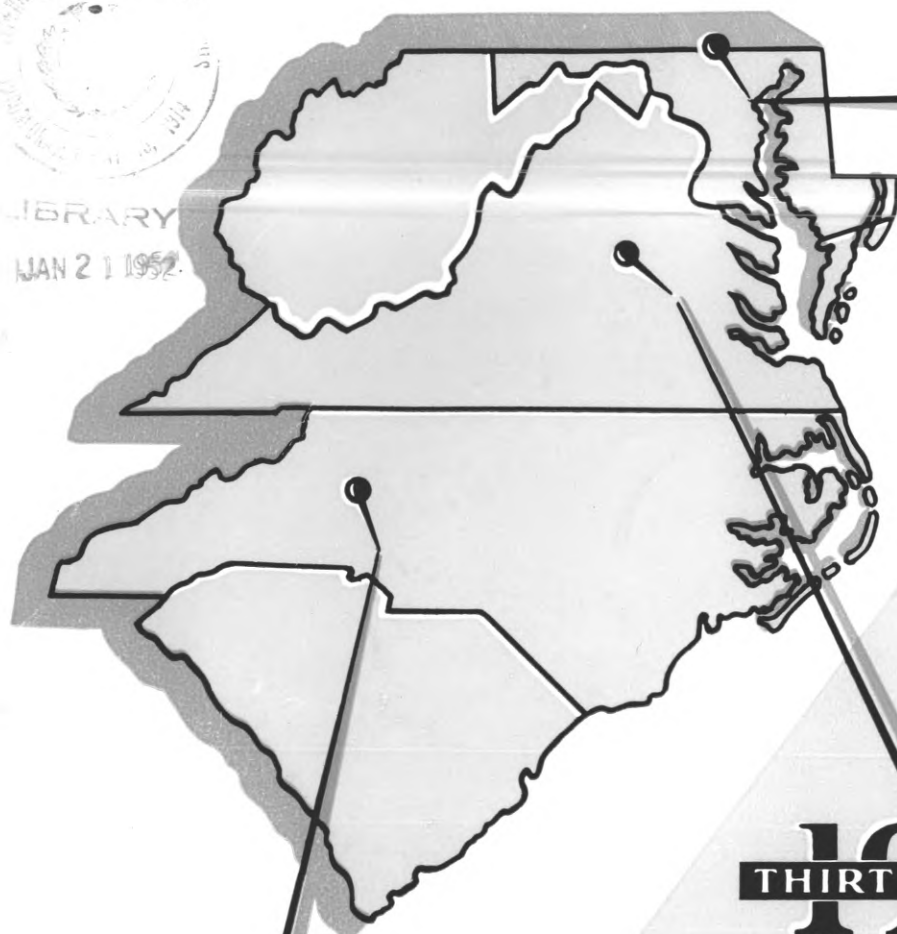




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THIRTY SEVENTH
1951

ANNUAL REPORT



**FEDERAL RESERVE BANK
OF RICHMOND**





NEW ADDITION AT RICHMOND OFFICE NEARS COMPLETION

It Will Add 64,000 Square Feet Of Working Space In Mid-1952

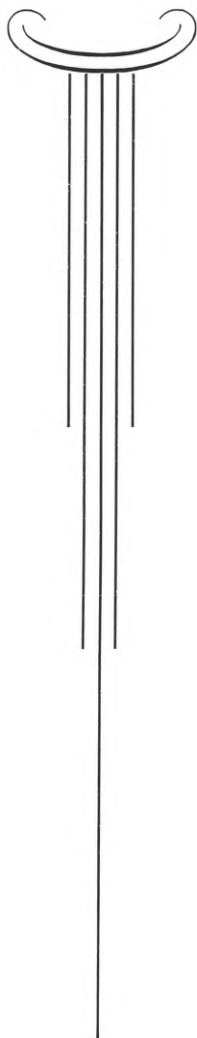
FEDERAL RESERVE BANK
of
RICHMOND



THIRTY-SEVENTH ANNUAL REPORT
FOR THE YEAR
1951



RICHMOND, VIRGINIA
January 1952



TO THE MEMBER BANKS:

It is with pleasure that I present on the following pages the 37th Annual Report of this bank, for the year 1951. In addition to the customary comparative financial statements, there are included a resume of 1951 banking and business developments in the Fifth District and brief descriptions of certain services rendered to our member banks and others.

In order to make the statistics more meaningful and expressive of the scope and variety of the Federal Reserve Bank's activities, some explanatory comments and a number of graphic presentations have been included. It is hoped that they will prove interesting.

For the splendid cooperation extended us throughout the years by the banks of the District, we are grateful. We look forward to a continuance of these mutually agreeable relationships, for they undoubtedly contribute to a better banking system.

Sincerely yours,

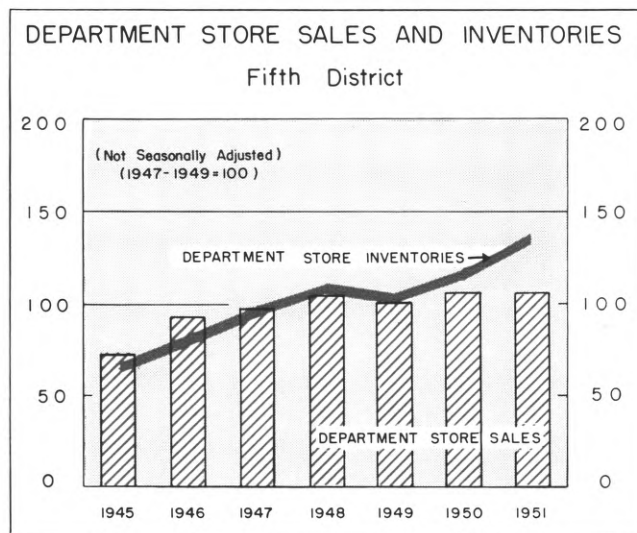
President

BUSINESS and BANKING DEVELOPMENTS IN 1951

THRIVING during the first half-year, wilting a little in some important lines in the later months, Fifth District business in 1951 could be summed up in a phrase—generally good, and giving promise of improvement in the year ahead.

Nearly everything the Fifth District makes and the products its earth yields—cotton and synthetic textiles and their basic raw materials, hosiery and apparel, tobacco and cigarettes, lumber and furniture, bituminous coal, chemicals, ships—were in increasing and near-record demand in the early months of the year, and the District put on pressure to meet the challenge. Industrial production moved forward briskly. Wholesale and retail trade, spurred by a second wave of war-scare buying, rose sharply, and inventory build-up kept pace. Farmers were asked to produce bigger crops—and set out to do so.

Increased business activity and inventory accumulation brought demand for credit, and bank loans, particularly those to commerce, industry, and agriculture, soared to record high levels. Demand deposits were running well ahead of a year earlier.



● Department store sales in the Fifth District rose 5 per cent from 1950 to 1951 which compares with a gain of a little better than 3 per cent in the United States as a whole. Despite the erratic move occasioned by scare buying, Fifth District department store sales have shown a pronounced upward trend since the Spring of the year. In the above chart, store inventories are based on the average for the year, showing 1951 moderately higher than in 1950 and considerably above 1949. Since mid-1951, however, the trend of inventories has been downward.

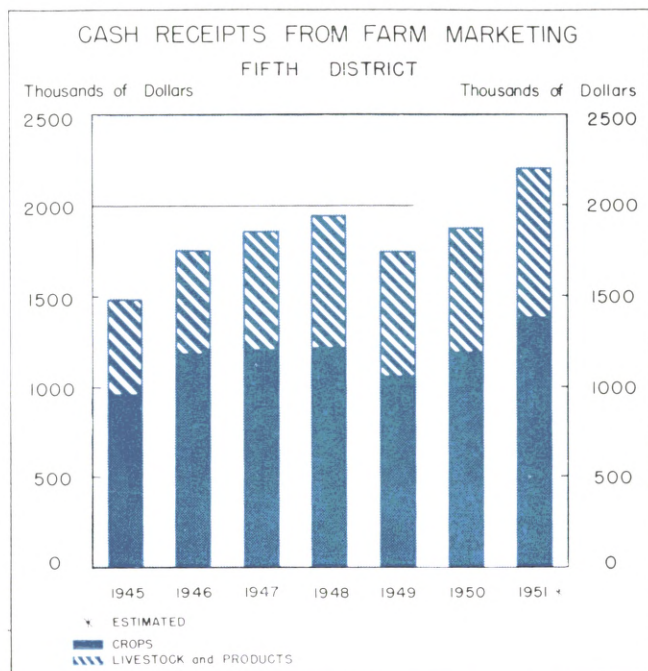
By mid-year, however, the picture had changed somewhat. Textiles felt a lessening demand, as did other soft goods. Wholesale and retail trade slowed as consumers found no serious shortages had developed or were in immediate prospect; but in only a few months did the levels fall behind those of 1950.

Banks' business lending contracted, reflecting the impact of general and selective credit controls, the business slowdown, and in part the effect of the Voluntary Credit Restraint Program, inaugurated in the Spring, with which Fifth District bankers cooperated in an effort to reduce non-defense lending and channel loans into defense production. (But demand deposits continued to mount, and savings moved ahead strongly in the latter months.)

Signs of Improvement Seen

As the year drew to a close, however, the leveling off and declining trends seemed to be waning. New signs of revival were appearing even in the weaker lines. Expenditures of Government defense dollars were having their effect in the Fifth District. Some areas, notably those with heavy industry, were getting defense production contracts, and money was finding its way around. Employment in the Fifth District reached the year's high in the Fall, drawing to within 4 per cent of the wartime peak of 1943, and although hours of work were reduced in such

BUSINESS and BANKING . . .



● The rise in farm income from 1950 to 1951 of about 17 per cent was somewhat larger than can be anticipated for the year 1952. The general outlook for farm income in 1952 points to a higher level chiefly because of expected increases in crop and livestock marketings. Crop prices seem likely to be stronger than those of livestock. This is particularly true in the case of cotton.

industries as textiles, apparel, hosiery, and rayon toward the end of the year, nowhere in the District was the number of unemployed more than nominal.

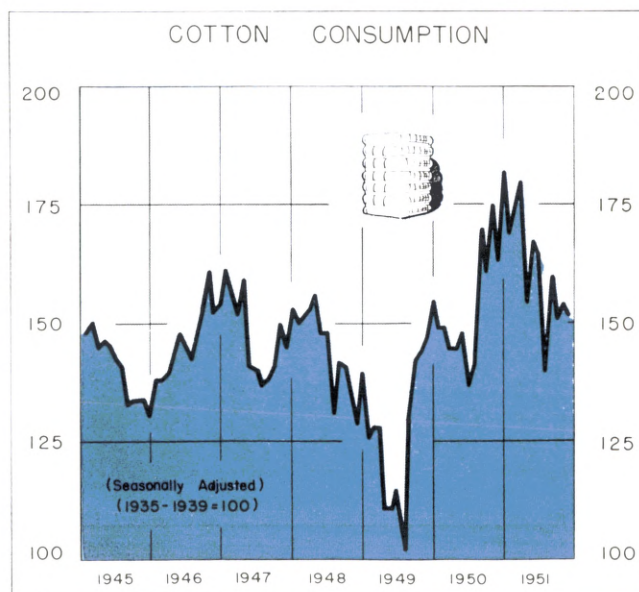
Despite the setbacks of the second half-year, it seemed probable that when all of 1951's figures had been totted up the business situation in the Fifth District would have measured up well against 1950 and all but the peak war-time years.

Developments of an Active Year

These, in brief, were the developments of the year in the most significant of the Fifth District's industries:

Cotton textiles—Very good first half. Prices weakened in second quarter and production declined in the latter months. Year expected to equal 1950, however, with improvement in sight for 1952. . . . **Hosiery**—Record output in first six months exceeded later demand. Last-half operations reduced. Prices at unprofitable level at year-end. . . . **Rayon**—Letdown in late months after peak production in earlier period. Firming prices at year-end

intimated better future levels of activity. . . . **Cigarettes**—Production, in which Fifth District leads nation, about 4 per cent over 1950. . . . **Lumber**—Production at post-war peak in first half, with moderately reduced operations thereafter. . . . **Furniture**—Manufacturing at record high early in year. Retail inventory accumulations brought reduced factory operations later. Sales at retail improving at year-end. . . . **Construction**—Impact of new factory, utility plant, and municipal construction, plus vast Savannah River atomic energy project, sent total contract awards some 43 per cent above 1950. Half-billion dollars worth of military construction set for 1952. . . . **Bituminous coal**—Output 16 per cent over 1950. Domestic consumption up moderately, and exports more than doubled. . . . **Chemicals**—Production increased considerably, spurred by defense orders. . . . **Shipbuilding**—Very active in latter part of year. Manpower shortage growing. . . . **Farming**—Good year for farmers. Production, prices, and gross and net income all above 1950. Cash farm income topped 1950 by about 17 per cent, net income by some 23 per cent. . . . **Electric power**—Production up 12 per cent over 1950. . . . **Retail trade**—Department store dollar volume exceeded 1950 by 5 per cent. Furniture store



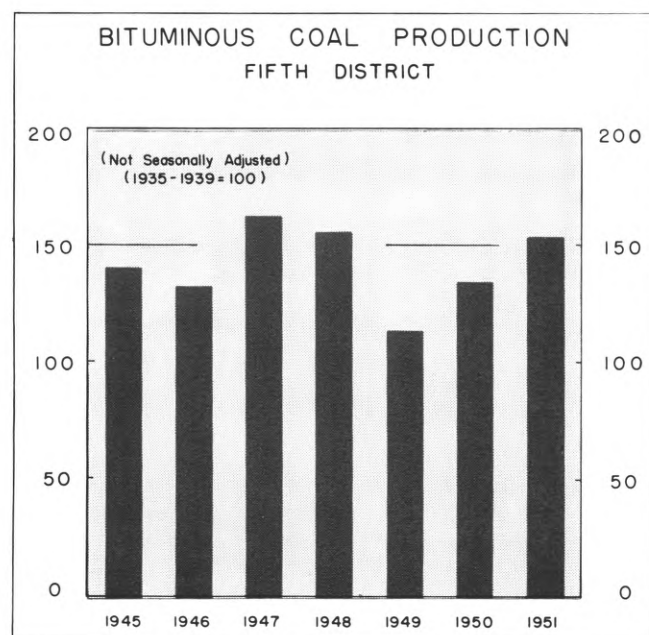
● Cotton consumed in the mills of the Fifth District established an all-time high level early in 1951 with the exception of one month in 1942. Much of this production was for inventory in secondary sources. Although retail trade in cotton goods showed a good performance during 1951, it failed to reach the early anticipations of converters and cutters and their withdrawal from primary markets resulted in a downturn in mill consumption of cotton during most of the year.

dollar volume down 1 per cent. Grocery store dollar volume up about 4 per cent.

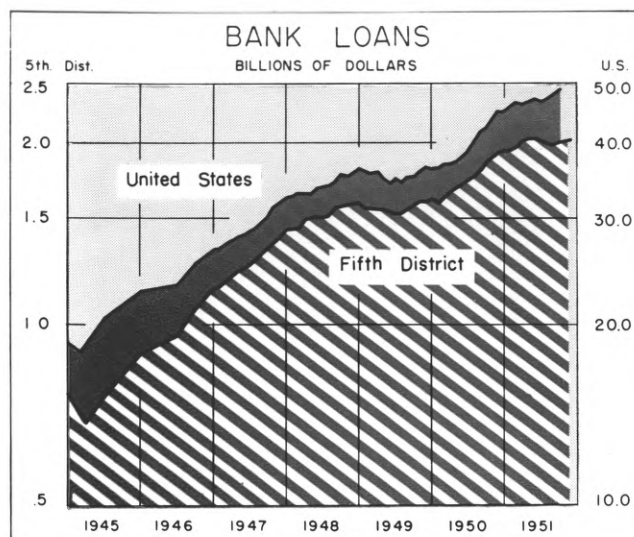
New Records Set in Banking

The year for Fifth District banking—with deposits and debits, among other things, reaching a new high—was a busy one and one of unexpected developments.

Most striking of the unexpected turns was perhaps that of the loan situation. Loans of Fifth District member banks went to their highest point on record in the year's first quarter, but in the second quarter they fell sharply (and more than seasonally). In the second six months the increase in net loans was less than two per cent; the smallest second-half gain previously recorded in the post-war period was in 1948, when net loans moved up by 5 per cent. Business loans, which hit an all-time record in April, dropped at a greater than seasonal rate in mid-year, and the Fall increase, which came considerably later than usual, was also considerably smaller than usual. The



● Bituminous coal output in the United States rose 4 per cent in 1951 over the previous year. Output in the Fifth District in the same period rose 15 per cent. The larger increase in the District was due mainly to a gain of 123 per cent in total export volume with overseas shipments running more than 14 times those of a year earlier, and with the bulk of the export movement coming from Virginia and West Virginia and moving through Hampton Roads. Total domestic consumption rose 2 per cent and a further gain is indicated in 1952.



● Bank loans maintained a steady upward trend in the member banks of the United States due mainly to defense and defense-related requirements. Fifth District member bank loan trends have not kept pace of those nationally due to the setback in soft goods industries, and the District's comparative lack of heavy goods industries, which are currently getting the bulk of defense work. The Fifth District industrial outlook has improved and along with it the banking position.

record high in net loans in the first quarter, however, more than balanced later downturns, and the total outstanding as the year closed was estimated at some 5 per cent above that of year-end 1950.

Despite the lending slowdown of the second half, member bank deposits rose sharply. At year-end they were at a new all-time high of \$6.3 billion (estimated), substantially above the previous peak of \$6.0 billion at the close of 1950.

Holdings of Governments Rose

Reversing a trend of several years, the banks countered the loan slowdown with an increased build-up of Government securities holdings. Their purchases of Governments in the second half-year were at a greater rate than at any time since the early 1940's. At year-end total holdings were about \$2.7 billion, against \$2.4 billion at the end of 1950. With higher tax rates in force, banks also added to their holdings of other securities (largely tax-exempt municipals). Their holdings of other securities as the year ended amounted to an estimated \$385 million, well over the \$336 million of December 1950.

A YEAR OF SERVICE WAS A YEAR OF GREAT ACTIVITY

THE year 1951, which brought Fifth District banks one of the busiest twelve months in their history and saw such examples of "busy-ness" as bank debits and business loans rocket to unprecedented levels, was one of high activity at the Federal Reserve Bank of Richmond and its Baltimore and Charlotte branches. Great expansion in our services to member banks, to the area's banking community as a whole, and to the entire economy of the District set new volume records in nearly every one of the bank's departments. Because of the nature of our work, which touches upon all segments of the economy, the figures and commentary presented in the following pages may give a significant reflection of the state of business over the entire area we serve—Maryland, Virginia, West Virginia (except the six Northern Panhandle counties), North Carolina, South Carolina, and the District of Columbia.

Check Volume at Record High

Our Transit departments, for example, handled far more checks, totaling far greater amounts, than in any previous year in our thirty-seven years of operation. These departments, beginning July 1, also took on the job of handling the new punch-card Postal Money Orders for the Federal Government, a task which added 14 millions

← **FARMING IS OUR BUSINESS, TOO.** To emphasize the importance of bank credit in successful farming, the Federal Reserve Bank of Richmond, in cooperation with state bankers associations and agricultural educators, sponsored several series of farm meetings in South Carolina and Maryland in 1951. Picture on opposite page shows a group of bankers visiting a farm helped to prosperity by sound use of bank credit. Some 500 persons attended these "back to the soil" meetings.

of items to the ever-expanding volume of bank checks.

The Government checks sections processed a greater number of items than in any previous year except 1945, and the dollar volume of the Noncash Collections section was a new record.

Coin Shortage Brought Rationing

Never before in our history had the Money departments shipped and received such an almost astronomical total of currency and coin. In response to the swelling demand total shipments and receipts were nearly 20 per cent greater than in 1950—and, so far as coins were concerned, the total would have been greater but for the coin shortage which was felt in this District as in other areas. It was necessary late in the year to ration all denominations, particularly pennies, to member banks.

Fiscal Agency, the departments which issue, exchange, redeem, tabulate, and keep records of the Government securities transactions for the District, likewise had an active year, with a unit volume of items handled considerably greater than in 1950.

Other departments in the head office and the branches also met the challenge of the growing volume of work. The Discount and Credit Department, charged with the administration of the Federal Government's reactivated V-loan program and advances to member banks, and the Consumer Credit Department, responsible for the administration of the credit control measures, Regulations W and X, saw their work loads increased by wide margins. The Research Department at the Richmond head office, whose job it is to keep the bank's directors and officers and the Board of Governors informed of developments in the District economy and to provide member banks with information they need, played a significant part in the year's activity of service to banks, the District, and the nation.

Bank Sponsored Conferences

The bank's program of service to banking and the public was carried on at an intensive pace in many other ways. Through the Bank and Public Relations Department, the bank joined with state bankers associations in sponsoring conferences in Virginia and West Virginia, and staff members served as lecturers at each of these, as well as at the Carolinas Bankers Conference. In cooperation with the bankers associations the bank also presented several series of farm credit meetings in South Carolina and Maryland. Officers and other staff personnel made 1,036 calls on banks of the District, and 931 bankers visited our head office and branches.

Greater activity during the year at Richmond and the branches brought a need for more people to do the work. Through the Personnel Department and its "auxiliary units" at the branches 188 men and women joined the head office staff, 114 the Baltimore branch, and 46 the Charlotte branch. At year's end, 1,287 persons were on the roster. This was a net increase of 81 over 1950.

Throughout the year work continued on the new addition at the Richmond office. Now well on the way toward completion, the addition (see picture inside front cover) is expected to be ready for occupancy by mid-1952. It will provide some 64,000 square feet of sorely needed space for the head office's constantly growing work load.

A YEAR OF SERVICE . . .

MONEY DEPARTMENT

One of the most important services of the Federal Reserve Bank of Richmond is supplying the Fifth Federal Reserve District with currency and coin. The bank receives its coin and some of its currency from the United States Treasury, but the bulk of the new currency (about 85 per cent), although actually printed by the Treasury, is issued by the bank itself, backed 100 per cent by gold certificates and other acceptable collateral. Money is shipped to member banks when requested and is charged against their reserve accounts; money returned by member banks is credited to their reserve accounts.

MORE than five-and-a-quarter billion dollars in currency and coin were received and shipped by the Federal Reserve Bank of Richmond in 1951.

Five-and-a-quarter billion dollars in dollar bills placed end to end would encircle the globe 20 times. Stacked flat one atop the other they would make a tower 300 miles high. That much money is the equivalent of \$363 for every man, woman, and child in the Fifth District.

But handling that immense sum—sorting, counting, packaging, withdrawing worn-out currency from circulation, keeping a wary eye out for counterfeits, and above all keeping the books straight on every penny—was all in a year's work for the men and women of the Money departments of the bank and its Baltimore and Charlotte branches.

In terms of number of pieces of currency and coin handled, and in the dollar amount represented, 1951 was the highest year in the thirty-seven year history of the

Federal Reserve Bank of Richmond. In pieces handled the 1951 total was almost twice that of 1941, for example, and in dollar amount it was well over two times as great.

A breakdown of the total figures shows the interesting comparison between receipts and shipments of paper money and coins:

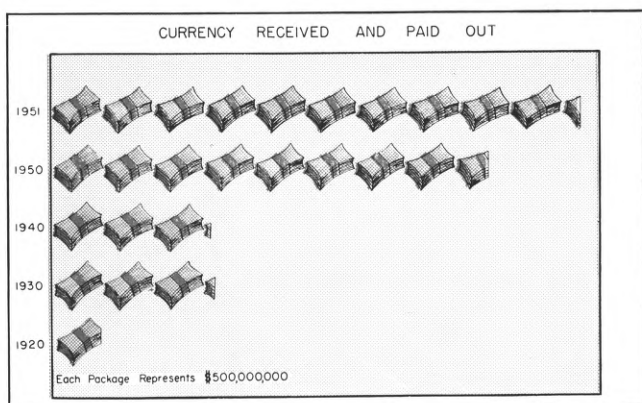
Currency—Number of pieces received, 429,607,727; number paid out, 428,364,953. Amount received \$2,605,454,687; amount paid out, \$2,606,106,908.

Coins—Number of pieces received, 691,188,757; number paid out, 696,550,728. Amount received, \$50,769,380; amount paid out, \$51,579,067.

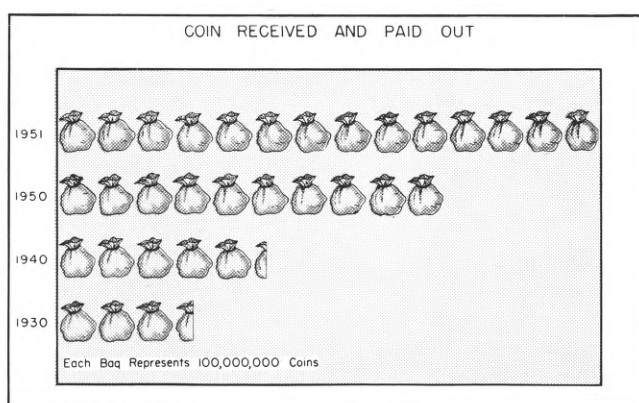
The following table gives a vivid picture of the growth of the Money Department operations since 1921, when the bank took over the complete currency and coin handling operation from the old Baltimore Sub-Treasury.

	1921	1950	1951
CURRENCY RECEIVED			
Pieces —*		392,590,360	429,607,727
Amount \$352,165,563		\$2,240,248,480	\$2,605,454,687
CURRENCY SHIPPED			
Pieces —*		390,816,623	428,364,953
Amount \$305,098,745		\$2,228,286,615	\$2,606,106,908
COIN RECEIVED			
Pieces —*		543,009,314	691,188,757
Amount —*		\$ 42,799,796	\$ 50,769,380
COIN SHIPPED			
Pieces —*		553,141,672	696,550,728
Amount —*		\$ 42,383,334	\$ 51,579,067

*Figures for currency include coin; no "piece-count" figures available.



● The Federal Reserve Bank of Richmond and its branches at Baltimore and Charlotte received and paid out a combined total of nearly five-and-a-quarter billion dollars in currency during 1951. This involved the handling of 857,972,680 pieces of paper money. Of the amount, \$3,300,000,000 went to and returned from banks of the Fifth District.



● The year 1951, as the chart so vividly shows, was the most active year in the history of the bank in receiving and paying out coins. Of the huge total represented, 691,188,757 coins were received and 696,550,728 were paid out into the stream of Fifth District economy, a tremendous increase in the past two decades.

TRANSIT DEPARTMENT

Federal Reserve banks serve as a nation-wide clearing house for the routing of checks among commercial banks. They accept and pay checks drawn by the Federal Government and also act as a clearing house for Postal Money Orders. As a service to member banks, they collect drafts, notes, acceptances, and other noncash items for these banks.

VOLUME of operations in the Transit departments of the Federal Reserve Bank of Richmond and its Baltimore and Charlotte branches in 1951 exceeded by far that of any other year in history.

A total of 179,387,000 checks sped through the bank and branches during the year, 20 per cent more than 1950's previous record of 149,362,000 and more than twice the number in 1941, just ten years ago. The amount of money represented in that vast number of checks was \$64,897,985,000, greater by 16 per cent than the 1950 total of \$56,089,893,000 and more than three times that of 1941.

The 394 men and women of the Transit departments (213 in Richmond, 113 in Baltimore, and 68 in Char-

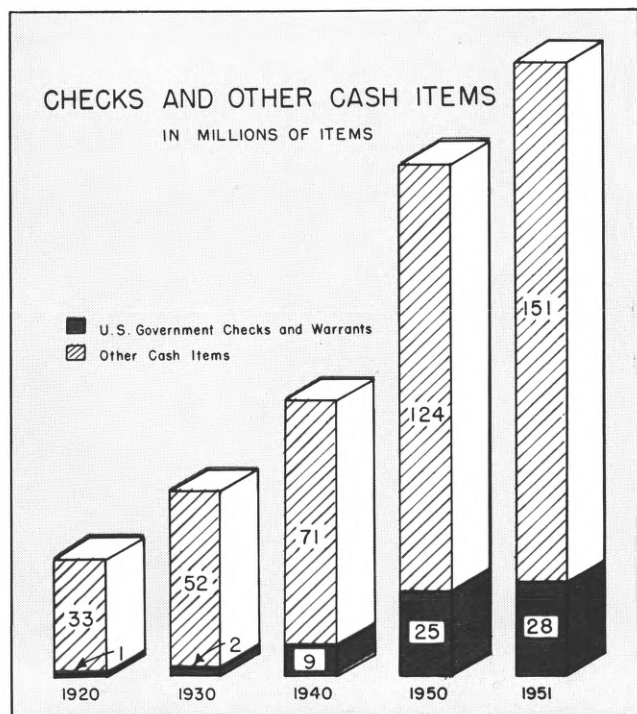
lotte) handled a daily average of 597,957 checks totaling \$216,326,617.

Of the year's huge number of checks, 28,094,000 amounting to \$4,588,976,000 were Government-issued—old age pensions, payments to military personnel and veterans, payments to farmers, etc.

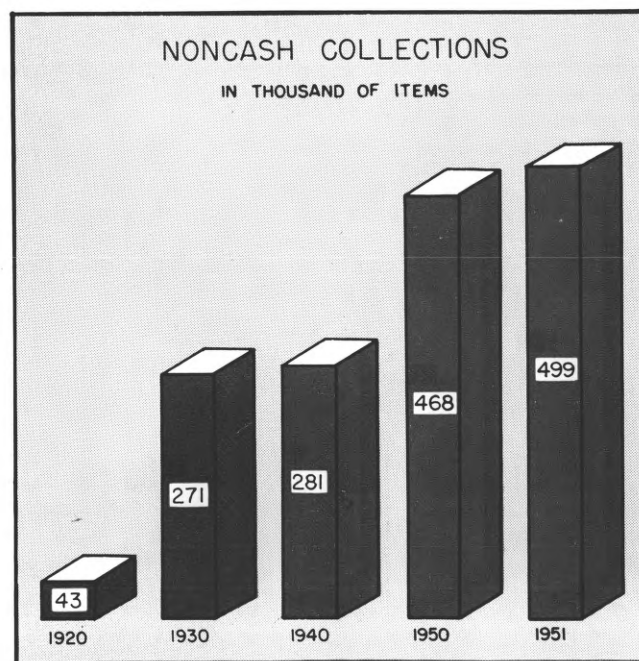
On July 1, after months of planning by the Federal Reserve System, the Post Office Department, and the Treasury, the Federal Reserve banks took on the gigantic task of clearing the newly developed punch-card Postal Money Orders for the Government. The new system, simplifying and speeding up the circulation and collection of money orders, also added a sizeable burden to the operations of the Transit departments. Volume of items handled quickly expanded, and by the end of the year a total of 13,721,000 money orders amounting to \$231,117,000 had cleared through the bank and its branches.

Noncash Collections were also at a record high in 1951, totaling 499,070 items, against the former peak of 467,982 in 1950. These items—drafts, notes, acceptances, and other items collected for member banks—amounted to \$178,593,000, somewhat less than 1950's \$194,823,000.

Charts below show the extent of expansion in transit operations.



● The chart, showing the remarkable expansion in the number of checks and other cash items processed through the Federal Reserve Bank of Richmond and its branches at Baltimore and Charlotte, furnishes striking evidence of the growth of the Federal Reserve Bank's service to banking in the Fifth District.



● Collection of drafts, notes, bonds, coupons, acceptances, and other items, one of many services performed for member banks by the Federal Reserve Bank of Richmond and its branches, rose to an all-time high level during 1951. The chart illustrates the growth in this service over a 31-year period.

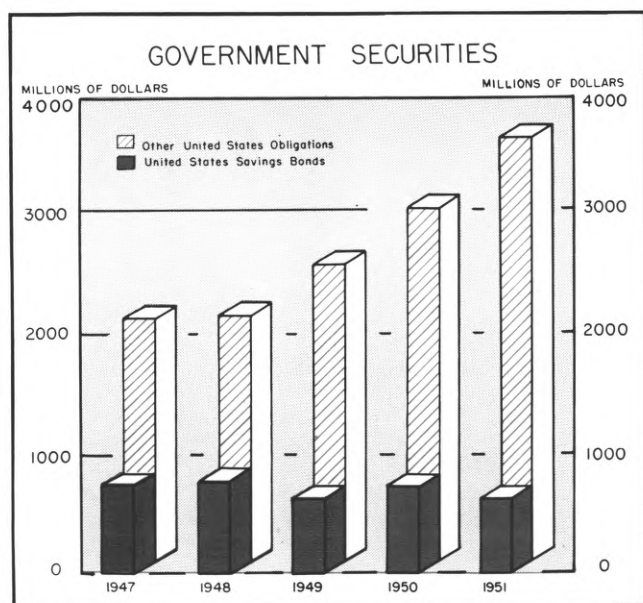
A YEAR OF SERVICE . . .

FISCAL AGENCY

Federal Reserve banks, acting as "fiscal agents" for the United States Government, serve the nation by assisting in the multitude of detail concerned with financing operations of the Treasury and Government agencies. The work of issuing, redeeming, exchanging and otherwise servicing all Government securities for the Fifth District is performed by the Fiscal Agency departments of the Federal Reserve Bank of Richmond and its Baltimore and Charlotte branches.

GOVERNMENT securities are of two kinds—marketable and non-marketable. As the words indicate, the former are those which, when issued by the Treasury (through Federal Reserve banks), may be traded in the financial markets; the others are those which may be sold and cashed only by the Treasury or its agents.

Marketable securities, which make up far the greatest part of the national debt, include: Treasury Bills, with maturities customarily of 91 days; Certificates of Indebtedness, with maturities up to one year; Treasury Notes, with maturities from one to five years; and Treasury Bonds, with maturities over five years. These are the kinds of securities which are bought by banks, insurance companies, corporations, and other investors. Total of all marketable Government securities outstanding at year-end 1951 amounted to \$142,685,298,770.



● The Fiscal Agency departments of the Federal Reserve Bank of Richmond and its branches in Baltimore and Charlotte, serving the Government and the people of the nation, issued, exchanged, and redeemed 11,191,000 individual items in Government securities during 1951. Dollar value represented in this number totaled \$4,295,301,000.

The principal non-marketable securities are Savings Bonds, with maturities of 10 and 12 years, and Treasury Savings Notes, with maturities of three years. The former, as the name implies, are bought by individuals as a safe form of investment saving; the latter may be used in payment of Federal taxes or redeemed for cash. At the end of the year these non-marketable securities outstanding in the nation amounted to about \$65,121,000,000, some 25 per cent of the national debt. (In the Fifth District, \$41,368,000 in Savings Bonds were in the Federal Reserve Bank vaults, held there in safekeeping as a service to their owners. Any owner of a Savings Bond has the privilege of using this service.)

Volume of Operations

Volume of activity in the Fiscal Agency departments of the bank and branches increased perceptibly during busy 1951. Both the number of Government securities issued, redeemed, exchanged, and otherwise serviced and the dollar amount represented were greater than in 1950.

On a unit basis, items handled in 1951 totaled 11,191,000, against 10,605,000 in 1950. In dollar value of securities handled, 1951 showed a total of \$4,295,301,000, compared with \$3,769,523,000 in the preceding year.

In addition 523,000 coupons from direct and fully guaranteed Government obligations amounting to \$47,095,000 were forwarded to the bank for payment. This compares with 545,000 totaling \$42,860,000 in 1950.

The table shows the volume in greater detail:

	1951	1950
MARKETABLE SECURITIES ISSUED, EXCHANGED, AND REDEEMED		
Number	150,000	145,000
Amount	\$3,680,202,000	\$3,055,637,000
SAVINGS BONDS ISSUED*		
Number	4,436,000	3,887,000
Amount	\$ 224,424,000	\$ 324,863,000
SAVINGS BONDS REDEEMED*		
Number	6,605,000	6,573,000
Amount	\$ 390,675,000	\$ 389,023,000
COUPONS PAID		
Number	523,000	545,000
Amount	47,095,000	42,860,000

*Note: A substantial part of the work involved in the issuance and redemption of Series E Savings Bonds was performed by commercial banks.

Trends in Savings Bonds

Sales of Series E Savings Bonds in the Fifth District in 1951 totaled \$199,685,000, a decline of 8.2 per cent from the 1950 sales of \$217,118,000. Redemptions of Series A-E Savings Bonds in the District in 1951 totaled \$331,000,000, a drop of 5.6 per cent from 1950. Net redemption of \$131,000,000 compares with a net redemption of \$133,423,000 in 1950, or a decline of 1.6 per cent.

Sales of Series E Bonds in the Fifth District, which had been moving downward since 1944, gave evidence of leveling off in 1951. At the same time, redemptions, which had been in a rising trend since 1947, showed a sharp downward movement.

ECONOMIC RESEARCH

THE primary function of the Research Department is to obtain and interpret information on current economic developments for the bank's directors and officers and for the Board of Governors. Since much of this information is of interest and value to bankers and businessmen, it is also made available to these groups and to the general public. Through its widely circulated *Monthly Review* of the District's business and monthly *Agricultural Items*; through statistical reports and commentaries on Fifth District banking activity—loans, investments, debits, and the like; on retail trade—department store, furniture, household appliance, and others; on construction, coal mining, farm crops, and many other matters of economic significance; through more elaborate studies bearing on the District's economy, and through answers to innumerable questions from bankers, businessmen, and educators, the Research Department serves as a business and financial information center for the entire Fifth District. Members of the Research Department staff were called on to give more than one hundred talks to bankers, businessmen, civic groups, and other audiences during 1951.

BANK EXAMINATION

NINETY-NINE per cent of the work of the Bank Examination Department is strictly confidential, but it is betraying no secrets to disclose that the staff had one of its busiest years in 1951. Operating much of the time with fewer people than in the preceding year, the Examination force, in cooperation with the five State Banking Departments in the Fifth District, examined all of the 131 state member banks during the twelve-month period.

In addition, many staff members were sent "on loan" to help the Federal Reserve Bank of Atlanta examine one of its biggest member banks and to assist the Board of Governors in the examination of the Federal Reserve Bank of New York. And the chief examiner spent the entire year on loan to the new Central Bank of Ceylon, where he organized an examination department and directed training of its personnel.

Two new member banks came into the Federal Reserve System in the Fifth District in 1951—the Raleigh County Bank at Beckley, West Virginia, and the newly organized First National Bank at Arlington, Virginia. The Examination force made the required preliminary studies of each bank, the one before its admission and the other during its organization.

The one per cent of their activity which isn't confidential? Well, Examination Department staff members attended and/or served as lecturers at scores of bankers conferences and other meetings, made numerous other-than-examination visits to banks, and, among other things, served with the Fifth District commercial banking Voluntary Credit Restraint Committee.



DISCOUNT AND CREDIT CONSUMER CREDIT

THROUGHOUT the year, activity was high in the Discount and Credit Department, which handles advances to member banks, makes industrial loans and commitments, and administers the Government's V-loan program, real estate credit controls (Regulation X), and Regulations (T and U) governing credit extensions for the purchasing and carrying of securities. So busy was the department, indeed, that early in the year a new *Consumer Credit Department* was set up to relieve it of some of the burden.

Under the V-loan program, reactivated in 1950 but only getting into full swing in 1951, the Federal Reserve banks, as fiscal agents, handle applications for loan guarantees for the guaranteeing Government departments. These loans are almost entirely for expanded defense production. During 1951, this bank received 25 applications for loans aggregating \$7,321,000, of which four amounting to \$770,000 were withdrawn and 19 involving \$6,206,100 were approved.

The step-up in member bank borrowings, one of the "rights" of Federal Reserve membership, was reflected in the increase over 1950 in loans secured by Government securities which rose 27 per cent in number (from 636 to 817) and 68 per cent in amount (from \$758,098,000 to \$1,279,438,000).

Administration of the real estate and consumer credit control measures—Regulations X and W—so added to the department's duties that a separate Consumer Credit Department was set up. However, one staff of field representatives seeks to achieve compliance with both Regulations W and X. Total registrations under these regulations number in excess of 17,000 in the Fifth District, and the handling of requests for interpretations is a task in itself.

A YEAR OF SERVICE . . .



PERSONNEL

SELECTING, placing, and training of new personnel; developing and operating a job evaluation program which assures progress and promotion on a merit basis; administering a complex salary schedule; and keeping voluminous records for every member of the bank organization, both head office and branches, makes the Personnel Department one of the most important, and busiest, units in the bank. Beyond the multitude of detail in administering the workaday affairs of more than 1,200 persons (counting those in the Baltimore and Charlotte branches, for which overall personnel policies are set at the Richmond head office), this department too is concerned with the welfare and "extra-curricular" activities of the people who carry on the bank's operations. The department at the head office has charge of the infirmary (which has two registered nurses on duty) and the cafeteria and, among many other things, it joins with the Employees Council in fostering such activities as a Camera Club, Choral Club, Current Events Club, and the *Federal Observer*, staff members' monthly magazine. Comparable programs are carried on in the Baltimore and Charlotte branches.

Through the Personnel Department and its branch sections, 348 newcomers joined the bank in 1951—188 at Richmond, 114 at Baltimore, and 46 at Charlotte. Photo above shows a pre-employment interview.

BANK AND PUBLIC RELATIONS

THIS department, as its name might imply, has less to do with figures than almost any other in the bank, but its activities were so numerous in 1951 that figures perhaps can tell its story better than words. Here's a brief outline of part of a year's work:

Bankers conventions and conferences, national and state, attended: 18 by 83 men.

Other bankers meetings attended: 101 by 278 men;

Other meetings (credit, real estate groups, etc.) attended 193 by 364 men.

Talks to banker, civic, and other groups: 138 by 166 men to 14,912 persons.

Visits to Fifth District banks: 1,036 by 38 men.

Hundreds of school and college students, educators, bankers, and others visit the bank and its branches each year and this department takes them on guided tours behind the scenes. In 1951, 666 persons visited the head office, 224 the Baltimore branch and 122 the Charlotte branch. In addition, a program of tours was arranged to acquaint staff members with the work of various departments, and some 600 of our own people saw all of our inner workings. (See photo below.)

In June the bank announced the acquisition of copies of the Encyclopedia Britannica film, "The Federal Reserve System," for circulation among the District's banks, schools, civic groups, and the like. It also presented copies to departments of education in Fifth District states. By year's end more than 3,500 persons had seen the films.



FINANCIAL RESULTS OF THE YEAR'S OPERATIONS

THE Board of Governors of the Federal Reserve System and the twelve regional Federal Reserve banks comprise the central bank of this country. As such, they differ fundamentally from commercial banks, although certain superficial resemblances in routine functions tend to obscure the basic differences. Even in a careful reading of the following comparative balance sheet and operating statement, these important distinctions are not apparent. For instance, let's take a look at the operating statement.

For the year 1951, total current earnings of the Federal Reserve Bank of Richmond, more than 99 per cent of which is derived from interest and discount on securities, amounted to \$26,010,000. This was an increase of \$8,263,000 over 1950 and resulted almost entirely from greater holdings of securities and a rise in interest rates. Largely for the reasons noted in the preceding section, expenses rose \$1,032,000. After deduction of losses on securities and certain other adjustments, the net of \$19,244,000 was distributed as follows: reserves for contingencies, \$55,000; dividends \$610,000;* U. S. Treasury \$16,721,000; and surplus \$1,858,000. Nothing in the terminology and little in the figures, except size, suggest that behind them are important differences as contrasted with those of a commercial bank. There are vital distinctions as to motivation as well as operation.

Reserve Banks Not Operated for Profit

As the central bank, the System's primary objective is to influence the supply, availability and cost of money as a contribution to the economic stability of the nation. Under present limitations and conditions, the most effective "tool" for this purpose is System purchases and sales of securities through the *Open Market Committee*, which handles these transactions for all twelve Reserve banks. Committee decisions to buy or sell are determined, in the main, with regard to this objective. Of lesser importance is the System's responsibility for maintaining an "orderly market" for Government obligations. Earnings on holdings thus acquired are but a *by-product*.

Securities Purchases Create Reserves

When the Open Market Committee, on behalf of the Reserve banks, buys securities, whether from banks or others, payment results in credits to member banks' reserve accounts. Thus, if it is desired to increase the reserves of the banking system, the Reserve System can do so by purchases of securities. Conversely, member bank reserves can be contracted by sales of securities from the System's portfolio, since collection of the proceeds results in charges to their reserve accounts. The only legal limitation on the System's ability to expand its holdings is the provision that Reserve bank holdings of gold certificates at all times be equal to at least 25 per cent of the aggregate of Federal Reserve notes outstanding and deposit liabilities.** Instead of being limited in its acquisition of assets by the volume of member bank reserve balances, System purchases *add* to these reserves.

Reserve Banks Are Banks of Issue

Although Reserve banks are separately incorporated and each is owned by the member banks of its district, they are creatures of Congress and charged with a public interest. They are supervised by the Board of Governors, which reports directly to Congress. The constitutional power to issue currency was delegated to the Reserve banks by Congress in an effort to achieve an "elastic currency" and, today, Federal Reserve notes comprise 85 per cent of currency in circulation. With delegation of the note issue authority, the Board of Governors was empowered to levy against each Reserve bank an interest charge on Federal Reserve note circulation not secured by gold certificates. For 1951, the charge amounted to 90 per cent of net earnings. That is why the Federal Reserve Bank of Richmond paid into the U. S. Treasury \$16,721,000 last year.

Open Market Account Increased

Balance sheet changes in the position of the Federal Reserve Bank of Richmond from year-end 1950 to year-end 1951 have been suggested in earlier comments. The participation in the System Open Market Account increased \$230,620,000 and the composition of the account shifted considerably. Advances to member banks were up \$1,765,000 and the investment in the new addition was increased \$1,338,000. Among the liabilities, the only change of consequence was the rise in Federal Reserve note circulation of \$168,688,000. On several occasions during the course of the year, total footings exceeded three billion dollars.

*Member bank dividends limited by law to 6 per cent on capital stock.

**As of close of business December 31, 1951, the Federal Reserve Bank of Richmond's "reserve ratio" was 37.31%.

COMPARATIVE STATEMENT OF CONDITION

<u>ASSETS</u>	December 31, 1951	December 31, 1950
Gold certificates.....	\$ 928,620,612.56	\$ 950,137,881.35
Redemption Fund for Federal Reserve notes.....	66,214,140.78	53,787,917.47
Other cash.....	23,885,673.20	22,025,758.95
Advances to member banks.....	2,340,000.00	575,000.00
Industrial loans.....	93,841.42	131,504.44
U. S. Government—Bills.....	31,110,000.00	80,368,000.00
—Certificates.....	846,097,000.00	150,804,000.00
—Notes.....	336,991,000.00	809,269,000.00
—Bonds.....	355,347,000.00	298,484,000.00
Due from foreign banks.....	1,409.74	1,179.04
Federal Reserve notes of other Reserve banks.....	48,796,410.00	32,260,550.00
Uncollected items.....	287,819,855.05	340,962,673.64
Bank premises.....	4,110,784.40	2,870,583.22
Other assets.....	8,840,545.72	7,940,079.04
TOTAL ASSETS.....	<u>\$2,940,268,272.87</u>	<u>\$2,749,618,127.15</u>
<u>LIABILITIES</u>		
Member bank reserve accounts.....	\$ 848,054,375.71	\$ 750,833,677.32
U. S. Treasurer—general account.....	539,238.59	36,831,103.41
Foreign deposits.....	26,025,000.00	44,385,000.00
Other deposits.....	6,568,924.80	28,995,333.42
TOTAL DEPOSITS.....	<u>881,187,539.10</u>	<u>861,045,114.15</u>
Federal Reserve notes in actual circulation.....	1,785,153,400.00	1,616,465,615.00
Deferred availability items.....	225,183,652.78	226,241,508.13
Other liabilities.....	661,336.25	233,693.38
TOTAL LIABILITIES.....	<u>2,892,185,928.13</u>	<u>2,703,985,930.66</u>
<u>CAPITAL ACCOUNTS</u>		
Capital paid in.....	10,382,900.00	9,845,300.00
Surplus (Section 7).....	27,024,687.76	25,166,803.73
Surplus (Section 13b).....	3,349,144.81	3,349,144.81
Other capital accounts.....	7,325,612.17	7,270,947.95
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	<u>\$2,940,268,272.87</u>	<u>\$2,749,618,127.15</u>
Contingent liability on bills purchased for foreign correspondents.....	\$ 1,069,095.38	\$ 1,082,359.47
Commitments to make industrial loans.....	\$ 63,515.06	\$ 54,000.00

COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

EARNINGS

	1951	1950
Discount on advances to member banks.....	\$ 165,422.47	\$ 107,038.47
Interest on industrial loans under Section 13b.....	7,367.33	5,611.41
Fees for commitments to make industrial loans.....	489.87	456.28
Interest on U. S. Government securities.....	25,827,614.62	17,623,678.75
Other earnings.....	9,542.77	10,969.49
TOTAL CURRENT EARNINGS	26,010,437.06	17,747,754.40

EXPENSES

Operating expenses (less reimbursements received for certain Fiscal Agency and other expenses).....	5,593,754.61	4,841,541.21
Assessments for expenses of Board of Governors.....	206,000.00	171,500.00
Cost of Federal Reserve currency.....	856,219.61	610,517.33
TOTAL NET EXPENSES	6,655,974.22	5,623,558.54
CURRENT NET EARNINGS	19,354,462.84	12,124,195.86

ADD:

Profits on sales of U. S. Government securities.....	—	2,364,501.41
Sundry additions.....	1,255.63	7,363.16
TOTAL	19,355,718.47	14,496,060.43

DEDUCT:

Losses on sales of U. S. Government securities.....	101,555.33	—
Sundry deductions.....	10,487.56	2,029.13

NET EARNINGS	\$19,243,675.58	\$14,494,031.30
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DISTRIBUTION OF NET EARNINGS

Transferred to Reserves for Contingencies.....	\$ 54,664.22	\$ 44,818.11
Dividends paid member banks.....	610,303.89	573,601.22
Paid Treasurer of U. S. (Interest on Federal Reserve notes).....	16,720,823.44	12,487,997.72
Addition to Surplus Account (Section 7).....	1,857,884.03	1,387,614.25
TOTAL	\$19,243,675.58	\$14,494,031.30

SURPLUS ACCOUNT (Section 7)

Balance at close of previous year.....	\$25,166,803.73	\$23,779,189.48
Addition account of earnings for year.....	1,857,884.03	1,387,614.25
BALANCE AT CLOSE OF CURRENT YEAR	\$27,024,687.76	\$25,166,803.73

CAPITAL STOCK ACCOUNT

(Representing amount paid in, which is 50% of amount subscribed)

Balance at close of previous year.....	\$ 9,845,300.00	\$ 9,222,550.00
Issued during the year.....	590,550.00	630,100.00
	10,435,850.00	9,852,650.00
Cancelled during the year.....	52,950.00	7,350.00
BALANCE AT CLOSE OF CURRENT YEAR	\$10,382,900.00	\$ 9,845,300.00

DIRECTORS and OFFICERS



Federal Reserve Bank of Richmond

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Deputy Chairman of the Board

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W. G. WYSOR

*Management Counsel, Southern States Cooperative, Inc.,
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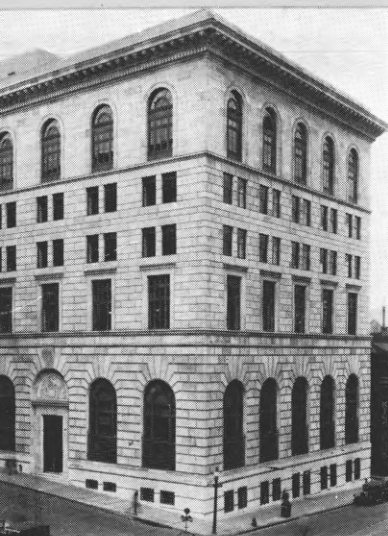
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*President & Treasurer, Burt Machine Co., Inc.,
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for YEAR 1952



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R. L. HONEYCUTT, *Assistant Cashier*

E. C. MONDY, *Assistant Cashier*

