

SECOND ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK
OF SAN FRANCISCO

FOR THE YEAR ENDED DECEMBER 31, 1916



WASHINGTON
GOVERNMENT PRINTING OFFICE

1917

SECOND ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK
OF SAN FRANCISCO

FOR THE YEAR ENDED DECEMBER 31, 1916



WASHINGTON
GOVERNMENT PRINTING OFFICE

1917

LETTER OF TRANSMITTAL.

FEDERAL RESERVE BANK,
San Francisco, January 1, 1917.

SIR: I have the honor to submit the following report concerning the operations of the Federal Reserve Bank of San Francisco and the field of its activities from January 1, 1916, to December 31, 1916.

Respectfully,

JOHN PERRIN,
Chairman and Federal Reserve Agent.

HON. W. P. G. HARDING,
Governor Federal Reserve Board.

TABLE OF CONTENTS.

	Page.
Financial Results of Operation	7
Earnings, expenses, and dividends.....	7
Activities during the year	8-10
Discount operations.....	8
Acceptances.....	8
Effect upon general market rates.....	9
United States bond operations.....	9
Municipal warrants.....	10
Changes in reserve position.....	10
Federal Reserve Bank and Member Banks	10-14
Change in membership.....	10
Branches.....	11
Relations with State banks.....	12
Savings accounts.....	12
Excess deposits from member banks.....	13
Overdrafts.....	13
Bank failures.....	14
Overdue paper.....	14
Public Relations	14
Federal Reserve Bank and the Government	15
Federal Reserve Bank and Note Issues	16
Internal Management of the Bank	17-19
Bank premises.....	19
Examination by Federal Reserve Bank examiner.....	19
The Clearing Problem	19-23
Clearing to July 15, 1916.....	19
Clearing after July 15, 1916.....	20
Attitude of nonmember banks.....	22
Service rendered to the banks by the gold settlement fund.....	22
General Business Conditions of the Twelfth Federal Reserve District	23

LIST OF TABLES.

1. Comparative statement of condition as of Dec. 31, 1916, and Dec. 31, 1915..	26
2. Earnings, expenses, and dividends.....	27
3. Earnings for the year.....	27
3A. Expenditures for the year.....	28
4. Fluctuations in the discount rates.....	29
5. Volume and classification of rediscounts.....	29
6. Acceptances.....	30
7. United States bonds.....	30
8. Municipal warrants.....	31
9. Reserve at the beginning of each month.....	31
10. Deposit of the Treasurer of the United States at the beginning of each month.	31

	Page.
11. Gold settlement fund.....	32
12. Federal Reserve notes issued and redeemed by Federal Reserve agent during 1916.....	32
13. Comparison of deposits and loans of national banks in this district with those of a year ago.....	33
14. Reserve in vault prior to establishment of Federal Reserve System compared with reserve in vault combined with deposit in Federal Reserve Bank at present.....	34
15. Check collection—Interdistrict transactions.....	34
16. Comparison of loans and investments and deposits on June 30, 1914, with those on corresponding dates in 1915 and 1916 and on Nov. 17, 1916.....	35

EXHIBITS.

A. Comparison of resources of national and State banks of this district.....	36
B. Bank clearings of the principal cities of this district.....	37
C. Applications under the Kern amendment to the Clayton Act.....	37

SECOND ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO.

JOHN PERRIN, Chairman and Federal Reserve Agent.

FINANCIAL RESULTS OF OPERATION.

During the year 1916 the resources of this bank have more than doubled, as shown in the following comparative statement:

	Dec. 30, 1916.	Dec. 31, 1915.
RESOURCES.		
Bills discounted for member banks.....	\$250,968	\$487,162
Bills bought, open market.....	12,462,266	633,840
Municipal warrants.....	737,376	344,978
United States bonds and notes.....	3,133,750	1,000,475
Furniture and equipment.....		
Cost of unissued Federal Reserve notes.....		93,996
Cost of Federal Reserve Bank notes.....		
Expense of organization.....		
Other resources.....	465,930	15,553
Due from other Federal Reserve Banks.....	4,241,904	3,934,866
Gold, including Federal Reserve notes exchangeable for gold with Federal Reserve Agent.....	22,795,813	15,173,717
Total.....	45,088,007	21,714,587
LIABILITIES.		
Capital paid in.....	3,929,300	3,941,800
Undivided profits.....	15,417	
Unearned discount.....	33,188	4,740
Due to other Federal Reserve Banks.....	947,794	10,541
Due to member banks (net).....	36,477,704	17,321,863
Government deposits.....	3,643,138	427,320
Other liabilities.....	41,466	8,323
Total.....	45,088,007	21,714,587

EARNINGS, EXPENSES, AND DIVIDENDS.

The net earnings (Table 2) for the year have amounted to \$59,153.09, out of which two dividends at the rate of 6 per cent per annum have been paid, the first on October 1, 1916, covering the period November 16, 1914, to December 31, 1914, and the second on December 30, 1916, for the period from January 1, 1915, to March 31, 1915. A balance of \$15,416.87 undivided profits remains. In addition to all current expenses, there have been charged off all organization expenses, \$45,085.09, the cost of all furniture and equipment, \$12,589.59, the cost of engraving plates for Federal Reserve Bank notes, \$480, and the cost of engraving, printing, and shipping Federal Reserve notes, \$56,804.69, a total of \$114,959.37. Only cash and

current earning investments are carried on the books at this date as live assets.

The net earnings by months have been as follows:

	Deficit.	Excess earnings.
January.....	\$5,398.74	.....
February.....	1,781.27	.....
March.....		\$1,306.67
April.....		4,189.81
May.....		6,578.04
June.....		9,350.34
July.....		18,099.85
August.....		18,524.51
September.....		16,917.68
October.....		22,099.55
November.....		24,417.63
December.....		35,545.09
Total.....	7,180.01	157,029.17
Net.....		149,849.16
Dividend No. 1.....	12,340.97	
Dividend No. 2.....	31,395.25	
Charged off:		
Balance furniture and equipment.....	12,589.59	
Balance organization expense.....	35,390.44	
Balance cost of unissued Federal Reserve notes.....	42,236.04	
Cost Federal Reserve Bank notes.....	480.00	
		134,432.29
Undivided profits.....		15,416.87

ACTIVITIES DURING THE YEAR.

DISCOUNT OPERATIONS.

Discount rates (Table 4) during the year have remained substantially as fixed in January, 1915. A total of \$1,973,355 has been rediscounted during the year, the classification being shown in Table 5. The largest aggregate of rediscounted paper was \$572,619, held on July 18, and the smallest \$228,922, held on October 23.

There has been no disposition manifested by member banks to avail of the opportunity to rediscount commodity paper. It may be that conditions will arise in the future which will cause more active interest in this class of paper.

There has been considerable discussion among dealers and credit men regarding trade acceptances, with here and there a concern of especial enterprise and alertness entering upon their use. To secure settlements in the form of trade acceptances for merchandise sold, instead of carrying unavailable open accounts, yields advantages so manifold and important that this method seems sure of being widely adopted when dealers realize the advantages obtainable, including lower interest rates than on direct borrowings.

ACCEPTANCES.

This bank's most important volume of investments during the year has been in acceptances, a total of \$32,775,678 having been purchased at rates ranging from 1 $\frac{7}{8}$ to 3 $\frac{3}{8}$ per cent. The maxi-

imum rates for the year are prevailing as the year closes. The total held at one time has fluctuated between a minimum of \$665,880 on February 21 and a maximum of \$12,832,686 on December 14 (Table 6). These acceptances have been chiefly those of New York banks, with lesser amounts of banks in Boston and Philadelphia. Banks of the twelfth Federal Reserve district have engaged little as yet in acceptance business, although a quite important volume would apparently be possible for them in the trade with the Orient as well as in domestic transactions. Some of the most important banks have had no such transactions thus far.

Of acceptances offered for purchase in San Francisco, those of one Japanese bank have exceeded in volume those of any other bank. Purchases of acceptances of Pacific coast banks have been at the same rates as those of New York banks. With equally favorable rates, the opportunity offers for creating a discount market of some importance on this western coast with profit to acceptors and added opportunities for enlarged trade. Because of short maturity, minimum of risk, certainty of payment at maturity, and breadth of market, if sale or rediscount should be desired, such paper would seem to be an ideal investment not only for Federal Reserve banks but also for member banks.

EFFECT UPON GENERAL MARKET RATES.

Aside from a relatively small volume of acceptances growing chiefly out of oriental business and offered in San Francisco, and aside from the small volume of rediscounts, the investment operations of this bank have been so largely in New York that they have at present no important influence upon the general market rates of this district. The published rediscount rates have probably influenced somewhat the rates charged borrowing banks by correspondents, but credit conditions have been so easy throughout the district that any sound bank desiring to borrow has been able to secure satisfactory rates without difficulty. When lending rates advance generally, it may perhaps be reasonably anticipated that the relatively low discount rates likely to be maintained by Federal Reserve Banks, through moderating the advances in discount rates accorded to country banks by their correspondents, will influence lending rates more than during the past year.

UNITED STATES BOND OPERATIONS.

In addition to \$1,010,000 2 per cent United States bonds bought previously, there have been purchased during the current year 2 per cent consols amounting to \$2,623,750. Except \$25,000, these have all been bought from member banks (Table 7).

Under the privilege granted by the Federal Reserve Act \$1,000,000 of these have been converted—\$500,000 into United States 3 per cent

one-year gold notes, and \$500,000 into United States 3 per cent 30-year gold bonds. The latter have all been sold at a slight premium.

Although the one-year gold notes, at the option of the Secretary of the Treasury, carry the obligation of the recipient Federal Reserve Bank of annual renewal for 30 years, yet they constitute a security readily salable in this or other countries if need should arise.

Prior to purchase these United States bonds were pledged to secure national-bank circulation, which was retired in order to release the bonds. As similar circulation has not been issued by the Federal Reserve Bank, the net result has been a reduction in the amount of bond-secured circulation.

MUNICIPAL WARRANTS.

During the year a total of \$5,962,621.14 municipal warrants have been purchased, as shown in Table 8. The income basis has ranged from 2 per cent to 4 per cent, and for the most part those bought have been issued in anticipation of taxes by New York and other eastern cities. A few California bonds have been bought, classed as municipal warrants, because having maturity within six months and accumulated sinking fund. When the laws of the several States in this district are changed so as to authorize the issue of such municipal warrants, Pacific coast municipalities will also benefit by the opportunity to secure temporary loans at correspondingly low rates. Considerable interest has been manifested by citizens of Seattle in this matter.

CHANGES IN RESERVE POSITION.

Table 9 gives the reserve position of the bank at the beginning of each month during the year. In this calculation Federal Reserve notes held in the bank's cash have been counted as gold, because immediately exchangeable for gold by presenting to the Federal Reserve Agent.

FEDERAL RESERVE BANK AND MEMBER BANKS.

CHANGE IN MEMBERSHIP.

The capital of member banks in this district compared with one year ago is as follows:

Date.	Number of banks.	Capital.
Dec. 31, 1916.....	524	\$89,589,000
Dec. 31, 1915.....	526	89,119,000
Increase.....		470,000

National banks of the district show an increase over a year ago of approximately 28.3 per cent in deposits and 22.8 per cent in loans (Table 13).

During the year six national banks, having aggregate capital of \$610,000, converted into State banks, and three State banks, having aggregate capital of \$800,000, converted into national banks.

There are many evidences that the relations between this bank and its member banks are those of increasingly good understanding and mutual confidence. As opportunities have presented for personal interchanges, misapprehensions have been cleared away, and member banks more generally have come to realize the earnest purpose of this bank to render service and its sure and prompt response without red tape.

Grumbling may be an evidence of vigor. An old sea captain of this coast, when his mate reported that the crew were all grumbling, remarked: "What of it. Do you want them all sick?" In the shift from the old system to the Federal Reserve system, probably no one matter has occasioned more grumbling than that reserve deposits are required to be carried with the Federal Reserve Bank without interest in view of the fact that so-called reserve deposits previously carried with member banks in reserve and central reserve cities usually bore 2 per cent interest. That this grumbling has not been warranted is shown by the fact that lawful money reserve carried in the vaults of national banks of this district on October 31, 1914, just prior to the establishment of the Federal Reserve system, averaged 12.5 per cent of deposit liabilities, while on September 12, 1916, member banks reserve in vault and deposits with the Federal Reserve Bank taken together averaged only 11.4 per cent of deposit liabilities. (Table 14.) In other words, with less noninterest bearing reserve the advantages were had of the fortification of each member bank by the Federal Reserve system and the freedom to lend at full interest rates considerable amounts previously loaned at 2 per cent to other banks in the form of so-called reserve deposits.

Increased profit has thus been made possible and in many instances banks availing of the new opportunities under the Federal Reserve Act have shown increased income in spite of abnormally low lending rates throughout the year.

BRANCHES.

In no other district do the distances make it so necessary to establish branches in order to give adequate service to all member banks. This matter is one which has been under frequent consideration, but action has been deferred in order to gain fuller knowledge of the requirements and possibilities of branches from experience in the

operation of the head office and until the bank's income would justify the important increase of expense which the establishment of branches would entail. While rediscounts for the entire district can be well cared for at the head office for an indefinite period, it is recognized that efficient clearing of checks will ultimately require offices of this bank at several points in the district.

RELATIONS WITH STATE BANKS.

No State banks or trust companies in this district have joined the Federal Reserve system. In California this is doubtless due in part to the State banking law, and in the other States in part to the fact that near-by branches have not yet been established. In the main, however, friendly relations exist between State banks and trust companies and this bank. It is believed that there is growing appreciation of the fact that even the smallest nonmember bank benefits importantly even though indirectly by the existence of the Federal Reserve system. The following letter is from a Utah State bank dated October 28, 1916:

FEDERAL RESERVE BANK,
San Francisco, Cal.

GENTLEMEN: Sometime ago we had some correspondence with you in regards to paying our checks sent us by you for collection at par. You will recall we expressed a willingness to pay all checks at par with exception of those that should come through the Salt Lake Clearing House.

Since that time we have given the matter considerable thought and have also talked it over with our bankers in Salt Lake City. We have learned more about the real value of the system and are convinced that it is a good thing. We feel eventually that all nonmember banks are going to give the system their undivided support and consequently we wish to fall in line right now. So if you will send all collections direct to us we shall be pleased to issue our Salt Lake draft and remit to you at par.

We trust this meets with your approval and hope to do our share in making the system a success.

SAVINGS ACCOUNTS.

The California bank act provides in part (sec. 49): "It shall not be lawful * * * to solicit or receive * * * savings * * * except in the case of * * * banks * * * subject to the provisions of this act. Any * * * bank violating any provision of this section shall forfeit to this State one hundred dollars a day * * * ;" and in section 144: "Whenever by the terms of this act a penalty or forfeiture is imposed, the same shall be recovered in an action brought at the request of the superintendent of banks by the attorney general * * *."

The superintendent of banks holds that this makes it unlawful for national banks in California to accept or advertise for savings accounts, and has indicated that he will impose the penalty provided, which he will seek to have the attorney general bring proceedings to recover in the case of any national bank acting in contravention of the act quoted. Counsel of the Federal Reserve Board and counsel of the Federal Reserve Bank hold that the Federal Reserve Act, outranking in authority the State statute, gives all national banks absolute right to receive savings accounts and to advertise for them. A number of national banks in California are accordingly accepting savings accounts and advertising for them by window signs and otherwise. In each instance in which the superintendent of banks has challenged the exercise of these rights by a national bank, the Federal Reserve Bank has offered to appear by its own counsel and defend at its own expense any action brought. The attorney general, however, has brought no action in any instance.

EXCESS DEPOSITS FROM MEMBER BANKS.

Although the recent amendment to the Federal Reserve Act by ruling of the Federal Reserve Board gives to member banks authority to carry with the Federal Reserve Bank any part of their total required reserve, little disposition has been manifested to carry with the Federal Reserve Bank a larger proportion than that required. All habits are slow to change, habits in banking perhaps slowest of all, as many banks still operate without availing of the new opportunities offered through the Federal Reserve Act by which their profits could be increased. But beyond this is the fact that so long as clearing-house balances must be settled with cash from vault, the cash so carried must be considerable enough to meet these daily requirements. If, however, clearing-house balances were settled by transfers on the books of the Federal Reserve Bank, excess balances would naturally be carried with the Federal Reserve Bank to meet the fluctuating requirements, and the vault cash would diminish to an amount found convenient as till money.

OVERDRAFTS.

The maximum deficiency in reserve deposits in any month during the year has been an average of \$69,200 in the combined balances of 38 banks in the month of September. The imposition of the penalty tax upon deficiency in reserves, as required by law, has occasioned greater care in maintaining reserve deposits at the required point.

Weekly reports are furnished by member banks showing the daily totals of demand and time deposits and the reserve required to be carried with the Federal Reserve Bank, although banks having net

deposits of less than \$1,000,000, instead of giving daily figures, give only those of each Friday. These reports are compared with the books of this bank and form the basis for computing the penalties for deficiency of reserves.

This bank has had no occasion to cause special examinations of any of its member banks to be made during the year.

BANK FAILURES.

Since the establishment of the Federal Reserve system, November 16, 1914, there has been no failure of a national bank in this district. During the same period there have been seven failures of State banks, three in Arizona, one in Oregon, and three in Washington.

OVERDUE PAPER.

It has been the practice of this bank, for the most part, to send for collection, some days before maturity, paper rediscounted for member banks, to the member bank from which received, charging the same to the account of that bank on the day of maturity. This bank has had no instance of overdue paper and no loss whatever in rediscount transactions.

PUBLIC RELATIONS.

The public has unquestionably accepted the Federal Reserve system as an instrumentality of inestimable value to commerce and industry in all departments. Occasional critical articles in newspapers, usually growing out of lack of understanding of principles or misinformation as to facts, seem to find no responding approval among business men. But although there is general faith, there is often haziness of ideas about the Federal Reserve system. The truth of this could not be more clearly shown than by the following selected answers to questions put to those seeking licenses as teachers in one of the States of this district:

Question:

- a. What is the Federal Reserve Act of Wilson's administration?
- b. How many banks were formed and how governed?

Answers:

1. The Federal Reserve Act was making a park in Colorado—very much like Yellowstone National Park.
2. To form national reserve banks to aid in bringing the war in Europe to a close.
3. The regional banks are to be controlled by corporations elected by the President.

4. The Federal Reserve Act is the tax he has levied or the stamps he has caused to be put on all goods bought or sold in the United States. There is also a tax on telegrams, telephone long-distance calls, etc. This is to raise a fund to improve the Army and Navy and help pay the national debt.
5. The Federal Reserve Act is taking care of the old soldiers and having them practice war.
6. There is a Federal Reserve Bank in each city of over 10,000, controlled by the officers.
7. The Federal Reserve Act is one storing money of the country and anyone who is without money or "broke" can go to these banks and get what money they need.
8. The Federal Reserve Act was to lay aside a certain amount of the United States money and this is to be used only in times when the country is in need of it and demands its usage. This money is to be used only when all other money of the United States is at an end.

Organized and systematic public relations work would be invaluable, both in informing the public so that through knowledge they would have intelligent reliance in sound member banks fortified by a Federal Reserve Bank, and also in developing the understanding of member banks with resulting greater cooperation and consequent profit to themselves and benefit to general business. With better understanding of the purposes and possibilities of the Federal Reserve system, nonmember banks would become member banks, correspondingly strengthening the Federal Reserve system and increasing the stability of business.

The objective results of the Federal Reserve system so depend upon knowledge both of bankers and of the public that it seems important that this phase of a Federal Reserve Bank's endeavors should not be sporadic, but in conformity with a definitely organized plan. Progress in development seems likely to be in direct proportion to the character and quality of such effort.

FEDERAL RESERVE BANK AND THE GOVERNMENT.

The amount of the Government deposit balance with this bank at the beginning of each month during the year is shown in Table 10.

During the year gold transfers through the subtreasury, to other subtreasury cities, chiefly New York, and to the Treasury at Washington, have been made to the extent of \$26,480,000. Transfers to the extent of \$3,100,000 have been made in the reverse direction. In like manner transfers have been made to the gold settlement fund in Washington to the extent of \$82,781,000, and transfers have been received from the gold settlement fund to the amount of \$119,960,000 (Table 11).

Mr. Claud Gatch, the chief national bank examiner of the district, both from personal inclination and in accordance with instructions from the Comptroller of the Currency, cooperates fully and cordially with this bank. When examiners are called here for a periodical conference, he makes opportunities for the officials of this bank to meet them and benefit by personal discussions.

Transcripts of considerable parts of the reports of all National Bank examinations are furnished to the Federal Reserve Agent, and fuller details given upon special request.

Upon request of this bank, there has been printed a stock of its Federal Reserve notes, of which \$44,440,000 are immediately available, \$15,980,000 being stored at the San Francisco subtreasury and the remainder in Washington.

FEDERAL RESERVE BANK AND NOTE ISSUES.

It has been the constant policy of this bank to use Federal Reserve notes for money payments whenever possible, with the purpose of retaining gold as reserve and having cash settlements effected with credit instruments, thus adding proportionately to the strength of the Federal Reserve Bank, since each dollar in gold in its possession becomes a potential two dollars and a half by its constituting the required reserve against that amount of credit whether extended in the form of Federal Reserve notes or of a credit upon the books of the bank. Against the pledge of commercial paper, a net total of \$8,331,090 of Federal Reserve notes has been issued during the year by the Federal Reserve Agent to the Federal Reserve Bank.

The bank has reduced this liability by depositing with the Federal Reserve Agent, as provided by law, an equal amount of gold, the commercial paper pledged being thereupon surrendered to the bank. It results therefore that all the Federal Reserve notes of this bank at present outstanding are covered by 100 per cent gold. The amount of each denomination issued is shown in Table 12.

Of a total of \$20,891,000 Federal Reserve notes paid out by this bank since November 16, 1914, \$1,938,910 have been redeemed and destroyed. The interdistrict movement of the Federal Reserve notes of this bank shows that the points to which the largest volume leaving this district finds its way are in the order named: New York, Chicago, and Minneapolis. It also appears that about four times as many move out from this district as move from other districts into this.

All national-bank notes find their way to the United States Treasurer at Washington for redemption, none being presented to the issuing banks. It is in contrast with this that only about one-third of the Federal Reserve notes of this bank are presented at the Treasury in Washington, while two-thirds are presented direct at the

counter of this bank either by member banks for deposit or by other Federal Reserve Banks for payment. With such facility of redemption, redundancy appears impossible.

This bank has issued no Federal Reserve Bank notes, which correspond exactly to national-bank notes secured by United States bonds except that they are the issue of Federal Reserve Banks instead of national banks. Four million dollars of such notes, however, have been printed for this bank and are available for immediate issue. If this bank should have occasion to realize on the United States bonds which it owns and which are held in Washington for safe-keeping for its account, it could deposit them with the Comptroller of the Currency and receive at once the par value in Federal Reserve Bank notes.

The process of issuing Federal Reserve notes is now very cumbersome, the Federal Reserve Bank making application to the Federal Reserve Agent and pledging a part of its commercial or bank paper as collateral. These notes when issued become a first lien on all the assets of the issuing Federal Reserve Bank, which is under obligation to provide money to redeem them. The Federal Reserve Bank, of course, parts with the notes only for an equal value in gold or high-grade, well-indorsed commercial paper, payments of which continually provide it with money for redemption. There seems to be an inconsistency in the provisions for issue. The Federal Reserve Agent is now custodian of large amounts of unissued Federal Reserve notes, or of commercial paper pledged by the Federal Reserve Bank, or of gold paid to him by the Federal Reserve Bank to offset its liability on Federal Reserve notes.

Particularly, in considering the possibility of efficient service through branches, does it seem important to make a change in the method of note issues. The Federal Reserve Act makes no provision for the issue of notes at branches, and apparently the only way to have a supply of them at branches would be for the parent bank to invest a part of its means in such notes.

INTERNAL MANAGEMENT OF THE BANK.

With the exception of Mr. Alden Anderson, class A director, who lives in Sacramento, three hours distant, all directors live in San Francisco, and their great regularity of attendance at meetings, held on the first and third Tuesdays of each month, assures invariably larger meetings than a mere quorum of five. Matters both of general policy and to a considerable extent of detail are considered by the entire board. The members of the executive committee of five individually investigate and sign the executive committee report of investments submitted at each directors' meeting, but because of the

close touch of the whole board of directors with the bank's affairs formal meetings of the executive committee are rarely called.

Upon the expiration of the term of Mr. Charles A. Peabody, of Seattle, who found it impracticable to continue to serve because of the great distance, the Federal Reserve Board, in January, 1916, appointed as class C director Mr. Walton N. Moore, president of the Walton N. Moore Dry Goods Co. (Inc.), of San Francisco, and designated him vice chairman and deputy Federal Reserve Agent, to serve without salary, but with a per diem allowance for time given to the bank. This superseded the previous designation of Mr. Claud Gatch, chief national bank examiner, in accordance with a declaration of policy by the Federal Reserve Board that bank examiners would be ineligible to serve as class C directors and deputy Federal Reserve Agents. Mr. Gatch was continued as director to the end of his term, at the close of the year 1916.

The appointment as class C directors of men of large affairs, such as Mr. Moore, gives important dignity and influence to the Federal Reserve Board's representatives on the Board of Directors of the Federal Reserve Bank, but in such designations for vice chairman and deputy Federal Reserve Agent, without salary, it seems a reasonable view that but little active service could be expected beyond presiding at board meetings.

The department of the Federal Reserve Agent is provided with no subordinate officer for current service.

It has been a cause of much pride and satisfaction to those associated in the bank with Gov. Kains that the President of the United States honored him with an appointment as a member of the International High Commission which during the past year visited a number of South American and Central American countries with a view to opening up new opportunities for our foreign trade.

During the year there have been the following changes in the staff: Upon the resignation at the close of the year 1915 of Mr. Russell Lowry, deputy governor, to become president of the First National Bank of Oakland, Cal., Mr. John U. Calkins was promoted to be acting deputy governor, and on August 1 was elected deputy governor.

Mr. Clifford J. Shepherd, acting both as assistant to Federal Reserve Agent and as assistant cashier, relinquished the former position in compliance with a ruling of the Federal Reserve Board against division of services between the two departments. He continues as assistant cashier.

The clerical staff has been increased from 15 on January 1, 1916, to 56 on December 31, 1916.

The deputy governor carries on the correspondence in connection with rediscounts and in connection with many general matters,

and takes full charge of the governor's office during the latter's absence.

The cashier carries on the correspondence growing out of check collections and all matters pertaining to accounting, etc., the assistant cashier dividing this work with him and serving as acting cashier during the cashier's absence.

The official staff of the operating department is exceptionally well organized and efficient.

BANK PREMISES.

The present office of the bank, rented at \$9,600 per year, is becoming increasingly inadequate in consequence of the rapid expansion of the clerical force incident to the growing volume of check collections. Its vault facilities are unsatisfactory, in that access is had through the office of another bank, with which the vault is occupied in common. There have been rumors from time to time that this bank has arranged or is arranging to erect a building of its own. Such rumors have been without foundation, as neither the acquirement of a building site nor the erection of a building have been under consideration.

EXAMINATION BY FEDERAL RESERVE BANK EXAMINER.

Periodical examinations of a most thorough character have been made of this bank by the division of audit and examination of the Federal Reserve Board.

The copy left with this bank of the report of the examination as of the close of business August 12, 1916, contains the following: "The bank is economically administered and a high standard of internal management is maintained. A good credit department is maintained and the auditing system is very complete."

THE CLEARING PROBLEM.

CLEARING TO JULY 15, 1916.

General clearing of reserve balances was undertaken at the opening of this bank on November 16, 1914, at which time the bank offered to receive from its members, for immediate credit as reserve, their drafts on member banks located in reserve cities of this district. This privilege was availed of by numerous member banks, many of which left with this bank until collected the funds represented by such deposits. Immediate credit for reserve and checking purposes had been granted by this bank, however, and a number of the depositing banks immediately withdrew funds so deposited, leaving Federal Reserve Bank to carry the float until the drafts could be collected. Debit to the drawee member banks' accounts upon date

of receipt by this bank merely reduced total deposits and in no way relieved Federal Reserve Bank of carrying the float. On February 17, 1915, therefore, member banks desiring funds transferred to their credit from other member banks were requested to issue and forward their drafts direct to the drawee member banks for credit of and advice to the Federal Reserve Bank. The element of outstanding time was thus reduced to a minimum and the general clearing of reserve balances placed upon a sound economic basis.

Clearing of checks was commenced on a limited scale on August 1, 1915. The privilege of depositing out-of-town checks with the Federal Reserve Bank for collection was extended at that time only to those member banks which would agree to cover without exchange deduction all checks upon themselves received from or for account of their Federal Reserve Bank. The drawee member banks' accounts were not debited for items sent until ample time had elapsed for covering remittance to be received; the depositing banks' accounts were not credited until the items were actually collected. Banks joining the collection system were authorized to print upon their checks the words "collectible at par through Federal Reserve Bank of San Francisco." About one-third of the member banks in this district joined the collection system on this basis. Banks in the principal collection centers which had previously been charging exchange did not cooperate. Banks joining the collection system and which had previously been charging exchange gained no direct advantage through discrimination of the depositing public in favor of their checks, because the large number of points not collectible through the Federal Reserve Bank and the small degree to which the system was used by the member banks rendered ineffectual that which should have been an advantage to them of having their checks circulate at par. The limited number of items which could be collected through the Federal Reserve Bank made the service offered to joining banks of so little value as not to offset their loss of exchange charges, and the tendency was toward a decrease in the number of joining banks. It was conclusively demonstrated that the system must cover the field more thoroughly if the clearing of checks through the Federal Reserve Bank were to be effective.

CLEARING AFTER JULY 15, 1916.

A general clearing of checks was undertaken under date of July 15, 1916, under instructions from the Federal Reserve Board based upon the authorization to require Federal Reserve Banks to act as clearing houses for their member banks, the Board having issued a circular dated May 1, 1916, requiring all member banks to cover without exchange deduction items which they might receive from

or for the account of their Federal Reserve Bank. This bank undertook to receive checks on every bank in this district and all checks which could be collected through other Federal Reserve Banks, believing that the member banks were entitled to a clearing system as complete as possible in return for the requirement that they cover checks upon themselves without exchange deduction. As State banks were enabled to collect checks on member banks without exchange deduction through the medium of other member banks, it was felt that member banks should in turn be enabled to collect all of their State bank checks through the Federal Reserve Bank.

The collection facilities offered have been availed of by member banks to a constantly increasing extent, the average daily number of out-of-town items received from member banks of this district having increased steadily from 641 in July to 1,107 in August, 1,332 in September, 1,479 in October, 1,682 in November, and 1,705 in December. For the same months, respectively, the average daily number of out-of-town items received from all sources was 1,186, 2,166, 3,886, 4,583, 4,784, and 4,946. Items from member banks of this district have been received chiefly from reserve city banks. A large number bear the indorsement of interior banks. It is unlikely that many items will be received direct from interior banks until their balances with reserve city banks cease to count as reserve, such balances now being accepted by the reserve city banks in lieu of direct payment for the various costs which the latter are called upon to absorb in the collection of these checks.

Under the clearing system now in operation, all collectible items may be deposited direct with the Federal Reserve Bank of San Francisco; also items on member banks may be deposited direct with the drawee member banks for credit of the Federal Reserve Bank, and items on other districts, by special arrangement, may be forwarded direct to the other Federal Reserve Banks for credit of Federal Reserve Bank of San Francisco or to the drawee member banks for credit through their Federal Reserve Banks. Provision is thus made for a minimum lapse of time in the collection of checks. Member banks are permitted to debit the Federal Reserve Bank's account on their own books on the date items are mailed to this bank or to other banks for this bank's credit; until collected, the funds are not available for checking purposes nor as part of their required reserves, but may be counted as optional reserves on date of mailing. Banks near by are forwarding items for collection direct to the Federal Reserve Bank; those at a distance are forwarding them direct to member banks for credit of the Federal Reserve Bank. Service charges, to cover actual cost of handling, are made for items handled direct by the Federal Reserve Bank.

ATTITUDE OF NONMEMBER BANKS.

Fully one-half of the nonmember banks were willing at the outset to cooperate in a plan for par clearing of checks. The attitude of the other half ranged from moderate indifference to pronounced opposition. With the conviction that no plan for collection of checks by a Federal Reserve Bank could be of important service unless open for all checks, the plan was adopted of accepting all checks on both member and nonmember banks of this district, so that all would be on the same footing. Of course there has been no restriction as to the charges of a member or nonmember bank for cashing checks drawn on other banks. While a drawee bank can make no direct profit in remitting the face value of checks drawn upon itself, the Federal Reserve Bank has granted every latitude and extended every facility possible so that remitting banks would not suffer loss.

The net result has been that with 1,286 nonmember banks in this district, checks upon 1,102 are now being collected without deduction for exchange.

SERVICE RENDERED TO THE BANKS BY THE GOLD SETTLEMENT FUND.

The gold settlement fund established by the Federal Reserve Board on May 1, 1915, has played an important part in the Federal Reserve Bank's check-clearing operations. Approximately 75 per cent of the checks cleared by this bank have been received from other Federal Reserve districts. The amounts so received are credited to the sending Federal Reserve Banks, and, at regular intervals, the proceeds transferred to them through the gold settlement fund. Checks on other districts forwarded by banks in this district to banks in central reserve cities for collection have always been available to count as reserve from date of mailing and this condition will continue until the final transfer of reserves. Therefore very few items on other districts have been received for collection, the total number from July 15 to December 31, 1916, having been only 9,006 against 321,630 items on this district received from other Federal Reserve districts. The amount of checks diverted from their previously accustomed channels and now being collected through the Federal Reserve Bank has resulted in the member banks of this district holding an excess of eastern funds which they have found convenient to clear through the Federal Reserve Bank. During the period from July 15 to December 31, 1916, this bank's deposits have increased \$13,394,000, and the bank has received from and for the credit of other Federal Reserve Banks items to the extent of \$69,166,000, making a total received of \$82,560,000. During the same period there have been purchased from member banks net transfers of funds from other districts in an amount almost exactly offsetting, viz, \$82,061,000.

Table 15 shows in detail the relation between the net amount of cash letters received from other Federal Reserve districts and net transfers from other districts purchased by this bank. The fluctuations beyond these amounts represent withdrawals or deposits of gold through the local United States Subtreasury, together with variations in the balances due this bank from the gold settlement fund. It is also interesting to note that the amount of cash letters sent by member banks of this district direct to banks in other districts for this bank's account almost equals the amount forwarded by this bank itself.

GENERAL BUSINESS CONDITIONS OF THE TWELFTH FEDERAL RESERVE DISTRICT.

The year 1916 has been one of general prosperity throughout this district. Agricultural products have been in good volume, and high prices have been realized. The barley crop which in 1915 had a total estimated value of \$37,000,000, has been about 90 per cent of an average crop in 1916, but heavy eastern and export demand has caused prices to rule at 60 to 70 cents per cental above the average. The price has been so high that oats have been shipped in to substitute as feed.

The yield of wheat has been about normal. The estimated value of the 1915 crop was \$90,000,000.

In California, 248,000 acres were planted to beans, producing a crop of 2,000,000 (80-pound) bags, having a value of \$7,000,000 at this year's unusually high prices.

The cotton crop of the Imperial Valley in southeastern California also realized about \$7,000,000. The first cotton grown in California was in 1909, 324 acres yielding 183 bales. In 1915, 40,000 acres were planted and 98,000 acres in 1916. Because of the superior quality, unusually high prices are realized, and the yield averages 426 pounds per acre as against an average of 186 pounds for the entire United States. It has been difficult to secure labor for picking, although \$1 per hundred pounds has been paid this year.

Sugar beets with an increase of 25 per cent in acreage have averaged \$6 per ton in 1916 as against \$5.40 in 1915. There are 32 sugar factories in this district.

An embargo against the export of hops has caused low prices, ruling from 9 to 12 cents. The yield in California, Oregon, and Washington is reported as 254,000 bales. The average domestic consumption is about 200,000 bales. About 90,000 bales of the 1916 crop have not yet been sold.

The crop of prunes in California, estimated at 135,000,000 pounds, has been about 20 per cent less than in 1915, while that of the Northwest, estimated at 40,000,000 pounds, has been about 33½ per cent greater. Prices have been unusually high, averaging 5¼-5½ cents per

pound, and in spite of a smaller crop, probably \$1,000,000 more has been realized than in 1915.

For the year ending August 31, 1916, 44,473 carloads of citrus fruit were shipped (37,230 of oranges and grapefruit and 7,243 of lemons), an increase of 6,700 cars over the preceding year. The value to growers has been \$41,000,000 as against \$20,000,000 in 1915. For the current citrus crop year, September 1, 1916, to August 31, 1917, the first shipment of navel oranges was made from Fair Oaks, near Sacramento, Cal., to New Zealand on October 14. Citrus fruit ripens from four to six weeks earlier in northern than in southern California, because of higher night temperatures. At the close of the year the larger part of the navel orange crop of northern and central California had already been shipped, and shipments heavier than a year ago had been made from southern California, totaling in value materially more than the preceding year. Prices realized for the crop now moving have been much higher than for the last crop. In California 205,000 acres are in citrus fruits, of which 130,000 acres are in bearing. The Florida shipments are about one-third those of California.

The shipments of grapes and deciduous fruits in 1916 have been exceedingly heavy and have yielded growers unprecedented returns—18,000 carloads of cherries, apricots, peaches, plums, pears, grapes, etc., have been shipped in 1916, compared with 16,778 in 1915, and the net returns have aggregated about \$18,000,000 (\$1,000 per carload).

Fruit canners have had a very prosperous year, and stocks in first hands are now the smallest in many years.

This district produced 6,265,000 barrels of apples in 1916 (one-half in Washington), compared with 5,834,000 in 1915. The quality is much better than usual. Only shortage of cars has prevented growers from realizing extraordinary returns.

Live-stock interests have had very large returns because of unusual prices. The wool clip has been marketed at prices ranging from 26 to 32 cents per pound, with 40 cents offered for the coming year. Lambs have sold in the Chicago market at \$8 each with a freight rate of 90 cents.

The salmon catch of 1916 is reported as 7,121,000 cases (of 48 one-pound cans) which is above the average but less than in 1915 and 1913. The Alaska catch, 4,800,000 cases, is 300,000 cases above the previous highest record. The value of the 1915 pack was \$37,331,000. While the estimated value for 1916 has not been obtained, it is materially greater, as prices have ruled exceptionally high and stocks have been almost sold out, especially of the better grades.

Petroleum production of California in 1916 has been 93,000,000 barrels valued at \$49,000,000. This is an increase of 2,000,000 barrels, over 1915 but 10,000,000 barrels less than consumption. These conditions have resulted in continued advances in price.

The output of mines in this district, valued at more than \$300,000,000 in 1915, has had far greater value in 1916. The figures for values of 1916 production of metals are not yet available, but the proportion of increase over those of 1915 is suggested by the Government estimate of \$190,000,000 for the 1916 output of copper in Arizona, compared with \$80,000,000 for 1915. The price of copper is the highest since the Civil War, averaging about 30½ cents in December. High wages are paid to miners, \$13.50 per day being reported for Arizona. California ranks first in production of gold, Nevada first in silver and third in gold and in copper, Arizona first in copper, Utah second in copper and third in silver.

Shipbuilding on the Pacific coast has developed with great strides, 30 per cent of the total construction in the United States now being carried forward at Pacific coast ports. In shipyards of San Francisco, Portland, and Seattle 74 vessels are now under way, averaging 5,858 tons each, compared with 356 vessels averaging 3,050 tons each elsewhere in the United States.

The Union Iron Works of San Francisco, which is now building the largest ships, has under construction 28 vessels of an aggregate tonnage of 175,028.

It is reported that the Japanese merchant marine has increased 50 per cent in the last six years, and that 500,000 gross tons of bottoms have been started on Japanese stocks since January 31, 1916.

Charter rates reached their highest point during January and February, 1916, about double those of a year before, and have fluctuated but little since.

Exports from San Francisco in 1916 show a gain of 40 per cent over 1915, and those from Seattle about 175 per cent. There have been important shipments through Seattle to Russia.

Lumbering in the Pacific Northwest has shown improvement during the year. On December 26 it was reported that there were in hand unshipped orders aggregating 12,356 cars. The advances in price, which have been considerable, have been largely offset by increases in the cost of labor and of supplies, so that it is doubtful if the producers' margin has increased. There has been a great lack of bottoms for off-shore shipment, so that it is the more surprising that the demand for shipment by rail to the interior has so fully absorbed the cut, especially in view of the acute shortage of cars. It is expected that transportation facilities will soon be better, partly from putting into commission wooden vessels now building for this trade and partly, by early spring, from a more adequate supply of cars. The outlook for the coming year is regarded as distinctly more favorable.

Commerce with Alaska is steadily increasing, the large salmon catch and large output of copper (amounting this year to \$25,000,000)

being important factors. Indications point to a total trade with Alaska during 1916 in excess of \$100,000,000.

Bank clearings, building permits, and post-office receipts all show important increases during the year.

The extent of the expansion in the volume of general business in this district since the outbreak of the European war is well indicated by a comparison of the amount of loans and investments and the amount of deposits of national banks on June 30, 1914, just before the declarations of war, with those on corresponding dates in 1915 and 1916 and on November 17, 1916, as shown in Table 16.

On June 30, 1914, loans and investments were slightly more than the total of deposits viz: 100.5 per cent. From that date to November 17, 1916, deposits increased 48.6 per cent, while loans and investments increased only 21.9 per cent, then equaling 82.5 per cent of deposits.

A condition reflected by an increase in deposits of national banks in 2½ years from \$576,000,000 to \$857,000,000 could be only one of general prosperity. A concurrent increase in loans and investments relatively so moderate as that from \$579,000,000 to \$706,000,000 would seem to give warrant for the belief that, if a period of general contraction shall follow the return of peace, this district, in which the expansion has been moderate, will experience only moderate contraction, developing in the orderly deliberate fashion in which the expansion has developed.

TABLE 1.—Comparative yearly statement.

	December 30, 1916.	December 31, 1915.
ASSETS.		
Bills discounted—members.....	\$250,968.05	\$467,162.67
Bills discounted—bought.....	12,462,265.95	683,839.77
United States bonds and notes.....	3,133,750.00	1,000,475.00
Investments.....	737,376.13	344,978.13
Total.....	16,584,360.13	2,496,455.57
Interest accrued on United States bonds.....	16,918.75	5,050.00
Accrued service charges—transit items.....	126.96	
Difference account.....	7.00	
Furniture and equipment.....		6,422.59
Cost, unissued Federal reserve notes.....		34,914.91
Cost of Federal Reserve bank notes.....		300.00
Expense—organization.....		52,358.44
Due from other Federal Reserve Banks (collected funds).....	2,691,903.93	1,894,866.87
Transfer drafts purchased.....	2,550,000.00	2,040,000.00
Exchanges for clearing house.....	491,698.67	187,568.09
Transit items.....	2,905,740.60	15,640.04
National bank notes and Federal Reserve notes—other banks.....	378,804.00	10,500.00
Federal Reserve notes on hand.....	1,682,975.00	1,237,980.00
Nickels and cents.....	23.15	3.52
Mutilated currency forwarded for redemption.....	70,000.00	
Gold coin and gold certificates.....	10,535,160.00	4,050,960.00
Other lawful money.....	78,677.95	4,777.50
Gold settlement fund.....	10,489,000.00	9,880,000.00
5 per cent redemption fund.....	10,000.00	
Total cash reserve.....	21,112,837.95	13,935,737.50
Total assets.....	48,485,396.14	21,917,797.53

TABLE 1.—Comparative yearly statement—Continued.

	December 30, 1916.	December 31, 1915.
LIABILITIES.		
Capital paid in.....	\$3,929,300.00	\$3,941,800.00
Profit and loss.....	15,416.87	
Unearned discount.....	33,188.52	4,740.44
Unearned interest—investments.....	2,306.76	1,628.13
Due to member banks.....	37,852,375.89	17,509,724.63
Due to Federal Reserve Banks.....	947,794.18	10,541.09
United States Government deposit.....	3,643,138.44	427,321.10
Deferred credits—other Federal Reserve Banks.....	2,022,717.31	15,346.84
Cashiers' checks outstanding.....	189.30	
Expense checks.....	7,573.62	6,485.30
Dividend checks.....	31,395.25	
Withheld for Federal income tax.....		210.00
Total liabilities.....	48,485,396.14	21,917,797.53

TABLE 2.—Earnings, expenses, and dividends.

Balance, profit and loss, Jan. 1, 1916.....		¹ \$11,458.60
Gross earnings, year 1916.....		316,450.10
Current expenses.....	\$142,337.64	
Organization expense.....	45,085.09	
Cost of engraving, printing, and shipping Federal Reserve notes.....	56,804.69	
Furniture and equipment.....	12,539.59	
Cost of engraving plates for Federal Reserve bank notes.....	480.00	
		257,297.01
Net earnings for the year 1916.....		59,153.09
Oct. 1, 1916, dividend No. 1, at 6 per cent per annum from Nov. 16, 1914, to Dec. 31, 1914.....	12,340.97	
Dec. 31, 1916, dividend No. 2, at 6 per cent per annum from Jan. 1, 1915, to Mar. 31, 1915.....	31,395.25	
		43,736.22
Balance, profit and loss, Dec. 31, 1916.....		15,416.87

TABLE 3.—Earnings of the Federal Reserve Bank of San Francisco for the year 1916.

Earnings from:	
Bills discounted—member banks.....	\$20,682.97
Bills bought in the open market.....	133,331.07
United States bonds.....	67,529.54
Municipal warrants.....	49,772.61
Premium on bonds.....	14,487.50
Transfer charges interdistrict.....	18,200.00
Service charges collected.....	7,660.26
Sundry profits.....	4,786.15
Total earnings.....	316,450.10

¹ Deficit; charged to organization expense.

TABLE 3a.—*Expenditures of the Federal Reserve Bank of San Francisco, Jan. 1, 1916—Dec. 31, 1916.*

1. CURRENT EXPENSES.	
Federal Reserve Board assessment for general expenses.....	\$13,785.82
Federal advisory council (fees and expenses).....	150.00
Legal fees.....	2,420.67
Directors' fees.....	1,850.00
Salaries:	
Bank officers.....	\$41,208.35
Clerical staff.....	33,553.05
Special officers and watchmen.....	123.00
Total.....	74,884.40
Traveling expenses, officers and clerks:	
Federal Reserve Agents' conferences.....	1,043.92
Governors' conferences.....	2,965.79
Within twelfth district.....	1,164.37
Total.....	5,174.08
Per diem allowance of directors.....	400.00
Telephone.....	465.98
Telegraph.....	507.05
Postage.....	4,786.48
Expressage.....	7,595.36
Rent.....	11,731.50
Insurance and premiums on fidelity bonds.....	1,226.54
Light, heat, and power.....	432.27
Printing and stationery.....	8,472.17
Repairs and alterations.....	5,132.99
All other expenses, not elsewhere specified.....	3,322.33
Total current expenses.....	142,337.64
2. ORGANIZATION EXPENSES.	
San Francisco clearing-house membership.....	\$1,000.00
Alterations to banking quarters.....	1,568.05
Traveling expenses, October conference, 1914, nine directors and governor.....	4,607.00
Express on coin and currency in connection with initial pay- ments of capital stock and reserve.....	6,682.09
Assessments of Federal Reserve Board.....	13,817.08
Stationery (ordered by Federal Reserve Board).....	5,952.27
Total (carried from current expenses, account expenses prior to Nov. 16, 1914).....	33,626.49
Deficit in earnings for year 1915.....	11,458.60
Total.....	45,085.09
3. COST OF FEDERAL RESERVE NOTES.	
Cost of manufacturing Federal Reserve notes amounting to \$62,160,000.....	\$45,954.48
Transportation, etc., on new notes.....	9,869.50
Sundry costs.....	980.71
Total.....	56,804.69

4. COST OF FEDERAL RESERVE BANK NOTES.

Cost of engraving plates for Federal Reserve bank notes..... \$480.00

5. EQUIPMENT.

Furniture and fixtures..... \$1,054.09
 Vaults.....
 Safes..... 600.00
 Machines, typewriters, etc..... 10,935.50

Total..... 12,589.59

Total expenditures..... 257,297.01

TABLE 4.—Fluctuations in the discount rates of the Federal Reserve Bank of San Francisco.

Effective.	Maturities of 10 days and less.	Maturities of over 10 to 30 days, inclusive.	Maturities of over 30 to 60 days, inclusive.	Maturities of over 60 to 90 days, inclusive.	Agricultural and live-stock paper over 90 days.	Trade acceptances.			Commodity paper maturing within 90 days.	Member banks, collateral loans.
						To 30 days, inclusive.	To 60 days, inclusive.	Over 60 to 90 days, inclusive.		
Jan. 1, 1916.....	3	3½	4	4½	6	3	3	3½	(1)	.....
Feb. 24, 1916.....	3	3½	4	4½	5½	3	3	3½	(1)	.....
Sept. 23, 1916.....	3	3½	4	4½	5½	3	3	3½	(1)	4

¹ Rate for commodity paper maturing within 30 days, 3½ per cent; over 30 to 60 days, 4 per cent; over 60 to 90 days, 4½ per cent; over 90 days, 5 per cent.

NOTE.—Rate for bankers' acceptances, 2 to 4 per cent.

TABLE 5.—Volume and classification of rediscounts, Jan. 1, 1916, to Dec. 31, 1916.

Classifications.	Arizona.		California.		Idaho.		Nevada.	
	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.
Agriculture.....			563	\$663,776	87	\$69,011		
Live stock.....			14	28,709	16	29,113		
Grain, flour, feed.....			4	15,822	1	7,000		
Fruit packers and shippers.....			32	126,124				
Meat and fish packers.....			2	4,017				
Lumber.....			8	17,676	1	3,000		
Manufacturing.....			19	57,194				
Wholesale merchandise.....			2	5,000				
Retail merchandise.....			98	203,493	10	15,384		
Miscellaneous.....			40	141,410	1	412		
Total rediscounts, 1916.....			782	1,263,221	116	123,920		
Total number of banks re-discounting to date.....	2		106		20		1	

Classifications.	Oregon.		Utah.		Washington.		Totals by classifications.	
	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.
Agriculture.....	31	\$41,357	1	\$3,410	54	\$75,094	736	\$852,648
Live stock.....	33	79,772	2	2,573			65	140,167
Grain, flour, feed.....	11	13,239			14	35,369	30	71,430
Fruit packers and shippers.....	3	16,530					35	142,634
Meat and fish packers.....	3	60,050					5	64,067
Lumber.....	13	63,416					22	84,092
Manufacturing.....	2	7,952			7	35,000	28	100,146
Wholesale merchandise.....					1	5,000	3	10,000
Retail merchandise.....	32	86,255			14	39,311	154	344,443
Miscellaneous.....	1	1,886			1	20,900	43	163,708
Total rediscounts, 1916.....	129	370,457	3	5,983	91	209,774	1,121	1,973,355
Total number of banks re-discounting to date.....	35		3		21		188	

TABLE 6.—Acceptances purchased during 1916.

	January.	February.	March.	April.	May.	June.
Acceptances in the foreign trade:						
Member banks.....	\$122,738.75	\$62,466.76	\$137,798.78	\$293,632.42	\$331,020.60	\$1,426,349.07
Nonmember banks.....	200,208.44	370,262.53	328,182.79	756,110.43	1,225,955.51	666,610.43
Commercial acceptors.....		124,789.50	100,313.67	138,205.80	430,230.99	1,897,687.00
Total.....	322,947.19	557,518.79	566,295.24	1,187,998.65	1,987,207.10	3,990,646.50

	July.	August.	September.	October.	November.	December.	Total.
Acceptances in the foreign trade:							
Member banks.....	\$1,552,111.47	\$529,726.67	\$739,090.54	\$2,232,538.27	\$861,309.63	\$1,732,385.67	\$10,021,218.63
Nonmember banks.....	892,046.86	1,080,859.60	1,599,194.16	2,650,930.67	1,687,531.43	2,556,119.54	14,014,012.39
Commercial acceptors.....	1,027,113.76	965,149.65	203,515.23	928,601.73	1,401,947.33	1,255,834.00	8,473,388.66
Domestic acceptances.....				200,000.00		67,058.22	67,058.22
Total.....	3,471,272.09	2,575,735.92	2,541,799.93	6,012,070.67	3,950,788.39	5,611,397.43	32,775,677.90

TABLE 7.—United States bonds and notes purchased from member banks and in the open market and sold during 1916.

	Ma-turity.	Rate.	Basis.	Par value.	Carried at.	Total.
On hand Jan. 1, 1916.....		<i>Per ct.</i>				\$1,010,000
PURCHASED.						
United States consols of 1930 purchased in open market.....	1930	2	2.005	\$25,000	\$25,000	.....
United States consols of 1930 purchased from member banks.....	1930	2	Par.	2,598,000	2,598,750	.....
Purchased during 1916.....						2,623,750
Total purchases to date.....						3,633,750
NOTE.—Of these, \$1,000,000 were exchanged for—						
3 per cent 1-year gold notes....				\$500,000		
3 per cent 30-year gold bonds..				500,000		
				<u>1,000,000</u>		
SOLD.						
United States 3 per cent 30-year conversion bonds.....	1946	3	101		500,000	.....
Sold during 1916.....						500,000
Total on hand Dec. 31, 1916.....						<u>3,133,750</u>
As follows:						
United States 2 per cent consols, 1930.....						2,633,750
United States 3 per cent 1-year gold notes.....						500,000
						<u>3,133,750</u>

TABLE 8.—Municipal warrants purchased during the year 1916.

Rates.	California. ¹	Connecticut.	Massachusetts.	Rhode Island.	Maine.	New York.
2.1 to 2.125 per cent.		\$25,177.08				\$412,610.90
2.126 to 2.25 per cent.	\$7,175.00	25,253.39				524,541.78
2.251 to 2.375 per cent.					\$75,000.00	391,536.87
2.376 to 2.5 per cent.	70,846.75		\$178,253.89			1,090,478.74
2.501 to 2.625 per cent.			202,500.28			421,316.81
2.626 to 2.75 per cent.			200,797.80			332,407.39
2.751 to 2.875 per cent.			125,372.20			40,677.44
2.876 to 3 per cent.	2,625.00		100,000.00			125,742.23
3.001 to 3.125 per cent.			70,352.70			
3.126 to 3.25 per cent.			25,000.00			
3.251 to 3.375 per cent.			85,000.00	\$100,000.00		
3.376 to 3.5 per cent.						
3.501 to 3.625 per cent.						26,525.77
3.626 to 4 per cent.						
Total.....	80,646.75	50,431.47	987,276.87	100,000.00	75,000.00	3,365,837.93

Rates.	New Jersey.	Virginia.	Mississippi.	Utah.	Total.
2.1 to 2.125 per cent.	\$25,062.50				\$462,850.48
2.126 to 2.25 per cent.	35,353.64	\$250,000.00			842,323.81
2.251 to 2.375 per cent.	328,984.17				795,521.04
2.376 to 2.5 per cent.	20,301.67				1,359,881.05
2.501 to 2.625 per cent.					623,817.09
2.626 to 2.75 per cent.					533,205.19
2.751 to 2.875 per cent.					166,049.64
2.876 to 3 per cent.					228,367.23
3.001 to 3.125 per cent.	126,737.50				197,090.20
3.126 to 3.25 per cent.					25,000.00
3.251 to 3.375 per cent.	62,026.68				247,026.68
3.376 to 3.5 per cent.			\$194,294.76		194,294.76
3.501 to 3.625 per cent.	204,000.00				230,525.77
3.626 to 4 per cent.				\$56,668.20	56,668.20
Total.....	802,466.16	250,000.00	194,294.76	56,668.20	5,962,621.14

¹ Bonds maturing within 6 months, having accumulated sinking funds.

TABLE 9.—Reserve at the beginning of each month, counting as gold Federal Reserve notes held by the bank.

Date.	Amount of reserve.	Date.	Amount of reserve.
1916.		1916.	
Jan. 3.....	\$15,397,748.60	Aug. 1.....	\$15,571,998.90
Feb. 1.....	15,889,802.10	Sept. 1.....	13,458,719.25
Mar. 1.....	13,338,019.40	Oct. 2.....	16,784,935.50
Apr. 1.....	14,633,895.40	Nov. 1.....	15,739,094.30
May 1.....	11,951,335.90	Dec. 1.....	16,553,832.15
June 1.....	17,725,521.85		
July 1.....	17,442,282.15	Average.....	15,373,932.12

TABLE 10.—Deposit of the Treasurer of the United States at the beginning of each month during 1916.

Date.	Amount of deposit.	Date.	Amount of deposit.
1916.		1916.	
Jan. 3.....	\$522,965.79	Aug. 1.....	\$3,121,955.45
Feb. 1.....	872,810.67	Sept. 1.....	4,027,060.55
Mar. 1.....	1,240,582.45	Oct. 2.....	2,857,013.60
Apr. 1.....	1,432,859.63	Nov. 1.....	2,782,431.00
May 1.....	1,723,892.46	Dec. 1.....	2,691,720.87
June 1.....	2,190,104.02		
July 1.....	5,230,131.11	Average.....	2,391,959.38

TABLE 11.—*Gold settlement fund—Tabulation of transfers for calendar year 1916.*

[000's omitted.]

For account of—	We debit gold settlement fund.	We credit gold settlement fund.	Net.	
			We debit gold settlement fund.	We credit gold settlement fund.
Boston:				
Special transfers.....				
Settlements.....	\$1,385	\$6,258		\$4,873
New York:				
Special transfers.....				
Settlements.....	103,871	19,035	\$84,836	
Philadelphia.....	33	8,841		8,808
Cleveland.....	221	4,119		3,898
Richmond.....	30	1,029		999
Atlanta:				
Special transfers.....				
Settlements.....	347	1,415		1,068
Chicago:	10,807	21,796		10,989
St. Louis:				
Special transfers.....				
Settlements.....	564	6,718		6,154
Minneapolis:	1,084	1,523		444
Kansas City:	922	11,295		10,373
Dallas:				
Special transfers.....				
Settlements.....	696	747		51
Federal Reserve Agent.....	3,820	12,840		9,020
Gold deposited through assistant treasurer of United States, San Francisco.....	3,100	26,480		23,380
Miscellaneous.....		4,170		4,170
Total.....	126,880	126,271	84,836	34,227

TABLE 12.—*Federal Reserve notes issued and redeemed by Federal Reserve Agent during 1916.*

	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Outstanding Dec. 31, 1915.....						\$6,450,000
Issued during 1916.....	\$3,280,000	\$1,840,000	\$3,520,000	\$1,400,000	\$2,800,000	12,840,000
Returned by the bank.....	1,800,000	1,000,000				2,800,000
Unit notes redeemed.....	958,110	444,200	266,400	19,900	20,300	1,708,910
Total redeemed.....						4,508,910
Net issued during 1916.....						8,331,090
Outstanding Dec. 31, 1916.....						14,781,090

TABLE 13.—Comparison of deposits and of loans and discounts of National Banks of the twelfth Federal Reserve district on Nov. 10, 1915, and Nov. 17, 1916.

DEPOSITS.

	Nov. 17, 1916.	Nov. 10, 1915.	Increase.	Per cent increase.
Banks in reserve cities:				
Los Angeles.....	\$89,705,000	\$73,884,000	\$15,821,000	21.4
San Francisco.....	248,689,000	196,227,000	52,462,000	26.7
Portland.....	55,521,000	42,273,000	13,248,000	31.3
Salt Lake City.....	28,612,000	20,451,000	8,161,000	39.9
Seattle.....	52,833,000	42,480,000	10,353,000	24.3
Spokane.....	28,613,000	20,446,000	8,167,000	39.9
Tacoma.....	9,216,000	7,491,000	1,725,000	23.0
Total.....	513,189,000	403,252,000	109,937,000	27.2
Banks not in reserve cities:				
Alaska.....	188,000	97,000	91,000	94.0
Arizona.....	7,585,000	5,775,000	1,810,000	31.4
California.....	522,800,000	416,468,000	106,332,000	25.5
Idaho.....	37,898,000	28,472,000	9,426,000	33.1
Nevada.....	10,595,000	7,616,000	2,979,000	39.1
Oregon.....	36,852,000	73,899,000	22,953,000	31.1
Utah.....	42,797,000	31,557,000	11,240,000	35.6
Washington.....	138,466,000	104,199,000	34,267,000	32.8
Total.....	857,181,000	668,083,000	189,098,000	28.3

LOANS AND DISCOUNTS.

Banks in reserve cities:				
Los Angeles.....	\$58,666,000	\$48,402,000	\$10,264,000	21.2
San Francisco.....	156,557,000	114,888,000	41,669,000	36.2
Portland.....	31,105,000	24,992,000	6,113,000	24.4
Salt Lake City.....	15,350,000	12,328,000	3,022,000	24.5
Seattle.....	28,915,000	22,887,000	6,028,000	26.3
Spokane.....	17,379,000	12,682,000	4,697,000	27.3
Tacoma.....	5,208,000	4,524,000	684,000	15.1
Total.....	313,180,000	240,703,000	72,477,000	30.1
Banks not in reserve cities:				
Alaska.....	46,000	25,000	21,000	84.0
Arizona.....	4,582,000	4,030,000	552,000	13.7
California.....	339,600,000	272,624,000	66,976,000	24.5
Idaho.....	22,950,000	19,123,000	3,827,000	20.0
Nevada.....	6,178,000	5,183,000	695,000	12.7
Oregon.....	58,431,000	50,194,000	8,237,000	16.4
Utah.....	24,067,000	19,782,000	4,285,000	21.2
Washington.....	82,235,000	66,655,000	15,580,000	23.4
Total.....	538,089,000	437,916,000	100,173,000	22.8

TABLE 14.—Reserve in vault just prior to establishment of Federal Reserve System and reserve in vault combined with deposit in Federal Reserve Bank at present.

	Reserve in vault Oct. 31, 1914.	Per cent of total deposits.	Reserve in vault and deposit with Federal Reserve Bank Sept. 12, 1916.	Per cent of total deposits.
Banks in reserve cities:				
Los Angeles.....	\$7,404,000	14.9	\$11,471,000	16.6
San Francisco.....	20,043,000	15.1	20,756,000	11.6
Portland.....	6,301,000	18.8	4,957,000	12.6
Salt Lake City.....	1,634,000	12.9	1,788,000	9.7
Seattle.....	6,083,000	18.7	5,112,000	12.7
Spokane.....	2,056,000	14.2	2,193,000	10.8
Tacoma.....	1,197,000	19.1	1,057,000	13.6
Total.....	44,723,000	15.8	47,334,000	12.2
Banks not in reserve cities:				
Alaska.....	186,000	19.1	94,000	57.3
Arizona.....	973,000	10.6	1,596,000	10.9
California.....	9,847,000	7.9	16,262,000	9.9
Idaho.....	1,961,000	9.6	2,678,000	8.9
Nevada.....	590,000	9.4	913,000	9.7
Oregon.....	2,803,000	9.4	3,514,000	10.1
Utah.....	566,000	7.0	824,000	7.3
Washington.....	2,562,000	8.2	3,388,000	8.7
Total.....	19,488,000	8.4	29,269,000	9.4
Total banks:				
Alaska.....	186,000	19.1	361,000	19.4
Arizona.....	973,000	10.6	1,596,000	10.9
California.....	37,289,000	12.1	48,489,000	11.8
Idaho.....	1,961,000	9.6	2,678,000	8.9
Nevada.....	590,000	9.4	913,000	9.7
Oregon.....	9,104,000	14.1	8,471,000	11.4
Utah.....	2,200,000	10.6	2,612,000	8.8
Washington.....	11,898,000	14.1	11,750,000	11.7
Total.....	64,211,000	12.5	76,870,000	11.4

TABLE 15.—Check collection—Interdistrict transactions, July 15–Dec. 31, 1916.

[000's omitted.]

	Incoming cash letters from and for account of other Federal Reserve Banks.	Deduct cash letters sent by this bank to other districts.	Deduct cash letters sent by member banks this district direct to other Federal Reserve Banks for our %.	Net excess of incoming cash letters.	Transfers sold.	Deduct transfers purchased by this bank.	Net transfers purchased.
July.....	\$3,984	\$144	.....	\$3,870	\$2,400	\$2,551	\$151
August.....	7,952	339	.....	7,613	100	11,220	11,120
September.....	12,139	1,016	\$228	10,897	300	15,550	15,250
October.....	14,400	493	1,146	12,761	40	11,735	11,695
November.....	15,506	626	1,278	13,602	2,500	23,690	21,190
December.....	15,185	757	503	13,925	45	22,700	22,655
	69,166	3,375	3,153	62,668	5,385	87,446	82,061

Memo.—Net increase in member banks' deposits for same period (000 omitted): July, \$626; August, \$590; September, \$1,544; October, \$1,969; November, \$7,514; December, \$1,150. Total increase, \$13,363.

TABLE 16.—Comparison of loans, investments, and deposits on June 30, 1914, with those on corresponding dates in 1915 and 1916 and on Nov. 17, 1916.

LOANS AND INVESTMENTS.

Date of call.	Amounts.	Per cent of loans and investments to deposits.	Per cent increase over preceding figure.	Per cent increase over June 30, 1914.
June 30, 1914:				
Loans.....	\$439,082,000			
Bonds, etc.....	140,723,000			
	579,815,000	100.5		
June 23, 1915:				
Loans.....	440,555,000			
Bonds, etc.....	147,650,000			
	588,205,000	100.1	1.5	1.5
June 30, 1916:				
Loans.....	482,570,000			
Bonds, etc.....	157,255,000			
	639,825,000	91.7	8.8	10.4
Nov. 17, 1916:				
Loans.....	538,092,000			
Bonds, etc.....	168,857,000			
	706,949,000	82.5	10.5	21.9

DEPOSITS.

Date of call.	Amounts.	Per cent of deposits to loans and investments.	Per cent of increase over preceding figure.	Per cent included over June 30, 1914.
June 30, 1914.....	\$576,852,000	99.5		
June 23, 1915.....	557,678,000	99.9	1.9	1.9
June 30, 1916.....	698,620,000	108.3	18.9	21.1
Nov. 17, 1916.....	857,181,000	121.2	22.7	48.6

EXHIBIT A.—*Banking power of the twelfth district.*

[000's omitted.]

State.....	Arizona.		California.		Idaho.		Nevada.	
	National.	State. ¹	National.	State.	National.	State.	National.	State.
Supervision.....								
Number of banks....	6	55	265	462	57	130	10	21
Date of report (1916)..	Nov. 17.	Nov. 17.	Nov. 17.	Aug. 31.	Nov. 17.	Sept. 12.	Nov. 17.	June 30.
ASSETS.								
Loans and discounts..	\$4,582	\$21,887	\$339,600	\$499,111	\$22,950	\$20,351	\$6,178	\$3,752
Stocks, bonds, and other securities.....	1,361	3,502	102,090	152,099	6,493	1,288	2,579	1,254
Banking house, furniture and fixtures..	304	1,456	13,430	27,430	1,251	1,225	373	404
Cash and exchange....	3,159	16,261	208,786	147,716	15,512	8,932	4,470	4,275
Other assets.....	57	426	15,025	9,362	438	606	104	383
Total.....	9,463	43,532	678,931	835,718	46,644	32,402	13,704	15,068
LIABILITIES.								
Capital.....	650	2,868	58,623	64,610	3,600	3,588	1,435	1,694
Surplus and undivided profits.....	636	2,220	46,246	42,155	2,180	1,284	433	685
Due to banks.....	616	(²)	138,522	13,137	5,443	1,092	1,284	142
Deposits:								
Demand.....	6,573	38,299	318,344	710,939	25,177	18,436	7,553	6,731
Time.....	396	(²)	65,934	(²)	7,278	7,459	1,758	5,710
Rediscunts and money borrowed.....			464	533	30	408		
Circulation outstanding.....	544		39,945		2,936		1,230	
Other liabilities.....	48	³ 145	10,853	4,344		135	11	106
Total.....	9,463	43,532	678,931	835,718	46,644	32,402	13,704	15,068

State.....	Oregon.		Utah.		Washington.		Total district.	
	National.	State.	National.	State.	National.	State.	National.	State.
Supervision.....								
Number of banks....	82	177	23	96	77	279	520	1,220
Date of report (1916)..	Nov. 17.	Nov. 17.	Nov. 17.	Sept. 21.	Nov. 17.	Nov. 17.	.....	.....
ASSETS.								
Loans and discounts..	\$58,431	\$42,635	\$24,067	\$45,021	\$82,238	\$84,816	\$538,046	\$722,573
Stocks, bonds, and other securities.....	19,794	8,409	7,465	5,208	29,064	20,987	168,846	192,747
Banking house, furniture and fixtures..	2,650	1,860	1,510	1,544	3,027	6,715	22,545	40,634
Cash and exchange....	36,779	23,384	18,361	14,477	48,235	40,559	335,302	255,604
Other assets.....	1,807	1,880	148	1,963	1,901	6,528	19,480	21,148
Total.....	119,461	78,168	51,551	68,213	164,465	159,605	1,084,219	1,232,706
LIABILITIES.								
Capital.....	10,066	8,724	3,355	6,893	11,760	15,848	89,489	104,225
Surplus and undivided profits.....	6,270	4,440	2,190	3,555	6,749	8,872	64,704	63,211
Due to banks.....	17,817	6,507	13,254	4,461	24,665	11,545	201,601	36,884
Deposits:								
Demand.....	58,493	35,324	21,440	22,466	75,950	64,961	513,530	897,156
Time.....	20,542	19,931	8,103	20,082	37,851	56,826	141,862	110,008
Rediscunts and money borrowed.....	57	2,947	40		235	773	826	4,661
Circulation outstanding.....	5,973		3,134		6,549		60,311	
Other liabilities.....	243	285	35	10,756	706	780	11,896	16,561
Total.....	119,461	78,168	51,551	68,213	164,465	159,605	1,084,219	1,232,706

¹ Includes 4 counties in the Eleventh Federal Reserve District.
² Included in demand deposits.
³ Includes rediscunts and money borrowed.

EXHIBIT B.—*Bank clearings of principal cities in twelfth district.*

[000,000 omitted.]

	1911	1912	1913	1914	1915	First 11 months 1916.
Bakersfield.....	(¹)	22	24	24	20	25
Fresno.....	40	51	57	53	54	61
Long Beach.....	(²)			17	26	28
Los Angeles.....	943	1,169	1,211	1,145	1,048	1,155
Oakland.....	173	223	189	176	181	201
Pasadena.....	42	47	48	44	44	45
Sacramento.....	78	93	108	103	101	113
San Diego.....	83	132	134	103	100	103
San Francisco.....	2,427	2,678	2,624	2,516	2,694	3,123
San Jose.....	30	36	36	36	35	40
Santa Rosa.....				13	12	11
Stockton.....	40	45	46	47	50	64
Reno.....		15	15	14	15	19
Portland.....	557	596	628	577	554	589
Salt Lake City.....		369	333	315	350	449
Seattle.....	553	602	665	628	612	714
Spokane.....		225	219	203	193	228
Tacoma.....		139	133	110	99	104
Total.....	4,966	6,442	6,470	6,124	6,188	7,072

¹ Organized 1912.

² Organized 1914.

EXHIBIT C.—*Applications under Kern amendment to the Clayton Act.*

State.	Applica- tions made.	Granted.	Refused.
Arizona.....	0	0	0
California.....	113	110	3
Idaho.....	2	2	0
Nevada.....	0	0	0
Oregon.....	7	7	0
Utah.....	17	14	3
Washington.....	36	30	1
Total.....	175	168	7

