

THIRTEENTH ANNUAL REPORT
of the
FEDERAL RESERVE AGENT
of the
NINTH FEDERAL
RESERVE DISTRICT
to the
FEDERAL RESERVE BOARD



Covering the Calendar Year
1927

Federal Reserve Bank of Minneapolis,
Office of the Federal Reserve Agent,
Minneapolis, Minn., February 17, 1928.

To Governor R. A. Young,
Federal Reserve Board,
Washington, D. C.

Sir:

In conformity with our custom, I have the honor to submit herewith the Thirteenth Annual Report of the Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, relating to operations during the twelve months which ended December 31, 1927.

Respectfully submitted,

J. R. MITCHELL,
Federal Reserve Agent.

REPORT

OF THE

FEDERAL RESERVE AGENT

AT MINNEAPOLIS

1927

AGRICULTURAL AND BUSINESS CONDITIONS

The year 1927 was not a record year except in purchases of securities by the general buying public other than banks and insurance companies. The first part of the year, when business was dull as a result of the poor crops in 1926, was in decided contrast with the latter part of the year, when good crop yields established a higher level of business. For the full year, debits to individual accounts at representative cities were four per cent larger than in 1926.

All of the important crops in 1927 were larger than the crops of 1926 and every crop, except oats, was larger than the ten-year average. The improvement in business conditions was largely due to the great increase in the production of bread wheat, durum wheat and rye, although bountiful yields of hay and barley and fairly satisfactory crops of corn and oats made possible an extensive livestock program. Comparison for all the cash crops and feed crops with last year and with the ten-year average for the years 1918-1927, inclusive, follows:

Relative Size of 1927 Crops in Minnesota, North Dakota, South Dakota, and Montana

	Percent of 1926 crop	Percent of the Average Crop 1918-1927
Cash Crops:		
Bread Wheat	171.6	131.7
Durum Wheat	173.1	134.2
Rye	208.3	110.1
Flax	138.6	158.7
Potatoes	132.2	104.3
Feed Crops:		
Corn	115.9	109.4
Oats	129.1	91.4
Barley	194.2	154.7
Hay	181.7	124.9

Holdings of swine and sheep increased during 1927, while beef cattle decreased and the number of dairy cows and heifers remained unchanged.

Prices of farm products followed divergent trends during the year. Among the cash grains, bread wheat, durum wheat and flax exhibited some strength during the summer but closed the year with prices lower than prices at the beginning of the year. The decrease was especially noteworthy in durum wheat, the October median price of which reached a lower level than in any month since June 1924. The price of rye rose until mid-

summer, dropped sharply during the months of heavy marketing and finally rose to a higher level than the price in December 1926. The prices of feed grains rose during the year, although prices at the close of the year were not as high as before the new crops began to reach the markets. Potato prices for the 1927 crop are materially lower than for the 1926 or 1925 crops, but higher than for the 1923 or 1924 crops.

In the livestock group, cattle prices rose very sharply both for feeder and killer classes. Hog prices declined seriously and sheep and lamb prices remained practically unchanged. Poultry and egg prices were lower in 1927 than in 1926, but butter prices were higher.

The cash income of farmers, as a result of these changes in production and price, was nine per cent larger in 1927 than in 1926, but did not reach the volume of farm income during 1925. Our estimate of the cash income from the sale of leading products during 1927 is \$764,004,000, using terminal market prices. The products included in this estimate are wheat, rye, flax, potatoes, dairy products and hogs. No precise estimates have been made for the income from cattle, sheep and poultry products but there was no great change in income from these sources between 1926 and 1927.

Although the large income from cash crops did not affect business until the last four or five months of the year, the total volume of business in the district during 1927 was carried above the volume of 1926 by the increases of these latter months. Moderate increases were shown in sales of lumber by country yards, in wholesale sales of agricultural implements and groceries, in building permits in the smaller cities and in debits to individual accounts in the smaller cities. Conditions in the larger cities have a tendency to lag several months behind the changes in farm income. Department store sales and building permits in these larger centers were smaller in 1927 than in 1926. On the other hand, some lines of business showed immediate improvement. Debits to individual accounts in these cities and security sales were larger in 1927 than in 1926.

FINANCIAL CONDITIONS

The year 1927 opened with country banks experiencing losses of deposits in all the agricultural regions of the district, owing to the poor returns from the 1926 agricultural program. These losses were most pronounced in Minnesota, North Dakota and South Dakota, and no improvement in this condition was experienced until September, although the actual decline in deposits at country banks ceased in June. In the last four months of the year, deposits at country banks increased rapidly and at the close of the year were two per cent larger than at the close of 1926. These increases were most pronounced in Montana, North Dakota and South Dakota. Minnesota and the portions of Wisconsin and Michigan contained in this district experienced only a very small increase in deposits during the fall months.

Borrowings by country member banks from this Federal Reserve Bank during the final weeks of 1927 reached the lowest level in a number of years.

In the large cities, the banks were somewhat affected by the changes in country banking conditions. Although time deposits continued to increase, following the trend which has been almost uninterrupted since the war, demand deposits at city member banks were smaller in 1927 than in 1926 until mid-year. As soon as the country banks began to experience the rapid increase in deposits noted above, their balances with city correspondent banks were increased and total demand deposits in city member banks in this district, as a result of this fact, rose far above the 1926 autumn level but did not reach the high level of the latter months of 1919 and 1924. The assets of city member banks reflected these changes in deposits. Commercial loans and balances with correspondent banks were about the same at the close of the year as at the beginning, but holdings of investments and loans secured by stocks and bonds exhibited pronounced increases. These banks did not borrow heavily from the Federal Reserve Bank at any time during the year.

OPERATIONS OF MINNEAPOLIS FEDERAL RESERVE BANK IN 1927

A. General Survey

The operation of the bank during 1927, as reflected in the items of the weekly published balance sheet covering rediscounts for member banks, exhibited marked seasonal fluctuations. The first few weeks of the year were unimportant except for continued liquidation of the usual borrowings during the preceding autumn. This movement ceased in the week ending March 16. The week beginning March 23 saw the beginning of the usual spring borrowing, and the movement continued until it reached a high point of over eight million dollars in the week ending May 18. This high point was the peak for the year, except the week ending July 6 in which Twin City member banks borrowed heavily for a few days. This spring increase in borrowing was almost entirely repaid by the week ending June 29. Borrowing caused by the harvest season began the week of July 13 and reached a peak in the week ending August 31.

From this time borrowings declined sharply and the week ending October 19 marked the entire liquidation of the expansion. On this date it is important to note that rediscounts dropped to two million dollars, the lowest level in several years. Due to the very early marketing of the crop in 1927, rediscounts remained at a low level until the week ending November 30, when the usual December expansion began.

Our total earning assets were affected periodically by the extensive government financing which was carried on during the year. During the first ten weeks, the total earning assets declined steadily, due principally to a reduction of bills

bought in the open market. There was an increase in April and May, owing to increased buying of bills in the open market and in June, due to enlarged government bond and note holdings. In July and August, the level of bills bought in the open market was low, but due to increased discounts by member banks and an increase in bond holdings the total earning assets continued at a high level. On September 1, the total earning assets began to rise, owing to increased buying of bills in the open market, and enlarged bond holdings, reaching the high point of the year in the middle of November of over fifty-three million dollars. During the latter part of November and the month of December total earning assets declined slowly, owing to a decrease in bond holdings and in bills bought in the open market.

The net effect of these changes upon our balance sheet for the year ending December 31, 1927, as compared with December 31, 1926, was as follows: Bills discounted for member banks decreased from four millions to two millions; bills bought in the open market increased from twelve and a half millions to more than eighteen millions; and holdings of United States securities increased from seventeen millions to twenty-four millions. Total bills and securities at the end of the year were forty-five million dollars, as compared with thirty-four millions at the close of 1926. Member bank reserve deposits increased from fifty-one millions to fifty-five millions. Federal reserve notes in circulation decreased from sixty-nine millions to sixty-one millions, and cash reserves decreased from ninety-three millions to seventy-seven millions.

This bank did not borrow from or lend to any other Federal reserve bank during 1927.

The discount rate of the bank remained at four per cent until September 13, 1927, when it was lowered to three and one-half per cent.

B. Earnings and Expenses

The gross earnings of this bank during 1927 were \$1,390,000, as compared with \$1,622,000 in 1926. Current expenses during 1927 were \$1,049,000, as compared with \$1,064,000 in 1926. The current net earnings during 1927 were \$341,000, as compared with \$558,000 in 1926. Miscellaneous additions to current net earnings in 1927 amounted to \$49,000, and deductions from current net earnings amounted to \$94,000, leaving final net earnings available for dividends, surplus and franchise tax of \$296,000, as compared with \$448,000 in 1926. In 1927, dividends totaling \$180,726 were declared at the rate of 6 per cent per annum on our paid-in capital stock, and paid to member banks. There was transferred to surplus account \$11,535. The remainder amounting to \$103,816, was paid to the United States Government as a franchise tax. On December 31, 1927, the book value of the head office building at Minneapolis was reduced \$500,000 by reducing surplus a like amount.

C. Departmental Statistics of Volume Including the Helena Branch

The Transit, or Check Collection Department handled 24,238,000 items during 1927, amounting to \$4,277,152,000, as compared with 25,286,000 items during 1926, amounting to \$4,336,450,000.

The Collection Department received 263,000 items during 1927, amounting to \$127,400,000, as compared with 320,000 items during 1926, amounting to \$151,328,000.

The Currency Department received and counted 39,970,000 bills, amounting to \$213,292,000 in 1927, as compared with 37,254,000 bills, amounting to \$207,329,000 in 1926. This department also received and counted 11,794,000 coins, amounting to \$3,852,000 in 1927, as compared with 11,633,000 coins, amounting to \$4,059,000 in 1926.

The Vault Custody Department, in its service of safekeeping of securities, handled 113,782 bonds during 1927, as compared with 48,649 bonds in 1926. This department cut and forwarded to the owners of the securities, or turned over to other departments for collection or credit 154,771 coupons during 1927, as compared with 73,703 coupons during 1926. The volume of securities in the Vault Custody Department increased rapidly in 1927. On December 31, this department was holding for member banks \$117,000,000 of securities for safekeeping, pledged against government deposits, or as collateral to bills payable. This sum is 33 per cent of the \$350,000,000 of securities owned by member banks on that date.

Wire transfers of funds made for member banks, including those made for the 5 per cent Gold Redemption Fund, numbered 62,000, totaling \$2,734,981,000 during 1927, as compared with 64,000, totaling \$2,593,972,000 during 1926.

The Discount Department received 2,201 applications for loans during 1927 and served 275 member banks. In 1926, 2,735 applications were received and 270 banks served. During 1927, 10,027 notes were discounted, amounting to \$141,031,000, as compared with 12,515 notes, amounting to \$221,889,000 in 1926.

Of the total bills discounted for all member banks, the percentages in amount divided by state lines during the last five years were as follows:

	1927	1926	1925	1924	1923
Minnesota	88.3%	91.9%	80.0%	63.9%	80.0%
South Dakota	3.3	2.9	9.0	13.4	6.9
North Dakota	4.3	2.2	3.7	12.0	4.9
Montana	1.3	1.0	1.9	7.4	6.2
Wisconsin	1.5	1.1	2.4	2.1	1.2
Michigan	1.3	.9	3.0	1.2	.8

Bills drawn in dollars and foreign currencies which were purchased by this bank in the open market during 1927 numbered 6,514, amounting to \$75,219,000, as compared with 4,986, amounting to \$63,057,000 in 1926. Bills purchased from other Federal Reserve Banks during 1927 numbered 1,121,

amounting to \$22,921,000, as compared with 1,100, amounting to \$20,600,000 in 1926.

FISCAL AGENCY FUNCTIONS

The Fiscal Agency operated by us for the United States Government redeemed 1,009,976 Government coupons amounting to \$9,919,000 during 1927 as compared with 1,025,496 coupons amounting to \$11,016,000 in 1926.

Other operations consisting of issues, redemptions or exchanges of various Government securities, including Treasury Savings Securities, redeemed at this office, or received from Postmasters after redemption by them, numbered 181,529 pieces and amounted to \$170,657,000 as compared with 85,568 pieces amounting to \$80,771,000, in 1926. Included in the figures for 1927 are the Second Liberty Loan Bonds which were called for redemption on November 15. Of these, 24,539 pieces totaling \$36,199,650 submitted in 3,785 applications, were exchanged for other issues offered by the Government prior to November 15. The greater part of the Seconds, numbering 59,699 in coupon form, amounting to \$14,679,250 and 17,939 in registered form amounting to \$4,966,350, were submitted in 11,851 applications for redemption.

In June, the Treasury Department made public announcement of its willingness to purchase Second Liberty Loan bonds direct from individual holders. Thirteen proposals from holders in this district offering \$19,550 of this issue at not exceeding 100-16/32 were finally accepted and paid for. Again in October and November, additional purchases amounting to \$1,176,500 submitted in 409 applications, were made at prices not exceeding 100-3/32.

This Agency also handled during 1927, 5,267 orders for the purchase of Government securities and 6,971 resales of Government securities totaling \$92,746,110. In addition, either delivery or payment, or both, was handled for banks and trust companies on 833 transactions in Government securities amounting to \$58,555,050. There were also 697 transactions of miscellaneous general market securities aggregating \$3,928,000. Altogether, of these various transactions, there were 13,768 totaling \$155,229,160 as compared with 10,905 transactions totaling \$129,682,200 in 1926, or an increase of 26% over 1926 in the number of transactions handled.

Including short term Government securities which were transferred by wire, delivery of 38,308 pieces totaling \$80,432,050 was made on purchase and resale transactions for other than our own account as compared with 32,277 pieces totaling \$67,027,350 in 1926. In addition, on exchange transactions such as denominational exchange, the exchange of coupon for registered securities, etc., 30,999 pieces were delivered amounting to \$23,961,550.

This Agency assisted in the allotment of eight offerings of United States Government issues during 1927 as compared with three offerings during the preceding year. In such opera-

tions during 1927, 15,572 individual subscriptions contained in 4,166 different applications were received. The amount allotted on these subscriptions was \$61,578,100. During 1926, 7,966 individual subscriptions contained in 492 applications were received and \$26,831,700 was allotted.

ACTIVITIES OF THE FEDERAL RESERVE AGENT'S OFFICE

A. Federal Reserve Note Issues

Since the organization of this Federal Reserve Bank there have been received by the Federal Reserve Agent from the Comptroller of the Currency \$405,220,000 of new Federal reserve notes, and during this same period there has been issued by the Federal Reserve Agent to the Bank \$395,046,000 of new Federal reserve notes. Meanwhile, the Federal Reserve Bank "retired," or returned to the Federal Reserve Agent \$117,583,000 of currency fit for reissue, and such reissues of fit-for-use notes totaled \$110,233,000. Federal reserve notes were redeemed and destroyed at Washington since the organization of this Bank totaling \$320,785,445. The total of such notes issued by the Federal Reserve Agent to the Bank, as shown above, less the amount returned to the Agent and the amount returned to Washington for destruction, are designated as "outstanding."

From the foregoing it is apparent that on December 31, 1927 the amount of notes outstanding was \$66,910,555, and the Federal Reserve Agent held \$17,524,000 of new and fit-for-use notes.

Of this total outstanding (\$66,910,555) there was "in circulation" \$61,224,165, and the amount of notes held by our paying tellers here and in the Branch Office at Helena combined and the amount of mutilated Federal reserve notes forwarded for redemption totaled \$5,686,390.

During 1927 the Federal Reserve Agent and his assistants received \$19,080,000 of new Federal reserve notes from the Comptroller of the Currency at Washington and \$20,876,500 of fit-for-use notes from our paying tellers. The issues of new and fit-for-use notes totaled \$36,694,500, as compared with \$46,702,000 during the preceding year. The amount of Federal reserve notes outstanding with this Federal Reserve Bank decreased from \$75,062,890 to \$66,910,555 between December 31, 1926 and December 31, 1927.

Federal reserve notes in actual circulation declined from \$68,891,000 at the beginning of the year to \$56,839,865 on August 31, which was the lowest point shown in the published weekly statements, and increased thereafter to a high point of \$63,804,435 on November 2. The amount in actual circulation on December 31, 1927, was \$61,224,165.

Unissued Federal reserve notes on hand held by the Federal Reserve Agent and his assistants amounted to \$17,524,000 on December 31, 1927, as compared with \$14,262,000 on December 31, 1926.

As collateral security for the Federal reserve notes outstanding with the Federal Reserve Bank, there was held by the agent on December 31, 1927, \$49,728,000 in the form of gold coin and gold certificates, in vault or on deposit with the Federal Reserve Board, and \$19,944,000 in eligible paper, compared with \$60,539,000 in gold and \$16,341,000 in eligible paper on December 31, 1926.

B. Membership

At the close of the year, there were 735 member banks operating in this district, as compared with 764 member banks at the beginning of the year. There was a net loss of 18 national banks and 11 state banks. The total membership (banks in operation only) at the close of 1927 was divided into 674 national banks and 61 state banks. The new members are:

Name of Bank	Town	No. of Shares Subscribed
Columbia National Bank of.....	Columbia Heights, Minn.	18
Becker County National Bank of.....	Detroit Lakes, Minn.	33
Pioneer National Bank of.....	Duluth, Minn.	72
Western National Bank of.....	Duluth, Minn.	72
First National Bank in.....	Jackson, Minn.	24
Central National Bank of.....	Minneapolis, Minn.	90
Fifth Northwestern National Bank of..	Minneapolis, Minn.	66
Fourth Northwestern National Bank of.	Minneapolis, Minn.	90
Minnehaha National Bank of.....	Minneapolis, Minn.	72
Third Northwestern National Bank of..	Minneapolis, Minn.	132
Security National Bank of.....	Montevideo, Minn.	36
Citizens National Bank of.....	Olivia, Minn.	21
Midway National Bank of.....	St. Paul, Minn.	90
Security National Bank of.....	Hope, N. D.	18
First National Bank in.....	Langdon, N. D.	36
First National Bank of.....	Ree Heights, S. D.	21

NUMBER OF BANKS IN OPERATION IN THE NINTH FEDERAL RESERVE DISTRICT

December 31, 1926, and December 31, 1927

	National		State Members		Non-Members		Total	
	1926	1927	1926	1927	1926	1927	1926	1927
Michigan	39	39	9	9	31	30	79	78
Minnesota	286	281	21	15	944	874	1,251	1,170
Montana	75	72	27	24	112	111	214	207
North Dakota..	146	141	2	2	415	378	563	521
South Dakota..	100	96	9	9	310	308	419	413
Wisconsin	46	45	4	2	204	197	254	244
Ninth Federal Reserve Dist....	692	674	72	61	2,016	1,898	2,780	2,633

C. Examination of Banks

During 1927, 70 examinations and credit investigations were made by the Federal Reserve Agent's Examiners, of which 68 were made in conjunction with state banking department examiners and 2 were made independently. In the examination work this year, three examiners were used throughout the year, who with their assistants traveled in the aggregate 28,850 miles and examined banks with total resources of \$74,483,094. In addition to the foregoing examina-

tions and credit investigations, special visits were made to 5 banks for the purpose of obtaining credit information, or in connection with rediscounts or collections, or to give general assistance to member banks.

In addition to the information obtained from the Federal Reserve Examiners, 1,355 reports of examination of national banks were received from the Chief National Bank Examiner of this district, and 21 reports of examination of state member banks were received from the various state banking departments. There were four calls for reports of condition of national banks and four calls for state member banks during the year. Also two semi-annual statements of earnings and dividends were required from all member banks. Reports of condition and of earnings and dividends totaling approximately 4,500 were received, verified and filed.

D. Applications for Fiduciary Powers

National banks have continued to apply for trust powers under Section 11-K of the Federal Reserve Act. Applications received and approved by the Federal Reserve Board during 1927 include the following:

Name of Bank	Location	Date Approved	Capital	Powers
First National Bank.....	Lake Linden, Mich	3-17-27	\$100,000	Limited
Iron National Bank.....	Ironwood, Mich.	4- 6-27	100,000	Limited
Miners National Bank.....	Ishpeming, Mich.	5- 5-27	100,000	Limited
First National Bank.....	Calumet, Mich.	9-27-27	200,000	Full
First National Bank.....	Laurium, Mich.	10- 5-27	100,000	Limited
First National Bank.....	Fairmont, Minn.	1-19-27	100,000	Full
First National Bank in.....	Minneapolis, Minn.	10-12-27	5,500,000	Full
Grafton National Bank.....	Grafton, N. D.	5- 3-27	100,000	Full
Citizens Nat'l Bank in.....	Sioux Falls, S. D.	5-10-27	100,000	Full
Union National Bank.....	Eau Claire, Wis.	7-28-27	200,000	Full

E. Reviews of Agricultural and Business Conditions

During the year, twelve monthly reviews were prepared for the Federal Reserve Board and later published, containing a total of 99 pages of printed material. The number printed in December, 1927, was 6,425, as compared with 5,975 in December, 1926.

A summary of national business conditions prepared by the Federal Reserve Board was included in each issue.

A number of special studies were published in the monthly reviews during the year as follows:

Country Bank Balances with Correspondent Banks, 1920-1927. (January 28).

Smut Infection in Spring Wheat, 1925-1926. (February 28).

Building Conditions in Minneapolis and St. Paul, with Special reference to residential building supply and demand. (February 28).

Analysis of Farmers' Intentions to Plant Wheat and Flax. (March 28).

Banking in 1926. A General Survey of the Year. (March 28).

Crop Acreages and Production, and The Farm Value of Cash Crops, 1910-1926. (Supplement to March 28 issue).

Estimated Cash Value of Grain Marketed in Minnesota, North Dakota, South Dakota and Montana, by Months, Janu-

ary 1923 to March 1927, an Improved Method of Measuring Farm Income from Grains in this District. (April 29).

Moisture and Seed Survey. (May 31).

Estimated Cash Value of Potatoes sold by Farmers in Minnesota, Montana, North Dakota and South Dakota, by Months, January 1923-April 1927. (May 31).

Motor Vehicle Registrations in Minnesota, North Dakota, South Dakota and Montana, and for the Entire United States, 1915-1926. (June 27).

Estimated Cash Value of Butter Production for Sale in Minnesota, North Dakota, South Dakota and Montana, by Months, January 1923-May 1927. (June 27).

Estimated Cash Value of Milk Sold by Farmers in Minnesota, North Dakota, South Dakota and Montana, by Months, January 1923-June 1927. (July 28).

Northwest Farm Product Prices. A chart showing changes in the course of 19 price series during the post war period. This is mainly a summary of price tabulations made in this office and charted together for convenient reference. (July 28).

Summary of Country Banking Conditions in the Ninth Federal Reserve District Based on Call Reports of 117 Selected Country Member Banks on June 30, 1926 and June 30, 1927. This series of figures was inaugurated to make possible analysis of conditions in the various economic regions of the district, and also to provide a means of estimating changes in banking conditions immediately after each call date, thus eliminating a delay of sixty days in ascertaining the facts. (August 29).

Estimated Cash Value of Hogs Sold by Farmers in the Ninth Federal Reserve District, by months, January 1923-July 1927. (August 29).

Complete Mid-Year Banking Returns from the Ninth Federal Reserve District as of June 30, 1927. (September 29).

Estimated Cash Value of Dairy Products Sold by Farmers of the Ninth Federal Reserve District, by months, January 1923-July 1927. (September 29).

The Trend of Rural Business 1924-1927 Compared with the Trend of Farm Income in the Ninth Federal Reserve District. (October 28).

Country Bank Conditions in the Fall of 1927 and A Survey of Country Bank Conditions of 1920-1927. (October 28).

1927 Crop Income and Bank Deposits: Being a map and description of the seasonal change in country member bank deposits by counties from August 1927 to November 1927. (December 29).

Currency Flow, a New Index of Business. Consisting of the movement of paper currency into the Federal Reserve Bank of Minneapolis or out of this bank in accordance with the needs of commercial banks. (December 29).

F. General Service

There is a demand that this Federal Reserve Bank furnish speakers for various public meetings, and that they describe the operations of the Federal Reserve System and its

relation to agriculture, commerce, industry and finance. In response to this demand during the year 1927, officials and representatives of this Bank addressed 55 different groups, with a total attendance of 8,646 persons, as compared with 71 addresses and an attendance of 9,629 in 1926. In addition, many requests were received through personal calls or letters for specific information regarding the banking system, all of which have been met with such information as could be obtained from our library and office files. During the year 1927, the number of volumes in our library increased from 1,158 to 1,266, not including pamphlets, bound periodicals or annual reports. The number of newspapers and periodicals received was practically unchanged and was comprised chiefly of those having current interest and permanent value for reference purposes.

CHANGES IN PERSONNEL

In the annual fall elections Mr. John S. Owen of Eau Claire, Wisconsin, was reelected a Class "B" Director to succeed himself, Mr. Karl J. Farup of Park River, North Dakota, was elected a Class "A" Director, succeeding Mr. Wesley C. McDowell of Marion, North Dakota, whose term expired at the end of the year. The Federal Reserve Board reappointed Mr. J. R. Mitchell as Chairman of the Board and reappointed Mr. Homer P. Clark as Class "C" Director for a term of three years beginning January 1, 1928, and redesignated him Deputy Chairman. The Federal Reserve Board also reappointed Mr. Curtis L. Mosher, Assistant Federal Reserve Agent and reappointed Mr. Henry Sieben Director of the Helena Branch for a term of two years beginning January 1, 1928.

On June 15 Mr. J. F. Ebersole, Assistant Federal Reserve Agent, resigned to become Chief of the Section of Financial and Economic Research of the United States Treasury at Washington, D. C.

Upon September 26, Governor R. A. Young presented his resignation to become Governor of the Federal Reserve Board at Washington. Upon the same date Mr. W. B. Geery, Deputy Governor was elected as Governor of the bank. Mr. Harry Yaeger, Assistant Deputy Governor, was elected Deputy Governor, Mr. B. V. Moore becoming the senior Deputy Governor and Secretary of the bank.

On the retirement of Mr. Ebersole, Mr. O. S. Powell was appointed Statistician, and with the approval of the Federal Reserve Board was assigned certain duties as assistant to the Federal Reserve Agent. At the close of the year the Federal Reserve Board appointed Mr. F. M. Bailey, Manager of the Examination Department, as Assistant Federal Reserve Agent. The Board of Directors at its December meeting elected Mr. T. A. Marlow as a Director of the Helena Branch.

The complete staff of the Federal Reserve Bank of Minneapolis and its Helena Branch, including officers, employees and building employees, but excluding temporary help, numbered 340 persons on December 31, 1927, as compared with 346 at the close of the previous year.

*Resources and Liabilities of the Federal Reserve Bank
of Minneapolis*

(In Thousands of Dollars)

RESOURCES

	Dec. 31, 1927	Dec. 31, 1926	Dec. 31, 1925
Gold with Federal reserve agent	\$ 49,729	\$ 60,539	\$ 57,420
Gold redemption fund with United States Treasury.....	1,423	2,074	2,059
Gold held exclusively against Federal reserve notes..\$	51,152	\$ 62,613	\$ 59,479
Gold settlement fund with Federal Reserve Board.....	16,830	20,483	18,760
Gold and gold certificates held by bank.....	5,052	6,873	6,905
Total gold reserves.....\$	\$ 73,034	\$ 89,969	\$ 85,144
Reserves other than gold.....	4,029	3,152	2,200
Total reserves	\$ 77,063	\$ 93,121	\$ 87,344
Non-reserve cash	1,223	903	1,145
Bills discounted:			
Secured by United States Government obligations	329	658	551
Other bills discounted	1,576	3,380	2,870
Total bills discounted.....\$	\$ 1,905	\$ 4,038	\$ 3,421
Bills bought in open market.....	18,319	12,615	18,741
United States Government securities:			
Bonds	11,678	7,569	7,665
Treasury notes	4,411	1,841	7,094
Certificates of indebtedness.....	7,811	7,629	4,319
Total United States Government securities.....\$	\$ 23,900	\$ 17,039	\$ 19,078
Other securities	620	621	55
Foreign loans on gold.....			257
Total bills and securities.....\$	\$ 44,744	\$ 34,313	\$ 41,552
Uncollected items	15,162	13,543	14,199
Bank premises	2,202	2,774	2,943
All other resources	1,791	2,159	2,670
Total resources	\$ 142,185	\$ 146,813	\$ 149,853

LIABILITIES

Federal reserve notes in actual circulation.....\$	\$ 61,224	\$ 68,891	\$ 70,161
Deposits:			
Member bank reserve account.....	54,836	50,946	53,071
Government	1,874	1,567	1,263
Foreign bank	139	901	272
Other deposits	274	152	362
Total deposits	\$ 57,123	\$ 53,566	\$ 54,968
Deferred availability items.....	13,010	12,858	13,149
Capital paid in	3,009	3,064	3,183
Surplus	7,039	7,527	7,501
All other liabilities	780	907	891
Total liabilities	\$ 142,185	\$ 146,813	\$ 149,853
Ratio of total reserves to deposit and Federal re- serve note liabilities combined (per cent).....	65.1	76.0	69.8
Contingent liability on bills purchased for foreign correspondents	\$ 6,863	\$ 1,806	\$ 2,321

Earnings and Expenses of Federal Reserve Bank of Minneapolis

EARNINGS

	Dec. 31, 1927	Dec. 31, 1926	Dec. 31, 1925
Discounted bills	\$ 192,216	\$ 310,424	\$ 231,342
Purchased bills	360,293	405,511	440,784
U. S. Securities	707,599	723,348	676,696
Deficient reserve penalties	13,404	16,473	17,414
Miscellaneous	116,519	166,577	72,105
Total earnings	\$1,390,031	\$1,622,333	\$1,438,341
Current expenses	1,048,746	1,063,757	1,097,829
Current net earnings	\$ 341,285	\$ 558,576	\$ 340,512
Additions to current net earnings.....	48,509	79,773	39,367
Deductions from current net earnings:			
Bank premises—depreciation	71,982	166,272	126,411
Furniture and equipment	10,784	20,870	10,347
All Other	10,951	3,174	8,167
Total deductions	\$ 93,717	\$ 190,316	\$ 144,925
Net earnings available for dividends, surplus and franchise tax	296,077	448,033	234,954
Distribution of net earnings:			
Dividends paid	180,726	187,609	193,560
Transferred to surplus account	11,535	26,043	4,139
Franchise tax paid U. S. Government.....	103,816	234,381	37,255

CURRENT EXPENSES

Salaries:			
Bank officers	\$ 129,360	\$ 135,681	\$ 125,552
Special officers and watchmen	28,624	25,958	25,568
Clerical staff	357,849	357,223	375,112
All other	79,065	80,091	93,344
Governors' conferences	444	568	645
Federal Reserve Agent's conferences	210	288	300
Federal Advisory Council	1,112	824	991
Directors' meetings	7,446	7,289	8,256
Traveling expenses*	28,058	35,222	45,723
Assessment for Federal Reserve Board expenses....	23,137	22,596	23,006
Legal fees	27,494	30,701	29,884
Insurance (other than on currency and security shipments)	29,102	28,246	31,793
Taxes on banking house.....	85,643	82,713	80,031
Repairs and alterations, banking house.....	9,391	4,540	7,931
Light, heat and power	19,562	19,762	19,757
Rent			7,889
Telephone	5,304	5,816	5,769
Telegraph	19,972	23,277	21,975
Postage	61,876	64,373	61,597
Expressage	8,415	8,437	9,553
Insurance on currency and security shipments.....	13,391	14,091	14,424
Printing and stationery	25,322	25,568	22,035
Office and other supplies	19,901	19,725	22,891
All other expenses	32,468	34,810	32,094
Total exclusive of cost of currency	\$1,013,146	\$1,027,799	\$1,066,120
Federal reserve currency (including shipping charges):			
Original cost	34,117	33,597	28,255
Cost of redemption	1,483	2,861	3,454
Total current expenses	\$1,048,746	\$1,063,757	\$1,097,829

REIMBURSABLE EXPENSES OF FISCAL AGENCY DEPARTMENT

Salaries	\$ 13,038	\$ 12,270	\$ 15,290
All other expenses	6,911	5,270	6,123
Total	\$ 19,949	\$ 17,540	\$ 21,413

*Other than those connected with governors' and agents' conferences and meetings of the directors and of the Advisory Council.

DIRECTORS AND OFFICERS
FEDERAL RESERVE BANK OF MINNEAPOLIS
JANUARY 1, 1928

DIRECTORS

Class A										
PAUL J. LEEMAN	-	-	-	-	1928	-	-	-	-	Minneapolis, Minn.
J. C. BASSETT	-	-	-	-	1929	-	-	-	-	Aberdeen, S. Dak.
KARL J. FARUP	-	-	-	-	1930	-	-	-	-	Park River, N. Dak.
Class B										
PAUL N. MYERS	-	-	-	-	1928	-	-	-	-	St. Paul, Minn.
N. B. HOLTER	-	-	-	-	1929	-	-	-	-	Helena, Mont.
JOHN S. OWEN	-	-	-	-	1930	-	-	-	-	Eau Claire, Wis.
Class C										
GEO. W. McCORMICK	-	-	-	-	1928	-	-	-	-	Menominee, Mich.
J. R. MITCHELL	-	-	-	-	1929	-	-	-	-	Minneapolis, Minn.
HOMER P. CLARK	-	-	-	-	1930	-	-	-	-	St. Paul, Minn.

OFFICERS

J. R. MITCHELL, Chairman and Federal Reserve Agent.	W. B. GEERY	-	-	-	-	-	-	-	-	Governor
HOMER P. CLARK, Deputy Chairman.	B. V. MOORE	-	-	-	-	-	-	-	-	Deputy Governor
CURTIS L. MOSHER, Secretary, Board of Directors and Assistant Federal Reserve Agent.	HARRY YAEGER	-	-	-	-	-	-	-	-	Deputy Governor
FRED M. BAILEY, Assistant Federal Reserve Agent.	FRANK C. DUNLOP	-	-	-	-	-	-	-	-	Controller
OLIVER S. POWELL, Statistician.	GRAY WARREN	-	-	-	-	-	-	-	-	Cashier
ANDREAS UELAND, Legal Counsel.	L. E. RAST	-	-	-	-	-	-	-	-	Asst. Cashier
SIGURD UELAND, Assistant Counsel.	H. C. CORE	-	-	-	-	-	-	-	-	Asst. Cashier
	HARRY I. ZIEMER	-	-	-	-	-	-	-	-	Asst. Cashier
	A. R. LARSON	-	-	-	-	-	-	-	-	Asst. Cashier

MEMBER OF FEDERAL ADVISORY COUNCIL

THEODORE WOLD, Vice President, Northwestern National Bank,
 Minneapolis, Minn.

HELENA BRANCH—(MONTANA)

DIRECTORS

C. J. KELLY, Chairman	-	-	-	-	1928	-	-	-	-	Butte, Mont.
HENRY SIEBEN, Vice Chairman	-	-	-	-	1929	-	-	-	-	Helena, Mont.
R. O. KAUFMAN	-	-	-	-	1928	-	-	-	-	Helena, Mont.
R. E. TOWLE	-	-	-	-	1928	-	-	-	-	Helena, Mont.
T. A. MARLOW	-	-	-	-	1929	-	-	-	-	Helena, Mont.

OFFICERS

R. E. TOWLE	-	-	Managing Director	W. A. CUTLER, JR.	-	-	-	-	-	Asst. Cashier
H. L. Zimmermann	-	-	Cashier	T. B. WEIR	-	-	-	-	-	Legal Counsel