

12

TWENTIETH ANNUAL REPORT

TO THE

FEDERAL RESERVE BOARD

BY THE

FEDERAL RESERVE AGENT

FEDERAL RESERVE BANK  
SAN FRANCISCO



FOR THE

YEAR ENDED DECEMBER 31, 1934

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SAN FRANCISCO



FOR THE

YEAR ENDED DECEMBER 31, 1934

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

January 1, 1935

		DIRECTORS						Term Expires Dec. 31
Class	Group							
A	1	C. K. MCINTOSH, San Francisco, California	-	-	-	-	-	1937
		President, The Bank of California, N. A., San Francisco, California.						
A	2	THOMAS H. RAMSAY, Red Bluff, California	-	-	-	-	-	1935
		President and General Manager, Pacific National Agricultural Credit Corporation, San Francisco, California.						
A	3	KEITH POWELL, Salem, Oregon	-	-	-	-	-	1936
		President, Salem Federal Savings and Loan Association, Salem, Oregon.						
B	1	A. B. C. DOHRMANN, San Francisco, California	-	-	-	-	-	1935
		Chairman of the Board, Dohrmann Commercial Company and The Emporium Capwell Corporation, San Francisco, California.						
B	2	MALCOLM MCNAGHTEN, Los Angeles, California	-	-	-	-	-	1936
		President, Broadway Department Store, Inc., Los Angeles, California.						
B	3	ELMER H. COX, San Francisco and Madera, California	-	-	-	-	-	1937
		President, Madera Sugar Pine Company, Madera, California.						
C		Chairman.	-	-	-	-	-	1935
C		WALTON N. MOORE, San Francisco, California	-	-	-	-	-	1936
		Deputy Chairman, President, Walton N. Moore Company, San Francisco, California.						
C		ANDREW WELCH, San Francisco, California	-	-	-	-	-	1937
		Chairman of Board, Welch and Company, San Francisco, California.						

## MEMBER OF FEDERAL ADVISORY COUNCIL

M. A. ARNOLD,  
President, First National Bank,  
Seattle, Washington

## OFFICERS

Chairman of the Board and Federal Reserve Agent	JNO. U. CALKINS, Governor
S. G. SARGENT, Assistant Federal Reserve Agent, Chief Examiner, and Secretary	WM. A. DAY, Deputy Governor
OLIVER P. WHEELER, Assistant Federal Reserve Agent	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
	J. M. OSMER, Assistant Cashier
	H. F. SLADE, Assistant Cashier
F. H. HOLMAN, General Auditor	M. McRITCHIE, Acting Assistant Cashier
R. T. HARDY, Auditor	

# DIRECTORS AND OFFICERS OF BRANCHES

January 1, 1935

## SPOKANE BRANCH

Directors	Term Expires Dec. 31	Officers
STANLEY A. EASTON,*		D. L. DAVIS, Managing Director
Chairman . . . . .	1935	FRED C. BOLD, Assistant Manager
PETER MCGREGOR* . . . .	1935	A. J. DUMM, Assistant Cashier
R. M. HARDY† . . . . .	1936	
D. W. TWOHY† . . . . .	1935	
D. L. DAVIS† . . . . .	1935	

## SEATTLE BRANCH

CHARLES H. CLARKE,*		C. R. SHAW, Managing Director
Chairman . . . . .	1935	B. A. RUSSELL, Assistant Manager
HENRY A. RHODES* . . . .	1935	G. W. RELF, Assistant Cashier
#M. F. BACKUS† . . . . .	1936	
G. H. GREENWOOD† . . . .	1935	
C. R. SHAW† . . . . .	1935	

## PORTLAND BRANCH

HARRY M. HALLER,*		R. B. WEST, Managing Director
Chairman . . . . .	1935	S. A. MACEachRON, Assistant Manager
EDWARD C. PEASE* . . . .	1935	J. P. BLANCHARD, Assistant Cashier
RICHARD S. SMITH† . . . .	1936	
J. C. AINSWORTH† . . . .	1935	
R. B. WEST† . . . . .	1935	

## SALT LAKE CITY BRANCH

LAFAYETTE HANCHETT,*		W. L. PARTNER, Managing Director
Chairman . . . . .	1935	W. M. SMOOT, Assistant Manager
M. W. SMITH* . . . . .	1935	W. M. SCOTT, Acting Assistant Cashier
E. O. HOWARD† . . . . .	1936	
H. E. HEMINGWAY† . . . .	1935	
W. L. PARTNER† . . . . .	1935	

## LOS ANGELES BRANCH

CHARLES B. VOORHIS,*		W. N. AMBROSE, Managing Director
Chairman . . . . .	1935	H. M. CRAFT, Assistant Manager
JESSE B. ALEXANDER* . . . .	1935	JOS. M. LEISNER, Assistant Manager
VICTOR H. ROSSETTI† . . . .	1936	L. C. MEYER, Assistant Cashier
F. J. BELCHER, JR.† . . . .	1935	
W. N. AMBROSE† . . . . .	1935	

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

#Deceased February 15, 1935. Succeeded by J. W. MAXWELL.



## LETTER OF TRANSMITTAL

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Federal Reserve Bank,  
San Francisco, California,  
May 4, 1935.

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, 1934.

Yours respectfully,

A handwritten signature in cursive script, appearing to read "J. P. Sargent". The signature is fluid and stylized, with a large initial "J" and a prominent "S".

Assistant Federal Reserve Agent.

Federal Reserve Board,  
Washington, D. C.

**TWENTIETH ANNUAL REPORT**  
**FEDERAL RESERVE AGENT**  
**FEDERAL RESERVE BANK OF SAN FRANCISCO**

Industrial and trade activity continued to expand in the Twelfth District during 1934, and practically all indicators of business averaged higher for the year than in 1933. The advance was particularly sharp in the first three months of the year, but labor difficulties associated with the marine workers' strike restricted both the production and the movement of goods in the second quarter of 1934. Termination of the labor disputes in July was followed by an irregular business recovery. Although the volume of manufacturing showed little or no net increase between January and December 1934, measures of non-ferrous metals output, employment, purchases by consumers, the transportation of goods, and prices paid for agricultural commodities produced in the Twelfth District, all showed increases during the twelve-month interval. This business improvement was not accompanied by increased lending by banks. A substantial expansion in member bank credit outstanding did take place, however, as a result of extensive purchases of securities. In addition, substantial amounts of credit were extended within the district by the Farm Credit Administration and the Home Owners' Loan Corporation. Large expenditures by the United States Treasury stimulated business and increased the supply of funds available to banks. The unprecedented excess of bank reserves, together with the insurance of deposits and continued efforts by supervisory authorities, strengthened the banking structure and eased money conditions. Unlike expansion in business activity, the upward course of which was characterized by temporary setbacks of several months' duration, improvement in banking and credit conditions was continuous throughout the year.

**BANKING AND CREDIT**

Monetary and credit policies of the Federal Government and the financial activities of the Treasury in connection with the relief and recovery program accounted almost entirely for the principal changes in the Twelfth District banking situation. Devaluation of the dollar under the provisions of the Gold Reserve Act of 1934 provided the Treasury with a huge cash balance from the "profit" on gold. Following that action forces were set in motion which resulted in large imports of gold into the United States. As usual, most of these imports were for the accounts of New York City banks, and the immediate effect was to expand greatly the excess reserves of those banks. This huge excess of funds made money conditions in New York extremely easy. It was natural, therefore, that a considerable part of the borrowing required for the large Federal expenditures should be done in that city. The actual disbursement of funds, however, was widely

diffused throughout the country. The Twelfth District received 270 million dollars more from the United States Treasury in 1934 than it paid in through Government borrowings, tax collections, and other revenues.

When the Government disbursed the large amounts referred to, deposits of individuals and corporations receiving Treasury checks or warrants were built up at Twelfth District banks. Member bank reserve balances at the Federal Reserve Bank of San Francisco were increased in like amount, when that institution, as fiscal agent for the Treasury, cashed the checks and warrants.

Part of the increase in banking reserves resulting from Treasury operations was offset by a continuous movement of funds out of the district in settlement of commercial balances of individuals and busi-

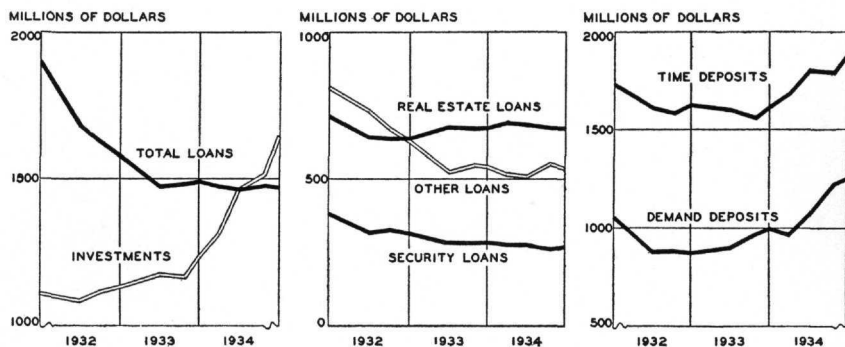
CHANGES IN FACTORS AFFECTING RESERVE DEPOSITS  
OF MEMBER BANKS—TWELFTH DISTRICT

January 1 to December 31, 1934

	(Millions of dollars)
<b>Transactions Which Increased Reserves</b>	
<b>United States Treasury Operations</b> .....	270
This figure shows the net amount by which Federal Government expenditures in the district exceeded collections during the year.	
<b>Gold Purchases by United States Mint</b> .....	102
This figure shows the amount that the mint paid out to individuals and business houses because of its purchases of newly mined, imported, and reclaimed gold.	
<b>Funds Otherwise Made Available</b> .....	13
This figure shows the total of a slight reduction in demand for currency, of a moderate decrease in non-member bank deposits with the Federal Reserve Bank of San Francisco, and of a moderate reduction in other Federal Reserve Bank accounts.	
<b>TOTAL TRANSACTIONS INCREASING MEMBER BANK RESERVES</b> ...	<b>385</b>
<b>Transactions Which Decreased Reserves</b>	
<b>Reserve Bank Credit</b> .....	10
This figure shows the reduction that took place in local use of reserve bank credit, principally through a decrease in holdings of bills purchased.	
<b>Inter-district Payments</b> .....	305
This figure shows the net amount of funds paid to other districts in settlement of commercial and financial transactions.	
<b>TOTAL TRANSACTIONS DECREASING MEMBER BANK RESERVES</b> ...	<b>315</b>
<b>Member Bank Reserve Deposits at Federal Reserve Bank of San Francisco Increased</b> .....	
	70

nesses. Banks also transferred large amounts to eastern money markets on their own accounts to purchase United States Government and other securities. Despite the outflow of funds because of these inter-district commercial and financial transactions, a considerable portion of banking reserves gained from United States Treasury disbursements during the year remained in the district, and exerted a powerful influence upon Twelfth District banking and credit conditions generally. Excess reserves of member banks increased 47 million dollars during the year to about 83 million dollars in December, an amount much larger than at any time prior to 1934.

In an effort to increase loans, banks reduced interest rates charged customers as much as 1 percent in San Francisco on some loan classifications, and reductions in other reserve cities of the district were also substantial. Principal decreases were to large borrowers from city banks, there having been but little change in rates charged customers of country banks or in rates to small enterprises in cities. Activities of the Farm Credit Administration and the Home Owners' Loan Corporation resulted in lowering the average rates paid by farmers and by home owners. Banks reduced rates paid to depositors on savings and other time deposits.



CONDITION OF ALL MEMBER BANKS—Twelfth District

Figures taken from member bank call reports

Despite the reduction in interest rates, there was practically no change during the year in the amount of bank loans outstanding. Bank credit did increase substantially, however, because of the purchase of investments in national markets and within the Twelfth District. In addition to the increased credit extended by commercial banks, financial agencies of the Federal Government, particularly the Farm Credit Administration and the Home Owners' Loan Corporation, made additional amounts of credit available to this region during 1934. The amount of loans granted during 1934 by the Federal Reserve Bank of San Francisco under the Loans to Industry Act was not large, but Reserve Bank activities stimulated a considerable volume of lending in the industrial loan field by member banks.

Time and demand deposits of individuals, businesses, and Governmental agencies increased 571 million dollars at Twelfth District member banks during 1934. This expansion in deposits was a reflection principally of an increase in investments of member banks, which amounted to 410 million dollars, of the disbursement by the United States Treasury of 270 million dollars more than was collected in this district, and of gold purchases by the United States Mint at San Francisco totaling 102 million dollars. The only important factor tending to reduce bank deposits during 1934, the net transfer of 305 million dollars to other districts because of industrial, commercial, and financial transactions, was much more than offset by the factors tending to increase deposits. Insofar as local banks purchased securities in other districts, the increase in investment holdings and the transfer of funds to other districts were in excess of their actual influence upon Twelfth District bank deposits.

### Changes in Banks and System Membership

The number of unrestricted banks in the Twelfth Federal Reserve District decreased from 733 at the beginning of 1934 to 731 at the end of the year. At the beginning of 1934, 61 district banks had a restricted status—that is, they had not been licensed to resume ordinary operations subsequent to the banking holiday in 1933, but neither had they been reorganized or placed in liquidation up to that time. A number of these 61 banks were reorganized during 1934, others were closed for liquidation, and several were merged with other institutions. A few banks which had been in operation without restrictions at the beginning of 1934 gave up their charters to merge with or become branches of other banks. The net result was that the number of banks permitted to carry on full banking business at the end of 1934 was 731, while only 10 banks remained in restricted status at that time.

### LICENSED BANKS IN OPERATION—TWELFTH DISTRICT

December 31, 1934

	Member Banks		Nonmember Banks*		All Banks*	
	Number	Assets (000 omitted)	Number	Assets† (000 omitted)	Number	Assets† (000 omitted)
Arizona ...	7	\$ 29,220	3	\$ 7,695	10	\$ 36,915
California .	146	3,286,255	134	476,872	280	3,763,127
Idaho .....	35	61,007	28	17,688	63	78,695
Nevada ...	6	17,963	4	3,849	10	21,812
Oregon ...	59	211,824	46	29,972	105	241,796
Utah .....	32	113,473	26	26,152	58	139,625
Washington	94	359,613	111	100,700	205	460,313
<b>Twelfth District ...</b>	<b>379</b>	<b>\$4,079,355</b>	<b>352</b>	<b>\$662,928</b>	<b>731</b>	<b>\$4,742,283</b>

\* Includes mutual savings banks and trust companies.

† Includes corporate assets of trust companies, but not trust funds held by them in fiduciary capacity.

Of the 731 licensed Twelfth District banks at the end of 1934, 379 were members of the Federal Reserve System. One of the 10 restricted banks was a member. Reorganization of unlicensed banks and admission of nonmember banks to membership more than offset reductions in the number of members because of mergers and withdrawals from the System. No member banks which were licensed for unrestricted operations at the beginning of 1934 were suspended during the year.

## CHANGES IN BANK MEMBERSHIP DURING 1934—TWELFTH DISTRICT

	Number			Assets
	National	State	Total	(000 omitted)
<b>Member Banks, December 31, 1933.....</b>	328	74	402	\$3,483,018
Unrestricted .....	304	68	372	3,464,050r
Restricted .....	24	6	30	18,968r
<b>Additions to Membership:</b>				
Organization of National Banks.....	..	..	..	.....
Conversion of nonmember banks to National banks .....	..	..	..	.....
Admission of State banks.....	..	11	11	19,280
Absorption of nonmember banks by member banks .....	10*	..	10*	59,088
Resumption following suspension....	..	..	..	.....
<b>TOTAL ADDITIONS .....</b>	..	11	11	\$ 78,368
<b>Losses to Membership:</b>				
Mergers between member banks .....	19	..	19	\$ 13,592†
Suspension **.....	8	1	9	2,744
Withdrawal of State banks .....	..	4	4	1,850
Absorption of member by nonmember banks .....	1	..	1	4,942
<b>TOTAL LOSSES .....</b>	28	5	33	\$ 9,536
<b>Net Change .....</b>	-28	+6	-22	.....
<b>Member Banks, December 31, 1934.....</b>	300	80	380	\$4,079,945
Unrestricted .....	299	80	379	4,079,355
Restricted .....	1	..	1	590

\* Does not affect total number of member banks.

† Does not affect total resources of member banks.

\*\* Represented final disposition of banks that were under restrictions at the beginning of the year.

r Revised.

A larger proportion of Twelfth District banks were members of the Federal Reserve System at the end of 1934 than at any previous time. The proportion of Twelfth District banking assets in the Federal Reserve System was also higher at the end of 1934 than on any earlier date. A part of the increase in resources during the year was the result of acquisition by a member bank of a large number of branches

formerly belonging to a nonmember institution. Some gain in resources resulted from admission of banks to membership. The bulk of the increase, however, reflected growth in assets of the banking structure, chiefly in the form of additional investments.

### Branch Banking

Branch banking continued to expand throughout the Twelfth District during 1934, and at the year end 62 district banks were operating 923 branch offices, compared with 53 licensed banks operating 881 branches twelve months earlier. Some expansion was apparent in all seven states of the district, although growth was not spectacular in any state. More national banks were operating branches at the year end than at any previous time, and the proportion of branch offices operated by national banks was larger than it had been on any earlier date.

#### BRANCH BANKS IN OPERATION—TWELFTH DISTRICT

State	No. of Licensed Banks	Banks Operating				Branches				Located	
		Total	Branches			Total	Operated by			In Home City	Out- side Home City
			Nat- ional Banks	State Mem- ber	Non- mem- ber		Nat- ional Banks	Mem- ber Banks	Non- mem- ber Banks		
December 31, 1933											
Arizona*	10	2	0	1	1	12	0	9	3	0	12
California†	286	37	10	5	22	787‡	524	147	116	254	533
Idaho	67	2	1	1	0	23	7	16	0	1	22
Nevada	12	0	0	0	0	0	0	0	0	0	0
Oregon	100	3	2	0	1	27	26	0	1	10	17
Utah	60	3	3	0	0	9	9	0	0	2	7
Washington	198	6	3	1	2	23	18	3	2	12	11
Total	733	53	19	8	26	881	584	175	122	279	602
December 31, 1934											
Arizona*	10	2	0	1	1	17	0	13	4	0	17
California	280	40	12	8	20	804‡	602	156	46	255	549
Idaho	63	4	2	1	1	26	9	15	2	1	25
Nevada	10	2	2	0	0	5	5	0	0	1	4
Oregon	105	3	2	0	1	30	29	0	1	11	19
Utah	58	3	3	0	0	10	10	0	0	2	8
Washington	205	8	4	2	2	31	23	6	2	13	18
Total	731	62	25	12	25	923	678	190	55	283	640

\*Figures for Arizona do not include banks located in Eleventh Federal Reserve District, and do not include one Twelfth District branch of a nonmember state bank with home office located in Eleventh District. Figures do include 3 Eleventh District branches of member state bank with home office and 10 branches located in Twelfth District. †Excludes 2 unlicensed national banks operating 3 branches in home cities and 2 unlicensed nonmember banks, one with a home city branch and one with an outside branch. ‡Includes Portland, Tacoma, and Seattle branches of Bank of California National Association, San Francisco. Does not include London branch of Bank of America National Trust and Savings Association, San Francisco.

No unlicensed banks had branches at the end of 1934.



The increase during the year in the number of branches operated by national banks resulted largely from the transfer of a group of branches from a nonmember state bank to a national branch system, but there was also some opening of offices in new locations.

## BRANCH BANK ASSETS—TWELFTH DISTRICT

(000 omitted)

	December 31, 1933			
	National	State Member	Non-member	All Branch Banks
Arizona .....	\$ .....	\$ 10,452	\$ 2,135	\$ 12,587
California .....	1,866,358	541,895	389,038	2,797,291
Idaho .....	9,340	16,611	.....	25,951
Nevada .....	.....	.....	.....	.....
Oregon .....	140,908	.....	909	141,817
Utah .....	37,133	.....	.....	37,133
Washington .....	136,199	11,546	3,150	150,895
Twelfth District .....	\$2,189,938	\$580,504	\$395,232	\$3,165,674
	December 31, 1934			
	National	State Member	Non-member	All Branch Banks
Arizona .....	\$ .....	\$ 15,352	\$ 2,534	\$ 17,886
California .....	2,171,178	620,784	341,645	3,133,607
Idaho .....	14,640	22,274	2,617	39,531
Nevada .....	13,339	.....	.....	13,339
Oregon .....	156,849	.....	1,041	157,890
Utah .....	46,107	.....	.....	46,107
Washington .....	171,808	41,866	3,525	217,199
Twelfth District .....	\$2,573,921	\$700,276	\$351,362	\$3,625,559

Total resources of branch banks in the Twelfth District were \$3,625,559,000 on December 31, 1934, compared with resources of \$1,116,724,000 in all banks in this district not operating branches. A few of the banks included in the branch classification operate only one or two branch offices.

## INDUSTRY, EMPLOYMENT, TRADE

Trade activity and industrial production in the Twelfth District fluctuated widely in 1934, averaging slightly higher than in the last half of 1933. Considering the two years as a whole, practically all business measures were higher in 1934 than in 1933, because of the extremely depressed conditions of the first quarter of the earlier year. As is usual, the course of business activity in this area was influenced primarily by conditions in the nation generally. A special factor affecting Twelfth District conditions, however, was the restricting force of the longshoremen's strike and allied labor-employer difficulties beginning in early May and culminating in a general strike in San Francisco in mid-July. After participating in the nation-wide upturn in the first few months of the year, many lines of industry and trade turned downward sooner in this area than in other parts of the country. Conversely, a sharp gain in the manufacture and distribution of commodities in August was strictly a local phenomenon. This region was



but little affected by the national textile strike in September or by the upturn in steel output and automobile production late in the year, and business was more stable after July than in the country as a whole.

Employment conditions continued to improve in the Twelfth District during 1934. The increase in employment was particularly pronounced in the first quarter of the year. Despite wide fluctuations in industrial and trade activity in the later months the number of workers employed showed only seasonal changes between April and the end of the year. Employment increases for the year as a whole were largest in those activities in which previous declines had been greatest—mining and manufacturing—although the number employed by retail and wholesale firms and by financial institutions also increased appreciably. There was little change in employment by public utilities.



#### VOLUME OF INDUSTRIAL PRODUCTION—Twelfth District

Index adjusted for seasonal variation (1923-1925 average=100)

Industrial production fluctuated much more than seasonally during the year, but averaged about the same as in the last half of 1933. Output of lumber was larger than in the preceding year, but in no month of 1934 did production equal the peak reached in the autumn of 1933, reflecting in part production control through the lumber code of fair competition. Petroleum production in California changed little in 1934. Output at canneries, slaughterhouses, and other food processing establishments increased considerably, and miscellaneous manufacturing tended upward. Reflecting in large part higher prices for gold and silver as a result of Federal Government policy, non-ferrous metals mining increased substantially in the Twelfth District. Not only did production of gold and silver advance, but activity at copper, lead, and zinc mines having ores with a high precious metal content was also stimulated.

Construction changed little from the extremely low levels of 1933, although public works increased somewhat further to the highest point on record. Except for residential building in smaller cities, practically all types of private construction declined further.

## INDEXES OF INDUSTRY, EMPLOYMENT, TRADE

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

	1927	1928	1929	1930	1931	1932	1933	1934
<b>Industrial Production</b> .....	110	114	123	98	75	58	65	70
<b>Manufactures</b> .....	114	118	124	102	76	59	70	75
Foods .....	113	124	120	122	106	94	112	124
Butter .....	110	111	105	114	121	122	124	118
Canned Fruits .....	129	167	138	148	110	82	126	123
Canned Vegetables .....	109	132	160	160	77	83	109	157
Canned Fish .....	148	135	189	167	118	79	110	137
Flour .....	100	111	115	105	102	90	89	97
Slaughter .....	96	101	99	99	108	107	110	123
Wool Consumption .....	89	75	82	71	89	101	96	85
Lumber .....	105	108	110	84	58	35	46	51
Refined Mineral Oils .....	148	155	193	168	140	134	127	123
Cement .....	116	116	107	93	71	46	53	67
Metal Products .....	121	128	143	93	59	39	51	60
<b>Minerals</b> .....	100	104	122	90	71	57	53	57
Petroleum .....	96	96	121	95	79	74	72	73
Copper .....	106	118	129	83	62	27	21	30
Lead .....	118	111	114	96	68	51	51	52
Silver .....	89	85	86	71	47	38	36	48
<b>Building and Construction</b> .....	88	83	81	67	62	37	42	42
Building Permits .....	84	75	68	51	31	14	12	12
Larger Cities .....	81	71	64	49	29	13	11	11
Smaller Cities .....	97	94	87	59	36	14	12	18
Construction excluding buildings .....	105	113	134	128	191	132	166	161
<b>Electric Power Production</b> .....	131	144	157	159	156	139	139	149
<b>Industrial Employment</b>								
Employment—California .....	105	105	112	99	80	66	71	80
Payrolls—California .....	106	107	116	98	72	51	51	60
Employment—Oregon .....	97	99	102	90	74	59	69	73
Payrolls—Oregon .....	98	99	104	88	63	40	46	54
<b>Trade</b>								
<b>Carloadings</b> .....	110	113	112	96	75	57	58	66
Industrial .....	108	111	109	84	57	37	43	48
Merchandise .....	111	114	114	105	89	74	70	81
<b>Foreign Trade, excluding silk</b> .....	121	130	141	109	72	48	47	59
Imports, excluding silk .....	114	116	128	105	64	43	43	51
Exports .....	124	138	147	110	76	50	49	64
<b>Intercoastal Trade</b> .....	98	87	97	86	71	54	70	76
Eastbound .....	95	79	87	80	66	50	69	76
Westbound .....	107	114	132	106	84	67	75	78
<b>Wholesale Sales</b> .....	97	102	108	93	73	55	56	67
Agricultural Implements .....	132	139	155	128	72	43	43	72
Automobile Supplies .....	94	93	89	72	54	43	41	45
Dry Goods .....	88	89	88	68	52	37	42	48
Electrical Supplies .....	112	121	124	103	70	41	45	61
Furniture .....	97	110	122	96	77	49	66	69
Groceries .....	89	102	123	118	105	86	85	99
Hardware .....	94	96	99	81	60	43	47	58
Shoes .....	110	106	101	82	62	47	51	58
Paper and Stationery .....	98	96	103	94	79	63	62	75
<b>Department Store Sales</b> .....	114	117	119	111	98	75	71	77
<b>Department Store Stocks</b> .....	106	105	103	101	87	68	61	63
<b>Automobile Sales—New</b> .....	89	98	135	97	67	34	48	63
Passenger .....	88	98	130	91	62	32	46	58
Commercial .....	97	98	180	151	114	57	75	121
<b>Bank Debits</b> .....	130	148	154	131	103	74	69	78

Like the movements in industrial production, the course of trade was sharply irregular during 1934. This irregularity was, of course, due in part to strike conditions which prevailed in the middle of the year. Distribution to consumers as indicated by department store sales, chain store sales, and automobile registrations tended upward during the year and averaged substantially higher than in 1933. Some of the increase in value figures resulted from advances in prices. Transportation of commodities on district railroads increased during 1934 as did intercoastal shipments through the Panama Canal and foreign trade of Pacific Coast ports.

## AGRICULTURE

Although drought conditions were relatively mild in this section during 1934, shortages of water, particularly for irrigation, reduced agricultural output to some extent throughout the district. Prices of agricultural commodities advanced considerably, however, and it is estimated that total value of crops was 16 percent larger than in 1933.

The livestock industry shared to only a small degree the improvement in income experienced by other branches of agriculture during 1934. Marketing of sheep, lambs, and hogs declined during the year, while shipments of cattle increased considerably, reflecting Federal Government purchases of cattle in drought stricken areas. Increases in prices of sheep, lambs, and hogs offset to a considerable extent the reduction in marketings. Cattle prices remained near the lowest levels reached in 1933. From the grower's standpoint, the decrease in cattle on district ranges was a favorable result of heavier shipments.

## INDEXES OF CROP PRODUCTION

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

	1926	1927	1928	1929	1930	1931	1932	1933	1934
<b>Volume—All Crops</b> .....	98	109	109	109	110	96	106	100	94
Vegetables .....	105	106	117	133	137	128	141	129	133
Field Crops .....	96	105	105	106	105	85	88	91	88
Grains .....	93	114	115	99	95	75	98	87	72
Fruits .....	102	110	112	113	121	116	122	112	107
<b>Value—All Crops</b> .....	92	103	104	113	84	58	46	56	65
Vegetables .....	103	105	117	128	123	94	85	78	96
Field Crops .....	92	95	107	124	81	57	45	56	65
Grains .....	88	110	96	93	54	36	31	45	50
Fruits .....	93	106	102	111	100	68	47	57	68

Government regulation of and assistance to Twelfth District agriculture was of more significance in 1934 than in any previous year. Marketing agreements for several important crops under the Agricultural Prorate Act of California and the Agricultural Adjustment Act helped to increase immediate returns to growers. In addition, Government rental payments for cotton, wheat, and corn-hog reductions totaled over \$21,500,000 during the year. The Farm Credit Administration continued to refinance debt burdened farmers and to assist in financing the marketing of farm products.

## OPERATING STATISTICS

## Volume of Operations

Member banks generally held excess reserves throughout 1934, and as a result discount operations of the Federal Reserve Bank of San Francisco declined to negligible proportions. The small amount of discounts held during the early part of the year was rapidly liquidated and little borrowing took place in the last half. Average borrowings were smaller than in any year since 1916. No locally purchased acceptances were held by the bank during the greater part of the year.

## VOLUME OF OPERATIONS

	1934	1933	1932
<b>Number of Pieces Handled—(In thousands)</b>			
Bills discounted .....	1	10	38
Notes received as collateral .....	13	54	59
Bills purchased for own account.....	..	5	4
Currency received and counted.....	132,043	126,920	127,217
Coins received and counted.....	130,186	130,013	139,273
Shipments of coin and currency to out-of-town banks .....	54	48	43
Payments of coin and currency to city banks .....	10	11	11
Checks handled for collection.....	49,517	43,268	48,513
Collection items handled—			
United States Government coupons paid .....	1,240	1,108	1,053
All other drafts, notes, coupons....	690	768	426
United States Government securities issued, redeemed, or exchanged*...	215	150	72
Transfers of funds .....	106	120	117

**Amounts Handled—(In thousands of dollars)**

Bills discounted .....	29,488	1,045,057	3,990,835
Bills purchased for own account.....	7,219	80,570	75,040
Currency received and counted.....	726,615	811,817	774,135
Coins received and counted.....	35,204	66,047	37,142
Shipments of coin and currency to out-of-town banks .....	215,396	299,969	193,822
Payments of coin and currency to city banks .....	460,596	536,898	512,567
Checks handled for collection.....	10,328,061	8,642,927	9,617,628
Collection items handled—			
United States Government coupons paid .....	27,356	22,757	22,655
All other drafts, notes, coupons....	368,053	299,707	217,719
United States Government Securities issued, redeemed, or exchanged*...	654,299	598,764	506,240
Transfers of funds .....	8,093,289	8,417,474	10,274,165

\*Includes redemption of Federal Intermediate Credit Bank debentures and Federal Farm Loan bonds.

Under the provisions of section 13b of the Federal Reserve Act approved June 19, 1934, Federal Reserve banks are permitted to participate with banks, trust companies, and other financial institutions in making loans for the purpose of providing working capital to established industrial or commercial businesses. Following the approval of that section, the Federal Reserve Bank of San Francisco sent a circular letter to all banking offices and to a large number of chambers of commerce and interested individuals in the Twelfth District outlining the procedure to be followed in connection with applications for loans. To assist in carrying out the provisions of this section, an Industrial Advisory Committee for the Twelfth Federal Reserve District was appointed and confirmed by the Federal Reserve Board. The personnel of the Committee at the end of 1934 was as follows:

RALPH H. BURNSIDE,  
Pacific Spruce Corporation,  
Portland, Oregon.

SHANNON CRANDALL,  
California Hardware Company,  
Los Angeles, California.

HENRY D. NICHOLS,  
Tubbs Cordage Company,  
San Francisco, California.

STUART L. RAWLINGS,  
Calaveras Cement Company,  
San Francisco, California.

H. L. TERWILLIGER,  
Ingersoll-Rand Company,  
San Francisco, California.

For the purpose of acquainting banks and individuals with the provisions of the industrial loan legislation, members of the Industrial Advisory Committee and officers of this bank attended meetings of banking groups, chambers of commerce, and similar organizations. A large number of calls were made by officers of the Reserve Bank upon banks throughout the district to discuss requirements for working capital by industries in the various localities and to explain the procedure involved in applying for loans.

Up to December 31, 1934, 634 applications had been received for loans aggregating \$18,703,787 and ranging in amount from \$400 to \$500,000. Of this number, 92 applications for loans totaling \$2,586,300 had been recommended and approved by the Bank Executive Committee. The committee rejected 279 applications for loans amounting to \$6,461,934. Work involved in the investigation of each application made it necessary to assign a large number of employees to the department handling industrial loans during the autumn of 1934.

It has been the policy of the Reserve Bank to encourage banks and financing institutions to advance the funds requested by applicants

whenever possible. Whenever the financing institutions have so desired, the Reserve Bank has made commitments with respect to the discount or purchase of such industrial loans meeting the requirements of the Act.

Almost no acceptances were purchased for the account of this bank during 1934, and average holdings of bills during the year were the lowest recorded since the bank was organized. The Federal Reserve Bank of San Francisco held no locally purchased bankers' bills during the last six months of 1934, holdings being composed entirely of the dollar amounts of bills payable in foreign currencies purchased through the Federal Reserve Bank of New York.

Statistics on the number and value of check transactions show a marked increase over 1933 and a more moderate gain over 1932. A large part of the increase in the number of items handled took place during the first half of 1934 and was caused by increased payment of checks drawn on the Treasurer of the United States. During the early part of the year this heavy volume of Government checks represented to a great extent funds disbursed through the Civil Works Administration. The increase in the dollar value of all check collections was greater proportionally than the increase in volume, a reflection probably of the increase in the general price level as well as in the volume of transactions. Collections of drafts, notes, and coupons other than Government coupons declined somewhat in number, although the dollar amount was greater than in 1933. There was a marked increase in Government coupons paid, principally because of the payment of coupons of the Home Owners' Loan Corporation and Federal Farm Mortgage Corporation which are fully guaranteed by the United States.

The number and value of telegraphic transfers of funds by this bank decreased during 1934 as compared with 1933. One factor causing this decrease was the elimination of interest on demand deposits which resulted in banks carrying a large part of their surplus funds with the Federal Reserve Bank as excess reserves instead of transferring them to their correspondents.

The number of pieces of currency received and counted at the Federal Reserve Bank of San Francisco was larger in 1934 than in any year since 1930 although the dollar amount declined as compared with 1933. This decrease in value is explained by the fact that in 1933 a great deal of currency of large denominations was returned to the Reserve Bank following the banking holiday, prior to which it had been withdrawn for hoarding. The increase in number of pieces of currency received reflected the increased circulation of currency of smaller denominations during 1934 in consequence of expanding trade activity. There was little change in the quantity of coin received and counted, although the value of such coin decreased sharply from the high figure for 1933 when a large amount of gold coin was turned in to this bank in accordance with an Executive Order of the President.

The Gold Reserve Act of 1934 prohibited private holding of monetary gold and required the Federal reserve banks to deposit with the United States Treasury all gold coin and bullion, in payment for which they were to be given credits in the Treasury payable in gold certificates. In accordance with the provisions of that Act, the title to all gold



coin and gold bullion held by the Federal Reserve Bank of San Francisco was transferred to the Treasury on January 30, 1934.

A considerable increase in activity was noted in connection with the issue, redemption, and exchange of United States Government obligations. Allotments of new and exchange issues of Government securities in this district totaled \$381,000,000 in 1934, compared with \$354,000,000 in 1933. In contrast with other years, Treasury bills formed a much larger proportion of the issues of short-term Government securities than did certificates of indebtedness. Only one issue of Treasury certificates of indebtedness was offered during 1934.

Exchanges and redemptions of matured United States Government securities were somewhat larger in 1934 than in 1933. A large part of the securities redeemed represented Fourth Liberty Loan bonds.

In addition to activity in connection with securities issued directly by the United States, a considerable amount of work was performed by the bank in its capacity as fiscal agent for the Federal Farm Mortgage Corporation, Home Owners' Loan Corporation, and the Reconstruction Finance Corporation. The services rendered these agencies are analogous in many respects to those performed by the Federal Reserve Bank as fiscal agent of the United States in handling Government securities.

### Earnings and Expenses

Earnings of the Federal Reserve Bank of San Francisco were smaller in 1934 than in either 1933 or 1932. Earnings on bills discounted for member banks and on acceptances purchased were negligible in amount. Earnings on United States Government securities increased further and were the largest recorded for this bank in any year. This increase was due principally to larger holdings of securities, although the average rate of return was higher than in the three preceding years. Additions to earnings included a profit of \$552,730 on United States Government securities sold.

On January 10, 1934, \$9,850,328.30 was withdrawn from surplus as a subscription to Class B capital stock of the Federal Deposit Insurance Corporation in accordance with provisions of section 12b of the Federal Reserve Act as amended by the Act approved June 16, 1933. That amount represented 50 percent of the surplus of this bank on January 1, 1933.

Operating expenses were smaller in 1934 than in 1933 and the cost of printing Federal Reserve currency was much lower than in the previous year. Assessments to cover expenses of the Federal Reserve Board increased. In addition to the normal amounts for depreciation, charge-offs included \$100,000 to reduce the book value of land occupied by the building of the Los Angeles Branch and \$360,000 which was provided as an additional reserve to meet other losses. Inasmuch as expenses incurred in connection with industrial advances under section 13b of the Federal Reserve Act were greater than the income derived from that source, the net deficit of \$2,668.39 after payment of dividends was charged to surplus designated as section 13b, leaving

a balance in that fund on December 31, 1934 of \$584,931.61. Surplus under section 13b had been created from payments by the Secretary of the Treasury aggregating \$587,600 transferred to this bank for the purpose of making industrial loans.

## INCOME AND DISBURSEMENTS

Earnings	1934	1933
On Loans.....	\$ 30,759.51	\$1,152,067.31
On Acceptances Purchased .....	15,991.03	133,269.57
On United States Government Obligations Owned .....	3,086,621.31	2,495,527.61
Other Earnings .....	89,048.60	121,333.87
<i>Total Earnings</i> .....	<u>\$3,222,420.45</u>	<u>\$3,902,198.36</u>
Additions to Earnings .....	\$ 597,427.43	\$ 100,579.36
Deductions from Earnings		
For Current Bank Operations.....	\$2,369,716.51	\$2,459,999.98
For Assessments for Federal Reserve Board Expenses .....	98,150.72	56,540.54
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 .....	42,473.76	179,457.20
For Furniture and Equipment .....	12,098.56	67,994.73
For Depreciation on Bank Premises.....	219,879.79	174,370.40
For Reserves for Losses .....	433,323.07	613,726.40
All Other .....	3,631.78	21,584.23
<i>Total Deductions from Earnings</i> .....	<u>\$3,179,274.19</u>	<u>\$3,573,673.48</u>
Net Income available for dividends and additions to surplus .....	<u>\$ 640,573.69</u>	<u>\$ 429,104.24</u>
Distribution of Net Income		
Dividends Paid to Member Banks, at the rate of 6 percent on paid-in capital .....	\$ 643,242.08	\$ 634,633.40
Excess of Dividends over Net Income.....	<u>\$ 2,668.39</u>	<u>\$ 205,529.16</u>
Deductions from Surplus Account		
Excess of Dividends over Net Income.....	<u>\$ 2,668.39</u>	<u>\$ 205,529.16</u>

## SECURITIES EXCHANGE ACT AND REGULATION T

In accordance with provisions in the Securities Exchange Act of 1934, regulations were issued by the Federal Reserve Board late in September governing the extension and maintenance of credit by brokers, dealers, and members of national securities exchanges. Inasmuch as this district has important securities markets, considerable work was involved in keeping the financial community, including banks, informed as to the regulations of the Federal Reserve Board. Efforts were made to answer all questions and to coöperate with the securities markets in making the new rules effective with a minimum of disturbance to established business procedure.



## CHANGES IN DIRECTORS, OFFICERS, AND EMPLOYEES

Isaac B. Newton, Chairman of the Board and Federal Reserve Agent, died on June 22, 1934. Mr. Newton had been a director of the bank and had held the office of Chairman of the Board and Federal Reserve Agent since March 1, 1926. At the end of the year a successor had not been appointed to fill Mr. Newton's place.

At the annual election held in 1934, C. K. McIntosh, President of the Bank of California N. A., San Francisco, was reelected by member banks in Group 1 (those having a combined capital and surplus in excess of \$599,999), as a Class A director for a term of three years ending December 31, 1937. Elmer H. Cox, President of the Madera Sugar Pine Company, San Francisco, was reelected by banks in Group 3 (those having a combined capital and surplus of less than \$125,000), as a Class B director for a similar three-year term.

The Federal Reserve Board reappointed Andrew Welch, Chairman of the Board of Welch and Company, San Francisco, as a Class C director for a term of three years ending December 31, 1937.

The Federal Reserve Board redesignated Walton N. Moore, President of Walton N. Moore Company, San Francisco, Deputy Chairman of the Board of Directors for 1935.

M. A. Arnold, President, First National Bank of Seattle, Seattle, Washington, was reappointed as a member of the Federal Advisory Council to represent the Twelfth Federal Reserve District during 1935. This is the second successive year of Mr. Arnold's membership in the Advisory Council.

At the end of 1934 the number of employees on the staff of the bank was larger than at the end of 1933. This increase was caused by activity in connection with extension of loans to industry and expansion in the operations of the bank in its capacity as fiscal agent for the United States and the various Government agencies.

## PERSONNEL AND SALARIES

(Including Branches)

	Number		Annual Salaries	
	Jan. 1 1935	Jan. 1 1934	Jan. 1 1935	Jan. 1 1934
OFFICERS .....	31	32	\$ 242,600	\$ 262,700
EMPLOYEES BY DEPARTMENTS:				
Banking Department .....	757	729	1,232,415	1,167,028
Federal Reserve Agent's Department .....	42	46	104,820	107,880
Auditing Department .....	13	12	23,820	22,260
Fiscal Agency Department .....	27	18	41,700	27,900
TOTAL .....	870	837	\$1,645,355	\$1,587,768
EMPLOYEES WHOSE SALARIES ARE REIMBURSED TO BANK:				
Fiscal Agency Department .....	21	3	35,760	6,720
Other Employees .....	97	127	144,105	191,160
GRAND TOTAL .....	988	967	\$1,825,220	\$1,785,648

**NOTE**

Statistics appearing in this report will be supplemented by additional statistical data pertaining to the Twelfth Federal Reserve District and the Federal Reserve Bank of San Francisco, 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.

This bank's statement of condition at the end of 1934 and 1933 appears upon the following two pages.

## STATEMENT OF CONDITION

## RESOURCES

	December 31, 1934	December 31, 1933
<b>Cash Reserves</b> held by this bank against its deposits and note circulation:		
<b>Gold Certificates on Hand and Due from United States Treasury</b> —Represents gold holdings of the bank lodged in the Gold Settlement Fund, held by the Federal Reserve Agent as collateral to Federal Reserve notes, or held in own vault .....	\$310,252,132.68	\$218,204,748.04
<b>Gold</b> —This represents gold coin and gold bullion held in the vaults of the bank.....		25,439,793.11
<b>Redemption Fund</b> in the hands of the Treasurer of the United States to be used to redeem such Federal Reserve notes as are presented to the Treasury for redemption.....	3,632,028.83	5,816,284.62
<b>Other Cash</b> — United States notes, Treasury notes of 1890, silver certificates, national bank notes, Federal Reserve bank notes, standard silver dollars, subsidiary silver and nickels and cents (Excludes Federal Reserve notes issued by this bank).....	16,878,993.70	16,926,369.87
<i>Total Cash Reserves</i> .....	<u>\$330,763,155.21</u>	<u>\$266,387,195.64</u>
<b>Loans and Investments</b>		
<b>Loans:</b>		
Against pledge of obligations of the United States, direct and/or fully guaranteed...	\$95,000.00	\$123,100.00
Against eligible commercial, industrial, and agricultural paper, or acceptances discounted or pledged, or the pledge of other collateral .....	37,590.50	1,314,801.99
<b>Acceptances</b> bought in the open market.....	390,537.83	18,459,823.15
<b>Industrial advances</b> .....	587,600.00	.....
<b>United States Government Bonds, Notes, etc...</b>	166,330,500.00	166,330,500.00
<i>Total Loans and Investments (or Earning Assets)</i> .....	<u>\$167,441,228.33</u>	<u>\$186,228,225.14</u>
<b>Uncollected Items</b>		
<b>Checks and Other Items</b> not yet collected....	\$ 20,987,081.05	\$ 20,419,919.58
<b>Miscellaneous Resources</b>		
<b>Bank Premises</b> .....	\$ 3,868,833.10	\$ 4,089,847.40
<b>All Other Miscellaneous Resources</b> .....	3,168,960.99	3,469,500.96
<i>Total Miscellaneous Resources</i> .....	<u>\$ 7,037,794.09</u>	<u>\$ 7,559,348.36</u>
<b>TOTAL RESOURCES</b> .....	<u><u>\$526,229,258.68</u></u>	<u><u>\$480,594,688.72</u></u>

## LIABILITIES

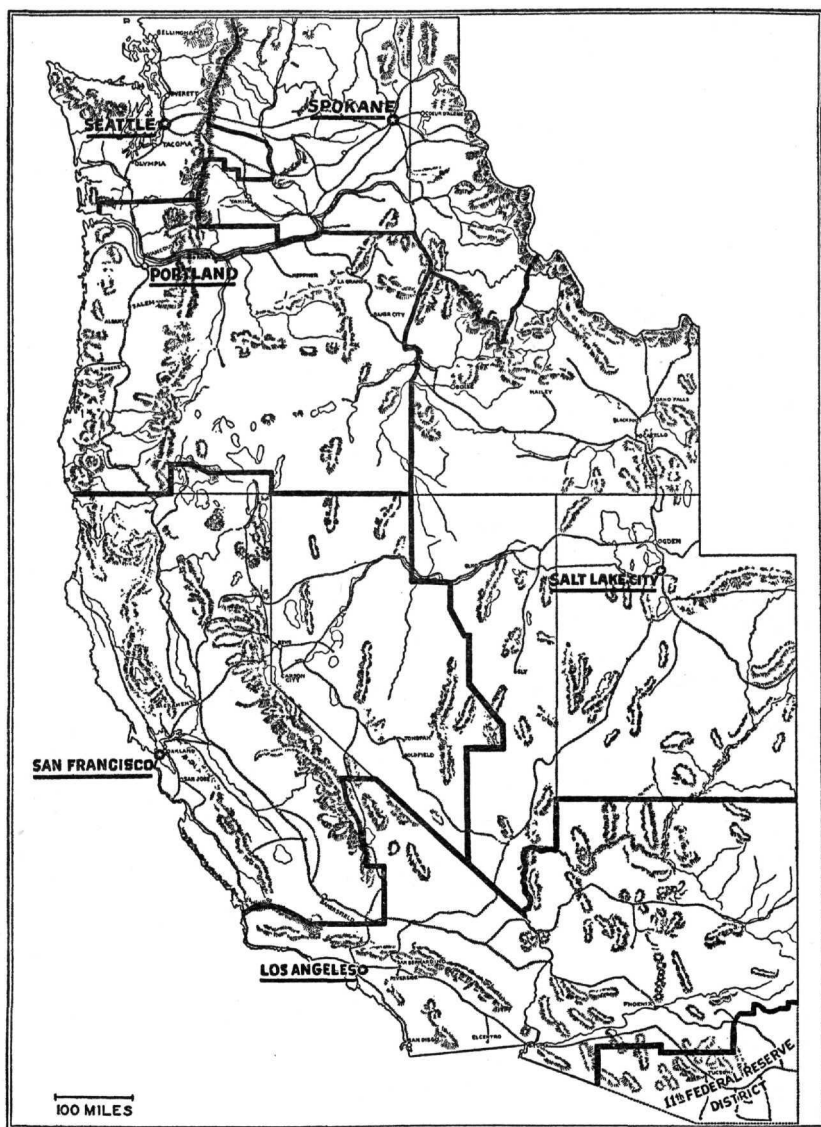
	December 31, 1934	December 31, 1933
<b>Currency in Circulation</b>		
<b>Federal Reserve Notes</b> in actual circulation, payable on demand. These notes are fully secured. The security may be gold, discounted or purchased paper, or direct obligations of the United States .....	\$211,367,495.00	\$213,054,180.00
<b>Federal Reserve Bank Notes</b> in actual circulation, payable on demand. These notes are fully secured. The security may be discounted or purchased paper, or direct obligations of the United States .....		14,406,050.00
<i>Total Currency in Circulation</i> .....	\$211,367,495.00	\$227,460,230.00
<b>Deposits</b>		
<b>Reserve Deposits</b> maintained by member banks as legal reserves against the deposits of their customers .....	\$255,377,043.56	\$187,630,581.22
<b>United States Government Deposits</b> .....	3,198,541.31	868,193.53
<b>Other Deposits</b> , including deposits of non-member clearing banks, foreign deposits, etc. ....	12,641,869.96	14,463,713.79
<i>Total Deposits</i> .....	\$271,217,454.83	\$202,962,488.54
<b>Deferred Availability Items</b>		
<b>Deferred Items</b> , composed mostly of uncollected checks on banks in all parts of the country .....	\$ 20,450,838.89	\$ 18,373,821.01
<b>Miscellaneous Liabilities</b>		
<b>Reserves and All Other Miscellaneous Liabilities</b> .....	\$ 2,204,189.20	\$ 1,665,821.72
<b>Capital and Surplus</b>		
<b>Capital Paid In</b> , equal to 3 percent of the capital and surplus of member banks.....	\$ 10,759,550.00	\$ 10,637,200.00
<b>Surplus</b> (Section 7, Federal Reserve Act)....	9,644,799.15*	19,495,127.45
<b>Surplus</b> (Section 13b, Federal Reserve Act†) ..	584,931.61	.....
<i>Total Capital and Surplus</i> .....	\$ 20,989,280.76	\$ 30,132,327.45
<b>TOTAL LIABILITIES</b> .....	\$526,229,258.68	\$480,594,688.72

\* On January 10, 1934, \$9,850,328.30 was withdrawn from surplus account, upon a resolution approved by the Board of Directors, as a subscription to Class B stock of the Federal Deposit Insurance Corporation under the terms of section 12b of the Federal Reserve Act as amended by the Act approved June 16, 1933. This amount represented 50 percent of surplus account of this bank on January 1, 1933.

† Represents amounts transferred by the Treasury in accordance with agreement between Secretary of the Treasury and Federal Reserve Bank of San Francisco with respect to industrial advances made by this bank in accordance with the provisions of section 13b of the Federal Reserve Act.

## 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