

EIGHTEENTH ANNUAL REPORT OF THE
FEDERAL RESERVE BANK
OF BOSTON

FOR THE YEAR ENDED
DECEMBER 31, 1932



• BOSTON • MASSACHUSETTS •

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LETTER OF TRANSMITTAL

BOSTON, MASS., February 14, 1933.

HON. EUGENE MEYER,
*Governor, Federal Reserve Board,
Washington, D. C.*

Sir:

I have the honor to submit herewith the Eighteenth 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, 1932, to December 31, 1932.

Respectfully yours,

FREDERIC H. CURTISS,
Chairman and Federal Reserve Agent

EIGHTEENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

INTRODUCTORY

The year 1932 from the economic and financial point of view may be regarded as divided into two substantially separate periods. The first half of the year was one of marked disturbances. Gold was leaving the United States in unprecedented quantities, some \$1,100,000,000 having been exported between September, 1931, and June, 1932. The precipitous decline in bank deposits which had developed in the last months of 1931 continued with unabated rapidity during the early months of 1932. Bank failures, which had become numerous in the latter part of 1931, continued in large volume in January and again in June and July. Coincident with the withdrawal of gold and apprehension as to the banking situation, large quantities of currency were being hoarded. Meanwhile, commodity prices continued the downward trend, reaching pre-war levels, production and payrolls reached new low levels, deposits of member banks dropped to the lowest point since 1924, and by July 5 the amount of money in circulation reached the highest level in the history of the country, at \$5,804,000,000. Meanwhile emergency measures had been taken to relieve pressure on financial institutions. In February the Reconstruction Finance Corporation began operations, and the Glass-Steagall Act was passed. In midsummer, there was a reversal of gold movement, and a return of currency from hoarding. Commodity prices turned upwards, currency was withdrawn from hoarding, member bank deposits once more began to expand, and industrial and commercial activities began to improve.

The various indices reached their highest points for the movement in October or early in November, thereafter reverting to a declining trend. Commodity prices led the downward path, reaching the lowest levels since 1906 at the close of the year 1932. Nevertheless, although the year closed with commodity prices at levels lower than in midsummer, most of the other indices, although declining, maintained a substantial part of the early fall improvement. It may, therefore, be said that at the close of 1932 many of these indices were in a more favorable position than they were in midsummer, although they were again declining rather than rising. In New England there were no bank closings after July 13, while one bank previously closed was reopened.

NEW ENGLAND BUSINESS CONDITIONS

During the year 1932 the level of general business activity in New England was approximately 25 per cent lower than in 1931, but, in contrast to the continuing decrease in the final half of 1931, some measure of stability was evident during the last six months of 1932. In aggregate activity, when allowances had been made for seasonal changes, the lowest single month was May, and the second quarter marked the lowest three-month period. Some increase occurred between the second and third quarters of 1932, with a minor decline during the final quarter.

One important manufacturing activity in New England operated at a greater volume than in 1931, but most business activities were at lower levels than in the preceding year. Boot and shoe production in this district during 1932 actually increased more than one per cent over the 1931 volume, but the building industry, cotton mills, woolen and worsted mills, and silk mills operated at levels considerably less, employment in manufacturing plants, as well as in distributing organizations, was materially reduced, and the number of business failures increased sharply.

Building: With a decrease of more than 61 per cent in the total value of new construction contracts awarded in the New England states during 1932, all branches of the building and construction industry showed a considerably reduced value of new contracts let. Thus the year 1932 differed from the preceding year, not only in the magnitude of the shrinkage in the activity of the industry, but also in the fact that no stabilizing influence was present in 1932, as there had been in 1931, namely, the 19.4 per cent increase in the value of new public works and utilities contracts awarded which occurred during that year. A survey of the three major branches of the industry and their subdivisions reveals that certain types of construction evidenced a greater resistance toward the abnormal contraction in the value of new contracts awarded than have other classes of building.

The value of new residential building in 1932 declined almost 56 per cent, compared with a decrease of 21 per cent in 1931. In 1931, however, the value of residential contracts amounted to only 29.6 per cent of the total value for all construction contracts, while in 1932 it represented 34 per cent of the total. The principal strength in residential building was in single-family dwellings for either owner or tenant occupancy, this type of building decreasing only 52 per cent during the past 12 months, and

now comprising 72 per cent of all residential contracts awarded, compared with 66 per cent in 1931. The next largest division of residential building is apartment house construction, which reported a decrease of over 84 per cent in the value of new contracts awarded in 1932.

The second major classification of the building industry, non-residential types of construction, declined 63.8 per cent during 1932, compared with a 29.8 per cent reduction in contracts awarded during 1931. The value of 1932 contracts represented 62.3 per cent of the entire industry, while in the preceding year non-residential contracts comprised 59.8 per cent of the total. Commercial building, which in 1931 made up 22.1 per cent of the value of non-residential construction, was about 25 per cent of the 1932 value, and showed a reduction of 59.5 per cent during 1932. Educational building, which has been the largest division of non-residential construction during the past two years, decreased 61.2 per cent during 1932, with school and college contracts awarded declining only 57.7 per cent.

Public works and utilities construction awards for 1932 were 63.7 per cent lower than in 1931. In public utilities there was a shrinkage of 87.7 per cent, attributable to the virtual cessation of new railroad construction. Public works decreased 46 per cent in the past year, this division of construction being almost entirely sustained by the value of new highway contracts awarded, which during 1932 declined only 40 per cent.

Employment: Still further reduction was recorded in the average number employed per establishment and average weekly wages per person during 1932, as reported by identical New England manufacturing establishments. The average number employed per establishment in 1931 declined 15 per cent from the preceding year, while in 1932 the unemployment situation was accentuated by a reduction of 24.2 per cent in the average number employed, an increase of almost 70 per cent in the rate of decrease of the average number employed. The average weekly payroll disbursements in these same establishments showed that the average weekly wage paid per person was \$21.04 in 1931, as compared with \$17.56 in 1932, a decline of 16.4 per cent, against a decrease of 8.5 per cent in 1931.

Thus, with the average number employed per establishment 24.2 per cent lower in 1932, and with a reduction of 16.4 per cent in wages per person, there has been a reduction of 36.6 per cent in the aggregate unit payroll disbursement. At the same time the net

percentage increase in purchasing power, based on the cost of living index compiled by the Massachusetts Department of Labor and Industries, has been only 17.1 per cent. As a result, the average unit reduction of industrial purchasing power during 1932 was approximately 20 per cent. This decrease in aggregate industrial purchasing power has a close correlation to the decline of 21.9 per cent in the sales of New England department stores during the past year.

Shoes: With the exceptions of July and December, the total output of boots and shoes in this district during the second half of 1932 exceeded the production of the corresponding months of 1931. As a result of this strength during most of the third and fourth quarters of 1932, combined with the large excess of output during the first quarter compared with that period in 1931, the record for the year 1932 was 1.4 per cent higher than for 1931. This was the second successive year during which shoe production increased, with the 1932 gain being the only increase recorded among the available production series in this district. As the records of shoe production in the present form extend over a period of only 10 years, the 1932 total output, estimated at 112,558,000 pairs, was exceeded in only four years, 1923, and 1927 through 1929. The month-to-month changes, as shown by the seasonally adjusted index of shoe production, indicate that the 1932 output varied more than in 1931, which apparently followed a regular movement of gradual increase and decline. The year 1932 closed at a slightly lower level of production than that recorded in December, 1931.

Textiles: The activity of the textile establishments in this district during 1932 was characterized by similar movements in the three principal branches, cotton, woolen and worsted, and silk goods manufacture. The year 1931 closed with all classes of textiles showing lower operating schedules than at the beginning of the year. Early in 1932 decidedly curtailed monthly production was evident in all three branches of the industry. This weakness continued throughout the first half of the year, with new low records for the seasonally adjusted indices being established in May for wool consumption, in June for cotton consumption, and in July for broad silk loom activity. Thereafter improvement occurred in the various production schedules, continuing through the second half of 1932 until the closing months, when some retrenchment was apparent.

The number of bales of raw cotton consumed during 1932 was 680,022, compared with 920,612 in 1931, a decrease of 26.1 per cent. This curtailment was accompanied by a reduction of 7.2 per cent in the average number of cotton spindles in place and a corresponding shrinkage in the average number of spindles active, which showed a decline during 1932 of 23.1 per cent.

The volume of wool consumption decreased 23.7 per cent in the number of pounds, grease equivalent, used by New England woolen and worsted mills during 1932. This decline more than offset the rise of 21.8 per cent in wool consumption during 1931. With the reduction of 12.1 per cent in woolen spindle activity, compared with over 19 per cent in worsted spindle activity, on the basis of single-shift capacity, the two classes of spindles are now operating on a more nearly comparable basis than in 1931, when the large increase in wool consumption was accompanied by greater worsted spindle activity.

The rate of silk machinery activity, based on the operation of broad silk looms in percentage of available machine hours, showed the largest contraction of output in the textile group, with a decline of 33 per cent during 1932 compared with the 1931 average.

Trade: Sales of new automobiles (new car registrations) in New England during 1932 were 43 per cent less than in 1931, and between 1930 and 1931 had decreased more than 17 per cent. Total registrations of automobiles in this district also declined, but not as sharply as new car sales.

The number of commercial failures in New England in 1932 exceeded the number in 1931 by 20.6 per cent, but total liabilities were 15.5 per cent smaller.

Sales of reporting New England retail establishments during 1932 decreased approximately 22 per cent from 1931. In a group of Boston department stores the proportion of cash sales to total sales in 1932 was more than 50 per cent, which is the highest percentage annually since 1927. Regular 30-day charge sales during 1932 dropped to the smallest annual proportion since 1927. The ratio of instalment sales to total sales decreased from 8.3 per cent in 1931 to 7.4 per cent in 1932.

BUSINESS INDICES — NEW ENGLAND

GENERAL BUSINESS

	1932	1931	Per Cent Change	
			1932-1931	1931-1930
1. New Incorporations—Mass. (Year Ending Nov. 30)	2,498	2,413	+ 3.5	— 5.0
2. Life Insurance Sales	\$522,509,000	\$645,474,000	—18.9	— 6.2
3. Carloadings—Mdse., l.c.l., and Misc.	1,188,923	1,541,192	—22.8	— 9.9
4. N. E. Railroads Net Operating Income	\$21,503,410	\$31,268,424	—31.2	—28.6
5. Residential Building Contracts Awarded	\$38,771,000	\$87,548,200	—55.7	—21.1
6. Non-residential Building Contracts Awarded	\$43,010,800	\$118,729,000	—63.8	—29.8
7. Public Works and Utilities Contracts Awarded	\$32,271,300	\$88,742,100	—63.7	+19.4
8. Total Construction Contracts Awarded	\$114,053,100	\$295,019,300	—61.4	—16.7

INDUSTRIAL PRODUCTION

1. Industrial Activity—Electric Power Consumed (1923-25 Average)	78.3%	96.5%	—18.9	— 2.3
2. Cotton Consumption (Bales)	680,022	920,612	—26.1	— 4.0
3. Average Cotton Spindles in Place	11,429,000	12,308,000	— 7.2	— 9.2
4. Average Cotton Spindles Active	5,979,000	7,778,000	—23.1	—11.5
5. Wool Consumption (Pounds, grease equivalent)	213,641,880	280,003,100	—23.7	+21.6
6. Woolen Spindle Activity (Percent of single shift capacity)	47.6%	54.2%	—12.1	+ 3.2
7. Worsted Spindle Activity (Percent of single shift capacity)	51.0%	63.2%	—19.2	+15.2
8. Silk Machinery Activity (Broad looms)	46.7%	70.0%	—33.3	— 7.3
9. Shoe Production (Pairs)	112,558,000	111,060,000	+ 1.4	+ 5.7
10. Shoe Shipments—Brockton (Pairs)	5,085,000	8,473,000	—40.0	—25.1
11. Orders—Paper Mills—Mass. (Per cent of 1926 monthly average)	46.1%	62.0%	—25.6	—22.6
12. Orders—Metal Trades—Mass. (Per cent of 1926 monthly average)	32.1%	51.5%	—37.6	—32.9

BUSINESS INDICES — NEW ENGLAND (*continued*)

EMPLOYMENT

	1932	1931	Per Cent Change	
			1932-1931	1931-1930
1. Average Number of Manufacturing Establishments Reporting	2,386	1,775	+34.4	+15.8
2. Average Number Employed in Identical Establishments (Monthly)	358,760	351,810	+ 1.7	-11.2
3. Average Number Employed per Unit Establishment	150	198	-24.2	-15.0
4. Average Weekly Payroll—Identical Establishments	\$6,201,060	\$7,402,635	-15.1	-19.1
5. Average Weekly Wage per Person—Identical Establishments	\$17.56	\$21.04	-16.4	- 8.5

TRADE

1. Department Store Sales (Per cent of 1923-24-25 monthly average)	69.9%	89.5%	-21.9	-11.9
2. Sales of New Motor Cars	93,743	164,172	-43.1	-17.2
3. Number of Commercial Failures (R. G. Dun & Co.)	3,305	2,688	+45.7	- 4.6
4. Liabilities of Commercial Failures (R. G. Dun & Co.)	\$73,826,852	\$83,413,779	-11.4	-38.1

PRICES—(1926 = 100)

1. Wholesale Prices (Bureau of Labor Statistics)	64.9%	73.0%	-11.1	-15.3
2. Retail Food Prices (Bureau of Labor Statistics)	63.9%	75.7%	-15.6	-17.4
3. Cost of Living—Massachusetts	71.7%	86.5%	-17.1	- 9.1

AGRICULTURE

1. Average Level of Farm Prices (Bureau of Labor Statistics)	48.2%	64.8%	-25.6	-26.6
2. Production of Potatoes (White—Bushels)	47,370,000	58,190,000	-18.6	+ 7.7
3. Value of Potato Crop—(Dec. 15)	\$16,582,000	\$17,165,500	- 3.3	-57.9
4. Production of Tobacco (Pounds)	28,153,000	39,335,000	-28.5	-11.2
5. Value of Tobacco Crop—(Dec. 15)	\$5,528,657	\$8,419,735	-34.3	-30.3
6. Production of Apples (Bushels)	9,601,000	4,959,000	+ 9.4	-51.7
7. Value of Apple Crop—(Dec. 15)	\$7,813,550	\$5,538,150	+41.2	-40.0

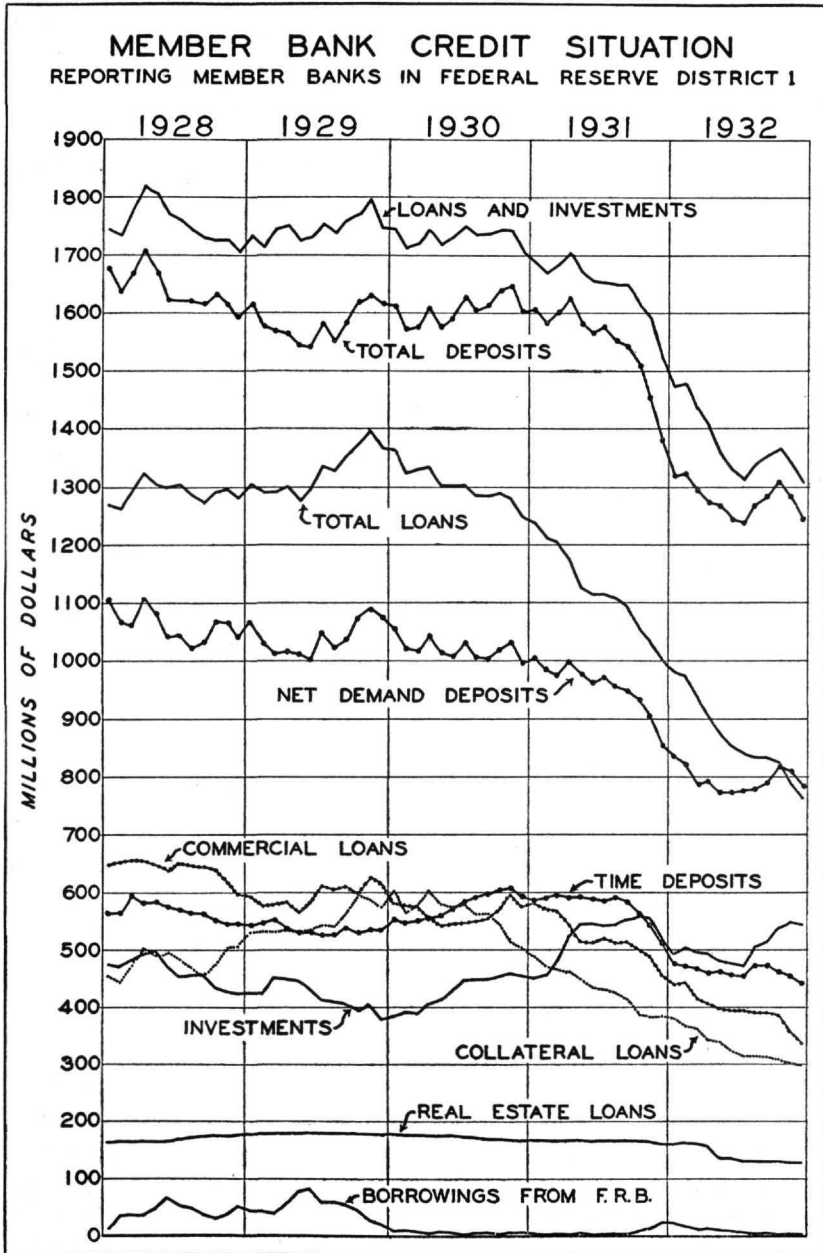
MEMBER BANK CREDIT

The financial disturbances that had started in New England in September, 1931, continued through the first half of 1932. While the deposits of member banks in the district continued to decline until the middle of July, the decline during that period was not as precipitous as during the last few months of 1931. The continued fall in industrial activity and the decline in commodity prices, the decline in the security markets, and the continued bank disturbances throughout the country reacted on banks of all classes in the district. While during the first half of the year there were some bank failures in New England, these were localized, due to the co-operation of the Federal reserve bank, the Reconstruction Finance Corporation, the National Credit Corporation, and the local Clearing House Associations.

During the last six months of the year two distinct trends were noticeable in total deposits. Between the middle of the year and the latter part of September total deposits in New England member banks increased quite steadily, but after September 28 this upward movement ceased, and a steady decline occurred during the final quarter. On December 28 net demand deposits were \$745,000 larger than on July 13, time deposits were \$3,941,000 larger, and Government deposits were \$10,858,000 larger. During the last half of 1932 the member banks used a part of their accumulated excess reserves in purchasing Government securities, and between July 13 and December 28 an increase of nearly \$73,000,000 occurred in holdings of security investments in the New England reporting member banks. Total reserves during the last half of the year continued the declining trend at about the same rate as during the first half. Commercial loans declined more rapidly during the latter part of 1932 than earlier in the year, while collateral loans declined at a less rapid rate than during the first six months. The changes in condition of member banks indicated that the banks endeavored to maintain a highly liquid position.

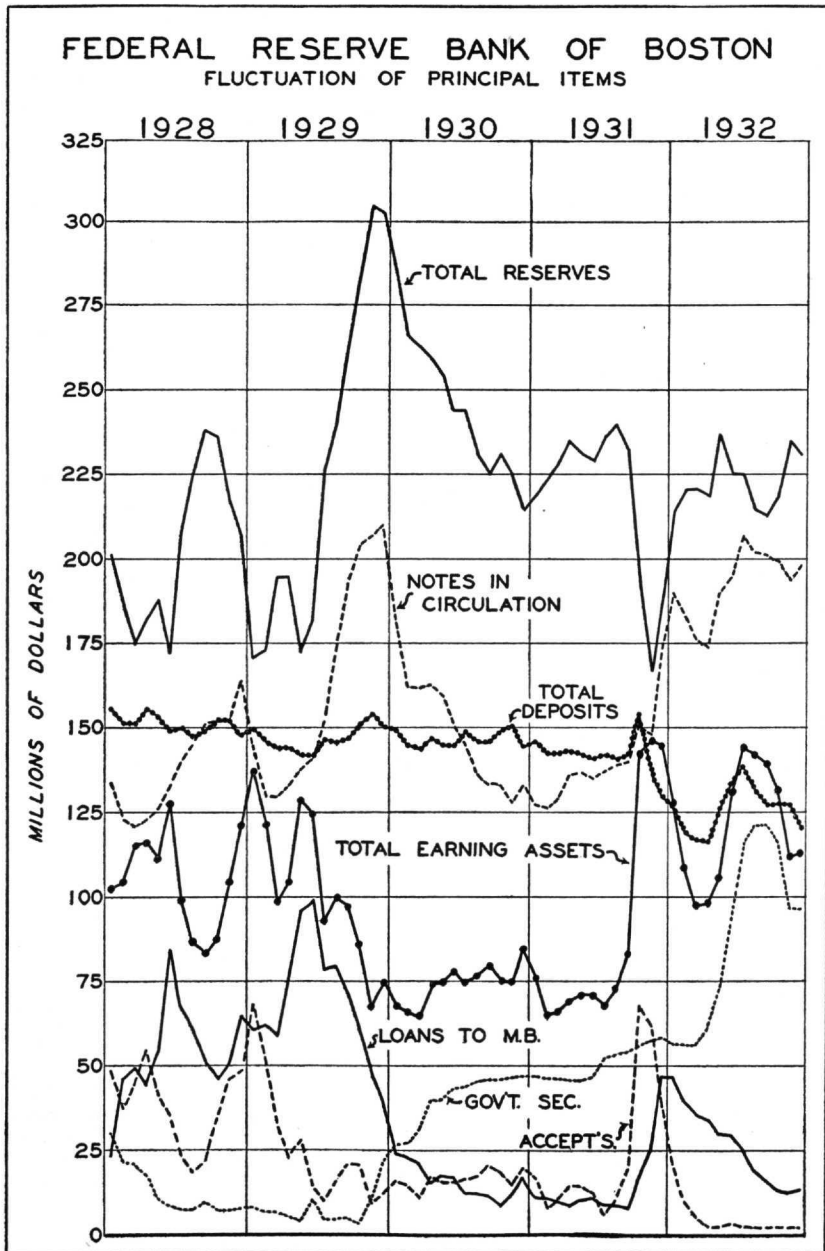
FEDERAL RESERVE BANK CREDIT

While the total average volume of Federal reserve credit in use in the First Federal Reserve District during 1932 was larger than in any year during the past decade, the character of that credit differed materially from that of the intermediate years. Whereas in years past, discounts to member banks and bankers' acceptances have represented the major part of such credit, in



1932, and more especially during the last half of the year, the United States Government securities represented the major part of the reserve bank's earning assets. The export movement of gold from the United States to Europe began again about the middle of January and extended to the end of June, some \$548,000,000 being withdrawn. This was accompanied by hoarding of currency in this country. While there had been evidence of hoarding of currency in some sections of the United States since the autumn of 1930, there was little evidence of hoarding in this district until the banking disturbances in the fall of 1931, and there had been a return flow of currency with the establishment of the Reconstruction Finance Corporation in February, 1932. This heavy loss of gold and the renewal of banking disturbances in this district and elsewhere once more led to increased hoarding of currency, which reached its peak in July. During the spring, following the passage of the Glass-Steagall Act, the reserve banks began to purchase United States Government securities in large amounts. Between April 13 and July 13 the total earning assets of the Federal Reserve Bank of Boston increased from \$91,000,000 to \$149,000,000, which includes an increase of holdings of United States Government securities from \$56,000,000 to \$119,000,000, and meanwhile, the rediscounts of member banks decreased. After July, gold began to flow again into the United States, and currency was being withdrawn from hoarding. In October the holdings of United States Government securities were reduced to approximately the same level as in May, and as rediscounts and acceptance holdings had declined, the total earning assets of the bank stood at \$112,000,000.

Deposits of the member banks in this district began to increase about the middle of June, due to the return flow of gold from Europe, and the return of currency from hoarding, enabling the New England banks to reduce their rediscounts at the reserve bank. Although this increase in member bank deposits was reversed in October, there was only a slight increase in rediscounts at the Federal reserve bank. Boston member banks were completely out of debt with the Federal reserve bank after June 22, and other New England member banks reduced their borrowings from \$37,000,000 on January 1, 1932, to \$12,000,000 on December 31, 1932, the demands for rediscounts coming almost entirely from banks in agricultural sections. The decline in rediscounts was continuous throughout the year, even the customary autumn expansion of rediscounts being almost entirely absent this year.



BANKERS' ACCEPTANCES

The lower level of commodity prices prevailing throughout the year and the general falling off in industrial production resulted in a decrease in the volume of bankers' acceptances made in the New England district. The withdrawal from acceptance business by certain local private banking houses was undoubtedly another factor for this decrease in volume. It will be noted from the following table that a decrease in the volume of acceptances created in this district, — a decrease which began in January, 1932, — continued during each month of 1932 until October, when there was a slight increase which continued into November. The December volume, nevertheless, was considerably below that of a year ago. This decrease in the volume of acceptances on the market was reflected in the purchase of acceptances made by the Federal Reserve Bank of Boston. During the year the daily average of bankers' acceptances carried was only \$5,000,000, as compared with the daily average of \$23,000,000 in 1931. This volume was the smallest carried by the bank for many years, and a large portion of the bank's portfolio consisted of acceptances purchased on foreign account. Inasmuch as it was felt that the open market, with the prevailing low rates, should absorb such bankers' acceptances as would be created, the directors adopted a policy of making no change in the reserve bank's purchasing rates, and rates were maintained in line with the Federal reserve bank's discount rate.

ACCEPTANCE LIABILITY

		Of All Banks and Acceptance Corporations in Federal Reserve District I			
		1932	1931	1930	1929
January	31	\$60,000,000	\$133,000,000	\$166,000,000	\$143,000,000
February	29	58,000,000	125,000,000	157,000,000	131,000,000
March	31	54,000,000	113,000,000	151,000,000	127,000,000
April	30	54,000,000	102,000,000	145,000,000	123,000,000
May	31	46,000,000	106,000,000	145,000,000	116,000,000
June	30	43,000,000	104,000,000	136,000,000	115,000,000
July	31	43,000,000	98,000,000	134,000,000	111,000,000
August	31	42,000,000	91,000,000	129,000,000	117,000,000
September	30	40,000,000	81,000,000	122,000,000	118,000,000
October	31	41,000,000	71,000,000	137,000,000	146,000,000
November	30	43,000,000	66,000,000	145,000,000	163,000,000
December	31	42,000,000	62,000,000	145,000,000	171,000,000

OPEN MARKET OPERATIONS

The principal open market operations of the Federal Reserve Bank of Boston during 1932 were in connection with United States Government securities. Apart from bankers' acceptances, referred

to elsewhere in this report, and the sale on January 6 of \$5,000,000 of United States Government securities purchased at the end of the year 1931 to relieve the local market, other transactions in United States Government securities were made through participations in System account with other Federal reserve banks. Purchases of United States securities in the System account were made on April 14-15 of \$10,000,000, and on May 25 of \$30,000,000, from June 29 to July 20, \$30,000,000 were taken temporarily, which were resold by October 26. On December 31, 1931, the Federal Reserve Bank of Boston held \$61,000,000 of United States Government securities, which had increased through the transactions referred to above to \$97,000,000 on December 31, 1932. During the year the Federal Reserve Bank of Boston participated with other Federal reserve banks in transactions with foreign central banks. The amount of this participation on December 31, 1932, was \$2,486,000, as compared with \$3,200,000 on December 31, 1931.

MEMBER BANK RESERVE DEPOSITS

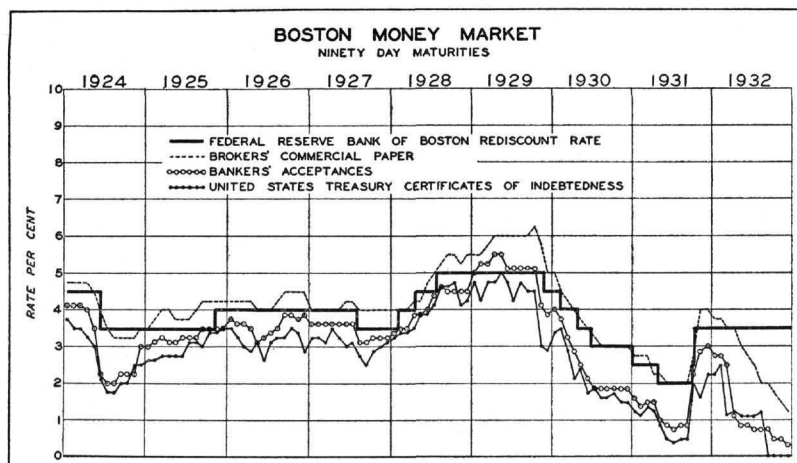
The reserve deposits of member banks in the Federal Reserve Bank of Boston averaged \$16,000,000 less during 1932 than in 1931, reflecting the continued decline in deposits of member banks and loss of deposits from member banks that had closed. This loss in reserve balances would have been larger were it not for the fact that during most of this time many of the member banks carried heavy excess reserves, at times being \$30,000,000 or \$40,000,000 over the required reserves. In fact, though member bank deposits declined rapidly throughout the first half of the year, their reserve deposits increased steadily between March and July when local bank disturbances were at their height. In the case of the Boston banks, on December 31, 1932, the percentage was 8.5 per cent of their total deposits, as compared with 11.6 per cent on December 31, 1931, and the banks outside of Boston were carrying only 4.9 per cent of their total deposits on December 31, 1932, as compared with 5.1 per cent on December 31, 1931. It must also be taken into consideration that these changes in percentages do not reflect substantial changes in the proportion of time to demand deposits carried by the member banks, as the relationship of these two classes of deposits remained substantially the same throughout 1932. On December 31, 1932, the member banks' reserve deposits were \$119,000,000, as compared with \$149,000,000 on December 31, 1931.

MONEY RATES AND DISCOUNT RATES

The proportion of loans and discounts to deposits of member banks in the New England district declined rapidly and practically without interruption from the first to the end of the year. The unsettlement of prices in the long-term security market and the general disturbances in the banking situation developed a heavy demand for short-term investments from the banks, which was accentuated during the period of increasing deposits. Money rates, therefore, declined rapidly and steadily throughout the year. In December practically every type of short-dated investment security was selling at yields never before experienced in the history of the country. Brokers' prime commercial paper, which opened the year at $3\frac{1}{2}$ per cent, dropped to $1\frac{1}{4}$ per cent in December. Similarly, the asking rate for 90-day prime bankers' acceptances fell from three per cent in January to three-eighths of 1 per cent in December. Brokers' quick call money in the Boston market dropped from $4\frac{1}{2}$ per cent at the opening of the year to two per cent at its close. But most conspicuous of all open market money rates was the yield on short-dated United States Government obligations. During the closing months of the year it was customary for United States Treasury Certificates of Indebtedness, Treasury notes, and Treasury bills having maturities up to six months, to sell at premium above the interest yield. Member banks and the Federal reserve banks purchased large amounts of United States Government obligations, and the combined holdings increased by \$2,400,000,000 during 1932. It is estimated that all banks in the United States, — member, non-member, mutual savings and Federal reserve,—held approximately \$9,000,000,000 of United States Government securities at the end of 1932. This represented 44 per cent of the entire Federal Government debt. The usual seasonal strengthening in money rates during November and December was almost entirely absent. In fact, the last issue of United States Treasury bills, which were dated December 28, 1932, were sold at the average yield of .09 per cent.

In view of the extremely low money rates prevailing throughout the year and the surplus of loanable funds carried by member banks, the directors of the Federal Reserve Bank of Boston made no change in the established rate of discount during the entire year of 1932, continuing the rate of $3\frac{1}{2}$ per cent which had been effective since October 17, 1931. Similarly, no changes were made throughout the year in the buying rate for acceptances, which re-

mained at $3\frac{1}{8}$ per cent for the 90-day maturity. As this purchasing rate was far above the market, it was not availed of by brokers, who were able to sell all the acceptances which came on the market at a continuing downward rate of return, and, as a consequence, holdings of acceptances of the Federal Reserve Bank of Boston were negligible for a large part of the year.



The first advance to a member bank under section 10(b) of the Federal Reserve Act, as amended by the Glass-Steagall Act approved February 27, 1932, was made on April 29 at an interest rate of $5\frac{1}{2}$ per cent, approved by the Federal Reserve Board and ratified by the Board of Directors on May 4. The same rate was made on each subsequent advance under that section and was approved by the Federal Reserve Board. On August 10 the Board of Directors established a rate of six per cent in connection with direct discounts to individuals, partnerships, and corporations, which was approved by the Federal Reserve Board effective August 11.

DISCOUNTS FOR INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

Under the amendment of Section 13 to the Federal Reserve Act, approved on July 21, 1932, providing for direct discounts by Federal reserve banks for individuals, partnerships, and corporations, the Federal Reserve Board authorized the Federal reserve banks to make such discounts for a period of six months, beginning August 1, 1932. After this law became effective, there were 332

personal interviews and inquiries by mail from that date to the end of the year. Inquiries received from all sections of New England represented practically every line of business activity, and the loans requested ranged in amounts from \$100 to \$200,000, of which, however, 75 per cent were for loans under \$5000. All but twelve of the applicants for these loans were unable to meet the requirements of the law and regulations, and of these only two were approved by the committee of officers as of a character that should be granted, but since in both cases the applicants were able to get banking accommodation, the reserve bank made no direct loans. On the other hand, a number of applicants were able to get banking accommodation which previously had been refused, and there is no doubt that the effect of this amendment was widely felt throughout the district, influencing the member banks to grant loans somewhat more freely, and thus assisting and relieving a credit condition that had developed.

BOSTON MONEY MARKET, 1932

Prevailing Rates on 90-Day Maturities as of 15th of Each Month

Month	Time Loans Secured by Bonds and Stocks	Customers' Commercial Loans	Loans to Correspondent Banks	U. S. Treasury Certificates of Indebtedness	Acceptances (Asking Rate)	Brokers' Commercial
January	4½-5½	4-5	4½-5½	2¼	2¾	3¾
February	5-5½	4-5	4½-6	2½	2¾	3¾
March	5-5½	4-5	5	1½	2½	3½
April	4½-5½	4½-5	5-5½	¼	1½	3½
May	4¾-5½	4-5	5-5½	½	⅞	3
June	4¾-5½	4-5	5-5½	½	⅞	2¾
July	4½-5½	4-4½	5	½	¾	2½
August	5-6	4-4½	5	¼	¾	2
September	4½-5½	3½-4½	4½-5	0	¾	2
October	4½-5	3½-4½	4-4½	0	¾	1¾
November	4-5½	3½-5	4-4½	0	¾	1½
December	4-5	3-4	4-4½	0	¾	1½

FEDERAL RESERVE NOTES

While the volume of Federal reserve notes of the Federal Reserve Bank of Boston outstanding on December 31, 1932, was only \$2,000,000 greater than on December 31, 1931, the daily average outstanding was \$53,000,000 more than in 1931, and the volume outstanding did not reflect the normal currency needs of the district. With the decrease in business activities and the lower price levels prevailing, this volume should have been considerably smaller, and besides, since the passage of the Home Loan Bank Act on July 22, the increase in national bank note circulation in this district, which amounted to something under \$5,000,000 had replaced Federal reserve notes. It will be recalled that dur-

ing 1930, the trend of the volume of Federal reserve notes outstanding of the Federal Reserve Bank of Boston also declined, following the trend of industrial activity and prices. This trend, however, was checked during 1931 with the banking difficulties throughout the country, and the volume of reserve notes increased sharply in November and December of that year, due to the local banking disturbances. The downward trend, to a large extent seasonal, began again, however, after the first of January, 1932, but with the renewal of local bank disturbances in March, rose fairly rapidly to a peak on July 7 of \$211,000,000. From then until November there was a steady but gradual decline; then the usual holiday expansion began, which was smaller than in previous years. In meeting this demand for currency, the Federal Reserve Bank of Boston made use of that provision of the Glass-Steagall Act by which the United States Government obligations were made eligible for collateral for Federal reserve notes. That provision of the Glass-Steagall Act was utilized by the Federal Reserve Bank of Boston from May 25 to the end of the year.

In connection with the banking disturbances at Hartford in January and at New Haven in June, temporary currency depots were established by the Federal reserve bank in those cities under the immediate supervision and control of the officers of the reserve bank to facilitate the handling of currency transactions with the local member banks.

RESERVE POSITION

Between late in 1931 and May, 1932, total cash reserves of the Federal Reserve Bank of Boston rose some \$100,000,000. Immediately after May 18, however, due in part to the heavy purchasing of United States Government securities, total cash reserves declined rapidly, and on September 21 reached their lowest point for the year, the reserve percentage being 63. A sharp rise occurred during the next six weeks, followed by a further contraction. On December 31 the Federal Reserve Bank of Boston had total cash reserves of \$228,000,000, as compared with \$231,000,000 on the same date a year ago. Changes in the reserve ratio followed fairly closely the movements in the volume of the reserves themselves, being influenced rather less than usual by the movements in Federal reserve note and deposit liabilities. Throughout the year, the daily average reserve ratio was 68.9 per cent. It closed the year somewhat above this at 71.8 per cent as compared with 65.5 per cent on December 31, 1931.

BANKING INDICES — NEW ENGLAND

Data as of last reporting date each year

(Amounts in millions of dollars)

REPORTING MEMBER BANKS

<i>In Boston:</i>	1932	1931	Change in Amount	One Year Percentage
1. Commercial Loans	\$216	\$280	—\$64	— 22.9%
2. Real Estate Loans	46	73	— 27	— 37.0
3. Collateral Loans	195	241	— 46	— 19.1
4. Total Loans	457	594	—137	— 23.1
5. U. S. Securities	231	117	+114	+ 97.4
6. All other Securities Owned	95	137	— 42	— 30.7
7. Total Bonds and Stocks	326	254	+ 72	+ 28.3
8. Total Loans and Invest- ments	783	848	— 65	— 7.7
9. Net Demand Deposits	544	568	— 24	— 4.2
10. U. S. Government Deposits	15	5	+ 10	+200.0
11. Time Deposits	196	211	— 15	— 7.1
12. Total Deposits	755	784	— 29	— 3.7
13. % of Reserve to Total Deposits	8.5%	11.6%	—3.1 points	
14. % of Loans and Discounts to Total Deposits	60.5%	75.8%	—15.3 points	
<i>Outside of Boston:</i>				
15. Commercial Loans	\$107	\$142	—\$35	— 24.6%
16. Real Estate Loans	84	86	— 2	— 2.3
17. Collateral Loans	105	141	— 36	— 25.5
18. Total Loans	296	369	— 73	— 19.8
19. U. S. Securities	109	99	+ 10	+ 10.1
20. All Other Securities Owned	116	140	— 24	— 17.1
21. Total Bonds and Stocks	225	239	— 14	— 5.9
22. Total Loans and Invest- ments	521	608	— 87	— 14.3
23. Net Demand Deposits	238	260	— 22	— 8.5
24. U. S. Government Deposits	5.1	3.6	+ 1.5	+ 41.7
25. Time Deposits	245	268	— 23	— 8.6
26. Total Deposits	488	532	— 44	— 8.3
27. % of Reserve to Total Deposits	4.9%	5.1%	—0.2 points	
28. % of Loans and Discounts to Total Deposits	60.6%	69.4%	—8.8 points	

BANKING INDICES — NEW ENGLAND (*continued*)

MONEY RATES (Boston)

<i>Open Market:</i>	1932	1931	<i>Change in One Year</i>	
			<i>Amount</i>	<i>Percentage</i>
29. Brokers' Prime Commercial Paper	1 $\frac{1}{4}$ %	3 $\frac{1}{2}$ %	—2 $\frac{1}{4}$ points	
30. Bankers' Prime 90-day Acceptances	$\frac{3}{8}$	3	—2 $\frac{3}{8}$ points	
31. Treasury Certificates of Indebtedness (June 15 maturity)	0	2.74	—2.74 points	
32. Call Money (Boston)	2	4 $\frac{1}{2}$	—2 $\frac{1}{2}$ points	
<i>At Member Banks:</i>				
33. Prime Commercial Loan Rate	3-4%	4-5%	—1 point	
34. Time Collateral Loan Rate.	4-5	4 $\frac{1}{4}$ -5	— $\frac{1}{4}$ point	
<i>At Federal Reserve Bank of Boston:</i>				
35. Discount Rate	3 $\frac{1}{2}$ %	3 $\frac{1}{2}$ %	0	
36. Buying Rate on Acceptances	3 $\frac{1}{8}$	3 $\frac{1}{8}$	0	

MISCELLANEOUS

37. Acceptance Liabilities (F. R. District 1)	\$42	\$62	—\$20	— 32.3%
<i>Mutual Savings Banks:</i>				
38. Deposits in 62 Reporting Banks in 6 New England States	\$1,676	\$1,704	—\$28	— 1.6%
<i>Check Transactions (year's totals):</i>				
39. Boston	\$12,603	\$17,346	\$—4,743	— 27.3%
40. Outside New England Cities	6,650	8,822	—2,172	— 24.6
41. Total—16 Cities	19,253	26,168	—6,915	— 26.4

COMPARATIVE STATEMENT OF CONDITION

RESOURCES

	<i>Dec. 31, 1932</i>	<i>Dec. 31, 1931</i>
CASH RESERVES held by this bank against its deposits and note circulation:		
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 partly in the vaults of the bank and partly with the Treasurer of the United States	\$181,027,080.00	\$147,627,080.00
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 Treasury for redemption	2,123,112.85	4,743,868.58
Gold and gold certificates in vault	13,807,705.90	20,791,883.82
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	14,425,725.46	40,281,601.83
Legal tender notes, silver and silver certificates in the vaults of the bank (available as reserve only against deposits)	16,560,854.00	17,355,044.00
TOTAL CASH RESERVES	<u>\$227,944,478.21</u>	<u>\$230,799,478.23</u>
Non-reserve cash, consisting largely of National bank notes and subsidiary silver	<u>\$4,925,880.63</u>	<u>\$7,807,603.88</u>
LOANS AND INVESTMENTS		
Loans to member banks:		
On the security of obligations of the United States	\$3,085,746.60	\$23,493,318.40
By the discount of commercial or agricultural paper or acceptances	8,727,212.71	19,711,952.98
Acceptances bought in the open market	2,248,510.82	33,431,461.18
United States Government bonds, notes, certificates of indebtedness and bills	96,667,500.00	61,001,700.00
Federal Intermediate Credit Bank (debentures)	00	2,130,000.00
TOTAL LOANS AND INVESTMENTS	<u>\$110,728,970.13</u>	<u>\$139,768,432.56</u>
MISCELLANEOUS RESOURCES		
Bank premises	\$3,280,009.25	\$3,335,841.25
Checks and other items in process of collection	45,141,385.12	58,808,310.63
All other miscellaneous resources	1,182,487.26'	2,733,207.79
TOTAL MISCELLANEOUS RESOURCES	<u>\$49,603,881.63</u>	<u>\$64,877,359.67</u>
TOTAL RESOURCES	<u>\$393,203,210.60</u>	<u>\$443,252,874.34</u>

COMPARATIVE STATEMENT OF CONDITION

LIABILITIES

	<i>Dec. 31, 1932</i>	<i>Dec. 31, 1931</i>
CURRENCY IN CIRCULATION		
Federal Reserve notes in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper . . .	\$195,960,340.00	\$194,460,480.00
TOTAL CURRENCY IN CIRCULATION	<u>\$195,960,340.00</u>	<u>\$194,460,480.00</u>
DEPOSITS		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers	\$119,419,579.38	\$149,287,196.86
United States Government deposits carried at the Reserve Bank for current requirements of the Treasury	667,886.99	2,538,090.41
Other deposits, including foreign deposits, deposits of non-member banks, etc. . .	1,629,754.48	6,003,715.25
TOTAL DEPOSITS	<u>\$121,717,220.85</u>	<u>\$157,829,002.52</u>
MISCELLANEOUS LIABILITIES		
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	\$43,754,393.46	\$57,993,276.59
All other miscellaneous liabilities	454,882.52	1,182,902.92
TOTAL MISCELLANEOUS LIABILITIES	<u>\$44,209,275.98</u>	<u>\$59,176,179.51</u>
CAPITAL AND SURPLUS		
Capital paid-in, equal to 3 percent of the capital and surplus of member banks	\$10,855,900.00	\$11,748,650.00
Surplus—that portion of accumulated net earnings which the bank is legally required to retain	20,460,473.77	20,038,562.31
TOTAL CAPITAL AND SURPLUS	<u>\$31,316,373.77</u>	<u>\$31,787,212.31</u>
TOTAL LIABILITIES	<u>\$393,203,210.60</u>	<u>\$443,252,874.34</u>
Reserve percentage against combined Federal Reserve note and deposit liabilities	71.8%	65.6%

COMPARATIVE STATEMENT OF CONDITION

The foregoing statements of the Federal Reserve Bank of Boston as of December 31, 1932, and of December 31, 1931, show the following outstanding changes for 1932:

1. Loans to member banks show a decrease of \$31,000,000.
2. Bankers' acceptances bought in the open market show a decrease of \$31,000,000.
3. United States Government securities bought in the open market show an increase of \$36,000,000.
4. Total earning assets have decreased \$29,000,000.
5. Total gold reserves show a decrease of \$2,000,000.
6. Total member bank reserves have decreased \$30,000,000.
7. Total deposits decreased \$36,000,000.
8. Reserve percentage against combined Federal reserve notes and deposit liabilities increased from 65.6 per cent to 71.8 per cent.

ANALYSIS OF INCOME AND DISBURSEMENTS

On the following page will be found the report of income and disbursements for the years 1931 and 1932. Although there was no change in the discount and acceptance rates during the year and the yield on United States Government securities was lower, the increase in the volume of rediscounts for member banks and the increased volume of United States Government securities held were so much greater that the gross increase for the year 1932 was \$1,026,000 more than for the year 1931. Current expense of operation was reduced about \$41,000 and the cost of Federal reserve currency by \$27,000.

After setting up reserves for depreciation of bank building, losses, and self insurance, a net operating profit was shown of \$686,638 in 1932, as compared with a deficit of \$140,230 in 1931.

The six per cent dividend provided for by the Federal Reserve Act was paid on the capital stock to member banks, and the surplus account was increased \$11,128.

INCOME AND DISBURSEMENTS

EARNINGS	1932	1931
From loans to member banks and paper discounted for them	\$931,538.88	\$416,255.33
From acceptances owned	204,593.79	460,503.65
From U. S. Government obligations owned	1,546,769.08	825,951.98
Other earnings	91,401.52	97,908.28
	<hr/>	<hr/>
Total earnings	\$2,774,303.27	\$1,800,619.24
Additions to earnings	206,330.08	154,035.59
	<hr/>	<hr/>
Total income applicable to expenses and other deductions	<u>\$2,980,633.35</u>	<u>\$1,954,654.83</u>
DEDUCTIONS FROM TOTAL INCOME		
For the expense of current bank operations (including the non-reimbursable expense incurred as Fiscal Agent of the United States)	\$1,773,168.44	\$1,814,480.56
For Federal Reserve currency, mainly the cost of printing new notes to replace worn notes in circulation, and to maintain supplies unissued and on hand, and the cost of redemption	107,014.96	133,999.44
For depreciation, reserves, losses, etc.	413,810.99	146,405.20
	<hr/>	<hr/>
Total deductions	\$2,293,994.39	\$2,094,885.20
	<hr/>	<hr/>
Net income available for dividends, additions to surplus, and payments to the U. S. Government	<u>\$686,638.96</u>	<u>\$140,230.37**</u>
DISTRIBUTION OF NET INCOME		
Dividends paid to member banks at the rate of 6 percent on paid-in capital	\$675,510.57	\$709,139.12
Additions to surplus (the bank is required by law to accumulate out of net earnings, after payment of dividends, a surplus amounting to 100 percent of the subscribed capital; and, after such surplus has been accumulated to pay, into surplus each year 10 percent of the net income remaining after paying dividends)	11,128.39	849,369.49*
Any net income remaining after paying dividends and making additions to surplus (as above) is paid to the U. S. Government as a franchise tax. No balance remained for such payments in 1932 or 1931.		
	<hr/>	<hr/>
Total net income distributed	\$686,638.96	\$140,230.37**

*Deficit—deduction from surplus.

**Minus.

MEMBERSHIP

On January 1, 1932, there were 373 member banks. During the year one new national bank was organized to succeed a closed bank, one national bank reopened after having been closed, and one member state bank was added. There was a loss of seven national bank members, four through consolidation and merger, two through suspension and insolvency, and one by voluntary liquidation. There was a loss of two state member banks, one by suspension, and one through consolidation. On December 31, 1932, there were 367 members, a net loss of six for the year.

The various changes in membership are classified in detail in the following table:

	<i>National Banks</i>	<i>State Banks</i>	<i>Total</i>
Members January 1, 1932	343	30	373
GAINS			
New national bank	1		
National bank reopened	1		2
New member trust company		1	1
	<u>345</u>	<u>31</u>	<u>376</u>
LOSSES			
Consolidation of national banks	3		
Liquidation and consolidation with non-member bank	1		
Suspension and insolvency	2		
Voluntary liquidation	1	7	
	<u>7</u>		
Suspension and insolvency		1	
Consolidation of state bank members	1	2	9
	<u>1</u>	<u>2</u>	<u>9</u>
Members, December 31, 1932	338	29	367

BANK ORGANIZATION AND PERSONNEL

Directors: On December 31, 1932, the terms of Mr. Alfred L. Ripley, as Class A director, Mr. Philip R. Allen, as Class B director, and Mr. Frederic H. Curtiss, as Class C director, expired. Mr. Ripley and Mr. Allen were re-elected as Class A and Class B directors, respectively, by member banks in Group 1 for three year terms, Group 1 being composed of banks having a combined capital and surplus of more than \$999,000. Mr. Curtiss was re-appointed by the Federal Reserve Board for a similar term of three years, and was also re-designated by the Board as Chairman and Federal Reserve Agent for the year 1933. Mr. Allen Hollis was re-designated by the Federal Reserve Board as Deputy Chairman for the year 1933. Mr. A. Farwell Bemis having tendered his resignation as Class B director to take effect December

31, 1932, a special election to choose his successor was conducted in November, 1932, the banks participating in the special election being banks in Group 3; those having a combined capital and surplus of less than \$300,000, and Mr. Edward J. Frost, Vice-President and director of William Filene's Sons Company of Boston, Massachusetts, was elected Class B director to serve for the unexpired portion of Mr. Bemis' term, or from January 1, 1933, to December 31, 1933.

Personnel: The number of employees on December 31, 1932, other than officers, was 648 compared with 662 on December 31, 1931.

Advisory Council: At a meeting of the Board of Directors held on January 27, 1932, Mr. Thomas M. Steele, President of The First National Bank and Trust Company of New Haven, Connecticut, was appointed member of the Federal Advisory Council to represent the First Federal Reserve District for the year 1932.

STOCKHOLDERS' MEETING

The tenth annual meeting of representatives of member banks was held at the Federal Reserve Bank of Boston on October 20, 1932, with 256 delegates and other representatives from 201 member banks attending, and with the Chairman of the Stockholders' Advisory Committee, Hon. Channing H. Cox, Vice-President of The First National Bank of Boston, Massachusetts, presiding. The principal address was delivered by Mr. Carl P. Dennett, Chairman of the Banking and Industrial Committee of the First Federal Reserve District. His subject was "How Governmental Agencies are Working for Recovery." Other speakers were: Mr. Frederic H. Curtiss, Chairman of the Board of Directors, Governor Roy A. Young, and Hon. Charles S. Hamlin and Hon. Wayland W. Magee, members of the Federal Reserve Board. At the conclusion of the meeting, Mr. Cox announced that the Stockholders' Advisory Committee had elected Mr. Henry G. Smith, President of the Clement National Bank of Rutland, Vermont, as Chairman of the Committee for the ensuing year.

FIDUCIARY POWERS

Two permits were issued to national banks to exercise fiduciary powers under authority of Section 11 (k) of the Federal Reserve Act as amended, during 1932. Both permits were issued to banks which had never exercised trust powers.

MASSACHUSETTS

Concord National Bank	Concord
Rockport National Bank	Rockport

VOLUME OF OPERATIONS

The following table shows the volume of operations in the principal departments of the bank during the year compared with the similar items for the preceding year:

NUMBER OF PIECES HANDLED

	1932	1931
<i>Bills Discounted:</i>		
Applications	9,235	5,381
Notes discounted	48,666	37,158
Bills purchased in open market for own account	2,089	19,000
Currency received and counted	210,237,000	240,021,000
Coin received and counted	326,430,000	356,212,000
Checks handled	79,644,000	91,448,000
<i>Collection Items Handled:</i>		
U. S. Government coupons paid	1,145,000	1,122,000
All other	451,000	432,000
<i>U. S. Securities:</i>		
Issues, redemptions and exchanges by Fiscal Agency Department	103,000	83,000
Transfers of funds	44,000	51,000

AMOUNTS HANDLED

Bills discounted	\$667,765,000	\$563,629,000
Bills purchased in open market for own account	49,907,000	302,606,000
Currency received and counted	1,264,411,000	1,460,844,000
Coins received and counted	30,586,000	34,179,000
Checks handled	11,192,741,000	17,448,185,000
<i>Collection Items Handled:</i>		
U. S. Government coupons paid	34,478,000	29,317,000
All other	642,642,000	1,029,120,000
<i>U. S. Securities:</i>		
Issues, Redemptions and exchanges by Fiscal Agency Department	914,955,000	563,668,000
Transfer of funds	8,661,681,000	9,713,626,000

BANKING AND INDUSTRIAL COMMITTEE

Following an invitation extended by the bank, at the suggestion of the Federal Reserve Board, a group of representative bankers and business men met at the bank on June 14, to discuss whether and to what extent a lack of credit might be holding back improvement in the general business and economic situation in this district. In addition to the officers of the bank, Governor Meyer of the Federal Reserve Board was present at the meeting and led in the discussion. As a result of views expressed at the meeting that it might be helpful to have a committee whose function should be to assist in co-ordinating the activities of the various governmental agencies and making their credit facilities known and available to the business interests, Governor Young appointed the Banking and Industrial Committee of the First Federal Reserve District, with Mr. Carl P. Dennett of Boston as its chairman.

The committee held its first meeting on June 20. The other members of the committee were: Mr. Nathaniel F. Ayer, Treasurer of the Cabot Manufacturing Company; Mr. Walter S. Bucklin, President of the National Shawmut Bank of Boston; Mr. George H. Clough, President of The Russell Company; Mr. Frank D. Comerford, President of the New England Power Association; Mr. Wilmot R. Evans, President of The Boston Five Cents Savings Bank; Dr. Arthur W. Gilbert, Commissioner of Agriculture of the State of Massachusetts; Mr. Louis E. Kirstein, of William Filene's Sons Company; Mr. Harry K. Noyes, President of the Noyes Buick Company; Mr. P. A. O'Connell, President of E. T. Slattery Company; Mr. Thomas Nelson Perkins, Chairman of the Board of the Boston and Maine Railroad; and Mr. Philip Stockton, President of The First National Bank of Boston. Mr. K. K. Carrick, Secretary of the Federal Reserve Bank of Boston, was appointed Secretary of the Committee. Subsequently, as a means of increasing the effectiveness of the committee's activities, and in order to have all parts of the district represented, the following Vice-Chairmen for the individual States in the district were appointed: For Maine, Mr. W. B. Skelton, President of the First National Bank, Lewiston; for New Hampshire, Mr. Winthrop L. Carter, President of the Nashua Gummed & Coated Paper Company, Nashua; for Vermont, Mr. Redfield Proctor, Vice-President of the Vermont Marble Company, Proctor; for Massachusetts, Mr. John F. Tinsley, Vice-President of the Crompton & Knowles Loom Works, Worcester; for Rhode Island, Mr.

G. Edward Buxton, President of the B. B. & R. Knight Corporation, Providence; for Connecticut, Mr. L. Edmund Zacher, President of the Travelers' Insurance Company, Hartford.

In conducting its investigation of the credit needs of the district, the committee not only considered the situation with respect to the business, the manufacturing, the agricultural, and the real estate interests, but also endeavored by various means to determine whether there was any legitimate unserved credit need. Among the means adopted were a questionnaire sent through the New England Council to about 350 Chambers of Commerce, a questionnaire sent by the Committee to all co-operative banks and building and loan associations, an inquiry directed to those who were in close touch with the agricultural requirements of the district, several meetings with groups of representative leaders in the cotton and the woolen textile industries and in the shoe and leather industries, and almost 8,000 questionnaires which were sent to various trade, business, and credit associations for mailing by them to their members, individual business and manufacturing concerns.

Replies to the inquiry conducted through Chambers of Commerce and statements made by representatives of the textile and the shoe and leather industries at the various group meetings indicated that there was no lack of credit for sound business loans, and this conclusion was confirmed by the replies of business and manufacturing concerns to the questionnaire distributed through the various associations. Out of 1913 concerns which replied, up to December, to the question: "Do you now require credit for use in your business which you are unable to obtain at your bank?", 1734 firms or corporations answered "No", while 179 answered "Yes", or gave an indefinite reply. Similarly, out of 1913 replies to the question "Do you know of others now in need of credit for legitimate business purposes which cannot be obtained from banking institutions?", 1760 answers were "No", while 153 were "Yes" or indefinite. All answers indicating a lack of credit and all complaints received by the committee were carefully investigated and disposed of either by co-operation in helping to secure the credit needed or by definitely establishing the fact that credit was not warranted. While the committee encountered cases where additional working capital was required, it found a comparatively small number of cases where commercial banking credit was warranted, and in all of those it was able to assist in procuring the credit.

The most serious credit need developed, in the opinion of the committee, was in the real estate credit field, where there was much difficulty, aggravated to a great extent by the large amount of real estate mortgages held by closed banks, the liquidation of which tends, under existing conditions, to impose a hardship upon home owners. As a means of dealing with this situation, the committee appointed a sub-committee known as the Real Estate Advisory Committee, with Mr. Wilmot R. Evans as Chairman. Under the latter's direction a sub-committee was appointed for Metropolitan Boston composed of fifteen bankers, lawyers and business men, who were familiar with real estate values and mortgages. Pursuant to announcement made to the public through the newspapers, the Boston committee has met one afternoon each week to receive and to advise home owners who have mortgage problems, and, up to the end of December interviewed almost 1500 persons. In more than two-thirds of the cases in which aid was required and which have been disposed of, the committee has been able to help the home owners either through locating new loans, arranging for temporary suspension of payments and postponement of actions, or by helpful advice with respect to their mortgage problems. The results of the Boston committee's activities have been so valuable that similar local committees have been or will be organized in other sections of the district.

A careful survey of the credit requirements of agriculture was made under the direction of Dr. Arthur W. Gilbert, as chairman of a sub-committee on agricultural credit for New England, local sub-committees being appointed in all the New England States and numerous conferences being held with them. The agricultural situation in New England appears to be somewhat better than in other sections of the country, with the possible exception of Aroostook County, Maine, where the low price of potatoes has raised a problem. This sub-committee was largely instrumental in securing the location of a branch of the Regional Agricultural Credit Corporation in Bangor, Maine.

Among numerous other matters in which the committee has interested itself are: the credit requirements of the needle trades or the so-called cutting-up trades; possible liberalization of the Federal Home Loan Bank Act and dissemination of information regarding credit under the Act, in connection with which group conferences were held with executive officers of representative savings banks and co-operative banks from the different New England States; the possibility of obtaining legislation to enable

textile manufacturers to enter into agreements not to sell their products for less than the cost of manufacturing; several projects which were investigated with reference to their being able to obtain loans from the Reconstruction Finance Corporation as self-liquidating projects; municipal credit requirements; an effort made in September to get retail dealers to place orders then for their holiday requirements of merchandise; an investigation of the effect of depreciated currencies on the importation of foreign goods in competition with the products of the First Federal Reserve District; an effort to bring about the wider use of trade acceptances, in connection with which informative circulars were mailed to 2500 of the leading business and manufacturing concerns of the district; and the large amount of real estate mortgages held by closed banks in five of the New England States.

In addition to the sub-committee mentioned, the committee has appointed sub-committees in connection with the following matters:—Trade Acceptances, Mr. Charles E. Spencer, Jr., Vice-President of The First National Bank of Boston, Chairman; Credit, Mr. P. A. O'Connell, Chairman; the Share-the-Work Movement, Mr. Winthrop L. Carter, Chairman; Industrial Rehabilitation, Mr. Harry C. Knight, President of the Southern New England Telephone Company, New Haven, Connecticut, Chairman. Under the direction of Mr. Carter and Mr. Knight, local sub-committees on job-sharing and industrial rehabilitation were organized in the different states in the district.

The various activities of the committee have imposed a vast amount of work upon the committee, its chairman, and the members of the numerous sub-committees, and their conscientious and painstaking efforts have proved of great value during a period of extraordinary business and economic unsettlement.

FEDERAL RESERVE BANK OF BOSTON

OFFICERS AND DIRECTORS

1932

OFFICERS

ROY A. YOUNG, *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*
 ERNEST M. LEAVITT, *Assistant Cashier*
 CARL B. PITMAN, *Assistant Cashier*
 L. WALLACE SWEETSER, *Assistant Cashier*

DIRECTORS

<i>Class and Group</i>		<i>Term Expires December 31</i>
A 1	ALFRED L. RIPLEY, Chairman of the Board, The Merchants National Bank	Boston, Mass. 1935
A 2	F. S. CHAMBERLAIN, President, New Britain National Bank	New Britain, Ct. 1934
A 3	EDWARD S. KENNARD, Vice-President and Cashier, The Rumford National Bank	Rumford, Me. 1933
B 1	PHILIP R. ALLEN, President, Bird & Son, Inc.	E. Walpole, Mass. 1935
B 2	EDWARD S. FRENCH, President, Boston & Maine Railroad	Springfield, Vt. 1934
B 3	A. FARWELL BEMIS,* Chairman, Bemis Bro. Bag Co.	Boston, Mass. 1933
C	FREDERIC H. CURTISS, Chairman	Boston, Mass. 1935
C	ALLEN HOLLIS, Deputy-Chairman, Lawyer	Concord, N. H. 1933
C	CHAS. H. MERRIMAN, President, Lippitt Woolen Co.	Providence, R. I. 1934

GENERAL COUNSEL

PHILLIPS KETCHUM, Boston, Mass.

MEMBER OF FEDERAL ADVISORY COUNCIL

THOMAS M. STEELE

President of the First National Bank and Trust Company
 New Haven, Conn.

*MR. BEMIS resigned, effective December 31, 1932. In a special election held in November 1932, MR. EDWARD J. FROST, Vice-President and Director of William Filene's Sons' Company, Boston, Mass., was elected for the unexpired term of office.