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SIXTEENTH ANNUAL REPORT

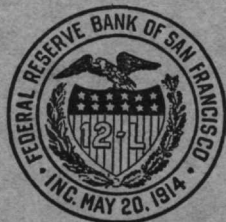
TO THE

FEDERAL RESERVE BOARD

BY THE

FEDERAL RESERVE AGENT

FEDERAL RESERVE BANK
SAN FRANCISCO



FOR THE

YEAR ENDED DECEMBER 31, 1930

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SAN FRANCISCO



FOR THE

YEAR ENDED DECEMBER 31, 1930

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

January 1, 1931

Class	Group	DIRECTORS	Term Expires
A	1	C. K. MCINTOSH, San Francisco, California President, Bank of California, N. A., San Francisco, California.	Dec. 31 1931
A	2	THOMAS H. RAMSAY, Red Bluff, California President and General Manager, Pacific National Agricultural Credit Corporation, San Francisco, California.	1932
A	3	KEITH POWELL, Woodburn, Oregon President, Bank of Woodburn and First National Bank, Woodburn, Oregon.	1933
B	1	A. B. C. DOHRMANN, San Francisco, California Chairman of the Board, Dohrmann Commercial Company and Emporium Capwell Corporation, San Francisco, California.	1932
B	2	MALCOLM MCNAGHTEN, Los Angeles, California President, Broadway Department Store, Inc., Los Angeles, California.	1933
B	3	ELMER H. COX, San Francisco and Madera, California President, Madera Sugar Pine Company, Madera, California.	1931
C		ISAAC B. NEWTON, Los Angeles, California Chairman of the Board.	1932
C		WALTON N. MOORE, San Francisco, California Deputy Chairman, President, Walton N. Moore Company, San Francisco, California.	1933
C		WM. SPROULE, San Francisco, California President-Retired, Southern Pacific Company; President, Central Pacific Railway Co. and Southern Pacific Railroad Co., San Francisco, California.	1931

MEMBER FEDERAL ADVISORY COUNCIL

HENRY M. ROBINSON, representing District No. 12
Chairman of the Board, Security-First National Bank,
Los Angeles, California

OFFICERS

ISAAC B. NEWTON,
Chairman of the Board and
Federal Reserve Agent

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

OLIVER P. WHEELER,
Assistant Federal Reserve Agent

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
FRED C. BOLD, Assistant Cashier
J. M. OSMER, Assistant Cashier

DIRECTORS AND OFFICERS OF BRANCHES

January 1, 1931

SPOKANE BRANCH

Directors	Term Expires Dec.31	Officers
G. I. TOEVS*, Chairman	1931	D. L. DAVIS, Managing Director
PETER MCGREGOR*	1932	J. M. LEISNER, Assistant Manager
D. W. TWOHY†	1931	
R. M. HARDY†	1932	
D. L. DAVIS†	1931	

SEATTLE BRANCH

CHAS. H. CLARKE*, Chairman	1931	C. R. SHAW, Managing Director
HENRY A. RHODES*	1932	B. A. RUSSELL, Assistant Manager
M. A. ARNOLD†	1931	G. W. RELF, Assistant Cashier
M. F. BACKUS†	1932	
C. R. SHAW†	1931	

PORTLAND BRANCH

NATHAN STRAUSS*, Chairman	1931	R. B. WEST, Managing Director
EDWARD C. PEASE*	1932	S. A. MAC EACHRON, Assistant Manager
J. C. AINSWORTH†	1931	J. P. BLANCHARD, Assistant Cashier
JOHN F. DALY†	1932	
R. B. WEST†	1931	

SALT LAKE CITY BRANCH

LAFAYETTE HANCHETT*, Chairman	1931	W. L. PARTNER, Managing Director
G. G. WRIGHT*	1932	H. M. CRAFT, Assistant Manager
H. E. HEMINGWAY†	1931	W. M. SMOOT, Assistant Cashier
E. O. HOWARD†	1932	
W. L. PARTNER†	1931	

LOS ANGELES BRANCH

CHARLES B. VOORHIS*, Chairman	1931	W. N. AMBROSE, Managing Director
J. B. ALEXANDER*	1932	M. McRITCHIE, Assistant Manager
F. J. BELCHER, JR.†	1931	A. J. DUMM, Assistant Cashier
A. J. CRUICKSHANK†	1932	L. C. MEYER, Assistant Cashier
W. N. AMBROSE†	1931	

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

LETTER OF TRANSMITTAL

Federal Reserve Bank,
San Francisco, California,
March 2, 1931.

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, 1930.

Yours respectfully,



Chairman of the Board
and Federal Reserve Agent.

Federal Reserve Board,
Washington, D. C.

ECONOMIC REVIEW OF THE YEAR 1930 TWELFTH FEDERAL RESERVE DISTRICT

The 1930 decline in business in the Twelfth District was one of the most severe thus far experienced in this area. Operations in nearly all industries were greatly reduced as compared with 1929 and total industrial output was the lowest since 1924. Distribution of commodities through both primary and secondary channels was likewise smaller than in any recent year. In conjunction with the decrease in production and distribution of commodities, unusually large numbers of workers were discharged and others were placed on a part-time working basis, resulting in what appears to have been an unprecedented reduction in payrolls. Wholesale prices for many products which are important in this District declined during 1930 to the lowest levels in several years. In addition to the sharp decreases in prices of nearly all agricultural and livestock products and their manufactures, there were also marked declines in prices of copper, lumber, lead, zinc, paper and pulp, rubber, silk, and silver—the last two reaching the lowest quotations yet recorded. At the close of the year the cost of living in the principal cities of the District was about 6 per cent lower than at the close of 1929, according to data compiled by the United States Bureau of Labor Statistics. Business failures increased in both number and liabilities, the number exceeding all previous years save 1928, and the liabilities being the highest of record. Credit was in abundant supply throughout the year, and interest rates were at unusually low levels.

Agriculture

The agricultural situation in this District during 1930 was characterized by favorable weather conditions, a record volume of crop production, difficult problems of marketing, an unusually low level of prices for farm produce, and, according to this Bank's estimates, the smallest aggregate returns to growers for any year since 1924. Compared with 1929, the volume of crops produced increased 6 per cent while their value declined 21 per cent. The principal increases in production were among field crops and deciduous fruits, while the only important decline in production was in citrus fruits.

INDEXES OF CROP PRODUCTION

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

	1930		1929		1928		1927		1926	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Grains	103	60	99	93	115	96	114	110	93	88
Field Crops...	118	93	106	124	105	107	105	95	96	92
Fruits	116	97	113	111	112	102	110	106	102	93
Vegetables ...	135	120	133	128	117	117	106	105	105	103
All Crops	115	89	109	113	109	104	109	103	98	92

Available supplies of nearly all crops, of dairy and poultry produce, and of livestock and livestock products were excessive in relation to demand during 1930, and as a result marketing conditions were generally unsatisfactory. In the livestock industry overexpansion of sheep raising during recent years (not only in the Twelfth District but in many other parts of the world) was reflected in a drastic decline in market prices for lambs and wool, following upon

a declining tendency in prices for those products during most of 1929. Cattle raisers experienced a less satisfactory year in 1930 than in 1929 but the unfavorable turn of marketing conditions was not so marked in their case as it was in the case of sheep raisers.

Industry and Trade

A sharp drop in industrial output at the close of 1929 was followed by a moderate upturn in production during the spring months of 1930. That increase in activity proved to be of short duration, however, and operations in most industries declined steadily during the last seven months of the year. Curtailment was evident in about the same proportions in the extractive, manufacturing, and construction industries. Reduced demand for lumber, copper, and many other products was accompanied by sharp declines in prices of those commodities. Practically the only phase of industry in which output compared at all favorably with that of 1929 was the manufacture of food products, in which industry the canning and preserving of fruits and vegetables was stimulated by record-sized crops. The continued decline in construction, evident since 1925, was particularly marked in residential building, although most types of engineering construction were also sharply reduced. Building of highways and some other projects of a public or semi-public character were relatively well maintained, largely reflecting attempts to alleviate unemployment caused by the general contraction in industry.

INDEXES OF INDUSTRIAL PRODUCTION

Twelfth Federal Reserve District
(1923-1925 Annual Average=100)

	1930	1929	1928	1927	1926	1925	1924
Industrial Production	98	123	114	110	110	104	100
Carloadings, Industrial	85	111	113	108	112	110	97
Electric Power Production	159	157	144	131	121	109	99
Manufactures	102	124	118	114	114	106	95
Foods	122	120	124	113	116	105	96
Butter	114	105	111	110	104	98	103
Canned Fruits	148	138	167	129	164	121	87
Canned Vegetables	160	160	132	109	112	118	87
Canned Fish	131	144	135	148	106	123	84
Flour	109	113	103	99	92	80	105
Slaughter of Livestock	80	84	94	97	94	97	104
Wool Consumption	71	82	75	89	80	94	97
Lumber	86	108	107	105	109	106	95
Paper and Pulp	128	142	145	132	133	104	96
Refined Mineral Oils	168	193	155	148	132	118	94
Cement	90	106	115	114	110	107	99
Metals and Metal Products	93	143	128	121	121	102	94
Minerals	90	122	104	100	100	100	98
Petroleum	95	121	96	96	93	96	95
Copper	83	129	118	106	109	106	102
Lead	96	114	111	118	114	113	97
Silver	71	86	85	89	92	99	96
Building and Construction	67	81	83	88	93	102	95
Building Permits	51	68	75	84	92	104	94
Larger Cities	49	64	71	81	88	103	95
Smaller Cities	59	87	94	97	109	107	90
Engineering Contracts Awarded	120	134	124	132	115	106	95
Excluding Buildings	128	134	113	105	95	99	96

Records of the distribution of goods in this area during 1930 correspond closely with data of production, that is, they show a brief increase in activity during the spring months followed by a continuous and steep decline during the remainder of the year. Both the volume and value of trade transacted receded sharply, with decreases in value data accentuated by downward movements in commodity prices. The decrease in goods distributed for consumption within this area evidenced lower wage and salary payments and smaller agricultural income than in any recent year. For the first time since 1921 the annual department store sales index of this Bank failed to show an increase over the preceding year and the value of sales of reporting wholesale firms was the smallest in nine years. Chain grocery systems reported some further expansion in the number of units operated, but sales per store averaged 13 per cent lower than in 1929. Severe declines in new car registrations of practically all makes of automobiles were recorded, with sales of cars in the lowest priced group showing the smallest declines. A 22 per cent decline in the movement of industrial freight by rail corresponded closely with the decrease in industrial output. Not since 1921 has the value of foreign trade dropped so sharply as in 1930, while tonnage of inter-coastal trade was the smallest recorded for any year since 1925.

INDEXES OF TRADE

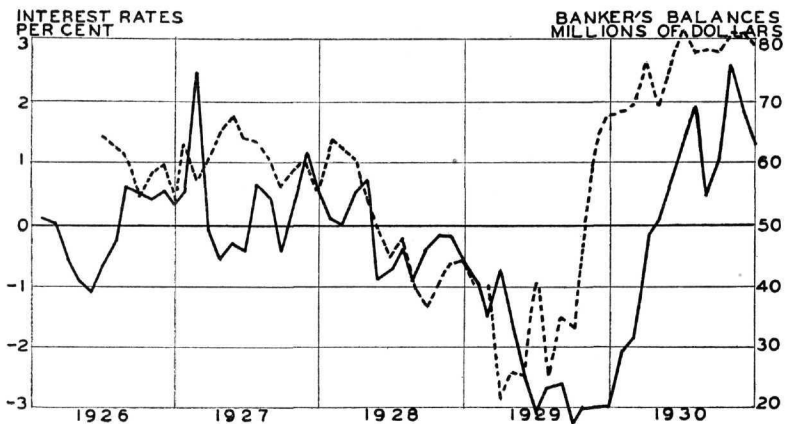
Twelfth Federal Reserve District

(1923-1925 Annual Average=100)

	1930	1929	1928	1927	1926	1925	1924
Carloadings	97	112	114	112	112	108	96
Merchandise and Miscellaneous..	107	117	117	116	113	107	99
Foreign Trade*	109	141	130	121	125	102	106
Imports*	105	128	116	114	120	104	101
Exports	110	147	138	124	127	102	108
Intercoastal Trade	87	98	89	97	99	85	100
Eastbound	80	87	80	94	96	82	102
Westbound	109	137	120	110	107	96	91
Wholesale Sales	93	108	102	97	100	101	98
Agricultural Implements	128	155	139	132	134	120	87
Automobile Supplies	72	89	93	94	96	98	99
Drugs	111	118	116	108	110	108	101
Dry Goods	68	88	89	88	90	95	99
Electrical Supplies	103	124	121	112	112	106	99
Furniture	96	122	110	97	102	101	98
Groceries	118	123	102	89	94	97	99
Hardware	81	99	96	94	99	98	96
Shoes	82	101	106	110	104	99	90
Paper and Stationery	94	103	96	98	102	101	97
Department Store Sales	113	120	117	114	111	105	99
Los Angeles	116	125	122	121	115	107	99
Salt Lake City	97	110	111	103	104	103	98
San Francisco	107	114	113	110	109	105	99
Seattle	110	120	117	107	103	102	100
Department Store Stocks	104	106	108	108	101	102	103
Automobile Registrations—New Cars	95	133	99	89	109	102	91
Passenger	90	129	99	86	109	103	92
Commercial	151	180	96	95	105	98	89

The Credit Situation

At the beginning of 1930, banks in the Twelfth Federal Reserve District found themselves in the early stages of a period of easy money conditions. Diminishing production and declining commercial activity generally had reduced the demand for commercial credit accommodation while credit supplies, on the contrary, had increased or were increasing as a result of reductions in loans to brokers and dealers in securities following the collapse in securities prices in the autumn of 1929, and because of a sharp drop in the amount of currency in circulation in the District during late December, 1929, and January, 1930. These circumstances provided the banks with excess funds which were utilized immediately in reducing borrowings at the Federal Reserve Bank of San Francisco.



INTEREST RATES AND BANKERS' BALANCES

DOTTED LINE—Per cent by which interest rates on demand security loans in San Francisco have differed from New York call money rates.

SOLID LINE—Net balances due other banks by San Francisco banks.

A change in the interest rate differential has usually been followed in about two months by a similar movement in net bankers' balances.

Accompanying these changes, interest rates in San Francisco declined sharply during the opening weeks of 1930 and continued to move downward for the first nine months of the year, but strengthened slightly during the last quarter. The declines in rates in San Francisco and other financial centers of the Twelfth District were not so great as in New York, however, and there soon existed a sufficiently large differential in rates to attract substantial amounts of excess funds of banks in eastern centers to the larger cities of this District, particularly to San Francisco. Also seeking the most profitable money markets, balances from tributary country banks were attracted to San Francisco and to other District cities in greater amounts than usual. These balances, together with funds made available through the decrease in currency in circulation and an excess of United States Treasury expenditures over collections, increased credit resources of member banks. The availability of these funds—

increased bankers' balances, currency that had come out of circulation, and expenditures of the United States Treasury in excess of receipts—largely explains the ability of city banks of the District to remain out of debt at the Reserve Bank during most of 1930, and at the same time to satisfy demands made upon them for commercial credit, to maintain and even to expand slightly their security loans, and to build up their investment portfolios. Country banks also used less Reserve Bank credit during 1930 than in most other recent years.

Because of the circumstances enumerated above, the volume of credit extended by the Federal Reserve Bank of San Francisco was at lower levels during 1930 than at any other time in post-war years. The entire decline was accounted for by reduced discounts, since there was an increase in Reserve Bank holdings of government securities and but little change in holdings of acceptances. Acceptance buying rates of this Bank were reduced by a greater amount than was its discount rate early in the year. The condition created by the establishment of these relatively lower acceptance rates favored the obtaining of Reserve Bank credit through the acceptance market rather than by means of discounting and rediscounting, a situation which continued throughout the year. The volume of acceptances held by this Bank was greater during most of 1930 than was the volume of its discounted bills, reflecting the increased use of acceptances by District banks and the decreased need for discounting to maintain reserve positions, which were adjusted through the use of bankers' balances previously discussed.

Declines of country bank balances in the larger Pacific Coast cities at the end of the third quarter and small increases in commercial loans during the fourth quarter reduced the supply of surplus funds in the District. During September, October, and November, therefore, it was the excess reserves of eastern banks ("Federal" funds available on a day-to-day basis) that enabled city member banks to maintain their reserve positions without borrowing from the Reserve Bank. During December, however, the expansion of currency circulation and the closing of some eastern banks prompted banks in New York, Philadelphia, and other eastern banking centers to keep their excess reserves at home. Circulation of money expanded in the Twelfth District also during December, the increase being induced chiefly by seasonal requirements and secondarily by the closing of certain financial institutions. As a result of these conditions, borrowings from the Reserve Bank rose sharply in the last three weeks of December to the highest levels of the year.

Considering the year as a whole, total credit extended by, and total deposits of, reporting member banks tended upward during 1930 and averaged slightly higher than in 1929. Commercial loans declined during the first three quarters of the year, following which they increased moderately. During the first nine months of the year, security loans remained at the high level to which they had risen late in 1929, but during the fourth quarter they declined sharply. Investments increased almost continuously throughout the year.

The number of bank failures in the District increased during 1930 although less rapidly than in the country as a whole, there being 21 suspensions during the year compared with 16 in 1929 and 10 in 1928. Deposits of suspended banks in the three years were, respectively, \$16,145,000, \$20,254,000, and \$4,768,000.

STATEMENT OF CONDITION

Federal Reserve Bank of San Francisco

RESOURCES

	Dec. 31, 1930	Dec. 31, 1929
Cash Reserves held by this bank against its deposits and note circulation:		
Gold and Gold Certificates in vault.....	\$ 43,003,674.95	\$ 27,106,664.24
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.....	27,057,475.41	48,783,508.67
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.....	215,762,550.00	211,762,550.00
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	4,529,086.43	6,459,166.90
Legal Tender Notes, Silver, and Silver Certificates in vaults of the bank (available as reserve against deposits only).....	8,392,116.00	11,398,038.00
<i>Total Cash Reserves</i>	<u>\$298,744,902.79</u>	<u>\$305,509,927.81</u>
 Loans and Investments		
Loans to Member Banks:		
On the security of obligations of the United States	\$ 5,893,005.00	\$ 11,628,200.00
By the discount of commercial or agricultural paper or acceptances.....	9,590,701.58	27,884,410.84
Acceptances bought in the open market.....	31,023,120.89	34,613,243.86
United States Government Bonds, Notes, etc.	51,082,350.00	11,815,850.00
<i>Total Loans and Investments (or Earning Assets)</i>	<u>\$ 97,589,177.47</u>	<u>\$ 85,941,704.70</u>
 Uncollected Items		
Checks and Other Items not yet collected...	\$ 31,560,282.05	\$ 36,113,847.28
 Miscellaneous Resources		
Bank Premises	\$ 4,620,909.03	\$ 4,261,326.41
Non-Reserve Cash , consisting largely of National Bank notes and minor coin.....	5,310,820.80	7,834,503.86
All Other Miscellaneous Resources	783,629.84	397,748.26
<i>Total Miscellaneous Resources</i>	<u>\$ 10,715,449.67</u>	<u>\$ 12,493,578.53</u>
TOTAL RESOURCES	<u><u>\$438,609,811.98</u></u>	<u><u>\$440,059,058.32</u></u>

LIABILITIES

	Dec. 31, 1930	Dec. 31, 1929
Currency in Circulation		
Federal Reserve Notes in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper	\$185,838,075.00	\$189,377,825.00
Deposits		
Reserve Deposits maintained by member banks as legal reserves against the deposits of their customers.....	182,583,846.72	175,314,983.46
United States Government Deposits	1,409,493.75	2,910,845.10
Other Deposits , including foreign deposits, deposits of non-member clearing banks, etc.	7,432,342.65	8,934,645.99
<i>Total Deposits</i>	<u>\$191,425,683.12</u>	<u>\$187,160,474.55</u>
Deferred Availability Items		
Deferred Items , composed mostly of uncollected checks on banks in all parts of the country	30,793,003.42	31,924,115.63
Miscellaneous Liabilities		
Reserves and All Other Miscellaneous Liabilities	\$ 573,755.21	\$ 668,912.78
Capital and Surplus		
Capital Paid In , equal to 3 per cent of the capital and surplus of member banks....	\$ 11,504,300.00	\$ 11,414,100.00
Surplus as permitted by law.....	18,474,995.23	13,513,630.36
<i>Total Capital and Surplus</i>	<u>\$ 29,979,295.23</u>	<u>\$ 30,927,730.36</u>
TOTAL LIABILITIES	<u><u>\$438,609,811.98</u></u>	<u><u>\$440,059,058.32</u></u>

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:

	1930	1929	1928
Supplying Currency and Coin			
Currency Received and Counted:			
Individual notes counted.	134,955,000	125,680,000	123,437,000
Dollar amount received and counted.	\$912,188,000	\$899,442,000	\$880,097,000
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.	135,439,000	124,060,000	115,675,000
Dollar amount received and counted.	\$74,913,000	\$29,887,000	\$26,484,000
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.	16,000	21,000	16,117
Dollar amount*.	\$1,109,586,000	\$4,089,446,000	\$5,488,828,000
Bills Purchased for the Account of this Bank:			
Number.	28,000	19,000	22,403
Dollar amount.	\$446,841,000	\$301,741,000	\$337,467,000
Collecting Checks, Drafts, Notes, and Coupons			
Checks handled for collection for banks in all parts of the country:			
Number of items.	67,180,000	76,800,000	79,903,000
Dollar amount.	\$15,322,015,000	\$15,399,865,000	\$15,136,437,000
Collection Items handled, including drafts, notes, and coupons:			
Number of items.	1,437,000	1,572,000	2,161,000
Dollar amount.	\$387,186,000	\$353,899,000	\$364,992,000
Supplementary Services			
United States Government Securities issued, redeemed, or exchanged, including government bonds, notes, and certificates of indebtedness:			
Number of items.	51,000	94,000	367,000
Dollar amount.	\$311,343,000	\$453,845,000	\$477,401,000
Funds Transferred to and from all parts of the country for the Treasury Department and for member banks:			
Number of transfers.	149,000	158,000	153,000
Dollar amount.	\$25,282,661,000	\$16,561,947,000	\$16,399,407,000

OPERATIONS OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO DURING 1930

Certain phases of the economic situation, particularly the shrinking demand for credit during the business depression in 1930, were reflected in the routine functional operations of the Federal Reserve Bank of San Francisco. Other influences, including changes in methods of procedure and in organization combined with economic circumstances in effecting a slight reduction in the volume of checks, drafts, notes and coupons collected and in the volume of government securities issued, redeemed and exchanged during the year. Economic conditions were chiefly responsible, however, for changing volumes in such operations as the handling of currency, the telegraphic transfer of funds through the gold settlement fund and acceptance and discount operations. For example:

- (1) The decline in volume of currency in circulation in the Twelfth District and the importation of approximately \$34,000,000 of United States gold coin from the Orient during 1930 were accompanied by a considerable increase in the number of pieces and in the dollar amount of coin and currency received and counted at this Bank during the year.
- (2) The interest rate differentials between Pacific Coast and eastern money markets, discussed in a preceding section of this report, stimulated use of the Federal reserve system's telegraphic transfer facilities and the amount of funds transferred by this Bank between the Twelfth District and other parts of the United States was larger than in any previous year.
- (3) The sluggish movement of warehoused commodities at home and abroad and differences between various classes of interest rates were two factors which encouraged the use of acceptances rather than discounting or rediscounting at the Reserve Bank during most of 1930 and both the number and dollar amount of acceptances purchased during the year advanced sharply in contrast with a considerable decline in discount operations. Due both to repurchase agreements and to short maturities, the turnover of acceptance holdings was rapid, however, and as already noted the buying rates were low; consequently the earnings obtained from this operation were less by 45.2 per cent in 1930 than in 1929.

It was inevitable that these conditions, particularly the relatively small demand for Reserve Bank credit and the low rates charged for its use, should have reduced this Bank's income. In fact, total earnings were less than half as large in 1930 as in 1929, and a deficit was incurred on the year's operations.

Earnings and Expenses

During 1930, total earnings of the Federal Reserve Bank of San Francisco reached the lowest levels recorded at any time since member banks commenced actively to use its facilities in 1918. The most important factors contributing to this decline were the sharp reduction in holdings of discounted and rediscounted paper and the accompanying low levels of interest and discount rates. Earnings from this

source were \$558,033 in 1930, compared with \$3,487,429 in 1929, and \$2,696,669 in 1928, two years in which such earnings were larger than at any time since 1921. Earnings on acceptances purchased (\$753,758) were larger than were earnings on loans, but this class of income was but little more than half as large in 1930 as in 1929. Only twice before, in 1916 and in 1917, have earnings on acceptances

INCOME AND DISBURSEMENTS

Federal Reserve Bank of San Francisco

Earnings

	1930	1929
On Loans to Banks and Paper Discounted for Them	\$ 558,033.03	\$3,487,428.82
On Acceptances Purchased	753,757.80	1,375,555.55
On United States Government Obligations Owned	1,017,171.06	485,727.65
Other Earnings	79,548.44	117,363.44
<i>Total Earnings</i>	\$2,408,510.33	\$5,466,075.46
Additions to Earnings	117,073.28	2,544.31†
Deductions from Earnings		
For Current Bank Operation	2,251,862.72	2,282,670.73
For Assessments for Federal Reserve Board Expenses	55,915.21	55,804.96
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.....	190,870.83	215,204.99
For Furniture and Equipment	186,309.15	25,258.02
For Reserves and Depreciation, Self-Insurance, Losses, etc.	188,840.88	641,064.13
All Other	7,473.84	42,694.75†
<i>Total Deductions from Earnings</i>	\$2,885,856.58	\$3,262,697.58†
NET INCOME available for dividends, additions to surplus, and payment to the United States Government	\$ 355,689.02*	\$2,205,922.19

Distribution of Net Income

In Dividends Paid to Member Banks , at the rate of 6 per cent on paid-in capital.....	\$ 682,946.11	\$ 670,085.39
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	1,038,635.13*	1,535,836.80
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 1929 and 1930	—0—	—0—
TOTAL NET INCOME DISTRIBUTED	\$ 355,689.02*	\$2,205,922.19

*Deficit.

†Revised figures.

exceeded earnings on loans. A partial offset to these reductions of income accrued through earnings on United States security holdings. These were more than twice as large in 1930 as in the previous year, and furnished 42.2 per cent of total earnings, whereas they have constituted but 16.7 per cent of total earnings since the Bank's organization in 1914.

Although expenses for current bank operation, the largest single item of expense, declined but slightly during the year, total expenses were 11.6 per cent or \$376,841 less than in 1929, the reduction being due chiefly to the smaller amount of charge-offs for reserves, depreciation, etc. The decrease in charge-offs between 1929 and 1930 reflected the fact that no unusual items entered that category during 1930, whereas in 1929 a reserve of \$500,000 was set aside to establish a self-insurance fund. The decline of total expenses was much less than the reduction of total earnings, however, and an operating deficit of \$355,689 was the result. Under authorization of the Board of Directors, this sum together with \$682,946 for payment of the regular 6 per cent dividend on paid-in capital was withdrawn from surplus, and that account was reduced from \$19,513,630 on December 31, 1929, to \$18,474,995 on December 31, 1930.

The principal sources of earnings of the Federal Reserve Bank of San Francisco during 1930 and 1929, with an enumeration of the major classifications of operating expenses, and a statement of distribution of net income, are presented in the table on page 14.

Changes in Membership

The number of active member banks in the Twelfth District has tended to decline slightly each year since 1921, the year of highest numerical membership. The decline, which has been a natural accompaniment of the growth in average size of individual banks and the spread of branch banking, has approximately paralleled the decline in number of all banks during that period and has been accompanied by a consistent, though slow, growth in the member banks' proportion of all banking resources in the District. There were 9 additions and 35 losses to membership in 1930, a net loss of 26 banks, and on the last day of the year member banks numbered 581. The gross loss of 35 member banks was due chiefly to (a) the elimination of 11 banks through mergers between member banks, (b) the elimination of 10 member banks through their absorption by non-members and (c) suspension or insolvency of 5 member banks. Mergers between member banks although reducing their number do not reduce their total resources. Those losses to membership falling in other categories involved a loss of \$24,451,000 in member bank resources during 1930. This slight loss was much more than made up by the absorption of non-member by member banks, (an operation without effect upon the number of member banks, but one which adds to system resources) and changes in bank membership during 1930 resulted in a net addition of \$294,259,000 to resources. Most of that gain was offset by shrinkage in member bank resources during the year, however, and on December 31, 1930, total resources of members of the system were but \$24,299,000 greater than on December 31, 1929. This gain in total resources accruing to the membership of the Federal reserve system during 1930 contrasts with a small decline in the total

resources of all banks in the Twelfth District from \$5,729,771,000 on December 31, 1929, to \$5,444,501,000 on December 31, 1930. It is interesting to note that 77.3 per cent of all banking resources in the Twelfth Federal Reserve District were represented in the membership of the Federal reserve system on December 31, 1930, compared with 73.0 per cent on December 31, 1929, and an average of 71.8 per cent on December 31 of the past ten years. Detailed data concerning changes in bank membership are presented in the following table:

CHANGES IN BANK MEMBERSHIP DURING THE YEAR 1930
(By Class of Bank)

	Member Banks			Resources (In thousands)
	National	State	Total	
Active member banks—December 31, 1929	487	120	607	\$4,182,149
Additions to Membership:				
Organization of National Banks.....	2	..	2	897
Conversion of non-member banks to National banks	3	..	3	4,290
Admission of State banks .....	..	2	2	4,072
Resumption following suspension.....	..	..	..	.....
Conversion within the System.....	..	..	..	.....
Succession between member banks of same class	2*	..	2	980
Absorption of non-member banks by National and State member banks..	..	(9)*	..	308,471
TOTAL ADDITIONS	7	2	9	\$ 318,710
Losses to Membership:				
Merger between member banks:				
Intraclass	7	2	9	(\$23,631)†
Interclass	2	..	2	(3,098)†
Voluntary liquidation .....	..	..	..	.....
Suspension or insolvency	3	2	5	7,706
Absorption of member by non-member banks	8	2	10	10,379
Conversion of member to non-member banks	2	..	2	1,328
Withdrawal of State banks.....	..	3	3	2,344
Termination of membership by reason of expiration of charter.....	..	1	1	1,522
Conversion within the System.....	..	..	..	.....
Succession between member banks:				
Intraclass	2*	..	2	712
Interclass .....	..	1	1	460
TOTAL LOSSES	24	11	35	\$ 24,451
Net Change	-17	-9	-26	+294,259
Active member banks—December 31, 1930	470	111	581	\$4,206,448

*Changes not affecting total number of member banks.

†Changes not affecting total resources of member banks.

BRANCH BANKING

There was no net change during 1930 in the number of banks operating branches in the Twelfth Federal Reserve District, although the number of state banks having branches was reduced from 42 to 41 and the number of national banks operating branches increased from 12 to 13. Consolidation of branches in some metropolitan areas reduced the number of branches from 897 on December 31, 1929, to 858 on December 31, 1930. The branch banking data appear-

BRANCH BANKS IN THE TWELFTH DISTRICT

State	Number of Banks	Banks Operating Branches			Branches						
		National	State Mem-ber	Non-Mem-ber	Operated by— Total	Non Mem-ber	Non Mem-ber	Located In Home City	Out- side Home City		
Statewide branch banking permitted:											
Arizona‡	25	6	..	1	5	22	..	11	11	..	22
California	421	54	13	4	37	830	541*	104†	185	275	555†
Establishment of branches prohibited—Operation of existing branches permitted:											
Oregon	225	1	1	..	..	1	1	..	..	..	1
Washington	330	3	1	..	2	5	2	..	3	3	2

*Includes three branches of Bank of California, N. A., located in Oregon and Washington. †Does not include one foreign branch of the American Trust Company, San Francisco. ‡Does not include a part of the state of Arizona which is in the Eleventh Federal Reserve District.

BRANCH BANKS IN CALIFORNIA

Date	Number of Banks	Number of Branches	Total Resources
December 31, 1929:			
State Banks—Member*	5	105	\$ 537,733,000
Non-Member	37	278	854,301,000
Total number of State banks having branches	42	383	1,392,034,000
Total number of National banks having branches†	12	483	\$2,001,575,000
Total	54	866	\$3,393,609,000
December 31, 1930.			
State Banks—Member*	4	104	\$ 533,892,000
Non-Member	37	185	562,879,000
Total number of State banks having branches	41	289	\$1,096,771,000
Total number of National banks having branches†	13	541	2,108,610,000
Total	54	830	\$3,205,381,000

*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.

ing in the accompanying tables include figures for all banks operating offices other than their head office, whether such offices are located in the same city as the head office or in another locality. The states of Idaho, Nevada, and Utah prohibit the operation of branches and have none in operation, while Oregon and Washington now prohibit the establishment of branches, but permit existing branches to operate. Branch banking in the Twelfth District is centered chiefly in Arizona and California, where the establishment of branches of banks both in and outside of the city of head office is permitted.

Bank Organization and Personnel

In the annual election of directors held in 1930, two places on the Board of Directors were filled. The banks of Group Two (those having a combined capital and surplus of not less than \$125,000 and not more than \$599,999) re-elected Malcolm McNaghten, President of the Broadway Department Store, Los Angeles, as a Class B director for a three-year term ending December 31, 1933. The banks of Group Three (those having a combined capital and surplus of less than \$125,000) elected Keith Powell, President, Bank of Woodburn and First National Bank, Woodburn, Oregon, as a Class A director for a similar three-year term.

Isaac B. Newton of Los Angeles, California, a Class C director, was redesignated Chairman of the Board and Federal Reserve Agent for the year 1931. Walton N. Moore, President, Walton N. Moore Company, San Francisco, California, was redesignated Deputy Chairman of the Board to serve during the year 1931. Effective March 1, 1930, Allan Sproul resigned as Assistant Federal Reserve Agent and Secretary. Oliver P. Wheeler, formerly head of the Division of Analysis and Research, was appointed Acting Assistant Federal Reserve Agent and S. G. Sargent was appointed Secretary, succeeding Mr. Sproul. Effective October 1, 1930, Mr. Wheeler was confirmed as Assistant Federal Reserve Agent.

To represent the Twelfth Federal Reserve District in the Federal Advisory Council during the year 1930, the Board of Directors selected F. L. Lipman, President of the Wells Fargo Bank and Union Trust Company of San Francisco, California.*

A new chairman of the board was appointed at each branch in conformity with a policy of alternation in that office of the two branch directors appointed by the Federal Reserve Board.

At the year-end A. J. Cruickshank was appointed a director of the Los Angeles Branch to succeed Henry M. Robinson, who had served since January, 1920, and at the Spokane Branch, R. M. Hardy succeeded R. L. Rutter who had served since November, 1918. On November 20, 1930, at the Salt Lake City Branch, H. E. Hemingway succeeded C. H. Barton, deceased, and E. O. Howard succeeded L. H. Farnsworth, also deceased.

There was but one change in the official staff of the Bank during

*On January 8, 1931, Henry M. Robinson was appointed to serve as the representative of the Twelfth Federal Reserve District in the Federal Advisory Council for the year 1931, to succeed Mr. Lipman, who had represented the District for the past three years.

the year. On May 31, 1930, Even Berg, Assistant Cashier at the Spokane Branch, resigned.

Following is a comparative summary of the number of officers and employees in the principal departments of the Bank, with corresponding aggregate annual salaries paid on January 1, 1930, and January 1, 1931 (figures are for Head Office and Branches combined):

PERSONNEL AND SALARIES

Federal Reserve Bank of San Francisco

(Including branches)

	Number		Annual Salaries	
	Jan. 1, 1931	Jan. 1, 1930	Jan. 1, 1931	Jan. 1, 1930
OFFICERS	30	31	\$ 251,800	\$ 259,400
EMPLOYEES BY DEPARTMENTS:				
Banking Department	662	699	1,090,370	1,124,495
Federal Reserve Agent's Department	27	29	63,840	73,320
Auditing Department	7	8	16,080	19,230
Fiscal Agency Department.....	11	16	23,220	30,930
TOTAL	737	783	\$1,445,310	\$1,507,375
FISCAL AGENCY DEPARTMENT EMPLOYEES:				
(Whose salaries are reimbursed by the United States Treasury De- partment)	2	2	4,320	4,320
OTHER EMPLOYEES:				
(Whose salaries are reimbursed to the bank, including employees in the bank cafeteria and employees in building space rented to tenants)	30	27	34,440	31,885
GRAND TOTAL	769	812	\$1,484,070	\$1,543,580
TEMPORARY EMPLOYEES (not included above)	7	5	6,408	7,080

Los Angeles Branch Building

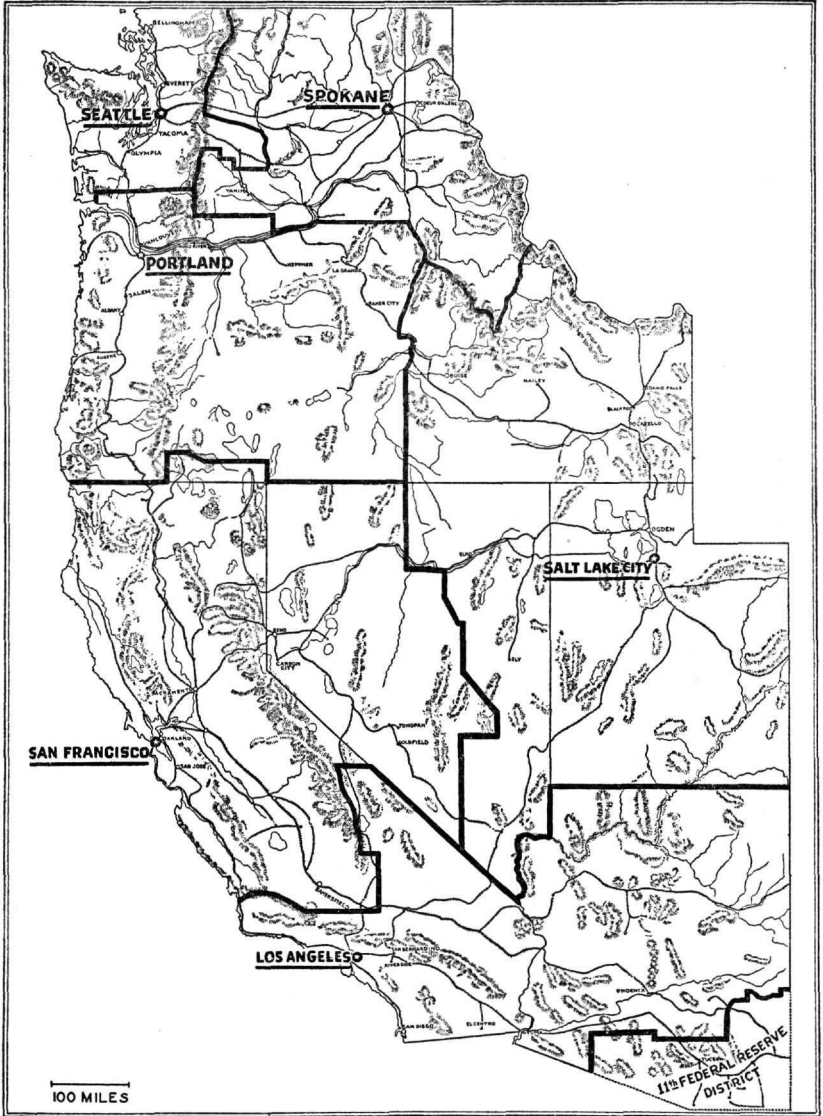
Construction work on the new Los Angeles Branch Building, a five-story monumental type structure, was begun in April, 1929, and completed in April, 1930. On April 14, 1930, the new building, which is located at Tenth and Olive Streets, was occupied by the Los Angeles Branch.

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