

12

ELEVENTH ANNUAL REPORT

TO THE

FEDERAL RESERVE BOARD

BY THE

FEDERAL RESERVE AGENT

FEDERAL RESERVE BANK  
SAN FRANCISCO



FOR THE

YEAR ENDED DECEMBER 31, 1925

ELEVENTH ANNUAL REPORT  
TO THE  
**FEDERAL RESERVE BOARD**  
BY THE  
**FEDERAL RESERVE AGENT**  
FEDERAL RESERVE BANK  
SAN FRANCISCO



FOR THE  
YEAR ENDED DECEMBER 31, 1925

**DIRECTORS AND OFFICERS  
OF THE  
FEDERAL RESERVE BANK OF SAN FRANCISCO**

January 1, 1926

		<b>DIRECTORS</b>				Term Expires Dec. 31
Class	Group					
A	1	C. K. McINTOSH, San Francisco, California President, Bank of California, N. A.	-	-	-	1928
A	2	J. S. MACDONNELL, Pasadena, California President, First National Bank.	-	-	-	1926
A	3	HOWARD WHIPPLE, Turlock, California President, First National Bank.	-	-	-	1927
B	1	A. B. C. DOHRMANN, San Francisco, California President, Dohrmann Commercial Company.	-	-	-	1926
B	2	WILLIAM T. SESNON, Soquel, California Agriculturist.	-	-	-	1927
B	3	E. H. COX, Madera, California Vice-President and General Manager, Madera Sugar Pine Company, Madera, California.	-	-	-	1928
C		JOHN PERRIN, San Francisco, California Chairman of the Board.	-	-	-	*1926
C		WALTON N. MOORE, San Francisco, California Deputy Chairman, President, Walton N. Moore Dry Goods Co., Inc.	-	-	-	1927
C		WM. SPROULE, San Francisco, California President, Southern Pacific Company.	-	-	-	1928

**MEMBER FEDERAL ADVISORY COUNCIL**

HENRY S. MCKEE, representing District No. 12  
President, Barker Bros. Inc.,  
Los Angeles, California.

**OFFICERS**

JOHN PERRIN,  
Chairman of the Board and  
Federal Reserve Agent\*

S. G. SARGENT,  
Assistant Federal Reserve Agent  
and Chief Examiner

ALLAN SPROUL,  
Assistant Federal Reserve Agent  
and Secretary

JNO. U. CALKINS,  
Governor

WM. A. DAY,  
Deputy Governor

IRA CLERK,  
Deputy Governor

L. C. PONTIOUS,  
Deputy Governor

W. N. AMBROSE, Cashier  
W. M. HALE, Assistant Cashier  
CHESTER D. PHILLIPS, Assistant Cashier  
C. E. EARHART, Assistant Cashier  
H. N. MANGELS, Assistant Cashier  
M. McRITCHIE, Assistant Cashier  
E. C. MAILLIARD, Assistant Cashier†

F. H. HOLMAN, General Auditor  
J. M. OSMER, Auditor  
E. W. MORTON, Auditor

A. C. AGNEW, Counsel

\*Resigned effective March 1, 1926. Succeeded by Mr. Isaac B. Newton of Los Angeles,  
Chairman of the Board of the Los Angeles Branch during the year 1925.  
†Absent on leave until March 1, 1926.

# DIRECTORS AND OFFICERS OF BRANCHES

January 1, 1926

## SPOKANE BRANCH

Directors	Term Expires Dec. 31	Officers
G. I. TOEVS*	1926	D. L. DAVIS, Managing Director
E. H. VAN OSTRAND*	1927	J. M. LEISNER, Assistant Manager
WILLIAM DULING*	1928	EVAN BERG, Assistant Cashier
C. E. McBROOM†	1926	
CHAS. L. MacKENZIE†	1927	
R. L. RUTTER†	1928	
D. L. DAVIS†	1926	

## SEATTLE BRANCH

CHAS. H. CLARKE*	1926	C. R. SHAW, Managing Director
CHAS. E. GACHES*	1927	B. A. RUSSELL, Assistant Manager
HENRY A. RHODES*	1928	
M. A. ARNOLD†	1926	
E. W. PURDY†	1927	
M. F. BACKUS†	1928	
C. R. SHAW†	1926	

## PORTLAND BRANCH

NATHAN STRAUSS*	1926	R. B. WEST, Managing Director
A. C. DIXON*	1927	S. A. MACEachRON, Assistant Manager
EDWARD C. PEASE*	1928	J. P. BLANCHARD, Assistant Cashier
J. C. AINSWORTH†	1926	
WILLIAM POLLMAN†	1927	
JOHN F. DALY†	1928	
R. B. WEST†	1926	

## SALT LAKE CITY BRANCH

LAFAYETTE HANCHETT*	1926	W. L. PARTNER, Managing Director
CHAPIN A. DAY*	1927	H. M. CRAFT, Assistant Manager
F. J. HAGENBARTH*	1928	W. M. Smoot, Assistant Cashier
CHAS. H. BARTON†	1926	
J. S. BUSSELL†	1927	
L. H. FARNSWORTH†	1928	
W. L. PARTNER†	1926	

## LOS ANGELES BRANCH

W. L. VALENTINE*	1926	R. B. MOTHERWELL, Managing Director
E. M. LYON*	1927	G. H. SCHMIDT, Assistant Manager
GEORGE B. HARRISON*	1928	A. J. DUMM, Assistant Cashier
J. F. SARTORI†	1926	L. C. MEYER, Assistant Cashier
F. J. BELCHER, JR.†	1927	
HENRY M. ROBINSON†	1928	
R. B. MOTHERWELL†	1926	

\*Appointed by Federal Reserve Board. †Appointed by Federal Reserve Bank.

## LETTER OF TRANSMITTAL

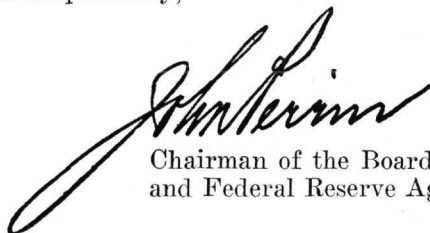
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Federal Reserve Bank,  
San Francisco, California,  
February 27, 1926.

GENTLEMEN :

I have the honor to submit the following report concerning conditions in the Twelfth Federal Reserve District and the operations of the Federal Reserve Bank of San Francisco, for the year ended December 31, 1925.

Yours respectfully,



Chairman of the Board  
and Federal Reserve Agent.

Federal Reserve Board,  
Washington, D. C.

## ECONOMIC REVIEW OF THE YEAR 1925 IN THE TWELFTH FEDERAL RESERVE DISTRICT

During the year 1925, improved agricultural conditions, increased production in other basic industries, a high level of building activity, absence of serious employment and transportation problems, availability of credit at relatively low rates, and a stable general price level combined to furnish the basis for a large and increasing volume of trade in the Twelfth Federal Reserve District.

Production, trade, and credit conditions in the district during 1925 are summarized in the following table:

Primary Production	1925	1924
Grains* } Index number of volume— {		
Field Crops* } five-year average 1919- {	94.5	59.3
Fruits* } 1923=100 {	110.3	91.3
Lumber (output of four associations in board feet) . . . . .	109.4	99.2
Copper (pounds) . . . . .	8,828,000,000	8,016,000,000
Petroleum (barrels) . . . . .	1,092,434,000	1,050,238,000
	230,147,000	230,064,000

### Business Activity—Index Numbers

Building Permits—value 20 cities (1919=100)	379.4	352.9
Bank Debits—20 cities (1919=100) . . . . .	142.9	129.0
Retail Trade—Sales of 32 stores (1919=100) .	150.8	144.0

### Prices—Index Numbers

Wholesale—United States Bureau of Labor Statistics (1913=100):		
All Commodities (monthly average) . . . .	161.3	150.0
Farm—United States Department of Agriculture (August, 1909-July, 1914=100):		
30 Farm Products (monthly average) . . .	147.0	134.0
Purchasing Power of Farm Products† (monthly average) . . . . .	89.0	83.0

### Credit

Loans—total loans of reporting member banks at close of year . . . . .	\$1,194,751,000	\$1,049,618,000
Borrowings of all member banks from Federal Reserve Bank of San Francisco at close of year . . . . .	\$29,963,000	\$15,742,000

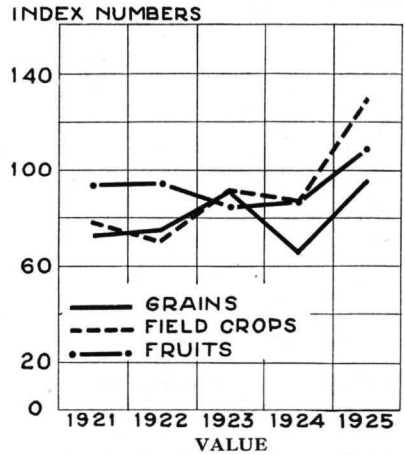
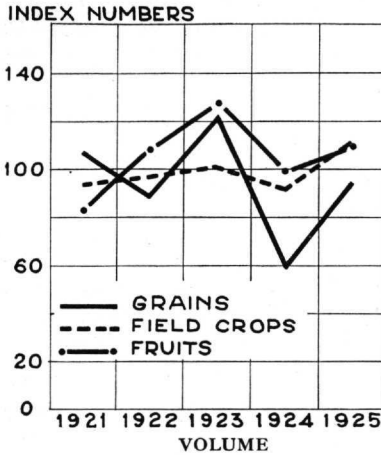
\*See table on page 6 for list of crops included.

†Ratio of farm prices (30 farm products index) to wholesale prices of non-agricultural products (1910-1914=100).

### Production

Final estimates of the United States Department of Agriculture, as of December 1st, indicate that **agricultural output** of the Twelfth Federal Reserve District in 1925 was considerably in excess of the small output of 1924 and was approximately equal to the five-year average (1919-1923) production. Prices paid producers for most agricultural products, as measured by the Department of Agriculture's indexes of farm prices, were from 3 to 15 per cent higher than during the major harvesting and marketing periods of the previous year. Prices of non-agricultural commodities, as measured by the United States Bureau of Labor Statistics' wholesale price indexes, were also higher during the autumn of 1925 than in 1924, but the advance was relatively less than that of prices of farm products.

As a result of these varying price movements, previously existing maladjustment was reduced, and, in general, the purchasing power of the farmer's products in exchange for other commodities was increased. Index numbers prepared by this bank to show the trend



Volume and Value of Production of Fifteen Principal Crops in the Twelfth Federal Reserve District.  
NOTE: See text and tables for sources and explanation.

of production and value of the principal crops of the district and the United States Department of Agriculture's index of purchasing power of farm products are presented in the following table:

	1925		1924		1923	
	Volume	Value	Volume	Value	Volume	Value
Grains (wheat, barley, oats).....	94.5	95.9	59.3	66.0	121.1	91.0
Field crops (beans, cotton, potatoes, rice, sugar beets) .....	110.3	129.5*	91.3	86.9*	100.4	93.1
Fruits (apples, peaches, pears, prunes, raisins, grapes, oranges)	109.4	108.7*	99.2	87.3	127.0	85.1
Purchasing power of farm products (United States)† .....	89		83		79	

\*Subject to revision.

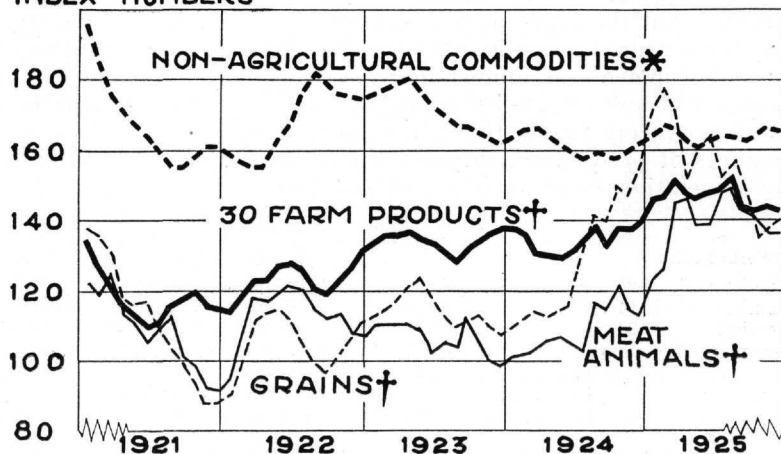
†Ratio of farm prices (30 farm products index) to wholesale prices of non-agricultural products (1910-1914=100).

Improvement in position of the **livestock industry** was a significant development of the year 1925. In the **sheep raising** branch of the industry favorable physical conditions during the past year and generally satisfactory financial returns during the past two years have encouraged expansion. Physical conditions also favored **cattle raising** during 1925, but it was only in the latter half of the year that a strengthening demand for beef was noted and improvement in the cattle industry became apparent. Liquidation of financially weak concerns continued in slight degree and, in some parts of the district, a tendency to shift from cattle raising to sheep raising persisted through 1925. Two important factors in the livestock situation at the close of the year, as referring to cattle in this district, were: (1) The continued upward trend of cattle prices during the greater part of 1925; (2) A reported decline, of considerable extent, in the volume of forced sales during the year as compared with other years since 1919. The number of livestock on farms and ranges of

the district on January 1st of the past three years has been estimated by the United States Department of Agriculture as follows:

	1926	1925	1924
Milk Cows .....	1,401,000	1,397,000	1,535,000
Other Cattle .....	4,314,000	4,532,000	4,652,000
Sheep .....	12,582,000	11,984,000	12,130,000
Hogs .....	1,198,000	1,390,000	1,859,000

## INDEX NUMBERS



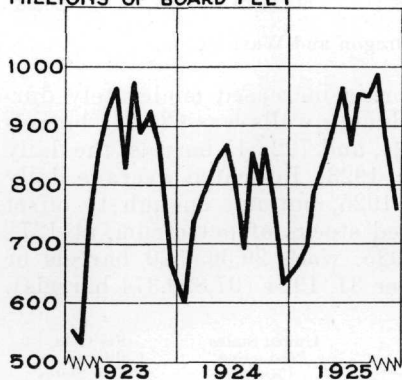
Prices of Agricultural and Non-Agricultural Commodities.

\*United States Bureau of Labor Statistics wholesale price index. (1913=100)

†United States Department of Agriculture index of farm prices. The grains and meat animals indexes are sub-groups of the 30 farm products index. (August, 1909-July, 1914=100)

Activity in **industry** during the first quarter of 1925 was slightly below the levels reached in the same quarter of 1924, but in succeeding months of 1925 the volume of production increased, both actually and relative to the previous year, and it is probable that industrial output for the whole year exceeded that of 1924. The value of **building** permits issued during 1925 in twenty principal cities of the district was \$421,595,000, a figure 7.5 per cent greater than that (\$392,182,000) of 1924, and 0.4 per cent greater than the previous record

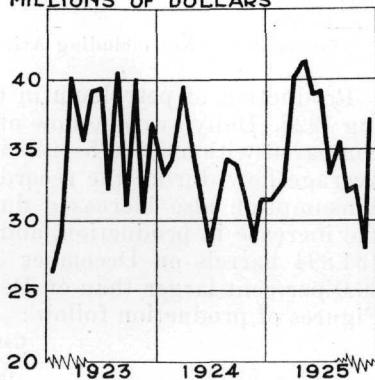
## MILLIONS OF BOARD FEET



Lumber Production in Twelfth Federal Reserve District

Reported to Federal Reserve Bank of San Francisco from figures of 4 Lumber Associations

## MILLIONS OF DOLLARS



Dollar Value of Building Permits Issued in 20 Principal Cities in Twelfth Federal Reserve District

Reported to Federal Reserve Bank of San Francisco



figure (\$419,727,000) for 1923. Building construction costs, including both labor and materials, during 1925 are estimated to have been slightly lower than during 1924 and 1923.

The volume of **lumber** produced in the district, as reported by four associations for the 52 weeks ending December 26, 1925, was 8,828,000,000 board feet, a cut 10.1 per cent greater than the cut of 8,016,000,000 board feet reported for a similar period in 1924. After making allowance for fluctuation in number of reporting mills, it is estimated that the 1925 cut was approximately equal to, or slightly greater than, production in 1923, the previous record year. Production and shipments of lumber increased more rapidly than did the volume of orders received during 1925, and prices were unsatisfactory to producers during the greater part of the year.

Figures of production, shipments and orders, as reported by the four associations, and an index of softwood lumber prices follow:

52 Weeks Ending	Production (board feet in thousands)	Shipments (board feet in thousands)	Orders (board feet in thousands)	Prices Index Numbers*
December 26, 1925 .....	8,828,000	8,596,000	8,299,000	30.73
December 27, 1924 .....	8,016,000	7,738,000	7,509,000	30.94
December 29, 1923 .....	8,672,000	8,068,000	7,649,000	33.86
Averages: Five years, 1920-1924	6,671,000	6,179,000	.....	34.51
†Monthly: 1925 .....	736,000	716,000	692,000	30.73
1924 .....	668,000	645,000	626,000	30.94
1923 .....	723,000	672,000	637,000	33.86

\*Annual averages published by "The Lumber Manufacturer and Dealer."

†Obtained by dividing figures for 52 weeks by 12.

Prices of **non-ferrous metals** were on the average higher during 1925 than during 1924, and output of the district's mines generally was in larger volume than in the earlier year. Output of gold, however, declined for the second consecutive year. Figures of district production of principal metals follow (figures for all counties of Arizona, five of which are in Eleventh Federal Reserve District are included):

	Gold (oz.)	Silver* (oz.)	Copper* (lbs.)	Lead* (lbs.)	Zinc† (tons)
1925 .....	1,284,331	46,338	1,092,434	620,586	48,544
1924 .....	1,305,273	44,914	1,050,238	530,263	23,643
1923 .....	1,374,201	48,652	942,979	492,735	28,237

\*000 omitted. †Not including Arizona, Oregon and Washington.

Production of **petroleum** in California increased moderately during 1925. Daily average flow of producing wells was 630,541 barrels compared with 628,590 barrels in 1924, and 722,545 barrels, the daily average flow during the record year 1923. Indicated average daily consumption also increased during 1925, but not enough to offset the increase in production, and stored stocks of petroleum, at 127,194,894 barrels on December 31, 1925, were 29,365,520 barrels or 30.0 per cent larger than on December 31, 1924 (97,829,374 barrels). Figures of production follow:

	California Production (barrels)	United States Production (barrels)	Per Cent California to United States
1925 .....	230,148,000	755,852,000	30.4
1924 .....	228,933,000	713,940,000	32.1
1923 .....	262,876,000	732,407,000	35.9

Activity in the **flour milling** industry of the district was at low levels during the first half of 1925, in part because of instability in wheat prices and the resulting uncertain flour markets which prevailed during that period. During and following the harvesting of the 1925 wheat crop, production tended to increase. Pertinent figures concerning the milling industry, based upon reports of 16 large milling companies representing approximately 60 per cent of total milling capacity in the Twelfth Federal Reserve District, follow:

	FLOUR		Stocks Monthly Average (barrels)	WHEAT Stocks Monthly Average (bushels)
	Output	Total		
	Monthly Average (barrels)	(barrels)		
1925.....	389,526	4,674,316	419,003	2,288,074
1924.....	492,277	5,907,329	474,290	2,503,604
1923.....	564,930	6,779,155	517,651	2,797,080
Five-year average				
1921-1925.....	482,646	5,791,752	458,070	2,344,819

Available statistical and non-statistical data indicate that volume of industrial **employment** in the district was larger in 1925 than in 1924, and that agricultural labor was fully employed at the proper seasons.

## Trade

Debits to individual accounts (**bank debits**) at banks in principal clearing house centers afford probably the best single available index of general business activity in the district. These figures for 21 centers in the Twelfth Federal Reserve District stood at record levels during each month in 1925. The total for 21 centers for 1925 (\$33,547,928,000) was 10.8 per cent greater than the 1924 total (\$30,275,468,000).

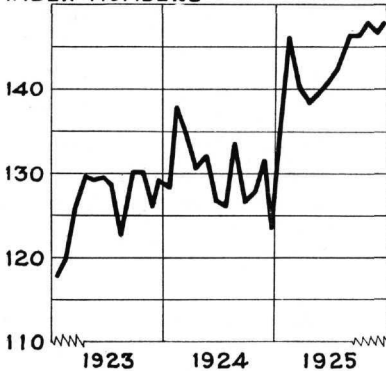
### Bank Debits—Index Numbers—Twelfth Federal Reserve District (20 centers) (1919=100)

	Without Seasonal Adjustment		With Seasonal Adjustment	
	1925	1924	1925	1924
January.....	142.8	135.9	137.5	130.9
February.....	130.6	129.0	149.0	140.7
March.....	144.6	139.2	137.9	132.8
April.....	136.4	128.6	138.2	130.3
May.....	132.0	125.7	136.3	129.9
June.....	140.7	121.5	140.0	120.9
July.....	141.6	125.4	147.4	130.6
August.....	138.0	122.5	145.5	129.2
September.....	142.2	122.5	143.1	123.2
October.....	157.0	135.5	148.1	127.8
November.....	144.2	123.8	145.9	125.3
December.....	165.0	138.0	149.5	125.0

During the first six months of 1925, **wholesale trade**, in general, was less active than in the corresponding months of 1924, although in three lines, agricultural implements, automobile tires, and automobile supplies, an increase in value of sales was reported. Total value of sales of reporting firms in other lines, including drugs, dry goods, electrical supplies, furniture, groceries, hardware, shoes, and stationery, increased during the last half of 1925 to levels which were generally above those of 1924. Total annual sales of an identical

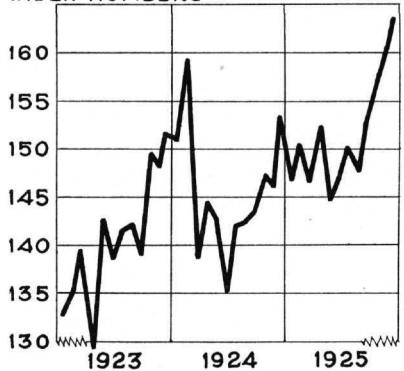
group of reporting wholesale firms in these eleven lines of trade were \$281,644,150 in 1925 compared with \$274,937,820 in 1924. Increases in eight lines (agricultural implements, automobile tires, drugs, electrical supplies, furniture, hardware, shoes, and stationery) reporting enlarged sales ranged from 0.3 to 37.2 per cent, while the remaining three lines (automobile supplies, dry goods, and groceries) showed decreases ranging from 0.7 to 4.9 per cent. Wholesale prices generally were approximately 6 per cent higher in 1925 than in 1924, a factor which must be considered in comparing figures of dollar value of sales.

INDEX NUMBERS



Index Numbers of Debits to Individual Accounts at Banks in 20 Principal Cities—Corrected for seasonal fluctuations  
1919=100

INDEX NUMBERS



Index Numbers of Net Sales of 32 Department Stores—Retail Trade—Corrected for seasonal fluctuations  
1919=100

**Trade at retail** was active throughout the year, as is indicated by the accompanying index numbers for the Twelfth District. The indexes, both with and without seasonal adjustment, were higher during each month of 1925 than during the corresponding months of any previous year of record. It is to be expected, however, that there will be a certain percentage of growth in value of sales at retail, as shown by these indexes, in a rapidly developing territory such as the Twelfth Federal Reserve District.

Department Store Sales—Index Numbers\*—Twelfth Federal Reserve District  
(1919=100)

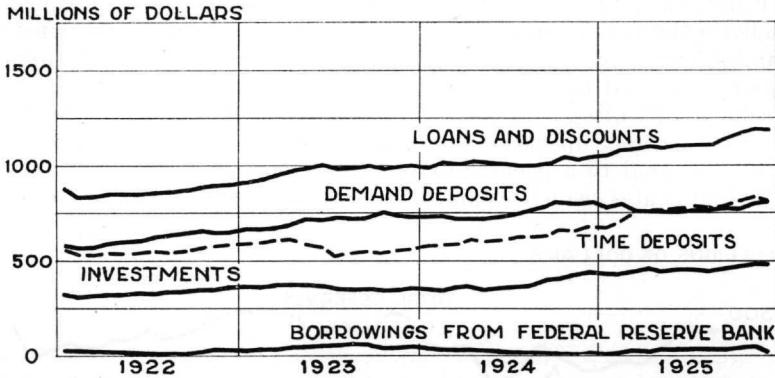
	Without Seasonal Adjustment		With Seasonal Adjustment	
	1925	1924	1925	1924
January .....	129.3	132.9	146.9	151.0
February .....	114.6	121.3	150.3	159.2
March .....	143.1	134.8	146.8	138.3
April .....	147.2	139.9	152.3	144.6
May .....	149.3	147.1	144.8	142.6
June .....	135.6	124.8	147.0	135.3
July .....	123.7	116.9	150.2	142.0
August .....	141.7	136.4	147.9	142.3
September .....	140.5	131.8	152.8	143.3
October .....	169.8	158.6	157.7	147.3
November .....	159.0	144.6	160.6	146.1
December .....	254.8	239.1	163.5	153.3

\*Based upon figures of 32 stores in 7 cities of the district.

## Credit Conditions

During 1925 the volume of credit extended by banks of the Twelfth Federal Reserve District rose to record levels. Demand for reserve bank credit, if measured by total discounts, reached higher levels than in 1924 and, if measured by total earning assets, reached higher levels than in any year since 1921.

Total loans and investments of reporting member banks\* in the principal cities of the district increased from \$1,476,000,000 on January 7, 1925, to \$1,691,000,000 on December 9, 1925, the latter figure being the highest ever recorded. The movement was relatively rapid from January through March, subsided during the summer months, and was most rapid from August to December. There was a decrease in volume of credit outstanding during the closing weeks of the year. Total deposits also increased markedly during the year. The increase was not so great, however, either actually or



Demand Deposits, Time Deposits, Loans and Discounts, Investments, and Borrowings from Federal Reserve Bank—Reporting Member Banks, Twelfth District  
(as of last statement of each month)

relatively, as that of total loans and investments, hence ratios of total deposits to total loans and investments and of total deposits to total loans declined. During October and November, 1924, these ratios were at record high levels for the post-war period.

### Reporting Member Banks—Twelfth District

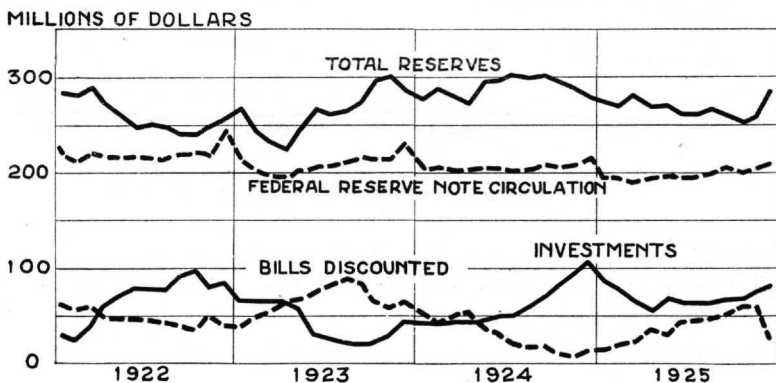
	Ratio of Total Deposits	
	Total Loans and Investments	Total Loans
December 30, 1925.....	98.6	137.7
December 9, 1925 (1925 low).....	96.2	134.0
January 14, 1925 (1925 high).....	102.0	144.0
December 31, 1924.....	101.1	143.0
November 12, 1924.....	103.4	144.1
October 15, 1924 (post-war high).....	104.3	144.6

\*Total resources of reporting member banks are approximately 50 per cent of total resources of all banks, and 75 per cent of total resources of all member banks in the Twelfth Federal Reserve District. Reporting banks embrace member banks in Los Angeles, Oakland, Ogden, Portland, Salt Lake City, San Francisco, Seattle, Spokane and Tacoma.

Increase in volume of reporting member bank credit in use in the district during the year was chiefly the result of an increase of \$145,000,000 (13.8 per cent) in total loans, the principal item of which was an increase of \$82,000,000 in commercial loans. Increase in loans on securities, amounting to \$64,000,000 (30.7 per cent) was, however, relatively greater than the increase in commercial loans (9.9 per cent).

Demand deposits of reporting member banks declined during the first six months of the year and increased thereafter, movements which were partly seasonal in character. The net movement for the year was an increase of \$500,000. Time deposits, including savings deposits, increased almost without interruption during the first eleven months of the year, but declined during December. On December 30, 1925, time deposits were \$129,000,000 (18.9 per cent) larger than on December 31, 1924.

At the Federal Reserve Bank of San Francisco changes in the requirements of member banks for reserves against their deposits, for currency, and for funds for inter-district payments, are reflected chiefly in the volume of discounts. The trend of discounts during the year 1925 was upward from January through November, followed by a sharp seasonal liquidation during the closing month of the year. Purchases of United States securities and of acceptances by this bank represent largely operations outside the San Francisco district, and reflect national to a greater extent than local conditions. Holdings of United States securities and of acceptances purchased in the open



Total Reserves, Federal Reserve Note Circulation, Investments, and Bills Discounted—  
Federal Reserve Bank of San Francisco  
(as of the last statement of each month)

market declined over the year. As a result of these movements total holdings of bills and securities were \$34,000,000 (31.6 per cent) larger on December 2, 1925, than on December 3, 1924, but were \$13,500,000 (10.8 per cent) smaller on December 30, 1925, than on December 31, 1924.

During the year the volume of this bank's Federal reserve notes in circulation was generally smaller than in 1924. Changes in amount of notes in circulation were largely seasonal in character. Following a sharp seasonal decrease in January, 1925, and a moderate seasonal decline in March, 1925, the volume of Federal reserve notes in circu-

lation increased gradually during the remainder of the year. At \$208,334,000 on December 30, 1925, it was \$7,000,000 (3.3 per cent) smaller than on December 31, 1924. Total reserves declined throughout the year until December when they increased sharply. At \$285,150,000 on December 31, 1925, they were 2.6 per cent larger than on December 31, 1924 (\$278,046,000).

Demand for intermediate and long time agricultural credit, as differentiated from the short time credits extended by commercial banks and by the Reserve Bank, increased moderately during the year. Increased borrowing at Joint Stock Land Banks, Federal Land Banks, and Federal Intermediate Credit Banks was reported from all states of the district.

On November 23, 1925, the rediscount rate at the Federal Reserve Bank of San Francisco on all classes and maturities of paper was raised from 3½ per cent to 4 per cent, where it stood at the close of the year. The 3½ per cent rate had been in effect since August 25, 1924. Interest rates charged by member banks in principal cities of the Twelfth Federal Reserve District remained relatively stable throughout the entire year at levels about the same as those of the last six months of 1924.

#### Interest Rates—Commercial Paper\*—Twelfth District

	Week Ending	
	Dec. 12-15, 1925	Dec. 15, 1924
Los Angeles .....	6%	6%
San Francisco .....	5-5½%	5-5½%
Portland .....	6%	6%
Salt Lake City .....	6%	6%
Seattle .....	6%	6%
Spokane .....	5-6-7%	6%

\*30-60-90 day maturity, eligible for rediscount under the Federal Reserve Act.

## OPERATIONS OF FEDERAL RESERVE BANK OF SAN FRANCISCO DURING 1925

There was a moderate increase in total volume of the principal operations of the Federal Reserve Bank of San Francisco during the year 1925, as is indicated in the table on page 23. The dollar amount of bills discounted for member banks was more than double that of the previous year, and was larger than it had been in any year since 1921. Decline in number of bills discounted, as compared with 1924, reflected proportionately greater borrowings of city member banks than of country member banks, individual discounts being for larger amounts in the later year. There was little change during 1925 in the volume of those transactions of the bank which are not directly connected with grant of credit. The combination of a marked increase in volume of those operations which earn a profit for the bank with stability in those operations for which no charge is made resulted in a substantial increase in net operating income in 1925 as compared with the previous year. Whereas in 1924 earnings of the bank did not cover operating and other expenses and dividends, in 1925 dividends were paid out of current net earnings and reserves for depreciation and probable losses were increased by \$591,190. The staff of the bank, including head office and branches, was reduced from 1052 at the close of 1924 to 870 at the beginning of 1926, annual salaries declining from \$1,843,380 to \$1,584,980.

### Statement of Condition

A comparative statement of condition of the Federal Reserve Bank of San Francisco as of December 31, 1925, and December 31, 1924, is presented below:

#### RESOURCES

CASH RESERVES held by this bank against its deposits and note circulation:

	Dec. 31, 1925	Dec. 31, 1924
<b>Gold and Gold Certificates</b> in vault.....	\$ 34,825,013.86	\$ 26,686,002.50
<b>Gold in the Gold Settlement Fund</b> lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal Reserve districts.....	33,169,699.23	44,386,728.45
<b>Gold Held by the Federal Reserve Agent</b> as part of the collateral deposited by the bank when it obtains Federal Reserve notes. This gold is lodged in his name partly in the vaults of the bank and partly with the Treasurer of the United States..	207,691,665.00	200,752,675.00
<b>Gold Redemption Fund</b> in the hands of the Treasurer of the United States to be used to redeem such Federal Reserve notes as are presented to the Treasury for redemption .....	3,817,392.93	2,437,988.46
<b>Legal Tender Notes, Silver, and Silver Certificates</b> in vaults of the bank (available as reserve against deposits only).....	6,315,531.00	3,782,518.00
<i>Total Cash Reserves</i> .....	\$285,819,302.02	\$278,045,912.41
<b>Non-Reserve Cash</b> , consisting largely of National Bank notes and minor coin.....	\$ 3,990,819.57	\$ 3,732,194.31

## RESOURCES (Continued)

<b>Loans and Investments</b>	Dec. 31, 1925	Dec. 31, 1924
<b>Loans to Member Banks:</b>		
On the security of obligations of the United States .....	\$ 5,719,980.00	\$ 7,058,976.91
By the discount of commercial or agricultural paper or acceptances.....	18,764,300.39	8,683,988.55
<b>Acceptances</b> bought in the open market.....	31,770,870.04	54,068,497.24
<b>United States Government</b> bonds, notes, and certificates of indebtedness .....	49,938,000.00	55,143,400.00
<b>Foreign Loans on Gold</b> .....	546,000.00	456,000.00
<i>Total Loans and Investments</i> (or Earning Assets) .....	\$106,739,150.43	\$125,410,862.70
<b>Miscellaneous Resources</b>		
<b>Bank Premises</b> .....	\$ 3,217,273.92	\$ 3,275,291.57
<b>Checks and Other Items in Process of Collection</b> .....	40,540,885.90	35,838,542.18
<b>All Other Miscellaneous Resources</b> .....	3,530,298.93	4,143,393.09
<i>Total Miscellaneous Resources</i> .....	\$ 47,288,458.75	\$ 43,257,226.84
<b>TOTAL RESOURCES</b> .....	\$443,837,730.77	\$450,446,196.26

## LIABILITIES

<b>Currency in Circulation</b>	Dec. 31, 1925	Dec. 31, 1924
<b>Federal Reserve Notes</b> in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper .....	\$208,125,505.00	\$215,029,800.00
<b>Deposits</b>		
<b>Reserve Deposits</b> maintained by member banks as legal reserves against the deposits of their customers.....	\$164,910,363.80	\$167,191,616.13
<b>United States Government Deposits</b> carried at the Reserve Bank for current requirements of the Treasury.....	2,062,465.30	3,638,156.29
<b>Other Deposits</b> , including foreign deposits, deposits of non-member clearing banks, etc.	6,554,407.25	4,816,816.83
<i>Total Deposits</i> .....	\$173,527,236.35	\$175,646,589.25
<b>Miscellaneous Liabilities</b>		
<b>Deferred Items</b> , composed mostly of uncollected checks on banks in all parts of the country. Such items are credited as deposits after the average time needed to collect them elapses, which time ranges from 1 to 9 days .....	\$ 37,401,286.01	\$ 35,295,514.52
<b>Reserves and All Other Miscellaneous Liabilities</b> .....	1,474,910.30	1,289,849.38
<i>Total Miscellaneous Liabilities</i> .....	\$ 38,876,196.31	\$ 36,585,363.90
<b>Capital and Surplus</b>		
<b>Capital Paid In</b> , equal to 3 per cent of the capital and surplus of member banks.....	\$ 8,237,800.00	\$ 8,113,450.00
<b>Surplus</b> .....	15,070,993.11	15,070,993.11
<i>Total Capital and Surplus</i> .....	\$ 23,308,793.11	\$ 23,184,443.11
<b>TOTAL LIABILITIES</b> .....	\$443,837,730.77	\$450,446,196.26

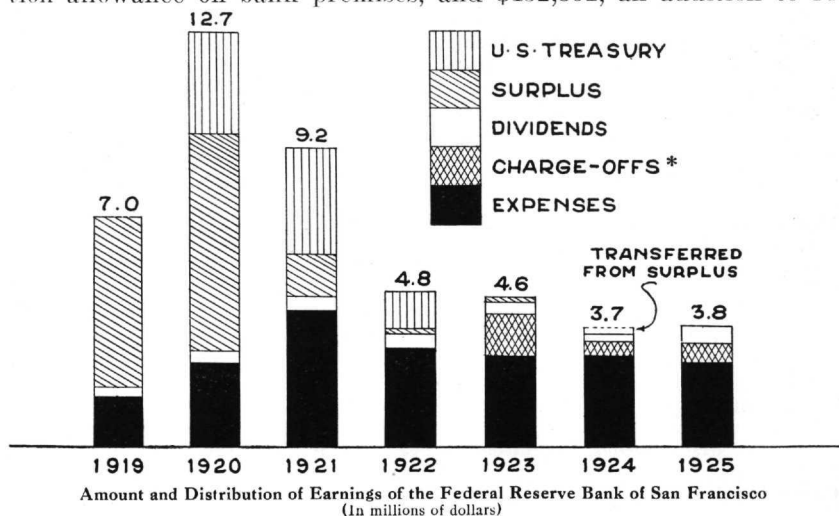


Principal changes in the balance sheet over the year were:

1. An increase of \$8,741,315, or 55.5 per cent, in loans to member banks, principally city member banks.
2. A decrease of \$27,503,027, or 25.2 per cent, in the investment account of the bank, the chief part of the decline being in holdings of acceptances.
3. An increase of \$7,773,390, or 2.8 per cent, in total cash reserves.
4. A decline of \$6,904,295, or 3.2 per cent, in the amount of Federal reserve notes in actual circulation.
5. A slight decline amounting to \$2,119,353, or 1.2 per cent, in total deposits.
6. As a result of changes in the last three items enumerated, an increase from 71.2 to 74.9 in the ratio of total reserves to combined deposit and Federal reserve note liabilities.

### Earnings and Expenses

In 1925, for the first time since 1920, gross earnings of the Federal Reserve Bank of San Francisco were larger than in the preceding year. The figure for 1925 was \$3,848,890, compared with \$3,487,931 for 1924, an increase of \$360,959 or 10.3 per cent. Decline in current expenses of the bank which has been in progress since 1921 continued, expenses for the successive years being \$2,681,108 in 1925, \$2,853,384 in 1924, \$2,810,827 in 1923, \$3,006,387 in 1922, and \$3,661,933 in 1921, the peak year. Current net earnings for the year 1925 amounted to \$1,167,782, an increase of \$533,235, or 83.9 per cent, as compared with the previous year when current net earnings were \$634,547. Net deductions from current net earnings in 1925 totaled \$677,335 of which the main items were \$138,390, a further depreciation allowance on bank premises, and \$452,801, an addition to re-



\*Chiefly depreciation allowances on bank premises, reserve for probable losses, and cost of furniture and equipment purchased.

serve for probable losses, the total of such reserve on December 31, 1925, being \$1,257,991. Net income remaining after the above deductions amounted to \$490,447, which was distributed as a dividend to

member banks at the rate of 6 per cent on paid-in capital stock. The principal sources of earnings of the Federal Reserve Bank of San Francisco during 1925 and 1924, with an enumeration of the major classifications of operating expenses and a statement of distribution of net income, are presented in the following table:

**Earnings**

	1925	1924
On Loans to Member Banks and Paper Discounted for Them .....	\$1,408,353.50	\$1,302,272.16
On Acceptances Purchased .....	895,702.89	582,181.97
On United States Government Obligations Owned .....	1,446,767.24	1,476,505.53
Other Earnings .....	98,066.47	126,971.43
<i>Total Earnings</i> .....	<u>\$3,848,890.10</u>	<u>\$3,487,931.09</u>

**Deductions from Earnings**

For Current Bank Operation .....	\$2,409,270.33	\$2,659,207.96
For Assessments for Federal Reserve Board Expenses .....	49,683.76	46,469.14
For Federal Reserve Currency, mainly the cost of printing new notes to replace worn notes in circulation, and to replenish the stock unissued and on hand.....	222,154.34	147,706.41
For Furniture and Equipment.....	61,571.64	197,775.82
For Reserves for Depreciation.....	138,390.22	127,755.39
For Reserves for Probable Losses on advances to member banks .....	452,800.60	—0—
Other Deductions—Net .....	24,572.68	58,499.47
<i>Total Deductions from Earnings</i> .....	<u>\$3,358,443.57</u>	<u>\$3,237,414.19</u>

NET INCOME available for dividends, additions to surplus, and payment to the United States Government.....

\$ 490,446.53      \$ 250,516.90

**Distribution of Net Income**

In Dividends Paid to Member Banks, at the rate of 6 per cent on paid-in capital..... \$ 490,446.53      \$ 480,561.77

In Additions to Surplus—The bank is permitted by law to accumulate out of net earnings, after payment of dividends, a surplus amounting to 100 per cent of the subscribed capital; and after such surplus has been accumulated to pay into surplus each year 10 per cent of the net income remaining after paying dividends. No balance remained for such payments in 1924 and 1925..... —0—      \*230,044.87  
Withdrawal

In Payment to the United States Government, as a franchise tax representing the entire net income of the bank after paying dividends and making additions to surplus (as above). No balance remained for such payments in 1924 and 1925 .....

—0—      —0—

TOTAL NET INCOME DISTRIBUTED..... \$ 490,446.53      \$ 250,516.90

\*In 1924 it was necessary to draw upon surplus accumulated in previous years of larger earnings in order to pay the cumulative annual dividend on stock of this bank held by member banks.

## Federal Reserve Note Issues

Comparative statement of the accounts of the Federal Reserve Agent at San Francisco at the close of 1925 and 1924 follows:

	Dec. 31, 1925	Dec. 31, 1924
Federal reserve notes on hand.....	\$ 50,100,000	\$ 60,200,000
Federal reserve notes outstanding.....	254,195,665	262,936,675
Collateral security held against outstanding Federal reserve notes:		
Gold and Gold Certificates—		
On hand .....	—0—	—0—
In gold redemption fund.....	14,452,515	16,546,875
On deposit with U. S. Treasury subject to transfer check of Federal Reserve Board..	193,239,150	184,205,800
Eligible paper .....	56,149,859	69,555,478
Total Resources .....	\$568,137,189	\$593,444,828
LIABILITIES		
Federal reserve notes received from Comptroller of Currency—net .....	\$304,295,665	\$323,136,675
Collateral pledged by Federal Reserve Bank against outstanding Federal reserve notes:		
Gold and Gold Certificates.....	207,691,665	200,752,675
Eligible paper .....	56,149,859	69,555,478
Total Liabilities .....	\$568,137,189	\$593,444,828

From the time of the organization of the Federal Reserve Bank of San Francisco in November, 1914, to December 31, 1925, the Federal Reserve Agent at San Francisco received \$1,360,900,000 of new Federal reserve notes from the Federal Reserve Board through the Comptroller of the Currency, of which \$1,322,200,000 were issued by the Federal Reserve Agent to the Federal Reserve Bank of San Francisco. Redemptions of such issued notes included \$1,056,604,335 of notes sent to Washington for destruction and \$171,708,500 of notes fit for further circulation of which \$160,308,500 were reissued to the Federal Reserve Bank and \$11,400,000 retained in stocks unissued and on hand. Total issue during the eleven-year period was, therefore, \$1,482,508,500 (\$1,322,200,000 new notes plus \$160,308,500 reissued notes) and total redemptions amounted to \$1,228,312,835 so that total outstanding on December 31, 1925, was \$254,195,665 of which \$208,125,505 were in actual circulation and \$46,070,160 in the hands of the Federal Reserve Bank.

## Member Bank and Public Relations

The number of banks in this district which are members of the Federal Reserve System showed a net decline of 27 during the year 1925, chiefly as the result of consolidation of various banks and liquidation of a small number of member banks. Resources of member banks were 70.3 per cent of all banking resources of the district at the close of 1925 compared with 70.6 per cent at the close of 1924.

### Changes in Bank Membership During the Year 1925†

<b>National and State Bank Membership in District, December 31,</b>		
1924 .....	767	
Total additions to membership during 1925.....	26	793
Total losses from membership during 1925.....		53
<b>Total Number of Member Banks in District, December 31, 1925...</b>		<b>740</b>

†Changes include banks which for various reasons—suspension, liquidation or absorption by other banks—were on December 31, 1925, no longer going institutions, although stock in Federal Reserve Bank which they held while active members had not yet been surrendered.

During the year relations of the Federal Reserve System to branch banking, which is practiced extensively in California, were standardized in accordance with the following resolutions of the Federal Reserve Board adopted November 7, 1923, and made fully effective August 1, 1924:

*Resolved*, That as a general principle, State banks with branches or additional offices outside of the corporate limits of the city or town in which the parent banks are located or territory contiguous\* thereto ought not be admitted to the Federal Reserve System except upon condition that they relinquish such branches or additional offices, be it further

*Resolved*, That as a general principle, State banks which are members of the Federal Reserve System ought not be permitted to establish or maintain branches or additional offices outside the corporate limits of the city or town in which the parent bank is located or territory contiguous\* thereto.

The principles set forth in these resolutions have been applied through Federal Reserve Board Regulation H, Section VI. Applications for permission to establish branches in non-contiguous territory have been considered in special cases where the state banking authorities have certified, and the Board might find, that public necessity and advantage render a departure from principle, necessary or desirable. Two such applications have been granted.

\*The term contiguous territory is defined to mean "The territory of a city or town whose corporate limits at some point coincide with the corporate limits of the city or town in which the parent bank is located".

The number and resources of California banks having branches, and the number of their branches, are shown by the following table:

### Branch Banks in California

	Number of Banks	Number of Branches	Total Resources
Dec. 31, 1924—State Banks:			
Member .....	18	321	\$1,312,378,000
Non-member .....	67	209	670,649,000
<hr/>			
Total number of state banks having branches .....	85	530	\$1,983,027,000
†Total number of national banks having branches .....	13	28	334,514,000
<hr/>			
Total .....	98	558	\$2,317,541,000
<hr/>			
Dec. 31, 1925—State Banks:			
Member .....	18	338	\$1,454,187,367
Non-member .....	62	247	772,146,196
<hr/>			
Total number of state banks having branches .....	80	585	\$2,226,333,563
†Total number of national banks having branches .....	16	42	380,609,117
<hr/>			
Total .....	96	627	\$2,606,942,680

†Includes Bank of California, N. A., San Francisco, with branches at Portland, Seattle, and Tacoma. Also includes agencies of National banks established in city of Head Office, with approval of the Comptroller of the Currency.

Following the practice established in 1924, the examination work of the Federal Reserve Bank in 1925 was kept at a minimum. Continuance of the arrangements whereby this bank, even though not participating in the examinations, receives copies of all reports of examinations of national banks and of state member banks, as made by national bank examiners or by state banking departments has been of material assistance in achieving this result. A tabular summary of examinations, credit investigations, and economic surveys made by the Federal Reserve Bank of San Francisco during the year 1925 follows:

Independent examinations .....	0
Examinations made concurrently with national or state banking departments .....	0
Independent credit investigations .....	11
Credit investigations made concurrently with state banking departments .....	97
Economic surveys .....	3
Other investigations .....	10
<hr/>	
TOTAL EXAMINATIONS AND INVESTIGATIONS MADE .....	121

The Monthly Review of Business Conditions, prepared by the Chairman of the Board and Federal Reserve Agent at San Francisco, was published throughout the year and distributed without charge to approximately 9,000 banks and interested individuals.

## Bank Organization and Personnel

Under date of November 16, 1925, John Perrin, Class C Director, Chairman of the Board and Federal Reserve Agent of the Federal Reserve Bank of San Francisco, tendered his resignation effective March 1, 1926.\* Mr. Perrin has been associated with the Federal Reserve System in his present capacity since its organization in November, 1914.

On December 31, 1925, the terms of three directors of the Federal Reserve Bank of San Francisco, C. K. McIntosh of Class A, Elmer H. Cox of Class B, and William Sproule of Class C, expired. Mr. McIntosh, President of the Bank of California, N. A., San Francisco, was re-elected as Class A director by the banks of Group One (those having a combined capital and surplus in excess of \$599,999) for a term of three years ending December 31, 1928. Mr. Cox, lumberman, was likewise re-elected by the banks of Group Three (those having a combined capital and surplus of less than \$125,000) for a similar three-year term as director of Class B, which consists of members actively engaged in commerce, agriculture, or other industrial pursuit. The Federal Reserve Board reappointed William Sproule, President of the Southern Pacific Company, a Class C Director for a term of three years ending December 31, 1928.

Henry S. McKee, President of Barker Bros., Inc., Los Angeles, was selected by the Board of Directors to represent the Twelfth Federal Reserve District on the Federal Advisory Council for the year 1925.

The following changes in the official staff of the bank took place during 1925:

### Resignations:

February 15—A. B. Nordling, Assistant Manager, Salt Lake City Branch, resigned to accept a position as Comptroller of the California Cattlemen's Association.

March 31—Paul M. Lee, Assistant Cashier, Salt Lake City Branch, resigned to accept a position as Vice President and Managing Director of the Idaho Falls National Bank, Idaho Falls, Idaho.

May 31—C. J. Shepherd, Managing Director, Los Angeles Branch, resigned to accept presidency of what is now the People's National Bank of Los Angeles.

July 31—Frederick Greenwood, Managing Director, Portland Branch, resigned to accept a position as Assistant Manager of the Portland branch of the Bank of California, N. A.

\*On January 8, 1926, the Federal Reserve Board appointed Isaac B. Newton of Los Angeles as Class C Director of the Federal Reserve Bank of San Francisco, effective March 1, 1926, for the unexpired term of Mr. Perrin which ends December 31, 1926, and designated Mr. Newton as Chairman of the Board and Federal Reserve Agent for the same period. Mr. Newton had previously served as a member of the Board of Directors of the Los Angeles branch of this bank, ~~since its opening~~ in 1920, and was chairman of that board during the year 1925.

**Appointments:**

February 16—H. M. Craft, Assistant Cashier at Head Office, was transferred to Salt Lake City Branch as Assistant Manager of the branch.

May 16—W. M. Smoot, formerly an accountant at Head Office, was appointed Assistant Cashier of the Salt Lake City Branch.

July 1—R. B. Motherwell, formerly Managing Director of the Salt Lake City Branch, assumed office as Managing Director of the Los Angeles Branch, and his place at Salt Lake City Branch was taken by W. L. Partner, formerly Managing Director of the Spokane Branch.

January 1, 1926—Effective as of this date the following appointments were made:

	Formerly	Appointed
D. L. Davis . . . . .	Assistant Manager . . . . . Spokane Branch	Managing Director, Spokane Branch
J. M. Leisner . . . . .	Assistant Cashier . . . . . Salt Lake City Branch	Assistant Manager, Spokane Branch
S. A. MacEachron . . . . .	Assistant Cashier . . . . . Head Office	Assistant Manager, Portland Branch
B. A. Russell . . . . .	Assistant Cashier . . . . . Seattle Branch	Assistant Manager, Seattle Branch
R. B. West . . . . .	Assistant Manager . . . . . Portland Branch	Managing Director, Portland Branch

Following is a comparative summary of the number of officers and of employees in the principal departments of the bank with corresponding aggregate annual salaries paid on January 1, 1926, and December 31, 1924. (Figures are for Head Office and branches combined.)

	Officers and Employees			
	Number		Annual Salaries	
	1926	1924	1926	1924
<b>OFFICERS:</b>				
Chairman of the Board and Federal Reserve Agent . . . . .	1	1	\$ 24,000	\$ 24,000
Governor . . . . .	1	1	25,000	25,000
Other officers . . . . .	31	34	194,400	204,880
<b>EMPLOYEES BY DEPARTMENTS:</b>				
Banking Department . . . . .	774	939	1,208,652	1,428,660
Federal Reserve Agent's Department . . . . .	23	23	58,480	59,620
Auditing Department . . . . .	9	12	19,140	25,320
Fiscal Agency Department . . . . .	23	36	43,800	64,200
<b>TOTALS</b> . . . . .	<b>862</b>	<b>1,046</b>	<b>\$1,573,472</b>	<b>\$1,831,680</b>
<b>FISCAL AGENCY DEPARTMENT EMPLOYEES</b> whose salaries are reimbursed by the Treasury Department . . . . .	3	5	4,680	10,200
<b>OTHER EMPLOYEES</b> whose salaries are reimbursed to bank, including building employees in space rented to tenants . . . . .	5	1	6,828	1,500
<b>GRAND TOTALS</b> . . . . .	<b>870</b>	<b>1,052</b>	<b>\$1,584,980</b>	<b>\$1,843,380</b>
<b>TEMPORARY EMPLOYEES</b> (not included above) . . . . .	8	6	\$9,840	\$7,920

**PRINCIPAL OPERATIONS**  
**FEDERAL RESERVE BANK OF SAN FRANCISCO**

The following table presents in comparative form for the past three years the volume of the principal operations of the bank, which are of such character that they can be expressed in quantitative terms.

	1925	1924	1923
<b>Supplying Currency and Coin</b>			
<b>Currency Received and Counted:</b>			
Individual notes counted.....	98,574,000	95,857,000	83,236,000
Dollar amount received and counted.....	\$782,218,000	\$753,896,000	\$707,765,000
<b>Coin Received and Counted, a service previously performed largely by the Subtreasury, but now entirely in the hands of the Federal Reserve Bank:</b>			
Number of coins handled in receiving and counting.....	54,425,000	44,298,000	32,070,000
Dollar amount received and counted.....	\$31,063,000	\$23,425,000	\$24,767,000
<b>Making Loans and Investments</b>			
<b>Bills Discounted for Member Banks, either discounted customers' paper or advances against the notes of member banks secured by collateral in the form of Government securities or commercial or agricultural paper:</b>			
Number of bills discounted.....	30,136	37,212	57,725
Dollar amount.....	\$2,154,200,000	\$929,140,000	\$2,108,963,000
<b>Bills Purchased for the Account of this Bank:</b>			
Number.....	26,983	18,433	21,771
Dollar amount.....	\$280,994,000	\$176,933,000	\$225,162,000
<b>Collecting Checks, Drafts, Notes, and Coupons</b>			
<b>Checks handled for collection for banks in all parts of the country:</b>			
Number of items.....	73,062,000	74,367,000	65,442,000
Dollar amount.....	\$15,002,811,000	\$14,645,586,000	\$14,066,535,000
<b>Collection Items handled, including drafts, notes, and coupons:</b>			
Number of items.....	3,350,000	4,027,000	5,702,000
Dollar amount.....	\$302,151,000	\$326,516,000	\$320,082,000
<b>Supplementary Services</b>			
<b>United States Government Securities issued, redeemed, or exchanged, including Government bonds, notes, and certificates of indebtedness:</b>			
Number of items.....	613,000	1,518,000	*10,827,000
Dollar amount.....	\$260,304,000	\$353,309,000	\$486,429,000
<b>Funds Transferred by Telegraph to and from all parts of the country for the Treasury Department and for member banks:</b>			
Number of transfers.....	128,000	130,000	131,000
Dollar amount.....	\$10,672,119,000	\$9,568,293,000	\$8,241,696,000

\*Large increase due to redemption of War Savings securities which matured January 1, 1923.



### NOTE

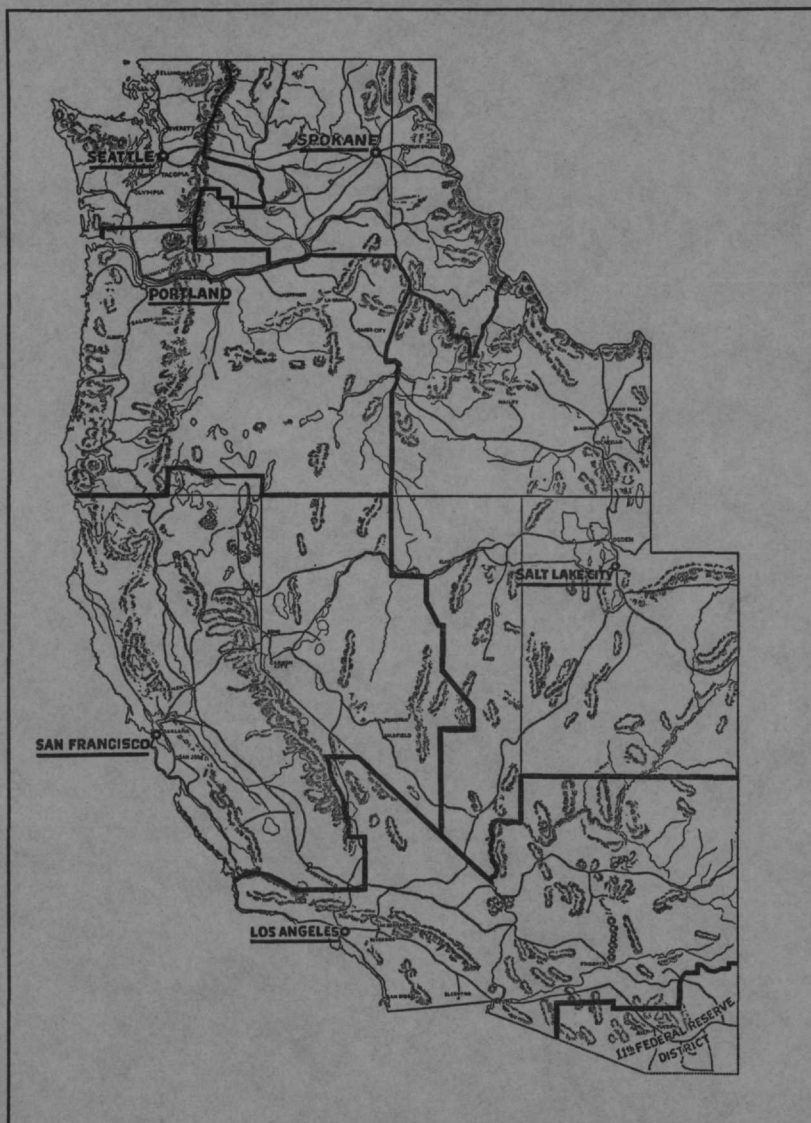
Detailed statistical tables formerly published as an appendix to the Annual Report of the Federal Reserve Agent now appear only in the Annual Report of the Federal Reserve Board, which will include the following exhibits pertaining to the Twelfth Federal Reserve District and the Federal Reserve Bank of San Francisco:

1. Comparative Statement of Condition.
2. Movement of Principal Assets and Liabilities.
3. Volume of Discount and Open Market Operations.
4. Volume of Bills Discounted for Member Banks in Each State.
5. Earnings and Expenses.
6. Volume of Operations in Principal Departments.
7. Operations of Federal Reserve Clearing System.
8. Clearings and Transfers Through Gold Settlement Fund.
9. Principal Assets and Liabilities of Reporting Member Banks in Leading Cities of District.
10. Debits to Individual Accounts at Banks in Principal Clearing House Centers.

Copies of the Board's report may be obtained, when published, from the Federal Reserve Board at Washington, D. C.

# TWELFTH FEDERAL RESERVE DISTRICT

Includes the states of Arizona, except the five Southeastern Counties, California, Idaho, Nevada, Oregon, Utah and Washington



Map showing territory of Head Office and Branches  
of the Federal Reserve Bank of San Francisco