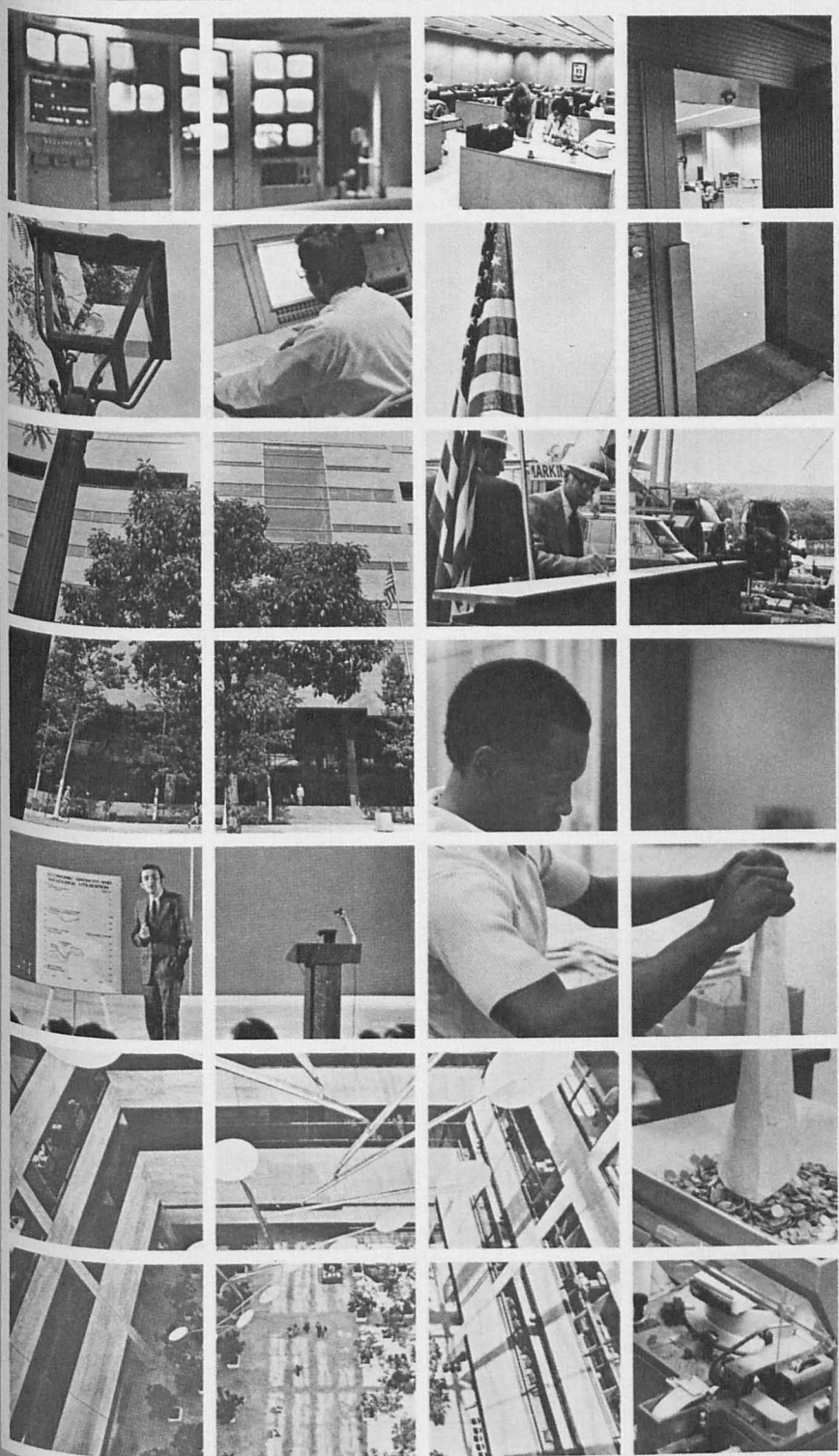


# 1980 Annual Report



Federal  
Reserve  
Bank of  
Philadelphia



# 1980 Annual Report

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Federal  
Reserve  
Bank of  
Philadelphia

# President's Message

**A**fter 38 years with this Bank, the last 11 of them as president, I have decided to move on to other interests and activities. As my central banking career nears its end and I become reflective, a number of things give me satisfaction.

One is the new management systems and techniques that this Bank adopted for itself and pioneered for the Federal Reserve System. During the past decade we improved accounting and cost control systems; we established new procedures for setting goals and objectives; we developed better ways of planning and budgeting; and we found more effective methods to measure both individual and bank-wide performances. These operational improvements were accomplished without detracting from the Bank's traditional emphasis on people factors such as training, benefits, and compensation.

The end results are gratifying. Since the mid-1970s this Bank's unit operating costs have been stable while inflation as measured by the GNP deflator increased more than 40 percent. During that time we have actually decreased total employment while improving both the quality of operations and our operational efficiency compared to other Reserve Banks.

Another satisfaction is the Bank's new building which was completed in 1976. The project came in on schedule and under budget which I understand is something of a rarity. And, after four and a half years' experience, I can report that we have a building that works—an appropriate and efficient home for a Reserve Bank and its employees.

In my first report to our directors back in 1970, I recognized the need to look outward, to take a fresh look at the Bank's relationships with its several publics. We did exactly that over the intervening years. We reached out to bankers with new publications and meetings, to consumers with films and pamphlets, to students and teachers with presentations and visits and to the local business community with a series of forums and luncheons. Scores of special papers for economists were prepared and our building's facilities were available to a wide variety of non-profit groups. In addition there is the ongoing series of concerts we have been presenting in our auditorium for people working in the Independence Mall area.

Now at the conclusion of my presidency we are looking



Executive Changes

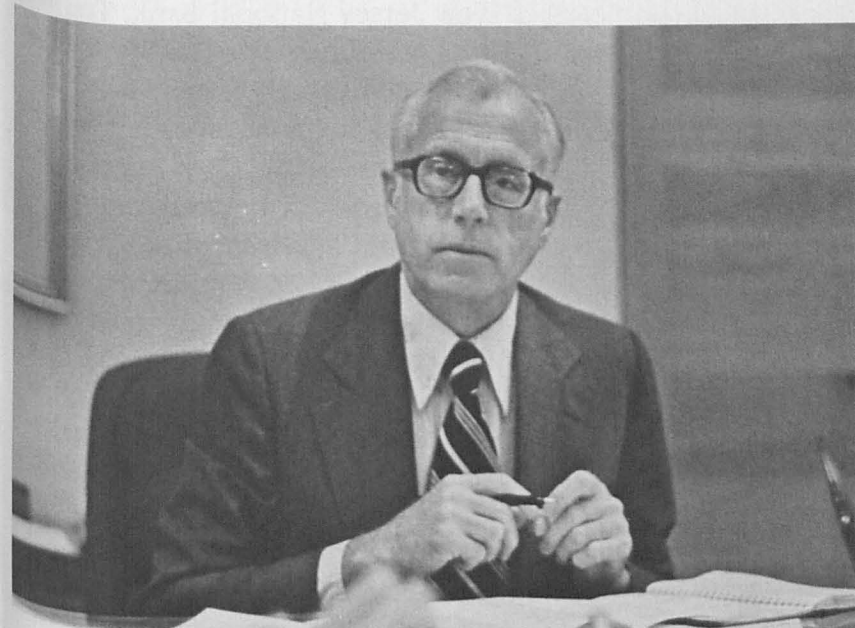
outward with renewed emphasis to establish ties with the many depository institutions that have become new constituents under the Monetary Control Act of 1980.

I have long held the belief that chief executives have an obligation to develop their own potential successors. Thus I am delighted that Ed Boehne will take my place as president of this Bank on February 1, 1981. Ed has been with us since 1968 and has built an enviable record. He was unanimously elected by our Board after 70 or more candidates had been carefully screened.

Looking ahead I am sure that the Bank will face an increasing number of serious challenges, but I take comfort in the belief that it is in good condition to deal with whatever the future holds. The current staff of officers and employees is the most effective team I have known.

I feel the sadness that goes with the end of an association that covered almost four decades, but have the confidence that I couldn't leave the Bank in better hands.

*David P. Eastman*  
President



# Executive Changes

John W. Eckman, Chairman and Chief Executive Officer of Rorer Group Inc., Fort Washington, Pennsylvania, was redesignated Chairman of the Board of this Bank for 1981. Jean A. Crockett, Chairman of the Finance Department and Professor of Finance at the Wharton School of the University of Pennsylvania, Philadelphia, Pennsylvania, was named to serve as Deputy Chairman for 1981. The appointments, announced in 1980, were made by the Board of Governors of the Federal Reserve System.

The Reserve Board also appointed Robert M. Landis, attorney and partner in the Philadelphia law firm of Dechert, Price & Rhoads, to a three-year term as a Class C director of this Bank. Mr. Landis succeeds Werner C. Brown, retired Chairman of the Board of Hercules Incorporated, Wilmington, Delaware, whose term expired December 31, 1980. Mr. Brown also served as Deputy Chairman of the Philadelphia Reserve Bank from 1977 to 1980.

In balloting held in December 1980, large member banks in the Third District elected Roger S. Hillas, Chairman and President of The Provident National Bank, Philadelphia, Pennsylvania, to a three-year term as a Class A director of this Bank. He succeeds John R. Biechler, President and Chief Executive Officer of The Commonwealth National Bank, Harrisburg, Pennsylvania.

The Board of Directors of this Bank selected John H. Walther, Chairman of the Board of New Jersey National Bank, Trenton, New Jersey, to represent the Third District on the Federal Advisory Council during 1981. Mr. Walther succeeds William B. Eagleson, Jr., Chairman and President of Girard Bank, Philadelphia, Pennsylvania.

The year brought news of change in the presidency of the Bank. In September, President David P. Eastburn announced his intention to take early retirement after serving the Bank for nearly four decades. An extensive search was made by a special committee of our Board of Directors and on December 18, 1980, Edward G. Boehne was elected to be his successor.

Among the other official changes during 1980, Donald J. Mullineaux became Vice President and Director of Research, and James B. Duffy was promoted to Assistant Vice President in the Cash Operations Department. Six new appointments to the Bank's official staff also were announced: John M. Gruenstein, Research Officer and Economist; Alan Kiel, Staffing and Development

Director

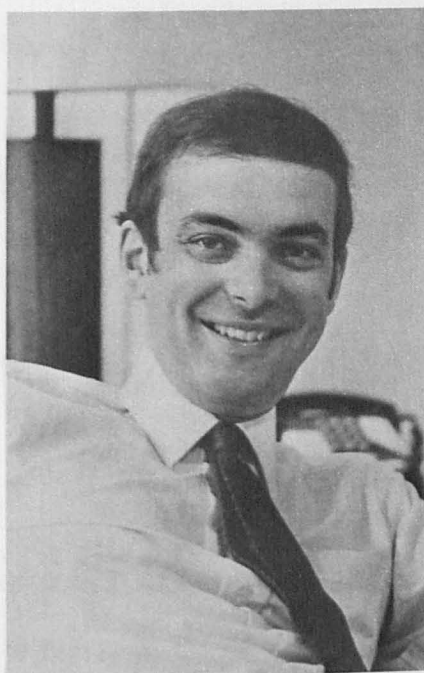
Officer; Robert S. Kishel, Systems Development and Support Officer; Richard W. Lang, Research Officer and Economist; Janice M. Moulton, Research Officer and Economist; and Aris Protopapadakis, Research Officer and Economist.

After 29 years with the Bank, G. William Metz, Vice President for Fiscal and Cash Operations, retired in April. The following officers resigned to accept other positions: W. Lee Hoskins, Carol A. Karkut, William J. Kouser, and Thomas J. McCoy.

Edward G. Boehne brings a wide range of experience to his new position as incoming President of the Philadelphia Reserve Bank. Ed joined the Bank as an economist in 1968. He became an officer of the Bank in 1970, vice president the following year, and senior vice president in 1973. As senior vice president he has been responsible for the supervision of bank holding companies and state member banks, this Bank's lending operations, its economic research activities, and its external programs, including bank and public services and consumer affairs.

Ed was Chairman of the Federal Reserve System's Committee on Business Analysis from 1974 to 1977 and twice served as an associate economist for the Federal Open Market Committee. He is active in community and civic affairs, and has written and spoken widely on a variety of economic and financial topics.

A native of Evansville, Indiana, Ed is a graduate of Indiana University in Bloomington, Indiana, where he received his doctorate in economics.



*Edward G. Boehne*



# Directors

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## **CHAIRMAN**

John W. Eckman, Chairman and Chief Executive Officer  
Rorer Group Inc.  
Fort Washington, Pennsylvania

## **DEPUTY CHAIRMAN**

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

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

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

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

Roger S. Hillas, Chairman and President  
The Provident National Bank  
Philadelphia, Pennsylvania

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

Robert M. Landis, Partner  
Dechert, Price & Rhoads  
Philadelphia, Pennsylvania

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

## **MEMBER OF THE FEDERAL ADVISORY COUNCIL**

John H. Walther, Chairman  
New Jersey National Bank  
Trenton, New Jersey



# 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

Hilary H. Holloway  
Vice President and General Counsel

Alexander A. Kudelich  
Vice President

Donald J. McAneny  
Vice President and General Auditor

Donald J. Mullineaux  
Vice President and  
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

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  
Assistant Vice President

Ronald G. Foley  
Assistant Vice President

Stanley J. Forst  
Automation Planning Officer

John M. L. Gruenstein  
Research Officer and Economist

Judith H. Helmuth  
Custody Control Officer and  
Assistant Secretary

Jerry Katz  
Compensation and Benefits Officer

Alan L. Kiel  
Staffing and Development Officer

Paul E. Kirn, Jr.  
Assistant Vice President

Robert S. Kishel  
Systems Development and  
Support Officer

Richard W. Lang  
Research Officer and Economist

Edwin C. Lodge  
Statistical Officer

Frederick M. Manning  
Assistant Vice President and  
Assistant Secretary

Arthur L. Morath, Jr.  
Assistant Vice President

Janice M. Moulton  
Research Officer and Economist

Joseph J. Ponczka  
Examining Officer

Aris Protopapadakis  
Research Officer and Economist

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, 1981

# Statement of Condition

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## ASSETS

	December 31, 1980	December 31, 1979
Gold certificate account .....	\$ 560,000,000	\$ 924,023,300
Special drawing rights certificate .....	121,000,000	91,000,000
Other cash .....	18,768,495	20,592,085
Loans and securities:		
Discounts and advances .....	54,540,000	15,980,000
Federal Agency obligations .....	379,421,423	392,827,991
United States Government securities .....	5,179,432,849	5,560,440,512
Total Loans and Securities .....	<u>\$ 5,613,394,272</u>	<u>\$ 5,969,248,503</u>
Other assets:		
Cash items in process of collection .....	424,699,793	439,430,599
Bank premises .....	52,815,268	53,911,345
Operating equipment - net .....	6,587,996	7,215,181
All other .....	339,405,368	255,958,396
Interdistrict settlement account .....	-836,875,912	-739,036,872
Total Assets .....	<u><u>\$ 6,299,795,280</u></u>	<u><u>\$ 7,022,342,537</u></u>

## LIABILITIES & CAPITAL

Note liabilities:		
Federal Reserve notes .....	\$ 5,275,904,202	\$ 5,456,725,146
Deposits:		
Member bank reserve accounts .....	575,649,412	825,201,283
U.S. Treasury - general account .....	0	249,332,927
Foreign .....	13,884,000	12,259,000
All other .....	9,525,443	45,450,139
Total Deposits .....	<u>\$ 599,058,855</u>	<u>\$ 1,132,243,349</u>
Other liabilities:		
Deferred availability cash items .....	237,066,863	238,900,700
All other .....	95,857,060	103,694,442
Total Liabilities .....	<u>\$ 6,207,886,980</u>	<u>\$ 6,931,563,637</u>
Capital accounts:		
Capital paid in .....	45,954,150	45,389,450
Surplus .....	45,954,150	45,389,450
Total Liabilities and Capital Accounts .....	<u><u>\$ 6,299,795,280</u></u>	<u><u>\$ 7,022,342,537</u></u>

# Earnings and Expenses

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	1980	1979
Current earnings:		
From U.S. Government securities. ....	\$ 554,382,814	\$ 486,395,139
From discounts, advances and miscellaneous sources. ....	36,128,609	13,843,008
Total current earnings. ....	590,511,423	500,238,147
Net expenses:		
Operating expenses (after deducting reimbursable or recoverable expenses). ....	36,833,895	32,395,257
Federal Reserve currency. ....	3,361,000	3,262,654
Total net expenses. ....	40,194,895	35,657,911
Current net earnings. ....	550,316,528	464,580,236
Additions to current net earnings:		
Gain on foreign currency transactions. ....	3,748,629	
Miscellaneous nonoperating income. ....	9,319	222,528
Total additions. ....	3,757,948	222,528
Deductions from current net earnings:		
Assessment for expenses of the Board of Governors. ....	2,428,200	2,044,800
Loss on sales of U.S. Government securities (net). ....	9,141,236	7,502,838
Loss on foreign currency transactions. ....		149,741
Miscellaneous nonoperating expenses. ....	413,798	367,681
Total deductions. ....	11,983,234	10,065,060
Net deductions. ....	8,225,286	9,842,532
Net earnings before payment to U.S. Treasury. ....	\$ 542,091,242	\$ 454,737,704
Dividends paid. ....	\$ 2,649,084	\$ 2,693,608
Paid to U.S. Treasury (interest on Federal Reserve notes). ....	538,877,458	450,453,896
Transferred to Surplus, additions. ....	564,700	1,590,200
	\$ 542,091,242	\$ 454,737,704

# Annual Operations

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## OPERATING STATISTICS

MILLIONS OF DOLLARS	1980	1979
Loans to member banks .....	\$ 58,544	\$ 23,224
Currency received and counted .....	6,317	5,560
Coin received and counted .....	136	135
Checks handled:		
U.S. Government checks .....	37,212	28,924
Postal money orders .....	281	253
All other .....	299,003	279,491
Collection items handled:		
U.S. Government coupons paid .....	90	95
All other .....	1,521	1,144
U.S. Savings Bonds and Savings Notes issued, ex- changed, redeemed .....	2,011	1,741
Other Government securities issued, exchanged, redeemed .....	168,530	153,368
Transfers of funds .....	1,577,011	1,467,063
Food stamps redeemed .....	338	313

THOUSANDS OF ITEMS PROCESSED	1980	1979
Loans to member banks .....	1,850*	3,907*
Currency received and counted .....	620,500	547,979
Coin received and counted .....	854,900	901,281
Checks handled:		
U.S. Government checks .....	33,600	34,700
Postal money orders .....	6,500	6,200
All others .....	658,000	630,300
Collection items handled:		
U.S. Government coupons paid .....	400	350
All other .....	400	160
U.S. Savings Bonds and Savings Notes issued, ex- changed, redeemed .....	24,100	25,790
Other Government securities issued, exchanged, re- deemed .....	300	422
Transfers of funds .....	1,300	1,100
Food stamps redeemed .....	99,000	91,300

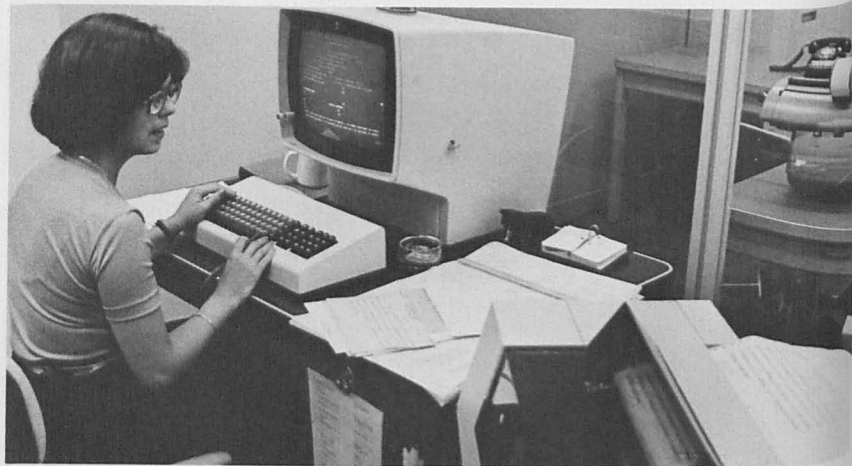
\*Unrounded data

## BANKING STATISTICS

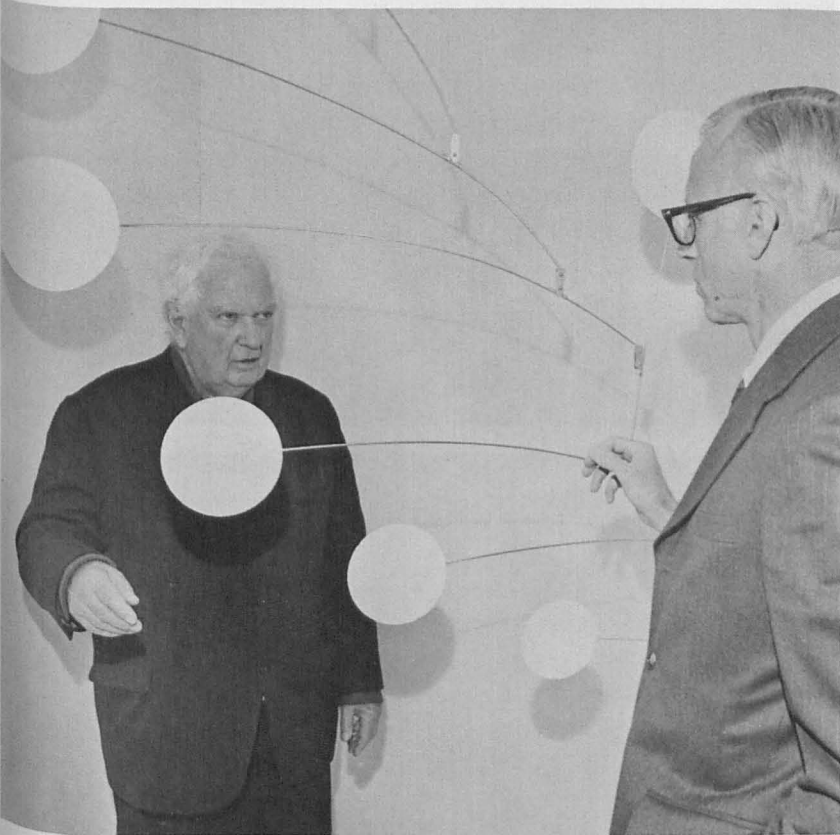
	1980	1979
Member banks at year end .....	214	224
Nonmember banks at year end .....	144	144

# During the Past Decade

. . . New operational and management techniques helped boost productivity while improving quality and effectively controlling costs.



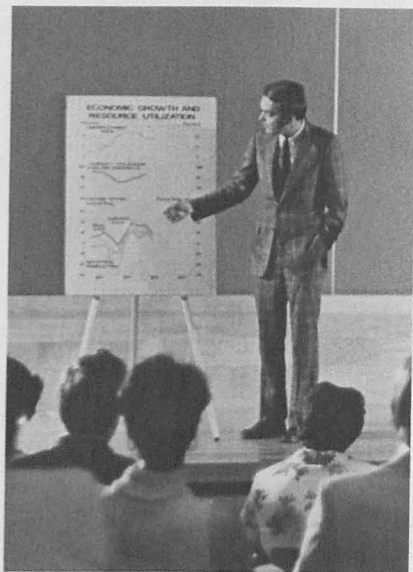




. . . A new and workable building to house the Bank's operations was initiated and constructed.



... The Bank reached out to both traditional and new constituents in the area.



Federal Reserve Bank of Philadelphia • Philadelphia, Pennsylvania 19105