

*Federal Reserve Bank of Richmond  
Annual Report - 1954*

# FEDERAL RESERVE BANK OF RICHMOND

## 1954 ANNUAL REPORT



## FEATURING THE BALTIMORE BRANCH



FORTIETH ANNUAL REPORT

FEDERAL RESERVE BANK OF RICHMOND

WITH BRANCHES IN BALTIMORE

AND CHARLOTTE

1954

This Fortieth Annual Report of the Federal Reserve Bank of Richmond is dedicated to our Baltimore Branch. On the cover is an artist's representation of the Branch's great bronze door, and on pages following are articles and pictures that attempt to tell something of the work that goes on behind this door and of the economy of the territory that the Branch serves. It is hoped that this departure from the "standard" annual report will prove of interest not only to those of you within the Baltimore Branch territory but also to you in other parts of the Fifth District who share our pride in our association with that area.

Another year our Annual Report will feature our Charlotte Branch and its territory.

On other pages of this report are a brief review of business and banking in the Fifth District in 1954, some notes on the expanding operations of this Federal Reserve Bank, and our comparative statements of condition and of earnings and expenses.

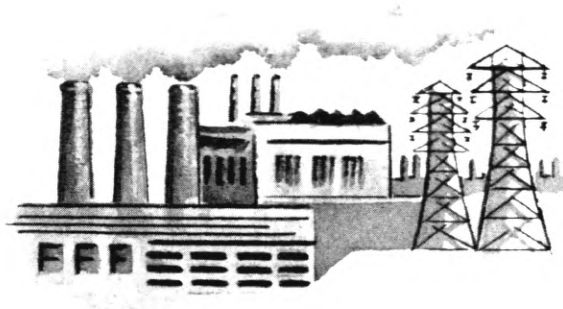
Once again, for the directors, officers, and staff of this bank I extend thanks to you, our stockholders, for your cooperation during the past year. I assure you that we shall continue to serve you to the best of our ability.

Very truly yours,

A handwritten signature in cursive script, reading "Hugh Leach".

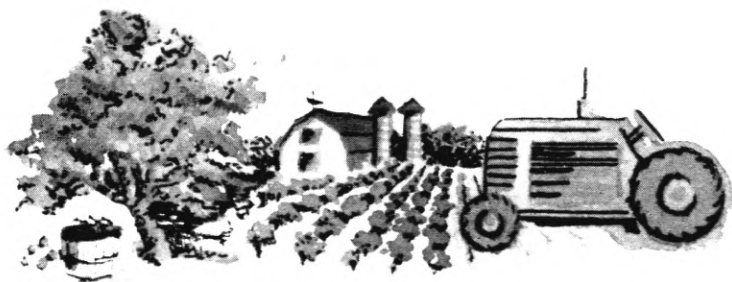
President



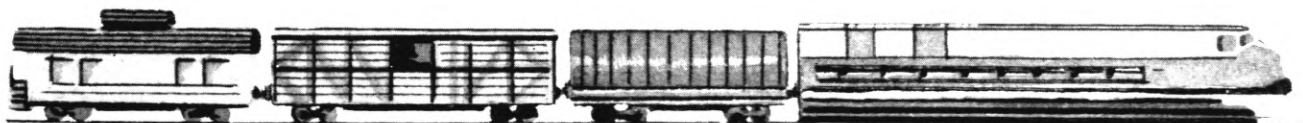


**A vignette of the area served by the Baltimore Branch**

**of the Federal Reserve Bank of Richmond**



Reaching westward from the Atlantic across the Chesapeake Bay and over the Alleghenies to the broad Ohio and from the Potomac on the south to Mason and Dixon's line on the north, the territory served by



the Baltimore Branch of the Federal Reserve Bank of Richmond is an area rich in its history and rich in its present.

The area comprises the entire state of Maryland and 30 of West Virginia's 55 counties. It covers some 22,600 square miles. Its population is upward of 3,000,000.

Diversity is a marked characteristic of the area, in industry, commerce, agriculture, and, for that matter and for another illustration, in its institutions of higher education: many excellent privately endowed schools, two great state universities, and the United States Naval Academy at Annapolis.

### Baltimore - City of Industry

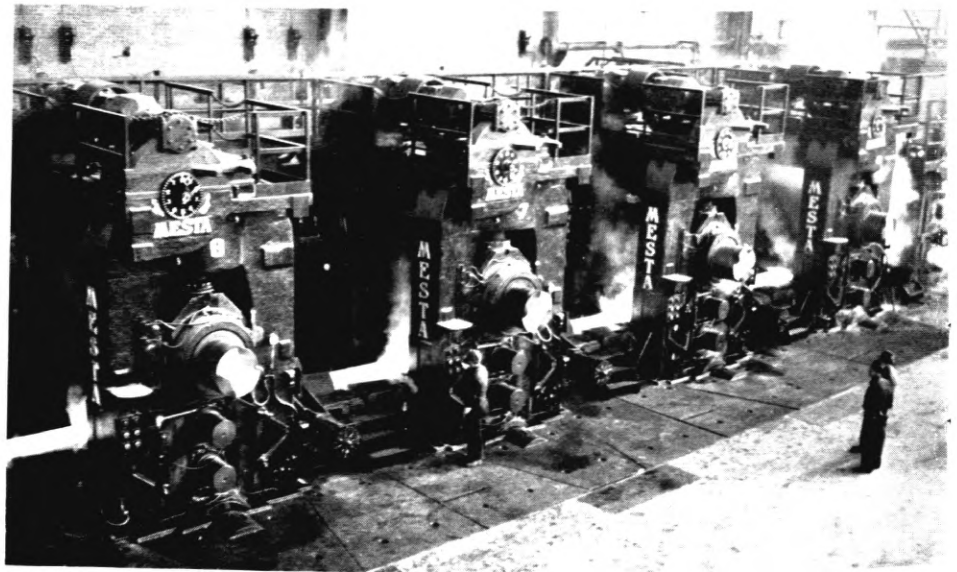
The largest city of this thriving and enterprising segment of America is the great city of Baltimore, some 300 years old, proud of its past but prouder of its present; a city of bustling industry, commerce, and finance; a city whose people have always looked toward the future.

Even in the old days, Baltimore businessmen weren't ones to sit by idly when anything threatened their livelihood. Back in 1827 a group of business leaders in that city met together one day to consider "the best

means of restoring to the city of Baltimore that portion of western trade which has lately been diverted from it by the introduction of steam navigation and by other causes." How well they succeeded a century and a quarter ago is attested by history. One of the immediate results of that early "Baltimore Association of Commerce" meeting was the founding of the Baltimore & Ohio Railroad. Operating over thirteen miles of track running west from Baltimore in 1830, the B&O has a substantial claim to being one of the first, if not the first, railroads in the country.

The success that attended subsequent attempts to promote the economic progress of the Baltimore area is reflected in a glittering list of achievements. Illuminating gas was first used in Baltimore. . . . the first telegraph line was erected and operated between Baltimore and Washington. . . . the great-grandfather of the Empire State Building and all other skyscrapers was a five-story cast-iron building daringly erected in Baltimore. . . . the first electric streetcars picked up fares on a Baltimore street. . . . and one of the nation's most popular industries, the ice cream industry, had its birthplace in this old city.

The payrolls of almost 2,000 manufacturing enterprises are the best proof of the





Sparrows Point plant has an annual capacity of 6,000,000 tons of steel



Baltimore bound freight  
crossing Potomac from  
West Virginia to Maryland

success of more recent meetings and endeavors to promote the business welfare of the Baltimore Metropolitan Area. There are nearly 200,000 workers on these payrolls receiving an annual income of \$827 million. And they are in some of the best-paying industries in the country. Of the eight leading industries in the area, accounting for about 81% of total manufacturing employment, six have national average hourly earnings that exceed the national average for all manufacturing workers.

Another feather in the industrial cap of Baltimore is the diversification of its manufacturing structure. Of the 280 separate industries listed for Maryland in the Census of Manufactures, 249 are reported to be represented in the Baltimore area. Unlike the heavy concentration of employment in a single industry that is characteristic of a number of the nation's metropolitan centers, Baltimore's major industries range over a wide area of activity—from producers' durable equipment to consumers' nondurable items. No one industry group accounts for as much as 20% of total manufacturing employment, and the three leading industries—primary metals, transportation equipment, and food products—pro-

vide jobs for less than 50% of all manufacturing employees.

Making up Baltimore's manufacturing structure are some of the largest plants in their industries in the world. Here are located the world's largest manufacturer of portable electric tools. . . . the largest plant in the world devoted entirely to the production of stainless steel . . . the largest producer of crown bottle caps and closures in the world. . . . the world's largest plants making spices, venetian blinds, paint brushes, weather instruments, long distance telephone cable, superphosphates, bichromate, and porcelain insulators. . . . the largest meat-packing and steel-making plants on the Eastern Seaboard are in Baltimore . . . the second largest copper refinery in the world.

One of the consequences of the Baltimore area's industrial diversification is an apparently narrower range of fluctuations of economic activity during periods of general expansion or contraction than is the case in most other metropolitan areas. For example, from 1929 through the depression of the early Thirties to 1939, value added by manufacturing in Baltimore increased



Three automatic coal-loading piers in Port of Baltimore  
can load ships at a rate of 9,700 tons an hour.  
Each can handle two ships at the same time.  
More than 1,000,000 tons are exported yearly



4.6%, whereas it declined in the great majority of metropolitan areas. From 1939 to the last Census of Manufacturers in 1947, on the other hand, Baltimore's gain lagged behind those of most of the other large industrial areas. The net result over the entire 18-year period was that Baltimore realized greater growth, as measured by value added by manufacturing, than all but a few of the standard metropolitan areas in the nation.

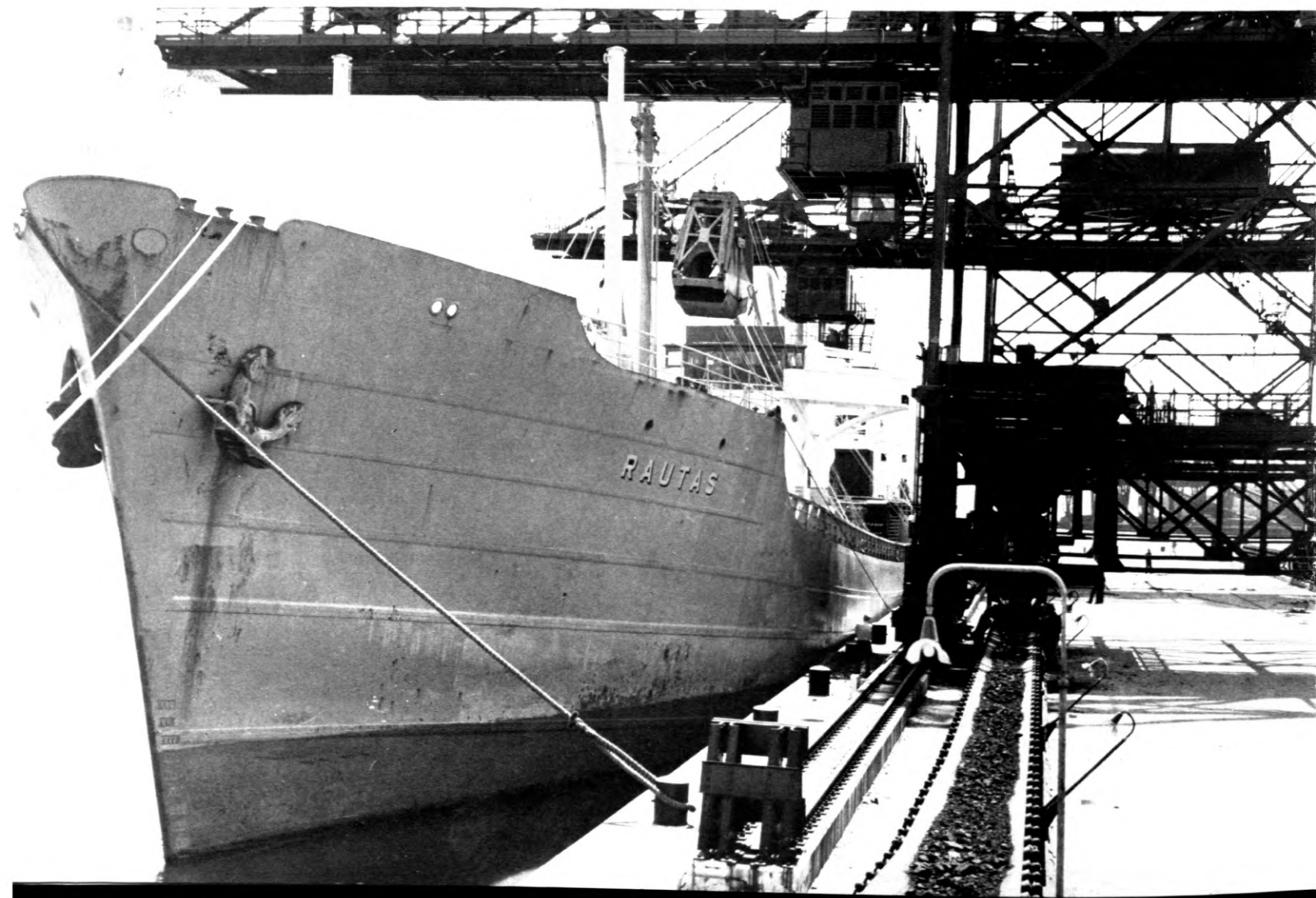
### The Proof of the Pudding

Baltimore does not take its industrial advantages and leadership position for granted. It realizes that in this era of competitive industrialization, it must be dynamic. Its industrial structure must always be "under construction." It can never be a completed project. It must be forever changing with growth coming from

within and from outside sources. One of the most striking features of the shifts among the components of national income in the quarter-century following 1929 was the large increase in the relative importance of manufacturing. Of all the various industry groups—construction, trade, mining, finance and real estate, etc.—income from manufacturing activities had the largest percentage increase during the 25-year period. Area participation in this growth required constant investment in new manufacturing plant and equipment—by new companies coming into the area and by expansion of existing firms.

One of the many services ably performed by the Industrial Bureau of the Baltimore Association of Commerce is keeping track of (and securing!) such investment. As shown in the accompanying chart, plotted from data gathered by the Bureau, this in-

Ore carrier discharging at Baltimore pier



vestment has fluctuated from year to year, plumbing a low in the middle of the Great Depression and skying to an all-time high in 1952. But it has never let up, and as a consequence the Baltimore area now has almost double the number of persons on manufacturing payrolls it had in 1929.

### Down to the Sea in Ships

There is a cosmopolitan air about Baltimore—and why not? After all, it is one of the great ports of the world. Its 30 miles of waterfront, lined with piers, warehouses, and cargo-handling equipment, reach into cities all over the world. And its maritime facilities make it a neighbor of the great agricultural centers and inland industrial cities of the nation that carry on extensive foreign trade. This port has been a vital factor in enabling Maryland to achieve an economic ranking among the

states of the Union well beyond that which might be associated with its comparatively small size. Indeed, this magnificent port has long been the principal reason why many firms chose to locate in Baltimore or in other areas of Maryland. It has been estimated that the port adds as much as \$200 million to the city's annual income.

All told, there are some 270 piers, wharves, and docks to handle the 20 million tons of foreign commerce as well as the coastwise domestic traffic that passes through the Port of Baltimore. Included among these facilities are modern, impressive-size coal-loading piers and ore-discharging docks that can handle aggregate loads up to 9,700 tons an hour. Other facilities include three huge exports grain elevators with a total capacity of 12 million bushels, specially-equipped warehouses,



On the banks of Maryland's Severn River at Chesapeake Bay is the United States Naval Academy

Chesapeake Bay Bridge is the longest over-water steel bridge in the world





and modern cold storage facilities.

An integral part of the port are 12 ship-building and ship repair yards. These yards can perform all types of work ranging from the construction of super-tankers and high-speed ore carriers to complex engine and hull repairs.

Together with its multiple-trunkline railroad facilities and its great Friendship International Airport, the seaport gives the Baltimore area transportation facilities and services that measure up to the most exacting requirements of any business or industry.

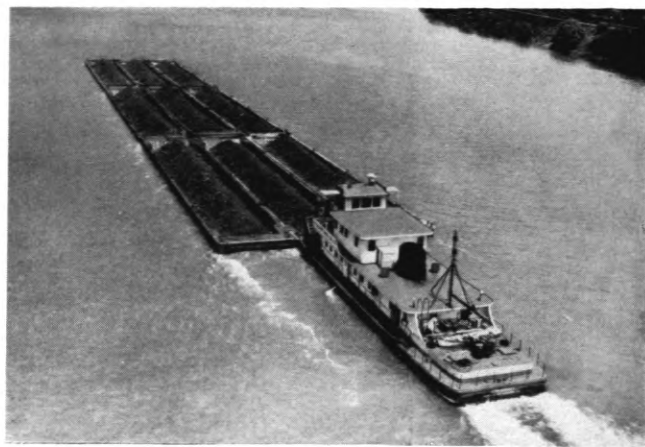
### The Tie That Binds

Money, the great facilitator, seeks its level in the ebb and flow of commerce and industry. Paralleling the growth in manufacturing and in trade, Baltimore's financial institutions have shown the strength and vigor needed to provide the highly sought wherewithal to support the rapid expansion of production equipment, of plant space, of inventories; as well as the credit needs of individual consumers. The area's commercial banks, mutual savings banks, savings and loan associations, insurance companies, sales finance com-

panies, securities dealers, and organized exchanges have not only efficiently garnered the savings of local individuals and business firms, but have also channeled into the area from all parts of the nation the funds needed to meet the ever-developing credit needs of its individual and business citizens. In the process, Baltimore has become one of the top-ranking financial communities in the nation. As measured by total assets of all of its banks, Baltimore is first in the Fifth Federal Reserve District—its banking assets amount to \$1.7 billion. The Richmond Reserve Bank's Baltimore Branch was established in order to handle more efficiently the vast quantity and variety of transactions flowing through this center. This branch now has direct dealings with all member banks in the state of Maryland and about half of those in West Virginia. Thus, added to the financial transactions indigenous to the trade and industry of the Baltimore area, are literally billions of dollars of payments and other transfers of funds facilitated by the Federal Reserve outlet there.

### Ships and Shoes and Sealing Wax

Baltimore is the biggest city of the ter-



Seam of bituminous coal in mine near Morgantown, West Virginia is over eight feet in depth

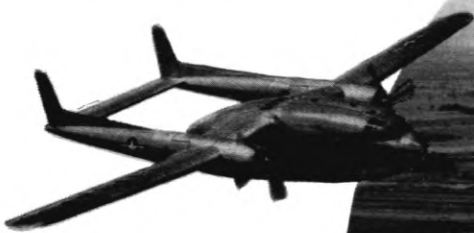
More than 8,000 tons of coal are on way down Monongahela River







Aircraft plant near Baltimore



Huge cargo and transport planes  
are made in plant at  
Hagerstown, Maryland

ritory served by the Baltimore "Fed," to be sure, but it has no monopoly as a center of economic importance. There are other cities whose industry, commerce, and surrounding agricultural production make significant contributions to the American scene. For instance:

On Maryland's Eastern Shore, reached from Baltimore via the new (1952) \$45,-000,000 Chesapeake Bay bridge, longest over-water steel bridge in the world, are a wide variety of enterprises. In and near its two principal cities, Salisbury and Cambridge, are more than three-score industries, some employing 500 to 700 persons. Canning of food in huge quantity is a major industry, and other principal products include men's clothing, boats, steel and copper woven wire, building materials, and cans and crates. Particularly important in Eastern Shore economy is the production of poultry and truck crops.

Back across the bay, in southern Maryland, farming is a mainstay in the economy. Here is the home of Maryland tobacco, a unique weed that is used in almost every brand of cigarettes, and here too are some of the state's many farms where thoroughbred horses are raised. Farming is a big business in all of Maryland.

Just above this rural region, at the doorstep of the nation's capital, is one of Maryland's most heavily populated regions. In the 330 square miles which the State Assembly has designated as the Maryland-Washington Regional District dwell more people than in any other area of the state except Baltimore. Unincorporated Silver Spring alone had a population of 117,000 at the beginning of 1954.

## And On Westward

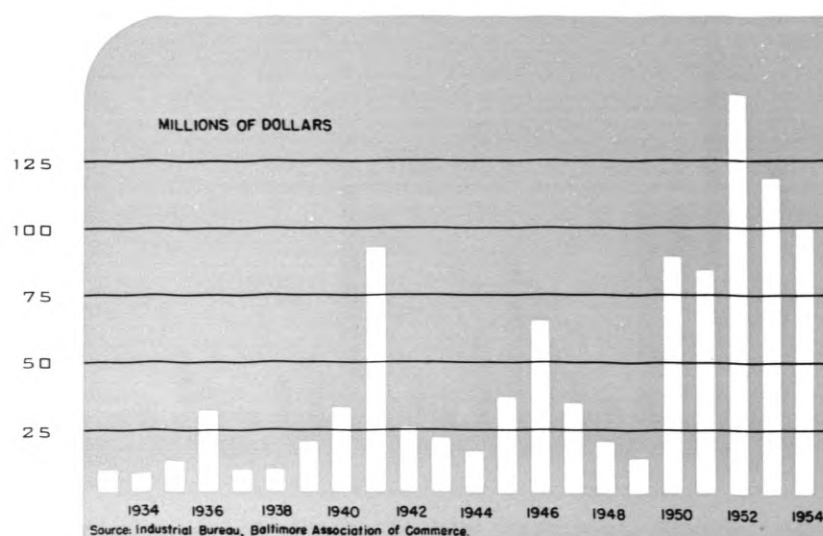
Small city industry is scattered throughout the state. In Elkton, in the north, are plants manufacturing spark plugs, radios, explosives, hosiery, paper, and, among other things, rubber toys. In Hagerstown, toward the west, is one of the country's big aircraft manufacturers, and among the city's 75 or more industries are plants making shoes, leather, furniture, hosiery, steel castings, and canned goods.

Still farther west in Cumberland, Maryland's second city, are one of the country's large synthetic fiber plants and a sizable tire manufacturing concern. Cumberland is also an important railway center, with shops employing hundreds of persons.

Between Hagerstown and Cumberland, Maryland narrows to a strip about five

## *Investments in New Plants and Expansions*

BALTIMORE METROPOLITAN AREAS



Big business  
in Maryland is  
canning of huge  
tomato crops



miles wide, with West Virginia's eastern panhandle intruding almost to the Pennsylvania line. In this West Virginia region are Martinsburg and Berkeley Springs, the latter a spa known to George Washington 200 years ago and at present a leading producer of fine glass-making sand.

Glass manufacture is an important business in the Baltimore "Fed" territory—some of the finest hand-blown glassware in the country comes from plants at Morgantown and Weston; Clarksburg makes most of the world's marbles and its six large glass plants produce important amounts of sheet glass, windows, instruments, tableware, and other items; Fairmont makes glass containers and lamps; and Parkersburg has several glass factories employing from 300 to 600 persons.

In Morgantown are a chemical plant and a faucet manufacturing concern, each employing about 1,000 persons, three textile firms employing more than 600, and one of the world's largest coal mines. The U. S. Bureau of Mines has lately completed a \$3,000,000 experiment station at Morgantown, and at the state university, located here, work is progressing on a \$30,000,000 medical, dental, and nursing school.

Fairmont, at the center of one of the na-

tion's biggest bituminous coal fields, with estimated reserves of five and a half billion tons or enough to last 300 years at the present rate of consumption, is a leading producer of coal, aluminum, mining machinery, and coal-tar products.

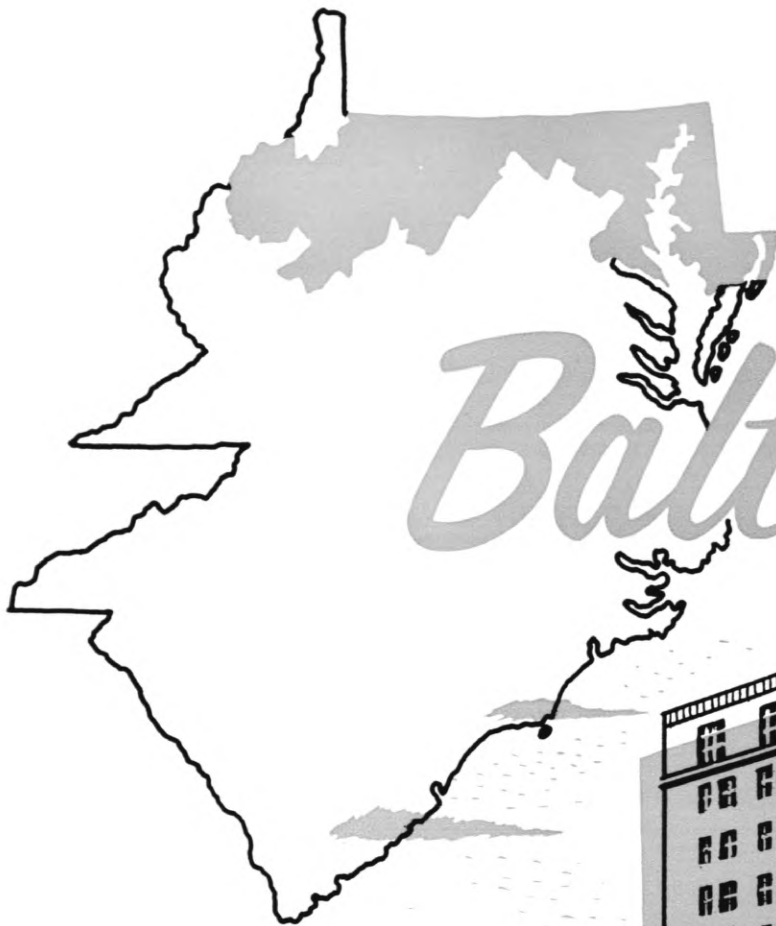
Clarksburg produces graphite electrodes for the steel industry, zinc products, pottery, concrete, women's wear, machine tools, cans, and processed wires.

Parkersburg has some 125 industrial plants, which employ more than 13,000 persons and have an annual payroll of more than \$45,000,000. Among its biggest industries are synthetic fibers, with one plant employing more than 1,500 and others employing from 600 to 1,500. The city is an important producer of dies and tools, electrical porcelain, tile, oil and gas well equipment, structural steel, pigments and dyes, and other chemical products.

Binding this whole structure together, providing the capital to keep it going and expanding, is the banking system. Through its member banks, whose total resources are more than \$1.7 billion, the Baltimore Branch of the Federal Reserve Bank of Richmond serves the industry, commerce, and agriculture of the area.



Baltimore Branch's First Home



*Baltimore*

**BRANCH**



Sketch shows how Branch building  
will look at completion of new expansion  
project that will begin in 1955





Present Branch Building

As in most Federal Reserve Banks, there is a deceptively placid appearance about the lobby, or main banking room, of the Baltimore Branch of the Federal Reserve Bank of Richmond. Ordinarily there is only a moderate flow of traffic to be seen, and often the uniformed guards on duty outnumber the customers. This could be, at first glimpse, the foyer of a salon, for in view are murals of heroic size and much bronze and marble and glass, and the atmosphere is one of appropriate tranquility. At first glimpse, that is.

Appearances, however, often are deceiving, and this is indeed the foyer of a big and busy institution that helps to make Baltimore one of the financial capitals of the nation. Behind the bronze and marble glass there is the bustle of billions, the billions of dollars in currency, coin, and credit whose flow in and out of this building is the lifestream of the economy of the rich and enterprising area served by the Baltimore "Fed."



One of three photo-murals in lobby, this shows Maryland's famed Middletown Valley



Baltimore's busy waterfront and metropolitan skyline are featured in another mural



Coal-mining, a leading West Virginia industry, is pictured in third Branch area scene

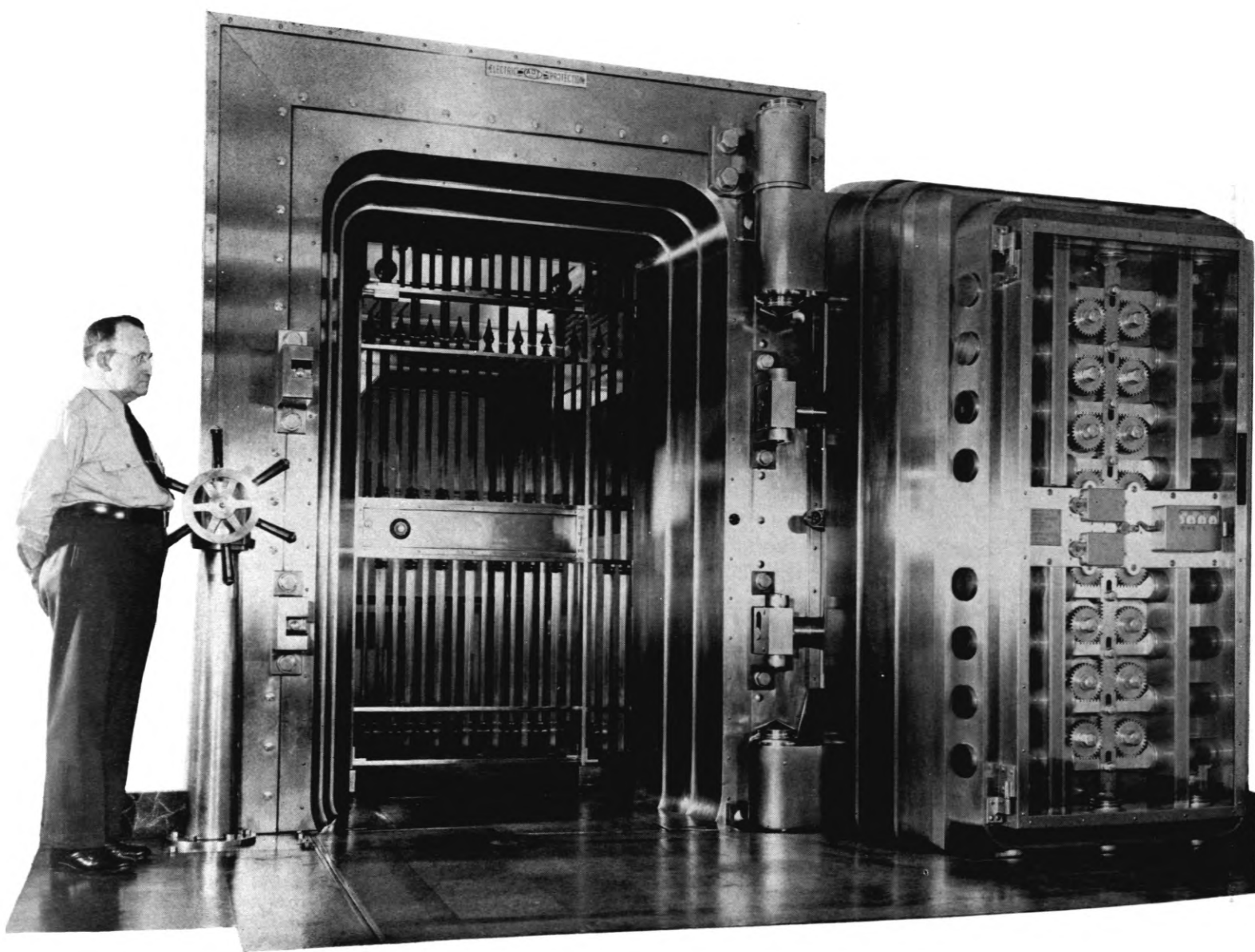


Like all Federal Reserve Bank branches, the Baltimore Branch is a service institution, serving directly the Federal Reserve System member banks of Maryland and thirty counties of West Virginia and indirectly the area's entire financial structure,

its commerce, its industry, its agriculture, and its millions of people.

In the realm of over-all policy the basic concern of the Federal Reserve System is to make possible a flow of money and credit that will foster orderly economic growth and a stable dollar. This is a prime concern of the Baltimore Branch, too, but as what bankers call an "operating" office its work mainly is carried on not at "policy level" but directly with the banking system. What, then, is the work of the Branch?

In broad terms, the Branch performs for the Federal Reserve System member banks of its territory many of the same services that those banks perform for their own customers. It holds member banks' deposit accounts, called "reserve" accounts because the funds that the law requires them to hold as a reserve against their deposits are held in this form; it provides the banks with the currency and coin they need to meet the requirements of their customers; it handles their checks in its role as



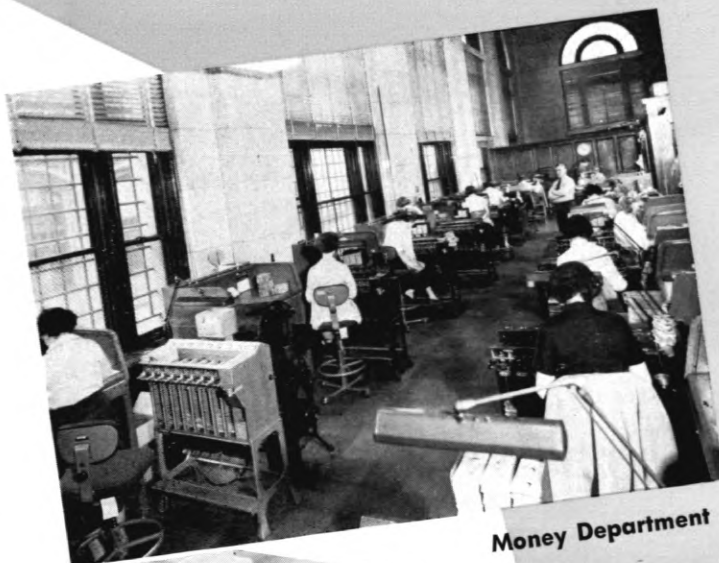
a part of the Reserve System's nationwide "clearinghouse"; it makes loans to the banks when they need funds; it provides them with a swift means of transferring funds about the country through the Reserve System's nationwide wire transfer network; it holds their securities in safekeeping; and countless other things.

In addition, as agent and banker for the Government, it does several important things for Uncle Sam.

### A Record of Growth

Some idea of the size of these operations, and of their growth since 1919, the first full year of business at the Branch, may be seen in some random figures: In 1919 the Branch handled 7,569,161 checks amounting to \$3,531,340,500; in 1954 the figures were 59,642,000 checks and \$16,084,050,000. In 1919 it received and paid out \$325,419,730 in currency and coin; last year it handled \$1,458,152,670. Member bank reserves on deposit at the end of 1919 totaled \$18,000,000; at the end of 1954 they were \$185,994,895.

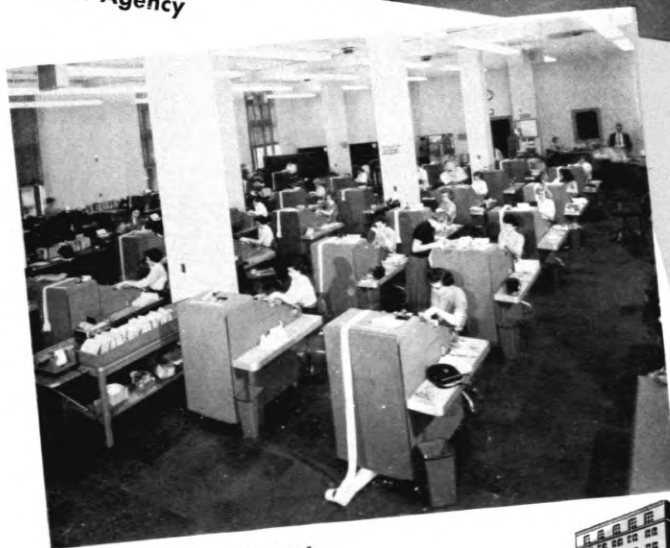
The Baltimore Branch was established on March 1, 1918, less than four years after the opening of the Federal Reserve Bank of Richmond on November 16, 1914. Baltimore had waged a strong fight to be designated as the seat of the Reserve Bank, but the Reserve Bank Organization Committee—the Secretary of the Treasury, Secretary



Money Department



Fiscal Agency

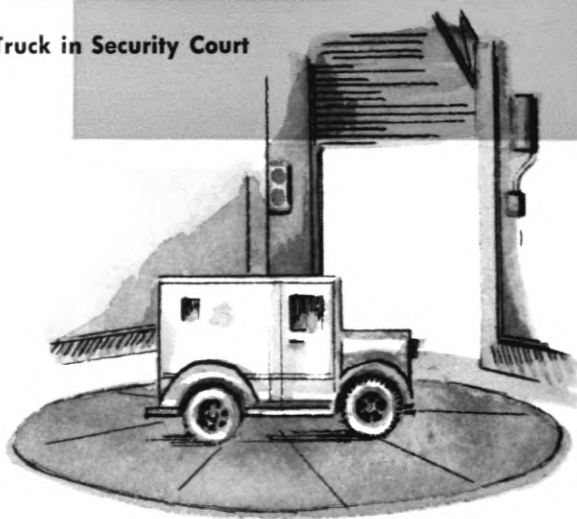


Transit Department





**Armored Truck in Security Court**



of Agriculture, and Comptroller of the Currency—selected Richmond. The city's importance as a financial center was so great, however, that it soon became apparent that a Reserve Bank branch was needed there.

Of the twelve Federal Reserve Banks' present twenty-four branches, the Baltimore Branch of the Richmond "Fed" was the ninth to be established. In size now, measured in terms of member banks' reserve accounts on deposit, it ranks twelfth among the branches.

### **New Expansion Near**

When the Branch first opened its doors for business it had a staff of twenty-nine persons. At the end of 1954 it had 299. Its first quarters were second-hand—it had purchased the building at the corner of South and Redwood Streets formerly occupied by the old Mechanics National Bank. But these shortly proved to be too small to house the people and machines necessary to handle the growing volume of work. So, in the words of a report in the archives, "Soon outgrowing these quarters and, in anticipation of further expanding operations, a new \$1,500,000 building was formally opened on December 28, 1927."

This is the present six-story building at



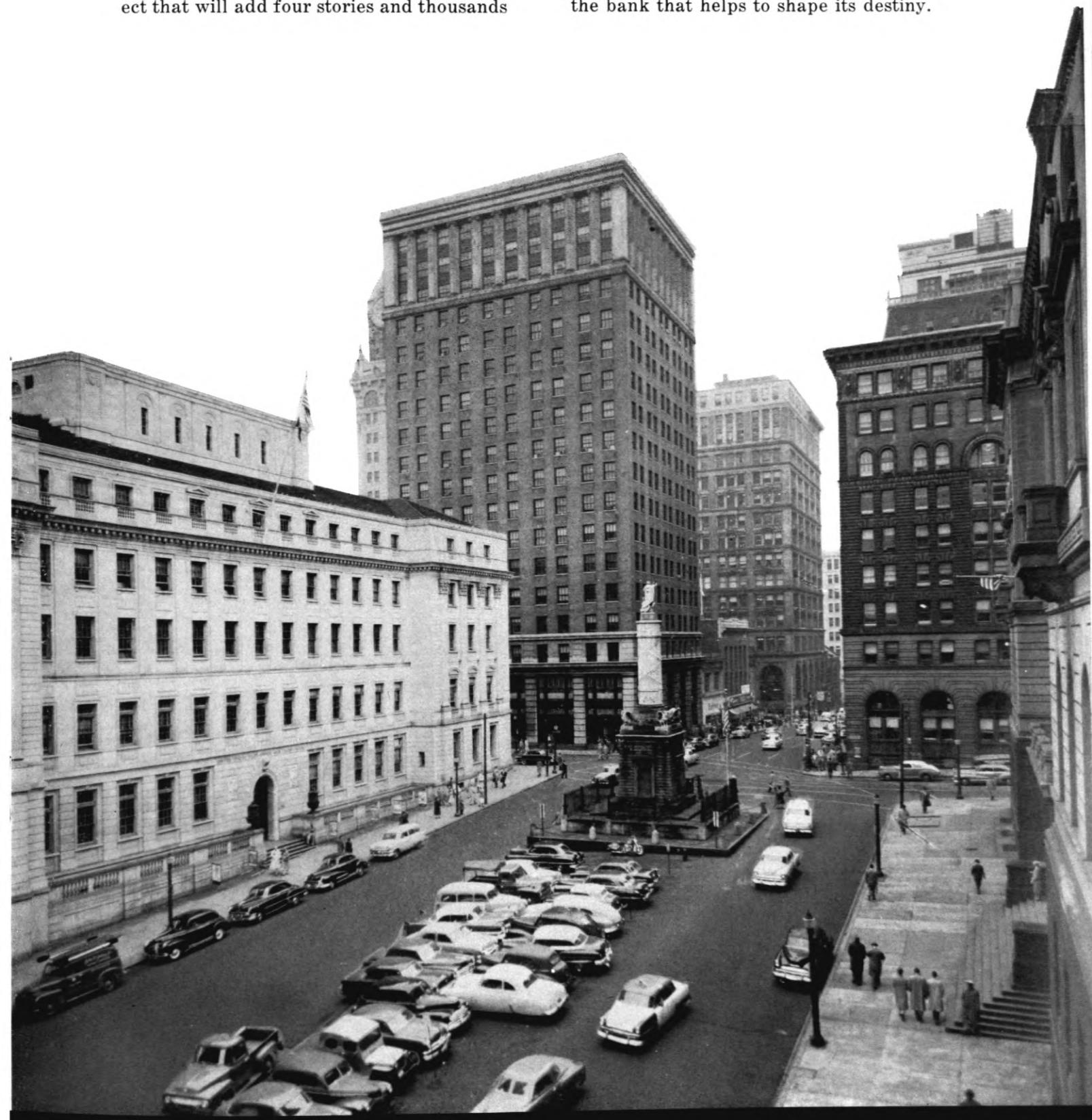


the corner of Calvert and Lexington Streets, facing Battle Monument Square. And now, at the end of 1954, its sides are again bulging.

But they won't be for long. Starting in 1955 work will begin on a \$2,000,000 project that will add four stories and thousands

of square feet of space to the present building.

As the economy of the territory it serves expands, so too does the work of the Baltimore Branch. Its officers, directors, and staff members take pride in the area and in the bank that helps to shape its destiny.



# *Business and Banking in 1954*



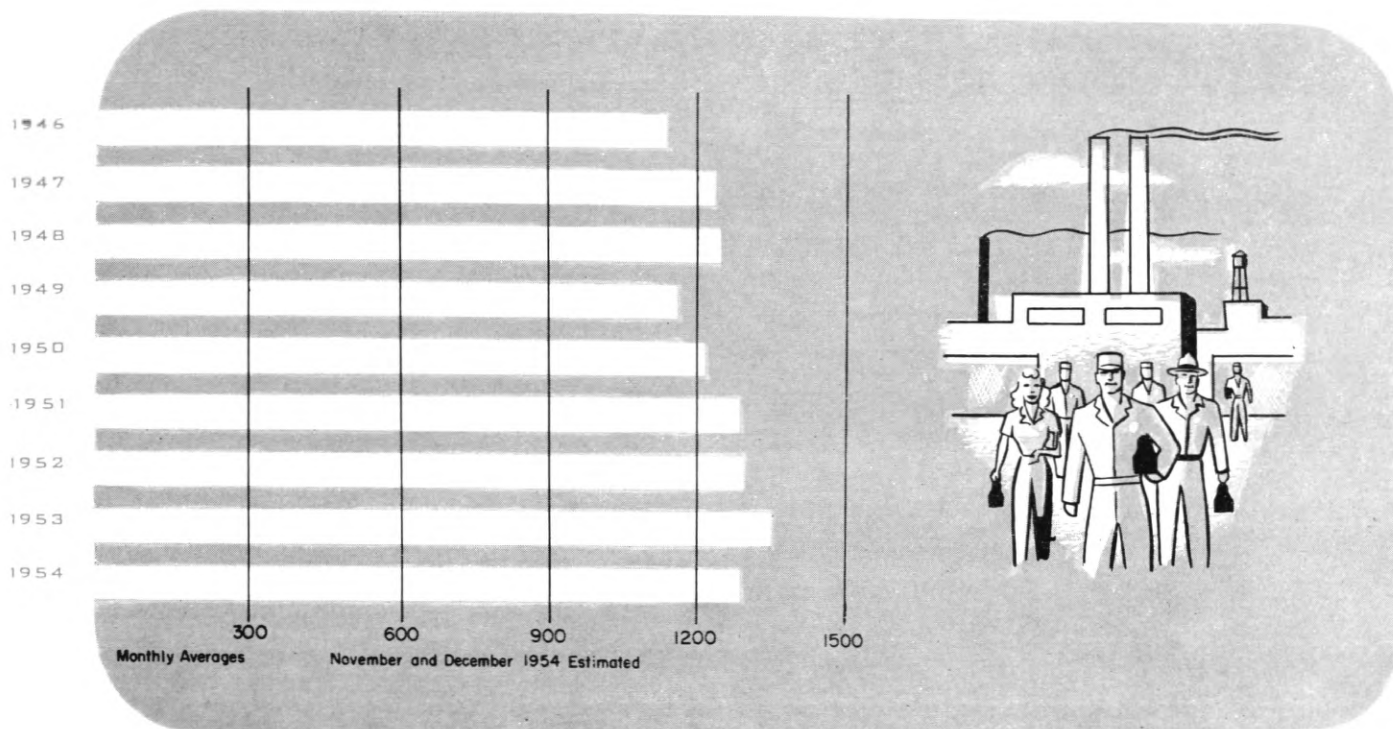
There were three "economic seasons" in 1954. The first one was a period of decline in business activity that extended over about the first three months. This was a continuation of the recession that had started the previous summer. Then there was a change in the economic climate and a season of stability when a number of major economic indicators flattened out. Along about September there were the faint stirrings, becoming definitely stronger as the year closed, of the third season—recovery. None of the three seasons was so clearly demarcated that specific dates can be assigned to them. Some lines of business activity were still declining while

others were well along the path to recovery. Then too, there were some fields of activity, construction for example, that never gave the recession even passing notice. They just boomed all year long.

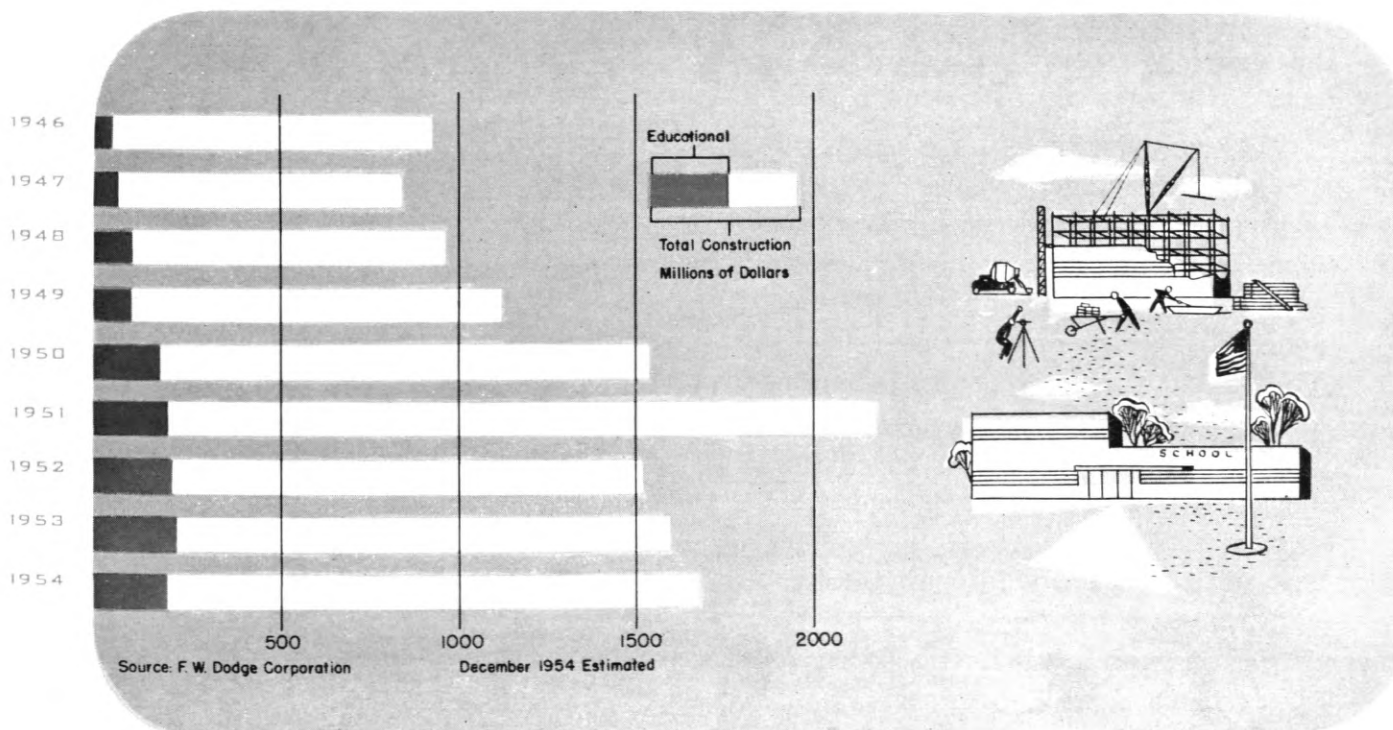
## **Tug of War**

The "year of three seasons" was unique in other respects. The temperate overall changes were in sharp contrast with the strength and extent of individual adjustments in specific sectors of the economy. During a good part of the year there was a sharp tug of war between deflationary pressures and expansionary forces. The uninterrupted reduction in spending by the

# *Manufacturing Employment* FIFTH DISTRICT



# *Construction Contracts Awarded* FIFTH DISTRICT





Federal Government, for example, was a potent deflationary force in the 1954 economy. Although the rate of decline lessened during the year, the curtailment of such outlays tugged harder than any other single force on the downward side in 1954.

Another strong deflationary pressure was exerted by liquidation of business inventories. In the Spring of 1953, manufacturers and tradesmen were building up their stocks at an annual rate of over \$5 billion. In the third quarter of 1954 business was reducing inventories at an annual rate of almost \$5 billion. The net result was a drag on general business activity of over \$10 billion. Significantly, however, inventory liquidation did not accelerate during the year and thus did not exert an increasingly stronger downward pull.

These two strong deflationary forces were reinforced by a reduction in business spending for producers' durable equipment. Although personal consumption expenditures for durable goods increased during the year, the average was below that for 1953.

The reason that these strong deflationary forces did not produce a severe and snowballing downturn in business activity was that there were substantial sustaining and expansive forces operating at the same time. The big tug on the upward side was given by construction. Private outlays for new construction, seasonally adjusted, rose in each quarter of 1954 and helped offset the reduction in spending for capital and defense goods. New residential building, favored by more liberal loan provisions and a plentiful supply of mortgage money, upset earlier forecasts and increased sharply after the first quarter.

A steady rise in outlays by state and local governments as well as increased

spending by personal consumers for services contributed also to curbing the recession and setting the stage for recovery.

On the basis of past experience, it might have been expected that the recession in the early part of 1954 would have resulted in declines in the money supply and the volume of credit outstanding and in personal income. Thanks in large part to income tax reductions and larger social security benefit payments, disposable personal income rose during the year. This also was a unique economic development in 1954.

### **Banks Fared Well in 1954**

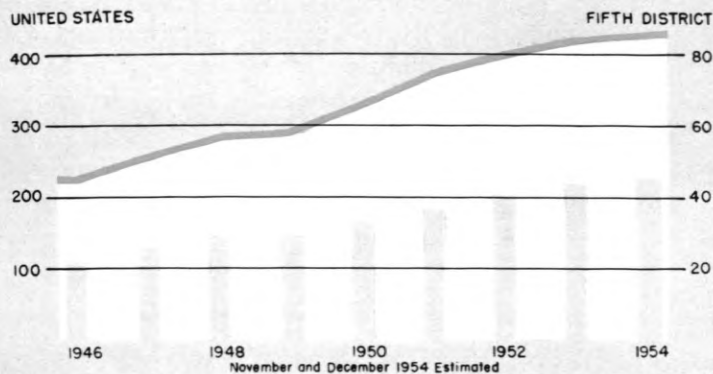
The District's member banks weathered the changing tides of economic activity with little strain in 1954.

Throughout the year banks were able to obtain without great difficulty the funds needed to meet the loan demands of their customers. The Federal Reserve, in keeping with the policy set by the Federal Open Market Committee at its meeting on December 15, 1953, continued the general policy of maintaining member bank reserves adequate to promote growth and stability in the economy with emphasis in implementing this policy on "actively maintaining a condition of ease in the money market." To this end the discount rate of the Reserve banks was reduced from 2% to 1¾% in January and then from 1¾% to 1½% in April-May. During the summer the Board of Governors of the Federal Reserve System reduced the reserve requirements of the member banks, releasing approximately \$1.5 billion of reserve funds. This action was taken in anticipation of seasonally rising credit demands on the banks and the Treasury's financing needs. A portion of these released funds was taken up by open-market operations at the time and then fed back into the banking



## Electric Power Production

BILLIONS OF KILOWATT HOURS



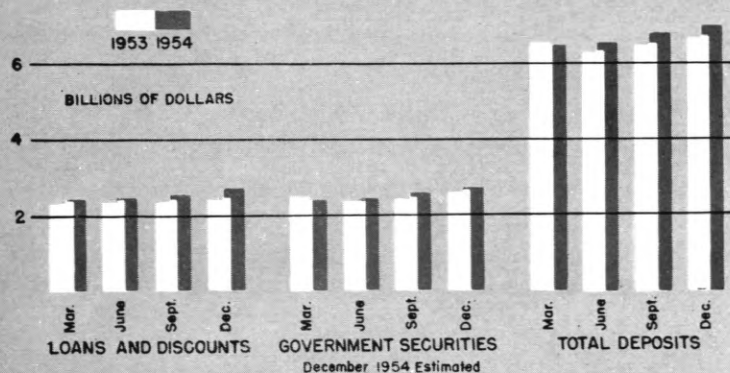
Although general business activity was lower last year than in record 1953, electric power production reached new peaks. Continuation of the extraordinary postwar growth in the use of electricity in the home was a feature of the 1954 electric power story.

Fifth District banking in 1954 was at the highest level yet achieved. Total loans of member banks at year's end were more than 9% above those at the close of 1953, while total deposits and holdings of Government securities showed increases of 6% and 4% respectively.

The continued rise in business failures in 1954 was attributable largely to the intensification of competition and the rise in new business incorporations. Due to heavy mortality among infant enterprises, an increase in new starts is often followed by a rising number of failures.

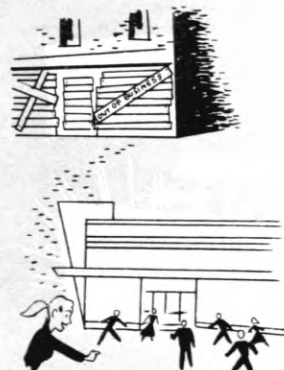
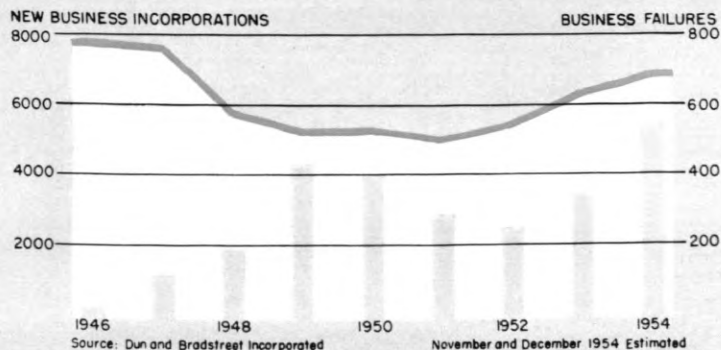
## Deposits and Major Earning Assets

FIFTH DISTRICT MEMBER BANKS



## New Business Incorporations and Failures

FIFTH DISTRICT



system through purchases in the market as the banks' credit needs materialized. Within the general policy of the Committee, open-market operations continued flexible throughout the year, being constantly adapted to the needs of a growing economy but being cautiously administered with a watchful eye toward stability in the purchasing power of the dollar.

The demands for bank loans in the Fifth District remained at record levels during 1954. In the first half of the year, total loans outstanding advanced only slightly but by early August the fairly strong rise, which continued to the end of the year, was under way. This was almost the reverse of the trend in 1953 when loan demands were unseasonably strong in the first part of the year and equally unseasonably weak in the last half, reflecting the moderate sliding-off of economic activity after late-summer.

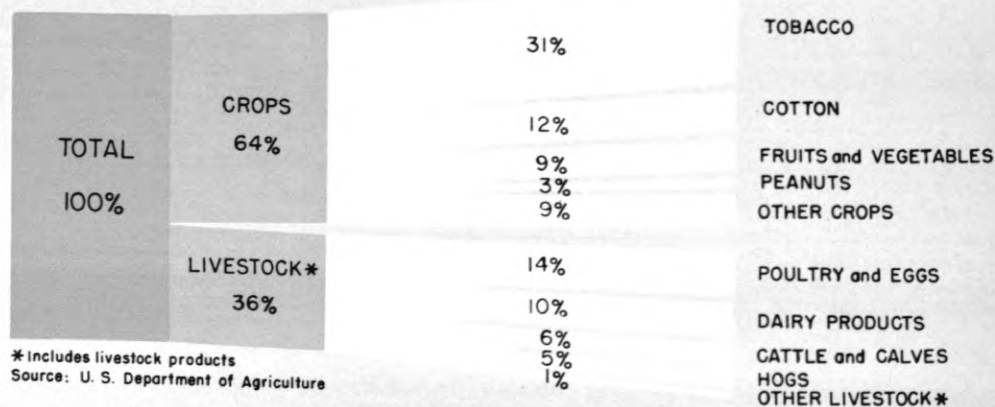
The lending activities of the District's member banks in 1954 had several distinguishing features. First, loans secured by real estate provided a much stronger outlet for funds than in any year since the record homebuilding year 1950. Demands for mortgage loans against residential proper-

ties, stimulated by the unusually easy terms permitted by Government mortgage insuring or guaranteeing agencies as well as by the persisting high level of personal incomes, gave lending agencies an attractive employment for long-term funds. Funds were readily made available to meet this demand, by the banks as well as other mortgage lenders, and the result was the second highest year of housing starts in the history of the nation.

A second distinguishing feature of District bank lending activities in 1954 is found in the field of consumer credit. Over the first six months of the year, new loans to consumers were hardly more than enough to offset repayments on previously made loans. It was not until the fall of the year that the demands on the banks for loans to purchase automobiles, home appliances, and the like broke the status quo which had persisted since the fall of the preceding year, and caused a significant increase in the amount of such loans outstanding.

Agricultural lending of the District's member banks followed a markedly different pattern in 1954 than in 1953. Starting

### *Sources of District Farm Income*



the year with a considerably larger amount outstanding, the banks over the first six months of 1954 expanded their loans to farmers by half again as much as in the same period the year before. Then, in the ensuing three months in 1954, farm borrowers cut their bank indebtedness almost in half whereas in the third quarter of 1953 they had added to their bank loans outstanding. Further, loans to farmers failed to advance by as much in the last quarter of 1954 as in that portion of the preceding year.

Total deposits at the member banks, largely in response to the high level of lending activity over the year, established a new record at the end of the year. After a no-more-than seasonally expected decline over the first half of 1954, total deposits expanded by over 8% to reach \$7.1 billion. The growth came primarily in demand deposits although time deposits increased at two and a half times the 1953 rate.

The substantially larger volume of earning assets held by District member banks during 1954 more than offset the easing in interest rates and produced a gross income topping 1953's record performance. As in immediate past years, loans and discounts continued to provide the backbone of the member banks' total earnings. The average annual return on loans outstanding was very little changed from the preceding

year—just under 5%—and the amount of loans held continued to account for about one-third of the total assets of the banks. Earnings on loans provided almost two-thirds of gross earnings.

The Federal income tax bill met by District member banks in 1954 was the largest on record in dollar amount. Uncle Sam's share, however, was slightly less per dollar of net profits before taxes than in the preceding year. Operating costs, on the other hand, were not only larger in dollar amount than in any year on record; they also took a larger share of each dollar of total income than in any year since 1949. A portion of the increase in operating costs was due to increasing salary and wage payments, but a predominant share came from interest payments to savings depositors.

In spite of higher operating costs and the heavy tax bill, the member banks were able to realize a net profit on the year's operations equal to just over 9% of their owners' equity, slightly above 1953's net return.

### Farm Income Declined

The year just closed was the third in succession in which Fifth District farmers sustained a loss in farm income. The drop in 1954 was the combined result of a slightly lower general level of farm product prices, lower acreage allotments of some crops, and drought. Among the District states, the income drop was less in Maryland and West Virginia and greatest in the Carolinas—particularly South Carolina.

Farm production expenses have failed to adjust downward as rapidly as the drop in gross income; thus net farm income has shrunk even more than gross. While smaller farm incomes were felt first, and to the greatest extent, by the farmers who experienced the drop, the adverse effects have, in fact, been felt throughout the business community.



# *A Year's Activity*

November 16, 1954 marked the fortieth anniversary of the establishment of the Federal Reserve Bank of Richmond. The date was observed without ceremony and with only a few backward glances (one of which revealed that this was the first Federal Reserve Bank to notify the Secretary of the Treasury that it was open for business) for forty years is only a short while in the annals of the area that this bank serves—historic Virginia, Maryland, North Carolina, South Carolina, West Virginia, and the District of Columbia. And, although much has been accomplished in these two-score years, much is yet to be accomplished in the next forty years and beyond. There's work to be done; let's get on with it, was the anniversary thought.

## **Volume of Operations**

A lot of work was done at this bank and its Baltimore and Charlotte Branches in 1954.

In banking operations, for instance: We handled 223,784,000 checks amounting to \$73,752,728,000 (Richmond 116,777,000 and \$39,583,403,000; Baltimore 59,642,000 and \$16,084,050,000; Charlotte 47,365,000 and \$18,085,275,000) and 746,962 noncash collection items amounting to \$219,807,314 (Richmond 181,244 and \$72,439,038; Baltimore 532,961 and \$110,051,716; Charlotte 32,757 and \$37,316,560).

We made 116,403 transfers of funds for member banks adding up to \$47,002,428,590 (Richmond 58,355 and \$20,554,892,539; Baltimore 23,591 and \$8,586,681,045; Charlotte 34,457 and \$17,860,855,186).

We received and paid out a total of 832,690,137 pieces of currency amounting to \$5,111,552,726 (Richmond 425,115,390 and \$2,680,696,968; Baltimore 223,791,872 and \$1,406,827,842; Charlotte 183,782,875 and \$1,024,027,916).

We received and paid out 1,217,781,918 coins totaling \$98,336,231 (Richmond 379,097,995 and \$31,422,133; Baltimore 665,826,298 and \$51,324,828; Charlotte 172,857,625 and \$15,589,270).

Government securities (exclusive of Savings Bonds) issued, exchanged, and redeemed during 1954 amounted to 155,535 pieces and \$4,900,377,196 in value (Richmond 77,074 and \$1,906,007,316; Baltimore 53,161 and \$1,978,312,627; Charlotte 25,300 and \$1,016,057,253). Savings Bonds issued and redeemed through the bank totaled 13,396,721 pieces valued at \$804,414,092.

The comparative statements of condition and of earnings and operations on the pages following are standard and, to bankers, self-explanatory. Of these figures, this might be said:

The most significant thing about this balance sheet is that it shows no really significant changes from the balance sheet at the end of 1953. This is significant because changes in the balance sheet of a Federal Reserve bank are brought about as a result of Federal Reserve action to influence the financial climate of the nation—not to provide the Reserve banks with greater earning resources.

True, the December to December figures do not reveal what transpired during the intervening months. The year 1954, however, was characterized by relatively mild and orderly fluctuations in the financial markets and the comparison of year-end Federal Reserve figures is not misleading. They indicate that the record high level of economic activity remained, on balance over the year, about in equilibrium—that declines in some areas of activity and during some months of the year were about offset in other areas or in other months.

The Reserve Accounts of member banks,



for example, experienced a barely perceptible net increase over the year, indicating the Federal Reserve did not find it necessary to greatly alter reserve funds available to the banks as a means of combatting either excessive deflationary or inflationary tendencies. The moderate increase in Federal Reserve notes outstanding is a good indication that the normal seasonal changes in needs for currency were met as they appeared, but that no important growth or decline in the use of this form of money appeared, on balance, over the year. The moderate increase in Discounts and Advances to member banks reflects only the normal tightness which develops from time to time at individual banks, not any general credit tightness causing member banks in large numbers to borrow.

### Changes in Boards of Directors

The year brought changes in our Board of Directors. On December 31, Deputy Chairman W. G. Wysor, Management Counsel of Southern States Cooperative, Inc., Richmond, ended eighteen years of service as a Class C director. Dean W. Colvard, Dean of Agriculture at North Carolina State College, was appointed by the Board of Governors of the Federal Reserve System to succeed him. James D. Harrison, President of the First National Bank, Baltimore, ended nine years of service as a Class A director, and Edwin Hyde, President of Miller and Rhoads, Inc., Richmond, left the Board after serving four years as a Class B director. Member banks elected Daniel W. Bell, President and Chairman of the American Security and Trust Company, Washington, to succeed Mr. Harrison and Robert O. Huffman, President of Drexel Furniture Company, Drexel, North Carolina, to succeed Mr. Hyde.

John B. Woodward, Jr., Chairman of the Board of Newport News Shipbuilding and

Dry Dock Company, was re-appointed as our Chairman and Federal Reserve Agent. Alonzo G. Decker, Jr., Vice President of Black and Decker Manufacturing Company, Towson, Maryland, was appointed Deputy Chairman.

At Baltimore, Charles A. Piper, President of the Liberty Trust Company of Cumberland, Maryland, and Clarence R. Zarfoss, Vice President of the Western Maryland Railway Company, Baltimore, were re-appointed to the Branch Board.

At Charlotte, Thomas J. Robertson, President of the First National Bank of South Carolina, Columbia, retired from the Branch Board on December 31 after six years of service. Appointed to succeed him was Ernest Patton, Chairman of the Board of the Peoples National Bank, Greenville, South Carolina. Paul T. Taylor, President of the Taylor Warehouse Company, Winston-Salem, North Carolina, was re-appointed to the Board.

### New Member Banks

Five Fifth District banks became members of the Federal Reserve System in 1954. In January, the University National Bank, Chapel Hill, North Carolina began operations, and in the same month the former Myrtle Beach Bank and Trust Company, Myrtle Beach, South Carolina converted to the First National Bank of Myrtle Beach.

In April, the Bank of Clarke County, Berryville, Virginia became a state member bank. In June, the Guaranty Bank and Trust Company of Huntington, West Virginia converted to a national bank under the name of the Guaranty National Bank and simultaneously entered the System. In September, the Bank of Virginia, with offices in Richmond, Roanoke, Norfolk, Portsmouth, Newport News, and Petersburg, became a state member.

# COMPARATIVE STATEMENT OF CONDITION

	DECEMBER 31, 1954	DECEMBER 31, 1953
<b><u>ASSETS:</u></b>		
Gold certificates.....	\$1,156,033,013.39	\$1,064,891,949.85
Redemption Fund for Federal Reserve notes.....	74,913,000.78	76,974,050.78
TOTAL GOLD CERTIFICATE RESERVES.....	1,230,946,014.17	1,141,866,000.63
Federal Reserve notes of other banks.....	22,851,810.00	30,147,320.00
Other cash.....	24,156,354.76	22,579,777.93
Discounts and advances.....	7,550,000.00	1,950,000.00
Industrial loans.....	-----	60,000.00
U. S. GOVERNMENT SECURITIES:		
Bills.....	127,632,000.00	153,962,000.00
Certificates.....	817,643,000.00	344,921,000.00
Notes.....	355,583,000.00	786,536,000.00
Bonds.....	165,017,000.00	215,919,000.00
TOTAL U. S. GOVERNMENT SECURITIES.....	1,465,875,000.00	1,501,338,000.00
TOTAL LOANS AND SECURITIES.....	1,473,425,000.00	1,503,348,000.00
Due from foreign banks.....	1,140.09	1,134.38
Uncollected cash items.....	333,589,980.75	335,529,332.99
Bank premises.....	4,495,308.58	4,719,402.56
Other assets.....	7,853,762.64	8,852,436.09
TOTAL ASSETS.....	\$3,097,319,370.99	\$3,047,043,404.58
<b><u>LIABILITIES:</u></b>		
Federal Reserve notes.....	\$1,864,244,945.00	\$1,849,093,270.00
DEPOSITS:		
Member bank—reserve accounts.....	829,940,097.83	827,255,389.37
U. S. Treasurer—general account.....	44,619,021.03	11,126,571.48
Foreign.....	24,582,000.00	20,460,000.00
Other.....	5,626,323.09	6,762,414.24
TOTAL DEPOSITS.....	904,767,441.95	865,604,375.09
Deferred availability cash items.....	270,806,430.95	277,384,537.57
Other liabilities.....	555,780.20	762,447.99
TOTAL LIABILITIES.....	3,040,374,598.10	2,992,844,630.65
<b><u>CAPITAL ACCOUNTS:</u></b>		
Capital paid in.....	12,618,200.00	11,655,200.00
Surplus (Section 7).....	33,480,005.72	31,749,515.58
Surplus (Section 13b).....	3,349,144.81	3,349,144.81
Other capital accounts.....	7,497,422.36	7,444,913.54
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	\$3,097,319,370.99	\$3,047,043,404.58
Contingent liability on Acceptances Purchased for Foreign Correspondents.....	\$ 979,200.00	\$ 1,196,605.24
Commitments to make industrial loans.....	39,000.00	51,190.55

# COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

EARNINGS:	1954	1953
Discounts and advances	\$ 220,539.06	\$ 710,297.11
Interest earned on industrial loans under Section 13b	304.52	2,274.20
Fees received on commitments to make industrial loans	447.76	560.38
Interest on U. S. Government securities	25,627,427.68	33,343,105.55
Other earnings	6,532.64	11,127.96
<b>Total Current Earnings</b>	<b>25,855,251.66</b>	<b>34,067,365.20</b>
EXPENSES:		
Operating expenses (including depreciation on bank premises) after deducting reimbursements received for certain Fiscal Agency and other expenses	6,945,073.95	6,932,124.38
Assessments for expenses of Board of Governors	212,900.00	206,400.00
Cost of Federal Reserve currency	649,696.81	1,134,695.74
<b>Net Expenses</b>	<b>7,807,670.76</b>	<b>8,273,220.12</b>
<b>Current Net Earnings</b>	<b>18,047,580.90</b>	<b>25,794,145.08</b>
ADDITIONS TO CURRENT NET EARNINGS:		
Profit on sales of U. S. Government securities (net)	31,734.87	129,574.04
All other	9,213.26	33.02
<b>Total Additions</b>	<b>40,948.13</b>	<b>129,607.06</b>
DEDUCTIONS FROM CURRENT NET EARNINGS:		
Retirement System (adjustment for revised benefits)		167,576.43
Reserves for Contingencies	52,508.82	64,578.80
All other	637.20	2,124.18
<b>Total Deductions</b>	<b>53,146.02</b>	<b>234,279.41</b>
<b>Net Additions (+) or Deductions (-)</b>	<b>-12,197.89</b>	<b>-104,672.35</b>
<b>NET EARNINGS BEFORE PAYMENTS TO U. S. TREASURY</b>	<b>\$18,035,383.01</b>	<b>\$25,689,472.73</b>
Paid U. S. Treasury (Interest on Federal Reserve notes)	\$15,573,732.87	\$22,511,392.27
Dividends paid	731,160.00	676,502.00
Transferred to surplus (Section 7)	1,730,490.14	2,501,578.46
<b>Total</b>	<b>\$18,035,383.01</b>	<b>\$25,689,472.73</b>
<b>SURPLUS ACCOUNT (Section 7)</b>		
Balance at close of previous year	\$31,749,515.58	\$29,247,937.12
Addition a/c profits for year	1,730,490.14	2,501,578.46
<b>BALANCE AT CLOSE OF CURRENT YEAR</b>	<b>\$33,480,005.72</b>	<b>\$31,749,515.58</b>
<b>CAPITAL STOCK ACCOUNT</b>		
(Representing amount paid in, which is 50% of amount subscribed)		
Balance at close of previous year	\$11,655,200.00	\$11,013,750.00
Issued during the year	1,014,600.00	668,450.00
	12,669,800.00	11,682,200.00
Cancelled during the year	51,600.00	27,000.00
<b>BALANCE AT CLOSE OF CURRENT YEAR</b>	<b>\$12,618,200.00</b>	<b>\$11,655,200.00</b>

# Directors and

## DIRECTORS

	John B. Woodward, Jr.	Chairman of the Board and Federal Reserve Agent
	Alonzo G. Decker, Jr.	Deputy Chairman of the Board
CLASS A	Daniel W. Bell	President and Chairman of the Board, American Security and Trust Company Washington, D. C.
	Warren S. Johnson	Investment Counselor, Peoples Savings Bank and Trust Company Wilmington, North Carolina
	John A. Sydenstricker	Executive Vice President, First National Bank in Marlinton Marlinton, West Virginia
CLASS B	Robert O. Huffman	President, Drexel Furniture Company Drexel, North Carolina
	H. L. Rust, Jr.	President, H. L. Rust Company Washington, D. C.
	Wm. A. L. Sibley	Vice President and Treasurer, Monarch Mills Union, South Carolina
CLASS C	Dean W. Colvard	Dean of Agriculture, North Carolina State College of Agriculture and Engineering Raleigh, North Carolina
	Alonzo G. Decker, Jr.	Vice President, The Black and Decker Manufacturing Company Towson, Maryland
	John B. Woodward, Jr.	Chairman of the Board, Newport News Shipbuilding and Dry Dock Company Newport News, Virginia

## MEMBER FEDERAL ADVISORY COUNCIL

Robert V. Fleming	President and Chairman of the Board, Riggs National Bank Washington, D. C.
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# Officers FOR 1955

## FEDERAL RESERVE BANK OF RICHMOND

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Edward A. Wayne	First Vice President		
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Joseph M. Nowlan	Cashier	H. Ernest Ford	Assistant Cashier
R. S. Brock, Jr.	General Auditor	Wythe B. Wakeham	Assistant Cashier
		Edward Waller, Jr.	Assistant Cashier

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Overton D. Dennis	Dominion Oil Company Richmond, Virginia
Ross Puette	President, Carolina Paper Board Corporation Charlotte, North Carolina
Walker D. Stuart	President, Richmond Hardware Company Richmond, Virginia
John L. Whitehurst	President and Treasurer, Burt Machine Company, Inc. Baltimore, Maryland

# Directors and Officers

FOR 1955

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Theodore E. Fletcher, Sr.	Senior Partner, Albert W. Sisk and Son Preston, Maryland
Charles W. Hoff	President, Union Trust Company of Maryland Baltimore, Maryland
Charles A. Piper	President, Liberty Trust Company Cumberland, Maryland
Lacy I. Rice	President, Old National Bank Martinsburg, West Virginia
Stanley B. Trott	President, Maryland Trust Company Baltimore, Maryland
Clarence R. Zarfoss	Vice President, Western Maryland Railway Company Baltimore, Maryland

### OFFICERS

Donald F. Hagner	Vice President
A. A. Stewart, Jr.	Cashier
A. C. Wienert	Assistant Cashier
B. F. Armstrong	Assistant Cashier
E. Riggs Jones, Jr.	Assistant Cashier

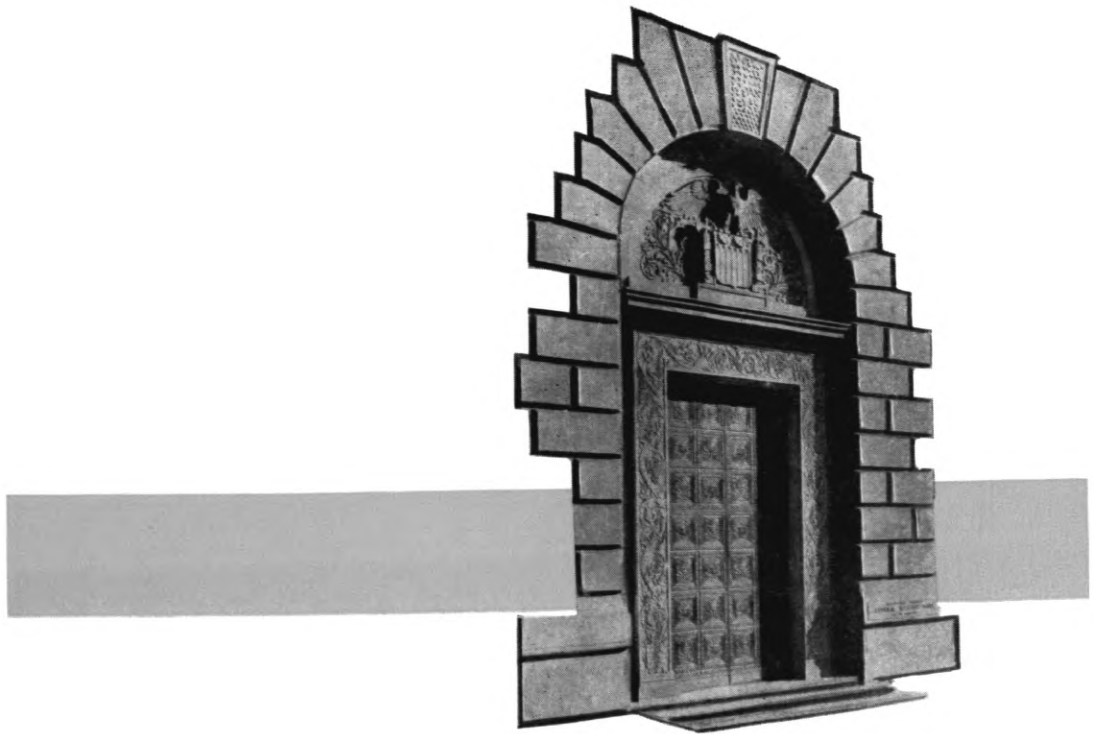
## CHARLOTTE

### DIRECTORS

T. Henry Wilson	Chairman of Branch Board President and Treasurer, Henredon Furniture Industries, Inc. Morganton, North Carolina
George S. Crouch	Chairman of the Board, Union National Bank Charlotte, North Carolina
Archie K. Davis	Senior Vice President, Wachovia Bank and Trust Company Winston-Salem, North Carolina
William H. Grier	Executive Vice President, Rock Hill Printing and Finishing Company Rock Hill, South Carolina
Ernest Patton	Chairman of the Board, Peoples National Bank Greenville, South Carolina
Paul T. Taylor	President, Taylor Warehouse Company Winston-Salem, North Carolina
Jonathan Woody	President, First National Bank Waynesville, North Carolina

### OFFICERS

Robert L. Cherry	Vice President
S. A. Ligon	Cashier
R. L. Honeycutt	Assistant Cashier
E. C. Mondy	Assistant Cashier



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