,617
Deposits:			
Member bank—reserve account	133,193	142,539	+ 9,346
Government	2,329	1,344	- 985
All other	599	721	+ 122
Total deposits	\$136,121	\$144,604	+ \$ 8,483
Deferred availability items	55,931	49,256	- 6,675
Capital paid in	16,467	16,793	+ 326
Surplus	26,965	27,065	+ 100
All other liabilities	191	69	- 122
Total liabilities	\$398,019	\$391,514	- \$ 6,505
Ratio of total reserves to deposit and federal reserve note liabilities combined	72.4%	82.9%	+ 10.5%
Contingent liability on bills purchased for foreign correspondents	\$ 52,481	\$ 42,147	- \$10,334

* Including federal reserve notes of other banks.

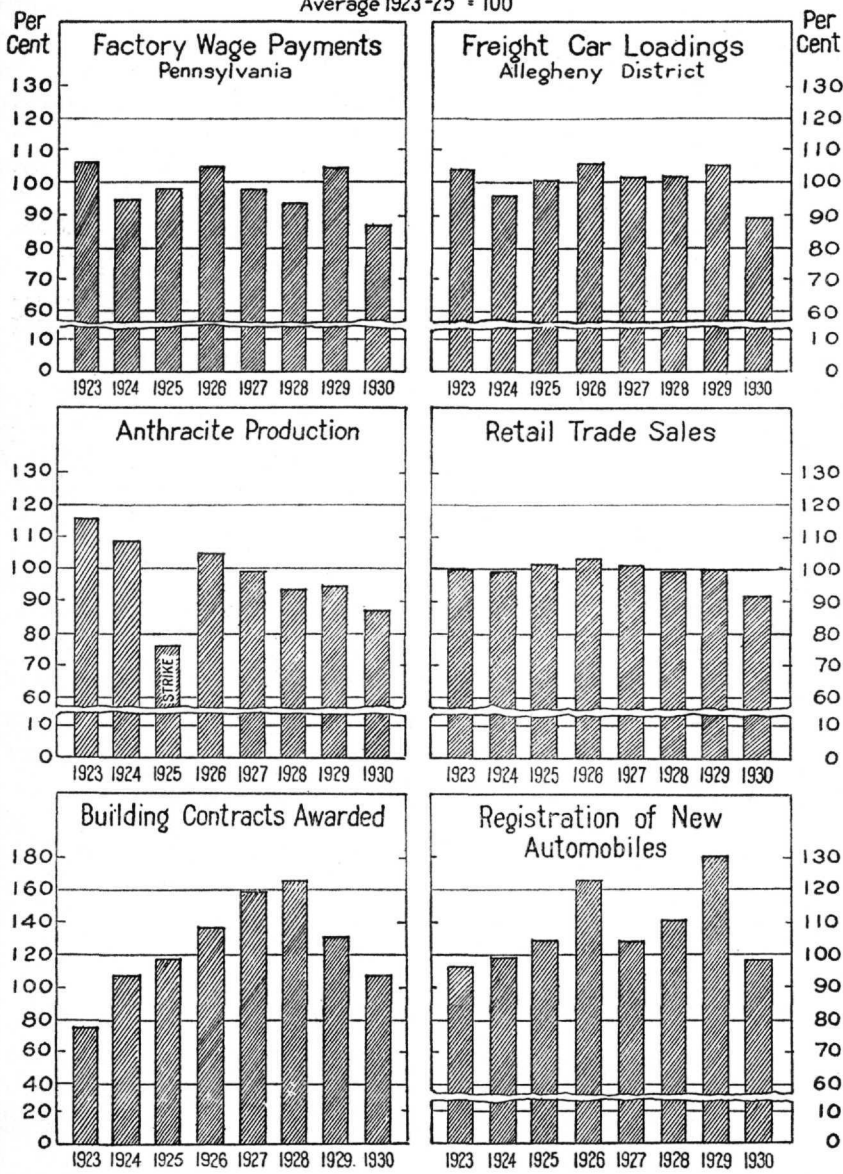
Business conditions in the Philadelphia district

Trade and industrial activity in 1930 moved downward almost steadily, reaching at the close the lowest level in many years, thus reflecting one of the severest depressions that has ever occurred in this country and probably throughout the world. Reduced earnings of the working population resulted in an extensive curtailment

BUSINESS INDICATORS

Philadelphia Federal Reserve District.

Average 1923-25 = 100



of buying, so that the general volume of production and distribution fell off greatly when compared with other years. An unusually sharp recession in prices continued throughout the year, affecting all leading commodities, particularly those of international importance. There was an exceptional slump in building trades and in the real estate market; construction costs were reduced to the lowest level in the past seven years. Inventories at mercantile establishments were the lowest in years and there also were reductions in stocks of finished products, though not of some raw materials, at manufacturing plants. The supply of funds for business needs was ample and money rates in general were relatively low.

Production of manufactures declined about 13 per cent from the previous year and 6 per cent from 1928; it was also 4 per cent lower than the average for 1923-25. The most pronounced drop occurred in the output of metal and textile products, even though the latter showed a noticeable seasonal revival in the last quarter. The output of tobacco products likewise showed a considerable decrease in the year. The smallest recessions occurred in the paper and printing, leather and shoe, and chemical industries. In comparison with 1928, which was a year of steady recovery from the minor depression in 1927, textile products showed the largest decline—11 per cent; decreases in metals, foods, tobacco, leather and shoes, paper and printing and chemicals ranged from less than one to about 5 per cent. Productive activity in the transportation equipment and radio industries, on the other hand, was at a higher level than two years earlier. The output of electric power showed a gain of about one per cent over 1929, and nearly 19 per cent over 1928.

Factory employment in this district was 90 per cent of the 1923-25 average, and the payroll index was nearly 88 per cent, both being the lowest since 1922. The decline in employment from 1929 amounted to 9 per cent and from 1928 to 3 per cent; the amount of wages paid was 16 per cent less than in 1929 and 6 per cent less than in 1928. It is estimated that the monthly average of factory employment in this district declined by about 64,000 workers and that the average monthly wage earnings were over 14 million dollars smaller than in the previous year. Appreciable declines in wage earners and employment were reported by most of the manufacturing groups.

The building industry showed a further decline in 1930. The value of contract awards was 18 per cent smaller than in the

previous year and 26 per cent below the 1925-28 average; the dollar volume of these awards was the smallest since 1924. At least part of this decline in value was due to lower prices. The sharpest drop occurred in contracts for residential buildings, while public works and utilities was the only important class that showed gains over 1928-1929. The real estate market continued quite unsatisfactory and foreclosures were on the increase. Selling prices as well as rents declined. Mortgage funds, while remaining ample, were more restricted than for some years past.

The output of coal mines was 9 per cent smaller than in the preceding year and 7 per cent less than in 1928. The decline in the production of bituminous coal was relatively greater than that of anthracite, although both were the smallest in several years. Since the middle of the year, moreover, the anthracite industry has shown considerable improvement, while business in bituminous coal continued to decline, reflecting slackened demand from industries. Retail prices of anthracite held firm throughout the year in Philadelphia and were even higher than in 1929, when computed on the basis of tons of uniform weights. Quotations for bituminous coal declined.

Mercantile business fell off noticeably from the previous two years. Retail sales were about 8 per cent smaller and wholesale sales declined 9 per cent from 1929 and 8 per cent from 1928. These decreases coincided with almost continuous recessions in commodity prices, so that at least a portion of the decline in retail and wholesale business was the result of lower prices, inasmuch as sales were reported in dollar units. Railroad shipments in this section were 15 per cent smaller than in 1929 and 12 per cent less than in 1928.

The value of foreign trade at the port of Philadelphia, which amounted to 4 per cent of the country's foreign trade, was 26 per cent smaller than in 1929 as against a decline of 28 per cent for the United States. The physical volume of imports of thirty commodities declined 5 per cent, and exports of twenty-three commodities decreased 14 per cent.

Sales of new passenger automobiles, as measured by registrations, were 24 per cent smaller than in the previous year and 11 per cent less than in 1928. A somewhat different development occurred in the market for used cars. In Pennsylvania, for instance, registrations of used passenger automobiles increased 7 per cent, while those of new cars decreased 26 per cent from 1929.

Life insurance sales in this section showed a drop of one per cent as against a decline of 4 per cent for the country; the total for Pennsylvania, New Jersey, and Delaware amounted to \$1,253,909,000, which was the largest annual volume in the past decade with the exception of 1929.

The number of commercial failures was the largest in the last thirteen years. This is also true of liabilities involved which exceeded even the relatively large amount reported for 1923.

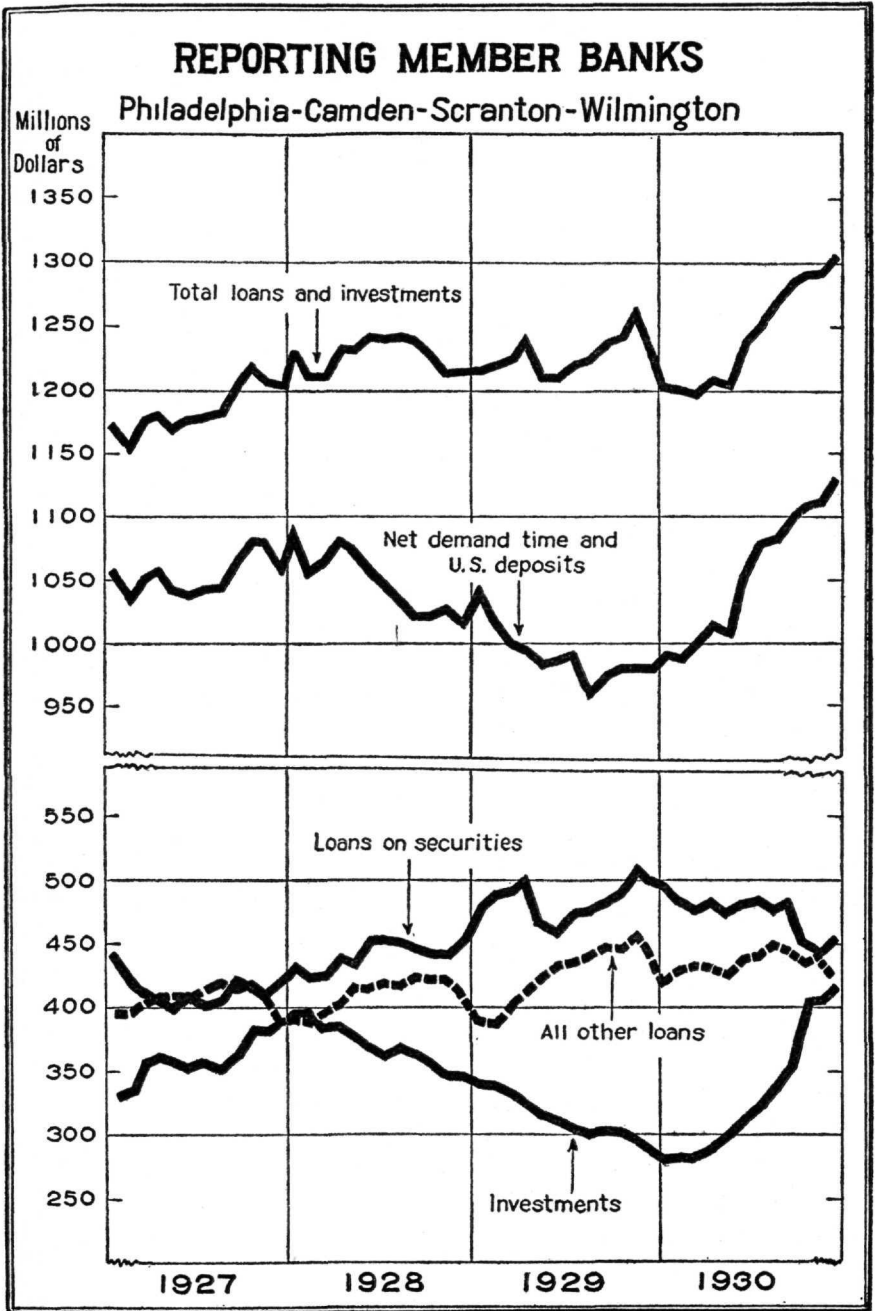
Contrary to the trend in 1929, the cost of living, as measured by the Philadelphia and Scranton indexes, decreased about 6 per cent, according to estimates made by the United States Bureau of Labor Statistics. From December 1929 to December 1930, percentage declines in Philadelphia were as follows: Food—13.9; clothing—3.7; rent—3.4; furniture and furnishings—5.1. Fuel and light showed an increase of 5.1 per cent. In comparison with December 1914, the cost of living in Philadelphia was 64.5 per cent higher as against 56 per cent in the country.

An exceptionally severe drought, an adverse market for farm products because of industrial depression and declining prices, and large surpluses of some of the important farm commodities characterized the agricultural situation in 1930. The yield of all important crops in this district was about 7 per cent below the ten-year average and in the country it was 9 per cent smaller.

Chiefly because of inadequate pasturage, a decline in the supply of such livestock feeds as hay and corn, and an actual reduction in the number of animals on farms, especially milk cows, the output of dairy products was smaller than in 1929. Slaughtering of cattle and sheep increased over the previous two years, while those of hogs were the lowest for some years. Estimated gross income from dairy products and animals sold for meat was appreciably smaller than in the preceding five years.

Prices realized by farmers for commodities sold were considerably below the ten-year average whereas the decline in prices paid for goods used in living and production on farms was much smaller, facts which tended further to reduce the purchasing power of farmers generally.

The supply of farm labor was 24 per cent in excess of the demand in this district and 45 per cent in the country, reflecting at least in part an addition from unemployed industrial workers searching for a livelihood on farms. Wage rates and wage earnings of hired farm hands were the lowest in several years.



Financial conditions in the Philadelphia district

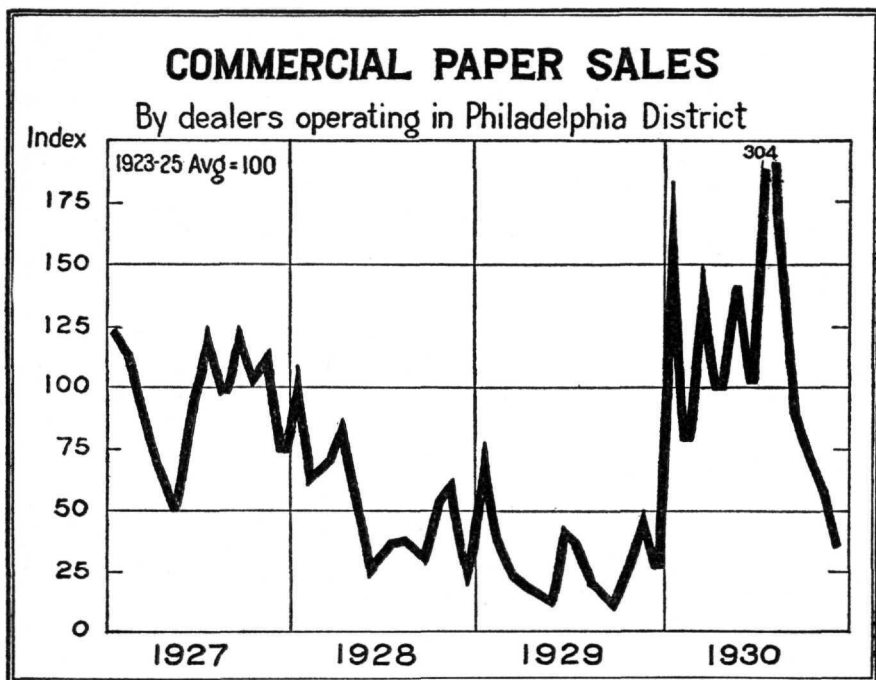
Declines in the volume of production and trade, accompanied by falling prices, reduced the demand on member banks for loans to accommodate business. Deposits accumulated, particularly in Philadelphia, and money rates continued downward, making credit conditions unusually favorable to business recovery.

Reporting member banks

The trend of deposits during 1930, particularly of time deposits, was strongly upward, though not without interruptions. There is reason to presume that over part of the year higher rates of interest paid in Philadelphia than in New York attracted a considerable volume of deposits to this district. The commercial demand for funds ebbed and money rates declined, so that the banks had difficulty in finding a suitable use for their funds; they reduced considerably their indebtedness to the reserve bank and resorted to heavy purchases of commercial paper and securities.

"Loans on securities" declined in the course of the year, but diverse trends were apparent in the various types of loans which are included under this title. The sharpest fluctuations over short periods of time were in loans to New York brokers; during most of the last quarter of the year only small amounts were held by the reporting banks. Loans to other brokers rose during the first half of 1930 but declined to a low level during the last half. Other loans on securities, including those to banks and other customers, were at the highest points at the beginning and the end of the year, with lower figures during the intervening months.

In view of reduced productive activity and lower price levels this year, a slack demand for funds to carry on manufacture and trade naturally followed. In the weekly reports of the member banks such loans appear for the most part under the heading "All other loans and discounts", and no doubt make up the bulk of these. "All other loans", however, include many other types of paper; study of the call reports indicates that there was a small increase in real estate paper and slight declines, apparently, in loans to banks and in purchased bankers' acceptances. But there was a substantial increase in holdings of bought commercial paper, sufficient in fact to account for the rise from January to mid-summer in "All other loans and discounts", and a considerable



decline in the miscellaneous notes and bills which probably include the greater part of the loans made by the reporting banks to finance current manufacturing and trade in this district.

Holdings of investments increased sharply from January to December and were principally responsible for the fact that total loans and investments of the reporting banks in four larger cities in the last half of the year were in even greater volume than the amount held at the high point in November 1929. The weekly reporting banks, most of which are located in Philadelphia, may be expected to show more striking changes than those in smaller communities. And so we find it. Reports from more than sixty other banks in eighteen cities outside of Philadelphia as of the middle of December also reveal declines in loans during the year, but they show only a slight increase in investments and a small decline in the sum of net demand and time deposits.

Detailed subdivisions of the loan and investment figures of all member banks in the Philadelphia district, as given in the call reports from December 31, 1929 to the end of 1930, are given in the table following. The figures are rearranged to show separately loans to customers, open-market loans, and investments:

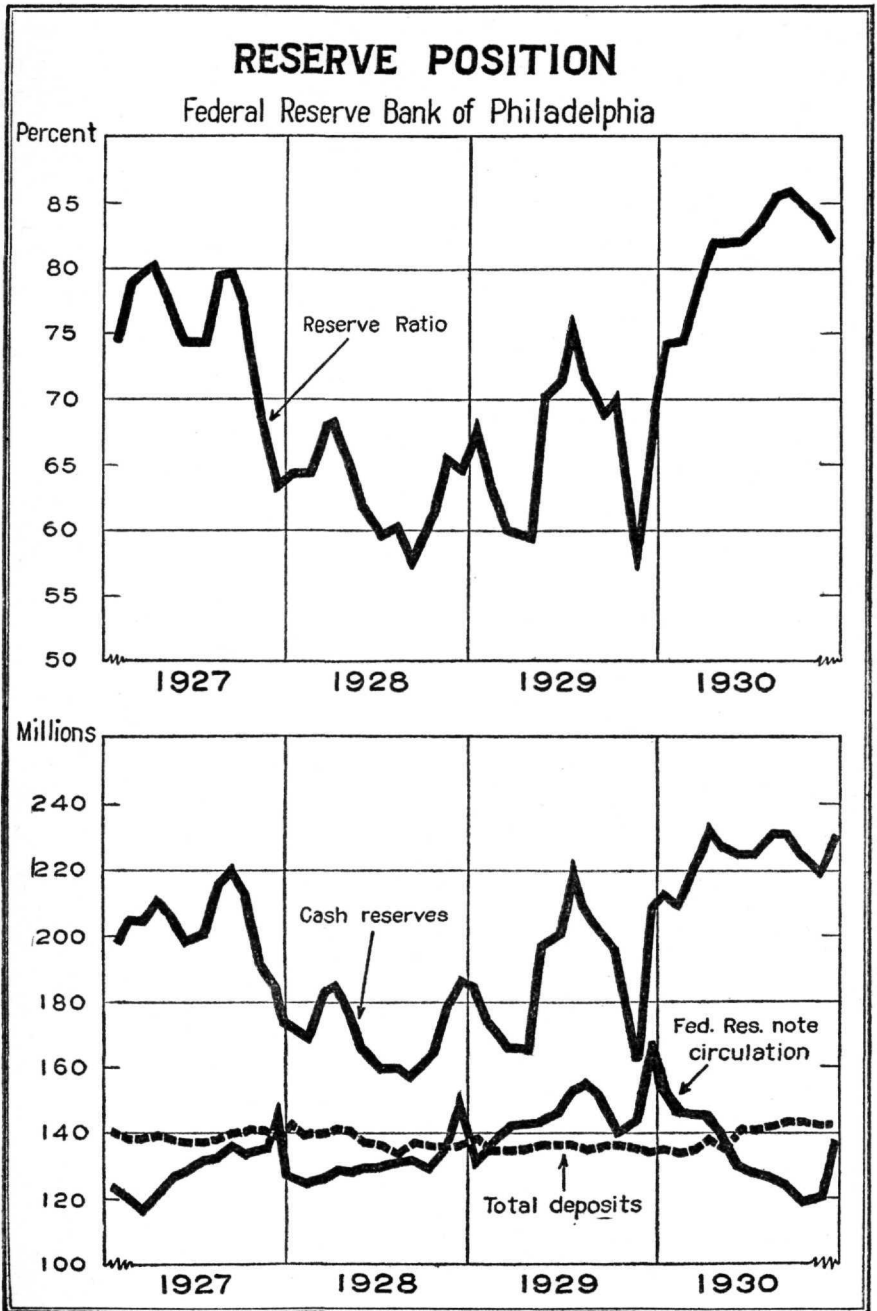
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(000,000's omitted)	Dec. 31, 1929	Mar. 27, 1930	June 30, 1930	Sept. 24, 1930	Dec. 31, 1930
Loans to customers:					
To banks.....	\$ 65	\$ 53	\$ 49	\$ 27	\$ 56
On securities to—					
Brokers outside of New York...	81	78	89	78	60
Customers other than brokers *	607	592	615	601	609
Real estate loans and mortgages..	230	238	240	240	242
Miscellaneous loans and discounts	833	789	772	752	744
Loans to customers....	\$1,816	\$1,750	\$1,765	\$1,698	\$1,711
Open-market loans:					
Acceptances purchased.....	\$ 6	\$ 8	\$ 5	\$ 4	\$ 2
Commercial paper purchased.....	12	34	44	63	38
Loans on securities to New York brokers.....	25	42	15	49	16
Open-market loans....	\$ 43	\$ 84	\$ 64	\$ 116	\$ 56
Investments:					
United States securities.....	\$ 193	\$ 190	\$ 196	\$ 196	\$ 219
Other securities.....	634	647	688	727	747
Investments.....	\$ 827	\$ 837	\$ 884	\$ 923	\$ 966
Total loans and investments	\$2,686	\$2,671	\$2,713	\$2,737	\$2,733

* Other than loans on securities to banks.

Federal Reserve Bank of Philadelphia

The average of bills discounted held in 1930 was 29 millions, a little lower than in 1924 and far below the exceptional figure of 89 millions in 1929. Nevertheless, the number of borrowing banks on the books of this bank continued well in excess of 200 throughout the year. At the opening of the year Philadelphia banks were borrowing 25 millions, and other banks, 41 millions. Declines from these figures were large and in the case of the city banks were so extensive that their borrowings during the last five months did not exceed 5 millions until late in December. The country banks were not able to show so complete a liquidation of indebtedness although bills discounted for them declined to nearly 13 millions at the low point in September. September also marked the low point, a little over 14 millions, in total bills discounted. During the last quarter borrowing increased somewhat, member banks in the smaller cities finding, as usual, that it was necessary to call upon the reserve bank for more credit at this season; in December, too, an unusual demand for currency in Philadelphia, following the closing of a nonmember bank and a run on another, caused the banks in this city to borrow more heavily.



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The bank increased its holdings of bankers' acceptances slightly in February when the high point of the year, about 12 millions, was reached. Thereafter the downward trend was rather steady.

Total holdings of government securities rose from 42 to 54 millions in the course of the year. This was due to an increase from 27 to 41 millions by the bank's participation in open market purchases of the system.

As a result of these changes, the average amount of total bills and securities held during the year was 83 millions, which compares with 123 millions in 1929. Averages of daily figures follow:

(000,000's omitted)	Bills discounted	Bills bought	U. S. securities	Other securities *	Totals
Annual averages:					
1927.....	\$42	\$18	\$29	\$1	\$ 90
1928.....	75	25	26	†	126
1929.....	89	13	20	1	123
1930.....	29	4	49	1	83
Monthly averages:					
1929—Dec.....	80	8	36	1	125
1930—Jan.....	54	8	42	1	105
Feb.....	51	10	43	1	105
Mar.....	37	9	47	1	94
Apr.....	28	9	46	1	84
May.....	30	6	46	1	83
June.....	28	3	49	1	81
July.....	24	2	50	1	77
Aug.....	18	†	52	1	71
Sept.....	17	†	52	1	70
Oct.....	18	†	52	1	71
Nov.....	19	3	53	1	76
Dec.....	28	3	52	†	83

* Including foreign loans on gold.

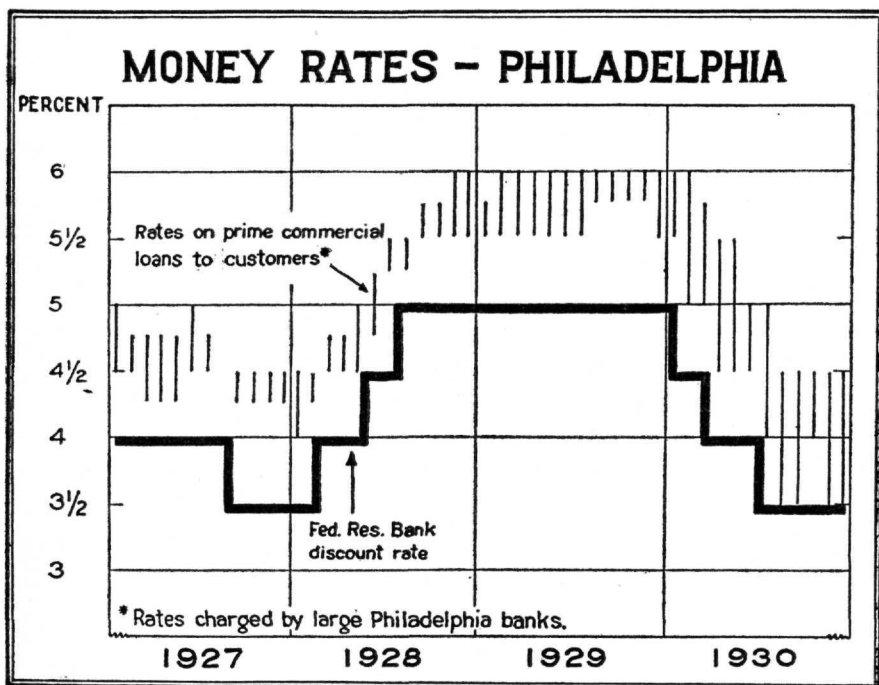
† Less than \$1,000,000.

A feature of the year was the strong reserve ratio. Rising rapidly in the early months from 72.4 per cent on December 31, 1929 to more than 80 per cent and attaining on September 17 a high point of nearly 89 per cent, the average for the year was 81.7 per cent. This compares with but 67.6 per cent in 1929 and 63.6 per cent in 1928. Deposits averaged higher than in 1929 owing to increased requirements by the member banks for reserves. Annual and monthly figures follow:

(000,000's omitted in dollar figures)	Total deposits	Fed. res. note circulation	Cash reserves	Reserve ratio
Annual averages:				
1928.....	\$139	\$132	\$172	63.6%
1929.....	137	147	192	67.6 "
1930.....	140	135	225	81.7 "
Monthly averages:				
1929—Dec.....	135	168	209	69.1 "
1930—Jan.....	136	153	214	74.2 "
Feb.....	135	147	210	74.5 "
Mar.....	136	146	222	78.6 "
Apr.....	139	146	234	82.2 "
May.....	137	139	227	82.2 "
June.....	142	131	225	82.3 "
July.....	142	128	225	83.4 "
Aug.....	143	127	232	85.8 "
Sept.....	144	125	232	86.1 "
Oct.....	144	120	225	85.2 "
Nov.....	143	121	221	84.0 "
Dec.....	143	138	231	82.2 "

Money rates

In the investment of surplus funds the member banks naturally came into contact with declining rates for open-market paper



of various kinds. During the year offering rates for ninety-day bankers' bills receded from 4 to $1\frac{7}{8}$ per cent, and prime commercial paper from 5 to $2\frac{3}{4}$ -3 per cent.

Large member banks in Philadelphia reported material declines in rates on prime commercial paper of customers. During the fall of 1929 charges on such loans were close to 6 per cent, but with steadily easing credit conditions there was a decrease during 1930 so that in the late summer a range of $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent prevailed, with an average of approximately 4 per cent; these quotations continued with little change up to the close of the year.

The renewal rate for call money in this city at the end of 1929 was 6 per cent; in January reductions to $5\frac{1}{2}$ and then to 5 per cent were made; this was followed in March by a drop to $4\frac{1}{2}$ per cent and in the middle of May to 4 per cent, a rate which was maintained over the balance of 1930.

Discount policy

The falling off in business activity, declining commodity prices, and reduced industrial production were some of the causes resulting in lower money rates, declining borrowing of member banks, and the consequent strength of the bank's reserve position, which justified several reductions in the bank's discount rate. On January 16 the rate was lowered from 5 to $4\frac{1}{2}$ per cent, on March 20 from $4\frac{1}{2}$ to 4 per cent, and on July 3 from 4 to $3\frac{1}{2}$ per cent.

Changes in the bank's buying rates for endorsed bankers' acceptances follow:

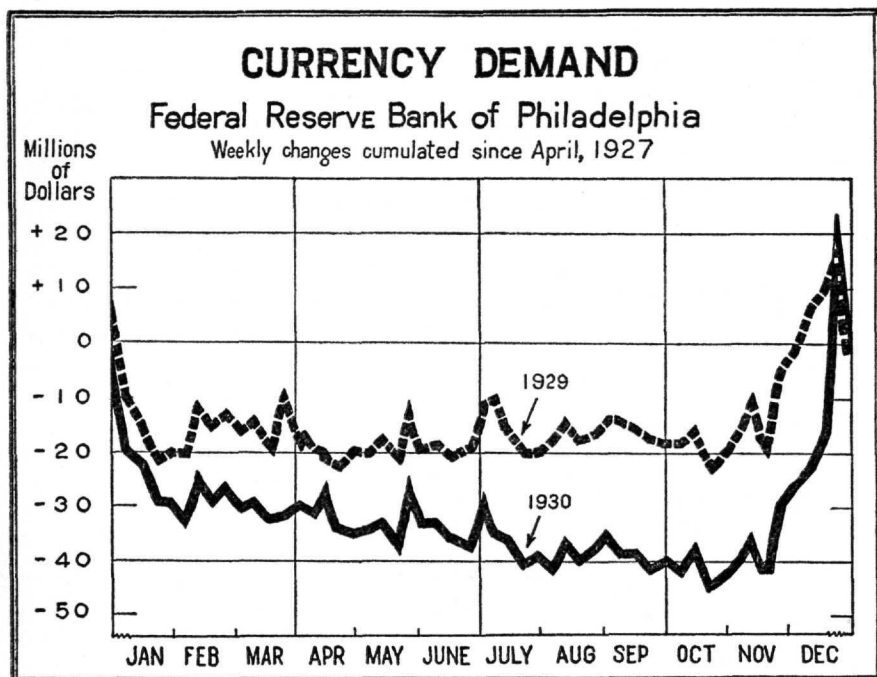
	Maturities				
	1-15 days	16-45 days	46-90 days	91-120 days	121-180 days
In effect Jan. 1.	4 %	4 %	4 %	4 %	$4\frac{1}{2}$ %
Changes effective:					
Jan. 31.	$3\frac{7}{8}$ "	$3\frac{7}{8}$ "	4 "	4 "	$4\frac{1}{2}$ "
Feb. 11.	$3\frac{3}{4}$ "	$3\frac{3}{4}$ "	$3\frac{7}{8}$ "	$3\frac{7}{8}$ "	$4\frac{1}{4}$ "
" 24.	$3\frac{3}{4}$ "	$3\frac{3}{4}$ "	$3\frac{3}{4}$ "	$3\frac{7}{8}$ "	$4\frac{1}{4}$ "
Mar. 5.	$3\frac{5}{8}$ "	$3\frac{5}{8}$ "	$3\frac{5}{8}$ "	$3\frac{5}{8}$ "	4 "
" 6.	$3\frac{1}{2}$ "	$3\frac{1}{2}$ "	$3\frac{1}{2}$ "	$3\frac{1}{2}$ "	$3\frac{3}{4}$ "
" 11.	$3\frac{1}{4}$ "	$3\frac{3}{8}$ "	$3\frac{3}{8}$ "	$3\frac{3}{8}$ "	$3\frac{5}{8}$ "
" 14.	$3\frac{1}{4}$ "	$3\frac{1}{4}$ "	$3\frac{1}{4}$ "	$3\frac{1}{4}$ "	$3\frac{5}{8}$ "
" 17.	$3\frac{1}{8}$ "	$3\frac{1}{8}$ "	$3\frac{1}{4}$ "	$3\frac{1}{4}$ "	$3\frac{3}{8}$ "
" 19.	3 "	3 "	$3\frac{1}{8}$ "	$3\frac{1}{8}$ "	$3\frac{3}{8}$ "
" 20.	3 "	3 "	3 "	3 "	$3\frac{1}{4}$ "

This bank shared in the United States securities purchased by the open-market committee of the federal reserve system. These purchases enabled member banks to reduce their indebtedness and in this way helped to bring about easier credit conditions that would be favorable to business recovery.

Currency

The demand for currency over most of 1930 was less urgent than in 1929 owing to the prevalence of poorer trade and manufacturing conditions and lower prices for goods. No accurate figures can be computed showing the actual amount of money in circulation in this district, but cumulative changes in currency demand, as felt by this bank, are given in the chart below.

Average federal reserve note circulation declined from 147 millions in 1929 to 135 millions in 1930. The amount of new notes issued to the bank decreased to \$152,300,000 from \$190,900,000 in 1929; the 1930 total would have been much smaller if the bank had not been called upon to meet an unusual demand for currency following the closing of a nonmember bank in Phila-



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delphia late in December. This happened a few days before Christmas, when the holiday demand for currency was at its height. During the last ten days of the month 31 millions of new federal reserve notes were issued to the bank, as compared with only one million in the same period of 1929 and 3 millions in 1928.

Comparative statements of the federal reserve agent's accounts follow:

(000's omitted)	December 31		
	1930	1929	1928
Notes received from comptroller.....	\$242,755	\$236,885	\$221,234
Notes on hand.....	61,620	44,300	30,300
Notes issued to bank (outstanding).....	\$181,135	\$192,585	\$190,934
Collateral held:			
Gold and gold certificates on hand.....	\$ 38,700	\$ 40,200	0
Gold redemption fund.....	0	0	\$ 13,357
Gold fund—Federal Reserve Board.....	121,300	96,400	101,777
Discounted and purchased bills.....	22,444	56,415	76,072
Total collateral held.....	\$182,444	\$193,015	\$191,206

By the end of 1929 the replacement of currency of the old series with smaller currency of the new series only partially had been completed, so that 91 millions out of a total of 192 millions of notes of this bank outstanding was old series currency. Shortly after the beginning of the year, the decision was made to expedite redemption by ceasing to pay out federal reserve notes of this series; by the close of 1930 the amount outstanding had fallen to 23 millions, although redemptions in late months averaged only about a million dollars a month.

New currency of all kinds paid out by the bank in 1930 totaled 288 millions, of which 51 per cent was federal reserve notes, 18 per cent gold certificates, 21 per cent silver certificates, and 10 per cent United States notes. The dollar figures, with comparisons of 1929 and 1928, follow:

(000,000's omitted)	1930	1929	1928
Federal reserve notes.....	\$147	\$192	\$146
Gold certificates.....	51	39	31
Silver certificates.....	60	53	53
United States notes.....	30	25	25
Total new currency paid out by bank.....	\$288	\$309	\$255

Departmental operations

Operations of the principal departments of the bank, as measured by the number of pieces or transactions handled, are given below:

(000's omitted)	1930	1929	1928	1927
Number of pieces or transactions handled:				
Notes and bills discounted.....	51	60	41	42
Notes (currency) counted.....	211,091	215,030	214,881	207,700
Coins counted.....	334,963	331,780	328,886	303,016
Ordinary checks handled (including return items).....	72,846	70,234	67,522	69,384
U. S. government checks handled.....	1,929	1,952	1,963	2,003
Items payable at a future date (collection items):				
United States coupons paid.....	1,487	1,680	2,545	3,467
All other items.....	570	607	552	547
Transfers of funds.....	126	123	117	109
U. S. securities issued, redeemed, or exchanged.....	61	112	555	565

Of all these varied classes of operations the only one to show a gain in dollars was transfers, which amounted to \$12,400,000,000 in 1930, half again as large as in 1929 and more than double those in any earlier year. There was a general increase in the use of the wire transfer facilities, although a substantial part of the gain in 1930 was due to the loaning of reserve balances to banks in other districts, which involved daily transfers into and out of the district.

Figures reflecting government transactions, including checks, coupons, and securities handled, were smaller than in 1929 both in number of pieces and in the dollar amounts involved. No maturity of a major bond issue took place, but four issues of certificates of indebtedness matured, redemptions totaling \$44,400,000 out of original allotments of \$140,400,000 to the district. Five new issues of certificates were offered during 1930, subscriptions totaling \$476,900,000 and allotments, \$127,400,000.

An average balance of \$260,000,000 of securities was held in custody for the member banks, which compares with \$222,000,000 in 1929.

Although the volume of discounts decreased somewhat in number of pieces handled and in dollars was less than a fifth of the total in 1929, the number of banks accommodated increased from 594 in 1929 to 613 in 1930.

During 1930 more than \$7,700,000,000 of checks were forwarded by member banks in this district directly to the reserve

banks in the districts in which the checks were payable. This was done under the "Direct Sendings Plan"; although this bank does not handle such checks, it must make the proper entries charging the reserve banks to which they are sent and credit the member banks in this district on the correct availability date. The bulk of the checks payable in other districts is handled in this manner, as may be seen from the fact that the dollar volume was from six to seven times that of checks received by this bank and forwarded by it to other districts for payment.

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, 1932
	Group 2 George W. Reily, President, Harrisburg National Bank, Harrisburg, Pa.	Harrisburg, Pa.	December 31, 1930
	Group 3 John C. Cosgrove, Vice-president, First National Bank, Hastings, Pa.	Johnstown, Pa.	December 31, 1931
B.	Group 1 C. Frederick C. Stout, member, John R. Evans and Company, Philadelphia, Pa.	Ardmore, Pa.	December 31, 1931
	Group 2 Arthur W. Sewall, President, General Asphalt Company, Philadelphia, Pa.	Philadelphia, Pa.	December 31, 1932
	Group 3 Arthur C. Dorrance, President, Campbell Soup Company, Camden, N. J.	Merion, Pa.	December 31, 1930
C.	Richard L. Austin, Chairman of the Board	Philadelphia, Pa.	December 31, 1932
	Alba B. Johnson, Deputy Chair- man of the Board	Rosemont, Pa.	December 31, 1930
	Harry L. Cannon	Bridgeville, Del.	December 31, 1931

No changes took place in the directorate during 1930. Elections held in November resulted in the unanimous re-election of George W. Reily as a class A director and Arthur C. Dorrance as a class B director. By appointment of the Federal Reserve Board, Alba B. Johnson will continue as a class C director for a term of three years from January 1, 1931.

Richard L. Austin served as chairman of the board and federal reserve agent during 1930, Alba B. Johnson as deputy chairman, and Arthur E. Post and Ernest C. Hill as assistant federal reserve agents.

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In March, Levi L. Rue resigned on account of ill health as the bank's representative on the Federal Advisory Council. He had served on the council since its inception and it was with the greatest regret that his resignation was accepted. The board thereupon elected Howard A. Loeb, chairman of the board of the Tradesmens National Bank and Trust Company of Philadelphia, who had been serving as alternate to Mr. Rue, to represent the bank on the Council. In tribute to Mr. Rue's valued services, the board of directors adopted the following minute:

"In reluctantly accepting the resignation of Mr. Levi L. Rue as representative of the Third Federal Reserve District upon the Federal Advisory Council, the directors of this bank desire to place on record their appreciation of Mr. Rue's services, and their regret that he feels unable to continue them.

"After the passage of the Federal Reserve Act, Mr. Rue was selected, by common consent, to present the claims of Philadelphia as the site of one of the reserve banks, and there can be no doubt that his careful assembling of data and able presentation of the case contributed to the favorable decision of the organizing committee.

"His service on the Federal Advisory Council has been continuous since its establishment—a record unequalled, we believe, in any other district.

"We are confident that his devotion, long experience and mature judgment must have been of great value in the deliberations of the council, and we regret that this district cannot continue to contribute his services."

The following officers, appointed by the directors, served the bank throughout 1930: governor—George W. Norris; deputy governor—William H. Hutt; cashier and secretary—C. A. McIlhenny; assistant cashiers—W. J. Davis, J. M. Toy, R. M. Miller, jr., S. R. Earl; comptroller—William G. McCreehy. The number of employees other than officers declined from 702 at the beginning of 1930 to 697 on December 31.

During the year, the lot on the northeast corner of Chestnut and Tenth Streets, adjoining the bank's property on the west, was purchased by the bank. Before purchase by the Federal Reserve Bank the property had been cleared of buildings preparatory to the erection of a temporary structure designed to carry the lot pending a more favorable real estate market. As the bank is in need of some additional space plans will soon be under way for the construction on this lot of an addition to our present building.

Banks of the district

During 1930 the number of active member banks in this district declined from 764 to 753. One new national bank was organized and two state banks were admitted to membership; these gains in number of members, however, were more than balanced by losses, including 4 consolidations of members with non-members, 8 consolidations between member banks, the suspension of one bank and the withdrawal from membership of another.

Changes in active membership during 1930 follow:

	National banks	State member banks	Totals
Active membership, December 31, 1929	678	86	764
Changes during 1930:			
Gains—			
New national banks	1	0	1
New state bank members	0	2	2
	1	2	3
Losses due to—			
Suspension	1	0	1
Withdrawal of state member bank	0	1	1
Consolidation of national banks	5	0	5
Consolidation with member bank	2	1	3
Consolidation with nonmember	2	2	4
	10	4	14
Active membership, December 31, 1930	669	84	753

Eight nonmember banks were consolidated with member banks under the charters and titles of the members; this did not affect the number of members but helped to swell the resources of the bank.

On September 24, members held 62 per cent of the loans and investments of all banks in the district; this was a slight increase over the ratio of a year earlier, as may be noted below:

(000,000's omitted in dollar figures)	Loans and investments		Per cent of members to total
	Member banks	All banks	
1927—Dec. 31	\$2,588	\$4,241	61.0%
1928—Dec. 31	2,666	4,395	60.7 "
1929—Oct. 4	2,755	4,505	61.2 "
Dec. 31	2,687	4,395	61.1 "
1930—June 30	2,713	4,420	61.4 "
Sept. 24	2,737	4,409	62.1 "

Though this district has an area of little over one per cent

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of the country, its banks in September held 7.6 per cent of the loans and investments of all banks.

Of the more than 2,100 banks in Pennsylvania, New Jersey, and Delaware on June 30, 1930, 117 were reported to be members of chain or group systems; this was about 5 per cent of the number, but the loans and investments of the banks included were about 15 per cent of the total. Branches were maintained by 140 banks, and the number of branch offices totaled 313. The situation with regard to branch, group, and chain banking is given in some detail in the following table:

(Figures as of June 30, 1930)	Pennsylvania	New Jersey	Delaware	Totals
Total number of banks	1,541	560	48	2,149
Banks which maintain branches:				
National.....	16	19	0	35
State member.....	14	19	2	35
State nonmember.....	46	19	5	70
Total number of banks with branches	76	57	7	140
Number of branch offices.....	194	106	13	313
Banks which are members of chain or group systems:				
National.....	17	27	0	44
State member.....	10	14	0	24
State nonmember.....	24	22	3	49
	51	63	3	117

Fiduciary powers

Fourteen applications of national banks for fiduciary powers were granted during 1930; one of these was a supplemental grant enabling a bank to exercise full powers. Consolidations with other institutions of banks having powers and the suspension of one reduced the net gain in the year to 5. On December 31, 297 national banks in the district had trust powers either in full or in part; they were distributed as follows: Pennsylvania, 231; New Jersey, 56; Delaware, 10.

National banks having fiduciary powers	Number of banks granted		Totals
	Full powers	Partial powers	
December 31, 1925.....	169	45	214
" 31, 1926.....	195	43	238
" 31, 1927.....	224	36	260
" 31, 1928.....	254	32	286
" 31, 1929.....	262	30	292
" 31, 1930.....	268	29	297



Bankers' acceptances

The volume of outstanding acceptances of banks in the Philadelphia district was well maintained during 1930. The span of a year shows a small decline in the total; import bills declined materially while those based on goods stored in or shipped between foreign countries increased substantially, as may be noted below:

(In millions of dollars)	Outstanding on December 31			
	1930	1929	1928	1927
Acceptances based on—				
Imports.....	10.0	17.5	13.0	10.7
Exports.....	1.7	1.7	.3	.2
Domestic shipments.....	1.8	.9	1.7	1.9
Warehouse credits.....	2.3	3.8	1.8	2.8
Dollar exchange.....	1.5	.3	0	0
Goods stored in or shipped between foreign countries.....	7.3	1.4	.6	.6
Total outstanding.....	24.6	25.6	17.4	16.2

Source: American Acceptance Council

At the end of the year banks in this district were responsible for only about 1.6 per cent of the bills made by all banks in the country.

The list of banks authorized to accept bills up to 100 per cent of capital and surplus remains unchanged, comprising five banks in Philadelphia.

Bank relations activities

More than 1,400 visits were received from bank officers during 1930. Further contact with the banks of the district was maintained by attendance at meetings of bankers and through 1,575 visits to banks by members of the bank relations department. Nearly 200 of these visits were for special purposes, including assistance in the use of the check collection facilities, assistance in the installation of a block system of settlement, and work on the development of the county clearings method of settlement for checks and the system of wire settlement of clearing house balances.

This bank has co-operated actively in the development of county clearings systems for collecting checks. These systems facilitate the collection of checks on banks in sections outside of Philadelphia and are now operating in seven groups, the areas covered surrounding Scranton, Hazleton, Williamsport, West Chester, Norristown, Gettysburg, and Clearfield; two of these were added during 1930, and the preliminary work was completed in a third county. Eighty-five banks are included in the seven systems and a total of \$40,600,000 of items was cleared by this means in 1930.

Settlement of local clearing house balances by wire to the Federal Reserve Bank is now in operation in nine cities of the district and includes 66 banks; balances amounting to \$166,000,000 were settled during the year. This plan makes unnecessary the payment of balances in currency; in general it makes for more prompt settlement by the elimination of one-day float on balances.

The seventh annual meeting of the Committee on Federal Reserve Relations was held in this bank on December 15. Addressing the representatives of banking organizations of the district, Mr. Austin and Mr. Norris detailed the happenings of the intervening year. It was the sentiment of the meeting that study should be given to a possible amendment of the Federal Reserve Act that would permit of loans to member banks on the security of high-grade railroad and public utility bonds, that greater participation in the earnings of the reserve banks should be given to member banks, and that, in the calculation of deposits for reserve purposes, cash in vault should be deductible from gross

deposits, and that amounts due from banks should also be allowed as deductions even though they do exceed amounts due to banks. Other topics were discussed, among which were the importance of looking to the liquidity as well as the safety of loans, the necessity for the careful handling of investments, recognizing the distinction between purchases of long-term investments and those made pending a return of local demand for funds, and the advisability of making investments in bank buildings conform to the resources of the institutions.

In June the attention of banks in the smaller cities of Pennsylvania and Delaware was called to the fact that many banks carried in their loans only a small percentage of paper eligible for rediscount at the Federal Reserve Bank. A compilation from the call reports showed that 45 per cent of the member banks had less than ten per cent of their loans in the form of eligible paper. This information was used to again call attention to the suggestion, often made, that the banks in Pennsylvania and Delaware make more general use of a negotiable form of judgment note which would be eligible for rediscount.

Bank examinations

The department of bank examination made 72 examinations during 1930 in co-operation with the state banking departments, and also made an independent complete examination of a state bank which had applied for membership. In examining the member banks, this bank follows a policy which goes beyond the protection of its own loaning operations. If any matter worthy of criticism comes to light in the course of an examination, the department actively assists the member bank through suggestions for remedial action and follows the matter up in conferences with officers and directors. Every effort is made to promote the highest standards of bank operation, and to aid the banks in the solution of problems which arise in the course of consolidations, conversions, or other changes.

Many other routine matters are handled, such as investigations in connection with the organization of new national banks and the conversion of state banks into national banks, applications by national banks for permission to exercise fiduciary powers, and applications under the Clayton Act for interlocking directorates.

Federal Reserve Bank of Philadelphia

Directors and Officers Appointed and Elected for the Year 1931

DIRECTORS

Class A

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

Class B

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

Class C

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

Member of Federal Advisory Council
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
S. R. Earl, Assistant Cashier

William G. McCreedy, Comptroller