

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



Made to the Federal Reserve Board
by the Chairman of the Board
and Federal Reserve Agent
of the Third Federal Reserve District

1934

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Annual Report of the Federal Reserve Bank of Philadelphia for 1934

Earnings of the bank from current operations declined from \$4,311,000 in 1933 to \$3,725,000 in 1934, owing mainly to a reduction in income from discounted and purchased bills. These earnings, supplemented by \$626,000 derived from other sources, were drawn upon to the extent of \$3,307,000 to meet current expenses and other deductions such as reserves for contingencies and depreciation on buildings. The year's operations thus show \$1,044,000 available for distribution, of which \$926,000 was required for the payment of dividends. The balance of \$118,000 was added to the surplus which is designated in the statement as "Surplus—Section 7" and which has been accumulated from the routine operations of the bank. As \$14,621,000 was withdrawn from this surplus during 1934 to pay for stock of the Federal Deposit Insurance Corporation, it shows a decline of \$14,503,000 for the year.

Profit and loss account (000's omitted)	1932	1933	1934
Earnings:			
From bills discounted	\$2,594	\$1,550	\$ 456
From bills bought	197	60	10
From United States securities	2,037	2,658	3,152
From other sources	173	43	107
Total earnings	\$5,001	\$4,311	\$3,725
Additions to earnings	312	117	626
	\$5,313	\$4,428	\$4,351
Deductions from earnings:			
For current bank operations	\$1,784	\$1,965	\$2,135
For federal reserve currency (mainly the cost of printing new notes and taxes on bank note circulation)	135	184	102
Assessment for Federal Reserve Board expenses	75	84	142
Furniture and equipment purchased	20	28	26
Reserves for contingencies	0	2,483	651
Depreciation on bank building and premises	0	0	250
All other	28	2	1
Total deductions from earnings	\$2,042	\$4,746	\$3,307
Net earnings available for dividends and additions to surplus	\$3,271	\$318*	\$1,044
Distribution of net earnings:			
Dividends paid	\$973	\$951	\$926
Transferred to surplus account (Section 7)	2,298	1,269†	118

* Deficit.

† Transferred from surplus.

Statement of condition

(000's omitted)	December 30, 1933	December 31, 1934	Changes
RESOURCES			
Gold certificates on hand and due from U. S. Treasury.....	\$ 92,988	\$271,119	+\$178,131
Gold.....	100,344	0	- 100,344
Redemption fund — F. R. notes.....	4,188	2,525	- 1,663
Other cash.....	31,051	35,662	+ 4,611
Total reserves.....	\$228,571	\$309,306	+\$ 80,735
Redemption fund — F. R. bank notes.....	1,300	0	- 1,300
Bills discounted:			
Secured by U. S. Government obligations * ..	5,286	556	- 4,730
Other bills discounted.....	20,077	437	- 19,640
Total bills discounted.....	\$ 25,363	\$ 993	-\$ 24,370
Bills bought.....	7,858	584	- 7,274
Industrial advances.....	0	3,236	+ 3,236
United States securities.....	167,120	167,120	0
Other securities.....	510	0	- 510
Total bills and securities.....	\$200,851	\$171,933	-\$ 28,918
Due from foreign banks.....	368	87	- 281
Fed. res. notes of other banks.....	1,066	1,373	+ 307
Uncollected items.....	36,896	38,755	+ 1,859
Bank premises.....	3,841	4,411	+ 570
All other resources.....	4,576	5,178	+ 602
Total resources.....	\$477,469	\$531,043	+\$ 53,574
LIABILITIES			
Federal reserve notes in circulation.....	\$236,128	\$240,443	+\$ 4,315
Fed. res. bank note circulation — net.....	20,390	0	- 20,390
Deposits:			
Member bank — reserve account.....	129,225	211,579	+ 82,354
U. S. Treasurer — general account.....	83	4,315	+ 4,232
Foreign bank.....	437	1,995	+ 1,558
Other deposits.....	9,512	1,977	- 7,535
Total deposits.....	\$139,257	\$219,866	+\$ 80,609
Deferred availability items.....	35,044	37,578	+ 2,534
Capital paid in.....	15,917	15,131	- 786
Surplus — Section 7.....	27,973	13,470	- 14,503
Surplus — Section 13b.....	0	1,049	+ 1,049
Reserves for contingencies.....	2,500	2,996	+ 496
All other liabilities.....	260	510	+ 250
Total liabilities.....	\$477,469	\$531,043	+\$ 53,574
Ratio of total reserves to deposit and federal reserve note liabilities combined.....	60.9%	67.2%	+ 6.3%
Contingent liability on bills purchased for foreign correspondents.....	\$400	\$68	- \$332
Commitments to make industrial advances....	0	\$399	+ \$399

* Includes bills secured by obligations fully guaranteed by the United States Government.

Business conditions

Business in this district during 1934 generally was more active than in 1933 and also than in 1932 when record low levels were reached virtually in all lines of industry and trade. While the upward movement still lacks uniformity, it nevertheless shows that the swings up and down have leveled off considerably in contrast with extreme fluctuations that characterized the year 1933.

Industrial production and employment have increased further, despite labor difficulties, curtailment of production in certain lines, and continued price adjustments which affected costs and earnings. Available data indicate that inventories at the end of the year held by local industries in the aggregate show a decline from the previous year, particularly in the case of finished goods.

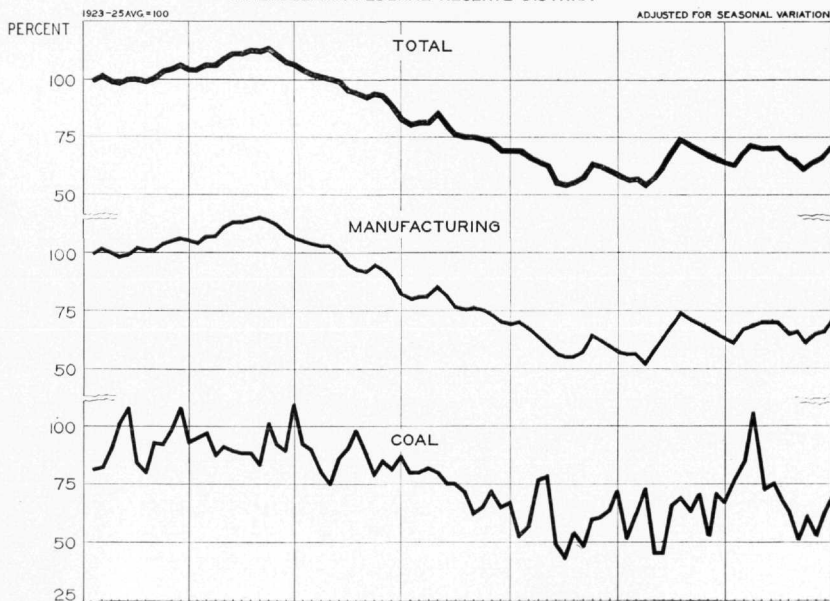
Building and construction have continued at an extremely low level in contrast with the years before the depression. While activity in private building particularly in the case of residential buildings has shown almost no change from 1933, operations on projects financed by public funds have increased sufficiently to raise the general level considerably above that in the previous year, as indicated by the volume of employment and wage disbursements and by the value of building contract awards. Although the real estate market has continued depressed, foreclosures have declined substantially, after several years of sharp increase.

Agricultural operations in this section have resulted in a somewhat larger output of crops and livestock products than in the previous year. Prices received by farmers for most products sold have advanced sharply in addition to increases between 1932 and 1933, although the rise in prices of commodities that farmers buy has tended to offset in varying degree the advantages of advancing markets for their own products, particularly in the case of the dairy and poultry industries which required the purchase of feed. Nevertheless, the estimated cash income of farmers in the aggregate has increased materially in 1934, reaching the highest total since 1931. In consequence, the condition of farmers in this district on the whole has improved further during the year.

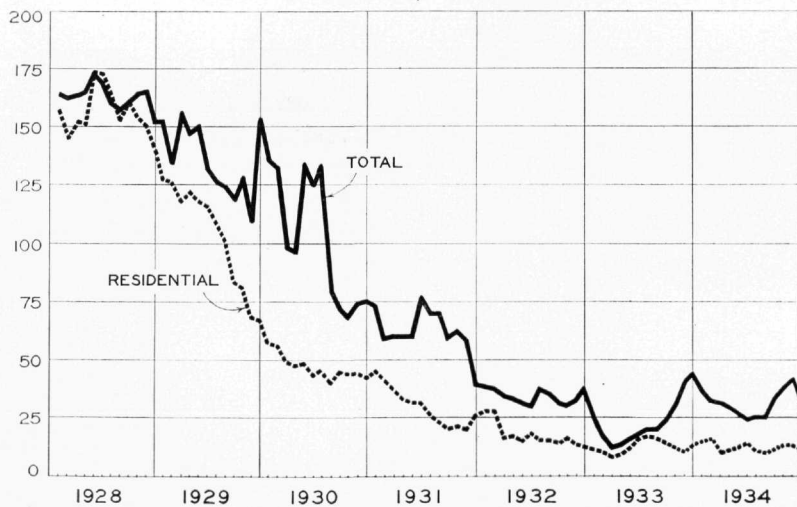
Activity in the channels of distribution shows marked gains in the movement of commodities and in the use of services. The value

INDUSTRIAL PRODUCTION

PHILADELPHIA FEDERAL RESERVE DISTRICT



VALUE OF BUILDING CONTRACTS



of retail and wholesale trade sales has increased appreciably as compared with the previous year, reflecting to some extent the influence of higher prices. The rate at which accounts have been settled has risen considerably. Shipments of various commodities to and from this district by rail, boat and motor truck likewise indicate a greater movement of goods than last year and substantially larger than was the volume in 1932. Other indicators such as those measuring sales of new passenger automobiles, life insurance and activity of commercial hotels also substantiate this upward trend since 1932. Description and analysis of activity by major branches of business follow.

Industrial activity

Manufacturing Productive activity of manufacturing industries in this district during 1934 showed considerable fluctuation, although major changes were much less extreme than were those in the previous year. The rate of factory output rose almost steadily in the first part of the year barring the usual seasonal variation, was interrupted in the fall months partly by prevailing labor disputes, and again increased sharply in the latter part of the year, reaching the highest level since the middle of 1933 when production had expanded at a rapid pace just before the introduction of industrial codes.

This bank's index number of factory production, which comprises 45 important manufacturing industries representing approximately two-thirds of the total output as measured by the value added by the process of manufacture, rose to almost 67 per cent of the 1923-25 average as 100 in comparison with 64 in 1933 and 61 in 1932 which was the record low year of the depression. It thus appears that the average rate of production in 1934 was 4 per cent higher than in the preceding year and 10 per cent higher than two years ago; but it was 40 per cent below the peak level reached in 1929 and about 34 per cent below the 1928 rate of production.

Figures for the end of the year show that the relative increase in the output of durable goods, such as certain fabricated metals, transportation equipment, and construction materials, was greater than in the case of consumers' goods, including such commodities as textile and leather products. Our average index number for the former group rose to 50 as compared with 40 in the previous year and about 38 in 1932, indicating gains of 24 and 30 per cent respectively. The average index of productive activity in the case of

consumers' goods, on the other hand, dropped to 79 or 4 per cent below that of a year ago, reflecting chiefly severe strikes and otherwise restricted production in some of the important textile industries. The average rate of activity in this class of industry, however, was 2 per cent higher than in 1932. The trend of production in the case of durable goods on the whole has been upward since early 1933, owing chiefly to increased activity in the metal and transportation equipment industries, while in the case of consumers' goods the rise was less pronounced, just as the recession between 1929 and 1932 was much more severe in the case of the former than in that of the latter.

The following table gives comparisons of the average indexes of productive activity in 1934 with the preceding five years:

Factory output Philadelphia Federal Reserve District	1934 average index numbers (1923-25 = 100)	Per cent change, 1934 compared with				
		1929	1930	1931	1932	1933
Manufacturing—total	66.9	-40	-31	-13	+10	+ 4
Durable goods	50.2	-54	-46	-17	+30	+24
Consumers' goods	79.2	-30	-21	-12	+ 2	- 4
Metal products	55.7	-55	-45	-10	+63	+32
Textile products	72.0	-33	-19	-13	+ 0	-11
Transportation equipment	45.0	-52	-48	-23	- 5	+36
Food products	73.1	-24	-20	-12	- 1	+ 3
Tobacco and products	88.5	-26	-17	- 6	+13	+ 9
Building materials	26.0	-69	-60	-39	+ 2	+10
Chemicals and products	100.2	-18	-13	- 3	+12	+ 6
Leather and products	118.0	- 7	- 3	+ 3	+20	+ 0
Paper and printing	79.1	-33	-30	-20	- 5	- 2
Electric power output	192.0	+ 1	- 1	+ 1	+ 9	+ 6

Factory prices of manufactures have advanced noticeably since the middle of 1933, although the fluctuation during 1934 was not as pronounced as that in the year before. The index number of the Bureau of Labor Statistics, which comprises wholesale prices of manufactures including fuel and lighting, in 1934 averaged about 78 per cent of the 1926 average as 100, compared with 71 a year before and 70 two years ago; in 1928 and 1929 this index fluctuated around 92. The sharpest increases occurred in the case of raw materials which include agricultural commodities; advances in semi-finished products also were relatively greater than those in the case of finished goods.

Reports on commodity stocks held by plants in this district at

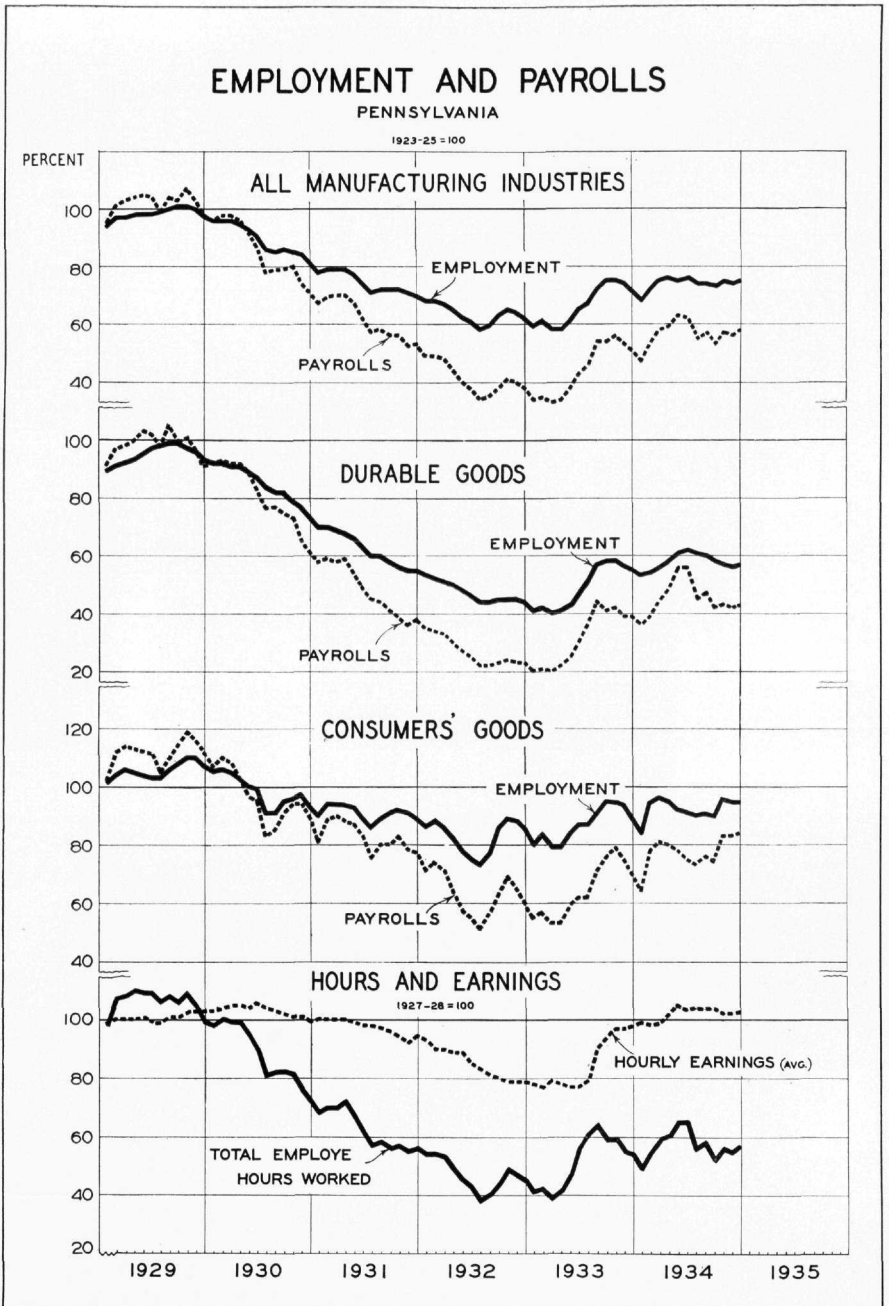
the end of the year indicate that in a number of important lines for which statistical information is available inventories of raw materials and finished goods were reduced toward the end of the year in contrast with a tendency toward accumulation exhibited in the same period of 1933. This situation also appears to be borne out by the national figures on stocks of raw materials and manufactured goods.

The relation of factory employment and payrolls to production has changed greatly since the fall of 1933. Indexes based on averages of the years 1923-25 show that prior to 1933 the relative level of employment generally followed the trend of production, being somewhat under that of output in active periods, but since then it has shown a definite tendency to fluctuate considerably above the level of factory production. Total wage disbursements, while rising in much greater proportion than did production and employment, have continued below the levels of both. The number of average weekly hours worked has registered no material change, remaining but slightly above that prevailing during the depression and considerably under the pre-depression working time, whereas hourly earnings of workers have risen since the middle of 1933 to a considerably greater extent than have any of the other factors just mentioned. These changes reflect in part the influence of industrial codes which were put into effect in the latter part of 1933.

The following indexes, expressed in percentages of the 1923-25 average as 100, illustrate the relationship between factory production, employment and payrolls in this district:

Index numbers Phila. Fed. Res. District (1923-25 = 100)	1928	1929	1930	1931	1932	1933	1934	Jan. 1935
Production	102	111	97	77	61	64	67	68
Employment	93	99	90	75	64	67	75	75
Payrolls	94	103	87	63	42	45	57	58

The manufacturing industry in this section on the average employed nearly 12 per cent more wage earners and paid out 27 per cent more in wages during 1934 than in 1933. In comparison with 1932, factory employment during 1934 was 17 per cent larger and wage payments 34 per cent greater. Such figures as are available from the Bureau of Labor Statistics indicate that labor disputes in Pennsylvania industries were quite extensive, especially in the early and the fall months of the year. For example, in two



months, August-September, there were in progress 84 disputes, involving over 78,000 workers and a consequent loss of approximately 400,000 man-days.

Our current indexes, supplemented by the data of the Census of Manufactures, indicate the following trend in factory employment and payrolls since 1923 :

Factory employment and payrolls Philadelphia Fed. Res. District (Estimates)	Employment (average for year)	Payrolls (total)
1923	877,316	\$1,075,814,441
1924	785,198	960,702,296
1925	804,043	1,003,933,900
1926	829,772	1,063,166,001
1927	792,432*	996,186,543*
1928	762,487	946,309,341
1929	810,862*	1,033,815,162*
1930	757,227	908,701,215
1931	645,330*	679,755,032*
1932	547,240	459,514,400
1933	573,507	487,544,778
1934	640,034	617,231,691

* From the Census of Manufactures for 60 counties in eastern Pennsylvania, southern New Jersey and Delaware; prior to 1927 these figures were not subdivided by counties. Figures for other years were computed from the indexes of employment and payrolls compiled by the Philadelphia Federal Reserve Bank.

The number of employee-hours actually worked in all factories of Pennsylvania during 1934 averaged about 32.6 hours per week as compared with 33.1 in 1933. The average earnings for the manufacturing industry as a whole approximate 57 cents per hour or 19 per cent more than in the previous year, reflecting in part the effect of industrial codes upon the minimum wages and maximum hours of work.

Coal and other fuels Production of solid fuels and fuel oil in this section was appreciably larger in 1934 than in 1933. In the case of industrial fuel as well as power, the demand reflected improved conditions, particularly during the spring and late months of the year.

Wholesale prices have advanced further except in the case of anthracite, which on the average showed a decline of 3 per cent as compared with 1933 and were 9 per cent lower than in 1932. The following table gives detailed comparisons:

Fuels (Output and shipment figures are daily averages)	1934	Per cent change from	
		1932	1933
Anthracite			
Production..... tons	189,100	+15	+15
Shipments..... tons	176,446	+12	+14
Stocks..... 1000 tons	1,921	+11	+74
Prices..... (1926 = 100)	80.1	- 9	- 3
Employment..... Number	120,537	- 5	+15
Bituminous			
Production..... tons	291,600	+20	+12
Shipments..... Number cars	22,134	+15	+ 7
Prices..... (1926 = 100)	94.5	+15	+14
Employment..... Number	140,044	+21	+21
Coke			
Production..... (1923-25 = 100)	78	+46	+15
Prices..... (1926 = 100)	84.8	+ 9	+ 9
Fuel oil			
Production..... (1923-25 = 100)	104.3	+ 2	+ 4
Prices..... (1926 = 100)	59.1	+20	+ 8

Sources: Bureau of Mines and Bureau of Labor Statistics.

Stocks of bituminous coal held by various industries in the country at the end of 1934 were slightly smaller than at the same time a year before. The supply of anthracite fuel in the storage yards of producers, on the other hand, was substantially larger than at the end of 1933. This was also true of by-product coke at merchant plants.

The trend of employment and production of Pennsylvania coal mines since 1923 is indicated by the figures below:

Coal mining Employment and production Pennsylvania	Employment			Production (net tons)	
	Anthracite	Bituminous	Total	Anthracite	Bituminous
1923.....	157,743	194,981	352,724	93,339,000	171,880,000
1924.....	160,009	169,322	329,331	87,927,000	130,634,000
1925.....	160,312	156,798	317,110	61,817,000	136,928,000
1926.....	165,386	155,999	321,385	84,437,000	153,042,000
1927.....	165,259	153,699	318,958	80,096,000	133,099,000
1928.....	160,681	133,414	294,095	75,348,000	131,202,000
1929.....	151,501	131,774	283,275	73,828,000	143,516,000
1930.....	150,804	130,150	280,954	69,385,000	124,463,000
1931.....	139,431	116,726	256,157	59,646,000	97,659,000
1932.....	121,243	104,532	225,775	49,855,000	74,776,000
1933.....	104,633	115,453	220,086	49,541,000	79,296,000
1934.....	120,537p	140,044p	260,581p	57,385,000p	89,223,000p

Source: Bureau of Mines, United States Department of Commerce. p—Preliminary.

Crude petroleum Production of crude oil in that part of Pennsylvania which is located in this district has shown an additional increase during 1934. Barring declines in the early part and in the fall of the year, the trend was sharply upward continuing the rise which began in the spring of the previous year. The following figures show production of crude petroleum in the Bradford field from 1928 to 1934:

Crude petroleum output and prices	Bradford field barrels produced*	Average price per barrel (Pa.)
1928.....	5,901,400	\$3.101
1929.....	7,734,900	3.662
1930.....	9,268,700	2.370
1931.....	8,804,300	1.789
1932.....	9,926,550	1.820
1933.....	10,129,950	1.785
1934.....	11,967,500	2.389

* Source: American Petroleum Institute.

Productive activity in the Bradford field has expanded very rapidly in the past dozen years, owing largely to improved methods of extracting oil. It is estimated that this field produces about 70 per cent of all the crude petroleum in Pennsylvania. Compared with the three-year period 1923-25, the average for which is made to equal 100, our index number of production in 1934 was over 356, or 256 per cent higher than in that base period. After declining almost steadily for several years, wholesale prices of crude oil during 1934 advanced about 33 per cent as compared with the low average in 1933.

Building and construction The volume of building and construction in this district during 1934 generally has continued at extremely low levels in spite of large expenditures for public works. The value of all contracts awarded in this district amounted to \$94,178,900 as compared with a low of \$67,788,600 in 1933 and with a record high of \$503,542,800 in 1928. The gain of 39 per cent over the previous year was due primarily to increased volume of public works and educational buildings, as shown by the accompanying table.

The amount of contract awards for public works and utilities in 1934 was over 47 per cent of all awards, while that for residential buildings was less than 19 per cent, the remaining 34 per cent being in non-residential buildings. Figures indicate significantly

Building and real estate Philadelphia Fed. Res. District	Amount 1934	Per cent change—1934 compared with				
		1929	1930	1931	1932	1933
Contracts awarded:						
Residential	\$17,803,900	-88	-74	-57	-28	+ 2
Apartments and hotels..	3,127,700	-94	-85	-66	-45	+ 77
Family homes.....	14,676,200	-84	-69	-54	-23	- 6
Non-residential	31,715,000	-82	-80	-51	-31	+ 9
Commercial.....	8,858,600	-86	-83	-37	- 3	+ 20
Factories.....	7,025,800	-81	-86	+28	+76	- 22
Educational.....	8,141,500	-78	-63	-51	-37	+162
All other.....	7,689,100	-82	-79	-74	-61	- 19
Total buildings.....	49,518,900	-85	-78	-53	-30	+ 7
Public works & utilities	44,660,000	-37	-56	-46	+40	+109
Grand total.....	\$94,178,900	-77	-71	-50	- 8	+ 39
Building permits.....	—	-91	-83	-71	-33	+ 11
Employment (Pennsylvania).....	—	-25	-17	- 1	+16	+ 11
Payrolls (Pennsylvania).....	—	-44	-34	- 7	+38	+ 28
Mortgages recorded.....	—	-87(a)	-80(a)	-69(b)	-54(d)	- 27(d)
Ordinary real estate deeds.....	—	—	-40(b)	-29(c)	-15(d)	- 0(d)
Sheriff deeds.....	—	—	+12(b)	-13(c)	-22(d)	- 28(d)

(a) 1 county, (b) 2 counties, (c) 3 counties, (d) 7 counties.

that the former importance of residential construction has diminished greatly, while that of public works and utilities has increased materially in recent years. In the case of non-residential buildings, no unusual trend seems to be apparent. The relative trend of the value of building contracts by major classes was as follows:

Building contracts Phila. Fed. Res. Dist.	1928	1929	1930	1931	1932	1933	1934
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Residential.....	44.4 "	37.9 "	20.7 "	21.7 "	24.2 "	25.7 "	18.9 "
Non-residential.....	40.2 "	45.2 "	48.7 "	34.6 "	44.7 "	42.8 "	33.7 "
Public works & utilities.	15.4 "	17.6 "	30.6 "	43.7 "	31.1 "	31.5 "	47.4 "

The number of workers in various building trades on the average increased by 11 per cent as compared with the previous year and was 16 per cent larger than in 1932, as measured by employment indexes for Pennsylvania. The amount of wage disbursements increased 28 per cent over the preceding year and was 38 per cent larger than in 1932. These figures do not include workers

on special projects under the public works administration of the Federal government.

Prices of building materials at wholesale showed little variation during the year but the general level was above that of 1933. The index of the Bureau of Labor Statistics fluctuated around 86 per cent of the 1926 average as compared with 77 a year before and 71 in 1932, which was a record low. In 1929 this index averaged 95.

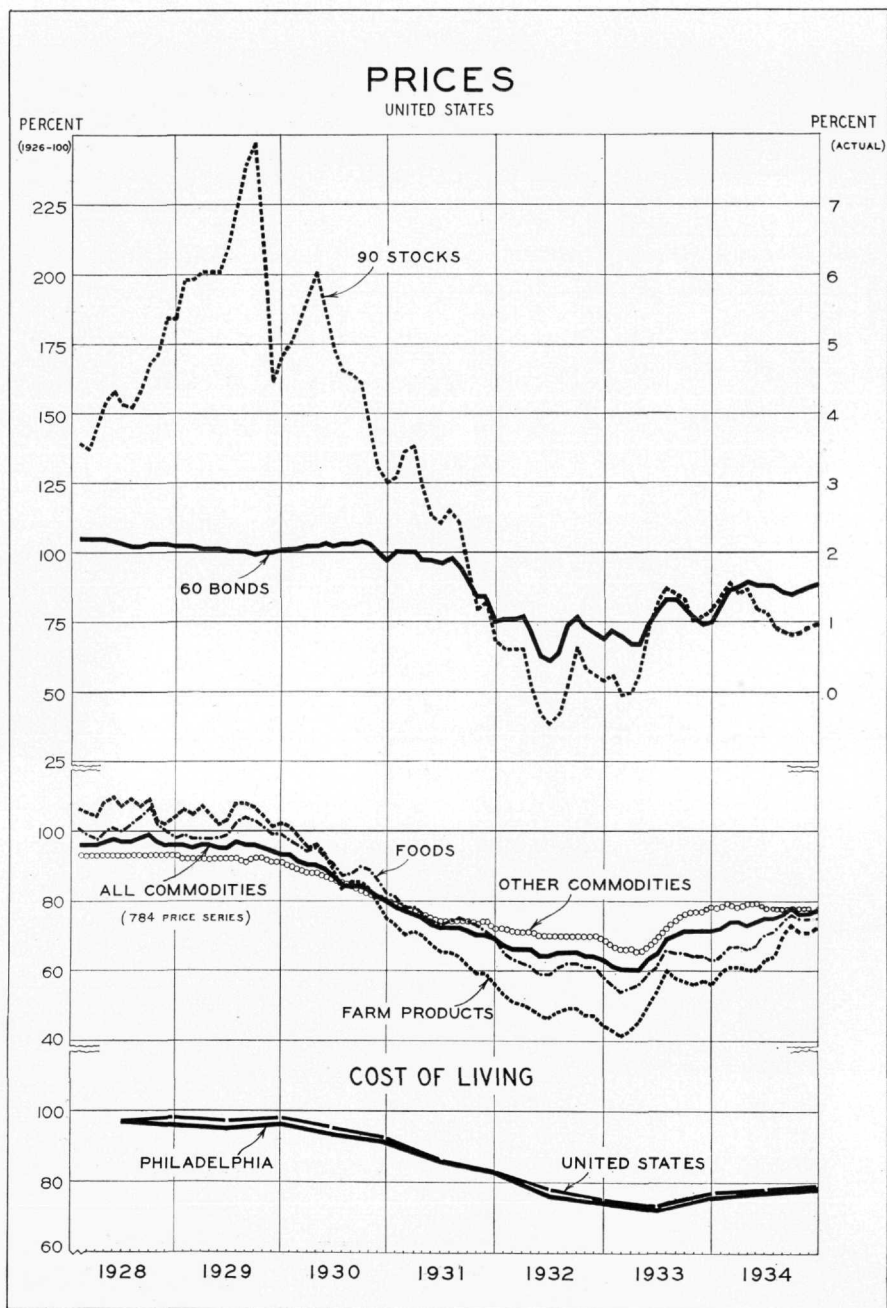
Agriculture The results of agricultural activity during 1934 in the aggregate reflect a slightly larger output of crops in this district generally and an increase in value of all marketable products through higher prices in comparison with the previous year.

The yield of most farm products was somewhat larger than in 1933 owing mainly to favorable weather conditions which prevailed throughout the greater part of the growing season and the absence of any widespread storms such as occurred in the fall of 1933. Although the effects of the record-breaking drought, causing heavy damages to crops and livestock in other sections of the country, were apparent in a modified form in some parts of this district, very little permanent damage to crops occurred and the condition of pasturage on the whole was the best in several years.

Production of such leading field crops as corn, oats and white potatoes was considerably larger than in 1933, while that of wheat, tobacco and hay was somewhat smaller. The harvested acreage of truck and vegetable crops also increased and yields per acre were in most cases above those of last year. Yields of orchard fruits, particularly peaches, were exceptionally small owing to severe weather prevailing in February and March.

As indicated by market receipts, output of dairy products and eggs, which are important sources of cash income to farmers in this district, showed substantial gains, while that of poultry was considerably smaller than in 1933. Cold storage holdings of both dairy and poultry products declined more sharply than usual during the last half of the year and at the end of December were noticeably smaller than at the close of 1933.

Reflecting to some extent an improvement in industrial conditions, there were apparently fewer workers seeking jobs on farms in 1934 than in the previous two years. But the demand for farm labor showed a larger increase from early spring to mid-summer and was maintained throughout the harvest season at a



considerably higher level than a year before. Between October and the end of the year the opportunity for agricultural workers diminished by a smaller percentage than was the case in 1933, and on January 1, 1935 was estimated at nearly 75 per cent of normal as compared with 69 per cent one year earlier.

Wholesale prices of farm products in the country as a whole again have advanced substantially during 1934, largely as a consequence of severe drought and curtailed output. The recent trend of farm prices for all agricultural commodities in this section and in the country is indicated by the following official indexes:

Farm prices of agricultural commodities (Indexes: 1910-1914 = 100)	1931	1932	1933	1934
United States.....	80	57	62	86
Pennsylvania.....	—	71	76	94
New Jersey.....	113	86	99	108

Sources: United States Department of Agriculture; Federal-State Crop Reporting Service.

It appears from preliminary estimates on the basis of data presented by the Bureau of Agricultural Economics that prices received by farmers for their products have risen more rapidly than have the prices paid for commodities which farmers ordinarily purchase, so that the disparity between the two price series has narrowed considerably since 1932-1933. For example, the Bureau of Labor Statistics indexes show that the average increase in wholesale prices of farm products from 1933 to 1934 amounted to about 27 per cent in contrast with a rise of approximately 16 per cent in foods, 10 per cent in other commodities (chiefly manufactures) and less than 14 per cent in all commodities (784) combined. An exceptionally sharp increase in prices for grains and their products has been reflected in livestock feed and as a result has affected those producers of dairy and poultry products who have to buy all or part of their feed supply.

Farmers' cash income in this district as a whole showed a substantial increase from 1933 to 1934, despite a sharp decline in value of potatoes and unusual shrinkage in some of the fruit crops. Preliminary estimates made from the farm value of all crops and sales of livestock and livestock products indicate that cash income of local farmers was about 18 per cent larger in 1934 than in 1933. These estimates do not include rental and benefit payments result-

ing from the curtailment of production under the Agricultural Adjustment Act. Pennsylvania farmers, for instance, were so paid \$1,200,000 in 1934 as compared with \$425,000 a year before.

Estimated cash income from farm production Phila. Fed. Res. Dist.	Crops	Livestock products	Total
1924.....	\$116,536,000	\$126,312,000	\$242,848,000
1925.....	133,473,000	134,627,000	268,100,000
1926.....	114,277,000	141,945,000	256,222,000
1927.....	111,683,000	142,238,000	253,921,000
1928.....	99,301,000	152,410,000	251,711,000
1929.....	107,690,000	176,707,000	284,397,000
1930.....	91,355,000	161,904,000	253,259,000
1931.....	70,672,000	128,305,000	198,977,000
1932.....	53,917,000	100,384,000	154,301,000
1933†.....	66,617,000	98,824,000	165,441,000
1934†*.....	69,436,000	126,495,000	195,931,000

† Exclusive of benefit payments. * Preliminary estimate based on farm value of crops and sales of such livestock products as eggs, poultry, milk, butter and cheese.
Source: U. S. Department of Agriculture.

General employment, unemployment and relief There was in 1934 a further increase in employment and earnings in many important industries, trades and services. Our index number representing twelve branches of trade and industry in Pennsylvania averaged 108 for employment and

General employment and pay-rolls—Pennsylvania. (Figures for 12 occupations are combined proportionately; 1932 averages equal 100.)	Employment			Payrolls		
	1932	1933	1934	1932	1933	1934
January.....	108	91	102	118	83	107
February.....	106	91	104	115	84	113
March.....	103	89	108	111	80	122
April.....	102	90	108	108	79	121
May.....	100	92	111	101	85	129
June.....	97	96	110	93	93	126
July.....	93	99	107	86	98	115
August.....	93	104	106	87	110	116
September.....	98	109	107	92	115	113
October.....	101	109	109	100	116	120
November.....	100	110	108	96	112	118
December.....	99	109	110	93	111	121
Average.....	100	99	108	100	97	118

Sources: U. S. Bureau of Labor Statistics, Pennsylvania Department of Labor and Industry and Federal Reserve Bank of Philadelphia.

118 for earnings, relative to 1932 as 100, as compared with 99 and 97, respectively, in the preceding year. The fluctuation during the year also was much less pronounced than in 1933; the percentage of the minimum to the maximum month was 92 for employment and 85 for payrolls in contrast with a ratio of 81 for employment and 69 for payrolls in 1933. Monthly indexes since 1932 are given in the preceding table.

The increase in the number of workers and in the amount of their earnings naturally has been reflected in a decline in unemployment and in the average number of persons receiving public relief, as the accompanying table shows. Estimates of unemployment have been made by the Bureau of Accounts and Statistics of the

Unemployment and relief Pennsylvania	Estimated number unemployed	Average number of persons on relief during month	Expenditures for relief*
1932—December.....	1,160,354	1,346,038	\$ 5,509,183
1933—January.....	1,309,850	1,577,851	5,943,693
February.....	1,321,842	1,799,350	6,759,302
March.....	1,379,351	1,960,610	7,734,624
April.....	1,346,549	1,975,135	6,844,180
May.....	1,314,835	1,998,426	8,153,182
June.....	1,259,987	1,940,085	7,249,487
July.....	1,147,179	1,773,089	6,334,637
August.....	1,037,606	1,576,840	6,486,188
September.....	909,363	1,422,717	5,997,077
October.....	906,787	1,361,223	6,321,803
November.....	893,337	1,352,638	6,804,018
December.....	867,022	1,298,558	6,730,052
Total 1933			\$ 81,358,243
1934—January.....	1,028,563	1,183,240	\$ 6,403,763
February.....	980,467	1,191,449	6,401,485
March.....	890,505	1,230,595	8,089,878
April.....	906,832	1,386,300	11,716,412
May.....	873,269	1,406,955	11,544,225
June.....	878,479	1,365,970	11,066,327
July.....	935,649	1,335,469	10,482,441
August.....	962,029	1,325,983	10,378,533
September.....	968,260	1,372,876	8,589,161
October.....	915,080	1,425,255	11,079,998
November.....	913,721	1,470,232	13,552,199
December.....	836,359	1,570,945	16,728,232
Total 1934			\$126,032,704

Sources: Pennsylvania Emergency Relief Board and Department of Labor and Industry.

* **Notes:** (a) Direct and work relief only until June 1933; the period from June 1933 to December 1934 includes about \$3,698,539 for special programs such as processing of drought cattle, homeless transients, emergency education, and college students' aid.

(b) Figures do not include administration expenses which amount to about 5 per cent of the total amount spent on relief from September 1932 to August 1934.

Pennsylvania Department of Labor and Industry and are intended to be used only as approximations derived from such limited data as are available at present. To indicate the extent of the unemployment and relief problem it should be remembered that according to the decennial census of 1930, the total population of Pennsylvania was 9,631,350; those classified as gainfully employed numbered 3,722,428 or 38.6 per cent of the total. Since that year obviously the total and the working population has increased through the excess of births over deaths and through the continuous maturing of minors.

The amount spent for relief purposes in Pennsylvania during the twelve months ended December 1934, excluding administration, totaled \$126,033,000 as compared with about \$81,358,000 expended in the same period last year. This increase of about 55 per cent, in contrast to a sharp decline in the average number of persons on relief, is due to increased allowance per person. Approximately 60 per cent of this amount was distributed in those forty-eight counties of eastern Pennsylvania which are included in this reserve district. The total population in this area in 1930 was 66.7 per cent of the total Pennsylvania population. No adequate figures are available on relief expenditures by private agencies.

Distribution, trade, service

The movement of goods from the primary markets to distributing channels and subsequently to various consumers has shown additional gains during 1934. Seasonal levels have been more than maintained, particularly in the spring and fall months, despite continued fluctuations which on the whole have not been as wide as they were in 1933. Prices of commodities and services have advanced a little further, though relatively not as much as they did in the latter part of the previous year, reflecting the influence of additional price increases at factories and in the case of raw materials.

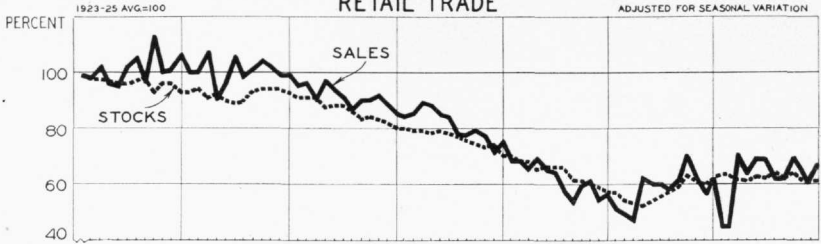
Total freight car loadings in this section again exceeded those of last year by 5 per cent and were 10 per cent above the volume of 1932. The largest relative increase occurred in the case of coal shipments, both anthracite and bituminous, as was the case in the previous year. Rail freight loadings of merchandise and miscellaneous commodities also increased, though in much smaller proportion than did shipments by motor truck.

The trend of freight car loadings originating in the Philadelphia industrial area has been downward for several years, declin-

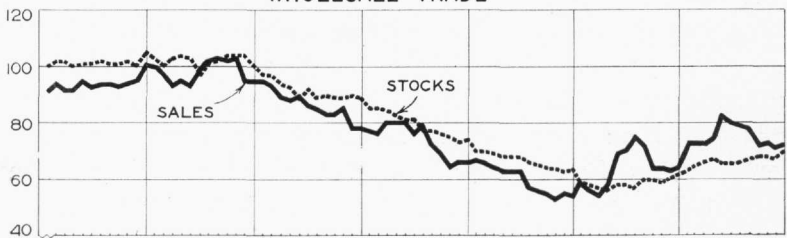
DISTRIBUTION

PHILADELPHIA FEDERAL RESERVE DISTRICT

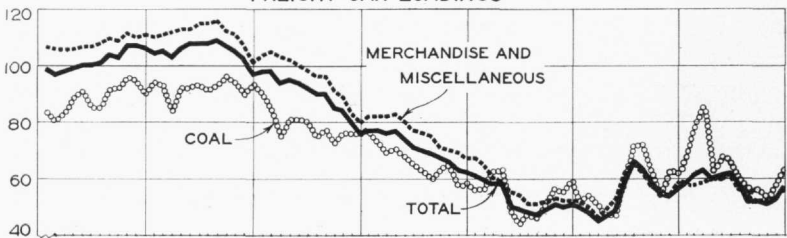
RETAIL TRADE



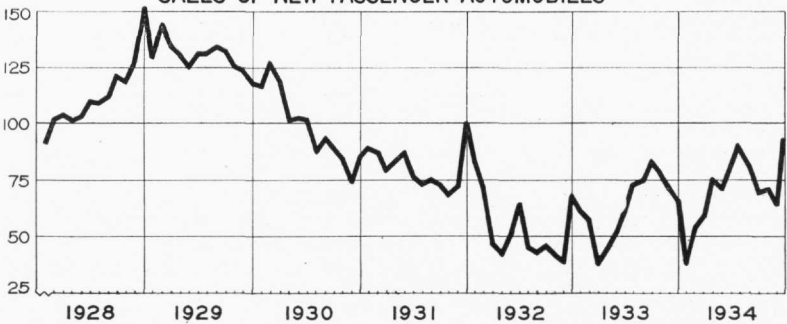
WHOLESALE TRADE



FREIGHT CAR LOADINGS



SALES OF NEW PASSENGER AUTOMOBILES



ing further during 1934. This is not an indication that the demand for goods produced here has been diminishing but simply an evidence that the means of transportation, especially over short distances, has been shifting from rail to motor truck. This is especially true of commodities in the late stages of manufacture, the bulk of which make up current shipments from this territory. Such figures as have recently become available show that since January 1934 the activity of motor truck companies has increased greatly as indicated by the employment and payrolls of these companies, while in the case of railroad freight there has occurred in this period a decline of approximately 3 per cent. Barring fluctuations, the trend of the former during the year has been sharply upward while that of rail freight has been noticeably downward.

The shipment of commodities through the Port of Philadelphia, covering that portion of the Delaware River which extends from Trenton to the sea, increased considerably in value but declined in volume during 1934, reflecting largely the influence of price changes. The value of exports was about 18 per cent greater while the tonnage was 1 per cent smaller than in 1933. Similarly, the value of imports increased approximately 7 per cent while the tonnage decreased 5 per cent as compared with the previous year. The following figures, compiled by the United States Engineer's Office for the Philadelphia Customs District, show the trend of foreign trade here since 1923:

Foreign trade Port of Philadelphia (000's omitted)	Imports		Exports		Total	
	Short tons	Value*	Short tons	Value*	Short tons	Value*
1923.....	4,458	\$219,989	2,975	\$134,300	7,433	\$354,289
1924.....	3,593	202,722	2,760	134,475	6,353	337,197
1925.....	4,133	215,313	2,917	158,613	7,050	373,926
1926.....	4,013	196,095	4,017	123,306	8,030	319,401
1927.....	4,073	204,891	2,397	110,264	6,470	315,155
1928.....	4,988	215,725	2,101	104,650	7,089	320,375
1929.....	5,870	242,118	2,261	130,277	8,131	372,395
1930.....	5,377	167,756	2,049	106,368	7,426	274,124
1931.....	4,389	116,787	1,813	76,503	6,202	193,290
1932.....	4,062	89,780	1,202	42,461	5,264	132,241
1933.....	4,396	103,469	1,482	48,742	5,878	152,211
1934.....	4,159	111,056	1,462	57,775	5,621	168,831

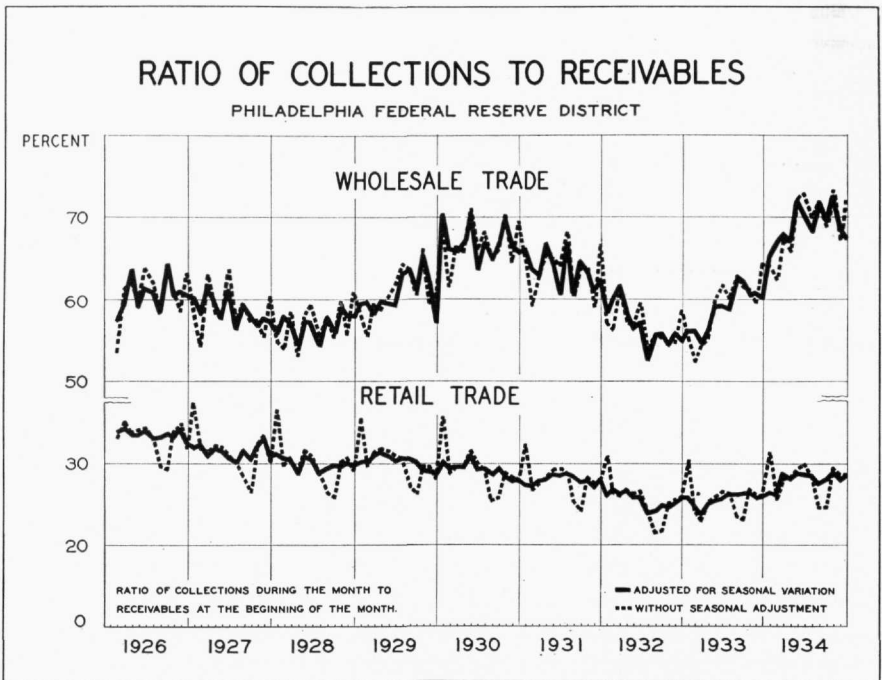
* Value declared at the time of shipment.

Source: United States Engineer's Office, Philadelphia Customs District.

In contrast with the local changes, the figures compiled by the Bureau of Foreign and Domestic Commerce of the Department of Commerce show that the value of exports from the United States in 1934 increased to about \$2,133,000,000 as compared with \$1,675,000,000 in 1933, a gain of 27 per cent in value and 8 per cent in volume. Imports in the same period approximated \$1,655,000,000, an increase of 14 per cent in value but virtually no change in tonnage.

Domestic waterborne commerce of Delaware Bay and River apparently has shown little change; this is based on preliminary estimates since complete figures on coast-wise and intercoastal shipments during 1934 will not be available until about the middle of 1935. Traffic on the Chesapeake and Delaware Canal for the third successive year has exceeded 1,000,000 tons of a varied line of freight, according to the report of the Engineer's Office.

The dollar volume of wholesale trade sales of eight leading lines, combined according to their relative importance, showed a further gain of about 18 per cent over 1933, reflecting in part the influence of higher prices. All lines have shared in this increase, the largest rise taking place in the distribution of electrical supplies, jewelry, hardware, and groceries. The value of inventories in



the aggregate at the end of the year was only 7 per cent larger than a year ago, suggesting that the tonnage on hand probably was smaller in view of price increases. The largest gains in dollar volume of stocks over last year were reported by dry goods and grocery dealers. The rate of stock turnover was 8 per cent higher than in 1933, the inventories turning nearly six times during 1934. The ratio of collections to outstanding balances averaged about 17 per cent higher than last year.

Changes in distribution Philadelphia Federal Reserve District	Per cent change—1934 compared with				
	1929	1930	1931	1932	1933
Freight car loadings:					
Total.....	-46	-36	-19	+10	+ 5
Merchandise and misc. (64.9% of total).....	-49	-41	-25	+ 2	+ 2
Coal (23.5% of total).....	-30	-18	- 2	+20	+11
Foreign trade—Port of Philadelphia—value:					
Imports.....	-54	-34	- 5	+24	+ 7
Exports.....	-56	-46	-24	+36	+18
Wholesale trade:					
Sales.....	-24	-12	+ 3	+27	+18
Stocks.....	-35	-27	-16	+ 0	+14
Ratio of collections to outstandings...	+14	+ 3	+ 8	+22	+17
Retail trade:					
Sales.....	-35	-29	-20	+ 6	+ 9
Stocks.....	-32	-28	-18	- 2	+ 8
Ratio of collections to outstandings...	- 7	- 4	+ 0	+10	+ 8
Registrations of new passenger automobiles.....	-44	-26	- 9	+41	+18
Gasoline consumption.....	+31	+19	+ 5	+ 7	+ 7
Life insurance sales.....	-29	-29	-19	- 2	+ 8

The value of retail trade sales, as measured by reports from representative department, apparel, shoe and credit stores in this district, was 9 per cent larger than last year and 6 per cent greater than in 1932. While the dollar volume of inventories during the year on the average was larger, stocks of merchandise at retail establishments at the end of the year were somewhat smaller than at the same time last year, owing partly to exceptional increases in sales during the latter part of the Christmas season. The rate at which merchandise was moved showed a gain of about 5 per cent as compared with that in the preceding year. Collections in relation

to customers' balances outstanding were 8 per cent larger than in 1932, showing a gain for the second year.

The estimated dollar volume of retail and wholesale trade sales in this district is given below. The figures presented in last year's report have been revised to conform with the change shown by the Census of Distribution for 1929 and 1933, as reported by the Department of Commerce.

Estimates of retail and wholesale trade sales Phila. Fed. Res. Dist.	Retail	Wholesale
1929.....	\$3,092,000,000	\$3,247,000,000
1930.....	2,755,000,000	2,705,000,000
1931.....	2,378,000,000	2,166,000,000
1932.....	1,725,000,000	1,575,000,000
1933.....	1,591,000,000	1,609,000,000
1934*.....	1,760,000,000	1,895,000,000

* Preliminary, subject to revision.

Sales of new passenger automobiles, as measured by the registration of units in this district, showed a substantial gain during the year in addition to a marked increase in the previous year. The trend of sales in this district has been very much the same as that in the country at large, save for minor variations. The number of all new passenger automobile sales since 1923 is given in the following table:

New passenger automobile registration
Philadelphia Federal Reserve District

1923.....	155,036	1929.....	210,002
1924.....	159,487	1930.....	158,816
1925.....	167,835	1931.....	128,703
1926.....	197,880	1932.....	82,589
1927.....	166,688	1933.....	99,037
1928.....	177,915	1934.....	116,787

Consumption of gasoline in this section also has continued upward, showing an increase of 7 per cent during the year.

Improvement in general commercial activity is indicated further by business done by commercial hotels that cater primarily to business travelers in this district. Room occupancy during the year increased 14 per cent and total revenue from all sources rose 21 per cent as compared with 1933. The trend of hotel operations in the past two years is shown by the table on the next page.

Hotel activity Philadelphia Federal Reserve District	Room occupancy— per cent of capacity used	Revenue from			
		Guest rooms	Food	Other sources	Total
1934 in percentages of the 1933 average as 100.....	113.9	112.8	115.4	153.9	121.8
January.....	110.2	102.3	110.0	170.4	117.5
February.....	108.2	103.2	106.8	156.8	114.7
March.....	123.8	121.1	133.2	196.0	138.9
April.....	119.7	119.1	132.2	180.2	134.6
May.....	119.1	119.6	122.6	163.4	128.5
June.....	113.5	113.0	115.3	152.7	121.1
July.....	114.5	112.7	116.5	146.4	120.4
August.....	105.9	106.9	108.0	140.9	113.6
September.....	116.8	118.0	116.0	160.5	124.8
October.....	116.1	117.6	110.5	166.5	123.3
November.....	108.2	109.5	103.8	159.7	116.7
December.....	109.1	109.8	114.1	103.8	109.5

Banking conditions

The rehabilitation of banks proceeded rapidly during 1934. Many banks that at the beginning of the year were operating under restrictions and were unable to serve their communities effectively, subsequently were licensed to operate fully or were succeeded by new institutions. The number of licensed member banks in this district increased from 606 to 656 during the year. In numerous instances banks were strengthened by the provision of new capital; although most of this was supplied by the Reconstruction Finance Corporation, local subscriptions sufficed in some cases.

The insurance of deposits, which under the law applies to all member banks and in which most of the nonmembers participate voluntarily, contributed to banking stabilization. In this district no member banks that had been in full operation were closed in 1934 nor did currency demands give any evidence of lack of public confidence in banks. Bank deposits increased substantially, but the demand for funds from responsible business concerns was small and opportunities for the profitable investment of bank funds also were limited by low returns on high grade securities and medium and short-term paper. The result was an accumulation of idle funds on deposit at the reserve bank and at correspondent banks on which no interest was received.

Gold Reserve Act of 1934 One of the fundamental legislative measures affecting the monetary system was the Gold Reserve Act of 1934, approved January 30. This act vested in the United States Government the ownership of all gold coin and bullion held by or for the Federal Reserve Board, the reserve banks, and the federal reserve agents, and provided for reimbursement by credits in funds established in the Treasury as described in section 16 of the Federal Reserve Act; these funds are payable in gold certificates and not in gold as was the case theretofore. However, gold certificate credits of the Federal reserve banks may be exchanged for gold for export at the discretion of the Secretary of the Treasury. It further provides that federal reserve notes are to be redeemable in lawful money, that gold is not to be coined, and that all gold coins in the possession of the Government are to be melted into bars. In the event that the weight of gold in the dollar should be reduced, the minimum reduction was to be forty per cent and the increase in the value of gold held by the Government was to be treated as a miscellaneous receipt, out of which a \$2,000,000,000 fund was to be set up for the purpose of stabilizing the exchange value of the dollar; the Secretary of the Treasury, with the approval of the President, might "deal in gold and foreign exchange and such other instruments of credit and securities as he may deem necessary to carry out the purposes" of the fund. The Secretary may, with the approval of the President, invest in direct obligations of the United States any portions of the fund not currently required for stabilization.

In accordance with this act the reserve banks and federal reserve agents turned over to the Government all gold coin and bullion, holding so much of it as physically was in their possession in joint custody for the Treasurer of the United States pending his call for delivery, and in return received credits payable in gold certificates.

Reduction in gold content of the dollar The President, in a proclamation dated January 31, reduced the weight of the gold dollar from 25.8 to 15 $\frac{5}{21}$ grains, nine-tenths fine. This was a reduction of nearly 41 per cent. The purchase price of the mints for gold from natural deposits, scrap gold and imported gold was raised to \$35 per fine troy ounce, less mint and handling charges. While this change had no effect upon the immediate position of the reserve banks, since all gold had been turned over to the Treasury, it supplied the Treasury with approxi-

mately \$2,800,000,000 which could be used to set up the stabilization fund and still leave a very considerable balance for other uses.

Silver Purchase Act The Silver Purchase Act, approved June 19, stated in part: "It is hereby declared to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States should be increased, with the ultimate objective of having and maintaining, one fourth of the monetary value of such stocks in silver". To this end the Secretary of the Treasury is "authorized and directed" to buy silver at home and abroad at prices not exceeding the monetary value, which now is approximately \$1.29 an ounce, although no more than 50 cents an ounce can be paid for silver located in the continental United States on May 1, 1934. Silver certificates are to be issued in a face amount not less than the cost of the silver so purchased.

Another section of the Act authorized the President to require the delivery of silver to the mints. In consequence, the executive proclamation of August 9 ordered the delivery of silver situated in the continental United States with certain exceptions, among which were coins and fabricated articles; silver so turned in was paid for at the rate of 50+ cents a fine troy ounce, which was the monetary value less seigniorage and other charges aggregating $61\frac{8}{25}$ per cent. The acquisition, importation and exportation of silver are subject to regulation by the Secretary of the Treasury, as in the case of gold.

Deposit insurance Section 12B of the Federal Reserve Act, which provided for the insurance of bank deposits, was amended by an act approved June 16, 1934. This amendment increased the amount coverable by insurance from \$2,500 to \$5,000 for each deposit account, extended the operations of the temporary insurance fund for one year to July 1, 1935, and prolonged the time in which nonmember banks may avail themselves of deposit insurance under the act for one year to July 1, 1937.

Foreign exchange transactions Over most of the year foreign exchange transactions were subjected to the control instituted in March 1933, under which licenses were required for all foreign exchange transactions and transfers of funds except those covering normal commercial or business requirements, reasonable traveling expenses and other personal needs,

or the fulfilment of legally enforceable obligations incurred prior to March 6, 1933. In actual practice amounts of \$100 or less were presumed to be for legitimate purposes and no license was needed.

In a regulation dated November 12, 1934, the Secretary of the Treasury granted a general license for "transactions in foreign exchange, transfers of credit, and exports of currency (other than gold certificates) and silver coin", unless "prohibited by any other order or by any law, ruling, or regulation". Under earlier regulations dealers in foreign exchange were required to make daily reports to the Federal Reserve Bank. The later ruling extended the requirement of reports to all those who handled foreign transactions; banks, bankers, and brokers and dealers in securities must report weekly and certain exporters, importers and industrial companies doing business abroad monthly, except that no reports are required of those who do not carry accounts abroad or have domestic accounts for non-residents and those who do not have transactions exceeding \$5,000 in any seven-day period.

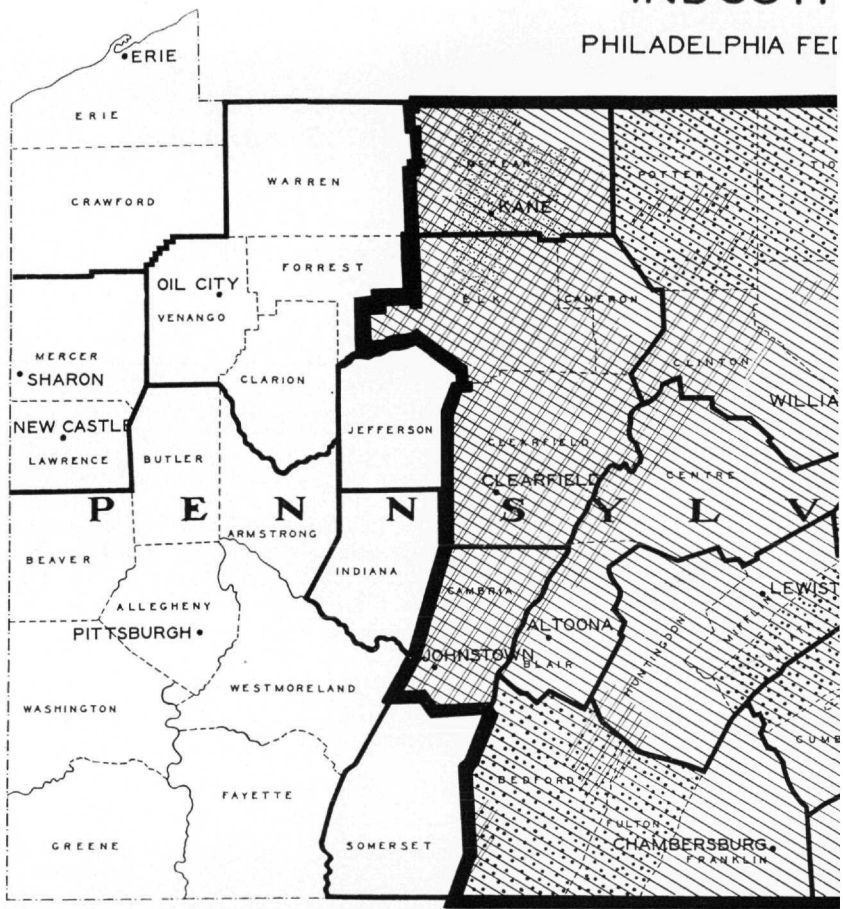
Securities Exchange Act The Securities Exchange Act of 1934, approved June 6, provided for the registration of securities exchanges and of securities to be dealt in on such exchanges, as well as for the supervision of their operations and those of their members by a commission.

In its seventh section the act permits members of such exchanges and brokers and dealers to extend credit on registered securities (other than exempted securities) only when in accordance with rules and regulations issued by the Federal Reserve Board, which is charged with the duty of issuing such regulations. Section 8a provides that in their capacity as brokers and dealers they can borrow on registered securities (other than exempted securities) only from member banks of the federal reserve system, or from nonmembers that have filed agreements with the Board, or from one another only when in conformity with the rules prescribed by it.






In September the Federal Reserve Board issued Regulation T, effective October 1, to cover transactions of the kinds described in the act, and subsequently made numerous rulings to cover many specific points. Regarding this regulation, the Board stated in its October Bulletin: "The regulation places no restrictions on loans for industrial, agricultural or commercial purposes, nor does it

INDUSTRIAL

PHILADELPHIA FED

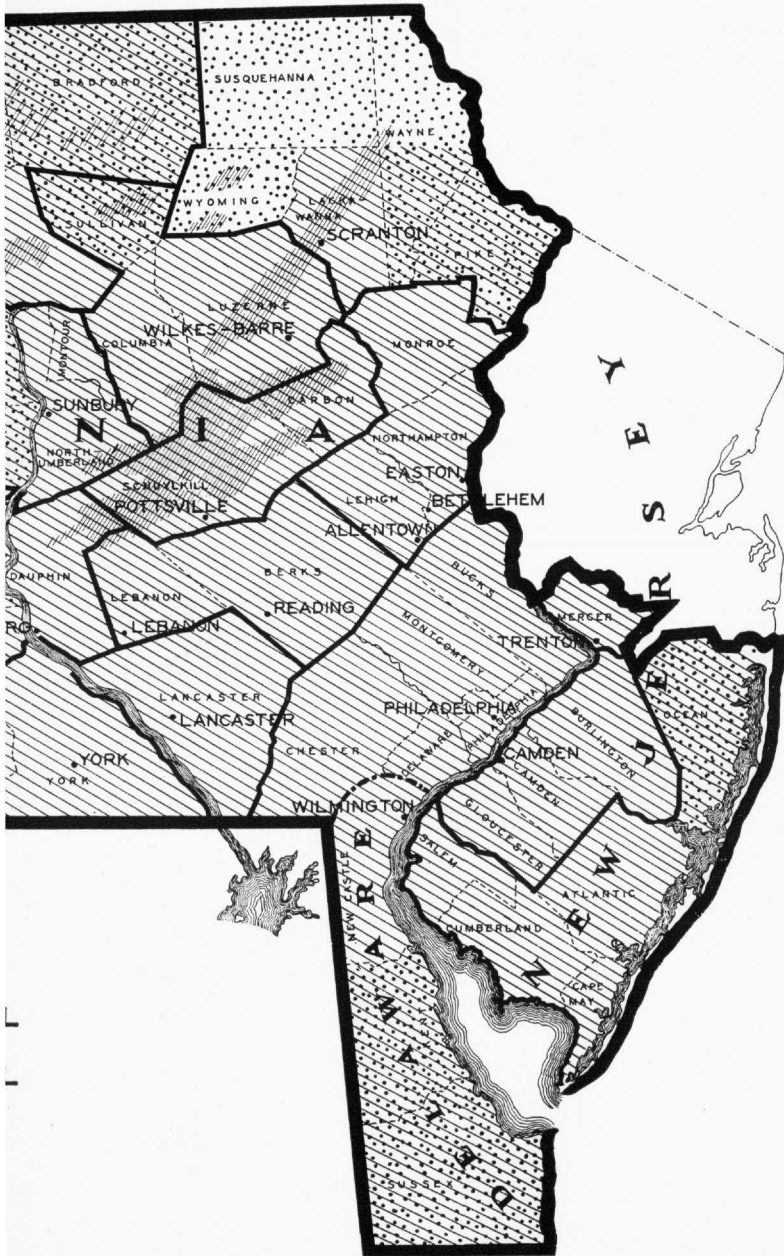


KEY :

- DISTRICT BOUNDARY
- AREA BOUNDARY
- CITY DESIGNATING AREA
-  DIVERSIFIED
-  BITUMINOUS
-  ANTHRACITE
-  CRUDE OIL
-  AGRICULTURE

AREAS

RESERVE DISTRICT



apply to loans by banks. Restrictions to be imposed under the Securities Exchange Act of 1934 on security loans by banks are being studied by the Board in connection with other laws regulating the activities of banks, and regulations on the subject will be issued by the Board at a later date". In an earlier statement the Board said: "Insofar as banks are concerned, the Federal Reserve Board's authority under this act relates to loans made for the purpose of purchasing or carrying securities registered on national securities exchanges. It does not apply, therefore, to loans made solely for industrial, agricultural, or commercial purposes, regardless of the question whether these loans are secured or unsecured, and, if secured, regardless of the character of the collateral. The determining factor is the purpose of the loan and not the nature of the security offered".

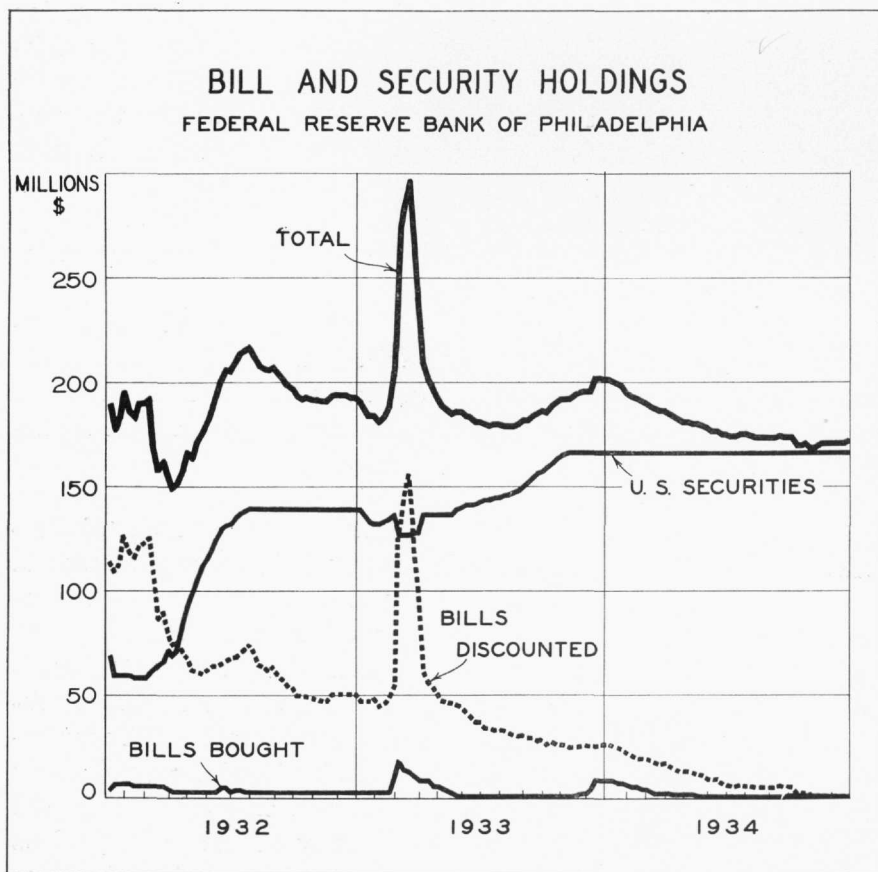
Reserve bank credit

The earning assets of this bank averaged 179 millions in 1934. Although this was a reduction from the exceptional figures of 190 and 196 millions in 1932 and 1933, respectively, it was much

Bill and security holdings (000,000's omitted) F. R. Bk. of Phila.	Bills discounted	Bills bought	Industrial advances	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
1931.....	42	5	—	53	2	102
1932.....	73	4	—	111	2	190
1933.....	45	4	—	146	1	196
1934.....	10	2	†	167	†	179
Monthly averages:						
1933—December.....	26	7	—	167	†	200
1934—January.....	24	7	—	167	1	199
February.....	20	5	—	167	†	192
March.....	17	2	—	167	1	187
April.....	14	1	—	167	1	183
May.....	12	1	—	167	†	180
June.....	8	1	—	167	†	176
July.....	6	1	—	167	†	174
August.....	5	1	†	167	†	173
September.....	5	1	†	167	†	173
October.....	2	1	†	167	†	170
November.....	1	1	1	167	†	170
December.....	1	1	2	167	0	171

* Includes foreign loans on gold.

† Less than \$1,000,000.



greater than in most years of the bank's history. United States securities made up the bulk of the investment in bills and securities; 167 millions, representing principally our participation in federal reserve system holdings of such securities, was held almost continuously throughout the year. The average was 21 millions above that in 1933 and was the highest on record.

At the opening of the year the bank had about 25 millions of bills discounted; from this point there was a rather steady decline to about three quarters of a million dollars in the middle of November, and at the end of 1934 the amount was one million dollars. These figures include bills secured by collateral which is not eligible for discount or purchase; such bills, acquired under the provisions of section 10b of the Federal Reserve Act, declined from nearly 2 millions on January 1st to \$163,000 on December 31. The opera-

tion of section 10b was extended by Presidential proclamation for one year from March 3, 1934. No bills were discounted for individuals, partnerships and corporations (other than banks) under section 13 of the act, or for nonmember banks. During the year the act was amended to permit the reserve banks to make advances to member banks on their notes secured by bonds of the Federal Farm Mortgage Corporation or by bonds issued under section 4(c) of the Home Owners Loan Act, and to buy and sell such securities if maturities did not exceed six months.

Nearly 8 millions of purchased bills were held at the beginning of the year, reflecting chiefly participation in the holdings of the system, but by the middle of May the only purchased bills on hand were about half a million dollars of foreign paper. Local purchases of \$150,000 were made in January.

Industrial loans Included in the earning assets of the bank were industrial loans made under Section 13b, an amendment to the Federal Reserve Act approved June 19, 1934. Under the terms of this section the reserve banks may, pursuant to authority granted by the Federal Reserve Board, make credit available to established industrial and commercial businesses for working capital purposes on a reasonable and sound basis with maturities not exceeding five years. The reserve banks also may discount for, or purchase from, financing institutions, obligations incurred for working capital, or lend on the security of the same; and as well, make commitments to discount or purchase such obligations at a future date. In all these cases the member bank or other financing institution must either take at least 20 per cent of the loan, or, if it desires the reserve bank to take it all, must make itself responsible for at least 20 per cent of any loss which the reserve bank may eventually suffer. In exceptional circumstances, where a business concern is unable to obtain the necessary credit on a reasonable basis through the usual sources, the reserve bank may deal directly with the prospective borrower.

Under the law and regulations of the Board, this bank is authorized to make working capital loans in the approximate amount of \$28,000,000. Of this amount, \$13,352,000 represents its surplus as of July 1, 1934 and \$14,620,000 the amount which the Secretary of the Treasury is authorized, under such rules and regulations as he may prescribe, to pay to this bank when and as

such loans are actually made. This latter amount represents the par value of the stock of the Federal Deposit Insurance Corporation purchased and held by this bank pursuant to the requirements of law. This stock is now held by this bank unencumbered, subject to liens in favor of the United States to the extent of amounts reimbursed by the Secretary of the Treasury as just referred to. The arrangement between the Secretary of the Treasury and this bank is covered by an agreement entered into pursuant to the regulations issued by the Secretary under date of August 15, 1934. As of the close of the year, the Secretary had reimbursed this bank in the sum of approximately \$1,050,000, which amount is carried in the bank's statement under the heading "Surplus—Section 13b".

Toward the close of June, the Federal Reserve Board issued Regulation S relating to loans to provide working capital for industrial and commercial businesses and authorized the reserve banks, in appropriate circumstances, to make direct loans to applicants. This was followed shortly by the appointment of a local Industrial Advisory Committee which, under the law, was to be set up in each reserve district to examine and consider applications and make recommendations regarding them to the reserve bank. The membership of the committee appointed in this district follows:

- Charles E. Brinley
President—American Pulley Co.
Philadelphia, Pa.
- J. Ebert Butterworth (Chairman)
Vice-President—H. W. Butterworth & Sons Co.
Philadelphia, Pa.
- John S. Chipman
President—Chipman Knitting Mills
Easton, Pa.
- W. F. R. Murrie*
President—Hershey Chocolate Co.
Hershey, Pa.
- Richard D. Wood†
President—Millville Manufacturing Co.
Millville, N. J., and Philadelphia, Pa.

* Resigned — succeeded by H. W. Prentis, Jr.,
President — Armstrong Cork Co.,
Lancaster, Pa.

† Resigned near end of year. Vacancy not filled by end of year.

The committee members have given most freely of their time in reviewing the many applications that have come before us. This service, tendered without compensation, is deserving of the highest praise.

During the year, four meetings were held by this bank at which its officers discussed with the representatives of the various banks throughout the district the provisions of the law relating to working capital loans and the work done by the Industrial Advisory Committee and this bank in connection therewith. Two of the meetings were held in Philadelphia and one each in Williamsport and Altoona. A regular meeting of Group 3 of the Pennsylvania Bankers' Association also was addressed on this subject by an officer of this bank.

Numerous applications were received, but many had to be disapproved because they failed to conform to the "reasonable and sound" standard set by the act, as manifested in unsatisfactory financial condition, doubtful earning prospects, or lack of adequate security where deemed necessary. Some also were withdrawn voluntarily before final action could be taken. The number of loans and commitments approved in 1934 was 67 for a total amount of \$6,338,000; actual advances up to and including December 31 were \$3,509,000,* of which \$48,000* had been repaid.

Changes in the supply of bank funds

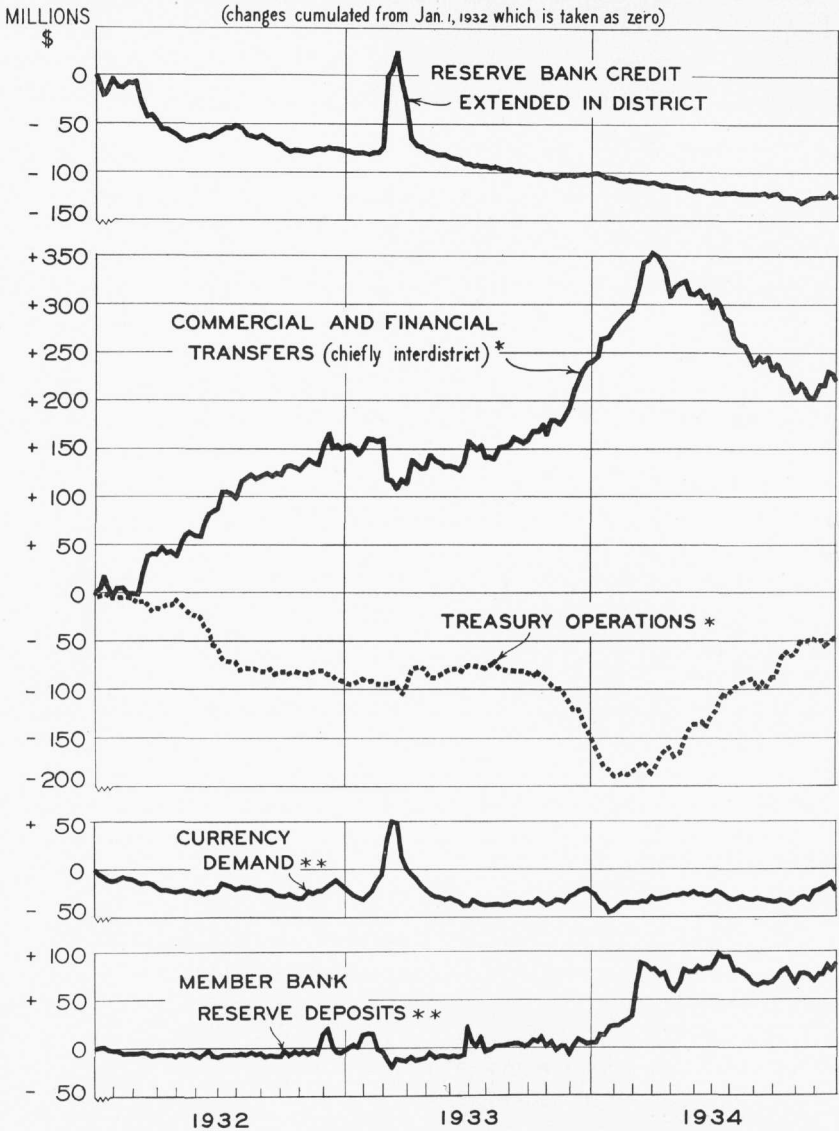
Changes in the condition of banks during 1931, 1932 and 1933 caused substantial variations in their use of reserve bank credit. In 1934 fluctuations in reserve bank credit were much less pronounced, owing to the fact that member banks held a large volume of reserves in excess of requirements.

Reserve bank credit extended within the district declined 22 millions in the year. Bank borrowings decreased 24 millions and there was a small decline in reserve bank float, but these reductions were offset somewhat by 3 millions of advances made to provide working capital for industry. The reduction in borrowings in many individual cases can be traced directly to advances made by the Reconstruction Finance Corporation to banks that were in the hands of conservators and to purchases of preferred stock by the corporation.

While borrowings from the reserve bank gradually were being paid off, the banks accumulated excess reserves. From 129 mil-

* Including participations of financing institutions.

RESERVE BANK CREDIT AND FACTORS WHICH AFFECT IT PHILADELPHIA FEDERAL RESERVE DISTRICT



* AN INCREASE IN THE AMOUNT TENDS TO REDUCE DEMAND FOR RESERVE BANK CREDIT AND VICE VERSA
 ** AN INCREASE IN THE AMOUNT TENDS TO INCREASE DEMAND FOR RESERVE BANK CREDIT AND VICE VERSA

Twentieth Annual Report, Federal Reserve Bank of Philadelphia

Reserve deposits of licensed member banks (000,000's omitted) Philadelphia Fed. Res. District	Average reserves held			Excess reserves		
	Banks in Philadelphia	Banks outside Phila.	Total	Banks in Philadelphia	Banks outside Phila.	Total
1933—December.....	\$68	\$53	\$121	\$ 7	\$10	\$17
1934—January.....	78	56	134	14	13	27
February.....	87	60	147	22	15	37
March.....	128	65	193	61	29	81
April.....	123	68	191	54	22	76
May.....	124	72	196	55	25	80
June.....	133	73	206	63	25	88
July.....	140	78	218	69	30	99
August.....	120	78	198	49	30	79
September.....	115	75	190	44	27	71
October.....	119	79	198	47	29	76
November.....	122	76	198	50	26	76
December.....	128	76	204	54	26	80

lions at the end of 1933 member bank reserve deposits rose to 217 millions in the middle of March. A recession to 176 millions at the end of April followed, to be succeeded in turn by an advance to the year's high point of 225 millions on July 9. Thereafter figures on member bank reserves were somewhat lower, but on December 31 they totaled over 211 millions, an advance of 82 millions in the year. Although a portion of the rise in such reserves was absorbed by an increase in deposits held by the banks,

Distribution of reserves of member banks Last half of Nov. 1934 Phila. Fed. Res. District	Number of banks having —							Total number	
	Deficient reserves	Reserves in excess of requirements							
		0-10%	10.1-20%	20.1-30%	30.1-40%	40.1-50%	50.1-100%		Over 100%
Banks having net demand and time deposits of —									
Less than \$250,000.....	0	9	8	3	5	5	14	21	65
\$250,000—\$499,999.....	3	15	19	16	7	11	22	27	120
\$500,000—\$999,999.....	4	31	24	17	19	9	29	26	159
\$1,000,000—\$4,999,999...	2	64	51	32	17	17	39	34	256
\$5,000,000 and over.....	0	19	9	6	6	3	6	7	56
Total number.....	9*	138	111	74	54	45	110	115	656

* The deficiencies of the nine banks aggregated less than \$10,000, only 2½% below requirements.

the greater part represented the development of substantial excesses above requirements. Excess reserves appear to have been rather widely distributed, as the accompanying tables show. In December the aggregate reserves of Philadelphia banks on the average were 74 per cent above the amounts stipulated by law, and the excess in the case of the country banks also was large—51 per cent.

The accompanying table shows the sources from which the banks obtained the funds to reduce their dependence upon reserve bank credit and to add so heavily to reserve deposits. Currency demand as given in the table does not indicate exact changes in the amount of money circulating within the district, but measures the extent to which the banks have received more or less currency from this bank and the Treasury than they have returned.

It will be observed that currency demand changed little in 1934, and consequently had little influence on the level of member bank reserves. It also appears that commercial and financial transfers resulted in a loss of funds to the banks, which would reduce bank reserves if not compensated for by other changes. The decline in the unexpended capital funds of this bank, moreover, had little direct effect on bank reserves as it was due mainly to the payment of 14½ millions to the Federal Deposit Insurance Corporation for stock as provided in the law. The outstanding

Analysis of Factors Affecting the Demand for Reserve Bank Credit
Philadelphia Federal Reserve District

(000,000's omitted)	1932	1933	1934
Sources of funds			
Reserve bank credit extended in district	-\$ 79	-\$23	-\$ 22
Commercial and financial transfers (chiefly interdistrict) . .	+ 152	+ 88	- 20
Treasury operations	- 94	- 56	+ 104
Total	-\$ 21	+\$ 9	+\$ 62
Uses of funds			
Currency demand	-\$ 20	-\$ 5	+\$ 2
Member bank reserve deposits	- 2	+ 8	+ 82
Nonmember deposits at reserve bank *	- 0	+ 9	- 7
Unexpended capital funds of reserve bank	+ 1	- 3	- 15
Total	-\$ 21	+\$ 9	+\$ 62

* Includes special deposits of member and nonmember banks held over part of 1933 and 1934.

factor tending to raise bank reserves was the operations of the Treasury.

Treasury disbursements within the district were 104 millions greater than local receipts. Receipts included income taxes, process taxes, the withdrawal of 132 millions from deposits that had been set up in payment for new Government securities, 39 millions of cash payments for such securities at time of issue and payments for issues of agencies of the Government, the return to the Government of substantial amounts of postal savings funds for which banks could not find profitable use, the payment of this bank for F. D. I. C. stock noted above, as well as many miscellaneous sources of revenue. Government payments were much heavier than in 1933, including not only redemptions of maturing securities and payment of interest on indebtedness as well as pensions and other routine expenditures, but also large amounts for public works and relief, loans to railroads, purchases of preferred stocks of banks and other items not to be found in the expenditures of more normal years. In the early part of the year receipts continued to exceed disbursements, conforming to tendencies to be found in earlier years, but thereafter the balance was heavily the other way, as the chart on page 39 shows.

A reversal of trend also was evident in the figures which are designated in the table as "Commercial and financial transfers (chiefly interdistrict)". These figures include chiefly transfers of funds to and from other districts, excluding transactions for the account of this bank or the Treasury, and mint purchases of gold from the public. Funds disbursed through mint payments for gold were more than balanced by a loss of funds to the banks of 36 millions through interdistrict operations. Ordinarily these transfers, which arise out of transactions of many kinds, result in a substantial gain to the district, which may be explained partly by the fact that the banks usually sell a portion of the new Treasury securities allotted to them to individuals and concerns in the New York District.

In the first quarter of 1934 the district had a distinctly favorable balance in the interdistrict settlements, no small portion being ascribable to the sale of bonds by the State of Pennsylvania to New York firms for the purpose of obtaining funds to pay a soldiers' bonus. Thereafter there was a rather steady array of unfavorable settlement balances till late in the year, more than offsetting the gains in the first three months. It is noteworthy that these losses

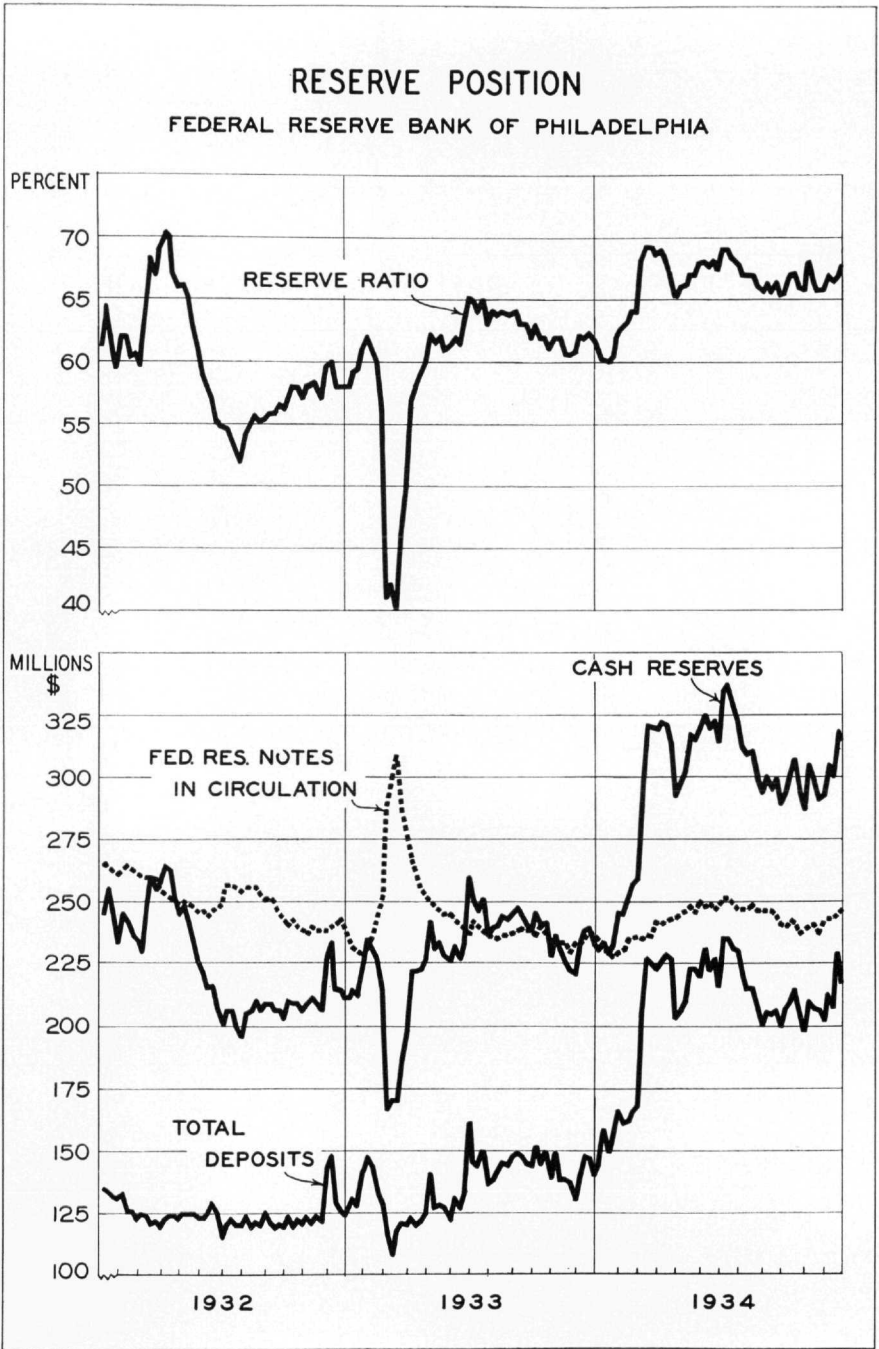
of funds in commercial and financial transactions were accompanied by substantial excesses of local Treasury disbursements over receipts. Possibly recipients of Treasury funds had to make large payments to other sections of the country for materials and services necessary for construction programs. Relief funds allotted to Pennsylvania and New Jersey and disbursed here doubtless were transferred in part to sections of those states located in other districts. Other factors contributing to the adverse settlement balances may have been purchases of miscellaneous securities and accumulation of balances in New York City as manifested in the figures of the reporting member banks.

Reserve position

The ratio of total cash reserves to the federal reserve note and deposit liabilities, generally known as the "Reserve ratio" of the bank, was 60.9 per cent at the opening of 1934. Following a decline to 59.8 per cent on January 19, it rose for nearly two months, reaching 69.6 per cent on the 17th of March, the high point of the year. This figure was approximately equalled in April. Over the balance of the year the ratio fluctuated within a range from 65.1 to 69.3 per cent and on December 31 was 67.2 per cent. The 1934 average was 66.3 per cent, as against 60 per cent in the previous year.

Cash reserves and total deposits moved in much the same manner, as shown by the chart on page 44. Increases owing to an inflow of funds in February and March were followed by some recession in the latter part of April and a subsequent advance to high points in July, with later figures at somewhat lower levels. The increase in cash reserves in the year was 81 millions, of which 76 millions was in gold certificates or funds payable in such certificates. Analysis of the changes in gold certificates shows that there was a loss of funds to the district in commercial and financial transactions with other parts of the country and that nearly 14 millions was paid to the Treasury as a retirement fund for federal reserve bank notes, but that these and other smaller losses were much more than offset by amounts received from the Treasury.

The great bulk of Treasury transactions passes through its deposits at the federal reserve banks, which now bear the caption: "Deposits: U. S. Treasurer—general account." Government expenditures for the most part are made by checks payable at the reserve banks. Inasmuch as these expenditures here during 1934



were much greater than local receipts, the Government, to maintain its deposit balance, transferred large sums from other sections of the country and also made direct deposits of substantial amount in the gold settlement fund for credit to this bank.

Reserve position (000,000's omitted in dollar figures) Federal Reserve Bank of Phila.	Total deposits	Fed. res. note cir- culation	Total reserves	Reserve ratio
Annual averages:				
1932.....	\$124	\$252	\$224	59.6%
1933.....	135	246	228	60.0 "
1934.....	205	243	297	66.3 "
Monthly averages:				
1933—December.....	140	236	232	61.7 "
1934—January.....	155	231	234	60.6 "
February.....	162	234	250	63.1 "
March.....	211	238	306	68.2 "
April.....	215	244	309	67.4 "
May.....	215	248	310	66.8 "
June.....	224	249	322	68.0 "
July.....	230	250	328	68.3 "
August.....	209	248	303	66.4 "
September.....	203	245	295	65.9 "
October.....	206	240	296	66.4 "
November.....	206	240	295	66.2 "
December.....	215	244	309	67.2 "

Deposits at this bank averaged 205 millions in 1934, of which approximately 191 millions was reserve deposits of member banks. In the last ten months of 1933 special deposits of member and nonmember banks were carried and were so designated in the public statements of the bank. These balances, which represented the redeposit of segregated balances subject to immediate withdrawal, amounted to 9 millions on January 1, 1934. They continued to decline and in April were merged with "Other deposits" in published reports.

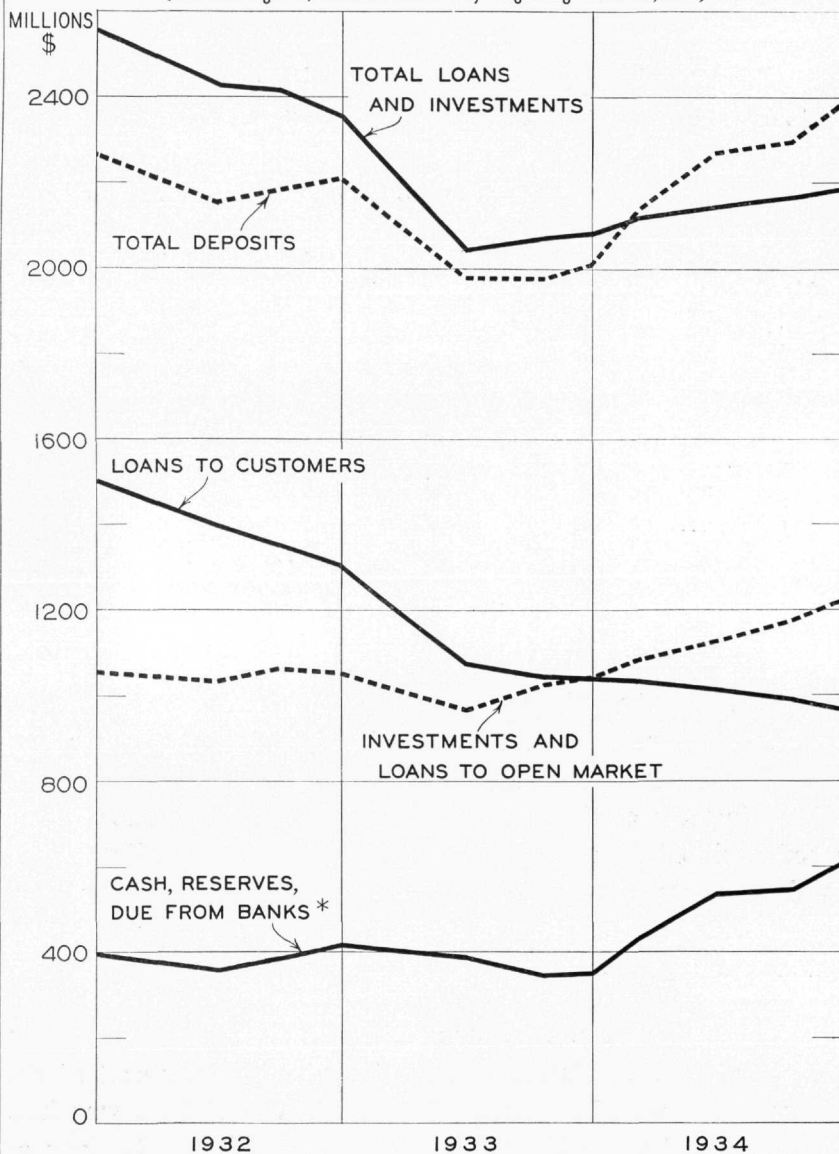
Condition of member banks

According to the latest information about 70 per cent of the banking resources of all licensed banks in the district was held by member banks. In the following table a summary is given of the condition of all licensed member banks in the Third Federal Reserve District at the end of the years 1933 and 1934:

ALL MEMBER BANKS

PHILADELPHIA FEDERAL RESERVE DISTRICT

(Call date figures; licensed banks only beginning June 30, 1933)



* Includes items in process of collection, exchanges for clearing houses, etc.

Licensed member banks Philadelphia Federal Reserve District (000,000's omitted)	Dec. 30, 1933	Dec. 31, 1934	Changes
ASSETS			
Loans on securities:			
To brokers and dealers in N. Y. City.....	\$ 6	\$ 21	+\$ 15
To brokers and dealers elsewhere.....	17	18	+ 1
To others.....	374	309	- 65
Total loans on securities.....	\$ 397	\$ 348	-\$ 49
Commercial paper and bankers' acceptances.....	15	23	+ 8
Loans on real estate.....	204	212	+ 8
Other loans.....	445	429	- 16
Total loans	\$1,061	\$1,012	-\$ 49
United States Government securities.....	464	505	+ 41
Securities fully guaranteed by U. S. Government.....	556	62	{ + 112
Other securities.....		606	
Total loans and investments	\$2,081	\$2,185	+\$104
Banking house, furniture and fixtures.....	86	88	+ 2
Other real estate owned.....	43	55	+ 12
Cash in vault.....	32	42	+ 10
Reserve with Federal Reserve Bank.....	127	211	+ 84
Balances due from other domestic and foreign banks.....	128	255	+ 127
Checks and items in process of collection.....	64	96	+ 32
Other assets.....	52	34	- 18
Total assets	\$2,613	\$2,966	+\$353
LIABILITIES			
Demand deposits.....	\$ 829	\$ 995	+\$166
Time deposits.....	939	1,012	+ 73
Government deposits.....	64	93	+ 29
Due to banks (including Federal Reserve Bank).....	168	268	+ 100
Certified and officers' checks, cash letters of credit and travelers' checks outstanding.....	8	14	+ 6
Total deposits	\$2,008	\$2,382	+\$374
National bank notes outstanding.....	75	73	- 2
Bills payable and rediscounts:			
With Federal Reserve Bank.....	13	1	- 12
All other.....	10	1	- 9
Other liabilities.....	36	30	- 6
Capital account:			
Preferred stock.....	1	31	+ 30
Common stock.....	162	164	+ 2
Surplus.....	229	215	- 14
Undivided profits—net.....	40	41	+ 1
Reserves for contingencies.....	39	28	- 11
Total liabilities	\$2,613	\$2,966	+\$353
Number of banks.....	606	656	+ 50

It will be noted that the number of licensed members increased from 606 to 656 in the course of the year. This was due principally to the organization of new institutions to succeed banks that

at the close of 1933 were operating under restrictions or were then in liquidation or receivership; one additional new bank was organized and several others were added to the list of members from the ranks of the nonmembers.

Of outstanding interest in the table is the sharp rise in deposits. The increase was chiefly in the demand and due to bank classifications; of the total increase of 374 millions, only about 53 millions can be accounted for by accessions to membership referred to in the preceding paragraph.

Although the increase in deposits was accompanied by a rise in earning assets, the inability of the banks to find acceptable use for a large part of the growing volume of funds at their disposal was evidenced by a material expansion in amounts due from banks and an increase in reserves at the Federal Reserve Bank substantially in excess of that necessary under the law to support the deposits. In this connection it also may be pointed out that postal savings deposits held by these banks decreased in the year from 73 to 45 millions, reflecting in part at least the voluntary return to the Government of funds for which the banks could not find a sufficiently profitable use to warrant their retention.

The figures on loans and investments reveal a substantial decline in loans to customers on securities. Loans to customers without security collateral also decreased somewhat despite the increase during the year in the number of active member banks.

There was an expansion of 23 millions in loans to the open market, in which category loans on securities to New York City brokers and dealers and bought commercial paper and bankers' acceptances are included. Holdings of direct obligations of the United States increased 41 millions, and the banks also acquired substantial amounts of obligations fully guaranteed by the Government and other miscellaneous securities.

Currency demand

Changes in the demand for currency have presented no unusual features in the past year, as may be noted in the chart on page 39. Following a post-holiday low in the latter part of January, there was a gradual rise to early summer, a decline in the summer months, and the expected seasonal rise in connection with the Christmas shopping period.

Over the first quarter there was little variation in the liability of this bank for federal reserve bank notes in circulation. There-

after, the need for this currency having passed, the bank ceased to pay out such notes. Several deposits aggregating nearly 14 millions were made in a retirement fund with the United States Treasury and a sufficient amount of these notes also was retained in the bank's possession to reduce its liability for the amount in actual circulation to zero. The notes so held by the bank, however, constitute a liability to the Treasurer of the United States to secure which 12 millions of United States securities have been pledged.

Figures for the country show a decline of about 100 millions in the amount of national bank notes in circulation during 1934. The liability of licensed national banks in this district for outstanding notes declined from 75 millions at the end of 1933 to over 72 millions on December 31, 1934; a reduction from 14 to about 7 millions on the part of banks in Philadelphia was partly balanced by a rise elsewhere in the district.

The total of outstanding silver certificates in the country increased about 200 millions in the year. Shipments of new notes by the Treasury to this bank rose from 48 millions in 1933 to 70 millions in 1934, and the bank's payments of new and fit currency of this kind increased from 97 to 128 millions.

Federal reserve notes have continued to be the largest single element in the currency supply. At the end of the year national figures show that 62 per cent of all paper currency in circulation was federal reserve notes, as compared with 16 per cent for national bank notes and 12 per cent for silver certificates, the next most important varieties of currency. Issues of new and fit federal reserve notes to this bank aggregated 129 millions in 1934; in 1933 such issues, together with those of federal reserve bank notes, amounted to 188 millions, reflecting extreme demands for money in the early part of that year.

With a decline in member bank borrowings and an increase in gold certificates held by this bank, a greater proportion of the collateral pledged to secure federal reserve notes took the form of gold certificates. United States securities also continued to make up part of the collateral; the largest volume of these securities pledged was 62 millions early in the year and the lowest was 15 millions in March, contrasting with high and low points of 88 millions and 27 millions, respectively, in 1933. The privilege of pledging such securities against federal reserve note issues terminated in March of this year; legislation in that month extended it to March 3, 1935 and gave to the President the power to continue

it for a further period not exceeding two years.

A statement follows which shows federal reserve notes outstanding and the collateral held to secure them at the end of each of the past three years:

Federal reserve note issues and collateral (000's omitted) Federal Reserve Bank of Phila.	December 31		
	1932	1933	1934
Notes received from comptroller.....	\$353,179	\$394,621	\$394,661
Notes on hand (held by Federal Reserve Agent)....	101,790	145,440	132,340
Notes issued to bank (outstanding).....	\$251,389	\$249,181	\$262,321
Collateral held to secure outstanding notes:			
Gold certificates on hand and due from U. S.			
Treasury.....	\$72,000	\$86,750	\$223,000
Gold.....	80,000	83,750	0
Eligible paper.....	47,463	18,930	830
United States Government securities.....	52,000	60,000	40,000
Total collateral held.....	\$251,463	\$249,430	\$263,830

Discount and interest rates

Open market rates for prime commercial paper as quoted at New York declined from 1½ to ¾-1 per cent in 1934, and the offering rate for ninety-day bankers' acceptances from ½ to ⅓ of one per cent. Reports received from some of the larger member banks in Philadelphia also show a decrease in rates on prime commercial loans to local customers from an average of about 4½ per cent in the last quarter of 1933 to a little over 4 per cent in the last three months of the current year.

This bank's established rate of discount for advances to and rediscounts for member banks under sections 13 and 13a of the Federal Reserve Act was unchanged at 2½ per cent, at which it was set in November 1933 and which was the lowest ever established here. No changes were made in discount rates on the following classes of paper:

- Advances to member banks under sec. 10 (b) of the Federal Reserve Act—(notes of member banks secured by collateral which is not eligible under other sections of the act)..... 4%
- Discounts for individuals, partnerships and corporations:
 - Under third paragraph of sec. 13 of Federal Reserve Act—(paper which would be eligible for rediscount if presented by a member bank)..... 6%
 - Secured by direct obligations of the United States, under last paragraph of sec. 13 of Federal Reserve Act..... 4%

In the case of industrial loans, interest rates for direct advances to industrial or commercial organizations ranged from 4 to 6 per cent; advances to financing institutions bore a rate of one per cent above the prevailing discount rate on that portion of the loan for which the institution is obligated, while on the remainder the rate was the same as that originally charged the customer but not less than 4 per cent.

Rates on bank deposits The Banking Act of 1933 forbade member banks to pay interest on demand deposits with certain minor exceptions and provided that the Federal Reserve Board should limit the rate to be paid on time deposits. In Regulation Q, approved August 29, 1933, the Board set a maximum of 3 per cent for time and savings deposits, effective November 1, 1933, unless a contract entered into prior to June 16* still was in effect and could not be set aside.

In view of the low return afforded by suitable investments, many bankers in this district felt that 3 per cent was too high a rate to pay on time deposits. Some banks paid lower rates, while others who wished to do so were deterred from taking such action by the fear that deposits might be attracted to neighboring or competing banks. In the endeavor therefore to determine whether or not some kind of uniform district action could be taken on the rate question, a small group of bank officials asked this bank to call a meeting of representatives of all banking institutions in this federal reserve district. Pursuant to this request, an invitation was extended to them to gather in Philadelphia on July 12 to discuss the general subject of the adoption of uniform interest rates on time deposits. The bank assumed no responsibility for the meeting or for the program.

At the meeting, which was attended by over 700 bankers from all parts of the district, it was decided to take a ballot by mail of all banks in the district, member and nonmember, on several tentative resolutions and memorials that had been presented for adoption and concerning which there were pronounced differences of opinion. These proposals, to be addressed to various Governmental agencies, among other things called for the reduction to 2½ per cent of the maximum rate of interest to be paid on time deposits by banks in this district, the establishment of varying maxima according to the class of time deposits, the abolition or modification of the postal savings system, and the establishment

* The date on which the Banking Act of 1933 was approved.

of a committee on banking relations between federal and state governmental agencies and all banking institutions of the Third Federal Reserve District.

In the subsequent balloting by mail all of the proposals were carried. Copies of the resolutions and memorials were forwarded to the appropriate Government agencies and a committee on banking relations was appointed.

On December 15 the Federal Reserve Board revised Regulation Q, relating to the payment of interest on deposits, to the effect that after January 31, 1935 no member bank may pay more than 2½ per cent on time or savings deposits.

Bankers' acceptances

At the end of 1934 outstanding acceptances of banks in this district amounted to \$12,287,000, a decline of 21 per cent in the year, according to figures of the American Acceptance Council. About half of the total was in bills covering import transactions and one quarter in those based on domestic warehouse credits. These two classifications showed relatively small contractions in the year; export bills, however, decreased 72 per cent and now constitute only about 5 per cent of the outstanding bills of local banks as compared with over 13 per cent at the close of 1933.

Bankers' acceptances outstanding	Acceptances of banks in Third Fed. Res. District		Changes in year	
	Dec. 30, 1933	Dec. 31, 1934	Third District	United States
Based on—				
Imports.....	\$6,707,000	\$6,095,000	- 9%	- 5%
Exports.....	2,078,000	590,000	-72 "	-32 "
Domestic shipments.....	1,487,000	1,007,000	-32 "	-46 "
Domestic warehouse credits.....	3,328,000	3,276,000	- 2 "	-29 "
Dollar exchange.....	0	0	0	-40 "
Goods stored in or shipped be- tween foreign countries.....	1,896,000	1,319,000	-30 "	-35 "
Total.....	\$15,496,000	\$12,287,000	-21%	-29%

Changes in membership

At the end of 1933 there were 658 member banks in this district, but only 606 of these were operating without restrictions. Changes in 1934 were numerous, reflecting for the most part the

working out of difficulties involved in the reopening of restricted banks. Although in some cases it was not found feasible to effect a satisfactory plan of reorganization, in most instances this was made possible by the provision of new capital in the form of cash or through voluntary reductions in the amounts of depositors' claims.

Of the 52 restricted banks at the beginning of the year, 35 were succeeded by new banks, 3 were licensed, 3 withdrew from membership, and 11 were placed in receivership. In a number of cases, too, banks that were in liquidation or receivership at the end of 1933 were succeeded by new institutions. On December 31, 1934 the number of member banks in this district was 656, all of which were in active operation.

Changes in membership during 1934 are given in detail in the following table:

Changes in membership—1934 Philadelphia Fed. Res. District	National banks	State bank members	Total
Membership *—Dec. 31, 1933	594	64	658
Gains in 1934—			
New banks succeeding banks operating under restrictions	28	2	30
New banks succeeding banks in liqui- dation or receivership	15	0	15
New organizations	1	0	1
Converted from nonmembers	2	0	2
New state bank members	0	2	2
	46	4	50
Losses in 1934—			
Restricted banks succeeded by new banks	32	3	35
Restricted banks placed in receivership	11	0	11
Banks absorbed by member banks	2	0	2
Withdrawal of restricted banks from system	0	3	3
Withdrawal of unrestricted bank from system	0	1	1
	45	7	52
Membership †—Dec. 31, 1934	595	61	656

* Included 46 national and 6 state institutions operating under restrictions; excluded non-licensed national banks which, at the end of the year, were being liquidated by conservators.

† All members on Dec. 31, 1934 were in active operation.

Note: Figures on gains and losses given in table do not include one licensed bank that was reorganized.

Fiduciary powers

The number of licensed national banks in this district having the privilege of exercising fiduciary powers declined in 1934 from 272 to 257. Original grants of full powers were made to five banks and in two other instances banks were given the right to exercise full powers under certain restrictions. On the other hand, two banks voluntarily surrendered their privileges and twenty others were removed from the list because of liquidation or receivership. Of the 257 banks having fiduciary powers at the end of the year, 201 were in Pennsylvania, 46 in New Jersey and 10 in Delaware.

National banks having fiduciary powers Philadelphia Fed. Res. District	Number of banks having		Totals
	Full powers	Partial powers	
December 31:			
1929.....	262	30	292
1930.....	268	29	297
1931.....	264	25	289
1932.....	262	23	285
1933.....	252	20	272*
1934.....	240†	17	257

* Excludes 7 non-licensed banks which, at the end of 1933, were being liquidated by conservators.

† Includes two banks granted powers with restrictions.

Departmental operations

In 1934 there was a decline in the volume of discounts for member banks, and the number of transfers of funds and of collection items handled (other than Government coupons) also fell off, while in several other departments an expanded volume was reported.

Although the further development of group clearings systems and direct sendings of checks by member banks to other districts, procedures instituted to save time in the collection of checks, tend to reduce the number sent to this bank, the number of transit checks handled increased from 57,265,000 in 1933 to 61,524,000 in 1934. Group clearings plans place a heavier burden on the accounting department which, upon advice of interbank sendings, arranges for the settlement of the debits and credits in the accounts of the participating banks.

There was a further substantial increase in the use of the reserve bank's facilities for the custody of securities. The average

Departmental operations Federal Reserve Bank of Philadelphia (000's omitted)	1931	1932	1933	1934
Number of pieces or transactions handled:				
Notes and bills discounted.....	68	161	78	13
Notes (currency) counted.....	199,377	179,004	164,556	177,718
Coins counted.....	308,220	291,563	264,069	264,018
Ordinary checks handled (including return items).....	70,134	63,154	57,265†	61,524
U. S. Gov't checks handled.....	2,130	2,054	2,261	4,915
Items payable at a future date (collection items):				
United States coupons paid.....	1,361	1,356	1,378	1,482
All other items.....	548	594	476	373
Transfers of funds.....	122	116	96	83
U. S. Gov't direct obligations—issues, redemptions and exchanges by fiscal agency department.....	80	73	187	292

† Revised.

amount held for member banks increased from \$326,000,000 in 1933 to \$396,000,000 in 1934. Cash and securities held in the vault for our own account, the Treasury and others shows an expansion in average holdings from \$826,000,000 to \$969,000,000. The vault department reports that 543,000 coupons were detached in the past year.

An increase in work performed also is reported by the securities department. Purchases and sales handled for other than the bank's own account increased from \$122,000,000 to \$280,000,000 and the number of transactions rose from 16,700 to 24,200.

Fiscal agency activities were materially heavier than in 1933, as may be gauged by the fact that the number of United States securities issued, redeemed or exchanged expanded from 187,000 in 1933 to 292,000 in 1934, the number of Government checks handled from 2,261,000 to 4,915,000, and the number of Government coupons paid from 1,378,000 to 1,482,000.

Subscriptions from this district for Treasury bonds, notes and certificates of indebtedness totaled 1,248 millions in 1934 and 295 millions was allotted. As several issues were made only on the basis of an exchange for outstanding securities, it is not surprising to find that 104 millions of the allotments were for exchanges; of the balance, 32 millions was paid for in cash and 159 millions by deposit credit. In addition the banks were allotted 7½ millions of Treasury bills and portions of the new obligations of the Federal Farm Mortgage Corporation and the Home Owners' Loan Corporation.

Bank relations

Committee on Federal Reserve Relations The Committee on Federal Reserve Relations, composed of representatives of the various banking groups in this district, held a meeting here in October, which also was attended by directors, officers and members of the bank relations department of this bank.

After Richard L. Austin, chairman of the board of this bank, had extended greetings to the bankers, an address was made by Governor George W. Norris. Following his address the committee considered several subjects of special interest such as the establishment of more uniform service charges, the group or county clearings systems, the frequency of bank examinations, the rate of interest on savings accounts, and the lack of uniformity with regard to notice and withdrawal requirements in the case of thrift accounts. The plan of operation followed in extending direct loans to industry also was explained to them.

The committee passed a resolution requesting this bank to make available to the banks a compilation of data on bank earnings and expenses. Accordingly, a study of member bank figures during 1934 now is in progress and the results will be made available as early in 1935 as possible.

Other meetings held In addition to several meetings called by the bank to disseminate information regarding direct loans to industry, reference to which was made on page 38 of this report, a meeting was held in December to which many nearby banks were invited to send representatives. This was addressed by officials connected with the Federal Housing Administration, who explained the technique of making home modernization loans and the operation of the Government guarantee on such loans. In addition, detailed information in printed form was distributed to the bankers so that they might have all the facts about these loans and their advantages to both borrowers and lenders concretely before them for later perusal.

Bank relations department In 1934 the members of the bank relations department made 1,241 visits to member and nonmember banks in the district. Of the total 424 were classed as special visits, having as their purpose principally the extension of the group or county clearings systems to sections not previously covered, as well as the straightening out of any difficul-

ties that may have arisen in the course of the bank's routine operations.

The number of group clearings systems in operation was raised from 16 to 20, the total number of participating banks from 323 to 636, and the amount of items interchanged by these banks from \$94,000,000 in 1933 to \$306,000,000 in 1934. After pending arrangements have been completed, all but a few sections of the district will have this method of clearance in operation.

Personnel and building

Board of directors

Class	Name	Residence	Term expires
A	Group 1 Joseph Wayne, Jr., President, Philadelphia National Bank, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1935
	Group 2 George W. Reily, President, Harrisburg National Bank, Harrisburg, Pa.	Harrisburg, Pa.	Dec. 31, 1936
	Group 3 J. B. Henning, President, Wyoming National Bank, Tunkhannock, Pa.	Tunkhannock, Pa.	Dec. 31, 1934
B	Group 1 C. Frederick C. Stout, Member, John R. Evans & Company, Philadelphia, Pa.	Ardmore, Pa.	Dec. 31, 1934
	Group 2 Arthur W. Sewall, President, General Asphalt Company, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1935
	Group 3 J. Carl De La Cour, Vice President, Wm. S. Scull Company, Camden, N. J.	Riverton, N. J.	Dec. 31, 1936
C	Richard L. Austin, Chairman of the Board	Philadelphia, Pa.	Dec. 31, 1935
	Alba B. Johnson, Deputy Chairman of the Board	Rosemont, Pa.	Dec. 31, 1936
	Harry L. Cannon	Bridgeville, Del.	Dec. 31, 1934

Effective February 7, John C. Cosgrove resigned as a class A director representing group 3 banks. Three eligible candidates were nominated to fill the vacancy and at the succeeding special election John B. Henning, president of the Wyoming National Bank of Tunkhannock, Pennsylvania, was chosen for the balance of Mr. Cosgrove's term.

The terms of C. Frederick C. Stout, a class B director representing the banks of group 1, and of Mr. Henning expired at the end of December. Mr. Stout and Mr. Henning were re-elected for terms of three years beginning January 1, 1935. The Federal Re-

serve Board reappointed Harry L. Cannon as a Class C director for a like term.

The Federal Reserve Board appointed Richard L. Austin as chairman of the board and federal reserve agent, and Arthur E. Post and Ernest C. Hill as assistant federal reserve agents for the year 1934.

Howard A. Loeb, chairman of the board of the Trademens National Bank and Trust Company of Philadelphia, represented the bank on the Federal Advisory Council during 1934, a position which he has held since 1930.

The board of directors, at the annual meeting, appointed the following officers: governor—George W. Norris; deputy governors—William H. Hutt, John S. Sinclair; cashier and secretary—C. A. McIlhenny; assistant cashiers—W. J. Davis, J. M. Toy, R. M. Miller, Jr., S. R. Earl; comptroller—William G. McCreedy. In April the title of Mr. McIlhenny was extended to include that of deputy governor, W. J. Davis and L. E. Donaldson were made assistant deputy governors, and G. K. Morris was made an assistant cashier.

The death of Robert M. Miller, Jr., an assistant cashier, on December 3, brought real sorrow to his associates in the bank, most of whom had known him for many years. The following minute was adopted by the board of directors:

The Board of Directors of the Federal Reserve Bank of Philadelphia has learned with deep regret of the sudden death of Mr. Robert M. Miller, Jr., Assistant Cashier.

In his fifteen years of service as an officer of the bank, Mr. Miller was called upon to oversee and direct the operations of a number of important departments, and to perform many services calling for a high degree of industry, patience and judgment. All of these services he rendered in a way to earn the high regard of his fellow officers, of his subordinates and of the customers of the bank.

The Board desires to record its sense of the loss which the bank has suffered in his death, and to extend to his family its sympathy in their bereavement.

The number of employees, exclusive of officers, rose from 850 to 866 during 1934.

The bank occupied quarters in that portion of the new building erected to the west of the old structure. The old building is being razed preparatory to replacing it by a new building.

Banking and business information

This bank has continued to collect, analyze and issue economic and statistical information on business and banking conditions in this district. Cooperation from industry and trade has been as generous as in the previous years, evidencing the continuance of friendly

and confidential relationship established between business and this bank over a period of years. It is gratifying to report this fact and to express our appreciation of the steady assistance given to us by business enterprises of this district.

Efforts have been made on our part to acquire and develop dependable information on current activity in most of the important branches of business throughout this district in order to obtain accurate measurements of the rate at which goods are being produced and marketed and the extent to which our working population is employed and earning a livelihood. We are receiving at present approximately 4000 reports from various establishments, giving us monthly their confidential data on business conditions. On the basis of this information, together with figures received from the official agencies, our statistical department has been able to construct and develop over 175 individual series of index numbers and to determine the extent of seasonal fluctuation in many lines of industry and trade. The active statistical files at present contain about 400 record cards which are kept up to date monthly, and many of them on a weekly and even daily basis. Most of these records extend back to 1923. This accumulation of statistical data has made it possible for us to furnish accurate information on current changes and trends in business activity to the Federal Reserve Board, directors and officers of this bank, cooperating enterprises and business as well as other agencies.

Numerous studies and developments in the statistical data have been made during 1934 in addition to the usual work of the collection, analysis and presentation of current information. Figures on factory employment and payrolls in this section have been adjusted further to the level shown by the biennial Census of Manufactures in order to account for such changes as those which arise from new establishments coming into the market and old ones going out of business for one reason or another. To determine the extent to which manufacturing fluctuates from one season to another, statistical factors have been computed for factory employment in 68 industries of Pennsylvania and indexes have been adjusted by these seasonal factors; the results will be published as soon as possible since there appears to be a considerable demand for these figures, particularly in connection with the study of unemployment and stabilization of labor.

Special industrial surveys have been made continuously since June this year for the use of the Industrial Advisory and Discount

Committees incident to the consideration of loans for working capital to established industrial and commercial enterprises in this district under section 13b of the Federal Reserve Act as amended by the Act of June 19, 1934.

At the request of the Federal Reserve Board, unusually extensive statistics were collected from member banks, which cooperated most generously, on such important subjects as deposits, debits to individual accounts, new loans, loans paid off, and loans written off by banks. The report forms used by the weekly reporting member banks have been revised and expanded in order to obtain more detailed classifications of loans, investments, deposits and other items than have been rendered heretofore. A study of earnings and expenses of member banks also was undertaken toward the end of the year and carried into 1935.

Confidence in our reports is evidenced by the constant requests for economic and statistical information from banks and business establishments. Requests have been especially numerous for statistical data showing changes in production, trade, agriculture, employment, earnings, and banking conditions not only for the district as a whole but also by industrial areas. We have continued to supply industry and commerce with a comprehensive summary of business conditions monthly through our bulletin, *The Business Review*, in addition to furnishing advance releases on such subjects as industrial employment, retail and wholesale trade, and the output and consumption of electric power. The following shows our active mailing list, indicating the extent and character of the monthly distribution of *The Business Review*:

Industrial and trade concerns.....	5,098
Banks in this district.....	962
Colleges and Universities.....	100
Trade organizations.....	75
Individuals.....	690
Foreign (mostly banks).....	280
Total.....	7,205

The library continues to serve the staff of the bank, member banks and others by making available to them several thousand volumes on finance and business, as well as official documents and other source material.

Indexes of business conditions
Philadelphia Federal Reserve District
Adjusted for seasonal variation

(1923-1925 average = 100)

	Factory produc- tive ac- tivity	Build- ing con- tract awards (value)	Coal mining			Freight car load- ings	Whole- sale sales	Retail sales	New pas- senger auto- mobile regis- trations
			Total	Anthra- cite	Bitumi- nous				
1933									
Jan.....	56	25	52	53	47	49	60	51	61
Feb.....	56	17	62	64	49	48	55	49	57
Mar.....	52	12	74	77	46	45	55	47	38
April.....	59	13	45	44	48	46	60	62	44
May.....	64	15	45	43	54	49	66	59	52
June.....	70	18	65	65	65	59	71	60	61
July.....	75	20	69	67	77	66	71	57	73
Aug.....	72	20	62	61	72	63	70	61	75
Sept.....	69	24	71	74	44	58	64	69	83
Oct.....	67	31	53	55	38	55	64	63	78
Nov.....	65	41	71	73	59	54	63	57	71
Dec.....	64	44	67	68	61	57	63	61	66
1934									
Jan.....	62	36	79	82	56	59	73	55	38
Feb.....	66	32	86	89	61	61	73	55	54
Mar.....	68	31	106	109	77	63	73	71	60
April.....	70	29	73	73	68	60	75	65	75
May.....	70	27	75	76	67	61	83	69	71
June.....	70	24	69	68	66	62	80	69	79
July.....	66	25	63	63	61	57	79	62	89
Aug.....	67	25	51	50	57	52	78	62	81
Sept.....	62	33	61	62	55	52	72	69	69
Oct.....	65	38	53	53	56	51	73	66	71
Nov.....	66	41	63	64	56	53	71	60	64
Dec.....	71	33	70	72	57	57	72	67	93

Seasonal factors

(Used in adjusting the actual indexes for seasonal changes. The average for the year equals 100)

Jan.....	99	81	...	108	114	92	88	82	54
Feb.....	101	95	...	107	109	97	92	82	74
Mar.....	101	117	...	82	102	96	95	98	112
April.....	98	122	...	104	91	97	93	101	151
May.....	98	123	...	100	90	102	94	101	144
June.....	99	108	...	88	88	101	96	98	140
July.....	96	98	...	82	88	100	93	72	113
Aug.....	100	96	...	100	94	103	94	79	110
Sept.....	103	100	...	100	102	110	114	90	96
Oct.....	105	97	...	128	107	109	114	113	82
Nov.....	103	86	...	103	110	102	114	120	70
Dec.....	97	77	...	98	105	91	113	164	54

Indexes of business conditions
Philadelphia Federal Reserve District
Without adjustment for seasonal variation
 (1923-1925 average = 100)

	Factory produc- tive ac- tivity	Build- ing con- tract awards (value)	Coal mining			Freight car load- ings	Whole- sale sales	Retail sales	New pas- senger auto- mobile regis- trations
			Total	Anthra- cite	Bitumi- nous				
Annual averages									
1923.....	103	75	115	115	117	104	104	99	97
1924.....	95	107	107	109	89	96	99	99	99
1925.....	103	118	78	76	94	100	97	102	104
1926.....	108	137	104	104	105	106	98	106	123
1927.....	104	160	98	99	91	101	94	102	104
1928.....	102	165	93	93	90	102	94	101	111
1929.....	111	132	92	91	98	106	98	100	131
1930.....	97	108	86	86	85	90	85	91	99
1931.....	77	62	72	74	67	71	73	80	80
1932.....	61	34	60	62	51	52	59	61	51
1933.....	64	22	60	61	54	55	63	58	62
1934.....	67	31	70	71	61	57	75	65	73
1933									
Jan.....	56	20	56	57	53	46	53	42	33
Feb.....	57	16	66	68	53	47	51	40	42
Mar.....	53	14	61	63	47	43	52	43	42
April.....	57	16	45	45	43	45	56	66	66
May.....	62	19	44	43	49	50	62	59	75
June.....	69	20	57	57	57	58	67	59	86
July.....	72	19	57	55	67	66	66	42	82
Aug.....	72	19	62	61	68	65	66	49	82
Sept.....	71	24	72	75	45	65	73	62	79
Oct.....	70	30	68	71	41	60	72	71	64
Nov.....	66	35	74	75	65	56	71	68	50
Dec.....	62	34	66	67	64	53	70	100	36
1934									
Jan.....	61	29	86	89	64	55	64	45	20
Feb.....	67	30	92	95	67	59	67	45	40
Mar.....	69	36	88	89	78	61	69	69	67
April.....	68	36	75	76	62	58	69	65	113
May.....	69	34	75	76	60	62	78	70	103
June.....	69	26	60	60	58	63	77	67	111
July.....	63	25	53	52	54	58	73	45	101
Aug.....	67	24	50	50	54	54	74	49	89
Sept.....	64	33	61	62	57	57	82	62	66
Oct.....	68	36	67	68	60	55	83	75	58
Nov.....	68	35	65	65	61	54	81	73	45
Dec.....	68	25	70	71	60	52	81	110	50

Indexes of factory employment, payrolls and employe-hours in Pennsylvania

Without adjustment for seasonal variation

Employment (1923-1925 average = 100)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
1923	105	107	108	107	108	109	108	107	107	107	106	103	107
1924	101	102	102	100	97	93	90	90	92	94	94	96	96
1925	97	99	99	98	98	97	95	96	96	98	98	99	98
1926	99	101	100	99	98	98	97	98	100	101	101	100	99
1927	98	98	99	97	96	96	94	94	95	94	94	93	96
1928	92	94	94	91	91	92	91	93	94	94	95	94	93
1929	94	97	97	98	98	99	99	100	101	102	100	98	98
1930	96	96	96	95	93	91	86	85	86	85	84	81	89
1931	78	79	79	79	77	74	71	72	72	72	71	70	75
1932	68	68	67	65	62	61	58	59	63	65	64	62	63
1933	59	61	58	58	61	65	67	72	75	75	74	71	66
1934	68	72	75	76	75	76	74	74	73	75	74	75	74

Payrolls (1923-1925 average = 100)

1923	99	102	107	106	113	113	106	107	107	111	106	105	107
1924	100	104	105	102	97	89	82	86	89	94	93	100	95
1925	98	100	102	99	99	96	93	95	94	102	99	103	98
1926	101	104	106	103	101	101	97	99	104	108	105	106	103
1927	100	103	104	101	98	98	91	95	92	95	94	94	97
1928	90	96	96	89	92	92	86	93	93	98	97	97	93
1929	95	102	103	104	105	104	99	105	103	107	103	98	102
1930	96	98	98	96	92	87	78	79	79	80	74	71	86
1931	67	69	70	70	67	62	57	58	56	56	52	53	61
1932	49	49	48	44	40	38	34	35	38	41	40	38	41
1933	34	35	33	34	38	43	46	54	54	56	53	51	44
1934	47	53	58	59	63	62	55	57	53	57	56	58	57

Employe-hours (1927-1928 average = 100)

1927	107	111	112	109	107	103	97	100	98	98	97	97	103
1928	92	101	101	94	98	96	90	98	96	101	100	100	97
1929	98	107	108	110	109	109	106	108	106	109	105	99	106
1930	98	100	99	99	96	90	82	82	82	81	76	72	88
1931	68	70	70	72	67	62	57	58	56	58	55	56	62
1932	54	54	53	49	45	43	38	40	44	49	47	45	47
1933	41	42	39	41	47	56	61	64	59	59	55	54	51
1934	49	55	59	60	65	65	56	58	52	56	55	57	57

Federal Reserve Bank of Philadelphia

Directors and Officers Appointed and Elected for the Year 1935

DIRECTORS

Class A

John B. Henning, Tunkhannock, Pa.
George W. Reily, Harrisburg, Pa.
Joseph Wayne, Jr., Philadelphia, Pa.

Class B

J. Carl De La Cour, Camden, N. J.
Arthur W. Sewall, Philadelphia, Pa.
C. Frederick C. Stout, Philadelphia, Pa.

Class C

Richard L. Austin (Chairman), Philadelphia, Pa.
Harry L. Cannon, Bridgeville, Del.
Alba B. Johnson (Deputy Chairman), Philadelphia, Pa.
(Reappointed for another term; died Jan. 8, 1935)

Member of Federal Advisory Council
Howard A. Loeb, Philadelphia, Pa.

OFFICERS

Richard L. Austin,
Chairman and Federal Reserve Agent
Arthur E. Post,
Assistant Federal Reserve Agent
Ernest C. Hill,
Assistant Federal Reserve Agent

George W. Norris,
Governor
William H. Hutt,
Deputy Governor
John S. Sinclair,
Deputy Governor
C. A. McIlhenny,
Deputy Governor, Cashier
and Secretary

W. J. Davis, Assistant Deputy Governor
L. E. Donaldson, Assistant Deputy Governor
J. M. Toy, Assistant Cashier
S. R. Earl, Assistant Cashier
G. K. Morris, Assistant Cashier

William G. McCreedy, Comptroller