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NINETEENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

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FOR THE YEAR ENDED DECEMBER 31, 1933

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FOR THE YEAR ENDED
DECEMBER 31, 1933

BOSTON, MASSACHUSETTS

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LETTER OF TRANSMITTAL

Boston, Mass., February 24, 1934.

HON. EUGENE R. BLACK,
Governor, Federal Reserve Board,
Washington, D. C.

Sir:

I have the honor to submit herewith the Nineteenth 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, 1933, to December 31, 1933.

Respectfully yours,

Frederic H. Curtiss,
Chairman and Federal Reserve Agent

NINETEENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

INTRODUCTORY

The year 1933 will probably be referred to in history as the fourth year of the great depression. While it ended with considerable improvement in commodity prices, volume of production, and stabilization in bank deposits, the forces of depression that had begun in 1929 continued unabated during the first quarter of the year. Some recovery in business in this district was evident in the late summer of 1932, but towards the end of that year there was another recession. During the early months of 1933 this general recession in business activity continued. Bank deposits continued to decline, the local banking situation being influenced by banking difficulties elsewhere in the country, coupled with the flight of capital out of the United States.

Events moved rapidly towards a climax during the latter part of February, culminating in the declaration of bank holidays in Illinois, New York, and Massachusetts on Saturday, March 4. At 3:30 A.M. on Saturday, March 4, the officers of the Federal Reserve Bank of Boston received word by telephone that the Governors of the States of Illinois and New York were to declare bank holidays on that day, which would be observed by the Federal Reserve Bank of New York and the Federal Reserve Bank of Chicago. The bank commissioner of each of the six New England States was immediately notified by telephone of this situation, and asked to get in touch with the Governor of his State. The Executive Committee of the Boston Clearing House Association met with the officers of the Federal Reserve Bank of Boston a few hours later, and decided to request its members to remain closed on that day. The Federal reserve bank also decided to observe the holiday, and proclamations were issued by the Governors of all the New England States on that day, declaring a bank holiday. On the following Monday, March 6, all banks in the United States were closed by presidential proclamation. The holiday was first proclaimed to expire on March 9, but was later extended to March 13. The Boston banks immediately got plans under way for the printing and issuance of clearing house certificates. Similar policies were adopted in other New England cities, and in several parts of the district clearing house certificates were taken out and used for a day or two; but owing to the facilities furnished by the Federal reserve bank for currency needs the clearing house certificates were not used extensively. In Providence the bank commissioner permitted withdrawals of scrip, limited to $10 per week to any one person, in place of clearing house certificates. On March 15 the Providence clearing house committee voted to declare the plan for issuance of scrip terminated.

Early in the morning on Monday, March 6, the Federal Reserve Bank of Boston received permission from Washington to open its currency department for the exchange of currency other than gold and gold certificates. Shortly thereafter all banks were allowed to perform this function. Later on the same day access was allowed to all safe deposit boxes. Also, New England banks were allowed to return all checks and collection items not charged on their books, to cash checks drawn on the Treasurer of the United States, and to open new trust accounts subject to demand withdrawals.

Throughout the week of March 6-11, inclusive, all commercial and savings banks remained closed. On Saturday, March 11, all Federal reserve banks reopened to make loans to their members on United States Government securities and to transact necessary business to make effective the authorized withdrawal of currency for payroll and for other necessities. Under this privilege member banks in this district increased between February 22 and March 15 their borrowings from the Federal reserve bank $22,000,000, sold acceptances of $15,000,000, reduced their reserves $33,000,000, and took out Federal reserve notes for payroll and other purposes amounting to $70,000,000. In the meantime Congress on March 9 passed the Emergency Banking Bill, giving President Roosevelt wartime powers over gold transactions, providing for reorganizing banks, and creating new Federal reserve bank currency in the form of Federal reserve bank notes.

On March 13 the Secretary of the Treasury gave authority to the Federal reserve banks to issue licenses to all member banks of the Federal reserve system located in each of the Federal reserve cities whose application to reopen had been approved, and all Boston member banks were opened on that day. On the following day member banks in other Clearing House cities were similarly licensed, and banks elsewhere in New England on Wednesday, March 15. Details regarding banks opened will be found on page 32 of this report under "Membership." No restrictions were placed on the banks which had been licensed to reopen, except as pertained to the paying out of gold and other currency when hoarding was suspected, and certain dealings in foreign exchange.

Throughout March and the succeeding months a series of emergency regulations and new legislation came in rapid succession.

Chief among these were the presidential proclamations regarding gold, designed first to stop the hoarding of gold and later to prevent the export of gold. Although no gold could be paid out in the form of currency after the bank holiday. Although no gold could be paid out in the form of currency after the bank holiday, the Secretary of the Treasury was permitted to license the withdrawal of gold for export under proper conditions. About the middle of April, when the dollar fell to the export point, such licenses were granted. On April 18, however, the granting of licenses was discontinued, and on April 20 an Executive Order placed an embargo on gold exports for commercial purposes. These measures brought about the departure of the United States from the gold standard. About two weeks later, on May 3, coupon payments in gold to foreign holders of United States obligations were refused by the United States Treasury, and on May 26 repeal of the gold clause in outstanding bonds and private contracts was asked for in a joint Senate and House resolution, which was approved on June 5, 1933. As time passed, the necessity for a free gold market in the United States became increasingly apparent. On August 29 the gold embargo was modified to permit a regulated export market for newly-mined gold at world prices. In order to accomplish this, the United States Treasury Department was permitted to take the new production of domestic gold mines on consignment for sale abroad.

The reopening of the banks restored in the mind of the public confidence in the banking structure. This confidence spread in other directions, with the result that during the spring and early summer a general improvement in business was experienced, increasing industrial activity to a marked degree. In fact, the increase in production during this period was the most pronounced on record. Low inventories and the fear of rising prices in commodities, however, influenced the manufacturer to overestimate the demand for goods, and while business activity during these months recovered to the level of the summer of 1930, the reaction towards the end of 1933 was such as might have been expected although the year ended with more confidence in the general situation than at the close of the preceding year, and with business activity considerably greater.

New England Business Conditions

Industrial activity in the aggregate during the year 1933 in New England was considerably lower than in 1932, being affected by the adverse factors in financial conditions, continued price declines, and further weakening of confidence during the first quarter. Beginning in the second quarter, however, business activity began to increase, this upward movement continuing until August. During the last half of 1933 a declining tendency prevailed, but this downward movement was gradual rather than abrupt, and at the close of the year industrial activity in this district was considerably above the low point reached in March. Activity in cotton and woolen mills in New England increased rapidly during the second quarter of 1933, and production of boots and shoes for the entire year exceeded the output in 1932.

Building: Total construction contracts awarded in New England during 1933 amounted to $120,696,100, an increase of 5.3 per cent over the value of new awards in 1932. The two classes of building construction which principally represent private financing, residential and non-residential construction, reported a smaller dollar volume in 1933 than in 1932, showing declines of 6.3 and 28.0 per cent, respectively. In the first class of construction, residential, no change occurred in the value of the principal type of building in this class, namely, dwellings. The value of contracts for single-family homes in 1932 was $27,776,000, and in 1933 it was $27,737,000. The value of new hotel construction was considerably reduced between 1932 and 1933, decreasing from $1,335,000 to $413,300. Other types of residential building, representing construction undertaken for speculative or investment purposes, decreased from $6,883,500 in 1932 to $4,480,200 in 1933. In the non-residential classification the two types of construction representing a direct interest in the business prospect, new commercial and factory building, increased from $13,626,400 in 1932 to $16,193,200 in 1933. This gain was entirely centered in two types of factory construction, those for food production and printing and binding. The types of non-residential construction which indicate to some degree the capacity to endow certain educational or philanthropic interests declined from $17,605,700 to $5,266,400, a decrease of 66.6 per cent. The third principal division of the construction industry, comprising public works and public utilities construction activities, during recent years has been largely dominated by public financing. The total value of this class of building amounted to $32,271,300 in 1932 and to $53,424,910 in 1933, a gain during the past year of 65.7 per cent. Between 1931 and 1933 several changes took place in the relative importance of several types of construction entering into the total of public works and utilities contracts awarded. In 1931 total public works and utilities contract awards were valued at $88,742,100, with $33,313,000 representing highway construction and $23,035,100 new railroad construction. In 1932 a decrease of 63.7 per cent was recorded in the value of public works and utilities construction undertaken, with only $19,955,000 awarded for new highway construction, and virtually a complete absence of railroad contracts, only $125,100 of new contracts having been awarded during the entire year.

During 1933 activity in public works and utilities contracts was renewed. The combined group reported a gain of 65.7 per cent in the value of new awards over 1932. New highway construction in 1933 amounted to $23,491,000, an increase of approximately $4,500,000 compared with the preceding year. Increases in all types of public works construction during 1933 resulted in a total value for new public works contracts of $37,142,000, compared with $27,620,800 in 1932. Public utilities were also increased as a result of contracts let for water supply systems, totaling $12,652,900, compared with $2,642,600 in 1932. The value of new railroad construction in 1933 shrank to only $90,000.

Shoes: The course of the boot and shoe industry in 1933, as measured by the seasonally adjusted index of boot and shoe production, showed an irregular tendency. In March the volume of production declined to 88.8 per cent of the 1923-24-25 monthly average, rising steadily during the following four months to a peak of 137.7 per cent in July, a new high in the seasonally adjusted monthly output; since July production has declined rapidly, although showing slight gains over the preceding month during October and December.

Total boot and shoe production in 1933 was estimated at 116,-710,000 pairs, compared with 112,558,000 pairs in 1932 a gain of 3.7 per cent. This increase in total output for 1933 followed a rise of 1.4 per cent in 1932, and a gain of 5.6 per cent in 1931 over 1930. In fact, since 1930, when the volume of shoe production dropped 14.6 per cent from the 1929 high of 123,093,000 pairs, increases have occurred in each successive year in the total number of pairs of shoes produced in this district, amounting to 5.7 per cent in 1931, 0.8 per cent in 1932, and 3.7 per cent in

1933. The estimated output of boots and shoes for 1933 of 116,710,000 pairs places the rate of activity of the industry for 1933 in fourth place since 1923, being exceeded in rate of output by only 1923, 1928, and 1929.

Textiles: The seasonally adjusted index of raw cotton and wool consumption reflected tendencies toward rapid expansion during the first half of 1933, followed by a correspondingly severe contraction in the final quarter of the year. At the close of December both the cotton and the woolen and worsted manufacturers were operating at less than half the rate which obtained in the early summer, and were reporting a volume of consumption of raw material below that for December, 1932.

The number of bales of raw cotton consumed in New England during the past year amounted to 973,173 bales, against 681,572 bales in 1932. This was an increase of nearly 43 per cent in the rate of consumption in a single year, and represented the largest annual volume since 1929, when over 1,400,000 bales were consumed. The current rate of consumption, averaging a little more than 81,000 bales per month, is only approximately one-half the average monthly consumption which prevailed 10 years ago. During the past year a reduction of 5.6 per cent occurred in the average number of cotton spindles in place, although the number of spindles active increased 15.6 per cent, compared with a rise of 50.5 per cent in average spindle hours operated per spindle in place.

New England woolen and worsted establishments consumed 282,327,000 pounds, grease equivalent, of raw wool during the past year. In 1932 these establishments consumed 213,641,800 pounds, so that the 1933 total represented a gain of 32.2 per cent. The present rate of raw wool consumption is only 5.3 per cent less than in 1929. Since 1923, the first year for which complete monthly data are available, the 1933 volume of raw wool consumption has been exceeded only in 1923 and 1929.

Employment: The decreases in employment and payrolls in 2333 identical New England manufacturing establishments between November and December, 1933, amounted to 4.4 and 3.9 per cent, respectively. In December, 1933, employment was 18.8 per cent greater than in the same month of 1932, while payrolls were 28.8 per cent larger than in the corresponding month of the preceding year. Averages for the entire year 1933 showed increases of 14.6 per cent in the number employed and 14.3 per cent in weekly payrolls, with a resultant slight decrease of 1.8 per cent in the average weekly wages, reflecting the smaller number of hours worked per week per person.

Trade: The amount of new ordinary life insurance written in New England during 1933 was 3.6 per cent less than in 1932, while the volume in 1932 was nearly 19 per cent under that for 1931. During the closing months of 1933 the month-to-month comparisons with the preceding year showed more favorable conditions.

In the first half of 1933 sales of new automobiles in this district were less than in 1932, but in the second half rapid gains more than offset the declines, and about 28 per cent more new cars were registered in the year 1933 than in 1932.

Retail trade, as represented by sales of department and apparel stores in New England, were eight per cent smaller in dollar volume in 1933 than in 1932. The sharpest decreases occurred during the first quarter, the only gains during the year taking place in July and August. In December, 1933, sales of these stores were in the same volume as in the corresponding month of 1932.

In September a semi-monthly survey of sales in 600 to 800 Massachusetts retail establishments of all types was inaugurated. Reports from these establishments showed the comparative condition of dollar sales with that for the corresponding period of the preceding year. The following table illustrates the changes which occurred in the eight classified groups of Massachusetts retail establishments reporting sales data for December, 1933, compared with December, 1932. The actual gain in the total reported dollar volume of retail sales in December, 1933, over December, 1932, amounted to $557,186.

MASSACHUSETTS RETAIL SALES

December, 1933, compared with December, 1932

GROUP	Total Number Reporting	Number Reporting INCREASE	Number Reporting DECREASE	Number Reporting No Change	Per Cent Change in Dollars
Foods	107	46	53	8	+0.55%
General Merchandise	116	76	35	5	+1.42
Automotive	77	38	35	4	+7.69
Apparel	92	63	22	7	+3.26
Furniture and Household	58	30	26	2	—1.82
Restaurants and Eating Places	46	13	27	6	—4.35
Lumber	54	24	24	6	+3.41
All Other	195	104	76	15	+4.51
TOTAL	745	394	298	53	+2.36

Total Reported Volume—December, 1933....$24,144,546
Total Reported Volume—December, 1932....$23,587,360

BUSINESS INDICES — NEW ENGLAND

GENERAL BUSINESS	1933	1932	Per Cent Change 1933-1932	Per Cent Change 1932-1931
1. New Incorporations — Mass. (Year ending Nov. 30)	2,547	2,498	+ 1.9%	+ 3.5%
2. Life Insurance Sales	$505,812,000	$522,509,000	— 3.6	—18.9
3. Carloadings, Mdse., l.c.l., and Misc.	1,181,787	1,188,923	— 0.6	—22.8
4. N. E. Railroads Net Operating Income	$18,992,776	$21,503,410	—11.7	—31.2
5. Residential Building Contracts Awarded	$36,309,100	$38,771,000	— 6.3	—55.7
6. Non-residential Building Contracts Awarded	$30,962,100	$43,010,800	—28.0	—63.8
7. Public Works Contracts Awarded	$37,421,500	$27,620,800	+35.5	—46.0
8. Public Utilities Contracts Awarded	$16,003,400	$4,650,500	+244.0	—87.6
9. Total Construction Contracts Awarded	$120,696,100	$114,053,100	+ 5.3	—61.4
INDUSTRIAL PRODUCTION				
1. Industrial Activity—Electric Power Consumed (1923-1925 Average)	93.6%	78.3%	+19.6	—18.9
2. Electric Power Production (Kilowatt hours)	6,040,738,000	5,722,983,000	+ 5.6	—10.4
3. Cotton Consumption (Bales)	973,173	681,572	+42.7	—26.0
4. Average Cotton Spindles in Place	10,824,000	11,429,000	— 5.2	— 7.2
5. Average Cotton Spindles Active	6,907,000	5,979,000	+15.6	—23.1
6. Average Spindle Hours Operated per Cotton Spindle in Place	146	97	+50.5	—21.2
7. Wool Consumption (Pounds, grease equivalent)	282,327,000	213,641,800	+32.1	—23.7
8. Wool Receipts — Domestic — Boston (Pounds, grease equivalent)	268,029,400*	212,617,400	+32.5	—16.2
9. Wool Receipts — Foreign — Boston (Pounds, grease equivalent)	48,851,800*	17,556,400	+178.2	—62.1
10. Shoe Production (Pairs)	116,710,000*	112,558,000	+ 3.7	+ 1.4
11. Shoe Shipments—Brockton (Pairs)	4,401,800	5,085,000	—13.4	—40.0
ORDERS—MASSACHUSETTS—(1926=100)				
1. Textiles	83.8%	71.3%	+17.5	—11.8
2. Leather and Shoes	47.1	47.8	— 1.4	—13.9
3. Metal Trades	40.2	32.1	+25.6	—37.6
4. Paper	54.1	46.1	+17.3	—25.6

EMPLOYMENT—(Monthly Averages)				
1. Number of Manufacturing Establishments reporting	2,407	2,386	+ 0.8	+34.4
2. Number Employed in Identical Establishments	410,660	358,760	+14.6	+ 1.7
3. Number Employed per Establishment	171	150	+14.0	—24.2
4. Weekly Payroll in Identical Establishments	$7,092,627	$6,201,060	+14.3	—15.1
5. Weekly Wage per Person in Identical Establishments	$17.26	$17.56	— 1.8	—16.4
TRADE				
1. Department Store Sales (Per cent of 1923-24-25 Monthly Average)	64.2%	69.9%	— 8.2%	—21.9%
2. Sales of New Motor Cars	117,655	93,743	+25.5	—43.1
3. Number of Commercial Failures (Dun & Bradstreet, Inc.)	2,134	3,305	—35.4	+45.7
4. Liabilities of Commercial Failures (Dun & Bradstreet, Inc.)	$51,268,000	$73,826,852	—30.5	—11.4
PRICES—(1926=100)				
1. Wholesale Prices (Bureau of Labor Statistics)	66.1%	64.9%	+ 1.8	—11.1
2. Retail Food Prices (Bureau of Labor Statistics)	61.3*	63.9	— 3.7	—15.6
3. Cost of Living—Combined—Massachusetts	75.7	78.3	— 3.3	— 9.4
4. Cost of Living—Food—Massachusetts	64.4	66.2	— 2.7	—15.7
5. Cost of Living—Clothing—Massachusetts	71.7	71.1	+ 0.8	—14.8
6. Cost of Living—Shelter—Massachusetts	79.4	86.0	— 7.6	— 6.1
7. Cost of Living—Fuel and Light—Massachusetts	82.2	84.5	— 2.7	— 6.1
AGRICULTURE				
1. Acreage—Principal Crops	3,548,000	3,567,000	— 0.5	...
2. Total Farm Values—Principal Crops	$99,355,000	$74,576,000	+33.3	—12.1
3. Farm Prices — Bureau of Labor Statistics (1926=100)	51.4%	48.2%	+ 6.7	—25.6
4. Potato Crop:				
1. Acreage	203,000	221,000	— 8.1	— 7.5
2. Production (Bushels)	50,165,000	48,350,000	+ 3.7	—13.4
3. Yield per Acre (Bushels)	241	219	+10.1	— 6.4
4. Value of Crop	$33,232,000	$14,127,000	+135.2	— 0.9
5. Average Price per Bushel	$0.663	$0.292	+126.9	+14.5

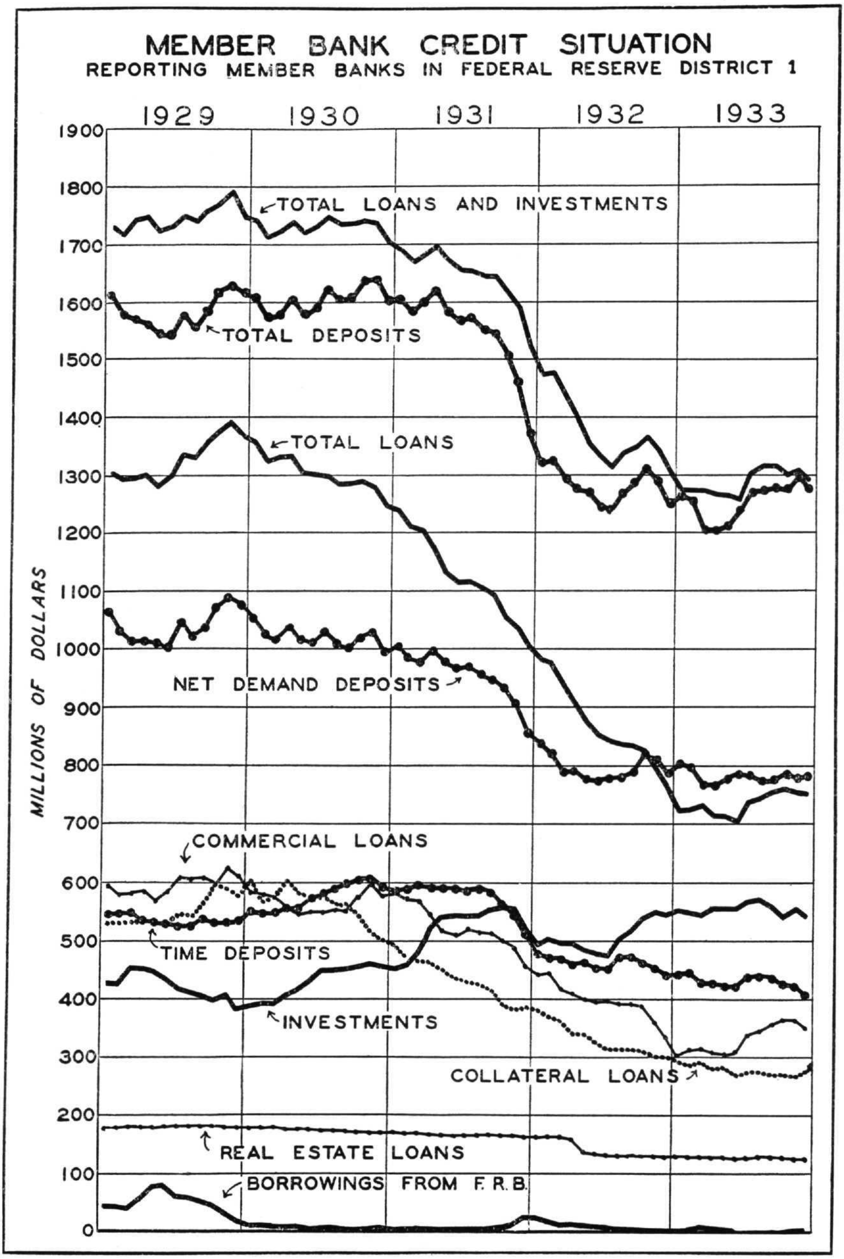
* Preliminary

MEMBER BANK CREDIT

The deposits of member banks in the New England district continued to decline during January and February, 1933, although not as rapidly as in most other sections of the United States. This contraction in deposits was largely in Government and time deposits, withdrawals being financed by the weekly reporting member banks out of excess reserves which they had been carrying, and from the sale of securities. The volume of rediscounts at the Federal Reserve Bank of Boston showed practically no change during this period, ranging from $10,000,000 to $12,000,000. Serious developments in the Middle West directly affected the New England banks during the period through the withdrawal of their deposits to furnish currency requirements in other sections of the country where banking moratoria and State holidays had been proclaimed.

Following the reopening of the banks, during the middle of March, after the general bank holiday, a rapid return flow of currency out of hoarding took place, which was the beginning of a substantial expansion in deposits, culminating on November 1. This was a period during which United States deposits were built up rapidly, reaching the record high point of $105,000,000 in the weekly reporting member banks throughout New England on November 1. A considerable growth in demand deposits also occurred, while time deposits showed a slight decline. It is significant that of the $139,000,000 increase in total deposits in the weekly reporting member banks in nine New England cities between March 29 and November 1, $94,000,000 occurred in United States deposits alone. The channels through which this new bank credit was invested are significant. A large part of it,—$54,000,000,—went into what is known in the statements as "all other loans"; $27,000,000 additional went for the purchase of United States securities. On the other hand, collateral loans, real estate loans, and other bonds and stocks owned actually declined. There is reason to believe that a substantial part of the increase in commercial loans noted above represented open market operations in acceptances and brokers' commercial paper which were liquidated from time to time, this view being suggested by some of the sudden fluctuations which occurred in this classification of loans during the period under review. Excess reserves also were built up extensively, rising $39,000,000.

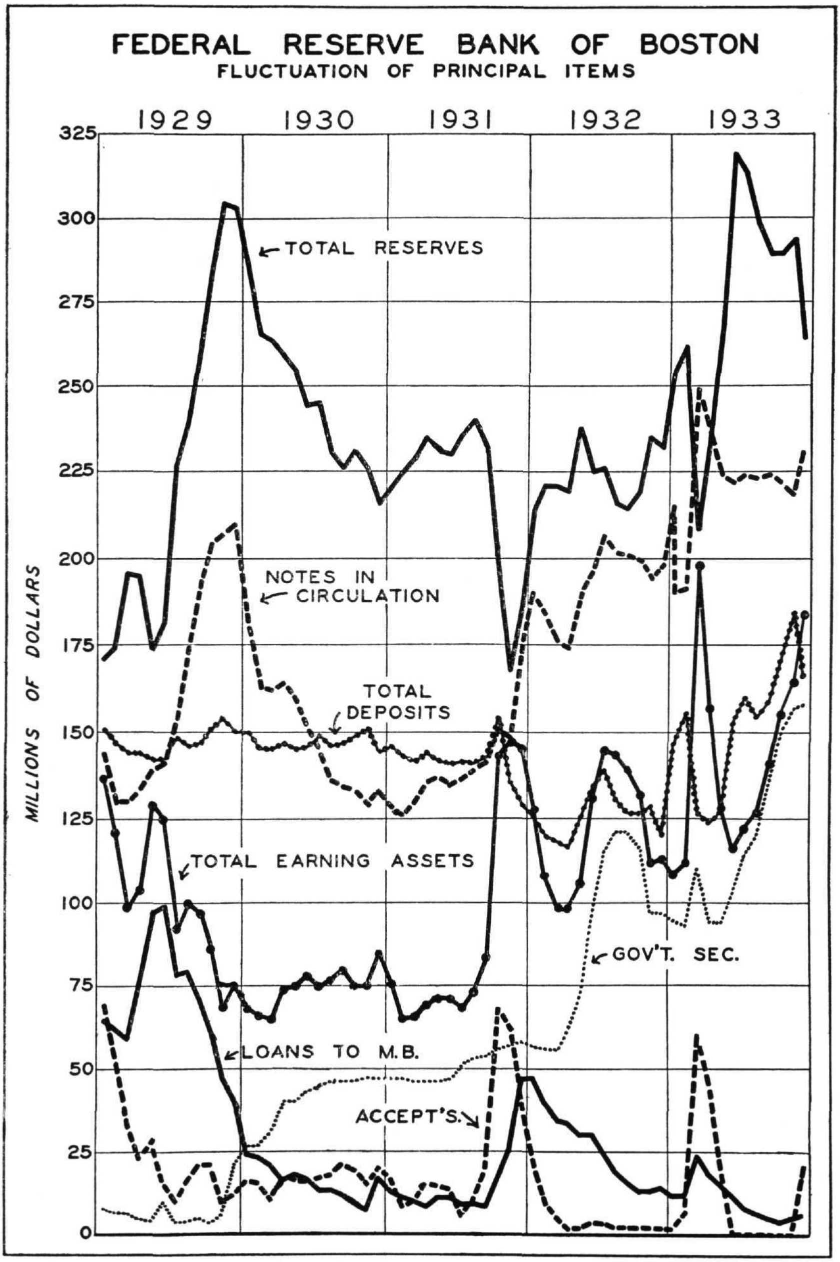
After the peak reached on November 1, substantial contraction in time deposits and in United States Government deposits


MEMBER BANK CREDIT SITUATION
REPORTING MEMBER BANKS IN FEDERAL RESERVE DISTRICT 1
1929
1930
1931
1932
1933
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
0
MILLIONS OF DOLLARS
TOTAL LOANS AND INVESTMENTS
TOTAL DEPOSITS
TOTAL LOANS
NET DEMAND DEPOSITS
COMMERCIAL LOANS
TIME DEPOSITS
INVESTMENTS
COLLATERAL LOANS
REAL ESTATE LOANS
BORROWINGS FROM F. R. B.

contrasted with a relatively stable volume of demand deposits, with the result that the total volume of loanable funds declined materially between November 1 and December 27. Since this year-end contraction occurred mostly in time deposits and United States Government deposits, while demand deposits were well maintained, contrary to the seasonal tendency downwards, it seems obvious that the general movement was only slightly affected by seasonal influences. Demand deposits, which ordinarily contract about five per cent during this two months' period, actually maintained their level close to the November 1 peak.

Therefore, in analyzing the position of the member banks during 1933 it is more significant to compare the movement of net demand deposits than the movement of total deposits, the fluctuations of the latter being highly erratic on account of the exceptionally heavy transactions in United States deposits. Considering only the net demand deposits, it appears that the year was marked by two, rather than three, distinct phases: first, the violent contraction in March, and secondly, the steady improvement which occurred during the rest of the year. The downward trend in total deposits (while demand deposits remained stationary) during November and December is largely attributable to the contraction in United States deposits and, therefore, does not reflect commercial credit conditions in this district. Such deposits, being subject to sudden and large withdrawals, are usually invested in the shortest term paper available.

The close of 1933 finds the New England member banks in a much stronger position than for several years. Compared with their position at the close of 1932, total deposits are higher. Time deposits, on which the heaviest rate of interest is paid, are substantially below the level of a year ago. Net demand deposits are about the same as at the end of 1932, while United States deposits, against which no reserve is required and no interest is paid, are much higher at the end of 1933. Commercial loans have expanded substantially, while all other types of loans and investments have declined. Even holdings of United States Government obligations were only slightly higher on December 27, 1933, than on December 28, 1932. Not only was the liquidity of bank investments improved by the gradual thawing of frozen assets and their replacement by more liquid loans and investments, but the banks were further fortified by unusually large excess reserves as the year drew to a close. There is no longer any shortage of short-term commercial credit available at New Eng-


FEDERAL RESERVE BANK OF BOSTON
FLUCTUATION OF PRINCIPAL ITEMS
1929
1930
1931
1932
1933
MILLIONS OF DOLLARS
325
300
275
250
225
200
175
150
125
100
75
50
25
0
TOTAL RESERVES
NOTES IN CIRCULATION
TOTAL DEPOSITS
TOTAL EARNING ASSETS
GOV'T. SEC.
LOANS TO M.B.
ACCEPT'S.

land member banks for borrowers having legitimate requirements or adequate security.

A group of 61 mutual savings banks located throughout New England report their deposits monthly to the Federal Reserve Bank of Boston. These 61 banks represent about half of the total mutual savings deposits in the district, and are therefore a reasonably good sample of the trend in such deposits. Month by month these mutual savings deposits declined throughout the year, until on November 30 they were at the lowest point since May, 1930. An encouraging factor in the mutual savings bank situation, however, is the substantial gain in the number of accounts on the books. These accounts reached their lowest level in June, 1933, followed by a gradual improvement from month to month. This improvement was due not only to the large number of new accounts opened, but to a substantial reduction in the number of old accounts closed each month.

FEDERAL RESERVE BANK CREDIT

The volume of credit provided by the Federal Reserve Bank of Boston during 1933 averaged higher than in any year since 1920. The composition of this credit, however, was wholly different from that in the earlier period. In 1933 it consisted, during the greater part of the year, almost solely of United States Government obligations. Holdings of bankers' acceptances were practically eliminated early in June and remained very low until December. Member bank discounts also were steadily reduced following the bank holiday, reaching a minimum of $3,711,000 on October 18. This was the smallest volume of credit advanced to all member banks in this district since May, 1917, shortly after this country officially declared war.

It is one of the primary functions of Federal reserve banks to absorb the seasonal pressure on member banks. Thus, since the establishment of the Federal reserve system, seasonal pressure on the member banks, as reflected in money rates, has been greatly reduced. It follows that the movement of total earning assets in the Federal reserve banks is largely determined by those seasonal influences affecting the member banks. Ordinarily the contour of the curve of total earning assets of the Federal Reserve Bank of Boston roughly resembles the letter U. This formation is largely attributable to the close resemblance to the letter U of the curve for acceptances, which customarily declines steadily during the first half of the year and rises as steadily during the second half. The normal curve of loans to member banks more nearly resembles the letter W, with an intermediate peak coming in the middle of the year. The special emergencies and extreme abnormalities occurring during 1933 practically eliminated the usual seasonal trends. Member banks were borrowing relatively little from the Federal Reserve Bank of Boston during January and February. The bank holiday closed all the member banks during most of the first half of March. In order to prepare themselves for reopening, these banks borrowed heavily from the Federal Reserve Bank of Boston, member bank discounts rising abruptly from $12,000,000 on February 22 to $34,000,000 on March 15. Funds arising out of the return flow of currency to the member banks from individuals who had been hoarding it previous to the holiday, and to the Federal reserve banks by the member banks, which had accumulated large cash vault reserves in anticipation of the reopening of the banks resulted in the prompt payment of these March advances. They declined steadily to the minimum of $3,711,000 reached on October 18. Thereafter there was some increase, but the usual seasonal advance was largely absent, owing to the extreme liquidity in which the member banks as a whole found themselves. Similarly, the seasonal movement in acceptance holdings was lacking. Late in February, by buying bills extensively, the Federal Reserve Bank of Boston assisted the bill dealers who found themselves in difficulties. Holdings of bankers' acceptances rose from $2,000,000 on February 15 to $64,000,000 on March 15, thereafter declining steadily and practically disappearing entirely from the portfolio late in May. Not until December 8 did anything approaching seasonal buying of acceptances develop and even then only to a limited extent.

The Federal Reserve Act provides for rediscounting between Federal reserve banks. Such action, however, takes place as a rule only during periods of emergency. This year the Federal Reserve Bank of Boston advanced money to other Federal reserve banks through discounts and purchase of United States securities and acceptances for the period of a week between March 8 and March 14, inclusive. This was the first time that such operations between the Federal Reserve Bank of Boston and other Federal reserve banks had occurred since December, 1921. Such inter-reserve bank operations had been quite general during the difficult years of 1920 and 1921 but had been entirely absent during the eleven years from December, 1921, to March, 1933.

BANKERS' ACCEPTANCES

The low level of foreign trade during 1933 was largely responsible for the small amount of acceptances made in the United States. The average volume of acceptances for the country as a whole was lower than in any year since 1926, the decline being especially marked in those acceptances based upon foreign trade and those issued for dollar exchange. On the other hand, the volume of acceptances based on warehouse credits was well maintained, the average for 1933 being substantially the same as that in 1932 and 1931. During the second half of the year there was also an expansion in the volume of acceptances issued against imports.

The representation of the First Federal Reserve District was well maintained in the aggregate of acceptance liabilities for the country as a whole. The volume of acceptances made in New England was exceeded only by that in the New York district. Boston acceptance liabilities consistently exceeded those of the Chicago district in every month of the year, and also exceeded the aggregate of the next two largest districts, Philadelphia and San Francisco, combined.

The fact that the Federal Reserve Bank of Boston held practically no bankers' acceptances during the greater part of the year reflected not so much the lack of supply of acceptances as the demand for such paper on the part of member banks. Bill dealers found little difficulty in selling their acceptances to member banks, who sought that type of paper as a desirable form of liquid secondary reserve. Although the total supply of such acceptances for the country as a whole was considerably less in 1933 than in 1932, member bank holdings generally were fully up to the level of 1932. Thus there was no necessity on the part of bill dealers to come to the Federal Reserve Bank of Boston to obtain help in carrying unsold bills, excepting during a few weeks in March and December. In view of this situation, the Federal Reserve Bank of Boston allowed the buying rate for acceptances in the open market to remain practically unchanged throughout the year, with the exception of special arrangements made during the emergency period immediately preceding the bank holiday.

During and just preceding the bank holiday acceptances amounting to $15,000,000 were bought from member banks and bill dealers in this district, $5,000,000 from other Federal reserve banks, and $50,000,000 for the System account. Those purchases increased the average volume carried for the year about $6,000,000 and the volume of acceptances held at any one time to a peak of $66,000,000 on March 14.

ACCEPTANCE LIABILITY

Of All Banks and Acceptance Corporations in Federal Reserve District I

		1933	*1932*	*1931*	*1930*
January	31	$43,000,000	$60,000,000	$133,000,000	$166,000,000
February	28	41,000,000	58,000,000	125,000,000	157,000,000
March	31	41,000,000	54,000,000	113,000,000	151,000,000
April	29	43,000,000	54,000,000	102,000,000	145,000,000
May	31	46,000,000	46,000,000	106,000,000	145,000,000
June	30	47,000,000	43,000,000	104,000,000	136,000,000
July	31	48,000,000	43,000,000	98,000,000	134,000,000
August	31	44,000,000	42,000,000	91,000,000	129,000,000
September	30	44,000,000	40,000,000	81,000,000	122,000,000
October	31	45,000,000	41,000,000	71,000,000	137,000,000
November	30	47,000,000	43,000,000	66,000,000	145,000,000
December	30	47,000,000	42,000,000	62,000,000	145,000,000

OPEN MARKET OPERATIONS

Open market operations, indeed practically all operations of the Federal Reserve Bank of Boston, were dominated during the greater part of 1933 by the purchase and sale of Government securities. As noted elsewhere in this report, the volume of bankers' acceptances purchased in the open market was exceptionally low. Furthermore, the recourse of member banks to the Federal Reserve Bank of Boston was at a minimum, partly as a result of the credit released to the member banks through the purchase of United States Government obligations in the open market. Holdings of United States Government obligations amounted to $93,000,000 on May 17. They reached a peak of $158,000,000 on November 8, at which level they remained for the rest of the year. This large volume of government securities brought the level of total earning assets, in spite of the almost complete absence of acceptances and member bank discounts, to the highest level in recent years.

During the latter part of May a large open market investment program on the part of the Federal reserve system as a whole was begun, and this buying program continued until into November, during which period Government security holdings of the Federal Reserve Bank of Boston were increased almost $65,000,000 by means of weekly participations allotted on a percentage basis to the Federal Reserve Bank of Boston by the open market committee.

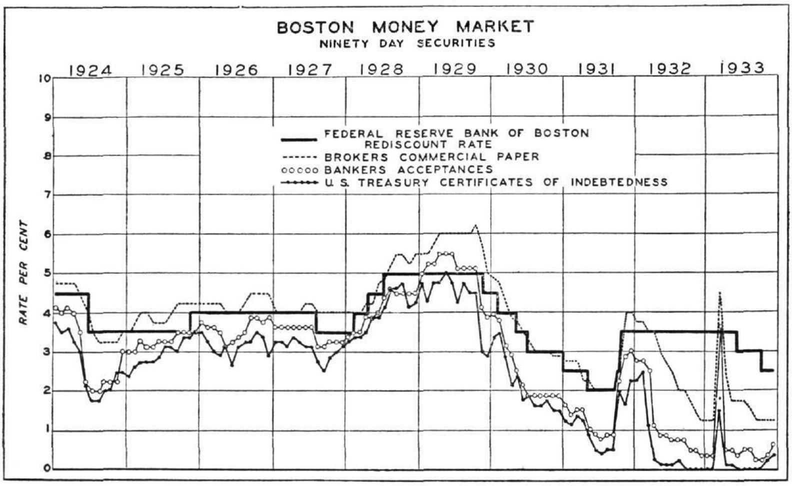
MEMBER BANK RESERVE DEPOSITS

As a general rule the volume of member bank reserve deposits in the Federal Reserve Bank of Boston follows very closely the movement of deposits in the member banks. In normal times it is the custom of member banks to carry a minimum of idle excess reserves so that their reserve deposits are maintained close to the required percentages of reserves. The year 1933, however, was an exception. At times the member banks were carrying heavy excess reserves. Consequently, the movement of member bank reserve deposits in the Federal Reserve Bank of Boston fluctuated widely, and frequently without any reference to the level of deposits in the member banks. During January and February, when distrust of the banks was steadily increasing, the banks expanded their excess reserves to large proportions, at a time when the deposits in the member banks were declining. Following the restoration of confidence after the reopening of the banks in March, such excess reserves dropped rapidly to the lowest point for the year during April and May, coinciding with an increase in deposits in the member banks. Subsequently, excess reserves were again built up, reaching another high point in November when they rose to the hitherto unparalleled average of $75,000,000 for all member banks in the First Federal Reserve District.

In ordinary times the percentage of reserve deposits to total deposits of all kinds in the Boston member banks averages somewhere between 8½ per cent and nine per cent. During December, 1933, however, they fluctuated between 11 per cent and 12 per cent. Much the same thing was noticeable in the case of the weekly reporting outside member banks, where the customary percentage is in the neighborhood of five per cent, as compared with seven to eight per cent in December, 1933. This situation is doubly significant in view of the fact that during 1933 banks were carrying an abnormally large amount of United States Government deposits, against which no reserve is required.

MONEY RATES AND DISCOUNT RATES

At the opening of 1933 money rates were at record low levels. Late in February and during March rates advanced sharply, subsequently declining until, during September, October, and early November, they again reached the low levels obtaining in the first two months of the year. During the last seven weeks of the year money rates became noticeably firmer. The open money markets, like the operations of the Federal reserve banks and of the member banks, were dominated by the Government security market. This is best indicated by the average yields at which short-term discount bills were issued by the Treasury Department. At the close of 1932, an issue of such bills dated December 28, 1932, brought an average yield to the investor of only .09 per cent. This yield was increased in subsequent new bill issues to a maximum of 4.26 per



cent for the issue of March 6, 1933, then declined steadily until two issues were sold at an average rate of .10 per cent on September 27 and October 4, practically the same low level as on December 28, 1932. From that date onward the price of Government money increased steadily and rapidly until finally the issues for December 20 at .74 per cent and for December 27 at .73 per cent brought the highest levels since April.

This firming tendency in money rates, led by United States Treasury bills, was communicated to other departments of the money market. For example, the asking rate for 90-day acceptances,—which was only 1/4 of one per cent for several weeks during January and February, then rose sharply to 3 5/8 per cent on March 13-15, later declining again by rapid degrees to the former record low level of 1/4 per cent, where it remained throughout September, October, and part of November,—rose abruptly to 5/8 of one per cent early in December. The low rates for acceptances during much of the year undoubtedly reflected the exceptionally keen demand for such paper on the part of member banks, coupled with the comparatively small supply of such bills available. Other less sensitive forms of paper, such as brokers' commercial paper, responded to a less marked degree to the same influences.

The low rate for short-dated paper of all kinds contrasted during 1933 with the high yields obtainable throughout the year on long-term bonds. It is significant that the price of United States long-term bonds was far more steady than the price of corporate bonds. Weekly reporting member banks in nine New England cities alone increased their holdings of Government securities $42,000,000 between June 7 and November 1, while reducing their holdings of other bonds and stocks during the same period about $9,000,000. During this period the Standard Statistics Company's bond price index indicated that the price of United States bonds was well maintained, declining only from 103.5 to 103.1, while the price of corporation bonds fell from 78.1 to 73.6. It is estimated that all banks in the United States, including member banks, nonmember banks, mutual savings banks, and Federal reserve banks, held over $10,000,000,000 of United States obligations in December, 1933. This constituted about 45 per cent of the entire Government debt.

The discount rate of the Federal Reserve Bank of Boston was reduced twice during 1933. As the year opened, the 3½ per cent rate which had been in effect since October 17, 1931, was still effective and remained so until June 1, at which time the rate was reduced to three per cent. A second reduction on November 2 brought the discount rate of the Federal Reserve Bank of Boston to 2½ per cent, at which level it remained to the end of the year. This low rate was partly in recognition of the low yields prevailing in all departments of the open money market and partly in recognition of the improved liquidity and generally strong position of the member banks throughout the district.

BOSTON MONEY MARKET, 1933

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 Paper*
January	4–5%	3–4½%	4–5%	0%	⅜%	1¼%
February	4–5	3–4½	4–5	0	⅜	1¼
March	5–5½	4½–5½	5	1½	3⅝	4½
April	4½–5	3½–4	5	⅛	½	2½
May	4½–5½	3–5	4½–5	⅛	½	1¾
June	4–5	3–5	4–4½	0	⅜	1¾
July	4–5	3–5	5¾	0	½	1¾
August	4–4½	3–5	4–5¾	0	½	1½
September	4–5	2–5	5–5¾	0	¼	1¼
October	4–5	2–5	5½–5¾	0	¼	1¼
November	4–5	2–5	5–5¾	¼	⅜	1¼
December	4–5	2–4	4–5	⅜	⅝	1¼

FEDERAL RESERVE NOTES AND BANK NOTES

As in the case of the total earning assets of the Federal Reserve Bank of Boston, so in the case of the volume of Federal reserve notes outstanding during 1933, seasonal influences were noticeably absent. The heavy demands attending the withdrawal of currency preceding and during the bank holiday resulted in a peak of $265,000,000 of Federal reserve notes outstanding in this district on March 14, as compared with the year's lowest figure of $185,000,000 on January 25. The rapid return flow of currency marking the period of the reopening of licensed banks reduced this circulation to $219,000,000 on May 26, near which level it fluctuated for six months. The volume of Federal reserve notes in circulation, although dropping on November 2 to $214,000,000, was relatively high in comparison with that which prevailed in the preceding ten years. As a result of the large volume of Federal reserve notes already in circulation, there was, contrary to seasonal expectation, no appreciable expansion in currency outstanding during the fall, the highest amount of Federal reserve notes outstanding at any time during December being $236,000,000. The average amount of Federal reserve notes outstanding was $28,000,000 more than in 1932.

The volume of Federal reserve note circulation in this district was not greatly altered by the use of Federal reserve bank notes, which never amounted to a large figure, exceeding $21,000,000 only by a small amount for a few days following Thanksgiving. Although the Act providing for their issue permits the use of discounted and purchased bills as cover, it was at no time necessary for the Federal Reserve Bank of Boston to resort to such cover, the bank notes being at all times fully secured by United States Government obligations.

RESERVE POSITION

During January total cash reserves of the Federal Reserve Bank of Boston stood at a high figure. They dropped abruptly during February and March, rose again to an all time peak of $351,000,000 on June 25, then declined steadily to $255,000,000 on December 13, and closed the year at $254,000,000. The decline in cash reserves during February and March reflected the demands made upon the Federal Reserve Bank of Boston by its member banks to which it loaned some $23,000,000, in addition to furnishing funds through open market purchases of acceptances and

United States Government securities. The greater part of this expansion in Federal reserve credit outstanding was due to an increase in Federal reserve notes which require a 40 per cent gold reserve. There were also during the early part of this period substantial withdrawals of gold which decreased the reserves of the Federal reserve bank. As a consequence of these developments, the reserve ratio of the Federal Reserve Bank of Boston dropped to 47.0 per cent on March 8; this compares with 71.8 per cent on December 31, 1932 and with 63.0 per cent on December 30, 1933. The low reserve ratios of March were of short duration. The reserve position of the Federal Reserve Bank of Boston steadily improved until a ratio of 80.1 per cent was reached on June 7. Since the reserve ratio is influenced not only by the volume of reserves but also by the movements of Federal reserve notes and deposit liabilities, against which reserves must be carried, the reserve ratio does not necessarily fluctuate directly at all times with the volume of total cash reserves.

BANKING INDICES — NEW ENGLAND

Data as of last reporting date each year
(Amounts in millions of dollars)

REPORTING MEMBER BANKS

In Boston:	*1933*	*1932*	*Change in One Year* Amount	*Change in One Year* Percentage
1. Commercial Loans	$236	$216	+$20	+ 9.3%
2. Real Estate Loans	44	46	— 2	— 4.3
3. Collateral Loans	185	195	— 10	— 5.1
4. Total Loans	465	457	+ 8	+ 1.8
5. U. S. Securities	212	231	— 19	— 8.2
6. All Other Securities Owned .	96	95	+ 1	+ 1.1
7. Total Bonds and Stocks . .	308	326	— 18	— 5.5
8. Total Loans and Investments	773	783	— 10	— 1.3
9. Net Demand Deposits . . .	554	544	+ 10	+ 1.8
10. U. S. Government Deposits . .	63	15	+ 48	+320.0
11. Time Deposits	160	196	— 36	— 13.3
12. Total Deposits	777	755	+ 22	+ 2.9
13. % of Reserve to Total Deposits	12.2%	8.5%	+ 3.7 points	
14. % of Loans and Discounts to Total Deposits	59.8%	60.5%	— 0.7 points	

BANKING INDICES — NEW ENGLAND (*continued*)

	1933	1932	Change in One Year Amount	Change in One Year Percentage
Outside of Boston:				
15. Commercial Loans	$ 99	$107	—$ 8	— 7.5%
16. Real Estate Loans	82	84	— 2	— 2.4
17. Collateral Loans	91	105	— 14	— 13.3
18. Total Loans	272	296	— 24	— 8.1
19. U. S. Securities	133	109	+ 24	+ 22.0
20. All Other Securities Owned	104	116	— 12	— 10.3
21. Total Bonds and Stocks	237	225	+ 12	+ 5.3
22. Total Loans and Investments	509	521	— 12	— 2.3
23. Net Demand Deposits	230	238	— 8	— 3.4
24. U. S. Government Deposits	19	5	+ 14	+280.0
25. Time Deposits	243	245	— 2	— 0.8
26. Total Deposits	492	488	+ 4	+ 0.8
27. % of Reserve to Total Deposits	7.1%	4.9%	+ 2.2 points	
28. % of Loans and Discounts to Total Deposits	55.3%	60.6%	— 5.3 points	
MONEY RATES (Boston)				
Open Market:				
29. Brokers' Prime Commercial Paper	1¼%	1¼%	0	
30. Bankers' Prime 90-day Acceptances	½	⅜	+ ⅛ point	
31. Treasury Certificates of Indebtedness (June 15 maturity)	.25	0	+ .25 points	
32. Call Money (Boston)	1½	2	— ½ point	
At Member Banks:				
33. Prime Commercial Loan Rate	2–3%	3–4%	— 1 point	
34. Time Collateral Loan Rate	4–5	4–5	0	
At Federal Reserve Bank of Boston:				
35. Discount Rate	2½%	3½	— 1 point	
36. Buying Rate on Acceptances	3–3½	3–3½	0	
MISCELLANEOUS				
37. Acceptance Liabilities (F. R. District 1)	$ 47	$ 42	+$ 5	+ 11.9%
Mutual Savings Banks:				
38. Deposits in 62 Reporting Banks in 6 New England States	$1,650	$1,676	—$26	— 1.6%
Check Transactions (year's totals):				
39. Boston	$11,938	$12,603	—$665	— 5.3%
40. Outside New England Cities	6,095	6,650	— 555	— 8.3
41. Total—16 Cities	18,033	19,253	—1,220	— 6.3

COMPARATIVE STATEMENT OF CONDITION

Resources

	Dec. 30, 1933	Dec. 31, 1932
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 . . .	$192,672,080.00	$181,027,080.00
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	1,977,474.80	2,123,112.85
Gold and gold certificates in vault . . .	22,092,146.29	13,807,705.90
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	19,239,961.16	14,425,725.46
Legal tender notes, silver and silver certificates, national and Federal Reserve bank notes, subsidiary silver, nickels and cents in the vaults of the bank (available as reserve only against deposits) . . .	18,043,778.85	21,486,734.63
Total Gold Reserves and Other Cash	$254,025,441.10	$232,870,358.84
Redemption Fund, Federal reserve bank notes, Represents deposit of lawful money with Treasurer of the United States which shall at no time be less than 5 per cent of Federal reserve bank note circulation	$ 1,250,250.00	$ 0
LOANS AND INVESTMENTS		
Loans to member banks:		
On the security of obligations of the United States	$ 2,715,000.00	$ 3,085,746.60
By the discount of commercial or agricultural paper or acceptances	2,145,100.32	8,727,212.71
Acceptances bought in the open market .	28,671,228.18	2,248,510.82
United States Government bonds, notes, certificates of indebtedness, and bills .	157,671,000.00	96,667,500.00
Total Loans and Investments . .	$191,202,328.50	$110,728,970.13
MISCELLANEOUS RESOURCES		
Bank premises	$ 3,224,177.25	$ 3,280,009.25
Checks and other items in process of collection	50,938,283.68	45,141,385.12
All other miscellaneous resources . . .	650,105.49*	1,182,487.26
Total Miscellaneous Resources . .	$ 54,812,566.42	$ 49,603,881.63
Total Resources	$501,290,586.02	$393,203,210.60

* Includes $298,442.26 claims suspended banks.
$255,442.75 due from foreign banks.

COMPARATIVE STATEMENT OF CONDITION

Liabilities

	Dec. 30, 1933	Dec. 31, 1932
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	$234,304,660.00	$195,960,340.00
Federal reserve bank notes in actual circulation, payable on demand. These notes are secured in full by United States obligations	19,976,450.00	0
Total Currency in Circulation . .	$254,281,110.00	$195,960,340.00
DEPOSITS		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers	$165,945,217.95	$119,419,579.38
United States Government deposits carried at the reserve bank for current requirements of the Treasury	101,964.30	667,886.99
Other deposits, including foreign deposits, deposits of non-member banks, etc. . .	2,740,709.08	1,629,754.48
Total Deposits	$168,787,891.33	$121,717,220.85
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	$ 46,344,857.06	$ 43,754,393.46
All other miscellaneous liabilities . . .	770,245.63	454,882.52
Total Miscellaneous Liabilities . .	$ 47,115,102.69	$ 44,209,275.98
Reserve for losses	$ 702,322.63	$ 0
CAPITAL AND SURPLUS		
Capital paid-in, equal to 3 per cent of the capital and surplus of member banks .	$ 10,563,750.00	$ 10,855,900.00
Surplus—that portion of accumulated net earnings which the bank is legally required to retain	19,840,409.37	20,460,473.77
Total Capital and Surplus	$ 30,404,159.37	$ 31,316,373.77
Total Liabilities	$501,290,586.02	$393,203,210.60

COMPARATIVE STATEMENT OF CONDITIONS

The foregoing statements of the Federal Reserve Bank of Boston as of December 31, 1932, and of December 31, 1933, show the following changes during the year 1933.

1. Loans to member banks show a decrease of $7,000,000.
2. Bankers' acceptances purchased in the open market increased $19,900,000.
3. United States Government securities bought in the open market increased $61,000,000.
4. Total earning assets increased $80,000,000.
5. Total gold reserves increased $24,600,000.
6. Member banks' reserves increased $46,500,000.
7. Total deposits increased $47,000,000.
8. Reserve percentages against combined Federal reserve notes and deposit liabilities decreased from 71.8% to 63.9%.

ANALYSIS OF INCOME AND DISBURSEMENTS

As shown by the accompanying table, the total earnings from the ordinary bank activities varied but slightly from those of 1932,—$2,774,080.62 in 1933 as compared with $2,774,303.27 in 1932. On the other hand, the increases to profit and loss account were less than in the previous year, so that the total income was about $116,000.00 less than in the previous year. The source of earnings, however, changed materially, the increase from loans being considerably smaller than in 1932, and an offsetting increase from United States securities. Due to the exigencies of the bank holiday in March, the operating expenses and cost of Federal reserve currency increased, the former by $57,000.00 and the currency costs by $137,000.00.

After making allowances for depreciation on bank building and reserves against possible losses, the net increase for the year was $25,616.40 as compared with $686,638.96 in 1932.

As the net increase for the year was not sufficient to pay the six per cent dividend on the capital stock of $645,680.80, it was necessary to draw on the surplus account $620,064.40, leaving a balance of $19,840,409.37 in that account.

INCOME AND DISBURSEMENTS

	1933	*1932*
EARNINGS		
From loans to member banks and paper discounted for them	$ 302,776.34	$ 931,538.88
From acceptances owned	227,020.32	204,593.79
From U. S. Government obligations owned	2,135,075.15	1,546,769.08
Other earnings	109,208.81	91,401.52
Total earnings	$2,774,080.62	$2,774,303.27
Additions to earnings	90,643.82	206,359.46
Total income applicable to expenses and other deductions	$2,864,724.44	$2,980,662.73
DEDUCTIONS FROM TOTAL INCOME		
For the expense of current bank operations (including the non-reimbursable expense incurred as Fiscal Agent of the United States)	$1,830,649.68	$1,773,168.44
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	243,580.10	107,014.96
For depreciation, reserves, losses, etc.	764,878.26	413,840.37
Total deductions	$2,839,108.04	$2,294,023.77
Net income available for dividends and additions to surplus	$ 25,616.40	$ 686,638.96
DISTRIBUTION OF NET INCOME		
Dividends paid to member banks at the rate of 6 per cent on paid-in capital	$ 645,680.80	$ 675,510.57
Transfer to or from surplus	620,064.40*	11,128.39
Total net income distributed	$ 25,616.40	$ 686,638.96

* Transferred from surplus.

DEPOSIT INSURANCE

Under the provisions of the Banking Act of 1933, all member banks were automatically admitted to the provisions of the Temporary Insurance Fund, operative January 1, 1934, which will insure deposit accounts of such banks up to and including $2,500 until July 1, 1934, when the Permanent Insurance Fund will become effective. Every effort was made to bring all licensed member banks up to a standard by December 31, 1933, in regard to capital structure, and where local interests could not procure the needed additional capital this was procured through the assistance of the Reconstruction Finance Corporation.

MEMBERSHIP

On January 1, 1933, there were 367 member banks of the Federal Reserve System in the First Federal Reserve District,—338 national banks and 29 State banks. There was no change in membership up to the time of the bank holiday on March 6. Immediately following the bank holiday, 268 (73 per cent) were licensed by the Secretary of the Treasury to reopen. The reopened banks held $1,588,000,000 deposits, or 87 per cent of the total for all member banks. Of the remaining 99 banks, 39 had been licensed to reopen by May 1, and 13 more were licensed during the remainder of the year, making a total of 320 of the original banks licensed. In addition, 25 banks that were in existence January 1 were succeeded by 24 new national banks, five consolidated with other banks, three became branches, one State member bank withdraw voluntarily, and one State member bank went into liquidation. This left 12 of the original banks which had not been licensed at the end of the year; ten of these had plans of reorganization in process which had been approved by the Comptroller of the Currency and two had no plans for reorganization. In addition to the changes caused directly by the bank holiday, 15 State banks and three new national banks were admitted to the system and four national banks went into voluntary liquidation to become branches of a nonmember State bank, one national bank consolidated with another national bank in the same town and two member trust companies voluntarily withdrew from membership. The total number of member banks in the First Federal Reserve District on December 31, 1933, was 355, of which 318 were national banks and 37 were State banks.

BANK ORGANIZATION AND PERSONNEL

Directors: On December 31, 1933, the terms of Mr. Edward S. Kennard as Class A director, Mr. Edward J. Frost as Class B director, and Mr. Allen Hollis as Class C director and Deputy Chairman, expired. Mr. Kennard and Mr. Frost were re-elected as Class A and Class B directors, respectively, by member banks in Group 3 for three-year terms, Group 3 being composed of banks having a combined capital and surplus of less than $300,000. Mr. Hollis was reappointed by the Federal Reserve Board as Class C director for a term of three years, and was also re-designated by the Board as Deputy Chairman for the year 1934.

Mr. Frederic H. Curtiss was redesignated by the Federal Reserve Board as Chairman of the Board of Directors and Federal Reserve Agent for the year 1934. On March 13, 1933, Mr. William D. McRae, for several years Manager of the Department of Examination, was appointed an Assistant Federal Reserve Agent.

Personnel: The number of employees on December 31, 1933, other than officers, was 665 compared with 648 on December 31, 1932.

Advisory Council: At a meeting of the Board of Directors held on January 11, 1933, Mr. Thomas M. Steele, President of The First National Bank and Trust Company of New Haven, New Haven, Connecticut, was reappointed member of the Federal Advisory Council to represent the First Federal Reserve District for the year 1933.

STOCKHOLDERS' MEETING

The eleventh annual meeting of representatives of member banks was held at the Federal Reserve Bank of Boston on November 10, 1933, with 291 representatives from 206 member banks in attendance. The Chairman of the Stockholders' Advisory Committee, Mr. Earle W. Stamm, Vice President and Cashier of The National Bank of Commerce of New London, New London, Connecticut, presided. The principal speaker was Hon. Eugene R. Black, Governor of the Federal Reserve Board, who discussed the powers of the Federal Reserve Board and the banking developments and problems of 1933. A review of some of the provisions of the Banking Act of 1933 was given by Mr. John T. Noonan of Boston. Other speakers were Mr. Frederic H. Curtiss, Chairman of the Board of Directors, and Governor Roy A. Young. At the conclusion of the meeting, Mr. Stamm announced that the Stockholders' Advisory Committee had elected Mr. Allan Forbes, President of State Street Trust Company, Boston, Massachusetts, as chairman of the committee for the ensuing year.

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*	*1933*	*1932*
Bills Discounted:		
Applications	4,856	9,235
Notes discounted	17,376	48,666
Bills purchased in open market for own account	6,443	2,089
Currency received and counted	190,864,000	210,237,000
Coin received and counted	314,004,000	326,430,000
Checks handled	71,378,000	79,644,000
Collection Items Handled:		
U. S. Government coupons paid	1,155,000	1,145,000
All other	444,000	451,000
U. S. Securities:		
Issues, redemptions and exchanges by Fiscal Agency Department (see note)	162,000	103,000
Transfers of funds	38,000	44,000
AMOUNTS HANDLED		
Bills discounted	$ 265,882,000	$ 667,765,000
Bills purchased in open market for own account	95,747,000	49,907,000
Currency received and counted	1,075,158,000	1,264,411,000
Coins received and counted	40,389,000	30,586,000
Checks handled	10,205,783,000	11,192,741,000
Collection Items Handled:		
U. S. Government coupons paid	38,935,000	34,478,000
All other	528,728,000	642,642,000
U. S. Securities:		
Issues, redemptions and exchanges by Fiscal Agency Department (see note)	1,128,706,000	914,955,000
Transfer of funds	3,339,115,000	8,661,681,000

* Two or more checks, coupons, etc., handled as a single item, are counted as one "piece".

NOTE: Figures for 1933 are exclusive of 151 Federal Intermediate Credit Bank debentures and Federal Land Bank bonds redeemed amounting to $740,000. Fiscal Agency figures for 1932 on same basis are as follows: Number, 103,000; amount, $906,690,000.

FEDERAL RESERVE BANK OF BOSTON

Officers and Directors
1933

OFFICERS

Roy A. Young, *Governor*
William W. Paddock, *Deputy Governor*
William Willett, *Cashier*
Krickel K. Carrick, *Secretary*
Frederic H. Curtiss, *Federal Reserve Agent*
Charles F. Gettemy, *Assistant Federal Reserve Agent*
William D. McRae, *Assistant Federal Reserve Agent*
Harry F. Currier, *Auditor*
Ellis G. Hult, *Assistant Cashier*
Ernest M. Leavitt, *Assistant Cashier*
Carl B. Pitman, *Assistant Cashier*
L. Wallace Sweetser, *Assistant Cashier*

DIRECTORS

Class and Group				*Term Expires December 31*
A 1	Alfred L. Ripley,	Chairman of the Board, The Merchants National Bank of Boston	Boston, Mass.	1935
A 2	F. S. Chamberlain,	President, The New Britain National Bank	New Britain, Ct.	1934
A 3	Edward S. Kennard,	Vice-President and Cashier, The Rumford National Bank	Rumford, Me.	1936
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	Edward J. Frost,	Vice-President and Director, Wm. Filene's Sons Company	Boston, Mass.	1936
C	Frederic H. Curtiss,	Chairman	Boston, Mass.	1935
C	Allen Hollis,	Deputy-Chairman, Lawyer	Concord, N. H.	1936
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 of New Haven
New Haven, Conn.