

Tenth Annual Report of
the Federal Reserve Bank
of Boston for the year ended
❧ December 31, 1924 ❧

Boston, Massachusetts

TENTH ANNUAL REPORT
— OF THE —
Federal Reserve Bank
of Boston

*For the year ended
December 31, 1924*



BOSTON, MASSACHUSETTS

LETTER OF TRANSMITTAL

BOSTON, MASS., January 31, 1925.

SIR:

I have the honor to submit herewith the Tenth Annual Report of the Federal Reserve Bank of Boston covering the operations of that bank for the period from January 1, 1924, to December 31, 1924.

Respectfully yours,

FREDERIC H. CURTISS,
Chairman and Federal Reserve Agent.

HON. D. R. CRISSINGER,
Governor, Federal Reserve Board,
Washington, D. C.

FEDERAL RESERVE BANK OF BOSTON

OFFICERS AND DIRECTORS

1924

OFFICERS

W. P. G. HARDING, Governor.	FREDERIC H. CURTISS, Federal Reserve Agent.
WILLIAM W. PADDOCK, Deputy Governor.	CHARLES F. GETTEMY, Assistant Federal Reserve Agent.
WILLIAM WILLETT, Cashier.	HARRY F. CURRIER, Auditor.
KRICKEL K. CARRICK, Secretary.	
ELLIS G. HULT, Assistant Cashier.	
WILLIAM N. KENYON, Assistant Cashier.	
ERNEST M. LEAVITT, Assistant Cashier.	
L. WALLACE SWEETSER, Assistant Cashier.	

DIRECTORS

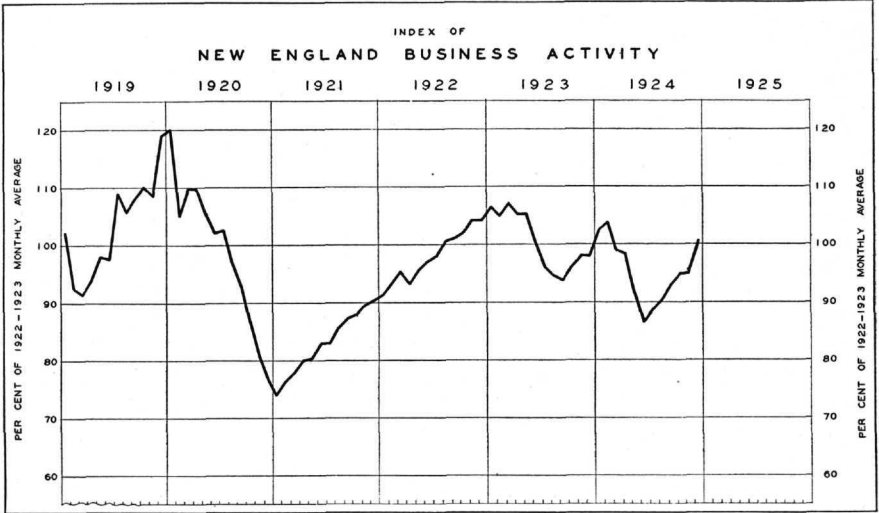
Class and Group			Term Expires
A 1	ALFRED L. RIPLEY,	President, Merchants National Bank, Boston, Mass.	1926
A 2	F. S. CHAMBERLAIN,	Vice-President and Cashier, New Britain National Bank, New Britain, Ct.	1925
A 3	EDWARD S. KENNARD,	Vice-President and Cashier, Rumford National Bank, Rumford, Me.	1927
B 1	PHILIP R. ALLEN,	Vice-President, Bird & Sons, E. Walpole, Mass.	1926
B 2	EDMUND R. MORSE,	Treasurer, Vermont Marble Co., Proctor, Vt.	1925
B 3	CHAS. G. WASHBURN,	President, The Washburn Co., Worcester, Mass.	1927
C	FREDERIC H. CURTISS,	Chairman, Boston, Mass.	1926
C	ALLEN HOLLIS,	Deputy-Chairman, Lawyer, Concord, N. H.	1927
C	CHAS. H. MANCHESTER,	President, Providence Gas Co., Providence, R. I.	1925

GENERAL COUNSEL

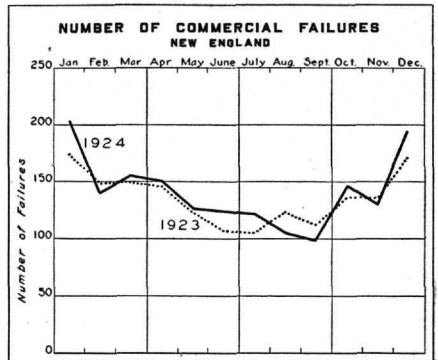
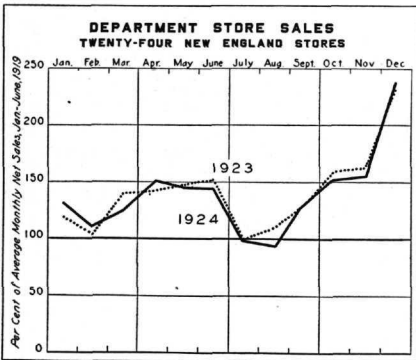
ARTHUR H. WEED, Boston, Mass.

MEMBER OF FEDERAL ADVISORY COUNCIL

CHARLES A. MORSS,
Vice-President, Simplex Wire & Cable Co.,
Boston, Mass.



Business was not as active on the average during 1924 as in 1923, although, as a result of the improvement in conditions during the latter half of 1924, business was more active in December than in the corresponding month of 1923. The index was compiled by the Federal Reserve Bank of Boston, and represents activity in terms of amounts rather than of values.



Net sales of representative New England department stores during 1924 were slightly less than in 1923. In eight of the 12 months of the year there was a larger number of commercial failures than in 1923. The number of commercial failures is an average of those reported by R. G. Dun & Co. and Bradstreet's.

TENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

BUSINESS AND CREDIT CONDITIONS IN NEW ENGLAND DURING 1924

The year 1924 started with business activity not very high, although it was rising, but early in the spring a reaction set in, with the result that the volume of production in the leading industries was very low by mid-summer. The last half of the year was a period of almost constantly increasing trade and manufacturing output; for the year as a whole, the volume of production and trade in New England was smaller than in 1923.

The volume of loans of member banks in the First Federal Reserve District remained practically stationary during the first five months of the year. From June 1 to November 1, however, there was a marked expansion in loans, coincident with the rise in business activity. Money rates declined sharply from March through August, but during the closing weeks of the year there was a slight recovery.

The Federal Reserve Bank of Boston loaned considerably less to member banks in 1924 than in 1923, inasmuch as the member banks were able to handle their customers' requirements almost entirely without assistance. The Reserve bank's total holdings of Government securities and acceptances averaged larger in 1924 than in the previous year. After dividends had been paid, "charge-offs" made for furniture and fixtures, and the usual depreciation for bank building, a small deficit was shown for the year, which was charged to surplus account.

The Business Situation:—Business activity was not as high as in 1923, and in such important industries as cotton and woolen textiles there was a very severe depression in the middle of the year. New England was not alone in experiencing a poor volume of trade, inasmuch as the recession was almost exactly paralleled by the trend of business activity in the United States as a whole. Probably several of the leading industries in this district, such as cotton and woolen textiles, suffered more than most others, either in New England or elsewhere in the country, and did not fare as well as competing mills situated outside of the district.

Several encouraging factors appeared in the New England situation in 1924, however, with the result that the outlook at the end of the year was much better than at the beginning. Slowing down in production in the latter part of 1923 and the first half of 1924 resulted in the output of goods, which had expanded rapidly during the period of rising business activity in 1921, 1922 and the first few months of 1923, coming more nearly in line with current requirements. From this viewpoint, the rise in activity during the last three or four months of 1923 and the first two months of 1924 might appear as an interruption of the downward trend which started in 1923 and culminated in the midsummer of 1924. The rise in activity during the latter half of 1924, on the other hand, may be regarded in part as the outcome of the readjustment earlier in the year.

Another encouraging factor which developed during the year was an organized effort to bring to light some of the disadvantages under which New England manufacturers and workmen labor, and to promote more efficient and progressive industrial processes and methods of distribution. The result of this organized effort has been that business men, bankers, workers and the public are more keenly alive than for a number of years to the problems confronting New England, and definite steps have been taken in many instances to make real and valuable improvement. A number of large communities are almost wholly dependent on the success of one type of industry, and if that industry is to continue to grow it can do so, in many cases, only by radical changes, both in the character and cost of production and the methods of distribution. These are serious matters, and it is encouraging that they are being given closer attention not only by the proprietors of the industries involved, but also by the leaders in the communities. Notwithstanding the business depression which was the rule in New England in the midsummer of 1924, certain textile mills and certain shoe factories in this district operated on normal schedules during the year, and made satisfactory profits. With these examples in mind, several groups of leaders in such industries as cotton and woolen textiles, boots and shoes, and the metal trades engaged trained investigators to make detailed studies of several of New England's leading industries.

Building activity during the entire year of 1924 continued on an even higher level than in the corresponding months of 1923. Total contracts awarded in New England during the year amounted to \$352,000,000, an increase of nearly seven per cent over the total for 1923 of \$330,000,000. Almost exactly one-half of the contracts was for residential buildings, including apartment houses. This total amounted to \$178,000,900, and formed a larger proportion of all contracts than in a number of years. Conversely, the proportion of business and industrial buildings to the

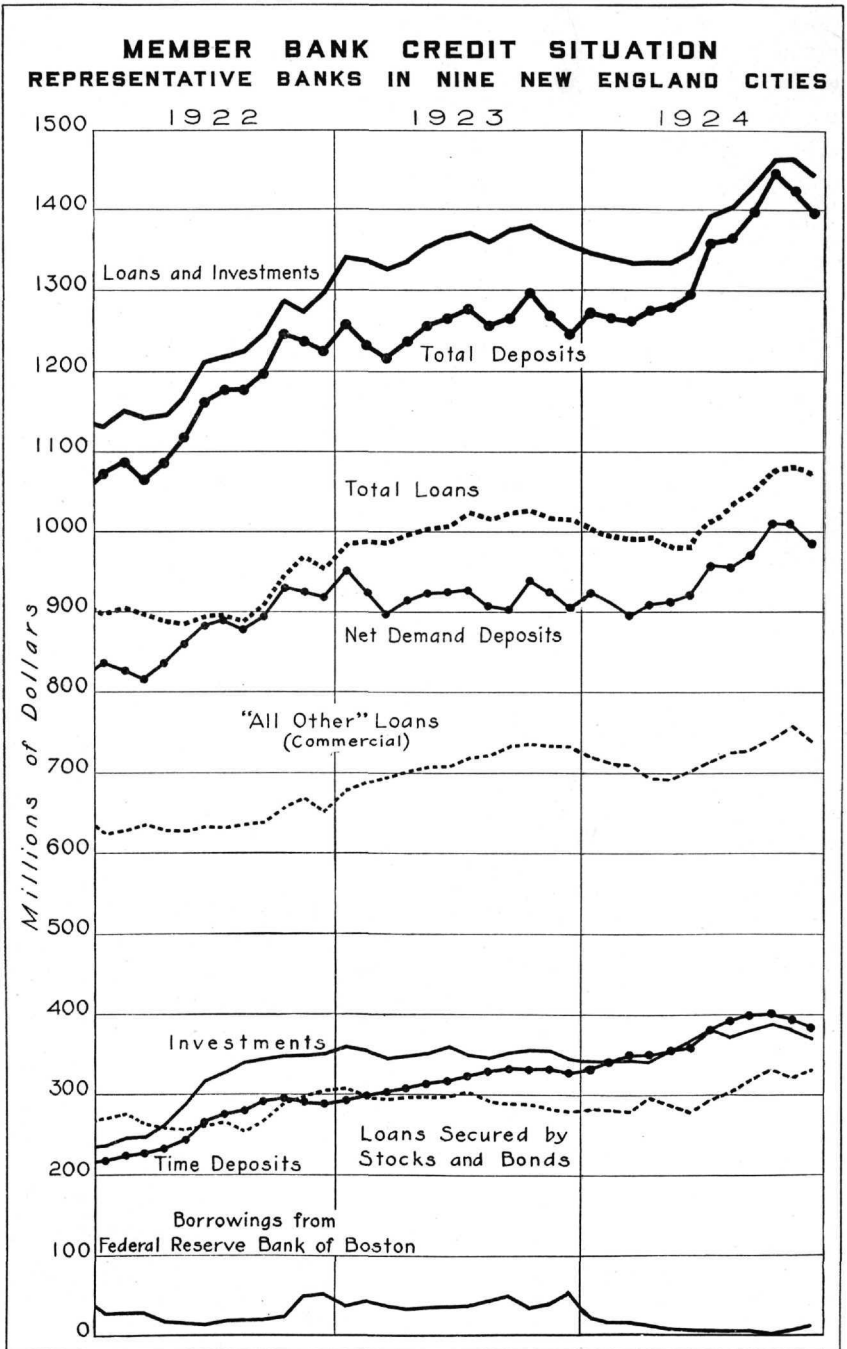
total was relatively small. Statistics of building permits are not available from all cities, but, among the group reporting, almost all of the communities showing a smaller volume of building permits in 1924 than in 1923 were textile centers. Mortgage rates remained practically unchanged throughout the year, at an average level of six per cent.

Although New England is essentially an industrial district, there are certain sections of it where agriculture is the principal activity. The year was not a good one for the farmer, the high costs of production and poor profits being unfavorable factors. Approximately one-half of the New England farmer's cash income is derived from dairy products, and the higher prices which the dairyman had to pay for Western grain in 1924, as compared with the preceding year, increased his production costs, but he did not have the advantage of such a compensating factor as an increase in the price of his products,—milk, for example, actually declining in price. The potato crop is second in importance to dairying as a source of cash income. The 1924 crop, while unusually large, has failed thus far to bring a price to cover even production costs, with the result that there has been a serious situation in Aroostook County, Maine, where, in many cases, the sole dependence of the farmer is on the success of the potato crop.

The predicament of the potato grower is a reminder to all "one-crop farmers" of the fundamental economic fact that a surplus of any one commodity always results in a depression of its price, regardless of the cost of production. The "one-crop farmer," whether in Maine or elsewhere, must decide whether he will grow one crop and get highly fluctuating profits from year to year, or diversify his crops and get fairly steady profits year after year. Almost invariably the farmer who diversifies is in a sounder financial condition than the one who does not. In the Maine potato district there are some farsighted farmers who, instead of planting their entire acreage to potatoes, with the incidental necessity of importing fertilizer, have engaged in dairying, specializing in the production of butter, which has found a ready local market, displacing dairy products which had previously been brought in from other States.

The railroads of New England, on the whole, carried a heavy volume of traffic during the past year. Carloadings of merchandise during 1924 were in larger volume than in 1923, due almost entirely to an excess accumulated during the first four months of the year.

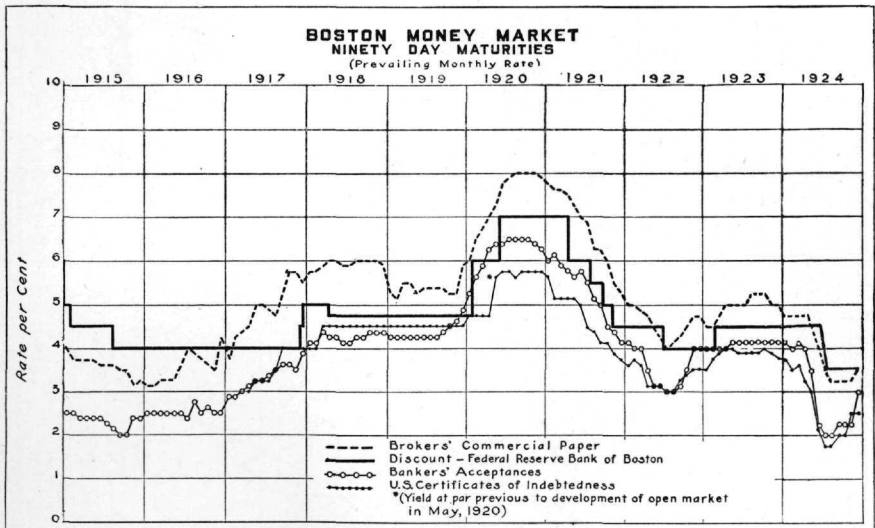
Retail trade, in common with manufacturing, had a rather poor volume of business in 1924. As a general proposition, when business has been through a depression, the volume of retail trade, as measured in terms of dollars, does not begin to increase as early as production. Therefore, while the volume of production in this district increased during the latter



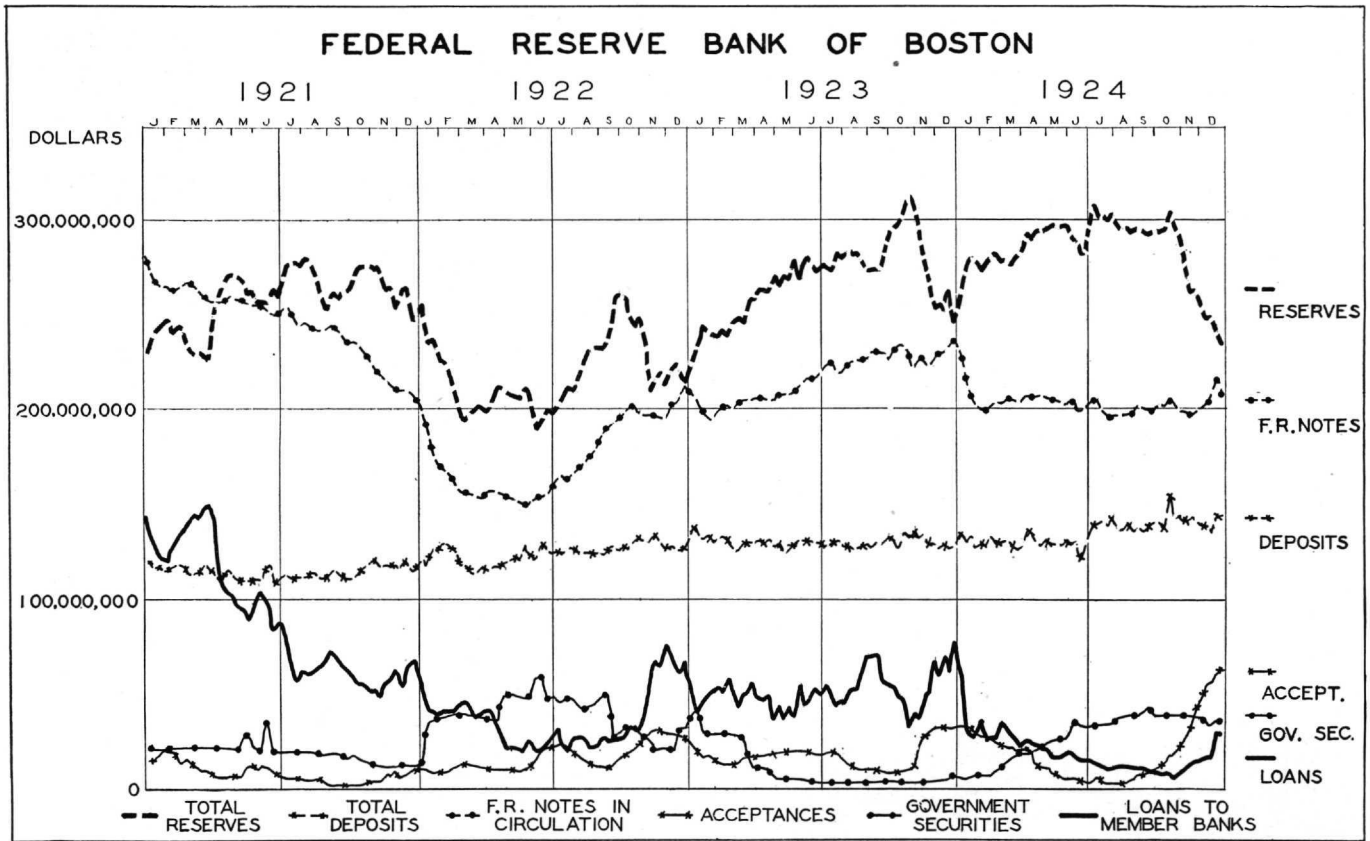
half of the year, it is not surprising that merchants continued to report a relatively poor volume of sales. Daily average sales of representative department stores scattered throughout New England were slightly less in 1924 than in 1923.

Collections were only "fair" during 1923, and as a rule they were made at a slower rate during 1924, as a natural consequence of the poorer volume of business. The result was a larger number of commercial failures in 1924 than in the previous year. In neither year, however, was there an excessive number of bankruptcies or heavy liabilities.

Member Bank Credit.—The volume of New England member bank credit (total loans and security holdings) outstanding during 1924 was on a higher average than in 1923, although the volume of credit extended by the Federal Reserve Bank of Boston, as shown by its total earning assets, was at a somewhat lower level than in 1923. The deposits of member banks showed an increase for the year, a very large increase occurring between the first of June and the end of October. This increase in deposits was utilized by member banks partly for investment in securities, but principally for loans against securities and "commercial" loans. Representative member banks in nine of the larger New England cities reported



an increase in total loans and investments of \$154,000,000, or about 11.6 per cent, from the low point of the year, reached on April 23, to the high mark on November 5, 1924. During the last six months of the year the volume of member bank credit outstanding was the largest on record, far exceeding the former peak reached in 1920. This same statement



applies also to the total deposits of member banks, but, whereas in 1923 the volume of member bank credit outstanding was considerably in excess of deposits, in 1924 (especially the last half of the year) the excess was not nearly as large. It would appear that a portion of the growth of deposits came from outside sources, presumably the steady inflow of gold from foreign countries.

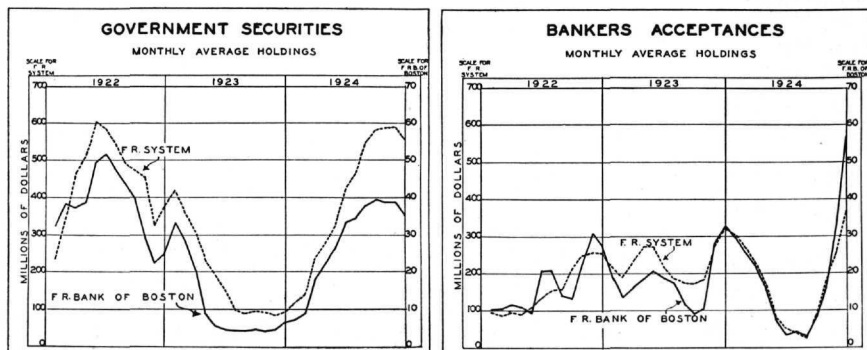
With the slowing down of business activity and the increase of deposits of member banks, especially in the important centers, money rates declined. Money rates on prime commercial paper ranged from a high of $4\frac{3}{4}$ per cent in January to a low of $3\frac{1}{4}$ per cent in August, the year ending with rates approximately of $3\frac{1}{2}$ per cent, current rates on time loans secured by stock exchange collateral varying from one-half to one per cent higher.

Federal Reserve Bank Credit:—While there has always been a seasonal decline in January in the volume of loans and discounts made to member banks by the Federal Reserve Bank of Boston, the decline in January, 1924, was much greater than in previous years, and continued practically without interruption until the low point for the year was reached on October 23, when the total loans to the banks in the district were \$4,985,000, the smallest volume since May, 1917. While the usual seasonal increase in loans to member banks appeared during the last two months of the year, it was not of great importance. With the greater ease in the credit situation during the early part of the year, it became apparent that the discount rate of $4\frac{1}{2}$ per cent which had been in effect since February, 1923, was out of line with current market rates, and, following the action of the Federal Reserve Bank of New York, it was reduced to $3\frac{1}{2}$ per cent on June 12, 1924. This rate of $3\frac{1}{2}$ per cent was maintained for the remainder of the year.

The operations in the open market in the purchase of Government securities and bankers' acceptances were made in accord with the policy agreed upon by the Federal Reserve Board and the twelve Federal Reserve banks, and on the general principles outlined by the Federal Reserve Board in 1923, the execution of this policy being effected through a committee of governors of several of the Reserve banks, and the operations being approved from time to time by the Boards of Directors of the Reserve banks and by the Federal Reserve Board. The holdings of short-term Government securities by this bank reached a maximum during the year of approximately \$45,000,000, an amount not exceeded since September, 1922. During the last five months of the year, holdings of bankers' acceptances increased rapidly, reaching a total of nearly \$64,000,000 on December 31.

Differential rates were maintained throughout the year on acceptances

of varying maturities. During the last two months of the year there was a sharp decline in deposits at member banks, and they increased their rediscounts with the Federal Reserve Bank of Boston, and also sold



acceptances in the market, a large proportion coming into the Reserve bank. The latter accordingly reduced its holdings of Government securities by not replacing maturing certificates, the increased volume of acceptances more than offsetting the decrease in Government securities.

Average loans to member banks	1924	1923
Holdings of bankers' acceptances	\$18,760	\$52,633
Holdings of Government securities	18,853	17,966
	28,261	10,668

The average volume of Federal Reserve notes of the Federal Reserve Bank of Boston outstanding during 1924 was about \$200,000,000, or much less than in 1923, a marked decrease occurring in the first month of the year. There was the usual increase in December for the holiday trade, and then a sharp reduction to the end of the year. The volume of Federal Reserve notes in circulation is so influenced by the movements of gold that it is difficult to determine its true significance.

While in this district there was less fluctuation in the volume of Federal Reserve notes outstanding than in the Reserve System as a whole, the variations in the volume of gold holdings were greater. There was a steady and rather sharp increase in the volume of gold in reserves during the first seven months of the year, possibly due to the payment of "commercial" loans to the member banks from borrowers elsewhere in the United States, and to the purchase outside the district of short-time New England municipal warrants. In October there started the usual seasonal decline incidental to tax payments and repayments of municipal warrants, this decline lasting until the end of the year. While gold holdings were higher, on the average, than in 1923, as a result of the decline at the end of the year, they were lower in December than at any other period of the year.¹

¹Note:—Detailed statistics of the volume and character of operations of the Federal Reserve Bank of Boston during 1924 may be found in the Annual Report of the Federal Reserve Board covering that year.

COMPARATIVE STATEMENT OF CONDITION

[000 omitted]

RESOURCES

	December 31, 1924	December 31, 1923	December 31, 1922
EARNING ASSETS:—			
Notes secured by U. S. Government obligations	\$15,217	\$21,744	\$23,675
All other notes discounted	13,777	45,957	37,909
Total notes discounted for member banks	28,994	67,701	61,584
Acceptances purchased in open market . . .	63,889	38,802	25,407
U. S. Government bonds purchased in open market	2,472	529	529
U. S. Treasury Notes purchased in open market	23,727	6,697	6,610
U. S. Certificates of Indebtedness purchased in open market	10,461	2,636	22,454
Total U. S. Government securities	36,660	9,862	29,593
Total earning assets	129,543	116,365	116,584
CASH RESERVES:—			
Gold and gold certificates held by bank . . .	18,422	20,078	16,036
Gold Settlement Fund with F. R. Board . . .	32,275	32,882	28,077
Gold with Federal Reserve Agent	164,365	168,271	154,613
Gold Redemption Fund with U. S. Treasury	5,038	13,527	9,421
Total gold reserves	220,100	234,758	208,147
Reserves other than gold	13,740	8,266	12,730
Total reserves	233,840	243,024	220,877
Non-reserve cash	5,543	3,520	1
5% Redemption Fund (F. R. Bank notes) . .	. . . . .	. . . . .	422
Checks and other items in process of collection	60,635	55,034	59,142
Bank premises	4,190	4,312	4,434
All other resources	180	131	297
Total resources	433,931	422,386	401,756
LIABILITIES			
Capital paid in	7,980	7,890	8,126
Surplus	16,382	16,390	16,312
DEPOSITS:—			
Member bank reserve deposits	140,102	123,637	126,342
Government deposits	3,856	2,356	534
All other deposits	84	117	980
Total deposits	144,042	126,110	127,856
Deferred credits for uncollected checks	57,905	51,609	47,906
F. R. notes—net circulation	207,389	220,115	201,314
All other liabilities	233	272	242
Total liabilities	433,931	422,386	401,756
Ratio of total reserves to combined deposit and F. R. note liabilities	66.5%	70.2%	67.1%
Contingent liability on bills purchased for foreign correspondents . . . . .	. . . . .	. . . . .	\$2,511

¹ Not shown separately prior to 1923.

BANK OPERATIONS

Income and Disbursements:—The principal sources of income of the Federal Reserve Bank of Boston, the payments for current expenses, and the manner in which the net income was distributed are shown below for the year 1924, in comparison with the corresponding items for 1922 and 1923.

INCOME AND DISBURSEMENTS

	1924	1923	1922
EARNINGS:—			
Discounted bills.....	\$783,450	\$2,320,839	\$1,543,539
Purchased bills.....	599,172	741,384	591,647
U. S. securities.....	1,049,841	419,739	1,391,691
Deficient reserve penalties.....	4,576	9,172	9,777
Miscellaneous.....	121,977	15,549	4,659
Total earnings.....	<u>2,559,016</u>	<u>3,506,683</u>	<u>3,541,313</u>
CURRENT EXPENSES:—			
Salaries:—			
Bank officers.....	122,000	137,500	141,000
Clerical staff.....	894,000	895,768	925,072
Special officers and watchmen.....	31,504	33,323	34,430
All other.....	90,512	103,019	100,932
All other expenses.....	835,484	964,644	820,966
Total current expenses.....	<u>1,973,500</u>	<u>2,134,254</u>	<u>2,022,400</u>
Current net earnings.....	<u>585,516</u>	<u>1,372,429</u>	<u>1,518,913</u>
ADDITIONS TO CURRENT NET EARNINGS:—			
Withdrawn from reserve for depreciation on U. S. bonds.....	15,870	5,290	32,100
All other.....	4,686	20,559	9,494
Total additions.....	<u>20,556</u>	<u>25,849</u>	<u>41,594</u>
DEDUCTIONS FROM CURRENT NET EARNINGS:—			
Depreciation on bank premises.....	122,048	122,048	328,215
Furniture and equipment.....	11,650	20,309	133,106
All other.....	1,952	3,786	1,784
Total deductions.....	<u>135,650</u>	<u>146,143</u>	<u>463,105</u>
NET DEDUCTIONS FROM CURRENT NET EARNINGS.....	<u>115,094</u>	<u>120,294</u>	<u>421,511</u>
NET EARNINGS AVAILABLE FOR DIVIDENDS, SURPLUS AND FRANCHISE TAX.....	<u>470,422</u>	<u>1,252,135</u>	<u>1,097,402</u>
DIVIDENDS PAID.....	477,798	480,267	481,951
TRANSFERRED TO SURPLUS ACCOUNT.....	....	77,187	76,568 ¹
FRANCHISE TAX PAID U. S. GOVERNMENT..	....	694,681	538,883 ¹
DEFICIT IN EARNINGS AFTER PAYMENT OF DIVIDENDS CHARGED TO SURPLUS ACCOUNT.....	7,376	....	....

¹ Bank also charged its surplus account and paid the U. S. Government \$247,350 as an additional franchise tax for 1921.

The gross income from all sources for the year 1924 was \$2,559,016, or some \$947,667 less than in 1923. This decrease in earnings was due to a smaller volume of earning assets, especially loans to member banks, than in the previous year, and to the lower discount and interest rates prevailing during 1924. On the other hand, current expenses were de-

creased some \$160,754, although in certain departments, particularly the Currency and Check Collection Departments, the actual volume of items handled showed a moderate increase.

Fiscal Agency Operations:—The operations for the Treasury Department were of less volume than in 1923. There were only three issues of Treasury Certificates during the year, and one bond issue, that of December 15; whereas, in 1923 the total volume of new securities allotted to this district had been \$198,263,000, in 1924 the volume was only \$135,370,500. During the year the investment demand for these Government issues was such that heavy oversubscriptions were received on each new offering, and current issues sold higher than the offering price. The volume of Treasury checks, warrants and coupons handled, while still heavy, was slightly less than in 1923.

BANK ORGANIZATION AND PERSONNEL

Directors:—During the year there was but one change in the Board of Directors: Mr. Charles H. Manchester, President of the Providence Gas Company of Providence, Rhode Island, was appointed by the Federal Reserve Board to fill the unexpired term of a Class C Director, Mr. Jesse H. Metcalf of Providence, Rhode Island, who resigned in order to stand as a candidate for the United States Senate. This change became effective April 11, 1924. On December 31, 1924, the terms of three directors, Mr. Allen Hollis, Class C, Mr. Charles G. Washburn, Class B, and Mr. Edward S. Kennard, Class A, expired. Mr. Hollis was reappointed by the Federal Reserve Board for a term of three years, and Mr. Washburn and Mr. Kennard were re-elected for three-year terms by member banks in Group Three—banks having a capital and surplus under \$300,000. The Federal Reserve Board also redesignated Mr. Fred-eric H. Curtiss as Chairman and Federal Reserve Agent, and Mr. Allen Hollis as Deputy Chairman, for the year 1925.

Advisory Council:—At a meeting of the Board of Directors held on January 10, 1924, Mr. Alfred L. Aiken, President of the National Shawmut Bank of Boston, was re-elected a member of the Federal Advisory Council from the First Federal Reserve District for the year 1924. In April Mr. Aiken resigned from this position, and Mr. Charles A. Morss, Vice-president of the Simplex Wire & Cable Company, formerly Governor of the Federal Reserve Bank of Boston, was appointed to fill the vacancy.

Personnel:—A reduction in both the official staff of the bank and the clerical force occurred in 1924. The clerical staff was reduced from 744 to 685, the reductions occurring principally in the Fiscal Agency and Auditing Departments. On June 30, 1924, Mr. Chester C. Bullen resigned as Deputy Governor, in order to accept the presidency of the Merchants National Bank of Worcester, a position which he occupied for

only a brief time, owing to his untimely death on October 5, 1924. Mr. Bullen entered the employ of the Federal Reserve Bank as bookkeeper when the bank first began operations in 1914, and had taken an important part in the development of its organization. He had worked his way up through the different departments of the bank until he had become first Deputy Governor, and as he was still in the prime of life he had good prospects for a brilliant future. On January 10 Mr. Frank W. Chase resigned as Assistant Cashier, in order to accept the position of treasurer of the Weldfast System, Inc. Mr. Chase had been in charge of the Money Department of the bank since November, 1914, and had brought it to a high state of efficiency. The vacancies caused by the resignation of these members of the official staff were not filled, the peculiar duties performed by these officers being distributed among the other remaining members of the staff.

CHANGES IN MEMBERSHIP, AND STOCKHOLDERS' MEETING

Changes in Membership:—Largely because of consolidations, the number of member banks in this district decreased from 425 on December 31, 1923, to 420 on December 31, 1924, although the capital stock of this Reserve bank, representing stock subscriptions based on the capital and surplus of the member banks, showed a slight increase during the year. The Columbus Exchange Bank of Providence was admitted to membership, and the Union & New Haven Trust Company of New Haven withdrew.

Stockholders' Meeting:—On November 19, 1924, there was held in the banking rooms of the Reserve bank a meeting of its stockholders. There were in attendance 370 bankers, representing 298 member banks of the district. Brief addresses were made by the Governor and Chairman of the bank on the bank's condition and the industrial and credit situation in New England. Other speakers were Mr. Roland W. Boyden, who spoke on the international situation, Mr. Charles S. Dewey, Assistant Secretary of the Treasury, and Mr. John S. Lawrence of Lawrence & Co., dry goods commission house, who spoke on the textile industry.

HAVANA AGENCY

The first fiscal year of the operation of the agency established by the bank in Havana, Cuba, on September 1, 1923, was completed in 1924. A profit was made, and the agency has, so far as can be judged, fully justified its establishment. During the year cable transfers have been made to and from Havana and the United States amounting to \$47,601,174. This banking facility has been of great benefit to the merchants and banks operating in Cuba, not only by stabilizing the rate of exchange, but also by making it possible for those banks which are branches of banks in the United States and elsewhere to operate on much lower cash reserves than heretofore.