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TWENTY-FIRST ANNUAL REPORT OF THE
FEDERAL RESERVE BANK
OF BOSTON

FOR THE YEAR ENDED
DECEMBER 31, 1935



· BOSTON · MASSACHUSETTS ·

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BOSTON, MASSACHUSETTS

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LETTER OF TRANSMITTAL

BOSTON, MASS., March 2, 1936.

HON. MARRINER S. ECCLES, *Chairman,*
Board of Governors of the Federal Reserve System,
Washington, D. C.

Sir:

I have the honor to submit herewith the Twenty-first 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, 1935, to December 31, 1935.

Respectfully yours,

FREDERIC H. CURTISS,
Chairman and Federal Reserve Agent

TWENTY-FIRST ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

INTRODUCTORY

THE year 1935 witnessed further recovery in commerce and industry for the New England territory as well as in the United States as a whole. The enactment of the Banking Act of 1935, approved August 23, 1935, was an outstanding development for the Federal Reserve System.

In 1935 an unparalleled volume of gold flowed to the United States, and gold stocks increased by \$1,885,000,000 to the record figure of \$10,123,000,000. Accompanying this inflow of gold, excess reserves of all member banks throughout the country rose from \$1,038,000,000 to \$2,852,000,000 on December 31, 1935. Early in December excess member bank reserves reached the unprecedented figure of \$3,324,000,000. The decline during the second half of December resulted largely from Treasury transactions. A large amount of the proceeds of new securities sold were paid for directly rather than by the establishment of deposit balances to the account of the Treasury at subscribing member banks. As a result there was an increase on December 16 of some \$600,000,000 in United States deposits in the Federal reserve banks, accompanied by a similar decline in member bank excess reserves.

Although new borrowing by the Treasury continued on a large scale in 1935, balances carried by the United States Government on deposit at member banks declined during the year, while Government deposits at Federal reserve banks increased. In the aggregate the Treasury working balance was reduced. Treasury expenditures from its balances and from the proceeds of additional securities sold to banks resulted in an increase in member bank deposits held for the general public. Demand deposits at these banks rose in 1935 to levels never before attained.

Although deposits in member banks throughout the country increased more than \$4,500,000,000 during 1935, there was an increase of less than \$300,000,000 in loans to commercial borrowers. A larger amount of new loans to business was offset in part by the liquidation

of old loans. Member bank holdings of direct obligations of the United States Government increased by \$600,000,000 in 1935 and their holdings of obligations issued by Government agencies and guaranteed by the Government increased by \$570,000,000.

Advances by Government lending agencies, which are financed largely by funds obtained from the sale of securities to banks and the public, increased further in 1935. Loans and investments of these agencies, including purchases of preferred stock and capital notes and debentures of banks and excluding investments in direct obligations of the United States Government and in securities of Government agencies, increased by about \$1,000,000,000, to a total of more than \$9,000,000,000 at the end of the year. The increase in 1935 reflected principally a growth of \$840,000,000 in mortgage loans and of \$250,000,000 in crop, livestock, and commodity loans, while other loans declined.

BUSINESS CONDITIONS IN NEW ENGLAND

The low point in business activity for New England occurred in 1932 when the average rate of operations, according to the index compiled by the New England Council, was 67.7 per cent of the computed normal. A study of 34 principal series relating to all types of economic activity in this district shows that 16 series were lowest in 1932, eight in 1933, three in years other than 1932 or 1933, while five series registered no recovery of other than a temporary nature. Generally the series pertaining to production and orders, employment and payrolls, agriculture, public construction, and prices were lowest in 1932, while series relating to check transactions and retail trade, life insurance sales and savings deposits, private construction, and the cost of living reached their lowest level in 1933. Shoe production receded moderately in 1930 and since has steadily expanded, while wool consumption and receipts contracted sharply in 1934 only to recover under the impetus of the revival in the demand for men's clothing to a new high in 1935. There was no recovery in new business incorporations and the cotton textile industry after a brief expansion in 1933 lapsed into the downward trend in force in this district for over 12 years.

The distinguishing feature of business recovery during 1935 was the steadiness of the upward tendency, principally in the last half of the year in contrast to the course of recovery in 1933 and 1934, which was characterized by wide variations in the month to month changes, stimulated or depressed by unusual events, ranging from bank holidays and codes, to the textile strike. The rise in industrial

activity during the past year, which averaged 10.4 per cent above 1934, resulted from gains in the volume of electric power production and boot and shoe output, as well as in the record mill consumption of raw wool. There was a marked recovery of approximately nine per cent in the machine tool and metal trade industry. Meanwhile, private construction under the stimulus of residential building more than offset the losses in the value of new public works and utilities. A slight improvement was noted in retail trade during 1935.

The extent of the recovery in 1935, as compared with 1934, is indicated by the appended table, comprising 59 series relating to business conditions in New England. The changes in over 80 per cent of these series reflected improved conditions. If the series relating to the cotton textile industry are excluded, then only six were unfavorable, namely, the declines in the number of new incorporations, the amount of new life insurance sales, the value of new contracts awarded in public works and utilities, and possibly the rises in the cost of living series.

Recreation: At the present time no adequate measure of the amount of recreational activity in New England has been developed. The economic importance of New England as an all year recreational center has been growing rapidly in the depression years. For many years New England with its wide variety of mountain, countryside, and seashore resorts was a popular summertime playground. It has been only in the past four or five years that there has been any such effort to promote New England as a winter sports area. The "snow train", an innovation of our own railroads, has become a familiar institution. This year because of the widespread interest in winter sports activities it was possible to successfully stage an indoor ski exposition and tournament. Thus New England, which experienced the best tourist trade activity in its history last summer, has now found an additional source of revenue in its natural resources for winter sports.

Agriculture: Under the influence of rising farm prices, total acreage in cultivation of the principal New England crops increased 1.5 per cent with a corresponding rise in the farm value of the crops during 1935 over the preceding year. There was an effective reduction in acreage, production, and yield in the potato crop, with a resultant improvement in farm value as the average price per bushel rose from 25.9 cents in 1934 to 58.2 cents during 1935. The farm value of the potato crop in 1935 was \$26,855,000, a gain of 57.6 per cent over the 1934 value. The stocks of marketable potatoes on hand at the end of 1935 were also lower than the previous carry over by 36.5 per

cent. Three other New England cash crops reflected improvement in farm value. The 1935 tobacco crop was valued at the farm as worth \$7,002,000, compared with \$6,518,000 in 1934, principally because of increased production rather than higher unit prices. While the cranberry crop was only slightly larger in 1935, higher prices per barrel increased the farm value from \$3,016,000 in 1934 to \$3,450,000 during 1935. The commercial apple crop was 3,654,000 bushels in 1935, compared with 1,942,000 bushels in 1934, but the value at the farm only increased from \$2,511,000 to \$3,790,000, as the price declined approximately 50 cents per bushel.

Building: Residential building is divided into two broad classifications. The first group includes those types of construction, such as hotels, apartments, and dormitories, which are designed to accommodate the transient elements of the population or those preferring multiple-scale dwellings. The second classification is that of one- and two-family houses, which might be more properly designated as construction for homes. It was in this type of residential building that the increase in construction contracts awarded occurred during 1935. The following table shows the distribution of the contracts awarded for one- and two-family houses in New England:

ONE- AND TWO-FAMILY HOUSE CONTRACTS—NEW ENGLAND

	1935	1934	1933
Single Houses for Owner Occupancy	\$18,892,000	\$14,415,000	\$20,369,000
Single Houses for Rent	10,772,000	7,077,000	7,369,000
Two-Family Houses	1,203,000	814,000	1,244,000
Housing Developments	3,787,000	1,355,000	1,823,000
Total One- and Two-Family Houses	\$34,655,000	\$23,661,000	\$30,805,000

The table below summarizes the changes in one- and two-family house contracts awarded during 1935, as compared with the low point in 1934.

SUMMARY OF ONE- AND TWO-FAMILY HOUSE CONTRACTS
AWARDED IN NEW ENGLAND

	1935	1934	Per Cent Change
Number of Buildings	6,190	4,271	+44.9%
Square Feet of Floor Space	9,941,500	6,432,000	+54.6
Value of Contracts	\$34,655,200	\$23,751,000*	+45.9
Average Value per Building	\$5,598.58	\$5,560.97	+ 0.6
Average Cost per Square Foot	\$3.49	\$3.69	- 5.4

* Value of 1934 contracts stated here does not compare with the revised figures given in the previous table.

The significant feature of the increase in both the value and the volume of one- and two-family house construction during 1935 is that there was no reduction in the unit value of the houses constructed despite a slight reduction in the cost per square foot.

Textiles: When the comparison of the textile industry is based on the volume of consumption of the staple raw materials, cotton and wool, it is evident that during the past year cotton mill activity in New England was lower than in any previous year since 1932, but woolen and worsted mill activity was best since the data have been compiled beginning in 1921.

The number of bales of raw cotton consumed by New England cotton manufacturing establishments in 1935 amounted to 805,793 bales, a reduction of 11.4 per cent from the 908,994 bales consumed in the previous year. Furthermore, the volume of consumption in 1934 was 6.6 per cent lower than in 1933, principally attributable to the interruption in manufacturing activity during September, 1934, as a result of the textile strike. Amongst the six New England states, four reported reductions in cotton consumption. These reductions ranged from two per cent in Massachusetts to 28.9 per cent in New Hampshire. The loss of almost 47,000 bales of cotton consumption in New Hampshire during 1935 was principally centered in a single unit. There were increases in cotton consumption in Vermont and Connecticut, amounting to 27 and 15.9 per cent, respectively. Stocks of raw cotton held at New England mills at the end of December, 1935, were 19.5 per cent lower than at the close of 1934.

There was a continuation of the downward trend in force during the past 12 years in cotton spindles in place in New England. At the close of 1935 there were 9,008,000 spindles in place, as compared with 18,862,000 spindles on December 31, 1923. The entire six New England states reported reduction in spindlage of 14.2 per cent, ranging from 2.6 per cent in New Hampshire to 26.9 per cent in Rhode Island. Spindle activity in New England during 1935 showed a sharp decline, amounting to 20.7 per cent from 1934. This condition was accentuated by the decline in spindle activity in New Hampshire, which dropped from 761,000 spindles in 1934 to 360,000 in 1935, a shrinkage of 52.7 per cent. While the percentage of spindles active to spindles in place declined from 66.4 per cent in 1934 to 61.3 per cent in 1935, there was an increase in spindle hours operated per spindle in place amounting to 6.8 per cent. At the end of 1933, spindle hours operated per spindle in place stood at 110, while at the close of 1935 the average hours operated were 157.

As far as the monthly records are available, the 1935 wool con-

sumption total of 398,040,000 pounds, grease equivalent, established a new high. This increase, attributable to a revival in the demand for men's clothing, followed a comparatively low volume of consumption in 1934, which was accentuated in part by the textile strike, amounting to 188,990,000 pounds, grease, a decline of 33.1 per cent from the previous year. This increase in New England wool consumption has resulted in substantial rises in wool receipts at Boston, where domestic wools received were 22.3 per cent greater than a year ago, while foreign wools were up more than 135 per cent. The percentage of foreign to domestic wools received at Boston rose from 10.6 per cent in 1934 to 20.41 per cent for 1935.

Trade: Sales of New England reporting department and apparel stores during 1935 were 0.2 per cent larger than in 1934, while the volume in December was 2.8 per cent larger than in the corresponding month of 1934. The following table presents the detail for each New England state and for four cities:

<i>STATES</i>	<i>Net Sales December, 1935 compared with December, 1934</i>	<i>Net Sales Jan.-Dec., 1935 compared with Jan.-Dec., 1934</i>
Connecticut Stores	+ 4.1%	-0.3%
Maine Stores	+ 5.5	-2.1
Massachusetts Stores	+ 2.4	+0.3
New Hampshire Stores	+10.3	+7.7
Rhode Island Stores	+ 3.4	-0.8
Vermont Stores	- 1.0	-1.7
<i>CITIES</i>		
Boston Department Stores	+ 2.9	+0.5
New Haven Department Stores	+ 4.1	+0.2
Providence Department Stores	+ 3.4	-0.8
Springfield Department Stores	+ 0.6	+0.7
All Reporting New England Stores (47 concerns)	+ 2.8	+0.2

A survey of Massachusetts retail establishments according to 11 major classifications has been conducted by the Federal Reserve Bank of Boston since September, 1933, and the composite group results of the survey are released through the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce. In December, 1935, reports were received from 901 concerns, of which 56.3 per cent reported an increase over a year ago; 36.8 per cent, a decrease; and 6.9 per cent, no change. The group results are shown in the following table:

MASSACHUSETTS RETAIL SALES

December, 1935, compared with December, 1934

	<i>Number of Firms Report- ing</i>	<i>Number of Firms (compared with 1934) showing</i>			<i>Sales December, 1935 (000's omitted)</i>	<i>Per Cent Change in Dollars</i>
		<i>Increase</i>	<i>Decrease</i>	<i>No Change</i>		
Food	124	74	43	7	\$ 3,177	+ 3.6%
General Merchandise	133	61	63	9	9,217	+ 3.1
Automotive	84	67	13	4	3,321	+29.5
Apparel	115	59	45	11	6,229	+ 2.5
Furniture and Household, Radio	77	41	28	8	925	+12.0
Restaurants and Eating Places	55	37	13	5	1,555	+ 5.7
Lumber	59	39	17	3	631	+16.8
Coal	91	29	59	3	2,655	- 5.8
Drug	57	36	16	5	366	+ 6.6
Hardware	64	37	23	4	398	+ 9.6
Miscellaneous	42	27	12	3	596	+10.0
TOTAL	901	507	332	62	\$29,070	+ 5.5%

Total Reported Volume — December, 1935 . . . \$29,070,468

Total Reported Volume — December, 1934 . . . \$27,549,365

BUSINESS INDICES — NEW ENGLAND

	1935	1934	Per Cent Change	
			1935-1934	1934-1933
GENERAL BUSINESS				
1. Business Activity Index — New England Council	83.0	75.2	+ 10.4%	+ 0.5%
2. Number of Commercial Failures (Dun & Bradstreet, Inc.)	1,297	1,363	— 4.8	— 39.8
3. Liabilities of Commercial Failures (Dun & Bradstreet, Inc.)	\$18,852,638	\$25,120,493	— 25.0	— 44.1
4. New Incorporations — Mass. (Year ending Nov. 30)	2,171	2,184	— 0.6	— 14.2
5. Check Transactions	\$22,186,700,000	\$19,939,800,000	+ 11.3	+ 10.1
6. Department Store Sales (1923-25=100)	67.8	67.7	+ 0.2	+ 5.5
7. New Life Insurance Sales	\$510,025,000	\$520,345,000	— 2.0	+ 3.2
8. Savings Deposits, Gross, 61 New England Mutual Savings Banks	\$1,719,004,000	\$1,681,104,000	+ 2.3	+ 1.9
INDUSTRIAL PRODUCTION				
1. Electric Power Production (Kilowatt hours)	6,911,000,000	6,371,459,000	+ 8.4	+ 5.0
2. Cotton Consumption (Bales)	805,793	908,994	— 11.4	— 6.6
3. Cotton Receipts — 5 New England Cities (Bales)	398,098	465,338	— 14.4	— 23.5
4. Average Cotton Stocks at Mills (Bales)	160,729	250,532	— 35.8	+ 1.7
5. Spot Cotton, Middling, N. Y. (Cents per Pound)	11.89	12.37	— 3.9	— 14.3
6. Average Cotton Spindles in Place	9,858,000	10,771,000	— 8.5	— 0.4
7. Average Cotton Spindles Active	5,838,000	7,132,000	— 8.1	+ 3.3
8. Average Spindle Hours Operated per Cotton Spindle in Place	136	141	— 4.5	— 3.3
9. Wool Consumption (Pounds, grease equivalent)	398,040,000	188,990,000	+110.6	— 33.1
10. Wool Receipts — Domestic — Boston (Pounds, in condition received)	226,715,000	185,407,000	+ 22.3	— 40.2
11. Wool Receipts — Foreign — Boston (Pounds, in condition received)	46,255,000	19,648,000	+ 32.7	— 35.3
12. Raw Wool — Boston, 25 Quotations (Cents per Pound)	47.95	48.45	— 1.0	+ 8.7
13. Shoe Production (Pairs)	132,890,000	120,525,000	+ 10.3	+ 3.8
INDUSTRIAL EMPLOYMENT AND PAYROLLS (Monthly Average)				
1. Number of Manufacturing Establishments Reporting	3,092	2,862	+ 8.0	+ 19.1
2. Number Employed in Identical Establishments	528,189	478,013	+ 10.5	+ 16.6
3. Number Employed per Establishment	171	167	+ 2.4	— 2.3
4. Weekly Payroll in Identical Establishments	\$10,381,643	\$8,799,937	+ 18.0	+ 24.0
5. Weekly Wage per Person per Establishment	\$19.66	\$18.40	+ 6.8	+ 6.7

BUSINESS INDICES — NEW ENGLAND (continued)

ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

ORDERS — MASSACHUSETTS (1926=100)

1. Textiles	108.8	84.2	+ 29.2	+ 0.5
2. Leather and Shoes	62.5	56.7	+ 10.2	+ 20.3
3. Metal Trades	63.2	53.7	+ 17.7	+ 33.7
4. Paper	66.5	59.6	+ 11.6	+ 10.2

CONSTRUCTION

1. Residential Building Contracts Awarded	\$40,363,500	\$30,789,300	+ 31.2	- 15.2
2. Non-Residential Building Contracts Awarded	\$50,333,900	\$50,346,300	+ 11.8	+ 62.7
3. Public Works Contracts Awarded	\$43,114,500	\$53,441,600	- 19.3	+ 42.7
4. Public Utilities Contracts Awarded	\$8,227,600	\$10,284,100	- 20.1	- 35.7
5. Total Construction Contracts Awarded	\$148,039,500	\$144,861,300	+ 2.2	+ 20.0
6. Building Costs (1913=100)	176.5	176.4	+ 0.1	+ 3.7
7. Building Wages — Hourly Rates — Massachusetts	\$0.79	\$0.81	- 2.4	No change

PRICES (1926=100)

1. Wholesale Prices — United States	80.0	74.9	+ 6.7	+ 13.5
2. Retail Prices of Food — New England	80.6	73.1	+ 18.4	+ 5.7
3. Cost of Living Index — Total — Massachusetts	84.9	81.3	+ 4.4	+ 7.4
4. Cost of Living Index — Food — Massachusetts	82.5	72.9	+ 13.2	+ 13.2
5. Cost of Living Index — Clothing — Massachusetts	82.1	82.1	No change	+ 14.5
6. Cost of Living Index — Shelter — Massachusetts	83.2	82.0	+ 1.5	+ 3.3
7. Cost of Living Index — Fuel and Light — Massachusetts	79.3	82.3	- 3.6	+ 0.1

TRANSPORTATION

1. Net Revenue and Non-Revenue Ton Miles	7,245,000,000	7,178,000,000	+ 1.0	+ 9.3
2. Gross Ton Miles per Train Hour	22,491	22,396	+ 0.4	No change
3. Passenger Train Car Miles	139,249,000	137,060,000	+ 1.6	+ 0.9
4. Net Railway Operating Income	\$18,145,939	\$16,110,603	+ 12.6	- 15.2
5. Passengers Carried — Boston Elevated Railway	280,402,526	277,034,175	+ 1.2	+ 3.4
6. Receipts — Boston Elevated Railway Co.	\$24,926,426	\$24,818,625	+ 0.4	+ 2.7

AGRICULTURE

1. Total Acreage — Principal Crops	3,692,800	3,638,200	+ 1.5	+ 2.3
2. Total Farm Value — Principal Crops	\$100,169,000	\$98,551,000	+ 1.6	+ 2.7
3. Farm Prices — United States (1926=100)	78.7	65.3	+ 20.3	+ 27.2
4. Potato Crop				
1. Acreage	222,200	231,000	- 3.8	+ 13.8
2. Production (Bushels)	46,155,000	65,725,000	- 29.8	+ 31.0
3. Yield per Acre (Bushels)	208	285	- 27.0	+ 14.9
4. Value of Crop	\$26,855,000	\$17,036,000	+ 57.6	- 48.7
5. Average Price per Bushel	\$0.582	\$0.259	+ 124.7	- 60.7
6. Stocks of Marketable Potatoes (Dec. 31) (Bushels)	22,874,000	36,026,000	- 36.5	+ 43.6

MEMBER BANK CREDIT

There was a substantial increase in total deposits of reporting member banks in this district during the year 1935. There was a slight reduction reported in time deposits although the deposits of the mutual savings banks in the district showed a steady increase during the year. The increase in demand deposits resulted principally from imports of gold into the country during the year and expenditures by the United States Government of funds borrowed from banks. This increase in deposits was much less than in other sections of the country.

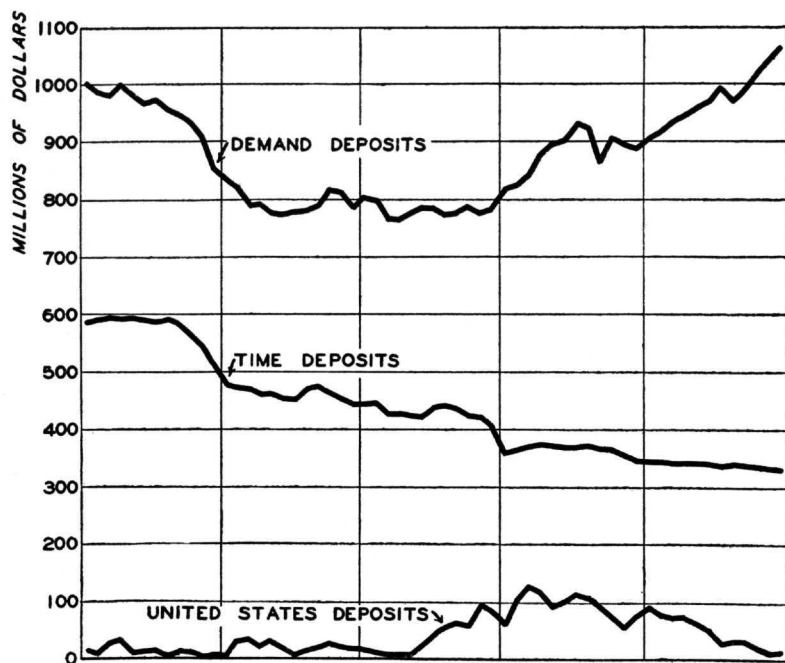
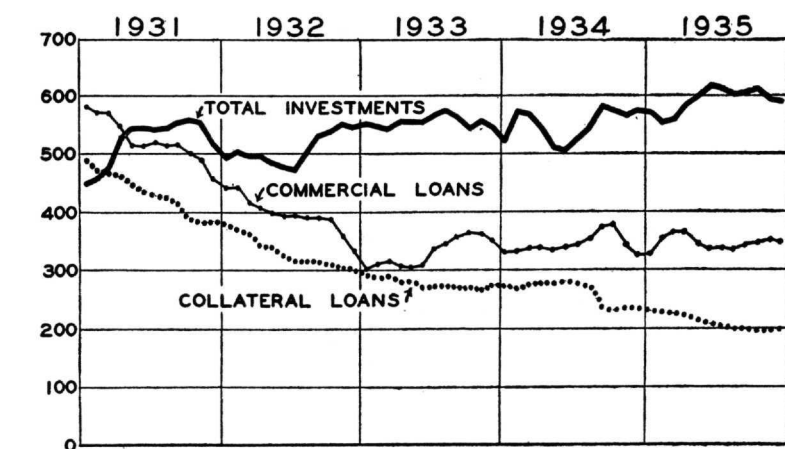
The trend of deposits of the member banks located in Boston and those in the New England district outside of Boston was at variance. Government deposits in Boston member banks dropped 88 per cent during 1935, as compared with drops of 47 per cent in the outside weekly reporting member banks, and 51 per cent in all reporting member banks throughout the country. Demand deposits throughout New England rose something over 20 per cent, about the same rate of growth as elsewhere in the United States. Owing to the more rapid drop in Government deposits in Boston, and to the decline in time deposits throughout New England in contrast to gains elsewhere, gross deposits in New England reporting member banks expanded only nine per cent, as compared with a 14 per cent growth for the United States as a whole.

The increasing business activity was reflected in the reporting member banks in Boston by an advance in the volume of loans to commercial customers. These customers' commercial loans increased \$17,000,000 during 1935, a gain of over eight per cent. In the New England member banks outside of Boston the volume of commercial loans declined slightly.

In the Boston reporting member banks the only other class of loans and investments to expand were securities guaranteed both as to principal and interest by the United States Government. Holdings of direct obligations of the United States Government declined, reflecting in part the retirement during the year of bonds bearing the circulation privilege. Other classes of loans and investments, including acceptances, commercial paper, collateral loans both to customers and brokers, loans to other banks, real estate loans, and other bonds and securities also declined at Boston banks. In the New England member banks outside of Boston, on the other hand, expansion took place in holdings of acceptances and brokers' commercial paper purchased in the open market, and in all classes of bonds and stocks owned, while commercial loans to customers, collateral loans to cus-

MEMBER BANK CREDIT SITUATION

REPORTING MEMBER BANKS IN FEDERAL RESERVE DISTRICT 1



tomers and brokers, and real estate loans declined. Total loans and investments in the Boston banks as a whole dropped \$21,000,000, as compared with a \$93,000,000 expansion in total deposits. In the reporting centers outside of Boston total loans and investments rose \$4,000,000, while total deposits gained \$46,000,000. The excess of the increase in total deposits over total loans and investments took the form principally of increased reserve balances with the Federal Reserve Bank of Boston, in increased holdings of vault cash on the premises of the reporting member banks, and increased deposits with correspondent banks. There was, therefore, a marked concentration of funds constantly moving into the larger financial centers of the country.

FEDERAL RESERVE BANK CREDIT

Reflecting to a large extent the continuous and unparalleled flow of gold into the United States and its redeposit by member banks in the Federal reserve banks, the volume of total cash reserves in the Federal Reserve Bank of Boston expanded steadily throughout the year, until on December 31, it had risen to \$553,000,000, a point exceeded only on December 18, 1935, when cash reserves reached a peak of \$565,000,000. As total earning assets of the Federal Reserve Bank of Boston remained substantially unchanged throughout the year, this vast reservoir of liquid reserves in the Federal Reserve Bank of Boston was not utilized to expand Federal reserve credit in use in New England. Since the member banks had an unparalleled volume of excess reserves there was no additional Federal reserve credit extended during the year. Daily average borrowings by all member banks during 1935 were at the lowest levels since 1915. On the other hand, direct loans to industry stood at slightly under \$3,000,000, close to the peak reached during November.

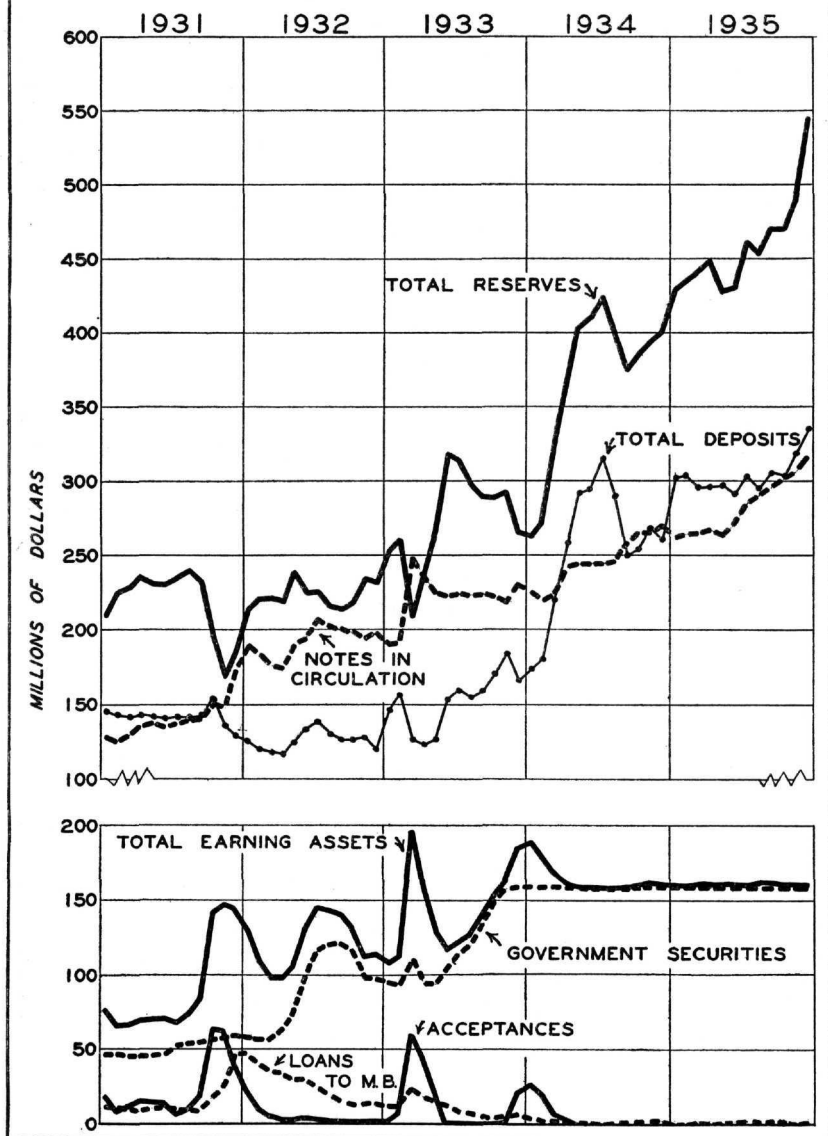
Therefore, practically all of the earning assets of the Federal reserve banks were in the form of United States Government obligations. In the case of the Federal Reserve Bank of Boston, \$158,000,000 of the \$161,000,000 of total earning assets consisted of United States securities on December 31, 1935.

BANKERS' ACCEPTANCES

In line with the Federal reserve districts as a whole the volume of bankers' acceptances created in this district declined during 1935 to the lowest level of any past year. The moderate expansion in imports and exports of merchandise during the current year was due

FEDERAL RESERVE BANK OF BOSTON

FLUCTUATION OF PRINCIPAL ITEMS



largely to price factors, the physical volume of our leading export commodities remaining close to the low levels established during 1932 and 1933. Those manufactured commodities, which showed the greatest expansion in American foreign trade, were for the most part financed through other channels than acceptances, while the exports of raw materials showed little improvement. The financing by the Government of many basic commodities, especially cotton, was another factor in the reduced volume of bankers' acceptances so far as this district was concerned.

With the supply of acceptances reduced to around \$400,000,000 during most of 1935 and with the member banks ordinarily holding more than half of the outstanding acceptances, the demand so far exceeded the supply that asking rates in the open market remained throughout the year at the record low levels established in 1934, with rates of $\frac{1}{8}$ of one per cent for maturities up to 90 days, $\frac{1}{4}$ per cent for four months' acceptances, and $\frac{3}{8}$ per cent for longer maturities. In view of the scarcity of acceptances and of the ready market for those which were available, the Federal Reserve Bank of Boston allowed even the small volume of holdings which it had in its portfolio at the opening of the year to decline gradually, but almost continuously, until the holdings at the close of the year were only \$343,000. Throughout the year the Federal reserve buying rate was maintained at $\frac{1}{2}$ per cent, well above the open market rate, offering little encouragement to dealers to sell their acceptances to the Federal reserve bank.

ACCEPTANCE LIABILITY

All Banks and Acceptance Corporations in Federal Reserve District I

		1935	1934	1933	1932
January	31	\$32,000,000	\$45,000,000	\$43,000,000	\$60,000,000
February	28	31,000,000	44,000,000	41,000,000	58,000,000
March	31	32,000,000	43,000,000	41,000,000	54,000,000
April	30	30,000,000	40,000,000	43,000,000	54,000,000
May	31	29,000,000	37,000,000	46,000,000	46,000,000
June	30	29,000,000	34,000,000	47,000,000	43,000,000
July	31	28,000,000	32,000,000	48,000,000	43,000,000
August	31	28,000,000	33,000,000	44,000,000	42,000,000
September	30	27,000,000	33,000,000	44,000,000	40,000,000
October	31	27,000,000	34,000,000	45,000,000	41,000,000
November	30	30,000,000	33,000,000	47,000,000	43,000,000
December	31	31,000,000	34,000,000	47,000,000	42,000,000

With the usual fall expansion both in foreign trade and in the volume of acceptance liabilities outstanding, the total rose from \$321,000,000 in July to \$397,000,000 on December 31. Acceptances originating in Boston reflected a minimum of seasonal influence,

rising only from \$28,000,000 in July to \$31,000,000 in December. As in previous years, acceptance liabilities made in Boston exceeded those made in any other Federal reserve district, with the exception of New York, and were almost double those in the Chicago and San Francisco districts which ranked third and fourth.

OPEN MARKET OPERATIONS

During the year 1935 the Federal Reserve Bank of Boston, in common with the other Federal reserve banks, was practically out of the open market. The holdings of United States obligations averaged \$158,000,000, or the same as the previous year, with slight changes in maturities. The holdings of acceptances in the bank's portfolio during the year was negligible, and was represented entirely by the bank's participation in the system's account.

MEMBER BANK RESERVE DEPOSITS

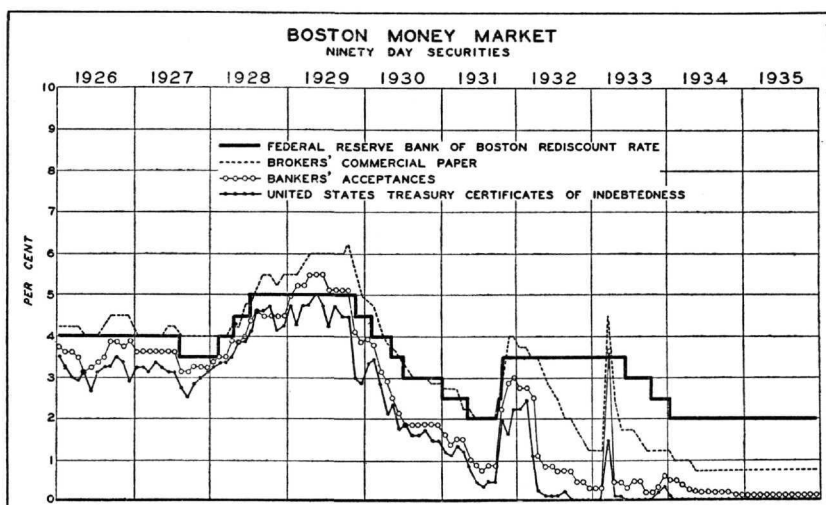
Formerly the movement of member bank reserve deposits in the Federal Reserve Bank of Boston followed closely the trend of changes in the volume of time and demand deposits in the member banks, but this has not been the case for several years. In 1935, as in the previous year, increasing deposits in the member banks were not paralleled closely by expansion in loans and investments. Consequently, reserve deposits rose sharply during the year, instead of merely following the percentage ratios of required reserves.

Excess reserves of the member banks, while present in large volume in New England, as in the United States as a whole, are not evenly distributed between banks. For the most part excess reserves are concentrated in the accounts of the larger banks both in Boston and in the other New England cities. The majority of banks numerically, although they hold more than the minimum reserve required by law, nevertheless, have a far lower ratio of excess than have the relatively few larger banks. On the other hand, country banks carry a large amount of balances with city banks so that in effect many of the excess reserves held by city banks really belong to country banks.

MONEY RATES AND DISCOUNT RATES

The absence of any appreciable demand for credit, with the resultant accumulation of bank deposits and excess reserves, was reflected in the virtually unchanged rates on short-term money, with all classes of rates remaining at the new lows recorded in 1934. On the other hand, the easy situation which had already developed in the short-

term money market during 1934 communicated itself more fully to long-term loans during 1935. Mortgage rates declined, with five per cent generally available by the close of the year. High-grade bond prices rose with correspondingly lower yields, while even greater advances took place in the second-grade bonds, which were influenced not only by the money factor but also by the strength in the stock market. By the close of the year, high-grade bond prices and high-grade bond yields were close to the record levels of 1899, the



only time in the history of the country when the return on long-term capital was lower than in 1935.

Throughout the year the discount rate at the Federal Reserve Bank of Boston remained at two per cent, which rate was established on February 8, 1934. Similarly, no change took place in the buying rate for acceptances in the open market, which remained at $\frac{1}{2}$ per cent, considerably above the asking price for acceptances in the open bill market.

As in 1934, a large part of the Treasury financing was accomplished by Treasury bills sold on a discount basis. Various bill maturities were offered, with the 273-day bills predominating. Such bills were sold at time of offering to yield the investor as low as .05 per cent in July. The record low yield was obtainable only on one issue and advanced somewhat during the fall months, declining again toward the end of the year, the December 31 issue yielding .08 per cent on the average at time of original offering by the Government. In addition to Treasury bills, several issues of long-term Government bonds

were made during the year as well as several issues of Treasury notes. Yields on all classes of new securities were at record low levels throughout the greater part of the year, reflecting a highly favorable market for the sale of Government securities and reflecting the vast buying movement on the part of banks, institutions, and investors of all descriptions. By the close of the year the total gross debt of the Government, excluding debt of various Government agencies, had risen to \$30,557,000,000, of which it is estimated \$16,400,000,000, or 54 per cent, was held by banks, including member banks, non-member state banks and trust companies, mutual savings banks, and Federal reserve banks. Of the \$2,000,000,000 increase in total gross debt of the United States during the year, the banks alone absorbed \$800,000,000 through increased holdings of Government securities.

BOSTON MONEY MARKET, 1935

Prevailing Rates on 15th of each Month

Month	Time Loans Secured by Bonds and Stocks	Customers' Commercial Loans	Loans Correspondent Banks	U. S. Treasury Bills 273-Day Maturities (Average Offering Price)	Acceptances 90-Day Maturities (Asking Rate)	Brokers' Commercial Paper
January	4-4½	1½-5%	4-6%	—	1/8	3/4
February	3½-4½	1½-4	5	.17	1/8	3/4
March	3½-5	1½-4	Nominal	.14	1/8	3/4
April	3-4½	1½-4	4	.18	1/8	3/4
May	3½-4½	1½-3	4	.14	1/8	3/4
June	3-4½	1½-4	4	.15	1/8	3/4
July	2½-4½	1½-3	4	.05	1/8	3/4
August	4-4½	1½-4	4	.07	1/8	3/4
September	3-4	1½-4	4	.20	1/8	3/4
October	4-4½	1½-4	4	.21	1/8	3/4
November	1½-4½	1½-4	Nominal	.14	1/8	3/4
December	2-5	1½-4	4	.09	1/8	3/4

FEDERAL RESERVE NOTES

During 1935 the volume of Federal reserve notes of the Federal Reserve Bank of Boston rose on December 24 to the highest level ever recorded when the amount in circulation stood at slightly over \$322,000,000. This expansion was not peculiar to New England and did not reflect any unusual local situations. Total money of all kinds in actual circulation rose to a holiday peak of almost \$6,000,000,000, a figure exceeded only for a very brief interval before and during the period of the Banking Holiday in 1933 when hoarding was general. In addition to the expansion in Federal reserve notes in circulation during 1935, total currency of all kinds was further aug-

mented by a large volume of silver certificates issued pursuant to the Silver Purchase Act of 1934.

In New England, as in the rest of the country, the expansion in currency became more rapid during the second half of 1935. The return flow of holiday currency in January was rather less marked in 1935 than in pre-depression years, so that the expansion which commenced late in May, starting as it did from an abnormally high level, becomes all the more significant. To a certain degree, of course, this growth was seasonal in character, but it far exceeded similar seasonal growth in previous years. On December 31, 1935, there were outstanding \$46,000,000 more Federal reserve notes of the Federal Reserve Bank of Boston than on December 31, 1934.

RESERVE POSITION

The influence of increasing gold stocks of the United States arising from the heavy imports of gold from abroad, which exerted a strong influence upon the increasing member bank reserve balances with the Federal Reserve Bank of Boston, also brought about a substantial increase in the total cash reserves of the Federal reserve bank. These total cash reserves advanced during the year 40 per cent, rising \$158,000,000 to a total of \$553,000,000 on the closing day of the year.

In spite of the rapid expansion in Federal reserve liabilities requiring reserves, that is, in total deposits and in Federal reserve notes in actual circulation, the rate of increase in total cash reserves exceeded the amount required against deposits and Federal reserve notes so that the reserve ratio closed the year at 79.5 per cent, as compared with 73.6 per cent on December 31, 1934.

INDUSTRIAL LOANS

At the meeting of the board of directors on January 9, 1935, Mr. Robert Amory, of Boston, Massachusetts; Mr. Winthrop L. Carter, of Nashua, New Hampshire; Mr. Albert M. Creighton, of Boston, Massachusetts; Mr. Carl P. Dennett, of Boston, Massachusetts; and Mr. Edward M. Graham, of Bangor, Maine, were reappointed as members of the Industrial Advisory Committee to serve until March 1, 1936. All of these members accepted their reappointment and were approved by the Federal Reserve Board. The Committee selected Mr. Creighton again as chairman, and Mr. Ellis G. Hult as manager. From January to July this department was quite active

in connection with new applications and loans but from then to the end of the year the number of applications rapidly declined. It is difficult to find a reason for this decrease. It is possible that the district had been thoroughly canvassed and that there was no need for further aid from this provision of the law or, as the time seemed to synchronize with an upturn of business activity in the district, that prospective borrowers had been able to get along without additional working capital or had been accommodated by their banks.

During the year 1935 there were 49 applications approved by this bank amounting to \$4,072,000, which brought the total of applications approved to December 31, 1935, to \$8,248,000. There were outstanding loans and commitments on December 31, 1935, amounting to \$6,279,077.29, as compared with December 31, 1934, of \$3,472,180.63.

BANKING INDICES — NEW ENGLAND

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

REPORTING MEMBER BANKS

In Boston:

	1935	1934	Change in One Year	
			Amount	Percentage
<i>Deposits:</i>				
1. Demand Deposits	\$ 728	\$ 591	+ \$137	+ 23.2%
2. Balances Due to Domestic Banks	202	169	+ 33	+ 19.5
3. Balances Due to Foreign Banks	9	4	+ 5	+ 125.0
4. United States Deposits	10	85	— 75	— 88.2
5. Time Deposits	133	140	— 7	— 5.0
6. TOTAL DEPOSITS	\$ 1,082	\$ 989	+ \$ 93	+ 9.4%
<i>Loans, Investments and Reserves:</i>				
7. Open Market Commercial Paper and Acceptances	21	27	— 6	— 22.2
8. Customers' Commercial Loans .	220	203	+ 17	+ 8.4
9. Customers' Collateral Loans .	97	98	— 1	— 1.0
10. Brokers' Loans	30	47	— 17	— 36.2
11. Loans to Other Banks	2	4	— 2	— 50.0
12. Real Estate Loans	37	42	— 5	— 11.9
13. Total Loans and Discounts .	\$407	\$421	— \$ 14	— 3.3%
14. United States Obligations Owned	247	257	— 10	— 3.9
15. Obligations Guaranteed by United States	11	3	+ 8	+ 266.7
16. Other Bonds and Stocks Owned	89	94	— 5	— 5.3
17. Total Security Investments .	\$347	\$354	— \$ 7	— 2.0%
18. Total Loans and Investments	\$754	\$775	— \$ 21	— 2.7%
19. Reserve with Federal Reserve Bank	225	161	+ 64	+ 39.8
20. Vault Cash	90	62	+ 28	+ 45.2
21. Balances with Other Domestic Banks	77	66	+ 11	+ 16.7
22. Gross Reserves	\$392	\$289	+ \$103	+ 35.6%
23. TOTAL LOANS, INVEST- MENTS, AND RE- SERVES	\$ 1,146	\$ 1,064	+ \$ 82	+ 7.7%

Outside of Boston:

<i>Deposits:</i>				
24. Demand Deposits	343	284	+ 59	+ 20.8
25. Balances Due to Domestic Banks	31	29	+ 2	+ 6.9
26. United States Deposits	8	15	— 7	— 46.7
27. Time Deposits	198	206	— 8	— 3.9
28. TOTAL DEPOSITS	\$580	\$534	+ \$ 46	+ 8.6%
<i>Loans, Investments, and Reserves:</i>				
29. Open Market Commercial Paper and Acceptances	28	23	+ 5	+ 21.7
30. Customer's Commercial Loans .	71	73	— 2	— 2.7
31. Customers' Collateral Loans .	74	81	— 7	— 8.6
32. Brokers' Loans	2	8	— 6	— 75.0
33. Loans to Other Banks	*	*
34. Real Estate Loans	53	56	— 3	— 5.4
35. Total Loans and Discounts .	\$228	\$241	— \$ 13	— 5.4%

BANKING INDICES — NEW ENGLAND (continued)

	1935	1934	Change in Amount	One Year Percentage
36. United States Obligations Owned	148	142	— 6	+ 4.2
37. Obligations Guaranteed by United States	19	12	+ 7	+ 58.3
38. Other Bonds and Stocks Owned	78	74	+ 4	+ 5.4
39. Total Security Investments .	\$245	\$228	+ \$ 17	+ 7.5%
40. Total Loans and Investments	\$473	\$469	+ \$ 4	+ .9%
41. Reserve with Federal Reserve Bank	49	47	+ 2	+ 4.3
42. Vault Cash	16	17	— 1	— 5.9
43. Balances with Other Domestic Banks	67	53	+ 14	+ 26.4
44. Gross Reserves	\$132	\$117	+ \$ 15	+ 12.8%
45. TOTAL LOANS, INVEST- MENTS, AND RESERVES	\$605	\$586	+ \$ 19	+ 3.2%

MONEY RATES (Boston)

Open Market:

46. Open Market Prime Commercial Paper	$\frac{3}{4}\%$	$\frac{3}{4}\%$	0	
47. Bankers' Prime 90-day Accept- ances	$\frac{1}{8}$	$\frac{1}{8}$	0	
48. Call Money (Boston)	1	1½	—½ point	

At Member Banks:

49. Minimum Commercial Loan Rate (Customers)	1½%	1½%	0	
50. Minimum Collateral Loan Rate (Customers)	2	3½	—1½ points	

At Federal Reserve Bank of Boston:

51. Discount Rate	2%	2%	0	
52. Buying Rate on Acceptances .	$\frac{1}{2}$	$\frac{1}{2}$	0	

MISCELLANEOUS

53. Acceptance Liabilities (F. R. District I)	\$31	\$34	—\$3	— 8.8%
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Mutual Savings Banks:

54. Deposits in 61 Reporting Banks in 6 New England States . . . \$ 1,719	\$ 1,681	+ \$38	+ 2.3%
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Check Transactions (year's totals):

55. Boston	\$14,762	\$13,290	+ \$1,472	+ 11.1%
56. Outside New England Cities .	7,434	6,650	+ 784	+ 11.8
57. Total — 17 Cities	22,187	19,940	+ 2,247	+ 11.3

* Less than \$500,000.

COMPARATIVE STATEMENT OF CONDITION

RESOURCES

	<i>Dec. 31, 1935</i>	<i>Dec. 31, 1934</i>
CASH RESERVES		
Gold certificates with Federal Reserve Agent	\$356,617,080.00	\$299,617,080.00
Gold redemption fund (Federal reserve notes)	2,994,705.99	662,325.95
Gold certificates in vault	0	4,210,000.00
Interdistrict settlement fund	160,205,632.33	59,463,701.05
Other cash	32,719,140.86	31,028,439.17
TOTAL GOLD RESERVE AND OTHER CASH	\$552,536,559.18	\$394,981,546.17
REDEMPTION FUND, FEDERAL RESERVE BANK NOTES		
	\$ 0	\$ 250,250.00
LOANS AND INVESTMENTS		
Loans to member banks:		
On the security of obligations of the United States	\$ 307,000.00	\$ 994,500.00
By the discount of commercial paper or agricultural paper or acceptances	35,836.69	60,357.67
Foreign loans on gold	25,200.00	0
Acceptances bought in the open market	342,756.87	404,101.49
Industrial advances (direct)	2,941,273.69	1,775,033.97
United States Government bonds, notes, certificates of indebtedness, or bills	157,671,000.00	157,671,000.00
TOTAL LOANS AND INVESTMENTS	\$161,323,067.25	\$160,905,043.13
MISCELLANEOUS RESOURCES		
Checks and other items in process of collection	\$ 67,388,264.92	\$ 51,221,543.17
Banking house (less reserves)	3,112,513.25	3,168,345.25
Federal Deposit Insurance Corporation stock		10,230,236.88
Less reserves	0	
All other resources	460,780.26	676,363.86
TOTAL MISCELLANEOUS RESOURCES	\$ 70,961,558.43	\$ 65,296,489.16
TOTAL RESOURCES	\$784,821,184.86	\$621,433,328.46

COMPARATIVE STATEMENT OF CONDITION

A comparison of the statement of the Federal Reserve Bank of Boston as of December 31, 1935, with that of December 31, 1934, shows the following changes:

1. Total gold reserves and other cash increased \$158,000,000, or 40 per cent.
2. Loans, secured and unsecured, decreased \$687,000.
3. Industrial advances, or direct loans, increased \$1,166,000.
4. Bankers' acceptances decreased \$61,000.
5. United States Government securities, no change.
6. Total loans and investments, little or no change.

COMPARATIVE STATEMENT OF CONDITION

LIABILITIES

	<i>Dec. 31, 1935</i>	<i>Dec. 31, 1934</i>
CURRENCY IN CIRCULATION		
Federal reserve notes — net circulation . . .	\$316,738,900.00	\$270,943,030.00
Federal reserve bank notes — net circulation . . .	0	922,250.00
TOTAL CURRENCY IN CIRCULATION . . .	\$316,738,900.00	\$271,865,280.00
DEPOSIT LIABILITIES		
U. S. Government deposits	\$46,871,941.94	\$ 10,820,340.96
Member banks' reserves	326,489,372.68	251,603,516.18
Other deposits	5,339,621.68	3,175,385.08
TOTAL DEPOSITS, SUBJECT TO RESERVES . . .	\$378,700,936.30	\$265,599,242.22
RESERVES FOR LOSSES	\$ 1,712,670.93	\$ 1,647,931.32
MISCELLANEOUS LIABILITIES		
Deferred credits for uncollected funds . . .	\$ 65,359,507.50	\$ 50,420,005.63
All other miscellaneous liabilities	100,845.32	94,242.00
TOTAL MISCELLANEOUS LIABILITIES . . .	\$ 65,460,352.82	\$ 50,514,247.63
CAPITAL AND SURPLUS		
Capital paid-in	\$ 9,430,000.00	\$ 10,762,400.00
Surplus (Section 7)	9,902,044.69	9,902,044.69
Surplus (Section 13b)	2,876,280.12	911,945.72
SUBSCRIPTION FOR FEDERAL DEPOSIT INSURANCE CORPORATION STOCK . \$		
	0	\$ 10,230,236.88
TOTAL LIABILITIES	\$784,821,184.86	\$621,433,328.46
Ratio of total reserves to deposit and Federal reserve note liabilities combined		
	79.5%	73.6%
Commitments to make industrial loans . . . \$	3,337,803.60	\$ 1,697,096.66

7. Federal Deposit Insurance Corporation, reserve equal to 100 per cent of amount of capital stock owned.
8. Federal reserve notes in circulation increased \$46,000,000, or 17 per cent.
9. Federal reserve bank notes were retired on March 21, 1935.
10. Deposits of the United States Government increased \$36,000,000.
11. Reserve deposits of member banks increased \$74,000,000, or 29.4 per cent.
12. Total deposits increased \$113,000,000, or 42.5 per cent.
13. Reserve percentages against combined Federal reserve notes and deposit liabilities increased from 73.6 per cent to 79.5 per cent.
14. Commitments to make industrial advances increased \$1,641,000.

INCOME AND DISBURSEMENTS

The following table shows the sources of income and the disbursements for the year 1935, as compared with similar items for 1934. The total current earnings for the year 1935 were \$328,686.52 less than in 1934. This was due to a smaller volume of loans to member banks and to a lower level of interest rates, which was offset to some extent by interest from industrial loans. As in the two previous years, the interest received from United States securities was the principal source of income. On the other hand, the expenses of current operations were \$154,159.85 more in 1935 than in 1934. This increase was due almost entirely to the appropriation to the Retirement Fund although the expenses of the Industrial Loan Department, the Security Exchange Department, and the Bank Examination Department, due to increased activities, were larger than in 1934. The current net earnings were increased \$355,511.84 by the profit on United States Government securities sold during the year.

After making allowance for cost of printing Federal reserve notes and cost of redemption, depreciation on bank building, etc., the net income available for dividends amounted to \$670,564.96, as compared with \$932,791.47 in 1934.

The regular dividend of six per cent was paid to member banks and after the payment to the Secretary of the Treasury of interest on funds employed in industrial loans under Section 13b, amounting to \$46,502.56, there was transferred to the 13b surplus account \$2,509.22.

ANNUAL REPORT OF THE FEDERAL RESERVE BANK INCOME AND DISBURSEMENTS

	1935	1934
EARNINGS		
From loans to member banks and paper discounted for them	\$ 13,076.43	\$ 27,963.52
Foreign loans on gold	68.49	661.80
Acceptances bought in the open market	2,626.31	26,537.21
Industrial advances and commitments	143,630.09	17,589.13
United States Government bonds, notes, certificates of indebtedness, and Treasury bills	2,559,708.48	2,934,435.07
Other earnings	8,131.78	48,741.37
Total earnings	<u>\$2,727,241.58</u>	<u>\$3,055,928.10</u>
Additions to earnings:		
Profit on U. S. Government securities sold	355,511.84	521,657.86
All other	34,547.53	47,036.55
Total income applicable to expenses and other deductions	<u>\$3,117,300.95</u>	<u>\$3,624,622.51</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)	\$2,113,487.05	\$1,959,327.20
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	122,195.81	74,385.22
For depreciation, reserves, losses, etc.	211,053.13	658,118.62
Total deductions	<u>\$2,446,735.99</u>	<u>\$2,691,831.04</u>
Net income available for dividends, additions to surplus, etc.	<u>\$ 670,564.96</u>	<u>\$ 932,791.47</u>
DISTRIBUTION OF NET INCOME		
Payment to the Secretary of the Treasury, employed funds (Section 13b)	\$ 46,502.56	\$ 0
Dividends paid to member banks at the rate of 6 per cent on paid-in capital	621,553.18	644,075.03
Transferred to surplus (Section 7)	0	291,872.20
Transferred to or from surplus (Section 13b) that portion of excess expenses over income on industrial advances and investments charged to surplus, or that portion of excess income over the 2 per cent paid to the Treasurer of the United States on employed funds	2,509.22	3,155.76*
Total net income distributed.	<u>\$ 670,564.96</u>	<u>\$ 932,791.47</u>
* Transferred from Surplus 13b.		

MEMBERSHIP

On January 1, 1935, there were 371 licensed member banks of the Federal Reserve System in the First Federal Reserve District, 322 national banks and 49 state banks. During the year two national banks and four state banks were merged into a newly chartered state bank, which was admitted to the system, and one national bank was absorbed by another national bank.

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

	<i>National Banks</i>	<i>State Banks</i>	<i>Total</i>
Licensed member banks January 1, 1935	322	49	371
Gains:			
New member trust company		1	1
	322	50	372
Losses:			
Consolidation of member banks with newly chartered member trust company	2	4	6
Consolidation of national bank	1		1
	3	4	7
Licensed member banks December 31, 1935	319	46	365

BANK ORGANIZATION AND PERSONNEL

Directors: On December 31, 1935, the terms of Mr. Alfred L. Ripley as Class A director, and Mr. Philip R. Allen as Class B director, and Mr. Frederic H. Curtiss as Class C director and Chairman and Federal Reserve Agent, 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 \$1,200,000. Mr. Curtiss was reappointed by the Board of Governors of the Federal Reserve System as Class C director for a term of three years. Pending the anticipated reconstitution of the Board of Governors of the Federal Reserve System, effective February 1, 1936, Mr. Curtiss was redesignated as Chairman and Federal Reserve Agent and Mr. Allen Hollis was redesignated as Deputy Chairman. In December, 1935, Mr. Edward H. Osgood tendered his resignation as Assistant Federal Reserve Agent to take effect at the end of the year.

Personnel: The number of employees on December 31, 1935, other than officers, was 689, compared with 662 on December 31, 1934.

Advisory Council: At a meeting of the Board of Directors held on January 9, 1935, Mr. Thomas M. Steele, President of The First

National Bank and Trust Company of New Haven, New Haven, Connecticut, was reappointed a member of the Federal Advisory Council to represent the First Federal Reserve District for the year 1935.

STOCKHOLDERS' MEETING

On November 8, 1935, the thirteenth annual meeting of representatives of member banks was held at the Federal Reserve Bank of Boston with 307 representatives from 218 member banks in attendance. The Chairman of the Stockholders' Advisory Committee, Mr. Burns P. Hodgman, President of The First National Bank of Concord, Concord, New Hampshire, presided. The principal address was delivered by Mr. Thomas M. Steele, President of The First National Bank and Trust Company of New Haven, New Haven, Connecticut, member of the Federal Advisory Council from the First Federal Reserve District, and formerly Chairman of the Stockholders' Advisory Committee, whose subject was "The Work of the Federal Advisory Council." Brief addresses were also given by Mr. Frederic H. Curtiss, Chairman and Federal Reserve Agent, and Mr. Roy A. Young, Governor of the Federal Reserve Bank of Boston. At the conclusion of the meeting, Mr. Hodgman announced that Mr. Charles L. LeBourveau, President of The First National Bank of White River Junction, White River Junction, Vermont, had been elected by the Stockholders' Advisory Committee as chairman of the committee for the ensuing year.

FEDERAL RESERVE BANK OF BOSTON

OFFICERS AND DIRECTORS

1935

OFFICERS

ROY A. YOUNG, *Governor*
 WILLIAM W. PADDOCK, *Deputy Governor*
 WILLIAM WILLETT, *Cashier*
 KRICKEL K. CARRICK, *Secretary and General Counsel*

FREDERIC H. CURTISS, *Federal Reserve Agent*
 EDWARD H. OSGOOD, *Assistant 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

<i>Class and Group</i>			<i>Term Expires December 31</i>
A 1	ALFRED L. RIPLEY,	Chairman of the Board, The Merchants National Bank of Boston	Boston, Mass. 1938
A 2	F. S. CHAMBERLAIN,	President, The New Britain National Bank	New Britain, Ct. 1937
A 3	ARTHUR SEWALL,	President, The Bath National Bank	Bath, Me. 1936
B 1	PHILIP R. ALLEN,	President, Bird & Son, Inc.	E. Walpole, Mass. 1938
B 2	EDWARD S. FRENCH,	President, Boston and Maine Railroad	Springfield, Vt. 1937
B 3	EDWARD J. FROST	Vice President and Director, Wm. Filene's Sons Company	Boston, Mass. 1936
C	FREDERIC H. CURTISS,	Chairman	Boston, Mass. 1938
C	ALLEN HOLLIS,	Deputy Chairman, Lawyer	Concord, N. H. 1936
C	CHAS. H. MERRIMAN,	President, Lippitt Woolen Co.	Providence, R. I. 1937

ASSOCIATE 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.

INDUSTRIAL ADVISORY COMMITTEE

ALBERT M. CREIGHTON, *Chairman*
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