

## IMPACT OF THE WAR ON BANK ASSETS AND EARNINGS

### I. Significant changes in asset and liability structure.

#### A. Basic changes in uses and sources of funds.

##### 1. Demand deposits.

Doubled between 1933 and 1939.

Tripled between 1933 and 1942.

- a. 40 per cent of increase since 1933 result of \$15 billion increase in monetary gold stock.
- b. 60 per cent created by banks.

##### 2. Loans and investments

###### a. World War I.

1914-1919 loans increased \$12 billion including \$2 $\frac{1}{2}$  billion in war paper.

Holdings of Governments increased only \$2.6 billion.

Slogan - "Borrow and Buy"

###### b. World War II.

From October 2, 1939 to June 30, 1942 loans increased only \$3 $\frac{1}{2}$  billion.

Holdings of Governments increased \$10 $\frac{1}{2}$  billions.

Slogan - "Save and Buy"

#### B. Implications of changes in character of bank assets.

##### 1. to capital ratio.

- a. In 1843 = 200 per cent, yet banks failed.  
In 1914 = 20 per cent.  
In December 1941 = 10 per cent.  
In June 1942 = Ca. 9 $\frac{1}{2}$  per cent.  
Now, probably 8-9 per cent.

##### b. Discussion of more significant ratio.

2. Implications to earnings and dividends.

- a. Total dollar earnings will increase.
- b. Conservative dividend policy.

ii. Banking conditions in Atlantic and Cape May counties.

A. Type of banking business.

- 1. Had population of
  - Atlantic - 124,066
  - Cape May - 28,919
- 2. Agriculture
- 3. Industry
- 4. Tourist trade.

B. Loans and discounts

1. Type

	<u>Distribution</u>					
	<u>Cape May</u>		<u>Atlantic</u>		<u>District</u>	
	<u>Ma</u>	<u>Ra</u>	<u>Ma</u>	<u>Ra</u>	<u>Ma</u>	<u>Ra</u>
Commercial, industrial, farm.....	22.6	25.2	29.4	30.4	39.1	25.5
Open Market paper.	—	—	4.8	2.3	5.1	2.1
Loans to brokers & dealers in securities.....	—	—	—	—	2.6	.1
Other securities loans.....	1.7	.4	—	—	4.9	3.2
Real estate loans.	25.3	29.1	33.0	32.6	23.9	39.7
Loans to banks.....	—	—	2.1	8.0	.6	.2
All other loans...	53.4	45.3	31.0	26.9	24.2	29.2
<b>Consumer loans</b>						
Retail Instalment paper purchased.	2.6		1.1		3.3	
Retail Instalment paper direct loans	2.0		1.4		.9	
FHA Title I loans.	2.6		2.1		1.1	
Personal Instalment cash loans.	2.6		4.7		1.7	
	9.8	9.3	9.3	8.8	7.0	6.2