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FOURTEENTH ANNUAL REPORT

TO THE

FEDERAL RESERVE BOARD

BY THE

FEDERAL RESERVE AGENT

FEDERAL RESERVE BANK
SAN FRANCISCO



FOR THE

YEAR ENDED DECEMBER 31, 1928

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FOR THE

YEAR ENDED DECEMBER 31, 1928

DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO

January 1, 1929

		DIRECTORS					Term Expires Dec. 31
Class	Group						
A	1	C. K. McINTOSH, San Francisco, California	-	-	-	-	1931
		President, Bank of California, N. A.					
A	2	THOMAS H. RAMSAY, Red Bluff, California	-	-	-	-	1929
		President, Pacific National Agricultural Credit Corpora- tion, San Francisco, California.					
A	3	VERNON H. VAWTER, Medford, Oregon	-	-	-	-	1930
		Cashier, Jackson County Bank, Medford, Oregon.					
B	1	A. B. C. DOHRMANN, San Francisco, California	-	-	-	-	1929
		President, Dohrmann Commercial Company.					
B	2	WILLIAM T. SESNON, San Francisco and Soquel, California	-				1930
		Agriculturist.					
B	3	E. H. COX, San Francisco and Madera, California	-	-	-	-	1931
		President, Madera Sugar Pine Company, Madera, Cali- fornia.					
C		ISAAC B. NEWTON, Los Angeles, California	-	-	-	-	1929
		Chairman of the Board.					
C		WALTON N. MOORE, San Francisco, California	-	-	-	-	1930
		Deputy Chairman, President, Walton N. Moore Company.					
C		WM. SPROULE, San Francisco, California	-	-	-	-	1931
		President-Retired and Director, Southern Pacific Com- pany.					

MEMBER FEDERAL ADVISORY COUNCIL

F. L. LIPMAN, representing District No. 12
President, Wells Fargo Bank and Union Trust Company,
San Francisco, California

OFFICERS

ISAAC B. NEWTON,
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

F. H. HOLMAN, General Auditor
R. T. HARDY, Auditor

JNO. U. CALKINS,
Governor

WM. A. DAY,
Deputy Governor

IRA CLERK,
Deputy Governor

W. M. HALE, Cashier
CHESTER D. PHILLIPS, Assistant Cashier
C. E. EARHART, Assistant Cashier
H. N. MANGELS, Assistant Cashier
E. C. MAILLIARD, Assistant Cashier
F. C. BOLD, Assistant Cashier
J. M. OSMER, Assistant Cashier

DIRECTORS AND OFFICERS OF BRANCHES

January 1, 1929

SPOKANE BRANCH

Directors	Term Expires Dec. 31	Officers
G. I. TOEVS,* Chairman	1929	D. L. DAVIS, Managing Director
PETER MCGREGOR*	1930	J. M. LEISNER, Assistant Manager
C. E. MCBROOM†‡	1929	EVAN BERG, Assistant Cashier
R. L. RUTTER†	1930	
D. L. DAVIS†	1929	

SEATTLE BRANCH

CHAS. H. CLARKE,* Chairman	1929	C. R. SHAW, Managing Director
HENRY A. RHODES*	1930	B. A. RUSSELL, Assistant Manager
M. A. ARNOLD†	1929	G. W. RELF, Assistant Cashier
M. F. BACKUS†	1930	
C. R. SHAW†	1929	

PORTLAND BRANCH

NATHAN STRAUSS,* Chairman	1929	R. B. WEST, Managing Director
EDWARD C. PEASE*	1930	S. A. MACEACHRON, Assistant Manager
J. C. AINSWORTH†	1929	J. P. BLANCHARD, Assistant Cashier
JOHN F. DALY†	1930	
R. B. WEST†	1929	

SALT LAKE CITY BRANCH

LAFAYETTE HANCHETT,* Chairman	1929	W. L. PARTNER, Managing Director
G. G. WRIGHT*	1930	H. M. CRAFT, Assistant Manager
CHAS. H. BARTON†	1929	W. M. SMOOT, Assistant Cashier
L. H. FARNSWORTH†	1930	L. W. DALBY, Assistant Cashier
W. L. PARTNER†	1929	

LOS ANGELES BRANCH

W. L. VALENTINE,* Chairman	1929	W. N. AMBROSE, Managing Director
J. B. ALEXANDER*	1930	M. McRITCHIE, Assistant Manager
J. F. SARTORI†¶	1929	A. J. DUMM, Assistant Cashier
HENRY M. ROBINSON†	1930	L. C. MEYER, Assistant Cashier
W. N. AMBROSE†	1929	

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

‡On February 7, 1929, C. E. McBroom resigned from the Board of Directors of the Spokane Branch. D. W. Twohy has been appointed to serve as a director of the branch for Mr. McBroom's unexpired term.

¶On March 21, 1929, J. F. Sartori resigned from the Board of Directors of the Los Angeles Branch. F. J. Belcher, Jr., has been appointed to serve as a director of the branch for Mr. Sartori's unexpired term.

LETTER OF TRANSMITTAL

Federal Reserve Bank,
San Francisco, California,
March 1, 1929.

SIRS:

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, 1928.

Yours respectfully,

Isaac B. Newton

Chairman of the Board
and Federal Reserve Agent.

Federal Reserve Board,
Washington, D. C.

ECONOMIC REVIEW OF THE YEAR 1928 IN THE TWELFTH FEDERAL RESERVE DISTRICT

A full measure of economic growth was experienced by the Twelfth Federal Reserve District during the year 1928. Output of the District's farms, mines, and factories was larger, and the volume of trade transacted was greater than in any previous year. The record of agriculture, industry, and trade, in the absence of unfavorable price developments, affords what seems to be convincing evidence of an increase in District purchasing power. Financial transactions were in record volume, demand for credit at member banks was heavier than ever before, and the volume of Reserve Bank credit in use averaged higher than in any year since 1921.

For convenience in general analysis the year 1928 may be divided into two periods of approximately equal length. During the earlier months of the year industry and trade were conducted at moderate levels, and an increased demand for bank funds was significant only by reason of the character of the credit (loans on securities) principally involved. Attempts, during this period, to stabilize production in important industries, notably the lumber, copper, and petroleum industries, were fairly successful, a development which had considerable bearing on business conditions during the remainder of the year. As demand for these commodities increased, their prices advanced and the resulting improvement in the industrial outlook found expression in a marked expansion of activity during the latter months of 1928. Relatively full employment of labor accompanied the rise of industrial operations, which came at the season of heaviest demand for help in harvesting and marketing the District's crops. Expanding profits and payrolls in industry, as well as a progressive improvement in the financial condition of farmers and livestock producers of the District, were reflected in a growing volume of trade at wholesale and at retail. Demand for credit rose to record levels and interest rates, from July to December, were firmer than in any recent year. An extraordinary expansion in activity in security markets preceded and accompanied improved business conditions during the year.

A more detailed discussion of some of the principal economic developments in the Twelfth Federal Reserve District during 1928 is presented in the following report.

Agriculture

The 1928 agricultural season was characterized by an increase in the aggregate volume and a slight decrease in the aggregate value of crop production as compared with the previous year, and by continued improvement in the condition of the livestock industry. Increased aggregate production was the result, chiefly, of larger yields of fruits and vegetables. The smaller aggregate value of the crops produced reflected reduced yields of wheat and lower prices for wheat and other important grain crops, and substantially lower prices for deciduous fruits. Prices of most field crops were higher in 1928 than in 1927, and farmers obtained a larger return for the smaller harvest of the later year. The greatly increased production of vegetables during 1928 more than offset the effect of declining prices in this crop group, and total value of output was greater than in any

recent year. Increased quantities of livestock and of livestock products were sold during 1928 at higher prices than prevailed during 1927, with a resultant increase in gross income of livestock producers.

The general improvement in the financial position of agriculture, noted in each of the past four years, continued during 1928. Debts, accumulated during the period which ended in the depression of 1921, have gradually been liquidated and an increasingly large proportion of the farmers' income has become available for current spending. The record for the year 1928 indicates that the effective purchasing power of livestock producers, and of growers of field crops and vegetables increased as compared with 1927, and that the purchasing power of farmers raising grains and fruits declined.

INDEXES OF AGRICULTURAL PRODUCTION

Twelfth Federal Reserve District†
(1925-1927 Average=100)

	1928*		1927		1926	
	Volume	Value	Volume	Value	Volume	Value
Grains	108.0	97.3	113.2	109.7	91.8	87.6
Field Crops	96.2	102.5	104.2	95.6	96.1	92.4
Fruits	128.1	101.5	100.2	107.8	104.7	91.5
Vegetables	127.3	114.8	109.1	102.5	99.7	103.7
All Crops	112.2	102.0	105.3	103.5	98.3	92.0

*Subject to revision.

†Computed by Federal Reserve Bank of San Francisco.

The crops of the District were moved to market in an orderly manner during the 1928 season. Farmers of the Pacific Northwest are reported to have been slow in selling their wheat, with a resulting increase in stocks on farms and in country elevators. Storage holdings of apples in that territory were also considerably larger than usual at the close of 1928, a reflection partly of a large crop and partly of a growing tendency to store apples in the Pacific Northwest rather than in eastern distributing centers.

AGRICULTURAL MARKETING ACTIVITY

Twelfth Federal Reserve District

Exports*

	1928	1927	1926
Wheat (bu.)			
(Columbia River, Puget Sound Ports) ..	18,298,702	38,779,911	28,184,157
Barley (bu.)			
(San Francisco)	3,321,550	2,910,454	3,140,729

Carlot Shipments*

Apples (Twelfth District)	44,786	32,572	40,742
Oranges (California)	46,922	57,163	50,030
Lemons (California)	12,474	13,437	13,610
Deciduous Fruits†			
California	109,692	107,275	102,009
Oregon	5,750	4,095	4,334
Washington	11,189	4,650	9,547
Wheat‡	30,484	41,562	32,981

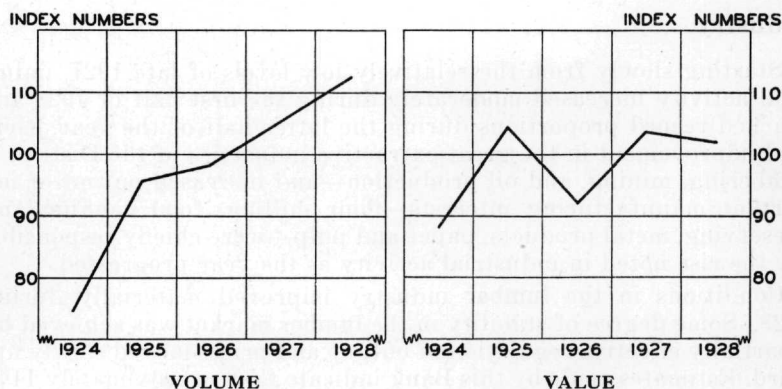
Receipts§

Livestock (Eight Markets—Twelfth Dist.)			
Cattle and Calves	1,067,831	1,257,485	1,310,129
Hogs	2,536,945	2,146,659	2,093,616
Sheep	3,832,643	3,510,826	3,403,892

*For crop season to December 31, except oranges and lemons which are shipped during the twelve months period beginning November 1 of the preceding year.

†Except apples. ‡Received at Portland and Astoria, Oregon; Seattle and Tacoma, Washington. §For calendar year.

The year 1928 was one of a succession of years during which physical and economic conditions have favored the livestock industry. Some measure of the progress made during the past year is afforded by a comparison of receipts and prices at eight principal livestock markets of the District with similar data for the year 1927. Such a comparison shows that prices paid for cattle and sheep were uniformly higher during the periods of heavy marketing in 1928 than in the correspond-



Volume and Value of Crop Production in the Twelfth Federal Reserve District.
(1925-1927 Average = 100).

ing periods of 1927. Prices of hogs, on the contrary, were lower in 1928 than in 1927, except for a brief period during the summer when the number of hogs shipped to market was relatively small.

Trends of development established in the various branches of the livestock industry during recent years were continued in 1928. An increase in the number of sheep bred and widespread retention of ewes for breeding purposes resulted in another increase in the number of sheep on the District's farms and ranges. A normal calf crop from herds which have diminished in size during recent years, resulted in a reduction in the number of beef cattle in the District. Some further expansion of hog raising was noted during the year, but the rapidity with which changes in hog production occur makes it inadvisable to assume that a trend has here been established.

LIVESTOCK ON FARMS AND RANGES

Twelfth Federal Reserve District

Jan. 1st	Milch Cows	Other Cattle	Sheep	Hogs
1929	1,447,000	3,305,000	14,371,000	1,604,000
1928*	1,420,000	3,510,000	13,645,000	1,677,000
1927	1,397,000	3,597,000	13,217,000	1,452,000
1926	1,401,000	3,994,000	12,536,000	1,198,000
1925	1,397,000	4,212,000	12,170,000	1,390,000
1924	1,373,000	4,656,000	11,923,000	1,660,000

*Revised.

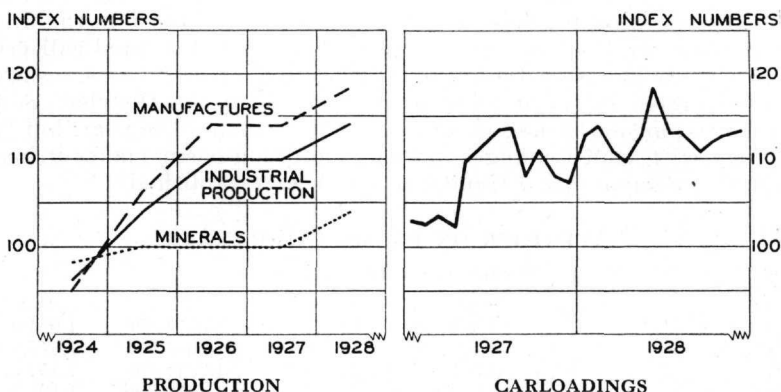
A not insignificant factor in the growing relative importance of the sheepraising industry has been the maintenance of a satisfactory wool market during recent years. The 1928 clip of 103,429,000 pounds has sold at prices which averaged from 3 to 10 cents per pound or about 8 per cent higher than prices paid for the 1927 clip of 96,751,000 pounds.

This summary of the agricultural situation in the Twelfth Federal Reserve District would not be complete without mention of the continuing and serious difficulties of certain large groups of growers of deciduous fruits, particularly the growers of grapes and canning peaches. Acute situations in important areas have arisen out of the marketing problems of these growers.

Industry

Starting slowly from the relatively low levels of late 1927, industrial activity increased moderately during the first half of 1928 and reached record proportions during the latter half of the year. General improvement in the great extractive industries of the District—lumbering, mining, and oil production—and increased output of important manufacturing interests—flour milling, food canning and preserving, metal products, paper and pulp—were chiefly responsible for the rise noted in industrial activity as the year progressed.

Conditions in the **lumber** industry improved materially during 1928. Some degree of stability in the lumber market was achieved by a partially effective regulation of output, and prices moved slowly upward. Estimates made by this Bank indicate that approximately $14\frac{3}{4}$ billion board feet of lumber were produced in the Twelfth Federal Reserve District during 1928, compared with $14\frac{1}{4}$ billion board feet in 1927, and a record cut of $15\frac{1}{4}$ billion board feet in 1926, as reported by the United States Bureau of the Census. Orders received and shipments made by the mills of the District were larger in volume than the lumber cut during the year, and a decline in mill stocks of lumber was reported.



Annual Indexes of Industrial Production and of Manufactures and Minerals. Monthly Indexes of Average Daily Carloadings of Industrial Commodities Adjusted for Seasonal Variation. (1923-1925 Average = 100).

Output of the mines of the District increased during 1928 as compared with 1927, as a result of a rapid expansion in production of **copper** during the last half of the later year. A sustained, heavy demand for this metal, at rising prices, stimulated mining activity and, toward the year's close, a number of leading copper producers were reported to be approaching the limit of their capacity for immediate

and rapid expansion of output. Despite greatly increased production during the year, stocks of copper at the end of 1928 were substantially smaller than at the end of 1927. **Gold, silver, and lead** were mined in increasing quantities during the latter part of 1928, but total production for the year was smaller than in 1927.

The **oil** industry, which had experienced a distinctly unsatisfactory year in 1927, also effected some improvement in its condition during 1928. During the greater part of the year production and demand were kept in approximate adjustment, and prices for the higher grades of crude oil, which constitute about 85 per cent of the California output, moved sharply upward. Toward the close of the year, however, production was again increasing rapidly and in December, 1928, was larger than at any time since the autumn of 1923 when output was at record levels. Total production of crude oil in California for the year 1928 was 231,982,597 barrels compared with 230,751,463 barrels in 1927. Demand for oil products, particularly gasoline, was heavy throughout 1928, and output of the District's refineries was larger than ever before. At the year-end stocks of gasoline and light crude oil were smaller and stocks of heavy crude oil and the heavier refined oils were larger than at the close of 1927.

Flour mills of the District produced more flour during 1928 than during 1927. Not all of the increased output was sold, however, and millers' stocks of flour (and of wheat) were larger at the end of the year than at its beginning. Domestic demand for flour was fairly well maintained throughout 1928, but export demand was light, particularly in the early months of the year.

The District's 1928 pack of **canned fruits and vegetables** totaled 41,665,407 cases, of which 27,873,553 cases were fruits and 13,791,854 cases were vegetables. The pack was larger by 8,666,578 cases, or 26.3 per cent, than the 1927 pack and was 2,493,928 cases, or 6.4 per cent, larger than the previous record pack of 39,171,479 cases produced in 1926. In California alone, the 1928 pack of fruits and vegetables totaled 30,697,390 cases, an increase of 20 per cent as compared with the pack of the previous year. The principal items responsible for the gain in output during 1928 were canned pears, peaches, and spinach. The market for canned fruits and vegetables was relatively stable throughout the year and packers were able to sell their product at prices which approximated those quoted in 1927.

The pack of **salmon** on the Pacific Coast of the United States was larger during the 1928 season (10,639,914 cases) than during the 1927 season (7,361,004 cases). The carry-over from the 1927 pack was small, demand was well maintained during 1928, and prices did not show the declines usually experienced in seasons of large production.

Building and engineering construction did not participate in the increased industrial activity of the year 1928. The total value of building permits issued in reporting cities of the District was substantially smaller than in 1927, and a similar decline was recorded in the value of contracts awarded for engineering and heavy construction projects. Curtailment of building operations in a few large cities was chiefly responsible for the reported declines in both series of data. If the data of commercial and industrial building construction be excluded, the value of engineering projects was larger in 1928 than in 1927.

A real surplus of labor existed in the District during the spring months of 1928, but by July there were evidences of considerable improvement in the **employment** situation. In Arizona, Utah, and Washington, it was reported that labor was fully employed during the summer and autumn, and that less than the usual seasonal recession in employment was noted during November and December. In the remainder of the District (California, Idaho, Nevada, and Oregon) conditions were reported as better than in 1927, but a surplus of labor, attributable in considerable part to an influx of workers from other regions, was present at all times. Activity in mining, agriculture, food products

INDEXES OF INDUSTRIAL PRODUCTION

Twelfth Federal Reserve District
(1923-1925 annual average=100)

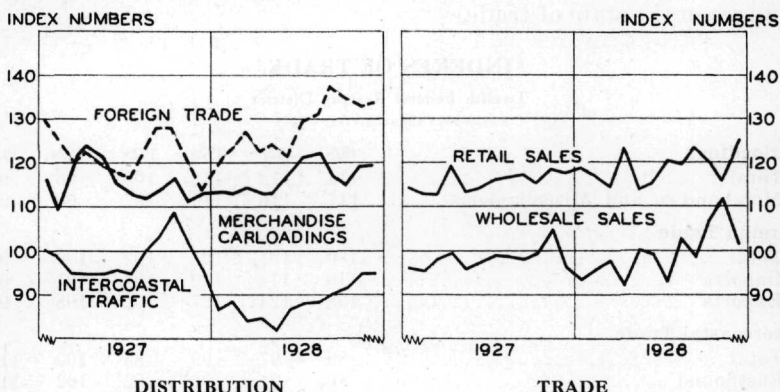
	1928	1927	1926	1925	1924	1923
Industrial Production	114	110	110	104	96	100
Manufactures	118	114	114	106	95	99
Foods	124	113	116	105	96	99
Butter	111	110	104	98	103	99
Canned Fruits	167	129	164	121	87	91
Canned Vegetables	132	109	112	118	87	95
Canned Fish	135	148	106	123	84	93
Flour	103	99	92	80	105	116
Slaughter of Livestock	94	97	94	97	104	99
Cattle	90	106	105	102	100	98
Calves	68	90	102	106	102	91
Sheep	87	93	96	95	107	98
Hogs	106	87	79	91	107	102
Wool Consumption	75	89	80	94	97	109
Lumber	107	105	109	106	95	99
Paper and Pulp	145	132	133	104	96	100
Refined Mineral Oils	155	148	132	118	94	88
Gasoline	192	173	143	122	91	87
Kerosene	148	91	110	103	114	83
Lubricating Oil	98	92	109	103	103	94
Gas and Fuel Oil	121	132	125	118	94	88
Cement	115	114	110	107	99	94
Metals and Metal Products	128	121	121	102	94	104
Refining and Smelting	111	106	107	107	100	93
Other Metals	139	131	128	99	91	111
(Including iron and steel)						
Minerals	104	100	100	100	98	102
Petroleum	96	96	93	96	95	109
Non-Ferrous Metals	113	106	108	107	101	93
Copper	118	106	109	106	102	92
Lead	111	118	114	113	97	90
Silver	85	89	92	99	96	104
General						
Carloadings (Industrial)	113	108	112	110	97	93
Building Permits (20 cities)	71	81	88	102	95	102
Engineering Projects and Heavy Construction						
Total	123	132	115	106	95	100
Excluding large Buildings	113	105	95	99	96	105
Electric Power Production	144	131	121	109	99	92

Note: These indexes of production are based on figures of actual production, consumption, or sales as reported by government bureaus, trade associations, or producers themselves with the exception of indexes of paper and pulp and other metals which are based upon data of electric power consumption as published by the Electrical World and Electrical West.

industries, lumbering, road building, and hydro-electric construction work, and unusually favorable autumn weather, were important factors in the improved employment situation during the later months of 1928.

Trade

The year 1928 was a year of relatively active trade in the Twelfth Federal Reserve District. From January through June trade proceeded at a moderate pace, and data of the distribution and sale of goods showed slight declines as compared with the first six months of 1927. During the second half of the year trade responded vigorously to favorable influences—expanding industrial operations and increasing employment—both within and without the District, and the record for the year as a whole showed a slight improvement when compared with figures for the preceding year.



Monthly Indexes Adjusted for Seasonal Variation (1923-1925 Average=100).

The total number of **carloadings** on railroads of the District was 1.8 per cent larger in 1928 than in 1927, the reported figures being 3,672,149 and 3,615,093 carloads, respectively. Loadings of merchandise and miscellaneous commodities, of livestock, and of forest products showed a gain over the year period, while loadings of grain were lighter than in 1927. The District's waterborne commerce was probably in smaller volume during 1928 than during the previous year, for, although there was a substantial increase in foreign trade, there was a considerable decline in intercoastal traffic. This decline was almost entirely the result of reduced shipments of lumber, petroleum and petroleum products to the Atlantic seaboard of the United States through the Panama Canal.

Total value of sales at **retail** of 114 department, apparel, and furniture stores was 1.7 per cent greater during 1928 than during 1927. Sales in Salt Lake City and Seattle showed the largest increases as compared with the previous year. Throughout the District stocks carried by merchants averaged lower and stock turnover averaged higher than in 1927. A decline in the proportion of cash sales to total sales was reported during 1928, the principal increase in credit transactions being in installment sales. The rate of collections on ordinary accounts improved during the year, and that on installment accounts averaged practically the same as in 1927.

Total value of sales at **Wholesale**, as reported to this Bank by 169 firms in eleven lines of trade, was two per cent larger during 1928 than during 1927, the large volume of business done during the last five months of 1928 being responsible for the increase over the year period. In Southern California the value of sales during 1928 approximated the figures of the preceding year, while sales in Northern California exhibited moderate increases and those in the rest of the District substantial increases as compared with 1927. Some lines of wholesale trade during recent years have been adversely affected by the development of direct buying on the part of chain stores and direct selling on the part of factory branches, so that the figures reported to this Bank no longer afford a satisfactory current indication of changes in the total movement of goods from manufacturer to retailer. They do give an indication, however, of variations in the volume of business transacted by a large group of the trading community and are, therefore, still of considerable value in analyzing changes in the state of trade.

INDEXES OF TRADE

Twelfth Federal Reserve District
(1923-1925 annual average=100)

	1928	1927	1926	1925	1924	1923
Carloadings						
Total	114	112	112	108	96	96
Merchandise and Miscellaneous	117	116	113	107	99	94
Foreign Trade						
Total	130	121	125	102	106	92
Imports*	116	114	120	104	101	95
Exports	138	124	127	102	108	90
Intercoastal Trade						
Total	89	97	99	85	100	115
Eastbound	80	94	96	82	102	116
Westbound	120	110	107	96	91	113
Wholesale Trade						
Sales	99	97	100	101	98	101
Agricultural Implements	139	132	134	120	87	94
Automobile Supplies	96	94	96	98	99	104
Automobile Tires	118	122	137	121	93	86
Drugs	115	108	110	108	101	91
Dry Goods	89	88	90	95	99	106
Electrical Supplies	121	112	112	106	99	95
Furniture	102	97	102	101	98	101
Groceries	92	89	94	97	99	104
Hardware	95	94	99	98	96	106
Shoes	102	110	104	99	90	109
Paper and Stationery	97	98	102	101	97	102
Retail Trade—Department Stores						
Sales	119	115	112	105	99	96
Los Angeles	123	122	117	107	99	94
Oakland	123	119	119	106	98	96
Salt Lake City	110	103	103	103	98	99
San Francisco	116	113	111	105	100	95
Seattle	117	106	103	102	100	98
Spokane	102	103	105	96	97	107
Stocks	108	108	101	102	103	95
Automobile Sales—New Cars						
Total	99	89	109	102	91	107
Passenger	99	86	109	103	92	105
Commercial	96	95	105	98	89	113

*Excluding raw silk.

Sales of new **automobiles** were large in volume during 1928, a reflection partly of improved business conditions, and partly of the active re-entry of the Ford Motor Company into the selling field. New car sales for the year were well above those of 1927, but only in Arizona did they surpass the high levels of 1926.

Prices

The general level of commodity prices was relatively stable during 1928, although wide fluctuations were recorded in the prices of many individual products. Changes in prices of commodities important in this District were, on the whole, favorable to producers, and total income of the agricultural, livestock, and industrial producing groups, combined, is estimated to have exceeded that of 1927.

Prices for agricultural products generally moved upward during the early months of 1928. Quotations for farm produce reached a high point for the year in May. Except for the usual spring peak in lamb prices, livestock quotations tended to advance until early autumn. Among those producers who were, in general, favored by price changes during the year were the growers of oranges, lemons, and prunes. Groups whose aggregate income was adversely affected by price changes included the growers of wheat, potatoes, and grapes. A combination of changes in prices and production has resulted in generally satisfactory total income returns to other groups such as those producing apples, barley, and cotton. The total income of livestock producers in 1928 was well above that of 1927, as a result of the substantially higher average prices for livestock prevailing in the later year.

Advances in prices of certain non-agricultural products of the District were reflected in improved operating conditions in the industries affected. In three of the most important of these industries—lumber, copper, and petroleum—significant price advances accompanied concerted efforts toward adjustment of output to existing demand.

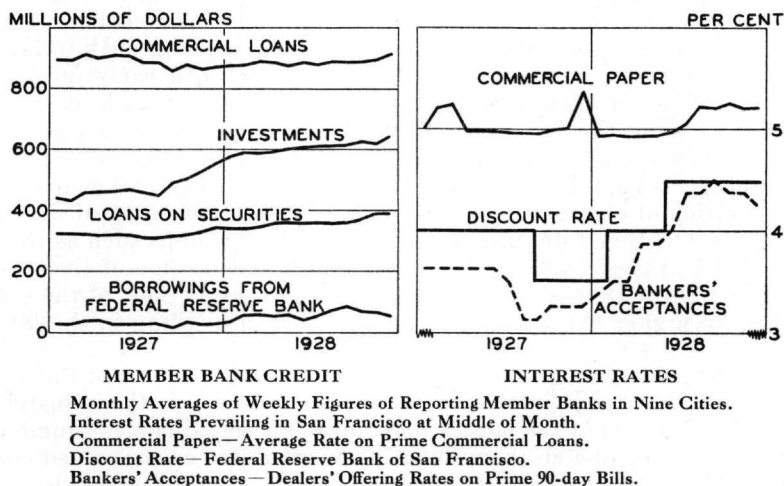
At the close of 1927 prices for softwood lumber, which makes up the bulk of the lumber output of this District, had declined sharply to levels quite unsatisfactory to producers. As a result of a moderately effective adjustment of output to consumption, prices started to advance early in 1928. Production increased during the second half of the year, but generally was kept within the limits of demand, and price advances continued. In December, 1928, the average price of softwood lumber was 15 per cent higher than at the beginning of the year, and was slightly above prices prevailing in mid-1927, the high point for that year.

Efforts to effect stabilization and improvement in the copper industry were aided by a rapid expansion in demand for the metal during 1928. Increases in output could not keep pace with the rapidly mounting consumption, and the price of copper advanced from 14 cents to 16 $\frac{1}{4}$ cents per pound during the year.

Crude oil producers of the District benefited from an upward revision of petroleum prices during 1928. Growth in demand for oil, centering upon the higher grades, was accompanied by price advances which, in some cases, amounted to 50 per cent between December, 1927, and December, 1928. Prices of lower grade or fuel oils did not share in these advances and, as stocks accumulated toward the close of the year, prices of some grades of oil were actually reduced.

The Credit Situation

During 1928, financial transactions in the Twelfth Federal Reserve District were of record proportions. The volume of payments by bank check (debits to individual accounts) was greatly increased, and the rate of turnover or velocity of bank deposits subject to check was considerably higher than in other recent years. There was also a remarkable growth in activity on the stock exchanges of the District. Stocks with a market value of 4,302 million dollars were purchased and sold on the principal exchanges (San Francisco, Los Angeles, and Seattle) during 1928, an increase of 3,465 million dollars or 414 per cent as compared with the figure (837 million dollars) for 1927. Bond transactions at these markets totaled 20 million dollars in 1928 compared with 18 million dollars in 1927.



Such evidences of increased financial operations generally accompany or are accompanied by an increased demand for credit at commercial banks, increased transfers of funds within and without the District, and an increased volume of check clearances through the Federal reserve check clearing system. These developments, in time, frequently lead to an increase in member bank borrowing at the Federal Reserve Bank.

Developments in the credit situation during 1928 conformed to this general pattern. Demand for member bank credit was heavier than ever before and member bank loans and investments expanded almost continuously throughout the year. The volume of checks and of wire transfers of funds handled for banks of the District by the Federal Reserve Bank of San Francisco was the largest on record. Member bank borrowing at the Federal Reserve Bank of San Francisco averaged higher than in any year since 1921, a year during which a large part of the borrowing represented delayed liquidation of earlier loans rather than demand for funds needed for current business and financial operations.

The demand for funds, both at member banks and at the Federal Reserve Bank of San Francisco, was heaviest during the later months of the year when the District's crops were being harvested and mar-

keted, industry and trade were at the year's highest levels, and security markets were quite active with prices tending upward. There was a slight advance in interest rates during this period, and in November and December they averaged higher than at any time in recent years. The discount rate of the Federal Reserve Bank of San Francisco was raised from $3\frac{1}{2}$ per cent, the rate in effect since September, 1927, to 4 per cent on February 4, 1928. On June 2, 1928, the discount rate was raised to $4\frac{1}{2}$ per cent, where it remained at the close of the year.

General changes in the banking situation of the District during 1928 are shown in the accompanying charts and are discussed in some detail below.

Except for temporary declines in March, July, and early August, total loans and investments of **reporting member banks** increased steadily during 1928. On December 19, they stood at the record figure of 1,971 million dollars, an increase of 185 million dollars or 10 per cent as compared with the 1927 peak figure of 1,786 million dollars reached on December 21, 1927. All important classes of loans and of investments showed increases over the year period. Investments were increased by 98 million dollars, or 18 per cent; loans on securities by 44 million dollars, or 13 per cent; and commercial loans by 43 million dollars, or 5 per cent. There was a relatively continuous growth in the member bank investment holdings throughout 1928. Total loans increased during the early months of the year, reflecting for the most part growth in the volume of loans on securities, and after some decline in late June and July continued to advance until the end of the year. The increase during the last half of 1928 represented further growth in loans on securities, and, particularly in December, an increase in loans for commercial purposes. Loans reached their highest point for the year between December 19 and 26, when the total volume of loans outstanding at reporting member banks approximated 1,314 million dollars.

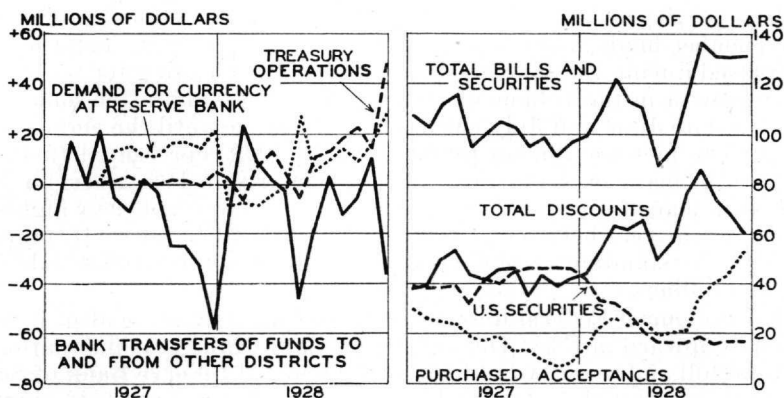
The volume of Federal Reserve Bank credit outstanding also moved sharply upward in 1928. During the first half of the year fluctuations in total bill and security holdings at the Federal Reserve Bank of San Francisco reflected quite closely changes in the amount of discounts for member banks—chiefly city member banks. Changes in Reserve Bank holdings of United States government securities (which declined) and of bankers' acceptances (which increased) largely offset one another during this period. During the second half of the year a sharp increase in Reserve Bank holdings of acceptances was the chief factor in the marked rise of total holdings of bills and securities which took place.

The factors directly reflected in the discount record of the Reserve Bank during the year were member bank transfers of funds to and from other parts of the United States (chiefly New York), United States Treasury receipts and disbursements within the District, and changes in District demand for currency. There was a slight increase in the reserve requirements of member banks of the District during the year, but its net effect upon the demand for Reserve Bank credit was negligible.

During January and February, 1928, the effect of heavy Treasury disbursements within the District and a seasonal reduction in demand for currency was more than offset by transfers of funds to other districts. The Reserve Bank's holdings of bills and securities rose from

96 million dollars on January 4 to 126 million dollars on March 7, chiefly as a result of increased borrowing by city member banks. From April to June there was a decline in the total of these bills and securities, due to the sale of 15 million dollars in United States government obligations by the Federal Reserve Bank.

In June the record was distorted by an abnormal development in the credit situation. Sharp declines in security prices—particularly bank stocks—during that month made it seem desirable for banks in California to increase their vault holdings of cash in anticipation of possible demands on the part of depositors. A rapid and temporary increase in the currency demand accordingly took place. Large transfers of funds into the District enabled the member banks to obtain this currency from the Reserve Bank and at the same time to reduce their borrowings from that bank. On June 30, 1928, discounts of the Reserve Bank totaled less than 17 million dollars, the lowest figure for the year. This latter reduction was also a temporary development arising in part out of the reluctance of member banks to show indebtedness to the Reserve Bank in their mid-year reports of condition.



DEMAND FOR CREDIT—FEDERAL RESERVE BANK OF SAN FRANCISCO

Changes Cumulated from April 1, 1927, in:

1. Demand for Currency at the Federal Reserve Bank of San Francisco.
 2. Net Transfers of Funds through Gold Settlement Fund, Chiefly for Account of Member Banks. A Rise in the Curve Indicates Transfers to Other Districts; a Decline Indicates Receipts from Other Districts.
 3. Net Treasury Receipts, or Disbursements Within the District. A Rise in the Curve Indicates Disbursements; a Decline Indicates Receipts.
- A Rise in any of the Curves Generally Results in Increased Demand for Reserve Bank Credit.

Figures of Total Bills and Securities, Discounts, Purchased Acceptances, and United States Securities are Monthly Averages of Daily Figures.

During July member banks returned the greater proportion of the currency withdrawn from the Federal Reserve Bank during June. This influence toward credit ease was more than counterbalanced by Treasury withdrawals of funds from member banks of the District and by a heavy flow of funds to other districts. Member bank borrowings from the Reserve Bank increased sharply. Funds continued to leave the District in large volume during August and early September and member bank borrowings at the Reserve Bank continued to expand, reaching a high point for the year (102 million dollars)

on September 4. At about this time the Federal Reserve Bank's buying rate on prime acceptances of Twelfth District member banks for bills with maturities of 90 days or less was reduced from $4\frac{1}{2}$ to $4\frac{1}{4}$ per cent. Member banks thereupon began selling acceptances to the Reserve Bank using the proceeds of such sales to reduce their direct borrowings. This situation continued throughout the remainder of the year, and Reserve Bank holdings of bills and securities fluctuated around the average level of September.

As is usual during the final month of the year, the most striking feature of the credit statistics for December, 1928, was the increase in coin and currency in circulation. This year the increase in currency needs of the District, which apparently approximated 20 million dollars, was indirectly met by transfers of funds into the District rather than by borrowing at the Federal Reserve Bank of San Francisco. The total of these transfers was approximately 65 million dollars and, in addition to providing for holiday currency needs, they served to offset a Treasury withdrawal of 15 million dollars and to enable member banks to reduce their borrowings at the Reserve Bank by 35 million dollars. This latter movement was facilitated by Reserve Bank purchases of acceptances amounting to 9 million dollars.

The extent of the various changes in the credit situation during 1928 is reflected in some degree in the comparative statement of condition of the Federal Reserve Bank of San Francisco which appears in the second section of this report.

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.

	1928	1927	1926
Supplying Currency and Coin			
Currency Received and Counted:			
Individual notes counted.....	123,437,000	116,612,000	111,583,000
Dollar amount received and counted.....	\$880,097,000	\$854,270,000	\$881,019,000
Coin Received and Counted, a service previously performed largely by the Subtreasury, but now entirely in the hands of the Federal Reserve Bank:			
Number of coins handled in receiving and counting.....	115,675,000	109,252,000	79,311,000
Dollar amount received and counted.....	\$26,484,000	\$46,482,000	\$42,428,000
Making Loans and Investments			
Bills Discounted for Member Banks, either discounted customers' paper or advances against notes of member banks secured by collateral in the form of United States government securities or commercial or agricultural paper:			
Number of bills discounted.....	16,117	21,044	28,264
Dollar amount*.....	\$5,488,828,000	\$2,949,165,000	\$2,418,031,000
Bills Purchased for the Account of this Bank:			
Number.....	22,403	29,601	31,567
Dollar amount.....	\$337,467,000	\$343,586,000	\$321,122,000
Collecting Checks, Drafts, Notes, and Coupons			
Checks handled for collection for banks in all parts of the country:			
Number of items.....	79,903,000	77,395,000	74,822,000
Dollar amount.....	\$15,136,437,000	\$14,310,906,000	\$15,627,527,000
Collection Items handled, including drafts, notes, and coupons:			
Number of items.....	2,161,000	2,850,000	3,002,000
Dollar amount.....	\$364,992,000	\$369,624,000	\$344,932,000
Supplementary Services			
United States Government Securities issued, redeemed, or exchanged, including government bonds, notes, and certificates of indebtedness:			
Number of items.....	367,000	362,000	345,000
Dollar amount.....	\$477,401,000	\$560,781,000	\$218,985,000
Funds Transferred to and from all parts of the country for the Treasury Department and for member banks:			
Number of transfers.....	153,000	145,000	140,000
Dollar amount.....	\$16,399,407,000	\$14,998,311,000	\$12,268,428,000

*Includes paper discounted for Federal Intermediate Credit Banks at Berkeley, California, and Spokane, Washington, amounting to \$5,902,000 in 1928; \$9,197,000 in 1927, and \$7,264,000 in 1926.

OPERATIONS OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO DURING 1928

Records of the operation of the Federal Reserve Bank of San Francisco during the year 1928 reveal the same general trend toward an increase in the total volume of work carried on which has been noted during the past several years. This steady year to year growth in activity arises out of the character of the major routine functions which the bank performs. It is to be expected that, over long periods of time, the work of collecting checks, supplying currency and coin, and transferring funds will increase just as does the population of the country to which, in the last analysis, such increases are related.

The credit granting function of the bank pursues a more varied course, the volume of work connected with this function changing with the fluctuating needs of the business and credit situation. During all of 1928 the amount of Federal reserve bank credit outstanding was relatively large, and in the last months of the year it was larger than at any time since 1921. The total aggregate dollar amount of bills discounted increased from \$2,949,165,000 in 1927 to \$5,488,828,000 in 1928, but most of the borrowing was for the account of the larger city banks and the number of discount transactions was considerably smaller than in other recent years.

The cost of carrying on the work of the bank was approximately the same in 1928 as in 1927, despite the increased volume of work done in the later year. Earnings showed a substantial increase for the year period, as a result both of larger holdings of earning assets and of a higher rate of return on those assets. After providing for all expenses and charge-offs, the bank was able substantially to increase its surplus account.

The bank enjoyed a continuance of its pleasant relations with its member banks during the year, and there was a marked increase in public interest in its operations and policies.

Statement of Condition

The main factors underlying changes in the condition statement of the Federal Reserve Bank of San Francisco during the year 1928 have been reviewed in the first section of this report. As a matter of record the December 31st statements of the past two years are presented below. The chance fluctuations of the year-end period seriously diminish the value of these statements for comparative statistical purposes, but changes in some of the items shown are not without significance.

It is proper to call attention here to:

1. The decrease of 53 million dollars in gold reserves;
2. The increase of 45 million dollars in holdings of acceptances;
3. The decrease of 29 million dollars in holdings of government securities;
4. The decrease of 7 million dollars in the amount of Federal reserve notes in circulation.

STATEMENT OF CONDITION

Federal Reserve Bank of San Francisco

RESOURCES

	Dec. 31, 1928	Dec. 31, 1927
Cash Reserves held by this bank against its deposits and note circulation:		
Gold and Gold Certificates in vault.....	\$ 27,809,670.08	\$ 29,363,981.92
Gold in the Gold Settlement Fund lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal Reserve Districts.....	55,642,511.14	55,318,623.69
Gold Held by the Federal Reserve Agent 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...	172,301,350.00	226,184,995.00
Gold Redemption Fund in the hands of the Treasurer of the United States to be used to redeem such Federal Reserve notes as are presented to the Treasurer for redemption	3,926,954.66	1,874,596.23
Legal Tender Notes, Silver, and Silver Certificates in vaults of the bank (available as reserve against deposits only).....	8,581,374.00	6,942,838.00
<i>Total Cash Reserves</i>	<u>\$268,261,859.88</u>	<u>\$319,685,034.84</u>
Loans and Investments		
Loans to Member Banks:		
On the security of obligations of the United States	\$ 15,042,900.00	\$ 985,200.00
By the discount of commercial or agricultural paper or acceptances	22,744,710.56	4,234,629.79
Acceptances bought in the open market....	59,306,392.86	13,842,131.91
United States Government bonds, notes, etc.	17,101,800.00	46,075,350.00
Federal Intermediate Credit Bank Debentures	250,000.00	—0—
<i>Total Loans and Investments (or Earning Assets)</i>	<u>\$114,445,803.42</u>	<u>\$ 65,137,311.70</u>
Uncollected Items		
Checks and Other Items not yet collected...	\$ 41,910,791.86	\$ 41,483,934.81
Miscellaneous Resources		
Bank Premises	\$ 3,686,741.28	\$ 3,373,761.51
Non-Reserve Cash , consisting largely of National Bank notes and minor coin.....	3,868,312.39	4,456,751.99
All Other Miscellaneous Resources	436,973.26	834,339.51
<i>Total Miscellaneous Resources</i>	<u>\$ 7,992,026.93</u>	<u>\$ 8,664,853.01</u>
TOTAL RESOURCES	<u><u>\$432,610,482.09</u></u>	<u><u>\$434,971,134.36</u></u>

LIABILITIES

Currency in Circulation

	Dec. 31, 1928	Dec. 31, 1927
Federal Reserve Notes in actual circulation, payable on demand. These notes are secured in full by gold and by discounted and purchased paper	\$169,000,093.00	\$176,399,835.00

Deposits

Reserve Deposits maintained by member banks as legal reserves against the deposits of their customers.....	183,779,426.90	189,268,430.42
United States Government Deposits	2,000,453.78	1,704,276.87
Other Deposits , including foreign deposits, deposits of non-member clearing banks, etc.	8,985,433.01	5,000,925.27
<i>Total Deposits</i>	\$194,765,313.69	\$195,973,632.56

Deferred Availability Items

Deferred Items , composed mostly of uncollected checks on banks in all parts of the country	\$ 39,638,356.55	\$ 36,598,114.02
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Miscellaneous Liabilities

Reserves and All Other Miscellaneous Liabilities	\$ 360,975.29	\$ 68,116.51
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Capital and Surplus

Capital Paid In , equal to 3 per cent of the capital and surplus of member banks.....	\$ 10,867,950.00	\$ 9,302,150.00
Surplus as permitted by law.....	17,977,793.56	16,629,286.27
<i>Total Capital and Surplus</i>	\$ 28,845,743.56	\$ 25,931,436.27
TOTAL LIABILITIES	\$432,610,482.09	\$434,971,134.36

Earnings and Expenses

The marked increase in the use of Federal reserve bank credit during 1928 and the higher rates of interest borne by such funds resulted in a substantial advance in earnings of the Federal Reserve Bank of San Francisco. Gross earnings of the bank totaled \$4,757,292, the largest earnings reported in any year since 1922.

The detail of the earnings statement directly reflects the credit policy of the bank, as part of the Federal reserve system, during the year. A reduction in earnings on government paper, following upon the sale of government securities early in the year, was more than offset by increased earnings on loans to member banks. In addition, income from acceptance holdings, the purchase of which placed a large amount of Federal reserve bank credit in the market during the later months of 1928, was materially increased.

The current expenses of the bank were approximately the same in 1928, as in the past six years. Deductions from earnings, other than those growing out of current bank operations, were considerably smaller in 1928 than in 1927. This was due chiefly to a decline in charge-offs on account of furniture and equipment, which were unusually large in 1927 as a result of the occupancy of the new Salt Lake City Branch building during that year. A smaller decline was reported in the item "cost of Federal reserve currency." This decline represented a reduction in the number of Federal reserve notes printed

during 1928, in anticipation of the circulation of the new smaller-sized currency during the latter half of 1929. With larger gross earnings and smaller deductions from earnings, net income of the bank increased from \$1,055,423 in 1927 to \$1,974,258 in 1928.

The principal sources of earnings of the Federal Reserve Bank of San Francisco during 1928 and 1927, with an enumeration of the major classifications of operating expenses, and a statement of distribution of net income, are presented in the following table:

INCOME AND DISBURSEMENTS

Earnings	1928	1927
On Loans to Banks and Paper Discounted for Them	\$2,696,668.69	\$1,676,695.99
On Acceptances Purchased	1,175,042.47	630,905.95
On United States Government Obligations Owned	807,952.93	1,395,670.89
Other Earnings	77,628.03	150,168.90
<i>Total Earnings</i>	<u>\$4,757,292.12</u>	<u>\$3,853,441.73</u>
Deductions from Earnings		
For Current Bank Operation	\$2,258,911.03	\$2,249,151.70
For Assessments for Federal Reserve Board Expenses	50,339.54	54,788.66
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	101,303.49	157,006.58
For Furniture and Equipment	16,119.48	144,047.76
For Reserves for Depreciation	141,064.13	140,953.68
For Reserves for Probable Losses on advances to member banks	104,090.12	52,069.94
All Other	111,206.22	—0—
<i>Total Deductions from Earnings</i>	<u>\$2,783,034.01</u>	<u>\$2,798,018.32</u>
NET INCOME available for dividends, additions to surplus, and payment to the United States Government	<u>\$1,974,258.11</u>	<u>\$1,055,423.41</u>
Distribution of Net Income		
In Dividends Paid to Member Banks, at the rate of 6 per cent on paid-in capital	\$ 625,750.82	\$ 547,061.56
In Addition 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	1,348,507.29	508,361.85
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 1927 and 1928	—0—	—0—
TOTAL NET INCOME DISTRIBUTED	<u><u>\$1,974,258.11</u></u>	<u><u>\$1,055,423.41</u></u>

Changes in Membership

There were 627 active member banks in the Twelfth Federal Reserve District on December 31, 1928. A year earlier the active membership roll included 658 banks, two years earlier, 721 banks. On December 31, 1921, when membership was at its highest level, the number of active member banks was 837. As in other recent years, however, the decline in number of member banks during 1928 reflected chiefly a concentration of bank ownership through branch banking groups, rather than a widespread withdrawal of banks from

CHANGES IN BANK MEMBERSHIP DURING THE YEAR 1928

(By Class of Bank)

	Member Banks			Resources (in thousands)
	National	State	Total	
Active member banks—December 31, 1927	526	132	658	\$3,937,939
Additions to Membership:				
Organizations of National banks.....	10	...	10	9,491
Conversion of non-member banks to National banks	1	...	1	275
Admission of State banks.....	...	2	2	4,009
Resumption following suspension ....	...	...	...	.....
Conversion within the System.....	1*	...	1	(1,597)†
Succession between member banks of same class	1*	...	1	(342)†
TOTAL ADDITIONS	13	2	15	\$ 13,775
Losses to Membership:				
Merger between member banks:				
Intraclass	12	...	12	(\$16,912)†
Interclass	1	...	1	(2,457)†
Voluntary liquidation .....	...	...	...	.....
Suspension or insolvency	2	1	3	3,454
Absorption of member by non-member banks	18	3‡	21	249,227
Conversion of member to non-member banks	7§	...	7	5,811
Withdrawal of State banks.....	...	...	...	.....
Conversion within the System.....	...	1*	1	(1,597)†
Succession between member banks of same class	1*	...	1	(342)†
TOTAL LOSSES	41	5	46	\$ 258,492
Net Change	-28	-3	-31	-\$244,717
Active member banks—December 31, 1928	498	129	627	\$4,057,375¶

*Changes not affecting total number of member banks.

†Changes not affecting total resources of member banks.

‡Includes one bank which consolidated with a non-member bank which was subsequently admitted to membership and is included among "Admissions of State banks."

§Includes one bank which was succeeded by a non-member bank which was subsequently admitted to membership and is included among "Admissions of State banks."

¶Shows a gain of \$119,436,000 during 1928. Gain of \$364,153,000 due to increases in resources of member banks throughout year, partially offset by loss of \$244,717,000 shown in table due to changes in bank membership.

the Federal reserve system and a consequent reduction of the banking resources which it represents. Thus, while less than half of all of the banks of the Twelfth Federal Reserve District are now members of the Federal reserve system, the resources of member banks are only a little less than three-fourths of the total resources of all banks in the District. Total resources of active member banks increased from \$3,937,939,000 to \$4,057,375,000 during the year 1928.

Branch Banking and Chain Banking

Branch banking developed during 1928 at much the same pace as in immediately preceding years. Thus far the McFadden-Pepper Act of February, 1927, which defined the branch banking powers of all member banks and curtailed the branch banking powers of State member banks, appears to have influenced the direction but not the rate of growth of branch banking. Reflecting this influence, the increase in number of branch banks in the Twelfth Federal Reserve District during 1928 was largely outside of the Federal reserve system.

The most important and most numerous changes took place in California* where the development of branch banking, at least on a statewide scale, has exceeded that of any other State in the country. The accompanying table indicates the extent and the character of these changes during the year 1928.

These year-end figures partially mask extensive changes in the distribution of branches, as between State and national banks, which occurred during the year. A merger and the nationalization of a State bank branch system increased the number of national bank branches, but these were in turn reduced by other mergers which served to build up a statewide non-member State bank branch system, having approximately 140 branches at the close of the year. This latter system represented the absorption, late in December, 1928, of a national bank with 35 branches by a non-member State bank

*Among the states of the Twelfth Federal Reserve District, Arizona and California permit the establishment of branches of banks both in and outside of the city of head office; Oregon and Washington now prohibit the establishment of branches, but permit existing branches to operate; and Idaho, Nevada, and Utah prohibit the establishment of branches and have none in operation. The distribution of branches in the District on December 31, 1928, was as follows:

State	Num- ber of Banks	Banks Operating Branches				Branches					
		Total	Na- tional	State Mem- ber	Non- Mem- ber	Total	Operated by—			Located Outside Home City	
							Na- tional Banks	Mem- ber Banks	Non- Mem- ber Banks		
Statewide branch banking permitted:											
Arizona	46	8	..	1	7	25	..	11	14	..	25
California	459	55	13	7	35	865	446	163	256	320	545
Establishment of branches prohibited—Operation of existing branches permitted:											
Oregon	242	1	1	..	..	1	1	..	..	..	1
Washington	352	3	1	1	1	5	2	2	1	2	3

with about 100 branches, the non-member bank having previously taken over a number of national and State banks with their branches.

At the close of the year 55 of the 459 banks of all classes in California were operating 865 branches, and these branch offices were 65 per cent of the whole number of banking offices in the State. Not only from the standpoint of numbers, however, are the branch banks preponderant in California, but also from the standpoint of resources. Total resources of all banks in the State of California on December 31, 1928, were \$4,323,855,000 of which \$3,882,948,000 or 89.9 per cent was contributed by the 55 branch banking groups.

Legislative restrictions upon branch banking during recent years seem to have stimulated interest in so-called chain banking. Chain banking, to quote the Annual Report of the Federal Reserve Board, "covers a wide range of association of banking institutions under single control exercised principally through stock ownership by an individual or group of individuals, or by a holding, or investment, or financing company, or in some instances by a bank either directly or indirectly through a subsidiary company. A characteristic of chain banking systems which differentiates them, in many cases, from branch banking systems, is found in the composition of the chain banking groups, which frequently embrace in the same chain both State and national institutions, and may also embrace institutions located in two or more states."

Although there are a few large integrated branch and chain banking systems in California chain banking in the strictest sense of the

BRANCH BANKS IN CALIFORNIA

Date	Number of Banks	Number of Branches	Total Resources
Dec. 31, 1927:			
State Banks—Member*	8	173	\$ 859,438,000
Non-Member	47	186	666,191,000
Total number of State banks having branches	55	359	\$1,525,629,000
Total number of National banks having branchest	13	448	1,432,916,000
Total	68	807	\$2,958,545,000
Dec. 31, 1928:			
State Banks—Member*	7	163	\$ 865,358,000
Non-Member	35	256	903,835,000
Total number of State banks having branches	42	419	\$1,769,193,000
Total number of National banks having branchest	13	446	1,559,755,000
Total	55	865	\$3,328,948,000

*Does not include one foreign branch of the American Trust Company, San Francisco.

†Includes Bank of California, N. A., San Francisco, California, with branches at Portland, Oregon, and Seattle and Tacoma, Washington.

term has developed most extensively in those states of the District—Idaho, Nevada, Oregon, Utah, and Washington, which restrict or prohibit the establishment of branch offices by banks.

Member Bank and Public Relations

The year 1928 was marked by a revival of public interest in the policies and affairs of the Federal reserve system, including the Federal Reserve Bank of San Francisco, and member bank and public relations assumed an added importance by reason of this fact. More frequent conferences were held with member banks, the number of invitations for officers of the Federal Reserve Bank to speak at public gatherings increased, and the printed reports of the bank were in greater demand than heretofore. As in the past, member bank and public relations work received the attention of the whole staff, and particularly of the official staff, of the bank.

The bank examination program of the Federal Reserve Bank of San Francisco was not changed during the year, and the number and character of inquiries into the condition of member banks were about the same as in 1927. There were 25 independent credit investigations of national and State bank members compared with 22 in 1927, while 85 credit investigations were conducted concurrently with examinations by the national or State bank Examiners compared with 97 in 1927.

A tabular summary of examinations and credit investigations made during the year 1928 follows:

MEMBER BANK EXAMINATIONS

Independent examinations (for admission)	1
Examinations made concurrently with National and State Banking Departments	0
Independent credit investigations:	
State banks	21
National banks	4
Concurrent credit investigations:	
With State examiners	84*
With National examiners	1
TOTAL NUMBER OF EXAMINATIONS AND INVESTIGATIONS MADE	111

*Includes two special credit investigations of National banks at the time of their conversion into State banks, which were made in lieu of admission examinations.

The Division of Analysis and Research of the Federal Reserve Agent's Office has continued and expanded its studies of current business conditions, and has made further progress with a series of investigations all having to do ultimately with the demand for and supply of credit in the Twelfth Federal Reserve District. The public results of this work have been distributed by means of a Monthly Review of Business Conditions, through various special reports, and by correspondence with banks, business concerns, and individuals.

Bank Organization and Personnel

Two elections of directors of the Federal Reserve Bank of San Francisco were held during the year. In May a special election was called among the banks of Group Three (those having a combined capital and surplus of less than \$125,000) to choose a successor to Howard Whipple, who resigned upon becoming an officer of a non-member bank early in the year. As a result of this election, Vernon H. Vawter, Cashier of the Jackson County Bank of Medford, Oregon, became a Class A director for Mr. Whipple's unexpired term ending December 31, 1930. In December the regular annual election of directors was held. In this election the banks of Group One (those having a combined capital and surplus of \$600,000 or more) re-elected C. K. McIntosh, who is President of the Bank of California, N. A. of San Francisco, California, as a Class A director for a three-year term ending December 31, 1931. The banks of Group Three re-elected E. H. Cox, who is a lumberman of San Francisco and Madera, California, as a Class B director for a like term. The Federal Reserve Board at Washington, D. C. reappointed Wm. Sproule, President-Retired and Director of the Southern Pacific Company, a Class C Director for the three years which end December 31, 1931.

Isaac B. Newton, a Class C Director whose term expires December 31, 1929 was redesignated Chairman of the Board and Federal Reserve Agent to serve during the year 1929. Walton N. Moore, President of the Walton N. Moore Company of San Francisco was redesignated Deputy Chairman of the Board, to serve during the year 1929.

To represent the Twelfth Federal Reserve District on the Federal Advisory Council during the year 1928, the Board of Directors selected F. L. Lipman, President of the Wells Fargo Bank and Union Trust Company of San Francisco, California.*

The directorates at the five branches of the Federal Reserve Bank of San Francisco, with one exception, were not changed at the year-end. At the Salt Lake City Branch, G. G. Wright, who had served as a director of the branch for eight years prior to 1926, succeeded F. J. Hagenbarth, who had served since January 1, 1926.

The following changes in the official staff of the bank took place during 1928:

January 1—G. W. Relf, formerly accountant at Seattle Branch, was appointed Assistant Cashier, Seattle Branch.

April 1—W. N. Ambrose, formerly Cashier at Head Office was transferred to Los Angeles as Managing Director of the branch.

April 1—W. M. Hale, formerly Managing Director of the Los Angeles Branch, was transferred to Head Office as Cashier.

Following is a comparative summary of the number of officers and employees in the principal departments of the bank, with corre-

*On January 3, 1929, Mr. Lipman was appointed to serve as the representative of the Twelfth Federal Reserve District in the Federal Advisory Council for the year 1929.

sponding aggregate annual salaries paid on January 1, 1928 and January 1, 1929. (Figures are for Head Office and Branches combined) :

PERSONNEL AND SALARIES

Federal Reserve Bank of San Francisco
(Including Branches)

	Number		Annual Salaries	
	Jan. 1, 1929	Jan. 1, 1928	Jan. 1, 1929	Jan. 1, 1928*
OFFICERS	32	31	\$ 252,500	\$ 246,000
EMPLOYEES BY DEPARTMENTS:				
Banking Department	753	758	1,181,612	1,167,397
Federal Reserve Agent's Department	28	29	71,760	77,180
Auditing Department	7	7	15,600	15,180
Fiscal Agency Department	20	16	35,100	36,000
TOTAL	840	841	\$1,556,572	\$1,541,757
FISCAL AGENCY DEPARTMENT EMPLOYEES (whose salaries are reimbursed by the United States Treasury De- partment)	2	2	4,320	4,260
OTHER EMPLOYEES (whose salaries are reimbursed to the bank, including employees in the bank cafeteria and employees in building space rented to tenants)	23	25	27,388	27,923
GRAND TOTAL	865	868	\$1,588,280	\$1,573,940
TEMPORARY EMPLOYEES (not included above)	4	1	5,100	1,500

*Revised.

Los Angeles Branch Building

In March, 1928, the Federal Reserve Bank of San Francisco acquired a site in Los Angeles, California, on which to erect a building for its Los Angeles Branch. The property is located at the north-west corner of Olive and Tenth Streets and its dimensions when street-widening projects now under way are completed, will be 100 x 160 feet.

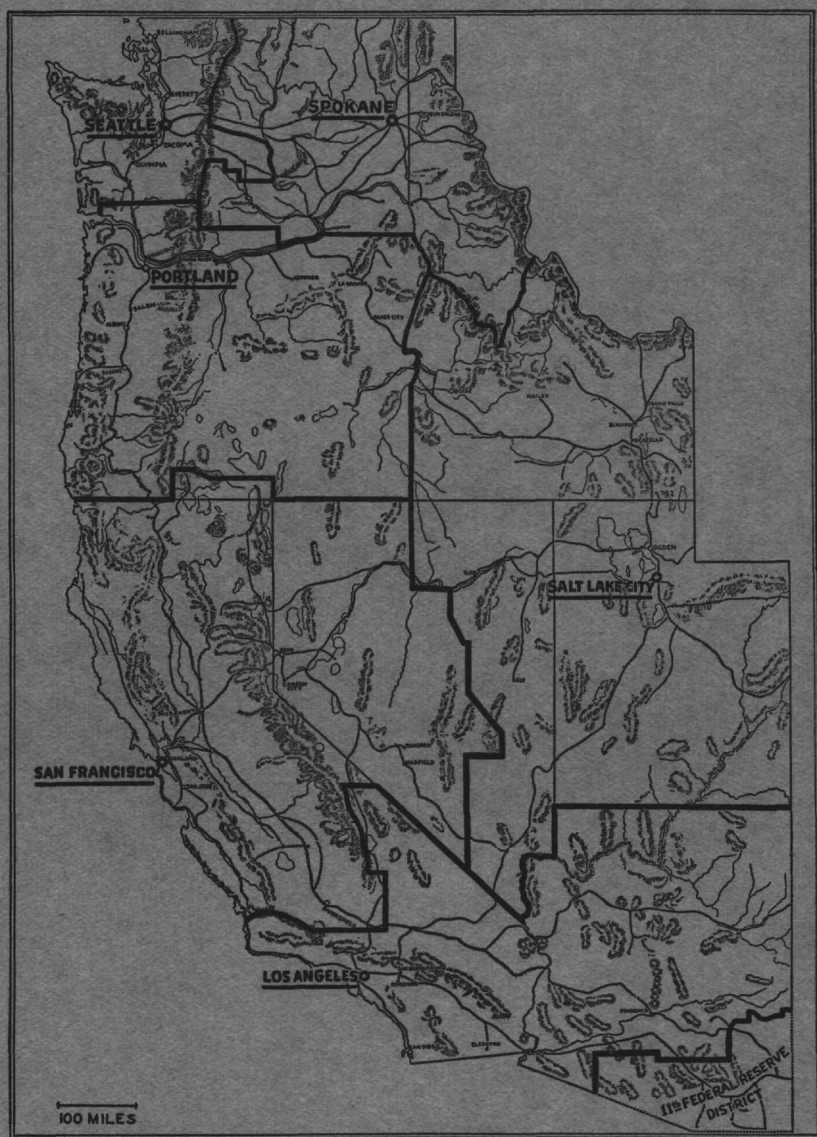
Plans for the proposed building have been in the course of preparation during the past year. At present, they contemplate a five-story structure 100 by 110 feet, leaving a lot 50 by 100 feet for future development. It is expected that building operations will commence early in 1929.

NOTE

Detailed statistical tables pertaining to the Twelfth Federal Reserve District and the Federal Reserve Bank of San Francisco will appear in the Annual Report of the Federal Reserve Board. 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