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Thirteenth Annual Report of
the Federal Reserve Bank
of Boston for the year ended
☪ December 31, 1927 ☪

Boston, Massachusetts

THIRTEENTH ANNUAL REPORT

OF THE

Federal Reserve Bank
of Boston

*For the year ended
December 31, 1927*



BOSTON, MASSACHUSETTS

FEDERAL RESERVE BANK OF BOSTON

OFFICERS AND DIRECTORS

December 31, 1927

OFFICERS

W. P. G. HARDING, Governor
WILLIAM W. PADDOCK, Deputy Governor
WILLIAM WILLETT, Cashier
KRICKEL K. CARRICK, Secretary
ELLIS G. HULT, Assistant Cashier
ERNEST M. LEAVITT, Assistant Cashier
L. WALLACE SWEETSER, Assistant Cashier

FREDERIC H. CURTISS, Federal Reserve Agent
CHARLES F. GETTEMY, Assistant Federal Reserve Agent
HARRY F. CURRIER, Auditor

DIRECTORS

Class and Group		Term Expires December 31
A 1	ALFRED L. RIPLEY President, Merchants National Bank	Boston, Mass. 1929
A 2	F. S. CHAMBERLAIN Vice-President and Cashier New Britain National Bank	New Britain, Ct. 1928
A 3	EDWARD S. KENNARD Vice-President and Cashier Rumford National Bank	Rumford, Me. 1930
B 1	PHILIP R. ALLEN Vice-President, Bird & Sons	E. Walpole, Mass. 1929
B 2	ALBERT C. BOWMAN President, The John T. Slack Corporation	Springfield, Vt. 1928
B 3	CHAS. G. WASHBURN President, The Washburn Co.	Worcester, Mass. 1930
C	FREDERIC H. CURTISS Chairman	Boston, Mass. 1929
C	ALLEN HOLLIS Deputy-Chairman, Lawyer	Concord, N. H. 1930
C	CHAS. H. MANCHESTER President, Providence Gas Co.	Providence, R. I. 1928

GENERAL COUNSEL

ARTHUR H. WEED, Boston, Mass.

MEMBER OF FEDERAL ADVISORY COUNCIL

ARTHUR M. HEARD
President, Amoskeag National Bank,
Manchester, N. H.

LETTER OF TRANSMITTAL

BOSTON, MASS., January 28, 1928.

HON. ROY A. YOUNG,

Governor, Federal Reserve Board,

Washington, D. C.

SIR:

I have the honor to submit herewith the Thirteenth Annual Report of the Federal Reserve Bank of Boston, covering industrial and credit conditions in New England, and the operations of the bank for the period January 1, 1927, to December 31, 1927.

Respectfully yours,

FREDERIC H. CURTISS,

Chairman and Federal Reserve Agent.

THIRTEENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

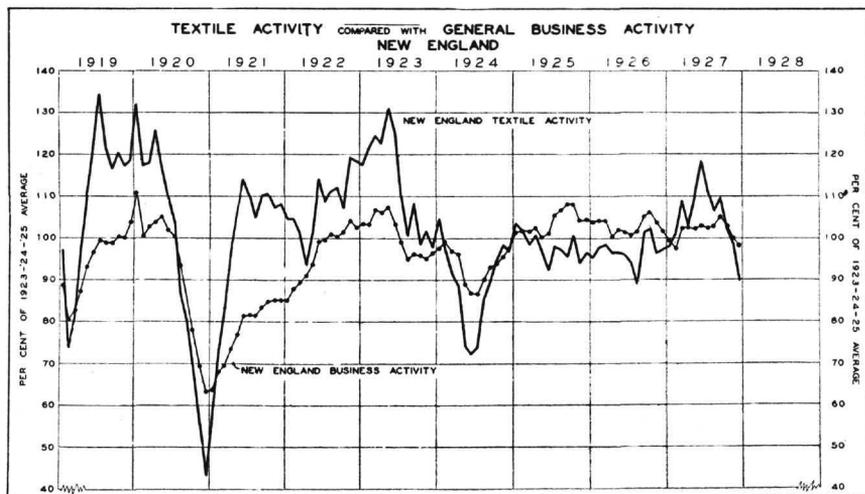
BUSINESS AND CREDIT CONDITIONS IN NEW ENGLAND DURING 1927

The function of the Federal Reserve Banks in furnishing credit to their member banks which in turn is passed on to industry and the importance of Federal Reserve policies in their effect upon general credit conditions make it highly necessary for the reserve banks to keep in close touch at all times with business and industrial conditions. No annual report of this character covering banking and financial transactions would be complete, therefore, if there were not presented as a background to the record a fairly clear picture of the conditions under which industry and trade have been operating during the year.

For the year 1927 New England business activity compared favorably with that of the rest of the country. There was no marked recession in New England industries such as took place in the iron and steel, automobile and crude oil industries in other parts of the country.

The determined effort of New England management to adopt more efficient manufacturing and more efficient sales methods in almost all lines of industry has been a prominent factor in the stability of New England business activity during the year.

Textile Activity: While there was continued liquidation in the textile industry with subsequent removal of a certain amount of manufacturing

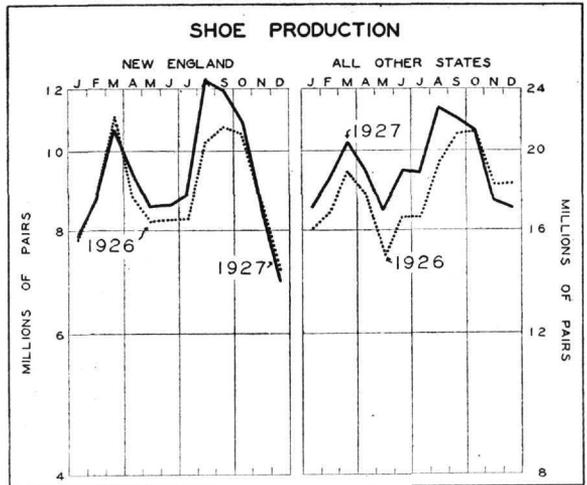


equipment to the South, there was also an improvement in the demand for both fine and coarse cotton goods during the year which created more favorable conditions than had prevailed in that industry during the prior few years. The New England textile industries were in the aggregate operating at a higher average rate of activity during 1927 than at any time since 1923. An index of textile mill activity compiled by this bank, and composed of cotton consumption, wool consumption, the production of fine cotton fabrics, and the rate of silk mill operations, all seasonally adjusted, in 1927 averaged fully 10 per cent higher than in 1926. January activity was below the 1923-24-25 average, but successive increases, especially in cotton and wool consumption and fine goods production, brought the activity in June to the high point for the year, considerably higher than that of the 1923-24-25 average. Since June, the seasonally adjusted volumes of cotton and wool consumed had declined until in November they were at the low points for the year. Silk mill activity, which reached a peak for the year in July, has also receded since that time to its low for the year. While the production of fine cotton goods has been curtailed, it is still larger than at the first of the year.

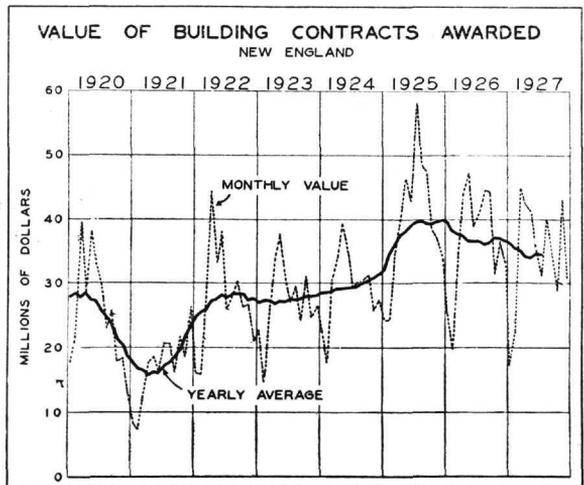
In addition to the generally high rate of mill activity, the outstanding feature of the cotton textile situation was the increase in the prices of raw cotton and cotton goods. Spot cotton advanced from thirteen cents per pound at the first of the year to nearly twenty-four cents per pound near the middle of September and then declined to nineteen to twenty cents per pound at the close of the year. Cotton goods prices have followed the movements of raw cotton, although the variations have been of smaller magnitude. The low prices at the close of 1926 and at the beginning of 1927 acted as a stimulus to the cloth markets. The wide price fluctuations in the raw cotton markets early in the autumn led to uncertainty in the cloth markets where a sharp reduction in sales volumes was followed by production curtailment. With the more stable raw cotton prices of the last month or two, sales in the cloth markets have again improved.

Raw wool prices, after declining during the first five months of 1927, by which time they were nearly 20 per cent below the 1926 high, began to strengthen during the summer, and by the close of the year had risen approximately 10 per cent above the year's low, and were over 7 per cent higher than on January 1, 1927. Raw silk prices, on the other hand, have declined about 20 per cent since April to the lowest point in several years, and only during the latter part of December did they show even a tendency toward firmness.

Boots and Shoes: The production of boots and shoes in the New England district during 1927 also averaged larger than in any year since 1923. The output of boots and shoes for 1927 was 5 per cent larger than in 1926, over 6 per cent larger than in 1925, nearly 7 per cent larger than in 1924, although 12 per cent smaller than in 1923. Production during the first few months of the year was below the 1926 record, but in each month from April through October the 1927 output was from 3 to 20 per cent larger than in the corresponding month of 1926. The Fall seasonal peak in 1927 established a new high record for August and September.



Building: In only two months of 1927 did the value of new construction awards exceed corresponding months of 1926. The peak of building activity was reached in the summer of 1925, and since that time, with the exception of an occasional record month, such as March, 1927, the trend has been downward. Construction costs have declined 3 or 4 per cent between 1925 and 1927, due chiefly to lower material prices, but this has been responsible for only a portion of the decline in building values. An actual reduction in the volume of building, as compared with 1926, has taken place in practically all classes of construction.



While building in 1927 was in reduced volume by comparison with both 1925 and 1926 it still was considerably larger than in any year previous to 1925.

Freight Carloadings: The distribution of commodities originating in New England, as indicated by the loadings of merchandise and miscellaneous classes of freight in this district during 1927, was slightly more than one per cent less than in 1926. During the first half of the year there was little change in the volume of loadings between 1926 and 1927 but since that time the 1927 record has been consistently below 1926. The total loadings throughout the country showed a loss from 1926, due in the first place to the bituminous coal strike, which resulted not only in the smaller volume of coal shipments this year, but in unusually large shipments a year ago during the English coal strike and prior to and in anticipation of the impending strike in this country; and in the second place to smaller shipments of ore, coke, and forest products. Loadings of manufactured goods, merchandise and miscellaneous classes, however, were slightly larger than in 1926 for the country as a whole.

Retail Trade: Reports received from New England department stores indicate that the volume of retail trade in this district during 1927 was about one per cent larger than the total during the previous year. Inasmuch as 1926 was a record year for retail trade, and less favorable business conditions in general prevailed during 1927, this gain is more significant than it appears. The greater part of the improvement was due to larger instalment and regular charge sales. Collections of both regular and instalment accounts showed decided gains over those in 1926, the greater increases being made in instalment collections.

Employment: The number of workers on the payrolls of New England manufacturing establishments throughout 1927 was on the whole smaller than in 1926. There was also a slackened demand for workers at the public employment offices in this district, in comparison with 1925 or 1926. Total amount of payrolls in Massachusetts factories was smaller than in 1926, but the average wage was slightly higher than in 1926.

Agriculture: The aggregate production of New England crops in 1927 did not measure up to the preceding five-year average or to the 1926 volume, and, notwithstanding the generally higher prices, the estimated value of New England agricultural products was considerably less than in 1926.

On November 4, 5 and 6, devastating floods caused great damage in three of the New England States, — Vermont, New Hampshire and

Massachusetts. The damage was greatest in Vermont. In spite of the large property damage, there has been no visible effect upon the New England credit situation. It seems likely, however, that Vermont is faced with the necessity of carrying through a building program which has already started, but will be especially active next Spring, and which will be greater than the usual rate of growth for new building. The state of Vermont floated a bond issue of \$8,500,000 for repairs in the flood area to bridges, highways and state property, and the New England Flood Credit Corporation was formed to raise \$1,000,000 credit in behalf of merchants, farmers and manufacturers.

Although commodity prices showed an improvement during the last half of the year, the level for the year was lower than in 1926. This factor, together with the decrease in general business activity throughout the country, and but slight improvement in New England, resulted in a decrease of demand for commercial loans on the part of the member banks in the district.

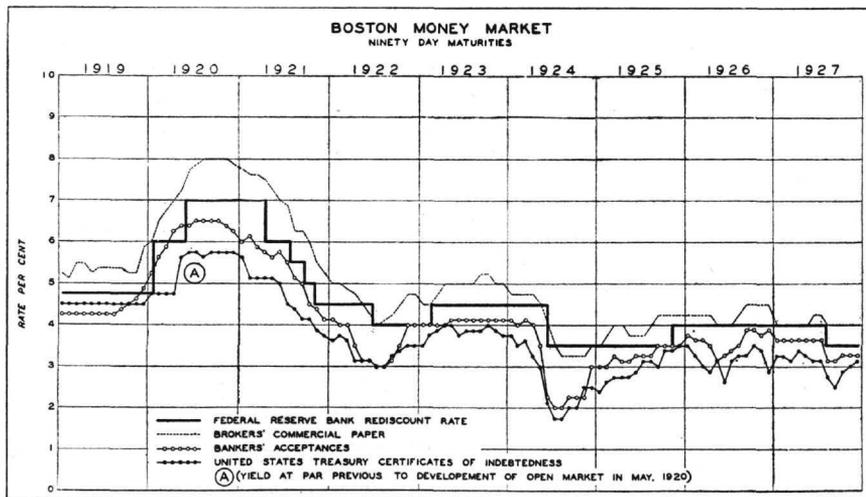
BUSINESS INDICES — FIRST FEDERAL RESERVE DISTRICT

	1927	1926	Per Cent Change
1. Average number employed in over 1,300 identical manufacturing establishments in New England.	396,500	411,000	— 3.5
2. Average monthly payroll in 1,300 identical manufacturing establishments in New England.	\$9,660,000	\$ 10,000,000	—3.4
3. Average weekly wage in 1,000 Massachusetts factories.	\$24.51	\$24.36	+0.6
4. Number of new business incorporations in Massachusetts.	2,363	2,303	+2.5
5. New England commercial failures:			
Number.	2,465	2,396	+2.8
Liabilities.	\$55,075,000	\$ 47,803,000	+16.5
6. Cotton consumed by New England mills, in bales.	1,685,000	1,711,000	—2.5
7. Monthly average hours operated per spindle in place in New England	163	155	+5.2
8. Average number of spindles active — New England.	13,469,000	13,657,000	—1.4
9. Average number of spindles in place New England.	17,006,000	17,998,000	—4.4
10. Wool consumed by New England mills — in pounds.	253,998,000	233,920,000	+8.5
11. Shoe production in New England — in pairs.	106,521,000	101,484,000	+5.0
12. Total value of new building contracts awarded in New England.	\$412,767,300	\$441,183,100	—6.5
13. Volume of check transactions: (000 omitted:)			
Boston.	\$25,239,900	\$ 23,450,200	+7.6
New England, excluding Boston	\$10,800,000	\$ 10,018,600	+7.8
Total District.	\$36,039,900	\$ 33,468,800	+7.7

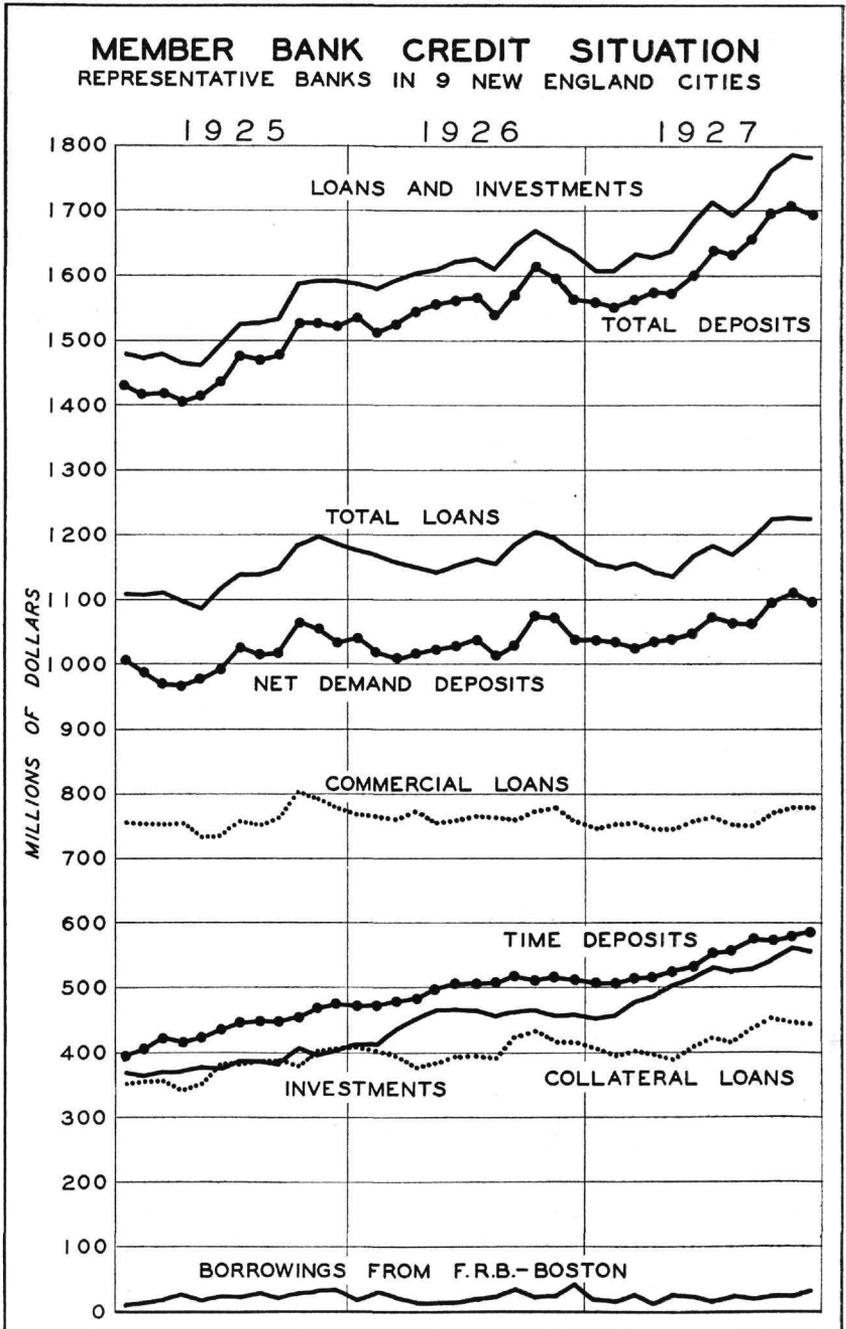
	1927	1926	Per Cent Change
14. Volume of department store sales:			
Boston			+0.5
New England, excluding Boston			+2.9
Total District			+1.4
15. Number of freight cars loaded in New England:			
Manufactured products (mdse. and misc.)	1,973,662	1,990,882	-1.2
Total number — all classes..	2,241,733	2,259,238	-0.7
16. Number of sales of new automobiles in New England.....	171,670	197,048	-12.9
17. Estimated value of farm products in New England.....	\$159,057,000	\$186,753,000	-17.3

MONEY AND BANKING

The first eight months of 1927 were conspicuously a period of inflowing gold from foreign countries. Up until September 1 the net amount of gold imported into the United States was about \$147,000,000. A substantial part of this, however, was offset by gold earmarked in the United States for the account of foreign countries. The gold stock of this country,

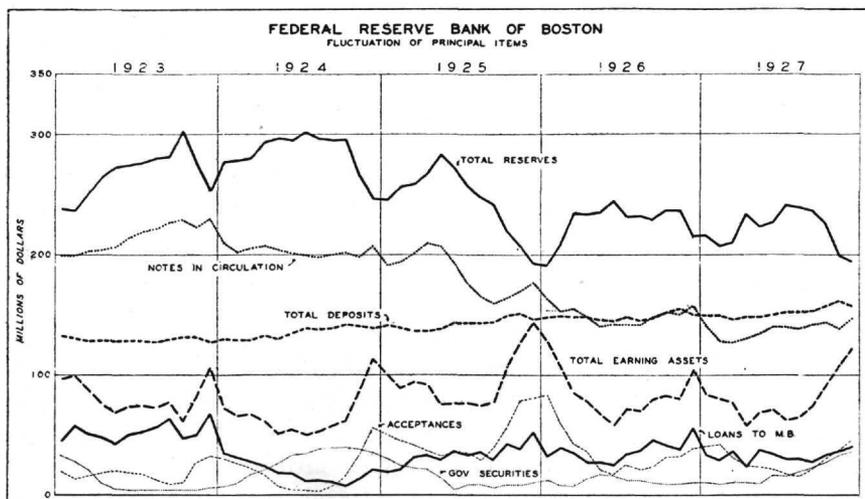


which increased during the first four months of the year by nearly \$118,000,000, fell off during the four months following by \$21,000,000, giving a net increase for the first eight months of 1927 of \$96,000,000. The effects of this augmented supply of monetary gold were, of course, not confined to the centers at which the actual physical importation took place. An importation of gold permeates fairly quickly throughout the credit structure of the entire United States.



The substantial increase of \$96,000,000 of new gold in the foundation of the credit structure was reflected promptly in expanding banking liabilities and in money rates. Deposit liabilities, both demand and time, rose steadily throughout that period in New England banks as well as in those elsewhere in the country.

During 1927 the deposits of the reporting member banks in the first Federal Reserve district, which represent about two-thirds of those in all the member banks, averaged \$72,000,000 higher than in 1926 exclusive of government deposits. Of this, \$41,000,000 represented the gain of banks in eight cities outside of Boston; \$45,000,000 of the gain in deposits was in time deposits, this gain being about equally divided between the Boston and outside banks. This increase in deposits of member banks continued throughout the year, the year ending with total deposits of these banks \$147,000,000 higher than on the corresponding date of 1926. Of this gain \$80,000,000 represented the increase in time deposits of which expansion \$58,000,000 was in Boston banks. Deposits of member banks did not cease to expand when the international flow of gold turned against the United States, although the net reduction in the United States gold stock during the last four months of the year was more than double the net increase which had taken place during the first eight months. This continued growth in deposits was due, doubtless, to the continued ease in the money market. The pressure on the banks to keep their funds profitably at work and the decrease in the demand for loans for commercial use had a tendency not only to force money rates down but to induce the member



banks to seek other fields for investment. The volume of commercial loans reported by the member banks in the district averaged \$7,000,000 less than in 1926, the decrease being entirely that of the Boston banks, the outside banks showing actually a slight increase. At the year's end, however, the Boston banks showed an increase of \$25,000,000 in commercial loans as compared with a similar date in 1926 and the outside banks a slight decrease. Through this situation the expansion of credit in this district has been evidenced in the increase in holdings of bonds and stocks, loans secured by bond and stock collateral and real estate mortgages. There are no records that show the increase of loans against real estate as such loans are not segregated by the reporting banks, but there is ample evidence in the reports of examinations of these banks. The member banks show an average increase in the holdings of bonds and stocks of \$60,000,000 in 1927 over 1926, the increase being about equally divided between the Boston and outside banks; and an increase in bonds and stocks of \$98,000,000 at the end of the year of which \$46,000,000 consists of United States Government securities held by the Boston banks. Loans against bond and stock collateral averaged \$15,000,000 higher than in 1926, this increase being about equally divided between the Boston and outside banks. At the end of the year the increase in collateral loans as compared with a year ago showed an increase of \$28,000,000 of which all but \$8,000,000 was in loans made by banks in the eight cities outside of Boston.

MONEY RATES

Money rates in the New England district were steady during 1927 with a slight tendency downward, prime commercial paper averaging around 4 per cent throughout the year although in June and July, $4\frac{1}{4}$ per cent for a short period was the ruling rate, the year ending with a 4 per cent rate contrasted with $4\frac{1}{4}$ per cent at the close of 1926. Bankers' prime ninety day acceptances were generally quoted at $3\frac{5}{8}$ per cent during the first half of the year, although there were short periods in February and again in June when $3\frac{3}{4}$ per cent was the customary yield. During July the course of acceptance rates was steadily downward, the first reduction occurring on July 11 when brokers reduced their asking rate from $3\frac{3}{4}$ to $3\frac{5}{8}$ per cent; a few days later it was reduced to $3\frac{1}{2}$ per cent, followed in quick succession by other reductions which ultimately brought the rate to $3\frac{1}{8}$ per cent on August 1, — several days previous to the reduction in the discount rate of the Federal Reserve Bank of Boston on August 5. This low $3\frac{1}{8}$ per cent rate remained effective until early in October when it reacted to $3\frac{1}{4}$ per cent where it stood at the close of the year. Rates on

time collateral loans averaged between $4\frac{1}{2}$ to 5 per cent, $4\frac{1}{2}$ per cent being the current rate as the year ended. Real estate mortgages were available from 5 to 6 per cent, the former rate on highest grade loans.

The total earning assets of the Federal Reserve Bank of Boston, *i.e.* advances to member banks and purchases in the open market of United States Government securities and bankers' acceptances, averaged \$4,600,000 less than in 1926. This reduction came in advances to member banks. Although the acceptance market in Boston was more active than in 1926, the holdings of such investments by the Boston reserve bank averaged \$6,900,000 less, large amounts of its purchases being distributed to other Federal Reserve Banks. On the other hand, the holdings of United States Government securities purchased in the open market showed an average increase of \$6,700,000 during the year over those held in 1926. Federal Reserve notes averaged \$12,000,000 less than in 1926, a reflection, no doubt, of the decrease of business activity in the country. The deposits of member banks in the Reserve Bank of Boston averaged \$4,600,000 higher than in 1926. This represents the increase in reserve requirements caused by the increase of deposit liability of member banks. The combined ratio of cash reserves to Federal reserve note and deposit liabilities averaged 76.3 per cent contrasted with 76.2 per cent in 1926.

In conjunction with the reduction of discount rates by the New York Reserve Bank and several other reserve banks the directors of the Federal Reserve Bank of Boston, acting with the approval of the Federal Reserve Board, reduced its rate of discount from 4 per cent to $3\frac{1}{2}$ per cent on August 5. While this change of discount rate was felt on rates charged by member banks to their customers and on acceptance rates through the reduction of the purchase rate it made no material difference in the volume of advances made by the reserve bank to its member banks. This reduction of rates did, however, bring into the Boston district a demand for acceptance credits against raw material, credits which usually at the Fall season are taken out in Europe, and the acceptance liability of member banks in New England increased from \$82,000,000 in July to \$137,000,000 on December 31, the highest figure on record. See table at bottom of page 19.

BUYING RATES ON ACCEPTANCES

<i>Date of Change</i>	<i>1-15 Days</i>	<i>16-45 Days</i>	<i>46-90 Days</i>	<i>91-120 Days</i>	<i>121-180 Days</i>
*January 1, 1927	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{3}{4}$	$3\frac{3}{4}$	4
July 29, 1927	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{3}{4}$
August 5, 1927	3	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{4}$
August 22, 1927	3	3	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{4}$

*In effect on.

COMPARATIVE STATEMENT OF CONDITION

(000 omitted)

RESOURCES		1927	1926
I. EARNING ASSETS: —			
1. <i>Loans to Member Banks: —</i>			
(a) On the security of obligations of the United States . . .	\$ 19,061	\$ 32,294	
(b) By the discount of commercial or agricultural paper or acceptances	9,537	33,808	
Total loans to member banks	<u>\$ 28,598</u>	<u>\$ 66,102</u>	
2. <i>Acceptances bought in the open market</i>			
	48,410	47,201	
3. <i>United States Government securities bought in the open market: —</i>			
(a) Bonds	15,157	530	
(b) Treasury Notes	2,463	2,141	
(c) Certificates of Indebtedness	15,738	7,493	
Total U. S. Government Securities Bought	<u>\$ 33,358</u>	<u>\$ 10,164</u>	
TOTAL BILLS AND SECURITIES	<u>\$110,366</u>	<u>\$123,467</u>	
II. CASH RESERVES held by this bank against its deposits and circulation: —			
1. <i>Gold held by the Federal Reserve Agent as part of the collateral deposited by the Bank to secure Federal Reserve Notes as issued by the Agent partly in his own vaults at the bank and partly with the Treasurer of the United States at Washington</i>			
	126,364	96,738	
2. <i>Gold Redemption Fund in the hands of the Treasurer of the United States for use in redeeming such Federal Reserve Notes as are presented to the Treasury for redemption</i>			
	9,258	6,351	
3. <i>Gold in the Gold Settlement Fund maintained by the Federal Reserve Board and lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal Reserve Districts</i>			
	19,922	39,336	
4. <i>Gold and Gold Certificates in the bank's own vault</i>			
	38,893	35,487	
Total Gold Reserves	<u>\$194,437</u>	<u>\$177,912</u>	
5. <i>Legal tender notes, silver, and silver certificates in the vaults of the bank, and available as reserves only against deposits</i>			
	14,477	15,326	
TOTAL CASH RESERVES	<u>\$208,914</u>	<u>\$193,238</u>	
III. NON-RESERVE CASH (National Bank Notes, Federal Reserve Bank Notes and minor coin)			
	9,860	7,902	
IV. MISCELLANEOUS: —			
Checks and other items in process of collection	\$ 69,175	\$ 65,525	
Bank premises	3,824	3,946	
All other resources	115	75	
TOTAL MISCELLANEOUS	<u>\$ 73,114</u>	<u>\$ 69,546</u>	
TOTAL RESOURCES	<u>\$402,254</u>	<u>\$394,153</u>	

COMPARATIVE STATEMENT OF CONDITION

(000 omitted)

LIABILITIES

	1927	1926
I. CAPITAL AND SURPLUS: —		
1. Capital paid in, equal to 3 per cent of the capital and surplus of member banks	\$ 9,412	\$ 8,800
2. Surplus — that portion of accumulated net earnings which the bank is legally required to retain	<u>17,893</u>	<u>17,606</u>
Total Capital and Surplus	<u>\$ 27,305</u>	<u>\$ 26,406</u>
II. DEPOSITS: —		
1. Deposits maintained by member banks as legal reserves against the deposits of their customers	158,024	147,016
2. U. S. Government deposits carried at the Reserve bank for current requirements of the U. S. Treasury	1,642	1,951
3. All other deposits (including foreign deposits, deposits of non-member banks, etc.)	<u>652</u>	<u>2,268</u>
Total Deposits	<u>\$160,318</u>	<u>\$151,235</u>
III. CURRENCY IN CIRCULATION: —		
Federal Reserve Notes in actual circulation, payable in gold on demand; these notes are secured in full by gold and discounted and purchased commercial paper and acceptances	<u>149,630</u>	<u>154,363</u>
IV. MISCELLANEOUS LIABILITIES: —		
1. Deferred items, composed mostly of uncollected checks on banks in all parts of the country; such items are credited as deposits after the average time needed to collect them elapses, ranging from 1 to 8 days	64,791	61,867
2. All other liabilities	<u>210</u>	<u>282</u>
Total Miscellaneous Liabilities	<u>65,001</u>	<u>62,149</u>
TOTAL LIABILITIES	<u>\$402,254</u>	<u>\$394,153</u>

The principal changes as between December 31 of 1927, compared with December 31, 1926, reflected by this statement of condition, are as follows:—

1. A decrease in loans to member banks of \$38,000,000.
2. An increase in the holdings of acceptances bought in the open market of \$1,000,000.
3. An increase of \$23,000,000 in the holdings of government securities.
4. An increase of \$17,000,000 in the gold reserve.
5. An increase of \$899,000 in capital and surplus.
6. An increase of \$11,000,000 in reserve deposits of member banks.
7. A decrease of \$5,000,000 in Federal Reserve Notes in actual circulation.

A comparison of the income and disbursements of the Federal Reserve Bank of Boston for the years 1926 and 1927 appears in the following table:

INCOME AND DISBURSEMENTS

EARNINGS:—	1927	1926
From loans to member banks and paper discounted for them.....	\$1,242,463	\$1,463,790
From acceptances owned.....	1,025,348	1,278,862
From U. S. Government obligations owned.....	607,374	401,552
Other earnings (including deficient reserve penalties).....	100,172	174,873
	<u>\$2,975,357</u>	<u>\$3,319,077</u>
Total earnings.....		
Additions to earnings.....	3,707	8,530
	<u>2,979,064</u>	<u>3,327,607</u>
DEDUCTIONS:—		
For the expense of current bank operation, including the non-reimbursable expense incurred as Fiscal Agent of the U. S. and for printing of Federal Reserve Notes.....	1,976,935	2,032,412
All other deductions, including those on account of depreciation on bank premises, machinery and equipment, cost of new furniture and equipment, and miscellaneous small items.....	164,518	138,322
	<u>\$2,141,453</u>	<u>\$2,170,734</u>
Total Deductions.....		
NET INCOME available for Dividends, Surplus and Franchise Tax to the U. S. Government.....	<u>\$ 837,611</u>	<u>\$1,156,873</u>

DISTRIBUTION OF NET INCOME:—

Dividends paid member banks at rate of 6 per cent on paid-in capital.....	550,445	525,023
Additions to Surplus (the bank is required by law to accumulate out of net earnings, after payment of dividends, a surplus amounting to 100 per cent of the subscribed capital; and, after such surplus has been accumulated, to pay into surplus each year 10 per cent of the net income remaining after paying dividends)....	287,166	585,888
Franchise tax paid U. S. Government (representing the entire net income of the bank after paying dividends and making additions to surplus; Federal Reserve notes are not taxed, and this payment is in lieu of taxes on notes and other Federal taxes).....	None	45,962
Deficit of net income after dividend payments charged to Surplus account.....	None	None
	<u>\$ 837,611</u>	<u>\$1,156,873</u>
Total.....		

The total gross earnings for the year 1927 were \$2,979,064, or \$348,543 less than in 1926, largely due to the decrease in the volume of borrowings by member banks and to the lower level of discount rates—discount rate being reduced from 4 to 3½ per cent on August 5. The expense of current operations of the bank, including expenses incurred as Fiscal Agent of the United States, was \$55,477 less than in 1926, although the

volume of checks and currency handled and other services for member banks, has increased during the year, as will be seen from the table showing the volume of operations. The net income for the year was sufficient to pay the 6 per cent dividend on the capital stock to member banks provided for by the Act after setting aside \$164,518 for depreciation of building and other reserves, and to add to surplus \$287,000, which, under the law, must be increased by net income after dividends until it is equal to the total subscribed capital stock of the bank.

VOLUME OF OPERATIONS

The following table indicates that the volume of operations in the principal departments of the bank have for the most part continued to increase from year to year.

NUMBER OF PIECES HANDLED: —	1927	1926	1925
<i>Bills Discounted: —</i>			
Applications.....	6,842	8,527	8,038
Notes discounted.....	37,601	42,290	46,961
Bills purchased in open market for own account.....	37,161	38,962	27,772
Currency received and counted...	240,778,000	237,828,000	228,605,000
Coins received and counted.....	181,602,000	191,127,000	182,778,000
Checks handled (including government).....	81,334,000	76,920,000	70,534,000
<i>Collection items handled: —</i>			
U. S. Government coupons paid.	3,000,192	3,364,000	3,906,000
All other.....	415,000	418,000	428,000
<i>U. S. Securities: —</i>			
Issues, redemptions, and exchanges by fiscal agency department.....	569,000	362,000	561,000
Transfers of funds (including 5% fund, National banks).....	57,000	55,000	53,000
AMOUNTS HANDLED: —			
Bills discounted.....	\$2,119,260,000	\$2,767,740,000	\$2,065,956,000
Bills purchased in open market for own account.....	548,592,000	539,002,000	396,319,000
Currency received and counted...	1,481,109,000	1,446,805,000	1,404,472,000
Coin received and handled.....	21,281,000	21,328,000	20,945,000
Checks handled (including government).....	20,931,495,000	20,387,366,000	18,208,989,000
<i>Collection items handled: —</i>			
U. S. Government coupons paid.	46,227,000	54,516,000	59,024,000
All other.....	636,360,000	636,317,000	705,261,000
<i>U. S. Securities: —</i>			
Issues, redemptions and exchanges by Fiscal Agency Department.....	710,990,000	326,918,000	318,786,000
Transfers of funds (including 5% fund, National Banks).....	7,637,204,000	7,419,450,000	6,329,210,000

CHANGES IN MEMBERSHIP

The total number of member banks on December 31, 1927, was 414, a net loss of two members during the year. Three new national banks were organized, — the Capitol National Bank, the name of which was afterwards changed to the Capitol National Bank and Trust Company, Hartford, Connecticut; the Cambridge National Bank, Cambridge, Massachusetts; and the First National Bank, Revere, Massachusetts, which has become a stockholder but which has not yet commenced business. There was a loss of five members during the year, — the Fitchburg Bank and Trust Company, Fitchburg, Massachusetts, consolidated with the Merchants National Bank of Worcester, Massachusetts, under the name of the Worcester County National Bank, which is maintaining as a branch at Fitchburg the former branch office of the Fitchburg Bank and Trust Company; The Wamesit National Bank, Lowell, Massachusetts, was absorbed by the Union National Bank of Lowell, Massachusetts; the Chicopee National Bank of Springfield, Massachusetts, consolidated with the Third National Bank of Springfield, Massachusetts, the name, Third National Bank and Trust Company being subsequently adopted; the Citizens National Bank of Boston, Massachusetts, was absorbed by the National Shawmut Bank of Boston, Massachusetts; and the Merrill Trust Company of Bangor, Maine, withdrew from membership.

The capital stock of the Federal Reserve Bank of Boston which represents an investment by the member banks of 6 per cent of their capital and surplus, it will be noted, increased \$612,000 during the year.

RELATIONS WITH FOREIGN BANKS OF ISSUE

During 1927 the Federal Reserve Bank of Boston continued its participation in arrangements made by the Federal Reserve Bank of New York with foreign banks of issue. The additional participations taken by this bank during the year 1927 were in agreements between the Federal Reserve Bank of New York and the following foreign banks: The Finlands Bank, the Bank of England, the Bank of Poland, the Banca d'Italia, the Norges Bank, and the Commonwealth Bank of Australia.

BANK ORGANIZATION AND PERSONNEL

Directors: On December 31, 1927, the terms of Mr. Edward S. Kennard as Class A director, Mr. Charles G. Washburn as Class B director, and Mr. Allen Hollis as Class C director, expired. Mr. Kennard and Mr. Washburn were re-elected for three year terms by the member banks in Group 3, — banks having a combined capital and surplus of less than

\$300,000, — and Mr. Hollis was reappointed by the Federal Reserve Board for a similar term of three years. The Federal Reserve Board also redesignated Mr. Frederic H. Curtiss as Chairman and Federal Reserve Agent, and Mr. Allen Hollis as Deputy Chairman, for the year 1928.

Advisory Council: At a meeting of the Board of Directors held on January 12, 1927, Mr. Arthur M. Heard, President of the Amoskeag National Bank of Manchester, N. H., was appointed Member of the Federal Advisory Council to represent the First Federal Reserve District for the year 1927. Mr. Heard was a member of the first board of directors of the Federal Reserve Bank of Boston and served as a Class A director of the bank until December 31, 1918.

Personnel: No changes in the official staff occurred during the year 1927. The number of employees on December 31, 1927 was 700, compared with 699 on December 31, 1926.

STOCKHOLDERS' MEETING

The Fifth Annual Meeting of the Stockholding Member Banks was held on November 11, 1927, at the Federal Reserve Bank of Boston. Delegates representing 208 member banks and sixty-seven other member banks' representatives were in attendance. The principal speaker was Hon. Ogden L. Mills, Under-Secretary of the Treasury, who delivered an address on the subject of "Federal Taxation." At the morning session Hon. Channing H. Cox, Vice-President of the First National Bank of Boston, and Mr. W. F. Augustine, Vice-President of the National Shawmut Bank of Boston, led a discussion of resolutions before the meeting. Hon. C. S. Hamlin, a member of the Federal Reserve Board, was among the invited guests. At the afternoon session there was a report of progress by the Bankers' Committee co-operating with the Research Committee of the New England Council, Mr. Charles F. Mills, Vice-President of the First National Bank of Boston being Chairman of the Bankers' Committee. Following the report of the Committee on Resolutions, a resolution favoring the continuance of national bank note circulation was adopted.

ACCEPTANCE LIABILITIES

Of all Banks and Acceptance Corporations in Federal Reserve District 1

	1927	1926	1925
January 31	\$ 86,000,000	\$94,000,000	\$97,000,000
February 28	86,000,000	99,000,000	99,000,000
March 31	90,000,000	96,000,000	99,000,000
April 30	90,000,000	90,000,000	92,000,000
May 31	82,000,000	84,000,000	80,000,000
June 30	82,000,000	77,000,000	68,000,000
July 31	82,000,000	71,000,000	60,000,000
August 31	86,000,000	66,000,000	60,000,000
September 30	91,000,000	64,000,000	60,000,000
October 31	110,000,000	58,000,000	68,000,000
November 30	122,000,000	71,000,000	71,000,000
December 31	137,000,000	82,000,000	82,000,000