

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



Covering the Calendar Year
1931

Federal Reserve Bank of Minneapolis,
Office of the Federal Reserve Agent,
Minneapolis, Minn., February 19, 1932.

To Governor Eugene Meyer,
Federal Reserve Board,
Washington, D. C.

Sir:

In conformity with our custom, I have the honor to submit herewith the Seventeenth 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, 1931.

Respectfully submitted,
J. R. MITCHELL,
Federal Reserve Agent.

REPORT
OF THE
FEDERAL RESERVE AGENT
AT MINNEAPOLIS
1931

BUSINESS, AGRICULTURAL AND BANKING
CONDITIONS

A. Business

The year 1931 was a period of sharply declining business volume in the Ninth Federal Reserve District. In the first few months of the year, the general volume of business was only slightly below the level in the fall of 1930, after allowance for seasonal fluctuations. During the summer and fall, a serious crop failure in a large part of the district, together with lower prices for agricultural products and other effects of the national business depression, caused a severe decline in business. This decline was continuous until November. In December, especially mild weather prevailed and the volume of business was stimulated for that reason.

Comparing trends in various parts of the district by means of bank debits, the mixed farming areas showed the best performance both as compared with 1930 and as compared with the peak year of 1929. Three out of the four mixed farming areas showed smaller declines between 1930 and 1931 than any other sections of the district, including the large cities. All four of the mixed farming areas showed smaller declines between 1929 and 1931 than occurred in other parts of the district. The poorest comparative record was made by the Great Lakes Ports, where business fluctuations are ordinarily large, since their business arises largely from shipments of iron ore and grain, which are, in turn, subject to wide fluctuations in volume.

Trade was adversely affected by 1931 conditions. Retail sales by department stores, furniture stores and country lumber yards and sales of securities and life insurance were all smaller in 1931 than in 1930 or 1929. The same condition was true of wholesale trade in shoes, hardware and groceries. Freight carloadings of other manufactured products, such as farm implements and automobiles, for distribution in the district, also reflected decreases in 1931 as compared with 1930. The shrinkage in sales was accompanied by reductions in merchandise stocks and by decreases in accounts and notes receivable.

Almost all of the industries of the district experienced decreases during the year. Electric power consumption, which probably furnishes the broadest measure of industrial activity, declined slightly in the eastern part of the district and sharply in Montana, where copper smelting is an important

factor. Flour and linseed products shipments were smaller in 1931 than 1930. Mineral output was sharply curtailed. Building permits were smaller in 1931 than in 1930 in all parts of the district, except for the city of St. Paul. Building contracts were smaller in 1931 than 1930, due almost entirely to a reduction in commercial and industrial building. Increases occurred in contracts for public works, utilities and roads, residential and miscellaneous building contracts. Livestock slaughter was larger in 1931 than in 1930.

Business failures in this district totaled 867 in 1931, as compared with 705 in 1930, according to reports from R. G. Dun and Company. The 1931 total was the largest since 1927.

B. Agriculture

Farm income from cash crops and dairy products, hogs and wool, as estimated by the Federal Reserve Agent, was 37 per cent smaller in 1931 than in 1930, following a 21 per cent decrease between 1930 and 1929 and a 10 per cent decrease between 1929 and 1928. Farm income in 1931 was smaller than in any other year since the records began in 1923. More complete figures for Minnesota, prepared by the Agricultural Economics Department of the University of Minnesota, indicate that for that state, 1931 farm income was probably as small as in 1921. Decreases in the farm income of the district between 1930 and 1931 occurred in all products for which estimates were made in our office. The smallest percentage decrease occurred in dairy products. Prices of most of the important farm products in the Northwest were lower in December, 1931, than a year earlier. The exceptions were durum wheat, barley and rye, for which the prices were moderately higher than a year ago, and butter, for which the price was the same in December as the price a year earlier. The greatest decreases in price occurred in livestock. The 1931 crops were smaller than crops of 1930 for all important commodities, except potatoes. The decreases were especially important in spring wheat, barley, rye and flax.

The harvested acreage of 1931 crops in the district decreased by 10 million acres, or 17 per cent, from the acreage harvested in 1930. The greatest reduction in acreage occurred in wheat, with smaller reductions appearing in rye, flax, oats and barley. Acreage increases occurred in potatoes, corn and tame hay. Part of the decrease in acreage was due to abandonment of planted crops in areas where the drouth was most severe. The harvested acreage in 1931 was the smallest since 1921.

Wheat marketings in January and February were stimulated by a cash price notably higher than the future price for the grain, due to activities of the Federal Farm Board agencies and by abnormally mild weather, which permitted free use of the roads throughout the farming country. Wheat marketings in the later months of the spring and early summer were correspondingly reduced. The carryover of wheat on farms and in country elevators on July 1, 1931, was less than half as

large as the carryover in the preceding year. This small carryover, together with a crop less than half as large as the 1930 crop, provided wheat to be marketed during the new crop year amounting to only 35 per cent of the volume available for marketing in the preceding crop year. Accordingly, wheat marketings in the last half of 1931 were sharply reduced. There was no congestion at elevators in any part of the district.

Butter production in the United States continued to increase during 1931, but butter prices were reduced to a level at which consumption exceeded production. Butter stocks in cold storage were reduced to low levels by the close of 1931. This shrinkage in cold storage stocks of butter created a firmer price for butter, and at the close of the year, the price of butter was equal to the price a year ago. The number of dairy cows in Minnesota, North Dakota, South Dakota and Montana increased 4 per cent in 1931, but the number of dairy heifers declined slightly. Decreases occurred in the number of other cattle, hogs and sheep on farms in these states.

The farm real estate situation continued to become less favorable in 1931 as a result of the combination of small crops and low farm product prices. Involuntary sales of farm land exceeded voluntary sales during the year ending March 15, 1931, in all states of the district. Farm land prices continued to decline. The real estate holdings of country banks were further reduced during 1931, either by sale of land or by other means.

C. Banking

The banks of the district experienced declining deposits during 1931. In the cities, the member banks reported a deposit decrease of 10 per cent between the daily average for December, 1930, and the daily average for December, 1931. This shrinkage in deposits was due to reductions in deposits due to other banks, public demand deposits and commercial and individual demand deposits. Time deposits at city banks increased slightly during the year. At country member banks, average daily deposits decreased 14 per cent between December, 1930, and December, 1931. Partial evidence available for all country banks (member and non-member) shows that a similar decline occurred in the grand total of country bank deposits in the district.

On the asset side of the consolidated balance sheet of city banks, loans to customers at the end of the year were practically the same as at the beginning of the year. The shrinkage in deposits was offset by reductions in investments and in balances due from correspondent banks, and by moderate borrowing from the Federal Reserve Bank.

At country banks, the decrease in deposits was offset by decreases in loans, investments and correspondent bank balances. Borrowings by country banks from other banks apparently increased by a small amount between the close of 1930 and the close of 1931.

Interest rates charged by Minneapolis banks were about the same at the close of 1931 as at the close of 1930. The commercial paper rate (net to borrower) increased from 3½ per cent to 4½ per cent.

Bank failures in the district during 1931 were 271 in number, as compared with 156 in 1930, and 84 in 1929. The deposits involved in 1931 bank failures amounted to \$57,448,000, as compared with \$24,109,000 in 1930, and \$15,300,000 in 1929. The number of bank failures in the district and the deposits involved were larger than in any year since 1926. The average amount of deposits in banks which closed in the district in 1931 was \$222,300, indicating that, as in past years, the bank failures in this district were almost entirely confined to banks of the smallest size. The number of banks in operation in the Ninth Federal Reserve District decreased during 1931 from 2,146 to 1,846.

OPERATIONS OF MINNEAPOLIS FEDERAL RESERVE BANK IN 1931

A. General Survey

The earning assets of the bank fluctuated between wider limits in 1931 than in 1930. The low point for the year was reached on March 25, with a total of 32 million dollars. The high point for the year was 61 million dollars on October 14. During the entire year, the greater part of the earning assets consisted of United States Government securities and purchased bankers' acceptances. Discounted bills for member banks fluctuated between \$3,400,000 on March 25 and \$8,300,000 on October 21.

Country member banks were borrowing slightly more from this Federal Reserve Bank at the close of 1931 than a year earlier. Increases occurred in borrowings by banks in all parts of the district, with the greatest increases in the eastern half of the district. City member banks were borrowing moderately from the Federal Reserve Bank at the close of 1931, whereas a year ago, they were out of debt to this bank.

Discounted Bills Held by Minneapolis Federal Reserve Bank (000's omitted)

| For Banks in | Dec. 31, 1931 | Dec. 31, 1930 | Dec. 31, 1929 |
|--|------------------|------------------|------------------|
| Minneapolis and St. Paul..... | \$ 51 | 0 | \$ 7,910 |
| Other Minnesota | 1,458 | \$ 712 | 647 |
| Montana | 879 | 373 | 182 |
| North Dakota | 652 | 767 | 435 |
| South Dakota | 1,564 | 1,295 | 551 |
| Wisconsin | 590 | 285 | 128 |
| Michigan | 516 | 144 | 324 |
| Federal Intermediate Credit Bank of St. Paul..... | 1,861 | 0 | 0 |
| Total | \$7,571 | \$3,576 | \$10,177 |

Federal reserve notes in circulation declined during the first half of 1931 to the low point for the year of \$46,800,000 on June 10. After that date, there was a steady increase in

Federal reserve note circulation, to a high point of \$69,800,000 on December 23. There was some evidence that currency was being issued for non-business purposes, inasmuch as an unusual proportion of the increase in Federal reserve note circulation was in bills of large denomination.

Member bank reserve deposits fluctuated with the seasonal and other movements in the total deposits of member banks in the district. The high point for the year in member bank reserve deposits was 52 million dollars on March 18. The lowest level of the year was 44 million dollars, reached on October 28.

The cash reserves of this Federal Reserve Bank increased from the beginning of the year to March 18, declined from that date to May 27, and then increased to the high point of the year on September 9, when they amounted to 81 million dollars. After that date, there was a rapid decrease to 57 million dollars on October 14, which was the lowest figure for the year. Subsequently, cash reserves increased and almost equalled the high point of the year on December 31.

The net effect of these changes upon our balance sheet for the year ending December 31, 1931, was as follows: Cash reserves increased 11 million dollars; bills discounted increased 4 million dollars; bills bought in the open market decreased 1 million dollars; United States security holdings were practically unchanged; total earning assets increased 4 million dollars; Federal reserve notes in circulation increased 15½ million dollars; member bank reserve deposits decreased nearly 3 million dollars; and the ratio of total cash reserves to deposits and Federal reserve note liabilities combined, increased from 66.3 per cent to 67.1 per cent.

This bank did not borrow from nor lend to any other Federal Reserve Bank during 1931.

The discount rate of this bank remained unchanged at 3½ per cent throughout the year.

B. Earnings and Expenses

The gross earnings of this bank during 1931 were nearly \$937,000, as compared with \$1,235,000 in 1930. Reduced earnings from purchased bills and United States securities accounted for most of the decrease. Current expenses during 1931 were \$919,000, as compared with \$977,000 in 1930. Current net earnings during 1931 were only \$18,000, as compared with \$258,000 in 1930. Miscellaneous additions to current net earnings in 1931 amounted to \$143,000, and deductions from current net earnings amounted to \$115,000, leaving final net earnings available for dividends, surplus and franchise taxes only \$46,000, as compared with \$194,000 in 1930. In 1931, dividends totalling \$180,455 were declared at the rate of 6 per cent per annum on all paid-in capital stock, and paid to member banks, necessitating a transfer from surplus account of \$134,650. No payment was made to the United States Government as a franchise tax.

C. Departmental Statistics of Volume (Including both the Head Office and the Helena Branch)

The Transit, or Check Collection Department, handled 20,940,000 items during 1931, amounting to \$3,559,161,000, as compared with 23,448,000 items during 1930, amounting to \$4,169,356,000.

The Collection Department received 574,000 items during 1931, amounting to \$170,818,000, as compared with 246,000 items during 1930, amounting to \$130,939,000.

The Currency Department received and counted 38,088,000 bills, amounting to \$186,519,000 in 1931, as compared with 44,356,000 bills, amounting to \$226,283,000 in 1930. This department also received and counted 22,528,000 coins, amounting to \$4,321,000 in 1931, as compared with 19,622,000 coins, amounting to \$4,980,000 in 1930.

The Vault Custody Department in its service of safekeeping of securities, received from or returned to member banks 128,743 bonds during 1931, as compared with 125,016 bonds during 1930. This department cut and forwarded to the owners of the securities, or turned over to other departments for collection or credit, 233,186 coupons during 1931, as compared with 199,788 coupons during 1930. On December 31, this department was holding for member banks \$154,000,000 of securities for safekeeping or pledged against government deposits, or as collateral to bills payable, as compared with \$155,000,000 a year earlier.

Transfers of funds made for member banks, including those made for the 5 per cent Redemption Fund, numbered 53,000, totaling \$2,508,381,000 during 1931, as compared with 63,000, totaling \$3,346,678,000 during 1930.

The Discount Department served 266 member banks during 1931. In 1930, 234 member banks were served. During 1931, 13,914 notes were discounted, amounting to \$50,292,000, as compared with 11,096 notes, amounting to \$88,319,000 in 1930.

Bills drawn in dollars and foreign currencies which were purchased by this bank in the open market for its own account during 1931 amounted to \$65,323,000, as compared with \$66,196,000 in 1930. No bills were purchased from other Federal Reserve Banks during 1931. Bills purchased from other Federal Reserve Banks amounted to \$5,025,000 in 1930.

FISCAL AGENCY FUNCTIONS

Issues, redemptions or exchanges of various United States Government securities, including Treasury Savings certificates redeemed at this bank, which were handled by the Fiscal Agency operated by the bank for the United States Government, numbered 41,808 pieces and amounted to \$136,451,775.00, as compared with 34,044 pieces, amounting to \$80,475,397.75 in 1930.

This Agency also handled during 1931, 4,692 orders for the purchase of Government securities and 9,326 resales of Government securities totaling \$99,608,150. In addition, either delivery or payment, or both, was handled for banks and trust companies on 320 transactions in Government securities amounting to \$74,321,900. There were also 621 transactions of miscellaneous general market securities aggregating \$6,525,300. Altogether, there were 14,959 of these various transactions, totaling \$180,455,350, including those for the bank's own account, as compared with 12,265 totaling \$168,787,070 in 1930.

Delivery of 43,142 pieces totaling \$94,297,700 was made on purchase and resale transactions for other than the bank's own account. In addition, on exchange transactions, such as denominational exchange, the exchange of coupon for registered securities, etc., 24,523 pieces were delivered, amounting to \$49,748,550. The total number of pieces delivered was 67,665, amounting to \$144,046,250, in comparison with 52,435, totaling \$89,744,550 during the preceding year.

With the exception of Treasury bills, there were ten offerings of United States Government securities during 1931. In such operations, 2,737 individual subscriptions contained in 1,283 different applications were received in this district. The amount allotted on these subscriptions was \$49,309,850. During 1930, there were five similar offerings and \$12,162,000 was allotted.

During 1931, 65 tenders amounting to \$16,572,000 were received by this Agency on 29 offerings of Treasury bills. Of these, 15 tenders for Treasury bills ranging from .51% to 2.47% and amounting to \$9,315,000 were accepted. During 1930, 6 tenders totaling \$116,000 were accepted on the 8 offerings of Treasury bills made that year.

Including the weekly circular giving current market quotations on the various outstanding government issues, 107 circular letters were sent to all banks and trust companies in the district during 1931 in connection with fiscal agency operations. During the preceding year there were 81 circular letters.

In June, the Secretary of the Treasury announced that all 3½% Treasury notes of Series C-1930-32, of which there were then about \$451,000,000 outstanding, were called for redemption on December 15, 1931.

At the close of the year, there were 285 banks and trust companies in this district which were designated as special depositories of public moneys, thereby being qualified to make payment through their War Loan Deposit Accounts on a "by credit" basis for subscriptions to new offerings of Government securities, with the exception of Treasury bills. This is 105 more than the number of banks so designated at the close of the preceding year. During 1931, the rate of interest to be paid on daily balances in the War Loan Deposit Accounts by

special depositaries was reduced from 1½% to ½% per annum.

The Fiscal Agency operated by us for the Government redeemed 481,534 Government and Federal Land Bank coupons amounting to \$7,629,163.04 during 1931, as compared with 534,226 coupons amounting to \$9,274,533.96 during 1930.

ACTIVITIES OF THE FEDERAL RESERVE AGENT'S OFFICE

A. Federal Reserve Note Issues

The new series of small-size Federal reserve notes which were first issued early in July, 1929, had largely replaced the old-size notes by December 31, 1931, on which date the outstanding new series Federal reserve note amounted to \$62,-528,060, compared with only \$8,760,250 of the old series. The denominational distribution of the outstanding old series Federal reserve notes on December 31, 1931, was as follows:

| | |
|---------------|--------------------|
| 5's | \$1,114,150 |
| 10's | 1,928,540 |
| 20's | 4,069,260 |
| 50's | 385,900 |
| 100's | 921,400 |
| 500's | 110,000 |
| 1,000's | 231,000 |
| Total | <u>\$8,760,250</u> |

On December 31, 1931, the amount of old and new series notes outstanding was \$71,288,310, and the Federal Reserve Agent held \$28,530,000 of new and fit-for-use notes. Of this total outstanding (\$71,288,310) there was "in circulation" \$69,129,345; and the amount of notes held by our paying tellers here at the Head Office and at the Helena Branch, together with the amount of mutilated Federal reserve notes in transit for redemption, totaled \$2,158,965.

During 1931, the Federal Reserve Agent and his assistants received \$26,100,000 of new Federal reserve notes from the Comptroller of the Currency at Washington, and \$10,000,000 of fit-for-use notes from our paying tellers. The issues of new and fit-for-use notes totaled \$42,180,000, as compared with \$39,052,000 during the preceding year and \$73,754,000 in 1929. The large total in 1929 was chiefly due to the issuance of the new series of small-size bills. The amount of Federal reserve notes outstanding with this Federal Reserve Bank increased from \$58,704,305 to \$71,288,310 between December 31, 1930, and December 31, 1931.

As collateral security for the Federal reserve notes outstanding with the Federal Reserve Bank, there was held by the Agent on December 31, 1931, \$58,470,000 in gold coin and gold certificates in vault or on deposit with the Federal Reserve Board, \$6,700,000 in discounts and rediscounts and \$6,600,000 in purchased bills, compared with \$48,325,000 in gold, \$3,000,000 in discounts and rediscounts and \$7,600,000 in purchased bills on December 31, 1930.

B. Membership

At the close of the year, there were 579 member banks operating in this district, as compared with 642 member banks at the beginning of the year. There was a net loss of 62 national banks and 1 state bank. The total membership (banks in operation only) at the close of 1931 was divided into 539 national banks and 40 state banks. The banks which joined the Federal Reserve System in 1931 are:

| Name of Bank | Location | No of Shares Subscribed |
|--|-------------------------|----------------------------|
| State Savings Bank..... | Escanaba, Mich. | 120 |
| First National Bank in Anoka..... | Anoka, Minn. | 36 |
| The Northwestern National Bank of Dawson | Dawson, Minn. | 18 |
| The Luverne National Bank..... | Luverne, Minn. | 36 |
| The Klein National Bank of Madison | Madison, Minn. | 36 |
| First National Bank in Paynesville..... | Paynesville, Minn. | 21 |
| First National Bank in Wheaton..... | Wheaton, Minn. | 36 |
| The First National Bank of Ethan..... | Ethan, S. D. | 17 |
| Farmers State Bank..... | Flandreau, S. D. | 33 |
| The Northwestern National Bank of Madison | Madison, S. D. | 38 |
| Security Bank & Trust Company..... | Madison, S. D. | 36 |
| The First National Bank in Durand..... | Durand, Wis. | 36 |

NUMBER OF BANKS IN OPERATION IN THE NINTH FEDERAL RESERVE DISTRICT

December 31, 1930, and December 31, 1931

| | National | | State Members | | Non-Members | | Total | |
|------------------------------------|----------|------|---------------|------|-------------|-------|-------|-------|
| | 1930 | 1931 | 1930 | 1931 | 1930 | 1931 | 1930 | 1931 |
| Michigan | 39 | 38 | 7 | 8 | 31 | 29 | 77 | 75 |
| Minnesota | 258 | 239 | 7 | 6 | 742 | 642 | 1,007 | 887 |
| Montana | 59 | 55 | 19 | 16 | 98 | 85 | 176 | 156 |
| North Dakota..... | 107 | 86 | 0 | 0 | 218 | 164 | 325 | 250 |
| South Dakota.... | 92 | 79 | 5 | 7 | 231 | 178 | 328 | 264 |
| Wisconsin | 46 | 42 | 3 | 3 | 184 | 169 | 233 | 214 |
| Ninth Federal Reserve Dist..... | 601 | 539 | 41 | 40 | 1,504 | 1,267 | 2,146 | 1,846 |

C. Examination of Banks

During 1931, 52 credit investigations, examinations and special visits were made by the Federal Reserve Agent's Examiners. In the examination work this year, the examiners and their assistants traveled in the aggregate of 24,920 miles.

In addition to the information obtained from the Federal Reserve Examiners, 1,095 reports of examination of national banks were received from the Chief National Bank Examiner of this district, and 3 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 3,620 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 1931 include the following:

| Name of Bank | Town | Date Approved | Capital | Powers |
|---|------------------|------------------|-----------|---------------------------------|
| American National Bank..... (Title changed to First National Bank and Trust Co. of Helena) | Helena, Mont. | 3-27-31 | \$300,000 | 1-7, incl. and 9-11 incl. |
| First National Bank..... | Dickinson, N. D. | 4-28-31 | 100,000 | Full |
| Security National Bank..... | Brookings, S. D. | 5-18-31 | 50,000 | Full |

CHANGES IN PERSONNEL

At the January meeting of the Board of Directors, the officers of both the Head Office and Helena Branch were re-elected. Letters from the Federal Reserve Board were presented announcing the redesignation of Mr. J. R. Mitchell as Chairman of the Board of Directors for the year 1931, and of Mr. Homer P. Clark as Deputy Chairman, and also the redesignation of Mr. Curtis L. Mosher and Mr. F. M. Bailey as Assistant Federal Reserve Agents, and of Mr. O. S. Powell to act in certain matters for the Federal Reserve Agent. A notice from the Board was also presented announcing the appointment of Mr. W. R. Strain of Great Falls as a director of the Helena Branch for a two-year term beginning January 1, 1931. The Board of Directors elected Mr. S. McKennan of Helena as a director of the Branch for a term of two years beginning January 1, 1931. The Chairman of the Board announced that as a result of an election held to select a successor for Director Norman B. Holter, resigned, Mr. J. E. O'Connell of Helena had been elected to fill the unexpired term as Class B director at the Head Office, and that Mr. Geo. W. McCormick had been reappointed by the Federal Reserve Board for a three-year term as Class C director.

Mr. Harry Yeager was elected Secretary of the bank and Mr. Curtis L. Mosher was elected Secretary of the Board of Directors.

Mr. Geo. H. Prince was elected a member of the Federal Advisory Council to serve for the year 1931.

Mr. Andreas Ueland was elected Counsel of the bank and Mr. Sigurd Ueland Assistant Counsel. Mr. T. B. Weir was elected Counsel for the Helena Branch.

At the regular meeting of the Board of Directors in May, the Chairman announced the death on April 12, in Los Angeles, of Mr. J. C. Bassett for many years a director at the Head Office. In a special election concluded on June 3, Mr. H. R. Kibbee, President of the Commercial Trust & Savings Bank of Mitchell, South Dakota, was elected a Class A director to fill the unexpired term.

In October, Mr. J. E. O'Connell, a director at the Head Office, was named Acting Assistant Federal Reserve Agent at the Helena Branch. Mr. A. T. Hibbard and Mr. Fred Heinecke, both of Helena, were appointed Alternate Acting Assistant Federal Reserve Agents.

At the December meeting of the Board of Directors, Mr. T. A. Marlow was re-elected a Director of the Helena Branch to serve a two-year term beginning January 1, 1932.

Mr. Theodore Wold was elected to succeed Mr. Geo. H. Prince as a member of the Federal Advisory Council for the year 1932.

The Chairman of the Board announced that as a result of the regular fall elections, Mr. P. J. Leeman had been elected a Class A director and Mr. W. O. Washburn a Class B director, at the Head Office, both for terms of three years beginning January 1, 1932.

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 279 persons on December 31, 1931, as compared with 280 at the close of the previous year.

Resources and Liabilities of the Federal Reserve Bank of Minneapolis

(In Thousands of Dollars)

RESOURCES

| | Dec. 31, 1931 | Dec. 31, 1930 | Dec. 31, 1929 |
|---|------------------|------------------|------------------|
| Gold with Federal Reserve Agent..... | \$ 58,470 | \$ 48,325 | \$ 66,157 |
| Gold redemption fund with United States Treasury.... | 704 | 802 | 3,970 |
| Gold held exclusively against Federal reserve notes.... | \$ 59,174 | \$ 49,127 | \$ 70,127 |
| Gold settlement fund with Federal Reserve Board..... | 9,367 | 10,076 | 18,085 |
| Gold and gold certificates held by bank..... | 5,735 | 5,208 | 4,254 |
| Total gold reserves..... | \$ 74,276 | \$ 64,411 | \$ 92,466 |
| Reserves other than gold..... | 5,632 | 4,258 | 2,731 |
| Total reserves | \$ 79,908 | \$ 68,669 | \$ 95,197 |
| Non-reserve cash | 1,732 | 2,432 | 2,467 |
| Bills Discounted: | | | |
| Secured by United States Government obligations | 1,074 | 403 | 3,552 |
| Other bills discounted..... | 6,497 | 3,173 | 6,625 |
| Total bills discounted..... | \$ 7,571 | \$ 3,576 | \$ 10,177 |
| Bills bought in open market..... | 7,329 | 8,411 | 6,636 |
| United States Government Securities: | | | |
| Bonds | 15,832 | 5,936 | 5,996 |
| Treasury notes | 589 | 10,185 | 5,693 |
| Certificates and bills..... | 11,247 | 11,181 | 5,184 |
| Total United States Government securities.... | \$ 27,668 | \$ 27,302 | \$ 16,873 |
| Other securities | 903 | 233 | 121 |
| Total bills and securities..... | \$ 43,471 | \$ 39,522 | \$ 33,807 |
| Uncollected items | 9,254 | 11,171 | 14,791 |
| Bank premises | 1,834 | 1,926 | 2,018 |
| All other resources..... | 1,387 | 544 | 559 |
| Total resources | \$ 137,586 | \$ 124,264 | \$ 148,839 |

LIABILITIES

| | | | |
|---|------------|------------|------------|
| Federal reserve notes in actual circulation..... | \$ 69,129 | \$ 53,559 | \$ 66,855 |
| Deposits: | | | |
| Member bank reserve account..... | 45,827 | 48,447 | 56,862 |
| Government | 1,961 | 1,280 | 2,129 |
| Foreign bank | 1,768 | 132 | 140 |
| Other deposits | 356 | 139 | 267 |
| Total deposits | \$ 49,912 | \$ 49,998 | \$ 59,398 |
| Deferred availability items..... | 7,792 | 9,776 | 11,535 |
| Capital paid in..... | 2,951 | 3,063 | 3,091 |
| Surplus | 6,356 | 7,144 | 7,143 |
| All other liabilities..... | 1,446 | 724 | 817 |
| Total liabilities | \$ 137,586 | \$ 124,264 | \$ 148,839 |
| Ratio of total reserves to deposit and Federal reserve note liabilities combined (per cent)..... | 67.1 | 66.3 | 75.4 |
| Contingent liability on bills purchased for foreign correspondents | \$ 5,716 | \$ 9,994 | \$ 13,667 |

Earnings and Expenses of Federal Reserve Bank of Minneapolis

EARNINGS

| | 1931 | 1930 | 1929 |
|---|------------|-------------|-------------|
| Discounted bills | \$ 168,589 | \$ 172,441 | \$1,047,771 |
| Purchased bills | 132,999 | 228,551 | 310,209 |
| U. S. Securities | 597,518 | 747,484 | 388,604 |
| Deficient reserve penalties..... | 7,726 | 7,644 | 12,475 |
| Miscellaneous | 29,772 | 78,962 | 166,972 |
| Total earnings | \$ 936,604 | \$1,235,082 | \$1,926,031 |
| Current expenses | 918,942 | 976,867 | 1,022,009 |
| Current net earnings..... | \$ 17,662 | \$ 258,215 | \$ 904,022 |
| Additions to current net earnings..... | 142,751 | 293,206 | 22,137 |
| Deductions from Current Net Earnings: | | | |
| Bank premises—depreciation | 92,051 | 91,982 | 91,982 |
| Furniture and equipment..... | 10,947 | 14,548 | 24,783 |
| All other | 11,610 | 251,302 | 14,682 |
| Total deductions | \$ 114,608 | \$ 357,832 | \$ 131,397 |
| Net earnings available for dividends, surplus and franchise tax | 45,805 | 193,589 | 794,762 |
| Distribution of Net Earnings: | | | |
| Dividends paid | 180,455 | 184,445 | 184,030 |
| Transferred to surplus account..... | 134,650* | 914 | 61,073 |
| Franchise tax paid U. S. Government..... | None | 8,230 | 549,659 |

CURRENT EXPENSES

| | | | |
|---|------------|------------|-------------|
| Salaries: | | | |
| Bank officers | \$ 118,135 | \$ 122,067 | \$ 117,783 |
| Special officers and watchmen..... | 38,060 | 34,673 | 31,325 |
| Clerical staff | 330,899 | 388,939 | 346,319 |
| All other | 64,461 | 61,568 | 57,964 |
| Governors' conferences | 611 | 609 | 567 |
| Federal Reserve Agent's conferences..... | 0 | 317 | 320 |
| Federal Advisory Council..... | 1,316 | 1,298 | 1,396 |
| Directors' meetings | 7,062 | 6,529 | 6,564 |
| Traveling expenses* | 17,565 | 12,921 | 14,716 |
| Assessment for Federal Reserve Board expenses..... | 16,482 | 18,504 | 19,433 |
| Legal fees | 14,865 | 18,431 | 17,077 |
| Insurance (other than on currency and security shipments) | 31,671 | 30,721 | 30,755 |
| Taxes on banking house..... | 69,505 | 69,399 | 77,128 |
| Repairs and alterations, banking house..... | 5,438 | 6,155 | 7,097 |
| Light, heat and power..... | 16,208 | 17,202 | 17,967 |
| Rent | 0 | 0 | 0 |
| Telephone | 5,584 | 5,166 | 5,494 |
| Telegraph | 17,664 | 18,032 | 18,421 |
| Postage | 52,523 | 64,934 | 63,011 |
| Expressage | 11,779 | 12,230 | 11,048 |
| Insurance on currency and security shipments..... | 12,410 | 13,916 | 14,809 |
| Printing and stationery..... | 14,784 | 19,447 | 18,601 |
| Office and other supplies..... | 13,280 | 17,537 | 18,504 |
| All other expenses..... | 32,686 | 29,342 | 43,323 |
| Total exclusive of cost of currency..... | \$ 892,488 | \$ 919,937 | \$ 939,622 |
| Federal Reserve Currency (including shipping charges): | | | |
| Original cost | \$ 23,886 | \$ 52,685 | \$ 79,642 |
| Cost of redemption..... | 3,068 | 4,245 | 2,745 |
| Total current expenses..... | \$ 918,942 | \$ 976,867 | \$1,022,009 |

REIMBURSABLE EXPENSES OF FISCAL AGENCY DEPARTMENT

| | | | |
|-------------------------|-----------|-----------|-----------|
| Salaries | \$ 14,767 | \$ 14,572 | \$ 13,607 |
| All other expenses..... | 5,065 | 3,482 | 3,795 |
| Total | \$ 19,832 | \$ 18,054 | \$ 17,402 |

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

**Withdrawn from surplus account.

DIRECTORS AND OFFICERS
FEDERAL RESERVE BANK OF MINNEAPOLIS
JANUARY 1, 1932

DIRECTORS

| | | | | | | | | | |
|-------------------|---|---|---|---|------|---|---|---|-------------------------|
| Class A | | | | | | | | | |
| H. R. KIBBEE | - | - | - | - | 1932 | - | - | - | Mitchell, So. Dak. |
| H. C. HANSEN | - | - | - | - | 1933 | - | - | - | Churchs Ferry, No. Dak. |
| PAUL J. LEEMAN | - | - | - | - | 1934 | - | - | - | Minneapolis, Minn. |
| Class B | | | | | | | | | |
| J. E. O'CONNELL | - | - | - | - | 1932 | - | - | - | Helena, Mont. |
| JOHN S. OWEN | - | - | - | - | 1933 | - | - | - | Eau Claire, Wis. |
| W. O. WASHBURN | - | - | - | - | 1934 | - | - | - | St. Paul, Minn. |
| Class C | | | | | | | | | |
| J. R. MITCHELL | - | - | - | - | 1932 | - | - | - | Minneapolis, Minn. |
| HOMER P. CLARK | - | - | - | - | 1933 | - | - | - | St. Paul, Minn. |
| GEO. W. McCORMICK | - | - | - | - | 1934 | - | - | - | Menominee, Mich. |

OFFICERS

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

MEMBER OF FEDERAL ADVISORY COUNCIL

THEODORE WOLD, Vice President, Northwestern National Bank,
Minneapolis, Minnesota

HELENA BRANCH—(MONTANA)

DIRECTORS

| | | | | | | | | | |
|--------------|---|---|---|---|------|---|---|---|--------------------|
| R. E. TOWLE | - | - | - | - | 1932 | - | - | - | Helena, Mont. |
| S. McKENNAN | - | - | - | - | 1932 | - | - | - | Helena, Mont. |
| W. R. STRAIN | - | - | - | - | 1932 | - | - | - | Great Falls, Mont. |
| T. A. MARLOW | - | - | - | - | 1933 | - | - | - | Helena, Mont. |
| HENRY SIEBEN | - | - | - | - | 1933 | - | - | - | Helena, Mont. |

OFFICERS

| | | | | | | | | | |
|------------------|---|---|---|---|---|---|---|---|--|
| J. E. O'CONNELL | - | - | - | - | - | - | - | - | Acting Assistant Federal Reserve Agent |
| FRED HEINECKE | - | - | - | - | - | - | - | - | Alternate Acting Assistant Federal Reserve Agent |
| A. T. HIBBARD | - | - | - | - | - | - | - | - | Alternate Acting Assistant Federal Reserve Agent |
| R. E. TOWLE | - | - | - | - | - | - | - | - | Managing Director |
| H. L. ZIMMERMANN | - | - | - | - | - | - | - | - | Cashier |
| A. A. HOERR | - | - | - | - | - | - | - | - | Assistant Cashier |
| T. B. WEIR | - | - | - | - | - | - | - | - | Legal Counsel |