

1971 ANNUAL REPORT



The Federal Reserve
Bank of Richmond

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To Our Member Banks:

We are pleased to present the 1971 Annual Report of the Federal Reserve Bank of Richmond. This report features a review of the Fifth District economy in 1971. It also includes highlights of the year's operations, comparative financial statements, and current lists of officers and directors of our Richmond, Charlotte, and Baltimore offices.

On behalf of our directors and staff, we wish to thank you for your continued cooperation and support.

Sincerely yours,

Chairman of the Board

President

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THE DISTRICT ECONOMY IN 1971

For Fifth District business, as for the national economy, 1971 was a year of recovery from the slowdown that began in late 1969. Recovery in both the District and the nation was of moderate dimensions and had still not reached full throttle late in the year. The course of the improvement in the District, however, was somewhat more even than in the national economy, at least over the first three quarters. During this period the pace of growth nationwide was heavily influenced by developments in the automobile and steel industries, both of which are of greater significance for the national than for the District economy. In the first quarter, the automobile industry rebounded sharply from the work-stoppage of the preceding quarter; and this advance, coupled with the beginnings of a buildup of steel inventories, in anticipation of a possible strike in that industry, led to a large quarterly gain in Gross National Product (GNP). In the first quarter, the nation's real GNP advanced at an annual rate of 8.0 per cent. In the second quarter, real growth fell off to a 4.8 per cent annual rate, as automobile production lost to the 1970 work-stoppage had been made up by that time. With the signing of a new steel labor contract in midsummer, liquidation of strike-hedge steel inventories began, and real growth fell off further to 3.9 per cent in the third quarter. On the basis of statistics compiled at this Bank, swings in these key national industries appear to have had relatively little effect on the course of District output. More important for District business were the work stoppages among East Coast dock workers and in the coal industry, both of which dampened activity in the District in the third quarter.

The New Economic Program announced by President Nixon on August 15 affected the District economy in much the same way that it affected the national economy. The initial stimulus to business confidence, which had been weak all year, was dramatic, although this effect soon gave way to growing doubts and uncertainties over the details of the second phase of the President's program to contain wage and price inflation at home. Moreover, the international features of the program soon became a source of concern in some quarters of the business community. The unsettled state of the foreign exchanges following the suspension of gold convertibility, the manifest difficulties of negotiating a new system of exchange parities, and the sometimes bitter reactions of foreign governments to the 10 per cent surtax on United States imports aroused fears of a trade war that might lead to sharp cutbacks in the volume of world trade.

Nevertheless, the President's dramatic announcement of August 15 reduced public concern over domestic inflation, causing consumer spending to pick up in both the District and the nation. Consumer outlays for durables, and especially for new domestic passenger cars, rose significantly during the ninety days of the wage-price freeze. After November 13, new car sales fell, but general retail sales continued strong. Surveys made by this Bank in December indicated that District consumer spending remained

robust and that the District's retailers were expecting a record or near-record Christmas season.

As the year drew to a close, sentiments in the District's business community began to take a distinctly optimistic turn. This Bank's index of optimism among District businessmen and bankers, based on a sample survey, showed a sharp rise in December after a substantial decline in the two preceding months. The strong performance of retail sales in the fourth quarter no doubt contributed to this improvement in business confidence. But there were also other contributing factors. Business statistics generally moved favorably in October and November, and forecasts for 1972 were for the most part quite bullish. Moreover, the rate of inflation slowed significantly in the September-November period, reflecting the effects of the wage-price freeze and raising hopes of continued relief. By December much of the uncertainty regarding the details of the second phase of the President's domestic program had been dissipated. Finally, prospects for a settlement of the international monetary crisis had brightened considerably by early December. In fact, in international discussions held in Washington on December 17-18, general agreement was reached among the major trading nations on a new system of exchange parities, widely interpreted as favorable to the United States. Shortly afterwards, the United States terminated the 10 per cent import surcharge. These mid-December developments did much to allay fears of a worldwide business slowdown.

MODERATE OVERALL RECOVERY Although the statistical record of the District economy's performance throughout 1971 was not complete at the time this report was prepared, fairly complete statistics through October, coupled with sample survey data for November and early December, bear out the judgment that the pace of business improvement was moderate at best. The principal sources of strength were the construction, government, and trade and services sectors. Within the construction industry, residential building was notably robust, as virtually every section of the District shared in the nationwide housing boom of 1971. In contrast, the performance of the District's manufacturing sector was spotty and lackluster over most of the year, although new orders, shipments, and order backlogs registered sizable increases toward the end of the year. The farm sector, adversely affected in some areas by heavy and untimely rains, showed little improvement over its 1970 performance. For the most part, this general pattern applied in all Fifth District states.

Residential construction remained strong all year throughout the District, although toward the end of the year survey data began to suggest some tapering in the rapid pace of new building in the first three quarters. Over the first ten months of the year, the building permit index for the District rose 57 per cent, while residential construction contract awards were up 54 per cent. Increases in these indicators were sizable in all

District states and especially large in Virginia, Maryland, and the District of Columbia. Gains in nonresidential construction were less spectacular. The index of nonresidential contract awards increased 17 per cent between January and October, with most of the rise concentrated in North Carolina, Maryland, and the District of Columbia.

Strength in the government sector of the District's economy is reflected by employment data for the first ten months of the year. In October, federal, state, and local governments were providing 1,475,000 jobs in the Fifth District, about 50,000 more than in October 1970. Employment in the government sector currently accounts for about 22 per cent of total nonagricultural employment in the Fifth District and, numerically, is exceeded only by employment in manufacturing. For the District as a whole, government employment was up 3 per cent in the first ten months of the year. The increases were 4 per cent for Virginia; 3 per cent for North Carolina, South Carolina, and the District of Columbia; and 2 per cent for West Virginia and Maryland.

The employment data also reflect moderate strength in the trade and services sector. Employment in wholesale and retail trade, the third most important source of nonagricultural jobs in the District, rose 2 per cent over the first ten months of the year. Gains in this area were especially strong in Maryland and South Carolina, where they amounted to 5 per cent and 4 per cent, respectively. For the District as a whole, employment in finance, insurance, and real estate rose 2 per cent over the ten-month period, with relative gains largest in South Carolina, Maryland, and Virginia. The number of jobs in the services and miscellaneous category increased 3 per cent for the District as a whole, with the largest relative gains in Maryland and the District of Columbia. Collectively, the trade and services sector provided over 2,570,000 jobs in the Fifth District in October, some 70,000 more than in October 1970.

SOME SOFT SPOTS There were some persisting soft spots in the District economy in 1971, which partially offset the gains recorded in the strong sectors. Total nonagricultural employment increased at a lower rate than employment in the government and trade and services sectors. For the first ten months, the entire Fifth District showed an increase of only 1 per cent. This figure clearly understates real employment growth, because the October data were affected adversely by work stoppages in the coal industry and among East Coast dock workers. The effects of these work stoppages were felt chiefly in West Virginia, Virginia, and Maryland. This Bank's November and December surveys of businessmen and bankers suggested moderate to sizable increases in nonagricultural employment in those months. Until the October work stoppage, the District's coal mining industry had been faring well, with employment rising fairly steadily all year. But the situation was different for the District's manufacturing industry. Generally

speaking, 1971 was a year of inventory adjustment and relatively low production for most manufacturers. There were some exceptions, notably the furniture industry, which benefited from the strong surge in housing. But overall, manufacturing employment was lower in October than at the beginning of the year in every District state. The data show a decline over this period of 3 per cent for the Fifth District. By states, the reduction came to 7 per cent in Maryland, 3 per cent each in West Virginia and the District of Columbia, 2 per cent in each of the Carolinas, and 1 per cent in Virginia.

Manufacturing man-hours were also down. The District index shows an overall decline of 2 per cent for the ten-month period, with a 3 per cent decline in durables and a 1 per cent fall in nondurables. By states, this index showed no change for North Carolina but declined elsewhere. The reduction was greatest in Maryland, where it amounted to 8 per cent. Man-hours in that state's durables sector were off 11 per cent. Total manufacturing man-hours for the ten-month period fell 1 per cent in both Virginia and South Carolina, 2 per cent in the District of Columbia, and 4 per cent in West Virginia.

Both employment and man-hours data for October were temporarily depressed by the coal and dock strikes, which accounted, in part, for the poor showing of these indicators over the ten-month period. This Bank's surveys of manufacturers in November and December suggest an improving employment situation, with some prospect that the indicators will show an even better performance for the year than for the first ten months.

SOME SETBACKS IN FARMING It now appears that cash income of Fifth District farmers may have been slightly below the improved level of 1970. Total cash receipts from farm marketings for the January-September period were running 1 per cent below the comparable 1970 pace, as a 5 per cent reduction in receipts from livestock marketings more than offset a 3 per cent gain in crop receipts. Reductions in livestock marketings occurred in all states, ranging from 1 per cent in Virginia to 8 per cent in North Carolina. Judging from price and production data for the final quarter of the year, the annual figure on livestock receipts will apparently show about the same percentage decline as the figure for the first nine months.

Heavy rains at the height of the harvesting season resulted in serious damage to some Fifth District crops, although on the whole the growing season was good and harvest prospects were excellent. The peanut crop in North Carolina and Virginia suffered heavily from rains accompanying Hurricane Ginger. Yields dropped 25 per cent below the 1970 level, and total production was down 31 per cent. Damage to the cotton, corn, and soybean crops was also heavy, although production of all these crops exceeded 1970 levels. Cotton production was higher by 8 per cent, corn by 23 per cent, and soybeans by 15 per cent. Good increases were

also registered in the small grains, pecan, and apple crops. The tobacco, peach, and sweet potato crops, however, were smaller than in 1970.

With the notable exception of the price of corn, crop prices held up well. Compared with 1970, prices averaged moderately higher in every Fifth District state but West Virginia, where they were lower. Flue-cured tobacco prices were the highest in history, some 8 per cent above those a year earlier. Prices of peanuts, soybeans, and cotton were also higher.

On the basis of a special sample survey of Fifth District bank agricultural specialists, it appears that District farmers' demand for credit was strong in 1971 and that bank loan funds were more amply available than in 1970. Farmers' outlays for capital items increased, as did spending for family living items. Farm and family living costs also rose further. Prices of farmland continued to increase, rising at a faster pace in 1971 than in 1970.

THE BANKING DATA Statistics on Fifth District member banks, available through the last Wednesday in November, reflect a general easing of credit conditions in 1971 as well as stepped-up business activity. The bank debits index for the District as a whole increased 19 per cent between November 1970 and November 1971. Increases were sizable in all states, ranging between 13 per cent in West Virginia and 22 per cent in Virginia. Total assets of District member banks on the last Wednesday in November were \$25,008,000,000, up 12 per cent from the comparable date in 1970. Holdings of United States Government obligations were \$2,230,000,000, down 1 per cent from 1970; but investments in other securities (mainly municipals) were up 28 per cent, at \$4,525,000,000. Loans and discounts, at \$13,764,000,000, were 11 per cent higher than on the year earlier date. Loan demand was sluggish throughout the year. Much of the large increase in total loans was accounted for by consumer and real estate lending.

District member banks experienced large deposit increases in 1971. Total deposits for all District member banks on the last Wednesday of November were 11 per cent higher than on the comparable date in 1970. Most of the increase was in time deposits, which jumped 17 per cent to \$10,631,000,000. Demand deposits rose 6 per cent over the same period, reaching \$10,430,000,000.

By states, total assets of member banks on the last Wednesday of November had recorded the following increases: North Carolina, 16 per cent; West Virginia and South Carolina, 14 per cent each; Virginia, 13 per cent; Maryland, 11 per cent; and the District of Columbia, 3 per cent. Comparable figures for total deposit gains were: 13 per cent each for Virginia, West Virginia, and South Carolina; 9 per cent each for North Carolina and Maryland; and 2 per cent for the District of Columbia. Demand deposit expansion accounted for all the deposit growth in the District of Columbia. In the remainder of the Fifth District, by far the largest part of the growth was in time accounts.



HIGHLIGHTS

EARNINGS AND CAPITAL ACCOUNTS Net earnings before payments to the United States Treasury decreased \$11,515,166.46 to \$247,971,989.18 in 1971. Six per cent statutory dividends totaling \$2,261,033.34 were paid to Fifth District member banks, and \$243,122,855.84 was paid to the Treasury as interest on Federal Reserve notes.

Capital stock rose \$2,588,100.00 to \$38,288,650.00 as member banks increased their stockholdings in this Bank, as required by law, to reflect the rise in their capital and surplus. The Bank's surplus account increased \$2,588,100.00 to a total of \$38,288,650.00.

NEW BANK BUILDINGS Plans for the construction of a new building to house the Richmond Reserve Bank continued to move forward. A New Building Program staff, appointed in January, focused on the study of space needs and future projections. The architectural firm of Minoru Yamasaki and Associates, Troy, Michigan, was selected in April. In June the firm of Ford & Earl Design Associates, Warren, Michigan, was engaged for space programming and interior design. The building will be located on a 7-acre site adjacent to the new Ninth Street Bridge on the north bank of the James River. Preliminary estimates indicate occupancy in late 1975 or early 1976.

In November the architectural firm of Hellmuth, Obata and Kassabaum of St. Louis, Missouri, was selected to plan and design a new building to house the Baltimore Branch. Present plans call for construction of the building within Baltimore's Inner Harbor Redevelopment Area on the city's waterfront.

DISCOUNT RATE On January 8, the Richmond Reserve Bank lowered its discount rate from $5\frac{1}{2}$ per cent to $5\frac{1}{4}$ per cent in recognition of declines in short-term market interest rates.

Because of further declines in short-term rates, the discount rate was reduced on January 29 from $5\frac{1}{4}$ per cent to 5 per cent. The rate was reduced again on February 13, by one-quarter of one per cent to $4\frac{3}{4}$ per cent, to keep it in closer alignment with short-term market rates.

On July 23, in recognition of short-term interest rate increases, the discount rate was raised from $4\frac{3}{4}$ per cent to 5 per cent. The increase brought the discount rate into closer alignment with short-term rates and reflected concern over the continuation of substantial cost-push inflation in the economy.

The discount rate was lowered on November 12 from 5 per cent to $4\frac{3}{4}$ per cent, following reductions in short-term interest rates. The rate was reduced again on December 24 by one-quarter of one per cent to $4\frac{1}{2}$ per cent. This change was made in recognition of the prevailing levels of market interest rates and to assist the progress of economic expansion.

CHANGES IN DISCOUNT PROCEDURES On February 4, with the approval of the Board of Governors, several changes were made in the procedures under which member banks borrow funds from the Federal Reserve Bank. The changes are:

1. the use of a "continuing lending agreement" in lieu of a formal application and promissory note;
2. the collection of interest on a member bank's borrowing at the time the loan is repaid, rather than the deduction of interest in advance; and
3. the immediate application of any discount rate change to all outstanding borrowings.

CULPEPER FACILITY On June 17, the Board of Governors issued a policy statement urging reforms in the payments mechanism to offset anticipated increases in check volume within the next decade and encouraging greater and more efficient use of the Federal Reserve Communications System.

In keeping with the intent of this directive, the Communications System at the Communications and Records Center, Culpeper, Virginia, was expanded to provide computer-to-computer links between the Culpeper Switching Center and the Chicago and San Francisco Federal Reserve Banks. Such links provide for immediate and completely automatic transfer of funds to and from member banks connected to those Federal Reserve Banks. The San Francisco and Chicago offices represent about 10 per cent of the Communications System's present wire transfer volume.

At year-end two other head offices, New York and Cleveland, were testing their computer links with Culpeper. Additional Reserve Banks are planning to initiate such testing soon.

CHECK COLLECTION The Burroughs Model B-3500, a third generation check processing system that was installed at the Richmond office during the latter part of 1970, became fully operational by mid-1971. The unit, using Burroughs Image Processing Systems modified to the Richmond Reserve Bank's specifications, will comprise the standard system for check processing operations within the Fifth District.

The Charlotte Branch, in cooperation with the South Carolina Bankers Association, continued to work toward a plan that will provide overnight check collection for all South Carolina banks clearing with other South Carolina banks. The Branch is currently analyzing a two-week survey, conducted late in 1971, of all checks presented in the state. It is anticipated that a finalized plan of operation will be drawn up during the first part of 1972, to become functional after mid-year.

A pioneer in the Regional Clearing Center concept of check processing, the Baltimore Branch's Clearing Center operated smoothly through its second year, with the average daily volume approaching 1,000,000 items. On December 8, 12 new banks joined the Center, bringing the total number of participating banks to 104. Planning is underway for further expansion of this Center and for the possible establishment of additional Clearing Centers throughout the Fifth District.

MONEY Two new coins were placed in circulation during the year. The cupro-nickel Kennedy half dollar was released on April 19, and the cupro-nickel Eisenhower dollar was issued on November 1. There was much interest in both of these coins in the Fifth District.

Effective September 1, this Bank began paying for transportation of currency and coin to and from member banks located in Baltimore, Maryland; Charlotte, North Carolina; Richmond, Virginia; and Washington, D. C., in order to bring service to banks in these cities into parity with such service to other member banks.

NEW MEMBER BANKS Seven Fifth District banks became members of the Federal Reserve System during the year. The Bank of Arlington, Arlington, Virginia, opened for business in February. In June The Peoples Bank of Hartsville, Hartsville, South Carolina, converted into a nationally chartered bank and joined the Federal Reserve System under the name of First Peoples National Bank of South Carolina, and First Virginia Bank of Colonial Heights, Colonial Heights, Virginia, began operations. First Virginia Bank of the Peninsula, Hampton, Virginia, was established in August. Atlantic National Bank, Norfolk, Virginia, opened in September; Commonwealth Bank and Trust Company of Virginia, Sterling, Virginia, started operations in October; and in November the Greensboro National Bank, Greensboro, North Carolina, began serving the public.

Also, Kanawha Banking & Trust Company National Association, Charleston, West Virginia, was converted from a state member bank into a nationally chartered bank in July.

CHANGES IN DIRECTORS The election, by Fifth District member banks, of one Class A Director to a three-year term on the Richmond Board of Directors was held in the fall. Edward N. Evans, President, The Farmers and Merchants National Bank, Cambridge, Maryland, was elected to succeed Douglas D. Monroe, Jr., Chief Executive Officer and Vice Chairman, Chesapeake National Bank, Kilmarnock, Virginia, whose term expired December 31. Henry Clay Hofheimer, II, Director and Member of Executive Committee, Lone Star Industries, Inc., Norfolk, Virginia, was elected by Fifth District member banks to a three-year term as a Class B Director of the Richmond Bank, succeeding Charles D. Lyon, retired President,

The Potomac Edison Company, Hagerstown, Maryland. Mr. Lyon's term expired December 31.

The Board of Governors designated Robert W. Lawson, Jr., Managing Partner, Charleston Office, Steptoe & Johnson, Charleston, West Virginia, to serve as Chairman of the Board of Directors and Federal Reserve Agent for 1972. Named as Deputy Chairman of the Board of Directors for 1972 was Stuart Shumate, President, Richmond, Fredericksburg and Potomac Railroad Company, Richmond, Virginia. The Board of Governors also appointed E. Craig Wall, Sr., Chairman of the Board, Canal Industries, Inc., Conway, South Carolina, to a three-year term as a Class C Director of the Richmond Reserve Bank. Mr. Wall, who was a member of the Charlotte Branch Board of Directors, succeeded Wilson H. Elkins, President, University of Maryland, College Park, Maryland, whose term expired December 31. Dr. Elkins served as Chairman of the Board of the Richmond Bank from 1968 through 1971.

The Board of Governors appointed Robert C. Edwards, President, Clemson University, Clemson, South Carolina, to serve the remaining year of Mr. Wall's three-year term on the Board of Directors of the Charlotte Branch. Charles F. Benbow, Vice President, R. J. Reynolds Industries, Inc., Winston-Salem, North Carolina, was appointed by the Board of Governors to a three-year term on the Charlotte Branch Board. Mr. Benbow succeeded John L. Fraley, President, Carolina Freight Carriers Corporation, Cherryville, North Carolina, whose term expired December 31. The Board of Governors also appointed James G. Harlow, President, West Virginia University, Morgantown, West Virginia, to a three-year term on the Baltimore Branch Board of Directors. He succeeded James M. Jarvis, retired Chairman of the Board and Director, Jarvis, Downing & Emch, Inc., Clarksburg, West Virginia, whose term expired December 31.

The Richmond Board of Directors reappointed Tilton H. Dobbin, President and Chairman of Executive Committee, Maryland National Bank, Baltimore, Maryland, as a Director at the Baltimore Branch. The Richmond Board also reappointed L. D. Coltrane, III, President and Trust Officer, The Concord National Bank, Concord, North Carolina, to a three-year term on the Charlotte Branch Board of Directors.

FEDERAL ADVISORY COUNCIL The Board of Directors selected Joseph W. Barr, President, American Security and Trust Company, Washington, D. C., to serve during 1972, for a second term, as the Fifth District representative to the Federal Advisory Council. The Council, which consists of a representative from each of the 12 Federal Reserve Districts, meets quarterly with the Board of Governors in Washington, D. C., to discuss business conditions and Federal Reserve affairs.

CHANGES IN OFFICIAL STAFF A number of changes in the official staff occurred during 1971.

In February William C. Fitzgerald was named Assistant Vice President in the Examining Department. John F. Rand was appointed Senior Vice President in June and was given responsibility for the Data Processing, Computer Services, and Planning Departments, as well as the Communications Division located at the Culpeper facility. Also in June Assistant Vice President William H. Wallace, formerly with the Research Department, was assigned to the Planning Department, and Robert D. McTeer, Jr., was named Assistant Vice President in the Research Department.

Wenifred O. Pearce, formerly Assistant Vice President in the Check Collection Department, resigned in September to accept the position of Staff Vice President with the Virginia Bankers Association.

At the end of September, after nearly 30 years of distinguished service, Senior Vice President Upton S. Martin retired. Immediately prior to his retirement, Mr. Martin supervised the Check Collection and Building and Equipment Departments.

Clifford B. Beavers was named Vice President in charge of the Check Collection Department in October, and Raymond E. Sanders, Jr., Senior Vice President, was given the additional responsibility of the Building and Equipment Department. Also in October, Andrew L. Tilton, Assistant Vice President, was transferred from the Computer Services Department to the Check Collection Department.

Additional promotions and changes, effective January 1, 1972, were announced in December. Lloyd W. Bostian, Jr., and Chester D. Porter, Jr., were appointed Vice Presidents in the Examining Department, and W. Thomas Cunningham, Jr., was named Vice President in the Personnel Department. Fred L. Bagwell was promoted to Assistant Vice President in the Examining Department, and Wyatt F. Davis was elevated to Chief Examiner. William D. Martin, III, was named Assistant General Counsel in the Legal Department, and William E. McLean was elected Assistant Vice President in the Data Processing and Computer Services Departments. Joseph C. Ramage was promoted to Assistant Vice President in the Discount and Credit Department, and Wilbur C. Wilson was elected Assistant Vice President in the Fiscal Agency and Securities Departments. Named Examining Officer was Jackson L. Blanton.

At the Culpeper facility, Albert D. Tinkelenberg was promoted to Vice President, and John G. Stoides was named Assistant Vice President. Charles P. Kahler was promoted to Assistant Vice President at the Baltimore Branch.

Summary of Operations

CHECK CLEARING & COLLECTION

| | 1971 | 1970 |
|---|-----------------|-----------------|
| Dollar amount | | |
| Commercial bank checks ¹ | 218,118,784,000 | 189,905,006,000 |
| Government checks ² | 18,416,145,000 | 15,503,843,000 |
| Return items | 2,167,970,000 | 1,746,610,000 |
| Number of items | | |
| Commercial bank checks ¹ | 708,860,900 | 636,923,000 |
| Government checks ² | 71,728,000 | 68,261,000 |
| Return items | 7,753,000 | 7,359,000 |

CURRENCY & COIN

| | | |
|---|---------------|---------------|
| Currency disbursed—Dollar amount | 3,625,049,840 | 3,318,065,890 |
| Coin disbursed—Dollar amount | 170,541,920 | 147,146,575 |
| Dollar amount of currency destroyed | 1,091,826,100 | 1,131,836,112 |
| Daily average of currency destroyed | | |
| Dollar amount | 4,298,528 | 4,438,573 |
| Number | 793,837 | 792,338 |

DISCOUNT & CREDIT

| | | |
|---|---------------|---------------|
| Dollar amount | | |
| Total loans made during year | 3,450,100,000 | 5,126,845,000 |
| Daily average loans outstanding | 19,924,479 | 33,055,397 |
| Number of banks borrowing during the year | 67 | 95 |

FISCAL AGENCY ACTIVITIES

| | | |
|---|----------------|----------------|
| Marketable securities delivered or redeemed | | |
| Dollar amount | 20,518,332,102 | 16,857,927,029 |
| Number | 202,519 | 355,646 |
| Coupons redeemed | | |
| Dollar amount | 103,284,799 | 116,116,823 |
| Number | 335,884 | 366,297 |
| Savings bond and savings note issues | | |
| Dollar amount | 413,299,400 | 361,648,172 |
| Number | 9,667,352 | 9,408,269 |
| Savings bond and savings note redemptions | | |
| Dollar amount | 478,247,164 | 531,196,284 |
| Number | 11,297,295 | 11,946,924 |
| Depository receipts for withheld taxes | | |
| Dollar amount | 9,903,179,888 | 9,028,901,905 |
| Number | 2,508,511 | 2,134,725 |

TRANSFERS OF FUNDS

| | | |
|---------------------|-----------------|-----------------|
| Dollar amount | 453,010,466,662 | 384,495,547,822 |
| Number | 491,238 | 425,529 |

¹ Excluding checks on this Bank.

² Including postal money orders.



COMPARATIVE STATEMENTS

Condition

ASSETS:

| | Dec. 31, 1971 | Dec. 31, 1970 |
|--|---------------------------|---------------------------|
| Gold certificate account | \$ 893,888,219.95 | \$1,043,808,340.57 |
| Special Drawing Rights certificate account | 36,000,000.00 | 36,000,000.00 |
| Federal Reserve notes of other Federal Reserve Banks | 99,994,310.00 | 82,642,870.00 |
| Other cash | 37,588,915.00 | 12,797,592.30 |
| Discounts and advances | 2,950,000.00 | ----- |
| Federal agency obligations | 36,286,000.00 | ----- |
| U. S. Government securities: | | |
| Bills | 2,256,080,000.00 | 1,932,823,000.00 |
| Certificates | ----- | ----- |
| Notes | 2,659,964,000.00 | 2,474,114,000.00 |
| Bonds | 245,866,000.00 | 218,878,000.00 |
| TOTAL U. S. GOVERNMENT SECURITIES | 5,161,910,000.00 | 4,625,815,000.00 |
| TOTAL LOANS AND SECURITIES | 5,201,146,000.00 | 4,625,815,000.00 |
| Cash items in process of collection | 1,087,551,283.61 | 996,018,127.33 |
| Bank premises | 13,065,841.52 | 11,417,938.52 |
| Other assets | 54,806,430.19 | 58,185,422.04 |
| TOTAL ASSETS | <u>\$7,424,041,000.27</u> | <u>\$6,866,685,290.76</u> |

LIABILITIES:

| | | |
|--|-------------------------|-------------------------|
| Federal Reserve notes | \$4,802,937,861.00 | \$4,604,378,958.00 |
| Deposits: | | |
| Member bank reserves | 1,514,666,753.97 | 1,306,815,256.74 |
| U. S. Treasurer—general account | 98,035,104.43 | 38,828,985.64 |
| Foreign | 14,280,000.00 | 6,375,000.00 |
| Other | 41,252,085.39 | 30,087,116.20 |
| TOTAL DEPOSITS | 1,668,233,943.79 | 1,382,106,358.58 |
| Deferred availability cash items | 833,605,551.88 | 766,518,464.43 |
| Other liabilities | 42,686,343.60 | 42,280,409.75 |
| TOTAL LIABILITIES | <u>7,347,463,700.27</u> | <u>6,795,284,190.76</u> |

CAPITAL ACCOUNTS:

| | | |
|--|---------------------------|---------------------------|
| Capital paid in | 38,288,650.00 | 35,700,550.00 |
| Surplus | 38,288,650.00 | 35,700,550.00 |
| TOTAL LIABILITIES AND CAPITAL ACCOUNTS | <u>\$7,424,041,000.27</u> | <u>\$6,866,685,290.76</u> |

| | | |
|--|------------------|------------------|
| Contingent liability on acceptances purchased for foreign correspondents | \$ 12,999,900.00 | \$ 12,755,100.00 |
|--|------------------|------------------|

Earnings and Expenses

EARNINGS:

| | 1971 | 1970 |
|---|-----------------------|-----------------------|
| Discounts and advances | \$ 968,532.33 | \$ 2,086,332.79 |
| Interest on U. S. Government securities | 270,720,509.91 | 281,255,061.17 |
| Foreign currencies | 135,076.52 | 2,488,230.63 |
| Other earnings | 34,681.04 | 37,585.36 |
| TOTAL CURRENT EARNINGS | <u>271,858,799.80</u> | <u>285,867,209.95</u> |

EXPENSES:

| | | |
|---|-------------------------|-------------------------|
| Operating expenses (including depreciation on bank premises) after deducting reimbursements received for certain Fiscal Agency and other expenses | 27,284,368.86 | 23,289,429.24 |
| Assessments for expenses of Board of Governors | 1,674,400.00 | 1,084,700.00 |
| Cost of Federal Reserve currency | 2,203,948.20 | 2,815,300.03 |
| NET EXPENSES | <u>31,162,717.06</u> | <u>27,189,429.27</u> |
| CURRENT NET EARNINGS | <u>240,696,082.74</u> | <u>258,677,780.68</u> |
| ADDITIONS TO CURRENT NET EARNINGS: | | |
| Profit on sales of U. S. Government securities (net) | 7,629,141.53 | 616,332.07 |
| All other | 117,201.74 | 251,152.58 |
| TOTAL ADDITIONS | <u>7,746,343.27</u> | <u>867,484.65</u> |
| DEDUCTIONS FROM CURRENT NET EARNINGS | <u>470,436.83</u> | <u>58,109.69</u> |
| NET ADDITION TO CURRENT NET EARNINGS | <u>7,275,906.44</u> | <u>809,374.96</u> |
| NET EARNINGS BEFORE PAYMENTS TO U.S. TREASURY | <u>\$247,971,989.18</u> | <u>\$259,487,155.64</u> |
| Dividends paid | \$ 2,261,033.34 | \$ 2,100,487.09 |
| Payments to U. S. Treasury (interest on Federal Reserve notes) | 243,122,855.84 | 255,889,468.55 |
| Transferred to surplus | 2,588,100.00 | 1,497,200.00 |
| TOTAL | <u>\$247,971,989.18</u> | <u>\$259,487,155.64</u> |

SURPLUS ACCOUNT

| | | |
|--|-------------------------|-------------------------|
| Balance at close of previous year | \$ 35,700,550.00 | \$ 34,203,350.00 |
| Addition account of profits for year | 2,588,100.00 | 1,497,200.00 |
| BALANCE AT CLOSE OF CURRENT YEAR | <u>\$ 38,288,650.00</u> | <u>\$ 35,700,550.00</u> |

CAPITAL STOCK ACCOUNT

| | | |
|--|-------------------------|-------------------------|
| (Representing amount paid in, which is 50% of amount subscribed) | | |
| Balance at close of previous year | \$ 35,700,550.00 | \$ 34,203,350.00 |
| Issued during the year | 2,737,100.00 | 1,674,150.00 |
| | <u>38,437,650.00</u> | <u>35,877,500.00</u> |
| Cancelled during the year | 149,000.00 | 176,950.00 |
| BALANCE AT CLOSE OF CURRENT YEAR | <u>\$ 38,288,650.00</u> | <u>\$ 35,700,550.00</u> |



DIRECTORS (December 31, 1971)

Wilson H. Elkins *Chairman of the Board and Federal Reserve Agent*
Robert W. Lawson, Jr. *Deputy Chairman of the Board*

CLASS A

Hugh A. Curry *President, The Kanawha Valley Bank*
Charleston, West Virginia
(Term expires December 31, 1972)

Thomas P. McLachlen *President, McLachlen National Bank*
Washington, D. C.
(Term expires December 31, 1973)

Douglas D. Monroe, Jr. *Chief Executive Officer and Vice Chairman, Chesapeake National Bank*
Kilmarnock, Virginia
(Term expired December 31, 1971)
Succeeded by: Edward N. Evans
President, The Farmers and Merchants National Bank
Cambridge, Maryland
(Term expires December 31, 1974)

CLASS B

H. Dail Holderness *President, Carolina Telephone and Telegraph Company*
Tarboro, North Carolina
(Term expires December 31, 1973)

Charles D. Lyon *Retired President, The Potomac Edison Company*
Hagerstown, Maryland
(Term expired December 31, 1971)
Succeeded by: Henry Clay Hofheimer, II
Director and Member of Executive Committee, Lone Star Industries, Inc.
Norfolk, Virginia
(Term expires December 31, 1974)

Robert S. Small *President and Chief Executive Officer, Dan River, Inc.*
Greenville, South Carolina
(Term expires December 31, 1972)

CLASS C

Wilson H. Elkins *President, University of Maryland*
College Park, Maryland
(Term expired December 31, 1971)
Succeeded by: E. Craig Wall, Sr.
Chairman of the Board, Canal Industries, Inc.
Conway, South Carolina
(Term expires December 31, 1974)

Robert W. Lawson, Jr. *Managing Partner, Charleston Office, Steptoe & Johnson*
Charleston, West Virginia
(Term expires December 31, 1972)

Stuart Shumate *President, Richmond, Fredericksburg and Potomac Railroad Company*
Richmond, Virginia
(Term expires December 31, 1973)

MEMBER FEDERAL ADVISORY COUNCIL

Joseph W. Barr *President, American Security and Trust Company*
Washington, D. C.
(Term expires December 31, 1972)



OFFICERS

Richmond

| | | | |
|---------------------------|--|--------------------------|---|
| Aubrey N. Heflin | <i>President</i> | Robert P. Black | <i>First Vice President</i> |
| Welford S. Farmer | <i>Senior Vice President and Special Legal Adviser</i> | J. Gordon Dickerson, Jr. | <i>Vice President</i> |
| James Parthemos | <i>Senior Vice President and Director of Research</i> | H. Ernest Ford | <i>Vice President</i> |
| John F. Rand | <i>Senior Vice President</i> | William C. Glover | <i>Vice President</i> |
| Raymond E. Sanders, Jr. | <i>Senior Vice President</i> | Arthur V. Myers, Jr. | <i>Vice President</i> |
| Clifford B. Beavers | <i>Vice President</i> | John L. Nosker | <i>Vice President</i> |
| Lloyd W. Bostian, Jr. | <i>Vice President</i> | Chester D. Porter, Jr. | <i>Vice President</i> |
| W. Thomas Cunningham, Jr. | <i>Vice President</i> | Aubrey N. Snellings | <i>Vice President</i> |
| John G. Deitrick | <i>Vice President</i> | Albert D. Tinkelenberg | <i>Vice President</i> |
| | | William F. Upshaw | <i>Vice President and General Counsel</i> |
| J. Lander Allin, Jr. | <i>Assistant Vice President</i> | Robert D. McTeer, Jr. | <i>Assistant Vice President</i> |
| Elizabeth W. Angle | <i>Assistant Vice President</i> | Victor E. Pregeant, III | <i>Assistant Vice President and Secretary</i> |
| Fred L. Bagwell | <i>Assistant Vice President</i> | Joseph C. Ramage | <i>Assistant Vice President</i> |
| Wyatt F. Davis | <i>Chief Examiner</i> | Frank D. Stinnett, Jr. | <i>Assistant Vice President</i> |
| George B. Evans | <i>Assistant Vice President</i> | John G. Stoides | <i>Assistant Vice President</i> |
| William C. Fitzgerald | <i>Assistant Vice President</i> | Andrew L. Tilton | <i>Assistant Vice President</i> |
| John E. Friend | <i>Assistant Vice President</i> | William H. Wallace | <i>Assistant Vice President</i> |
| William D. Martin, III | <i>Assistant General Counsel</i> | Wilbur C. Wilson | <i>Assistant Vice President</i> |
| William E. McLean | <i>Assistant Vice President</i> | Jack H. Wyatt | <i>Assistant Vice President</i> |
| Jackson L. Blanton | <i>Examining Officer</i> | Hobert D. Pierce | <i>Assistant Cashier</i> |
| Charles H. Imel | <i>Assistant Cashier</i> | Barthonehue W. Reese | <i>Assistant Cashier</i> |
| Joseph F. Viverette | <i>General Auditor</i> | John C. Horigan | <i>Assistant General Auditor</i> |

Baltimore Branch

| | |
|------------------------|---------------------------------|
| H. Lee Boatwright, III | <i>Senior Vice President</i> |
| A. A. Stewart, Jr. | <i>Vice President</i> |
| B. F. Armstrong | <i>Assistant Vice President</i> |
| E. Riggs Jones, Jr. | <i>Assistant Vice President</i> |
| Charles P. Kahler | <i>Assistant Vice President</i> |
| Gerald L. Wilson | <i>Assistant Vice President</i> |

Charlotte Branch

| | |
|----------------------|---------------------------------|
| Jimmie R. Monhollon | <i>Senior Vice President</i> |
| Stuart P. Fishburne | <i>Vice President</i> |
| Boyd Z. Eubanks | <i>Assistant Vice President</i> |
| Winfred W. Keller | <i>Assistant Vice President</i> |
| Fred C. Krueger, Jr. | <i>Assistant Vice President</i> |
| O. Louis Martin, Jr. | <i>Assistant Vice President</i> |



BRANCH DIRECTORS (December 31, 1971)

Baltimore

| | |
|-------------------------|--|
| James R. Chaffinch, Jr. | <i>Executive Vice President, The Denton National Bank</i> Denton, Maryland (Term expires December 31, 1972) |
| Tilton H. Dobbin | <i>President and Chairman of Executive Committee, Maryland National Bank</i> Baltimore, Maryland (Term expires December 31, 1974) |
| John H. Fetting, Jr. | <i>President, A. H. Fetting Company</i> Baltimore, Maryland (Term expires December 31, 1973) |
| James M. Jarvis | <i>Retired Chairman of the Board and Director, Jarvis, Downing & Emch, Inc.</i> Clarksburg, West Virginia (Term expired December 31, 1971) Succeeded by: James G. Harlow <i>President, West Virginia University</i> Morgantown, West Virginia (Term expires December 31, 1974) |
| *Arnold J. Kleff, Jr. | <i>Retired Manager, Baltimore Refinery, American Smelting and Refining Company</i> Baltimore, Maryland (Term expires December 31, 1972) |
| J. Stevenson Peck | <i>President, Union Trust Company of Maryland</i> Baltimore, Maryland (Term expires December 31, 1973) |
| James J. Robinson | <i>Executive Vice President and Cashier, Bank of Ripley</i> Ripley, West Virginia (Term expires December 31, 1973) |

Charlotte

| | |
|-----------------------|--|
| H. Phelps Brooks, Jr. | <i>President and Trust Officer, The Peoples National Bank</i> Chester, South Carolina (Term expires December 31, 1973) |
| C. C. Cameron | <i>Chairman of the Board and President, First Union National Bank of North Carolina</i> Charlotte, North Carolina (Term expires December 31, 1973) |
| J. Willis Cantey | <i>Chairman of the Board, The Citizens & Southern National Bank of South Carolina</i> Columbia, South Carolina (Term expires December 31, 1972) |
| L. D. Coltrane, III | <i>President and Trust Officer, The Concord National Bank</i> Concord, North Carolina (Term expires December 31, 1974) |
| Charles W. DeBell | <i>General Manager, North Carolina Works, Western Electric Company, Inc.</i> Winston-Salem, North Carolina (Term expires December 31, 1973) |
| *John L. Fraley | <i>President, Carolina Freight Carriers Corporation</i> Cherryville, North Carolina (Term expired December 31, 1971) Succeeded by: Charles F. Benbow <i>Vice President, R. J. Reynolds Industries, Inc.</i> Winston-Salem, North Carolina (Term expires December 31, 1974) |
| E. Craig Wall, Sr. | <i>Chairman of the Board, Canal Industries, Inc.</i> Conway, South Carolina (Appointed Class C Director of Federal Reserve Bank of Richmond) Succeeded by: Robert C. Edwards <i>President, Clemson University</i> Clemson, South Carolina (Term expires December 31, 1972) |

* Branch Board Chairman.

