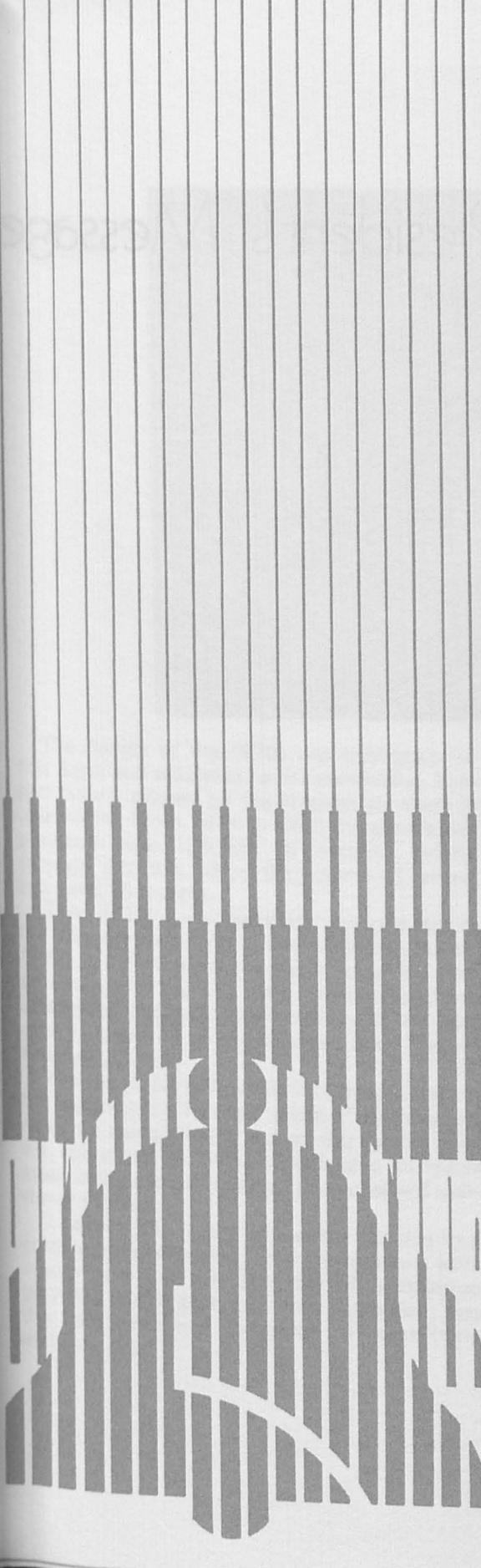


1979 Annual Report  
Federal Reserve  
Bank of  
Philadelphia





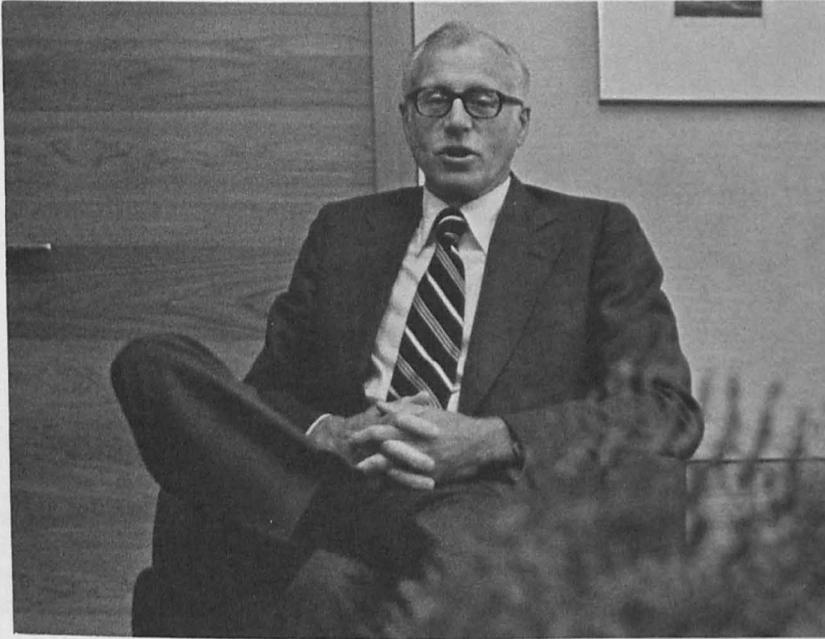


# 1979 Annual Report Federal Reserve Bank of Philadelphia

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# President's Message



The decade of the 1970s was significant for this Bank and satisfying for me personally. I am particularly pleased by the progress we made in operations. From 1974 to 1978 the Bank's employment was reduced 16 percent, mostly through attrition, while the volume of output increased 25 percent.

Back in 1974, our aggregate unit cost was in the last quartile among all Reserve Banks, but by 1977, it had risen to the second quartile, after adjustment for building costs. The quality of our operations improved even more and we now rank consistently among the best three Federal Reserve Districts.

The Bank also maintained its contributions to the community through appropriate research, meetings and seminars, and on the System level we continued to provide leadership in many areas including automation, personnel and consumer affairs.

I believe this record of success was due to a combination of factors. New management techniques and the effective use of automation played a major part, but most important, was the hard work and dedication of our officers and employees.

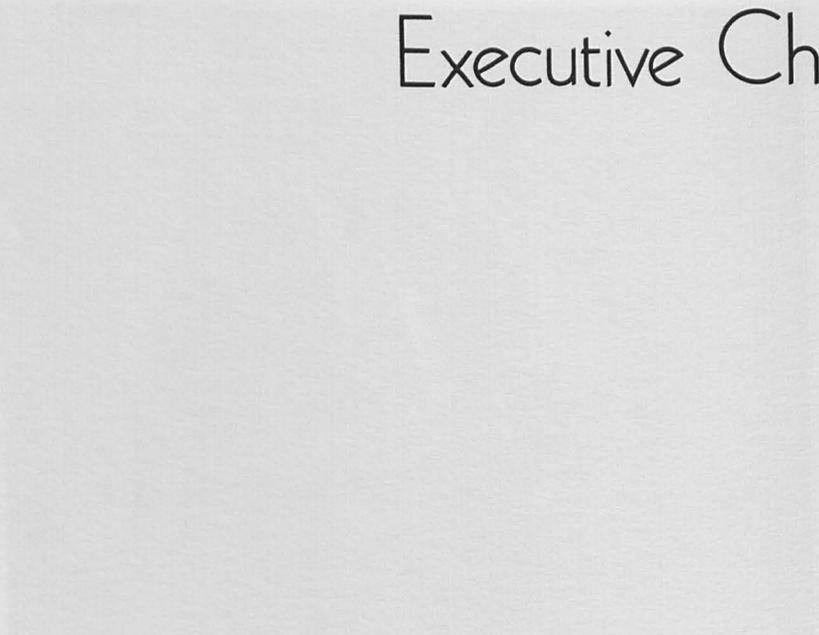
As the 1980s unfold, we will make every effort to maintain the improved position we have achieved even though relatively sluggish growth in volume is expected for the northeastern part of the nation. In addition, we have exciting plans for expanding automation and communication services. For example, member banks and other financial institutions soon will be linked directly into our own computers, which will enable us to provide a spectrum of new and better services.

Dwindling membership and the pricing of Reserve Bank services are among the most important problems we face today. If a membership bill is not enacted, our services to banks will become even more important and sensitive. On the other hand, if such legislation passes, we will face many changes in our relationships with financial institutions such as correspondent banks.

Like the decade just past, the 1980s will present both challenges and opportunities. Our task is to maintain the spirit, know-how and flexibility to accept the former and take advantage of the latter.

*David P. Eastman*  
President

# Executive Changes



The Board of Directors has today announced the resignation of Mr. [Name] as a result of a change in his personal circumstances. Mr. [Name] has served the Company for [X] years and his departure is regretted. The Board has accepted his resignation effective as of [Date].

Mr. [Name] has been replaced by Mr. [Name], who has been appointed to the position of [Title]. Mr. [Name] has been with the Company for [X] years and has extensive experience in the field of [Industry]. His appointment is effective as of [Date].

The Board also announced the appointment of Mr. [Name] as a new member of the Board. Mr. [Name] has been with the Company for [X] years and has extensive experience in the field of [Industry]. His appointment is effective as of [Date].

The Board also announced the resignation of Mr. [Name] as a result of a change in his personal circumstances. Mr. [Name] has served the Company for [X] years and his departure is regretted. The Board has accepted his resignation effective as of [Date].

Mr. [Name] has been replaced by Mr. [Name], who has been appointed to the position of [Title]. Mr. [Name] has been with the Company for [X] years and has extensive experience in the field of [Industry]. His appointment is effective as of [Date].

The Board also announced the appointment of Mr. [Name] as a new member of the Board. Mr. [Name] has been with the Company for [X] years and has extensive experience in the field of [Industry]. His appointment is effective as of [Date].

  
[Name]  
[Title]

  
[Name]  
[Title]

The Board of Governors of the Federal Reserve System took these actions concerning Class C Directors in 1979. John W. Eckman, Chairman and President, Rorer Group Inc., Fort Washington, Pennsylvania, was redesignated Chairman of the Board of this Bank for 1980. Werner C. Brown, Chairman, Hercules Incorporated, Wilmington, Delaware, was renamed Deputy Chairman, also for 1980. Jean A. Crockett, Chairman and Professor of Finance, Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania, was appointed to a new three-year term, beginning January 1, 1980, as a Class C Director.

Third District member banks elected three directors in December. Eberhard Faber, IV, Chairman and Chief Executive Officer, Eberhard Faber Inc., Wilkes Barre, Pennsylvania, was elected to a three-year term as a Class B Director by large member banks. He succeeds William S. Masland, President and Chief Executive Officer, C. H. Masland & Sons, Carlisle, Pennsylvania. Harry A. Jensen, President and Chief Executive Officer, Armstrong Cork Company, Lancaster, Pennsylvania, was elected a Class B Director by medium-sized member banks. Mr. Jensen will complete the unexpired portion of a term that ends December 31, 1980, and thereafter serve a new three-year term. He succeeds Jack K. Busby, retired Chairman and Chief Executive Officer, Pennsylvania Power & Light Company, Allentown, Pennsylvania. Donald J. Seebold, President, The First National Bank of Danville, Danville, Pennsylvania, was elected to a three-year term as a Class A Director by small member banks in the District.

The Directors of this Bank reappointed William B. Eagleson, Jr., Chairman and President, Girard Bank, Philadelphia, Pennsylvania, to represent the Third District on the Federal Advisory

Council in 1980.

Among the 1979 changes in the Bank's official staff, John D. Johnson was appointed Senior Vice President, Operations, with responsibility for cash, check, and fiscal operations. He had been Vice President and Manager of the Helena Branch of the Federal Reserve Bank of Minneapolis. Donald J. Mullineaux was promoted to Vice President and Associate Director of Research, and William H. Stone, Jr., was promoted to Vice President and Lending Officer with responsibility for credit operations, bank services and regulations assistance. Ronald D. Watson moved up to Vice President, Operations Planning Analysis and Research.

Three members of the official staff received new assignments in 1979. James B. Duffy became Cash Operations Officer; Judith H. Helmuth moved to Custody Control Officer; and Assistant Vice President Frederick M. Manning was chosen to head a special Board of Governors task force which will develop a new commercial examination report format for the Reserve Banks.

Appointed to the Bank's official staff in 1979 were James M. Cleary, Data Processing and Technical Services Officer; Stanley J. Forst, Automation Planning Officer; Carol A. Karkut, Services and System Planning Officer; Jerry Katz, Compensation and Benefits Officer; William J. Kouser, Data Systems Officer; Thomas J. McCoy, Systems Planning and Development Officer; and P. Viswanathan, Assistant Vice President.

Evelyn G. Battista, Human Resources Services Officer, retired from Bank service, and the following officers resigned to accept outside positions: Robert N. Gilmore, Ira Kaminow, Michael J. McGovern, James F. Russell, and Anita A. Summers.

# Directors

## CHAIRMAN

John W. Eckman  
Chairman and President  
Rorer Group Inc.  
Fort Washington, Pennsylvania

## DEPUTY CHAIRMAN

Werner C. Brown  
Chairman  
Hercules Incorporated  
Wilmington, Delaware

Eberhard Faber, IV  
Chairman and Chief Executive Officer  
Eberhard Faber Inc.  
Wilkes-Barre, Pennsylvania

John R. Biechler  
President and Chief Executive Officer  
The Commonwealth National Bank  
Harrisburg, Pennsylvania

Richard P. Hauser  
Chairman and Chief Executive Officer  
John Wanamaker  
Philadelphia, Pennsylvania

Jean Crockett  
Chairman, Professor of Finance  
Wharton School  
University of Pennsylvania  
Philadelphia, Pennsylvania

Harry A. Jensen  
President and Chief Executive Officer  
Armstrong Cork Company  
Lancaster, Pennsylvania

Robert H. Deacon  
President  
The Bank of Mid-Jersey  
Bordentown, New Jersey

Donald J. Seebold  
President  
The First National Bank of Danville  
Danville, Pennsylvania

## MEMBER OF THE FEDERAL ADVISORY COUNCIL

William B. Eagleson, Jr.  
Chairman and President  
Girard Bank  
Philadelphia, Pennsylvania

# Officers

David P. Eastburn, President

Richard L. Smoot, First Vice President

Konstanty G. Adack, Senior Vice President

Edward G. Boehne, Senior Vice President

John D. Johnson, Senior Vice President

Thomas K. Desch, Vice President

Peter M. DiPlacido, Vice President

Guy H. Edwards, Vice President

James F. Gaylord, Vice President

Hiliary H. Holloway, Vice President and General Counsel

W. Lee Hoskins, Vice President and Director of Research

Alexander Kudelich, Vice President

Donald J. McAneny, Vice President and General Auditor

G. William Metz, Vice President

Donald J. Mullineaux, Vice President and Associate Director of Research

Lawrence C. Murdoch, Jr., Vice President and Secretary

William H. Stone, Jr., Vice President and Lending Officer

Ronald D. Watson, Vice President

Jack P. Besse, Assistant Vice President and Assistant Secretary

James M. Cleary, Data Processing and Technical Services Officer

D. Russell Connor, Assistant Vice President

Samuel J. Culbert, Jr., Bank Services Officer

Robert A. Dobie, Examining Officer

James B. Duffy, Cash Operations Officer

Ronald G. Foley, Assistant Vice President

Stanley J. Forst, Automation Planning Officer

Judith H. Helmuth, Custody Control Officer and Assistant Secretary

Carol A. Karkut, Services and System Planning Officer

Jerry Katz, Compensation and Benefits Officer

Paul E. Kirn, Jr., Assistant Vice President

William J. Kouser, Sr., Data Systems Officer

Edwin C. Lodge, Statistical Officer

Frederick M. Manning, Assistant Vice President

Thomas J. McCoy, Systems Planning and Development Officer

Arthur L. Morath, Jr., Assistant Vice President

Joseph J. Ponczka, Examining Officer

Edward G. Rutizer, Examining Officer

Lawrence C. Santana, Jr., Assistant Vice President

John B. Shaffer, Assistant General Auditor

P. Viswanathan, Assistant Vice President

Elizabeth S. Webb, Assistant Counsel

January 1, 1980

# Statement of Condition

## ASSETS

	December 31, 1979	December 31, 1978
Gold certificate account . . . . .	\$ 924,023,300	\$ 597,958,400
Special drawing rights certificate . . . . .	91,000,000	69,000,000
Other cash . . . . .	20,592,085	14,807,559
Loans and securities:		
Discounts and advances . . . . .	15,980,000	78,873,000
Federal Agency obligations . . . . .	392,827,991	395,432,981
United States Government securities . . . . .	<u>5,560,440,512</u>	<u>5,483,006,156</u>
Total Loans and Securities . . . . .	\$ 5,969,248,503	\$ 5,957,312,137
Other assets:		
Cash items in process of collection . . . . .	439,430,599	631,137,721
Bank premises . . . . .	53,911,345	54,999,804
Operating equipment - net . . . . .	7,215,181	5,373,497
All other . . . . .	255,958,396	231,692,499
Interdistrict settlement account . . . . .	<u>-739,036,872</u>	<u>-637,108,617</u>
Total Assets . . . . .	<u>\$ 7,022,342,537</u>	<u>\$ 6,925,173,000</u>

## LIABILITIES & CAPITAL

Note liabilities:		
Federal Reserve notes . . . . .	\$ 5,456,725,146	\$ 5,198,716,050
Deposits:		
Member bank reserve accounts . . . . .	825,201,283	1,081,420,973
U.S. Treasury - general account . . . . .	249,332,927	208,072,114
Foreign . . . . .	12,259,000	8,716,100
All other . . . . .	<u>45,450,139</u>	<u>20,777,289</u>
Total Deposits . . . . .	\$ 1,132,243,349	\$ 1,318,986,476
Other liabilities:		
Deferred availability cash items . . . . .	238,900,700	233,938,372
All other . . . . .	<u>103,694,442</u>	<u>85,933,602</u>
Total Liabilities . . . . .	\$ 6,931,563,637	\$ 6,837,574,500
Capital accounts:		
Capital paid in . . . . .	45,389,450	43,799,250
Surplus . . . . .	<u>45,389,450</u>	<u>43,799,250</u>
Total Liabilities and Capital Accounts . . . . .	<u>\$ 7,022,342,537</u>	<u>\$ 6,925,173,000</u>

# Earnings and Expenses

	1979	1978
Current earnings:		
From U.S. Government securities . . . . .	\$ 486,395,139	\$ 420,301,803
From discounts, advances and miscellaneous sources . . . . .	<u>13,843,008</u>	<u>4,644,834</u>
Total current earnings . . . . .	500,238,147	424,946,637
Net expenses:		
Operating expenses (after deducting reimbursable or recoverable expenses) . . . . .	32,395,257	30,471,978
Federal Reserve currency . . . . .	<u>3,262,654</u>	<u>3,282,514</u>
Total net expenses . . . . .	35,657,911	33,754,492
Current net earnings . . . . .	464,580,236	391,192,145
Additions to current net earnings:		
Miscellaneous nonoperating income . . . . .	<u>222,528</u>	<u>17,798</u>
Total additions . . . . .	222,528	17,798
Deductions from current net earnings:		
Assessment for expenses of the Board of Governors . . . . .	2,044,800	2,269,800
Loss on sales of U.S. Government securities (net) . . . . .	7,502,838	6,578,886
Loss on foreign currency transactions . . . . .	149,741	21,744,327
Miscellaneous nonoperating expenses . . . . .	<u>367,681</u>	<u>110,142</u>
Total deductions . . . . .	10,065,060	30,703,155
Net deductions . . . . .	9,842,532	30,685,357
Net earnings before payment to U.S. Treasury . . . . .	<u>\$ 454,737,704</u>	<u>\$ 360,506,788</u>
Dividends paid . . . . .	\$ 2,693,608	\$ 2,634,130
Paid to U.S. Treasury (interest on Federal Reserve notes) . . . . .	450,453,896	358,221,808
Transferred to Surplus, additions, deductions (-) . . . . .	<u>1,590,200</u>	<u>-349,150</u>
	<u>\$ 454,737,704</u>	<u>\$ 360,506,788</u>

# Annual Operations

## OPERATING STATISTICS

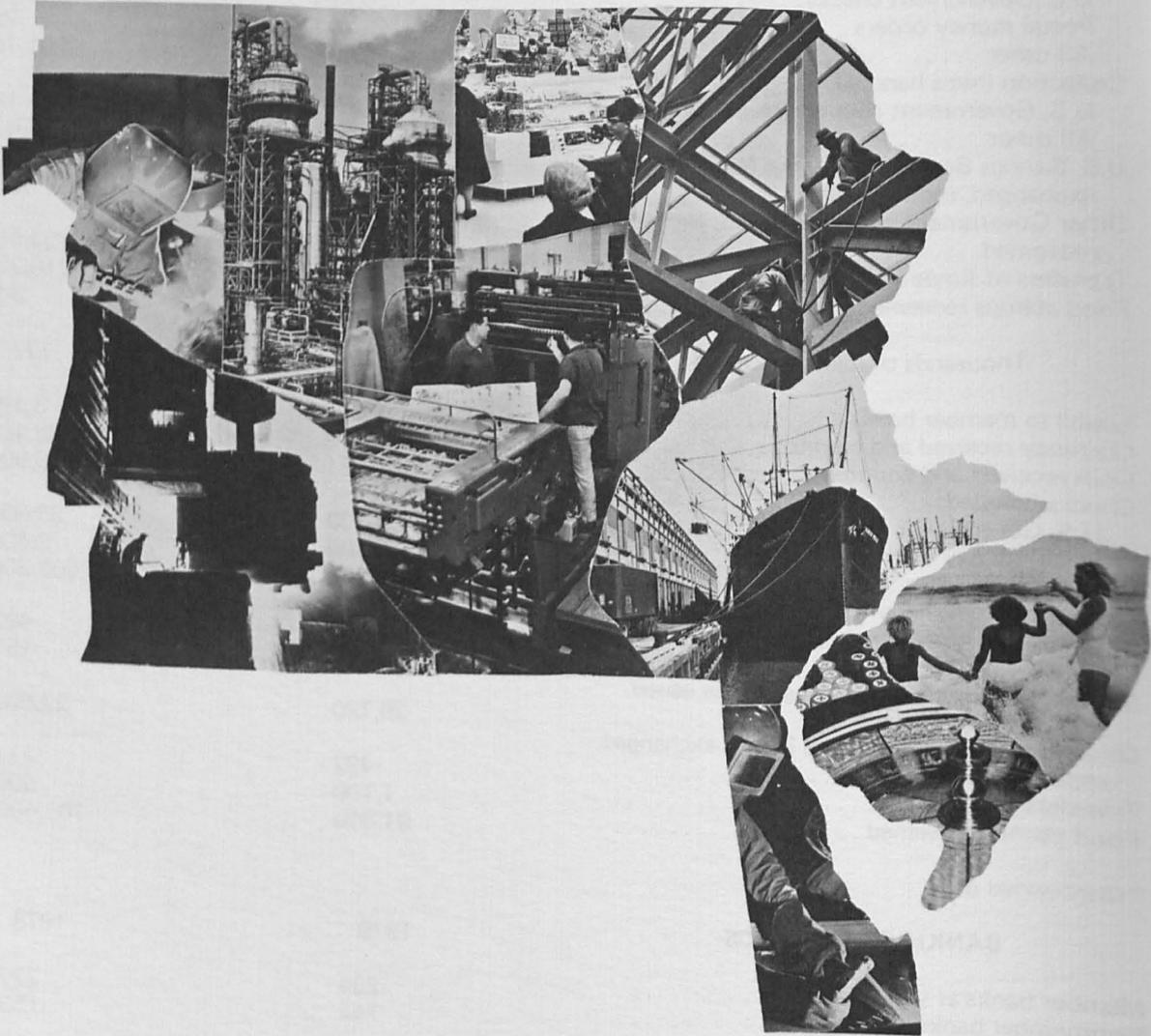
Millions of dollars	1979	1978
Loans to member banks . . . . .	\$ 23,224	\$ 12,646
Currency received and counted . . . . .	5,560	4,667
Coin received and counted . . . . .	135	118
Checks handled:		
U.S. Government checks . . . . .	28,924	15,376
Postal money orders . . . . .	253	250
All other . . . . .	279,491	252,708
Collection items handled:		
U.S. Government coupons paid . . . . .	95	146
All other . . . . .	1,144	3,426
U.S. Savings Bonds and Savings Notes issued, exchanged, redeemed . . . . .	1,741	1,376
Other Government securities issued, exchanged, redeemed . . . . .	153,368	134,965
Transfers of funds . . . . .	1,467,063	1,210,730
Food stamps redeemed . . . . .	313	367
Thousands of items processed	1979	1978
Loans to member banks . . . . .	3,907*	3,493*
Currency received and counted . . . . .	547,979	488,400
Coin received and counted . . . . .	901,281	815,000
Checks handled:		
U.S. Government checks . . . . .	34,700	33,600
Postal money orders . . . . .	6,200	6,600
All others . . . . .	630,300	602,200
Collection items handled:		
U.S. Government coupons paid . . . . .	350	422
All other . . . . .	160	157
U.S. Savings Bonds and Savings Notes issued, exchanged, redeemed . . . . .	25,790	22,800
Other Government securities issued, exchanged, redeemed . . . . .	422	217
Transfers of funds . . . . .	1,100	900
Food stamps redeemed . . . . .	91,300	101,400

\*Unrounded data

## BANKING STATISTICS

	1979	1978
Member banks at year end . . . . .	224	227
Nonmember banks at year end . . . . .	144	153

# The District Economy Showed Stamina in 1979



The Third Federal Reserve District has the problem of being older and colder than the nation as a whole. We have relatively more manufacturing in our economic mix and many of these facilities are showing their years. Winter weather puts us at a disadvantage and high wage rates are traditional here.

As a result, Third District growth has tended to lag behind the nation in recent decades. Both economies moved in the same general direction over business cycles but we seemed to have deeper recessions and somewhat less prosperity.

Some say this pattern is changing. A number of older factories have closed or moved away in recent years and, while painful in the short run, this attrition could help the District in two ways. First, it reduces the overall importance of manufacturing in the local economy and manufacturing is particularly susceptible to recessions. Second, the plants that remain are likely to be newer and more efficient and thus better able to compete.

The year 1979 was a mixed one for the District economy, with a recession ever-lurking but never really materializing. According to this Bank's surveys, manufacturing activity was fairly strong in the first half of the year but slipped steadily in the second. Nevertheless, personal income in the Third District states grew substantially throughout the entire year. Its rate of increase

was not quite up to the national average but then neither was the inflation rate here.

Rising personal income and declining unemployment helped to make 1979 a good year for District retailers. The gas lines in June and July hurt but the pain was short-lived and pretty much confined to suburban shopping centers. Christmas sales came on strong as shoppers emphasized quality gifts.

Non-residential construction was another high spot in 1979. The Philadelphia area did particularly well with the dollar volume up 75 percent in the first nine months of the year. There is a boom in office building construction here and at least eight major projects now are underway in center city Philadelphia alone. Housing in the District held up surprisingly well until October when scarce, expensive mortgage money began to dampen the industry.

Summer resorts in the mountains and along the shore had a disappointing year, with one exception. First, it was the gas shortage that kept people home, and then it was the weather. But neither slowed the wheeling and dealing in Atlantic City which continued its climb toward new prosperity.

As we enter the 1980s, it appears that the Third District economy has increased its stamina by trimming down and diversifying a bit. If we keep on this regimen, it should be a good decade.