

TWELFTH ANNUAL REPORT
TO THE
FEDERAL RESERVE BOARD
BY THE
FEDERAL RESERVE AGENT
FEDERAL RESERVE BANK
SAN FRANCISCO



FOR THE
YEAR ENDED DECEMBER 31, 1926

TWELFTH ANNUAL REPORT

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SAN FRANCISCO



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YEAR ENDED DECEMBER 31, 1926

DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO

January 1, 1927

		DIRECTORS					Term Expires Dec. 31
Class	Group						
A	1	C. K. McINTOSH, San Francisco, California	-	-	-	-	1928
		President, Bank of California, N. A.					
A	2	THOMAS H. RAMSAY, Red Bluff, California	-	-	-	-	1929
		President, First National Bank.					
A	3	HOWARD WHIPPLE, Turlock, California	-	-	-	-	1927
		President, First National Bank.					
B	1	A. B. C. DOHRMANN, San Francisco, California	-	-	-	-	1929
		President, Dohrmann Commercial Company.					
B	2	WILLIAM T. SESNON, Soquel, California	-	-	-	-	1927
		Agriculturist.					
B	3	E. H. COX, Madera, California	-	-	-	-	1928
		Vice-President and General Manager, Madera Sugar Pine Company, Madera, California.					
C		ISAAC B. NEWTON, Los Angeles, California	-	-	-	-	1929
		Chairman of the Board.					
C		WALTON N. MOORE, San Francisco, California	-	-	-	-	1927
		Deputy Chairman, Chairman of the Board, Walton N. Moore Dry Goods Co., Inc.					
C		WM. SPROULE, San Francisco, California	-	-	-	-	1928
		President, Southern Pacific Company.					

MEMBER FEDERAL ADVISORY COUNCIL

HENRY S. MCKEE, representing District No. 12
President, Barker Bros. Inc.,
Los Angeles, California.

OFFICERS

ISAAC B. NEWTON,
Chairman of the Board and
Federal Reserve Agent

S. G. SARGENT,
Assistant Federal Reserve Agent
and Chief Examiner

ALLAN SPROUL,
Assistant Federal Reserve Agent
and Secretary

F. H. HOLMAN, General Auditor
J. M. OSMER, Auditor

JNO. U. CALKINS,
Governor

WM. A. DAY,
Deputy Governor

IRA CLERK,
Deputy Governor

L. C. PONTIOUS,
Deputy Governor

W. N. AMBROSE, Cashier
W. M. HALE, Assistant Cashier
CHESTER D. PHILLIPS, Assistant Cashier
C. E. EARHART, Assistant Cashier
H. N. MANGELS, Assistant Cashier
E. C. MAILLIARD, Assistant Cashier
F. C. BOLD, Assistant Cashier

A. C. AGNEW, Counsel

DIRECTORS AND OFFICERS OF BRANCHES

January 1, 1927

SPOKANE BRANCH

Directors	Term Expires Dec. 31	Officers
G. I. TOEVS,* Chairman	1929	D. L. DAVIS, Managing Director
E. H. VAN OSTRAND*	1927	J. M. LEISNER, Assistant Manager
WILLIAM DULING*	1928	EVAN BERG, Assistant Cashier
CHAS. L. MACKENZIE†	1927	
R. L. RUTER†	1928	
C. E. MCBROOM†	1929	
D. L. DAVIS†	1927	

SEATTLE BRANCH

CHAS. H. CLARKE,* Chairman	1929	C. R. SHAW, Managing Director
CHAS. E. GACHES*	1927	B. A. RUSSELL, Assistant Manager
HENRY A. RHODES*	1928	
E. W. PURDY†	1927	
M. F. BACKUS†	1928	
M. A. ARNOLD†	1929	
C. R. SHAW†	1927	

PORTLAND BRANCH

NATHAN STRAUSS,* Chairman	1929	R. B. WEST, Managing Director
A. C. DIXON*	1927	S. A. MAC EACHRON, Assistant Manager
EDWARD C. PEASE*	1928	J. P. BLANCHARD, Assistant Cashier
WILLIAM POLLMAN†	1927	
JOHN F. DALY†	1928	
J. C. AINSWORTH†	1929	
R. B. WEST†	1927	

SALT LAKE CITY BRANCH

LAFAYETTE HANCHETT,* Chairman	1929	W. L. PARTNER, Managing Director
CHAPIN A. DAY*	1927	H. M. CRAFT, Assistant Manager
F. J. HAGENBARTH*	1928	W. M. SMOOT, Assistant Cashier
J. S. BUSSELL†	1927	
L. H. FARNSWORTH†	1928	
CHAS. H. BARTON†	1929	
W. L. PARTNER†	1927	

LOS ANGELES BRANCH

W. L. VALENTINE,* Chairman	1929	R. B. MOTHERWELL, Managing Director
E. M. LYON*	1927	M. McRITCHIE, Assistant Manager
J. B. ALEXANDER*	1928	A. J. DUMM, Assistant Cashier
F. J. BELCHER, JR.†	1927	L. C. MEYER, Assistant Cashier
HENRY M. ROBINSON†	1928	
J. F. SARTORI†	1929	
R. B. MOTHERWELL†	1927	

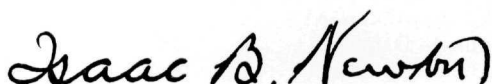
LETTER OF TRANSMITTAL

Federal Reserve Bank,
San Francisco, California,
February 25, 1927.

GENTLEMEN:

I have the honor to submit the following report concerning conditions in the Twelfth Federal Reserve District and the operations of the Federal Reserve Bank of San Francisco, for the year ended December 31, 1926.

Yours respectfully,

A handwritten signature in cursive script, reading "Isaac B. Newton".

Chairman of the Board
and Federal Reserve Agent.

Federal Reserve Board,
Washington, D. C.

ECONOMIC REVIEW OF THE YEAR 1926 IN THE TWELFTH FEDERAL RESERVE DISTRICT

In the Twelfth Federal Reserve District, the year 1926 was characterized by sustained general business activity at high levels. A sound credit situation prevailed throughout the year. Funds were continuously in adequate supply, demands upon the Federal Reserve Bank of San Francisco were not unduly heavy, and interest rates were steady and relatively low.

In the later months of 1926 it became apparent that the year's aggregate financial returns to agriculture would not equal earlier expectations, and there were signs of recession in industry and trade. This recession was not of sufficient magnitude to result in liquidation of bank credit.

Production, trade, and credit conditions in the district during 1926 are summarized in the following table:

Primary Production

	1926	1925
Grains* } Index number of volume—	92.7†	94.5
Field Crops* } five-year average 1919-1923=100	117.0†	110.3
Fruits* } 1923=100	120.9†	109.4
Lumber (output of four associations in b. f.)	9,014,000,000	8,752,000,000‡
Copper (pounds)	1,117,931,000	1,092,434,000
Petroleum (barrels)	224,117,000	230,147,000

Business Activity—Index Numbers

Building Permits—value 20 cities (1919=100)	325.2	379.4
Bank Debts—20 cities (1919=100).....	155.6	142.9
Retail Trade—Sales of 32 stores (1919=100).	158.6	150.8
Wholesale Trade—Sales of 134 stores (1919=100)	96.3	98.1

Prices—Index Numbers

Wholesale—United States Bureau of Labor Statistics:		
All Commodities (monthly average 1913=100)	151.1	158.5‡
Farm—United States Department of Agriculture:		
30 Farm Products (monthly average Aug., 1909-July, 1914=100)	136.1	146.6‡
Purchasing Power of Farm Products† (monthly average)	84.6	89.0

Credit

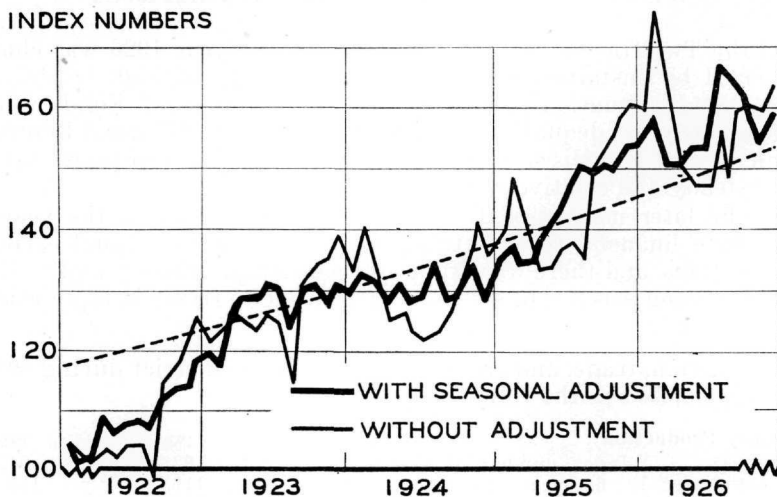
Loans—total loans of reporting member banks at close of year (last Wednesday in December)	\$1,308,144,000	\$1,194,751,000
Borrowings of all member banks from Federal Reserve Bank of San Francisco at close of year (last Wednesday in December)	\$48,148,000	\$29,963,000

*See table on page 7 for list of crops included. †Ratio of farm prices (30 farm products index) to wholesale prices of non-agricultural products (1910-1914=100). ‡Subject to revision. §Revised.

Sufficient data have now been accumulated by the Federal Reserve Bank of San Francisco to permit of more thorough analysis of general business conditions in the district than has heretofore been possible. In many instances the significance of recent developments is emphasized by reviewing these newly available data for past years,

and advantage has been taken of this fact in the detailed discussion of the business situation which follows.

INDEX NUMBERS



BUSINESS ACTIVITY—TWELFTH DISTRICT

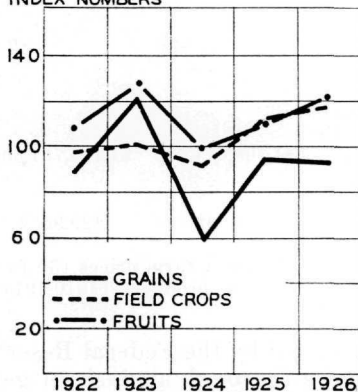
As reflected by daily average bank debits in 20 principal cities (1919 average=100). Dotted line represents average monthly rate of increase from January, 1919, to December, 1926.

Production

Production, both in the extractive industries which contribute so heavily to the industrial output of the Twelfth Federal Reserve District, and in the more recently developed fabricating industries, was large in volume during 1926.

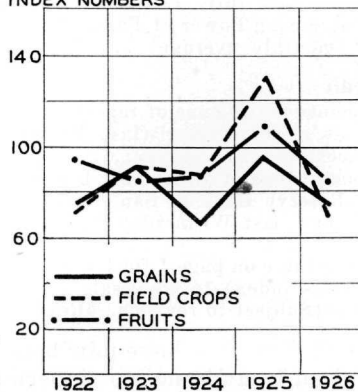
Agricultural yields were, in most cases, greater than or equal to those of 1925 and the district's total agricultural output was slightly above the average for the five years 1919-1923. During the period when the bulk of the year's crop was moving to market, the general

INDEX NUMBERS



VOLUME

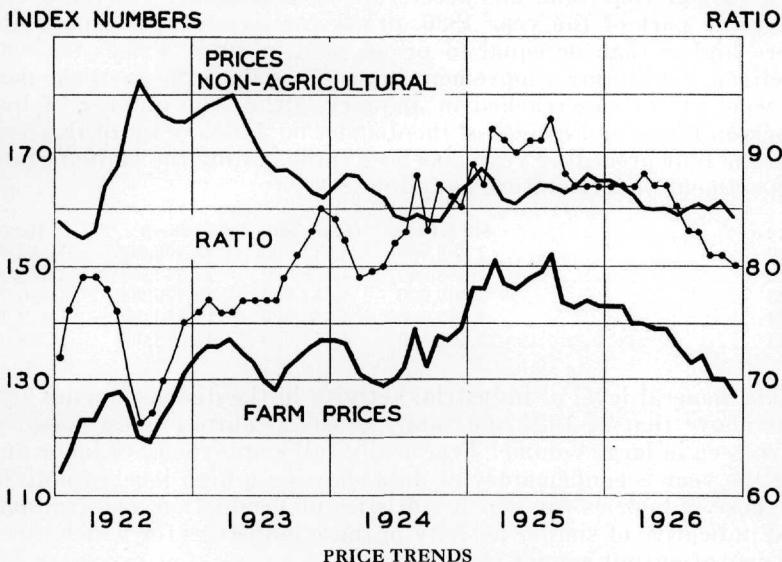
INDEX NUMBERS



VALUE

Volume and Value of Production of Fifteen Principal Crops in the Twelfth Federal Reserve District.
NOTE: See text and tables for sources and explanation.

agricultural price level was considerably lower than in the 1925 crop moving season, however, and despite abundant yields it is estimated that aggregate financial returns to farmers during 1926 were below those of 1925. Serious maladjustment between prices of agricultural and non-agricultural products reappeared during the year. The United States Department of Agriculture's index of purchasing power of farm products, which stood at 87 and 88 (pre-war purchas-



Prices, Non-Agricultural Commodities—Index of United States Bureau of Labor Statistics (1910-1914 prices=100). Farm Prices—Index of prices of 30 farm products prepared by United States Department of Agriculture (1909-1914 prices=100). Ratio—Ratio between the above two index numbers, indicating general trends in purchasing power of farm products.

ing power=100) during the early months of 1926, declined to 80.7 in December, 1926. Index numbers prepared by this bank to show the trend of production and value of the principal crops of the district, together with the United States Department of Agriculture's index of purchasing power of farm products, are presented in the following table:

	1926		1925		1924	
	Volume	Value	Volume	Value	Volume	Value
Grains (wheat, barley, oats).....	92.7	74.8†	94.5	95.9	59.3	66.0
Field crops (beans, cotton, potatoes, rice, sugar beets).....	117.0	132.5	110.3	129.5†	91.3	86.9†
Fruits (apples, peaches, pears, prunes, raisins, grapes, oranges)	120.9†	84.7	109.4	108.7†	99.2	87.3
Purchasing power of farm products (United States)*	85		89		83	

*Ratio of index of prices of 30 farm products (August, 1909-July, 1914=100) to United States Bureau of Labor Statistics' index of prices of non-agricultural products (1910-1914 prices=100).

†Subject to revision.

Improvement in the district's important **livestock industry** has followed upon a period of favorable physical conditions in the range country, and of general market strength. **Sheep** raisers have continued expansion of their flocks, and forced liquidation of breeding

herds of **cattle** has been checked. Two tendencies in livestock production and marketing have developed during the past year, both of which lead toward quicker turnover of product and consequent curtailment of long term credit needs: (1) Production of lambs for slaughter has assumed increased importance as a part of sheep raising; (2) A well defined demand for lighter weight beef animals has enabled cattle raisers to bring some of their stock to market maturity in a shorter time than has heretofore been possible. During a considerable part of the year 1926, prices for livestock, except lambs, were higher than or equal to prices paid in 1925. Prices for wool declined, continuing a movement in progress since the post-war peak of wool prices was reached in January, 1925. The number of livestock on farms and ranges of the district on January 1st of this year and the four preceding years has been estimated by the United States Department of Agriculture as follows:

Jan. 1st	Milch Cows	Other Cattle	Sheep	Hogs
1927	1,388,000	3,947,000	13,406,000	1,452,000
1926	1,388,000	4,158,000	12,545,000	1,235,000
1925	1,390,000	4,551,000	12,179,000	1,386,000
1924	1,535,000	4,652,000	12,130,000	1,859,000
1923	1,467,000	4,712,000	11,938,000	1,778,000

The general level of **industrial activity** in the district during 1926 was above that of 1925 and total industrial output is estimated to have been in large volume. Practically full employment of labor during the year is confirmatory of data showing a high level of activity in those industries for which statistics of production are available, and indicative of similar activity in those industries for which direct reports of output cannot be obtained.

Building construction again contributed largely to prevailing industrial activity during 1926, although figures of number and value of building permits issued in twenty principal cities of the district were smaller than in any year since 1922. Total value of permits issued in these cities during the year was approximately 60 million dollars (14 per cent) less than the value of permits issued in 1925, a record year. A tabular statement of value of building permits issued in the Twelfth Federal Reserve District and of construction costs in the United States during recent years follows:

	—Value of Permits Issued*—		—Construction Costs†—	
	Value	Percentage Change from Previous Year	Index	Percentage Change from Previous Year
1926	\$361,387,378	—14.3	194	0.5
1925	421,594,906	7.5	193	1.0
1924	392,182,245	— 6.6	191	— 1.5
1923	419,726,721	35.1	194	11.5
1922	310,676,178	48.7	174	— 0.3

*Twenty cities Twelfth Federal Reserve District.

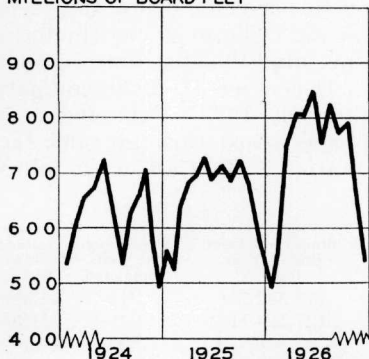
†Source: Federal Reserve Bank of New York. Annual averages of construction costs, including materials and wages, for the United States. 1913=100.

Building costs generally ranged higher during 1926 than during 1925.

A record volume of **lumber** was produced during the year, although greater than seasonal curtailment in its later months resulted in a **December, 1926**, cut which was less than that of December, 1925.

Total output reported by mills of four associations exceeded that of 1925 (the previous record year) by 262 million board feet or 3 per cent, and was 1,832 million board feet or 26 per cent larger than the five-year (1921-1925) average output of these mills. The amount of lumber sold by mills during 1926, as reflected by volume of shipments reported, was smaller than the amount produced, and stocks are estimated to have increased slightly. There has been general complaint among lumber producers concerning financial returns from operations during recent years.

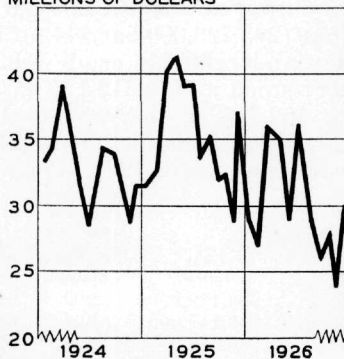
MILLIONS OF BOARD FEET

**LUMBER**

Production in Twelfth Federal Reserve District

As reported by 4 Lumber Associations

MILLIONS OF DOLLARS

**BUILDING PERMITS**

Dollar Value in 20 Principal Cities of Twelfth Federal Reserve District

Reported to Federal Reserve Bank of San Francisco

Figures of production, shipments, and orders as reported by association mills, and an index of softwood lumber prices follow (these figures are not strictly comparable from year to year):

52 weeks of	Production [†] (board feet in millions)	Shipments [‡] (board feet in millions)	Orders [*] (board feet in millions)	Prices Index Numbers [‡]
1926	9,014	8,928	7,572	30.58
1925	8,752 [◇]	8,605 [◇]	7,306 [◇]	30.73
1924	8,016	7,738	6,865	30.94
1923	8,672	8,068	7,150	33.86
Averages: Five years, 1921-1925	7,182	6,926	6,516	30.74
†Monthly, 1926	751 [◇]	744 [◇]	631 [◇]	30.58
1925	729	717	609	30.73
1924	668	645	572	30.94
1923	723	672	596	33.86

[†]As reported by four associations. ^{*}As reported by three associations. [‡]Annual averages published by "The Lumber Manufacturer and Dealer." [‡]Obtained by dividing figures for 52 weeks by 12. [◇]Revised.

District production of copper and zinc was larger during 1926 than during 1925, while output of gold, silver and lead was smaller than in the earlier year. The trend of metal prices was downward during 1926, and the silver market in particular was unsettled by price declines. Figures of district production of principal metals follow

(figures for all counties of Arizona, five of which are in the Eleventh Federal Reserve District, are included) :

	Gold (oz.)	Silver* (oz.)	Copper* (lbs.)	Lead* (lbs.)	Zinc† (tons)
1926	1,200,484	42,488	1,117,931	1,194,988	85,175
1925	1,284,331	46,338	1,092,434	620,586	48,544
1924	1,305,273	44,914	1,050,238	530,263	23,643
1923	1,374,201	48,652	942,979	492,735	28,237

*000 omitted. †Not including Arizona, Oregon and Washington.

Production of **petroleum** in California during 1926 totaled 224,117,000 barrels. This was 6,030,001 barrels, or 2.6 per cent, less than 1925 output and 39,612,000 barrels, or 15 per cent, below the record output (263,729,000 barrels) of the year 1923. Total stocks (including heavy and refinable crude oil, gasoline, naphtha distillates, and all other) stood at 145,612,176 barrels on December 31, 1926, compared with 157,316,309 barrels on December 31, 1925. This decline of 11,204,000 barrels included 8,215,000 barrels lost through tank farm fires during April, 1926. Petroleum statistics for California follow :

		Production Per Cent California			
	Total (barrels)	to United States	Daily Average (barrels)	Stored Stocks at End of Year (barrels)	Average Active Producing Wells
1926	224,117,000	29.2	614,019	119,542,556	913
1925	230,147,000	30.4	630,541	127,194,894	948
1924	230,064,000	32.1	628,590	97,829,374	1,238
1923	263,729,000	35.9	722,545	89,274,244	980
1922	139,671,000	24.8	382,660	†	837
1921	114,709,000	23.8	314,271	†	704
1920	105,668,000	23.3	288,710	†	572
1919	101,564,000	26.7	278,258	†	559
1918	97,532,000	27.4	267,211	†	586

†Comparable figures not available.

Source: American Petroleum Institute.

Flour mills of the district were more active during 1926 than during 1925 but, excepting 1925, production was smaller in volume than in any calendar year of this bank's record, which extends back to August, 1920. Reported 1926 output of 14 large milling factors was 14 per cent smaller than the five-year (1921-1925) average volume of production. Stocks of flour and of unmilled wheat in millers' hands on January 1, 1927, were smaller than on January 1, 1926, and were well below the average holdings on that date in recent years. Figures concerning the milling industry, based upon reports of 14 large milling companies* representing approximately 60 per cent of total milling capacity in the Twelfth Federal Reserve District, follow :

	Flour Production—		Stocks at Close of Year—	
	Total (barrels)	Monthly Average (barrels)	Flour (barrels)	Wheat (bushels)
1926.....	4,961,319	413,443	396,431	2,955,219
1925.....	4,674,316	389,526	412,192	4,022,593
1924.....	5,907,329	492,277	548,550	2,927,762
1923.....	6,779,155	564,930	569,430	3,901,986
1922.....	5,944,977	495,415	521,501	4,337,362
1921.....	5,652,981	471,082	472,693	2,129,600
1921-1925 Average	5,751,752	479,313	504,873	3,463,861

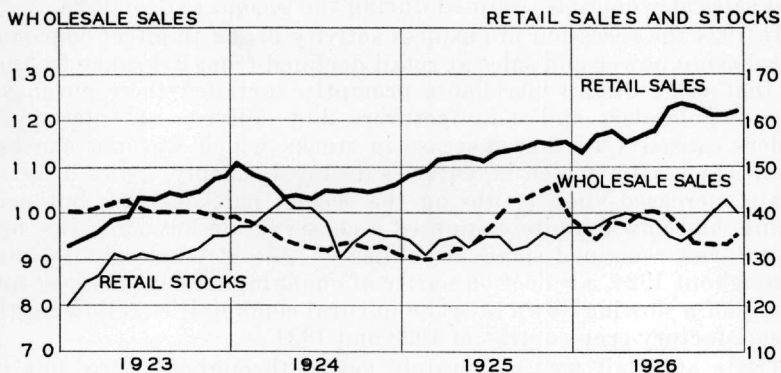
*Consolidations have reduced the number of reporting companies from 16 to 14 during the past year, but have not seriously affected the comparability of the figures.

The **canned fruit** and **vegetable** packs in California during 1926 exceeded the previous record packs of these commodities, reported in 1925, by 34 per cent and 12 per cent, respectively. The increased fruit pack was the result, chiefly, of a record pack of cling peaches, while increased output of tomatoes, tomato products, and asparagus was largely responsible for the heavier vegetable pack. Figures of the California pack in recent years follow:

	Fruits (cases)	Vegetables (cases)	Totals (cases)
1926.....	20,974,700	9,547,275	30,521,975
1925.....	15,631,852	8,527,891	24,159,743
1924.....	10,362,998	7,138,759	17,501,757
1923.....	11,351,536	7,800,835	19,152,371
1922.....	15,477,865	6,913,371	22,391,236
1922-1926 Average.....	14,759,790	7,985,626	22,745,416

Trade

The course of trade in the Twelfth Federal Reserve District during recent years is revealed in the accompanying chart. It presents in graphic form this bank's figures of sales and stocks of representative retail department stores and its figures of sales of a district-wide group of wholesale dealers merchandising ten lines of goods.*



TRADE ACTIVITY—TWELFTH DISTRICT
Index of Sales and Stocks at Retail and of Sales at Wholesale

It is difficult to correlate sales figures at wholesale and retail except in the most general way. The available data for the two branches of trade are variable in character, and even where comparable, their relationships are not yet thoroughly understood. In the accompanying chart figures of sales of certain department stores have been used to indicate the general condition of trade at retail. It is probable that a large proportion of department store buying is done at merchandising centers outside the district. It is reasonable to presume, however, that, owing to the diversity of merchandise carried by department stores, fluctuations in their sales and stocks tend to reflect

*The index numbers used in the chart have been adjusted for seasonal variation, and in the index of department store sales allowance has been made for the varying number of business days in each month. In both of the sales indexes a three-months moving average has been used to eliminate erratic month to month fluctuations.

similar movements in sales and stocks of other city retail stores which are served by the wholesale dealers whose figures are included in this bank's index of sales at wholesale. Purchases of retailers in rural communities also represent a considerable volume of sales at wholesale in this district, so that changes in the agricultural situation should be reflected in wholesale trade data. With these qualifications in mind, it is possible to acquire some understanding of the state of trade in this district during recent years by a study of the curves presented in the accompanying chart.*

Throughout 1923, a year of active business accompanied by full employment of workers at high wages, sales at retail increased rapidly. The trend of retail prices was upward and merchants tended to anticipate future needs for goods, so that inventories grew rapidly in spite of sharply increased sales. At wholesale, an increased volume of sales was reported during the first five months of 1923. During the early summer of that year, there were indications of an approaching recession in general business activity. The agricultural situation was particularly disturbed. Financial returns to farmers for their 1922 crops had been unsatisfactory and maladjustment between prices of those commodities which farmers sell, and prices of those commodities which they buy, had persisted. These portents caused merchants, particularly in rural districts, to adopt a conservative buying attitude and sales at wholesale declined during the second half of 1923.

In 1924 the recession in business activity began to affect consumer purchasing power and sales at retail declined from February to June of that year. Retail merchants promptly curtailed their purchases from wholesalers and manufacturers, but delivery of outstanding orders caused a further increase in stocks which was not checked until April, after which inventories declined sharply. Sales at retail again increased slightly during the second half of 1924, but merchants had now definitely adopted a conservative buying policy and inventories remained small in volume. Trade at wholesale declined throughout 1924, a reflection partly of changing trade practices† and partly of a slowing down of trade in rural communities following the unsatisfactory crop returns of 1923 and 1924.

Trade at retail was moderately active throughout 1925, but inventories during most of the year were kept small in volume. Activity in trade at wholesale remained at relatively low levels. Retail prices rose during 1925, continuing an advance which had begun in the preceding year, and toward the latter part of 1925 a tendency of retail merchants to carry larger stocks became apparent. At the same time reports of a financially satisfactory year in agriculture began to be heard, and these two factors stimulated wholesale trade so that during the autumn of 1925 sales rose to the highest levels reached since 1920.

Trade activity both at wholesale and at retail declined during the winter of 1925-1926 but, as usually happens, inventories in retailers' hands continued to accumulate for some months (until April, 1926). During the summer months, sales at retail increased, rising to rela-

*No attempt has been made in this report to measure the effect of changes in the general price level upon dollar value figures of sales and stocks.

†No attempt has been made in this report to evaluate the effect of chain store growth and other changes in merchandising procedure upon the volume or value of trade at wholesale.

tively high levels in August and September and inventories diminished rapidly. Sales activity declined sharply during October and November, and stocks on retailers' shelves again increased in volume. Trade at wholesale expanded during the months from February to June, 1926. During the next few months there was a decrease in activity of trade at wholesale, as the outlook for the remainder of the year appeared uncertain and retailers were liquidating previously accumulated stocks. Declines in trade volume were checked, at least temporarily, by an active holiday season in December, 1926. The year closed with activity in trade at wholesale at moderately low levels, but with a record of sales at retail considerably larger than in any previous December. Retailers' inventories during the last quarter of 1926 were larger than at any time since the spring of 1924.

Index numbers of department store sales and stocks (retail sales and stocks) and of sales at wholesale, in the Twelfth Federal Reserve District during 1926 and 1925, follow (1919 monthly average=100):

	Department Stores				Wholesale	
	Sales*		Stocks†		Sales‡	
	1926	1925	1926	1925	1926	1925
December	163.7	155.3	140	137	95.5	99.8
November	161.4	155.0	143	135	93.5	106.0
October	161.4	155.6	140	136	93.5	105.0
September	163.4	154.0	136	133	93.9	103.0
August	163.9	153.8	134	132	96.9	102.3
July	162.5	153.1	135	135	99.6	99.6
June	158.0	151.5	138	135	100.4	96.4
May	156.8	152.0	139	133	100.0	92.6
April	157.4	151.9	140	135	97.5	92.1
March	157.9	151.8	139	134	98.1	90.8
February	157.1	149.4	137	131	94.7	90.0
January	153.4	147.1	137	134	97.0	90.6

*Three months moving average of daily average sales adjusted for seasonal variations. Source: Federal Reserve Bank of San Francisco.

†As of the end of the month; adjusted for seasonal variations. Source: Federal Reserve Board.

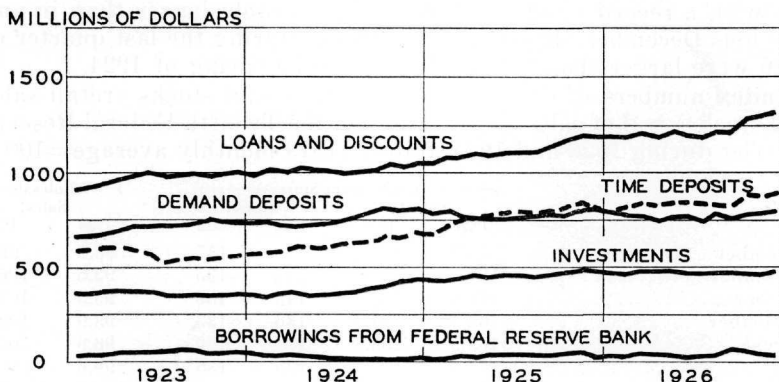
‡Adjusted for seasonal variations. Includes figures of firms operating throughout the district in the following ten lines of trade: agricultural implements, automobile supplies, automobile tires, drugs, dry goods, furniture, groceries, hardware, shoes, paper and stationery. Source: Federal Reserve Bank of San Francisco.

Credit Conditions

The banking and credit situation in the Twelfth Federal Reserve District during the year 1926 can best be reviewed in the light of credit movements during immediately preceding years.

Following a period of great activity in business during the first half of the year 1923 came a recession which continued throughout the year 1924. This downward movement of business activity coincided with a large increase in funds available for credit extension, and the result was a rising ratio of deposits to loans at member banks, greatly reduced borrowings at the Federal Reserve Bank, and a low level of interest rates. The deposit loan ratio advanced to a peak of 144.6 on October 15, 1924; discounts at the Federal Reserve Bank of San Francisco reached the lowest point since 1917; the rediscount rate of the Reserve Bank was lowered from 4½ to 4 per cent on June 10, 1924, and from 4 to 3½ per cent on August 25, 1924.

During 1925, business activity expanded rapidly and total loans and discounts of reporting member banks increased throughout the year. Increase in deposits did not keep pace with expansion in loans, the ratio of total deposits to total loans declined (from 144.0 to 134.0), and borrowings from the Federal Reserve Bank of San Francisco increased. On November 23, 1925, the rediscount rate at the Reserve Bank was raised from $3\frac{1}{2}$ to 4 per cent where it stood at the end of the year 1926.



REPORTING MEMBER BANKS—TWELFTH DISTRICT

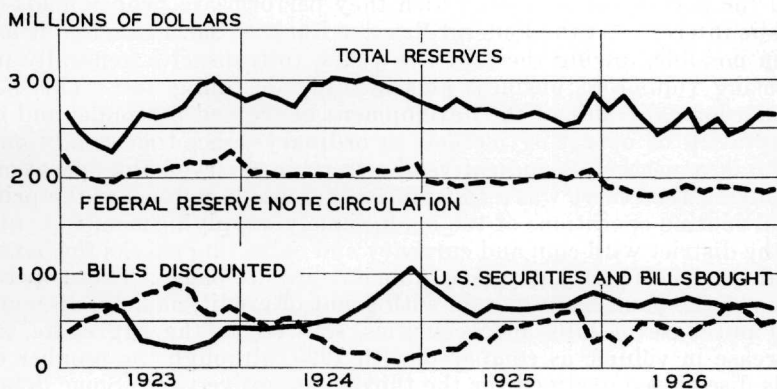
Demand Deposits, Time Deposits, Loans and Discounts, Investments, and Borrowings from Federal Reserve Bank

(as of last statement date of each month)

Business activity was at high levels during the first weeks of 1926, but a downward movement soon set in which continued into the second quarter of the year. Commercial loans of the reporting member banks declined during this period, but their total loan account held steady. A decrease in total deposits accompanied the business recession and the ratio of deposits to loans declined. There was a renewal of business activity during the summer of 1926, and while bank loans increased slightly, deposits increased by larger amounts so that the ratio of deposits to loans moved upward. Discounts at the Federal Reserve Bank of San Francisco were reduced. Business activity attained record proportions during the third quarter of 1926. Loans and discounts at reporting member banks increased more rapidly than did deposits and the ratio of deposits to total loans again declined, while discounts at the Federal Reserve Bank of San Francisco again increased.

There were signs of recession in business activity during the fourth quarter of 1926, but seasonal influences served to maintain trade volume. Total loans and discounts at reporting member banks continued to increase, as did total deposits in lesser degree. The ratio of deposits to total loans continued to decline, and on November 24th, at 129.6, reached the lowest level since 1921. On December 15, 1926, it stood at 131.9. Continued expansion in loans during December, coincident with sharply increased deposits and also with a reduction in discounts at the Federal Reserve Bank of San Francisco, indi-

cated that the recession in business noted during the last quarter of the year was not of sufficient magnitude nor was it sufficiently prolonged to result in liquidation of bank credit in this district.



FEDERAL RESERVE BANK OF SAN FRANCISCO
Total Reserves, Federal Reserve Note Circulation, Investments, and Bills Discounted
(as of the last statement of each month)

Despite the increased use of funds during 1926 as compared with 1925, interest rates have, on the whole, been unchanged, a reflection of an adequate supply of available bank credit.

Interest Rates—Commercial Paper*—Twelfth District

	Week Ending	
	Dec. 12-15, 1926	Dec. 12-15, 1925
Los Angeles	6%	6%
San Francisco	5-5½%	5-5½%
Portland	6%	6%
Salt Lake City	6%	6%
Seattle	6%	6%
Spokane	6%	5-7%

*30-60-90 day maturity, eligible for rediscount under the Federal Reserve Act.

OPERATIONS OF FEDERAL RESERVE BANK OF SAN FRANCISCO DURING 1926

The character and volume of operations of Federal reserve banks and the cost of the services which they perform are proper fields of public interest. At the Federal Reserve Bank of San Francisco it has been possible, during the past five years, to transact a generally increasing volume of business at a steadily declining cost. This has been a logical result of the development of trained personnel and of adaptation of operating method to ordinary peace-time conditions, but it is, nevertheless, indicative of a trend in reserve bank operation.

During 1926 there was a substantial increase in volume of the principal routine operations of the bank, namely, supplying member banks of the district with coin and currency and collecting checks for banks in all parts of the country (see table on opposite page). Those operations of the bank having to do with grant of credit, namely, discount and purchase of bills and securities, showed, in the aggregate, an increase in volume as compared with 1925, although the number of bills discounted declined for the third consecutive year. Some detail of the dollar value of discount operations during the past three years is given in the following table:

Bills Discounted	1926	1925	1924
Maximum	\$68,694,000	\$69,817,000	\$55,210,000
Minimum	20,626,000	7,614,000	6,652,000
Average	46,690,000	39,460,000	30,060,000

Chiefly as a result of increased earnings from discounted bills, total earnings of the bank were approximately one-fifth larger in 1926 than in 1925. Current operating expenses, as well as depreciation allowances, allocations to reserves, and other deductions from earnings were smaller than in the earlier year. Net earnings, after all deductions had been made, were sufficient to pay the legal dividend of six per cent on paid-in capital, and to provide for a substantial addition to the surplus account of the bank, the first such addition to surplus since 1923.

The staff of the bank, including head office and branches, was reduced from 870 on January 1, 1926, to 858 on January 1, 1927, annual salaries declining from \$1,584,980 to \$1,538,580.

Statement of Condition

No significant changes in condition of the Federal Reserve Bank of San Francisco are revealed by comparison of balance sheets dated December 31, 1926, and December 31, 1925, nor were there any notable movements of the several items included in the balance sheet during the intervening year.

Total resources of the bank declined by \$18,610,333, or 4.2 per cent, during 1926. This decrease in assets was the result of a decline in gold reserves, amounting to \$21,254,016, or 7.6 per cent, representing chiefly a loss, on balance, in transactions between this district and the rest of the United States. Total discounts of the bank showed a greater degree of seasonal variation in 1926 than in 1925, when the trend was quite steadily upward, but averaged higher than in the earlier year. At the close of 1926 total discounts (\$34,199,363) were \$9,715,083, or 39.7 per cent, larger than at its beginning. Investments of the bank so complemented discounts as to moderate fluctuations

PRINCIPAL OPERATIONS

FEDERAL RESERVE BANK OF SAN FRANCISCO

The following table presents in comparative form for the past three years the volume of the principal operations of the bank, which are of such character that they can be expressed in quantitative terms.

	1926	1925	1924
Supplying Currency and Coin			
Currency Received and Counted:			
Individual notes counted.....	111,583,000	98,574,000	95,857,000
Dollar amount received and counted.....	\$881,019,000	\$782,218,000	\$753,896,000
Coin Received and Counted, a service previously performed largely by the Subtreasury, but now entirely in the hands of the Federal Reserve Bank:			
Number of coins handled in receiving and counting.....	79,311,000	54,425,000	44,298,000
Dollar amount received and counted.....	\$42,428,000	\$31,063,000	\$23,425,000
Making Loans and Investments			
Bills Discounted for Member Banks, either discounted customers' paper or advances against the notes of member banks secured by collateral in the form of Government securities or commercial or agricultural paper:			
Number of bills discounted.....	28,264	30,136	37,212
Dollar amount*.....	\$2,418,031,000	\$2,152,987,000†	\$929,140,000
Bills Purchased for the Account of this Bank:			
Number.....	31,567	26,983	18,433
Dollar amount.....	\$321,122,000	\$280,994,000	\$176,933,000
Collecting Checks, Drafts, Notes, and Coupons			
Checks handled for collection for banks in all parts of the country:			
Number of items.....	74,822,000	73,062,000	74,367,000
Dollar amount.....	\$15,627,527,000	\$15,002,811,000	\$14,645,586,000
Collection Items handled, including drafts, notes, and coupons:			
Number of items.....	3,002,000	3,350,000	4,027,000
Dollar amount.....	\$344,932,000	\$302,151,000	\$326,516,000
Supplementary Services			
United States Government Securities issued, redeemed, or exchanged, including Government bonds, notes, and certificates of indebtedness:			
Number of items.....	345,000	613,000	1,518,000
Dollar amount.....	\$218,985,000	\$260,294,000‡	\$353,309,000
Funds Transferred by Telegraph to and from all parts of the country for the Treasury Department and for member banks:			
Number of transfers.....	140,000	128,000	130,000
Dollar amount.....	\$12,268,428,000	\$10,672,119,000	\$9,568,293,000

*Includes paper discounted for Federal Intermediate Credit Banks at Berkeley, California, and Spokane, Washington, amounting to \$7,264,000 in 1926, \$1,651,000 in 1925, and \$850,000 in 1924.
†Revised figure, shown as \$2,154,200,000 in Eleventh Annual Report.
‡Revised figure, shown as \$260,304,000 in Eleventh Annual Report.

in total earning assets, and the total of loans and investments on December 31, 1926, was practically unchanged from the total on December 31, 1925.

In the schedule of liabilities, the aggregate decrease of \$18,610,333 was chiefly the result of a decline of \$21,016,355, or 10.1 per cent, in Federal reserve note circulation. At the beginning of 1926, subsidence of Federal reserve note circulation, following the usual year-end peak, reduced the volume of notes outstanding to what later proved to be a permanently lower level than in the preceding year. This downward movement of Federal reserve note circulation had been duplicated in each of the preceding four years, the aggregate decline since December 31, 1921, amounting to \$53,302,000. That this decline has been offset, at least in part, by increased circulation of other forms of money seems probable, although no figures of such circulation within the district are available. Certain it is that industrial output and volume of trade have increased markedly during the five-year period and, in view of the comparatively stable price level, increased business activity might reasonably have been expected to involve an increase in the amount of money in circulation.

Other changes in liability items during 1926 were small in amount. Figures as of the date of the annual statements show a decrease in reserve deposits of member banks, but these figures reflect a temporary situation, such deposits generally having been slightly larger in 1926 than in 1925. The increase in reserve deposits during the year accompanied a proportionately larger increase in deposits held by member banks. The latter increase, however, was wholly the result of growth in time deposits, against which a reserve of but 3 per cent is required, and it masked a decrease in net demand deposits of reserve city member banks, against which a reserve of 10 per cent is required.

A comparative statement of condition of the Federal Reserve Bank of San Francisco as of December 31, 1926, and December 31, 1925, is presented below:

RESOURCES

Cash Reserves held by this bank against its deposits and note circulation	Dec. 31, 1926	Dec. 31, 1925
Gold and Gold Certificates in vault.....	\$ 39,942,315.21	\$ 34,825,013.86
Gold in the Gold Settlement Fund lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal Reserve Districts.....	29,760,448.59	33,169,699.23
Gold Held by the Federal Reserve Agent as part of the collateral deposited by the bank when it obtains Federal Reserve notes. This gold is lodged in his name partly in the vaults of the bank and partly with the Treasurer of the United States..	185,587,365.00	207,691,665.00
Gold Redemption Fund in the hands of the Treasurer of the United States to be used to redeem such Federal Reserve notes as are presented to the Treasurer for redemption	2,959,626.62	3,817,392.93
Legal Tender Notes, Silver, and Silver Certificates in vaults of the bank (available as reserve against deposits only).....	6,620,311.00	6,315,531.00
Total Cash Reserves	<u>\$264,870,066.42</u>	<u>\$285,819,302.02</u>
Non-Reserve Cash , consisting largely of National Bank notes and minor coin.....	\$ 3,760,840.65	\$ 3,990,819.57

RESOURCES (Continued)

Loans and Investments	Dec. 31, 1926	Dec. 31, 1925
Loans to Member Banks:		
Secured by obligations of the United States	\$ 7,632,100.00	\$ 5,719,980.00
By the discount of commercial or agricultural paper or acceptances.....	26,567,262.97	18,764,300.39
Acceptances bought in the open market....	31,374,221.26	31,770,870.04
United States Government bonds, notes, etc.	40,667,200.00	49,938,000.00
Foreign Loans on Gold	—0—	546,000.00
<i>Total Loans and Investments (or Earning Assets)</i>	\$106,240,784.23	\$106,739,150.43
Miscellaneous Resources		
Bank Premises	3,397,325.49	3,217,273.92
Checks and Other Items Not Yet Collected ..	45,766,738.37	40,540,885.90
All Other Miscellaneous Resources	1,191,642.67	3,530,298.93
<i>Total Miscellaneous Resources</i>	\$ 50,355,706.53	\$ 47,288,458.75
TOTAL RESOURCES	\$425,227,397.83	\$443,837,730.77

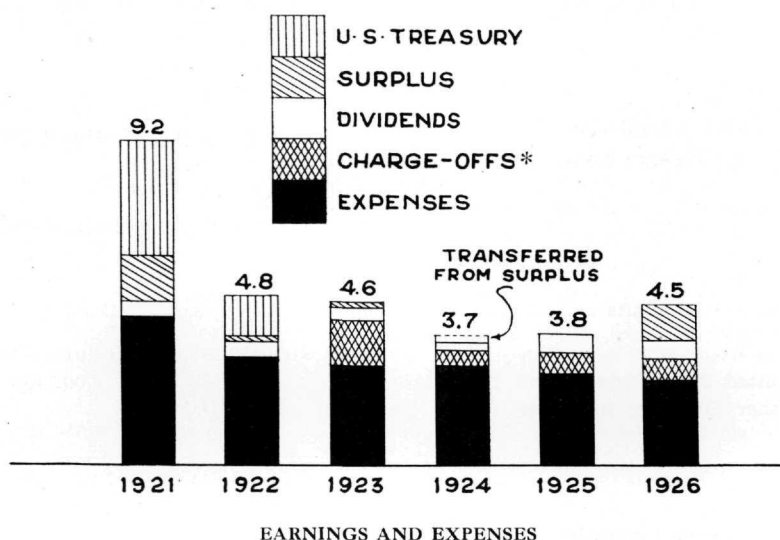
LIABILITIES

Currency in Circulation	Dec. 31, 1926	Dec. 31, 1925
Federal Reserve Notes in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper	\$187,109,150.00	\$208,125,505.00
Deposits		
Reserve Deposits maintained by member banks as legal reserves against the deposits of their customers.....	\$163,332,389.62	\$164,910,363.80
United States Government Deposits	532,150.54	2,062,465.30
Other Deposits , including foreign deposits, deposits of non-member clearing banks, etc.	7,797,104.69	6,554,407.25
<i>Total Deposits</i>	\$171,661,644.85	\$173,527,236.35
Miscellaneous Liabilities		
Deferred Items , composed mostly of uncollected checks on banks in all parts of the country	\$ 41,511,112.79	\$ 37,401,286.01
Reserves and All Other Miscellaneous Liabilities	168,615.77	1,474,910.30
<i>Total Miscellaneous Liabilities</i>	\$ 41,679,728.56	\$ 38,876,196.31
Capital and Surplus		
Capital Paid In , equal to 3 per cent of the capital and surplus of member banks.....	\$ 8,655,950.00	\$ 8,237,800.00
Surplus as permitted by law.....	16,120,924.42	15,070,993.11
<i>Total Capital and Surplus</i>	\$ 24,776,874.42	\$ 23,308,793.11
TOTAL LIABILITIES	\$425,227,397.83	\$443,837,730.77

Earnings and Expenses

Gross earnings of the Federal Reserve Bank of San Francisco totaled \$4,544,860 in 1926, the largest annual earnings since 1923. Increases as compared with 1925 were reported in all items of the earnings statement, but the principal gain was in earnings from discounted bills. The average amount of bills discounted during 1926 was 18.3 per cent larger than in 1925, and the discount rate was 4 per cent throughout 1926, whereas it stood at 3½ per cent during most of 1925.

Current expenses of the bank at \$2,405,244 in 1926 were smaller than in any year since 1920, and current net earnings, at \$2,149,616, were larger than in any year since 1921. Net deductions from current net earnings in 1926 totaled \$593,617, of which the principal items were a further depreciation allowance on bank premises amounting to \$125,754 and the addition of \$354,292 to reserve for probable losses, the total of such reserve on December 31, 1926, being \$1,525,000.



Amount and Distribution of Earnings of the Federal Reserve Bank of San Francisco
(in millions of dollars)

*Chiefly depreciation allowances on bank premises, reserve for probable losses, and cost of furniture and equipment purchased.

After making the above deductions, there remained available for dividends, surplus, and franchise tax, net earnings of \$1,555,999. Of this amount, \$506,068 was paid as a dividend to member banks at the rate of 6 per cent on paid-in capital stock, and \$1,049,931 was transferred to surplus account. Surplus on December 31, 1926, was but slightly less than 100 per cent of authorized capital stock and nearly 200 per cent of paid-in capital stock.

The principal sources of earnings of the Federal Reserve Bank of San Francisco during 1926 and 1925, with an enumeration of the

major classifications of operating expenses and a statement of distribution of net income, are presented in the following table:

Earnings	1926	1925
On Loans to Member Banks and Paper Discounted for Them	\$1,867,134.26	\$1,408,353.50
On Acceptances Purchased	896,498.22	895,702.89
On United States Government Obligations Owned	1,586,101.39	1,446,767.24
Other Earnings	205,126.16	98,066.47
<i>Total Earnings</i>	<i>\$4,544,860.03</i>	<i>\$3,848,890.10</i>
Deductions from Earnings		
For Current Bank Operation	\$2,218,783.86	\$2,409,459.43
For Assessments for Federal Reserve Board Expenses	49,630.19	49,683.76
For Federal Reserve Currency, mainly the cost of printing new notes to replace worn notes in circulation, and to replenish the stock unissued and on hand	136,829.77	221,965.19
For Furniture and Equipment	99,429.80	61,571.64
For Reserves for Depreciation	125,753.78	138,390.22
For Reserves for Probable Losses on advances to member banks	354,291.53	452,800.60
Other Deductions—Net	14,141.85	24,572.73
<i>Total Deductions from Earnings</i>	<i>\$2,998,860.78</i>	<i>\$3,358,443.57</i>
NET INCOME available for dividends, additions to surplus, and payment to the United States Government	\$1,555,999.25	\$ 490,446.53
Distribution of Net Income		
In Dividends Paid to Member Banks, at the rate of 6 per cent on paid-in capital	\$ 506,067.94	\$ 490,446.53
In Additions to Surplus—The bank is permitted 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. No balance remained for such payments in 1925	1,049,931.31	—0—
In Payment to the United States Government, as a franchise tax representing the entire net income of the bank after paying dividends and making additions to surplus (as above). No balance remained for such payments in 1925 and 1926	—0—	—0—
TOTAL NET INCOME DISTRIBUTED	\$1,555,999.25	\$ 490,446.53

Revised figures.

Federal Reserve Note Issues

District requirements for Federal reserve note currency were smaller in 1926 than in 1925. The following table shows the aggregate movement of such notes into and out of the custody of the Federal Reserve Agent at San Francisco during 1926 and 1925, together with the amounts of collateral pledged with the Agent to secure outstanding Federal reserve notes:

	1926	1925
Federal reserve notes received from Comptroller of the Currency—Net	\$284,891,365	\$304,295,665
Federal reserve notes on hand—December 31.....	53,300,000	50,100,000
Federal reserve notes issued and outstanding—		
December 31	\$231,591,365	\$254,195,665
Collateral pledged by Federal Reserve Bank against outstanding Federal reserve notes—December 31:		
Gold and gold certificates.....	\$185,587,365	\$207,691,665
Eligible paper	65,445,264	56,149,859
Total collateral	\$251,032,629	\$263,841,524

All of the eligible paper and a small part of the gold pledged as collateral security against outstanding Federal reserve notes is held in safekeeping at the offices of the Federal Reserve Bank of San Francisco. The larger part of the gold is kept with the United States Treasury at Washington, D. C., a minor amount being maintained in the gold redemption fund, as required by law, and the remainder being held subject to transfer check of the Federal Reserve Board. By ledger transfer of funds between this account of the Federal Reserve Agent and the gold settlement fund account of the Federal Reserve Bank of San Francisco, also maintained in Washington, the necessity for physical transfer of gold pledged as collateral against outstanding Federal reserve notes is reduced to a minimum.

Member Bank and Public Relations

The number of banks of the district holding membership in the Federal Reserve System continued to decline during 1926, the total membership affiliated with the Federal Reserve Bank of San Francisco being reduced from 740 to 721. An apparent tendency toward decrease in numerical strength of the System has persisted in this district for the past five years. It has been largely the result of consolidations of various banks, as the number of new members admitted to the Federal Reserve System has tended to exceed the number of members lost through direct withdrawal, suspension or insolvency. Total resources of member banks of the district have steadily increased, and the relation of member bank resources to total resources of all banks in the district has generally been maintained or bettered from year to year. During 1926 there were 17 additions to district membership in the Federal Reserve System, chiefly as a result of the organization of 15 new national banks. Losses to membership during the year totaled 36, but 14 of this number were lost to membership

through consolidations of member banks and 6 more through absorption of member by non-member banks. Total resources of active member banks on December 31, 1926, were \$3,664,339,000, a figure \$215,806,000 or 6.2 per cent in excess of that reported on December 31, 1925. Details of changes in bank membership in the Twelfth Federal Reserve District during 1926 are presented in the following table:

Changes in Bank Membership During the Year 1926

By Class of Bank

	Member Banks			Resources (in thousands)
	National	Number State	Total	
Active member banks, December 31, 1925.	575	165	740	\$3,448,533
Additions to Membership:				
Organizations of National banks.....	15	...	15	12,594
Conversion of non-member banks to National banks	1	...	1	80,719
Admission of State banks.....	...	1	1	576
Resumption following suspension .....	...	...	...	...
Conversion within the System.....	...	...	...	(.....)
TOTAL ADDITIONS	16	1	17	\$93,887
Losses to Membership:				
Merger of member banks:				
Merger between National banks.....	8	...	8	*(\$148,019)
Absorption of National by State member banks	2	...	2	3,625
Merger between State member banks. ....	...	3	3	*(10,584)
Absorptions of State member by National banks .....	...	1	1	114
Absorption of member by non-member banks	5	1	6	6,269
Conversions of member to non-member banks	2	1	3	1,435
Voluntary liquidation (terminal) .....	...	...	...	.....
Suspension or insolvency	6	2	8	4,937
Withdrawal of State banks .....	...	5	5	1,864
Conversion within the System.....	...	...	...	(.....)
TOTAL LOSSES	23	13	36	\$18,244
Net change	-7	-12	-19	+\$75,643
Active member banks—December 31, 1926	568	153	721	\$3,664,339†

*Changes not affecting total resources of member banks.

†Shows a gain of \$140,163,000 during 1926, due to increases in resources of member banks in system throughout year, in addition to the gain of \$75,643,000 shown in the table of changes in bank membership.

There was a lull in the expansion of branch banking in California in 1926. The total number of branches of state banks was unchanged during the year, and the number of those restricted classes of branches allowed national banks increased but slightly. Total resources of the branch bank systems continued to increase, and on December 31, 1926, were approximately 65 per cent of total resources of all banks in the state. The number and resources of California banks having branches, and the number of their branches, are shown in the following table:

Branch Banks in California

	Number of Banks	Number of Branches	Total Resources
Dec. 31, 1925—State Banks:			
Member	18	338	\$1,454,187,367
Non-member	62	247	772,146,196
<hr/>			
Total number of state banks having branches	80	585	\$2,226,333,563
†Total number of national banks having branches	16	42	380,609,117
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Total	96	627	\$2,606,942,680
<hr/>			
Dec. 31, 1926—State Banks:			
Member	16	355	\$1,551,747,457
Non-member	58	230	755,959,950
<hr/>			
Total number of state banks having branches	74	585	\$2,307,707,407
†Total number of national banks having branches	16	85	449,361,819
<hr/>			
Total	90	670	\$2,757,069,226

†Includes Bank of California, N. A., San Francisco, with branches at Portland, Seattle, and Tacoma.

Only four independent and complete examinations of member banks were made by examiners for the Federal Reserve Bank during 1926. Following the practice established in 1924, examination work was confined largely to credit investigations made, in most instances, concurrently with examinations conducted by the various state banking departments in the case of state member banks and by the Comptroller of the Currency's office in the case of national banks.

Relations with supervisory authorities of both state and national banks in the seven states comprising the Twelfth Federal Reserve District have continued pleasant and satisfactory. As in the past this bank, even though not participating in examinations, has received copies of all examination reports prepared by supervisory authorities. On several occasions Federal reserve bank examiners and employees have been loaned to the California State Banking Department, at the State's expense, to assist in examinations of large State member branch banking systems.

A tabular summary of examinations, credit investigations, and economic surveys made by the Federal Reserve Bank of San Francisco during the year 1926 follows:

Member Bank Examinations

Independent examinations	4
Examinations made concurrently with national and state banking departments	0
Independent credit investigations	3
Credit investigations made concurrently with state banking department..	87
Economic surveys	1
Other investigations	7
TOTAL EXAMINATIONS AND INVESTIGATIONS MADE.....	102

As the year ended plans for a moderate expansion of member bank examination work were in progress.

During the year 1926 the officers of the Federal Reserve Bank of San Francisco and its branches have, as in the past, visited most of the member banks and many of the non-member banks of the district. Representatives of the bank have also held themselves in readiness at all times to respond to public and private requests for speakers on topics relating to the Federal Reserve System, and have explained and interpreted the System's operations to many audiences.

The Monthly Review of Business Conditions, prepared by the Chairman of the Board and Federal Reserve Agent at San Francisco, was published throughout the year and distributed without charge to approximately 9,000 banks and interested individuals. The Division of Analysis and Research of the Federal Reserve Agent's office, which is currently engaged in the study of business and credit conditions, has distributed such of its findings as are of a public nature, both through the medium of the Monthly Review and by means of special reports and correspondence. In addition it has maintained files of statistical material, relating to the Twelfth Federal Reserve District and to the United States, which are becoming an increasingly important source of public information.

Bank Organization and Personnel

On March 1, 1926, Isaac B. Newton, by appointment of the Federal Reserve Board, became a Class C director of the Federal Reserve Bank of San Francisco, and assumed the office of Chairman of the Board and Federal Reserve Agent at that bank. He succeeded John Perrin, whose resignation presented to the Federal Reserve Board in November, 1925, was accepted effective February 28, 1926. Mr. Newton had previously served as a member of the Board of Directors of the Los Angeles branch of this bank since its opening in 1920, and was Chairman of that Board during the year 1925.

On December 31, 1926, the terms of three directors, J. S. Macdonnell of Class A, A. B. C. Dohrmann of Class B, and Isaac B. Newton of Class C, expired. Mr. Macdonnell was ineligible for renomination as a representative of member banks in Group Two (those having a combined capital and surplus of not less than \$125,000 nor more than \$599,999) because he had become an officer and director of a Group One bank (those having a combined capital and surplus of \$600,000 or more). Thomas H. Ramsay, President of the First National Bank,

Red Bluff, California, was elected as Class A director to represent Group Two banks for a term of three years ending December 31, 1929. Mr. Dohrmann, President of the Dohrmann Commercial Company of San Francisco, was re-elected by the banks of Group One for a similar three-year term, as director of Class B. The Federal Reserve Board reappointed Isaac B. Newton of Los Angeles a Class C director for a term of three years ending December 31, 1929, and redesignated him Chairman of the Board and Federal Reserve Agent for the year 1927. Walton N. Moore, a Class C director whose term expires December 31, 1927, was similarly redesignated Deputy Chairman of the Board for the year 1927.

To represent the Twelfth Federal Reserve District on the Federal Advisory Council during the year 1926, the Board of Directors chose Henry S. McKee, President of Barker Bros., Inc., Los Angeles. Mr. McKee represented this District on the Council during the year 1925.*

All of the directors of branches of the Federal Reserve Bank of San Francisco, whose terms of office expired December 31, 1926, were re-appointed by the Federal Reserve Board and the Federal Reserve Bank for terms of three years each, beginning January 1, 1927. To fill the unexpired term of George B. Harrison, who resigned as a director of the Los Angeles Branch during the latter part of 1926, the Federal Reserve Board appointed J. B. Alexander, of Los Angeles, who will serve until December 31, 1928. At the close of 1926 the Federal Reserve Board suspended, for the year 1927 only, its requirement that the chairmen of Boards of Directors of branches of Federal reserve banks must be those directors, appointed by the Federal Reserve Board, whose terms of office expire with the current year. Under this suspension of regulations the following branch directors, who had served as chairmen of their respective Boards during 1926, were re-elected to serve during 1927:

Spokane Branch	G. I. Toevs
Seattle Branch	Charles H. Clarke
Portland Branch	Nathan Strauss
Salt Lake City Branch.....	Lafayette Hanchett
Los Angeles Branch.....	W. L. Valentine

The following changes in the official staff of the bank took place during 1926:

Resignations:

May 31—George H. Schmidt, Assistant Manager, Los Angeles Branch, resigned to accept a position as Cashier of the First National Bank of San Diego, San Diego, California.

October 31—E. W. Morton, Auditor, Head Office, resigned to accept a position as Vice President of the Farmers and Mechanics Bank, Spokane, Washington.

Appointments:

July 1—M. McRitchie, Assistant Cashier at Head Office, was transferred to the Los Angeles Branch as Assistant Manager of the branch.

July 1—F. C. Bold, formerly Chief Clerk, Head Office, was appointed Assistant Cashier at Head Office.

*On January 6, 1927, Mr. McKee was re-elected to serve as the representative of the Twelfth Federal Reserve District on the Federal Advisory Council during the year 1927.

Following is a comparative summary of the number of officers and employees in the principal departments of the bank, with corresponding aggregate annual salaries paid on January 1, 1926 and 1927. (Figures are for Head Office and branches combined.)

	Number		Officers and Employees Annual Salaries	
	Jan. 1, 1927	Jan. 1, 1926	Jan. 1, 1927	Jan. 1, 1926
OFFICERS	32	33	\$ 243,600	\$ 243,400
EMPLOYEES BY DEPARTMENTS:				
Banking Department	747	758	1,150,385	1,192,932
Federal Reserve Agent's Department	25	23	60,180	58,480
Auditing Department	8	9	17,340	19,140
Fiscal Agency Department	21	23	37,260	43,800
TOTALS	833	846	\$1,508,765	\$1,557,752
FISCAL AGENCY DEPARTMENT EMPLOYEES whose salaries are reimbursed by the Treasury Department				
	2	3	4,080	4,680
OTHER EMPLOYEES whose salaries are reimbursed to bank, including building employees in space rented to tenants				
	23	21	25,735	22,548
GRAND TOTALS	858	870	\$1,538,580	\$1,584,980
TEMPORARY EMPLOYEES (not included above)				
	8	8	\$9,660	\$9,840

Salt Lake City Branch Building

On January 25, 1926, ground was broken for a new building to house the Salt Lake City Branch of the Federal Reserve Bank of San Francisco. This branch was established April 1, 1918, to serve member banks in Utah, Southern Idaho, and Eastern Nevada. Since establishment it has occupied rented quarters which, of recent years, have become increasingly inadequate.

The new building, which was practically completed during 1926,* is located on a plot of land 165 feet square at the corner of South Temple and State Streets, Salt Lake City, Utah. It is of reinforced concrete construction, contains two stories and basement, and provides approximately 30,000 square feet of working space. All of the activities of the branch can be comfortably housed in the new building, and adequate quarters are provided for the staff of 110 persons.

*The building was occupied February 21, 1927, and formally opened for business on March 5, 1927.

NOTE

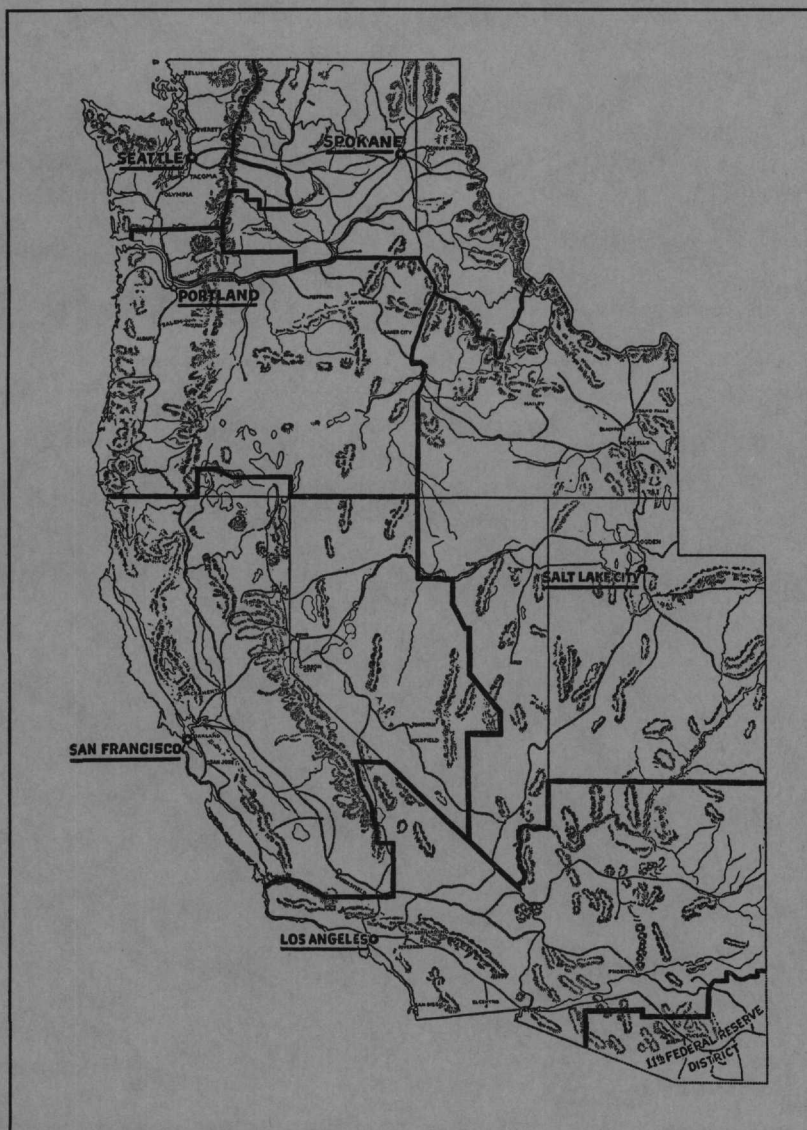
Detailed statistical tables formerly published as an appendix to the Annual Report of the Federal Reserve Agent now appear only in the Annual Report of the Federal Reserve Board, which will include the following exhibits pertaining to the Twelfth Federal Reserve District and the Federal Reserve Bank of San Francisco:

1. Comparative Statement of Condition.
2. Movement of Principal Assets and Liabilities.
3. Volume of Discount and Open Market Operations.
4. Volume of Bills Discounted for Member Banks in Each State.
5. Earnings and Expenses.
6. Volume of Operations in Principal Departments.
7. Operations of Federal Reserve Clearing System.
8. Clearings and Transfers Through Gold Settlement Fund.
9. Principal Assets and Liabilities of Reporting Member Banks in Leading Cities of District.
10. Debits to Individual Accounts at Banks in Principal Clearing House Centers.

Copies of the Board's report may be obtained, when published, from the Federal Reserve Board at Washington, D. C.

TWELFTH FEDERAL RESERVE DISTRICT

Includes the states of Arizona, except the five Southeastern Counties,
California, Idaho, Nevada, Oregon, Utah and Washington



Map showing territory of Head Office and Branches
of the Federal Reserve Bank of San Francisco