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ELEVENTH ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK
OF ST. LOUIS

FOR THE YEAR ENDED DECEMBER 31, 1925



FEDERAL RESERVE BANK OF ST. LOUIS

DIRECTORS

CLASS C

WM. McC. MARTIN, Chairman of the Board, St. Louis, Mo.
JOHN W. BOEHNE, Deputy Chairman, Evansville, Ind.
C. P. J. MOONEY, Memphis, Tenn.

CLASS A

JOHN G. LONSDALE, St. Louis, Mo.
JOHN C. MARTIN, Salem, Ill.
J. C. UTTERBACK, Paducah, Ky.

CLASS B

LE ROY PERCY, Greenville, Miss.
W. B. PLUNKETT, Little Rock, Ark.
ROLLA WELLS, St. Louis, Mo.

OFFICERS

WM. McC. MARTIN,
Chairman of the Board and
Federal Reserve Agent.
C. M. STEWART,
Asst. Federal Reserve Agent.
E. J. NOVY,
General Auditor.
H. L. TRAFTON,
E. I. NOWOTNY,
Assistant Auditors.

D. C. BIGGS,
Governor.
OLIN M. ATTEBERY,
Deputy Governor.
J. G. MCCONKEY,
Counsel and Secretary.
J. W. WHITE,
Cashier.
A. H. HALL,
J. W. RINKLEFF,
S. F. GILMORE,
E. C. ADAMS,
F. N. HALL,
Assistant Cashiers.

LOUISVILLE BRANCH

DIRECTORS

WILLIAM BLACK, Chairman, Louisville, Ky.
ATTILLA COX, Louisville, Ky.
EUGENE E. HOGE, Frankfort, Ky.
W. P. KINCHELOE, Louisville, Ky.
MAX B. NAHM, Bowling Green, Ky.
E. L. SWEARINGEN, Louisville, Ky.
E. H. WOODS, Lucas, Ky.

OFFICERS

W. P. KINCHELOE,
Managing Director.
JOHN T. MOORE,
Cashier.
EARL R. MUIR,
Assistant Cashier.
L. A. MOORE,
Branch Auditor.

MEMPHIS BRANCH

DIRECTORS

S. E. RAGLAND, Chairman, Memphis, Tenn.
E. M. ALLEN, Helena, Ark.
W. H. GLASGOW, Memphis, Tenn.
JOHN D. McDOWELL, Memphis, Tenn.
T. K. RIDDICK, Memphis, Tenn.
R. BRINKLEY SNOWDEN, Memphis, Tenn.
J. W. VANDEN, Jackson, Tenn.

OFFICERS

W. H. GLASGOW,
Managing Director.
S. K. BELCHER,
Cashier.
C. E. MARTIN,
Assistant Cashier.
A. E. DEBRECHT,
Branch Auditor.

LITTLE ROCK BRANCH

DIRECTORS

GORDON H. CAMPBELL, Chairman, Little Rock, Ark.
A. F. BAILEY, Little Rock, Ark.
JOHN M. DAVIS, Little Rock, Ark.
W. A. HICKS, Little Rock, Ark.
HAMP WILLIAMS, Hot Springs, Ark.
STUART WILSON, Texarkana, Ark.
MOORHEAD WRIGHT, Little Rock, Ark.

OFFICERS

A. F. BAILEY,
Managing Director.
M. H. LONG,
Cashier.
CLIFFORD WOOD,
Assistant Cashier.
F. P. MAGUIRE,
Branch Auditor.

MEMBER FEDERAL ADVISORY COUNCIL

BRECKINRIDGE JONES, St. Louis, Mo.

MARCH 1, 1926

LETTER OF TRANSMITTAL

FEDERAL RESERVE BANK OF ST. LOUIS

St. Louis, February 8, 1926.

Gentlemen:

I have the honor to transmit herewith the eleventh annual report of the Federal Reserve Bank of St. Louis, covering the year ended December 31, 1925.

Respectfully

WM. McC. MARTIN,
Chairman of the Board and
Federal Reserve Agent.

FEDERAL RESERVE BOARD,
Washington, D. C.

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BUSINESS CONDITIONS IN FEDERAL RESERVE DISTRICT NO. 8

Volume of Business.—The year 1925 was a period of general business prosperity in this district. Expansion in volume was the rule in virtually all the principal lines of commerce and industry, with several of the most typical and important making new high records in point of both production and distribution.

While the changed methods and practices in conducting business were strongly in evidence during 1925, the year was the most normal and regular of the post-war period. Business was affected by no drastic or radical movements; there was a notable absence of inflation and speculation in merchandise; the great volume of production was met by a correspondingly high consumption, and in a majority of instances, stocks as disclosed by the year-end inventories were in a healthy condition. Further progress was achieved in the stabilizing of prices and the balancing of values between the several groups of commodities.

An outstanding feature of the year's business was the continued decline in purchasing goods for future needs. Improved transportation service and more efficient methods among producers and distributors have facilitated buying for immediate requirements, and this practice has become more prevalent. As a result, the turnover has been more rapid and it has been possible to transact business with a relatively smaller amount of credit. Business interests have adjusted themselves to the change, and in the main it has met with approval and made for sounder conditions.

As indicated by debits to individual accounts, sales statistics, railroad loadings and other recognized measures, spending in the district was the largest on record. The building industry, which since 1920 has been a leading factor in general business prosperity, reached new high levels in 1925. Throughout the year the employment situation was more uniformly satisfactory than since the war, and wage scales were maintained at the high levels prevailing during the preceding twelve months.

Agriculture.—Weather conditions during 1925 were distinctly unfavorable for agricultural developments. It was a year of sudden and radical changes in temperature, and of periods of excessive rainfall alternating with drought. Despite these meteorological handicaps, final results obtained in the farming areas were on the whole satisfactory. Of the chief crops, corn yielded more heavily in this district than in 1924, but quality was not high and prices were lower than the year before. The total wheat production was approximately the same as in 1924, with the average price higher. Oats was a heavier crop than the year before, but prices were considerably lower. Cotton yielded more bales than in 1924, but average quality was low and prices were below those of the preceding season. The tobacco crop was slightly smaller than in 1924.

At the end of the year economic conditions in the most important agricultural sections were better than at any time in the past three years. Returns from their crops enabled farmers to reduce their indebtedness substantially, besides leaving a margin sufficient to undertake improvements to their farms and replace equipment. Results of more scientific methods and diversification of recent years are becoming manifest in augmented incomes. Noticeable in the year's developments was a steady growth of fruit and vegetable raising, as well as more profitable ventures in dairying and poultry production.

Banking.—As was the case during the preceding twelve months, 1925 was a year of abundant credit supply. Commercial banks were easily able to meet all demands of their mercantile and industrial customers, and the crop movements were financed with no evidence of strain. Interest and discount rates were relatively low. Deposits of commercial banks rose to new high levels, and loans and discounts were the highest since early in 1920.

The general trend is reflected in changes in the assets and liabilities of the 33 reporting member banks at Evansville, Little Rock, Louisville, Memphis and St. Louis. Between the last report dates in December, 1924 and 1925, their net demand deposits increased from \$414,041,000 to \$431,178,000; time deposits decreased from \$212,287,000 to \$206,497,000; loans and discounts (gross) increased from \$499,713,000 to \$524,412,000, and investments increased from \$163,729,000 to \$171,082,000. Accommodations of the reporting banks at the Federal Reserve Bank increased from \$1,716,000 to \$11,116,000.

OPERATIONS OF FEDERAL RESERVE BANK OF ST. LOUIS

Including Branches at Little Rock, Louisville and Memphis.

The service rendered by the Federal Reserve Bank of St. Louis during 1925 is indicated by the large volume of work performed in the several departments.

FINANCIAL RESULTS OF OPERATION.

Income and Expenditures.—Gross earnings in 1925 were \$2,055,637, as compared with \$1,688,143 for the preceding year. Of the gross earnings, \$837,819 were derived from paper discounted, \$454,428 from bills purchased, \$712,085 from United States securities and \$51,305 from miscellaneous sources.

Current expenses for the year aggregated \$1,390,099, as against \$1,441,348 in 1924.

The current net earnings amounted to \$665,538, as contrasted with \$246,795 the year before. Additions to current net earnings in 1925 (consisting of income from sales of furniture, equipment, etc.) aggregated \$59,748, while deductions (representing charge-offs on buildings, equipment, furniture, etc.) totalled \$818,826, leaving a deficit in profit and loss account of \$93,540. After payment of dividends for the year, totalling \$306,753, the deficit amounted to \$400,293, which was charged to surplus.

Assets and Liabilities.—Between December 31, 1924 and 1925, total resources of this bank decreased from \$193,329,000 to \$175,916,000. Holdings of paper discounted for member banks increased from \$10,130,000 to \$22,868,000, while bills bought increased from \$21,391,000 to \$22,181,000. Investments in United States securities increased from \$15,088,000 to \$24,347,000, and foreign loans on gold increased from \$294,000 to \$359,000. Cash reserves decreased from \$103,563,000 to \$58,982,000 during the year.

Of the liabilities, Federal reserve notes in circulation decreased from \$57,813,000 to \$40,305,000 between the dates mentioned. Total deposits increased from \$83,650,000 to \$84,052,000. The paid-in capital decreased from \$5,129,000 to \$5,127,000, while the surplus was reduced from \$9,970,703 to \$9,570,410.

Reserve Position.—At the opening of the year the ratio of total reserves to deposit and Federal reserve note liabilities combined stood at 73.2 per cent. The ratio was high until the middle of May, when a downward trend began and continued irregularly throughout the remainder of the year. On December 31 the reserve ratio stood at 47.4 per cent.

VOLUME OF OPERATIONS.

Discounts.—A total of \$718,720,000 of paper was discounted for member banks by this institution during 1925, which compares with \$605,118,000 in 1924. There was no discounting for or with other Federal reserve banks in either year.

Applications for discounts numbered 6,782, as against 8,810 for the preceding year. The number of notes discounted was 31,954, which compares with 42,628 in 1924. The number of individual member banks availing themselves of the discount privilege in 1925 was 339, as against 391 in the earlier period.

Of the paper discounted during 1925, 28,309 notes, aggregating \$280,870,000, were customers' paper rediscounted, and 3,645 notes, totalling \$437,850,000, were member banks' own fifteen-day collateral notes secured by United States securities or eligible paper.

Throughout the year the discount rate of this bank remained at 4 per cent on all classes and maturities of paper.

Investments.—During 1925 this bank purchased in the open market for its own account 6,310 acceptances, amounting to \$102,221,000, which compares with 3,547 bills, aggregating \$50,732,000, bought in 1924. As was the case during the twelve months preceding, no bills were purchased from the portfolios of other Federal reserve banks.

The investments in United States securities for the year aggregated \$41,407,000, as compared with \$32,290,000 in 1924.

Most of these were participations in purchases made by the Open Market Investment Committee of the twelve Federal reserve banks. The major part of the acceptances were also acquired through this agency.

Currency.—The number of pieces of money handled in 1925 was about the same as that of the previous year, but the total value represented was larger. There were 104,633,000 pieces of paper currency, amounting to \$498,449,000, and 122,353,000 coins, of the value of \$15,354,000, received from all sources and counted by this bank. In 1924 a total of 107,280,000 pieces of paper currency, representing \$484,795,000, and 120,109,000 coins, with value of \$15,502,000, were handled.

The Federal Reserve Agent issued to the Federal Reserve Bank of St. Louis during the year \$10,420,000 of Federal reserve notes, including new and used currency, as compared with \$13,540,000 in 1924. The bank returned \$200,000 of fit notes to the Federal Reserve Agent, and the Treasurer of the United States redeemed \$28,240,000 of unfit notes. The amount of Federal reserve notes outstanding December 31, 1925, on the books of the Federal Reserve Agent, was \$46,580,000. These were secured by \$15,820,000 of gold and \$45,025,000 of eligible paper pledged with him. Of the notes outstanding, \$5,550,000 were held by the parent bank and branches, \$725,000 were in transit to Washington for redemption and \$40,305,000 were in actual circulation.

Transit Items.—There was continued growth in the use of the check collection facilities of this bank during 1925. A total of 46,316,000 checks, amounting to \$10,770,671,000 was handled, which compares with 45,793,000 checks, amounting to \$9,966,285,000 cleared in 1924. A small volume of duplications is represented in these totals, due to some checks being handled by both parent bank and branches. Included in the items handled were checks drawn on banks in this and other districts, checks of member banks against their reserve accounts with this institution, and checks and warrants on the United States Treasurer.

During the year 598 individual member banks used the clearing facilities, as compared with 540 in 1924. At the close

of 1925 the number of banks which had been granted the privilege of direct routing of checks payable in other Federal reserve districts was 50, as against 49 at end of the previous year. There were 21 non-member banks maintaining clearing accounts with this bank, which compares with 25 at the close of 1924.

On December 31, 1925, this bank was collecting checks at par on 2,739 banks, which was over 87 per cent of all banks in the district.

Collection Items.—In course of the year this institution received from its member banks for collection, 206,678 non-cash items, involving \$255,426,000, which compares with 265,345, amounting to \$318,103,000, in 1924. These items consisted of notes, acceptances, drafts, certificates of deposit, bonds, coupons (other than Government), etc.

In addition, this bank received and paid 2,488,498 Government coupons, representing \$24,052,000, as compared with 2,829,000, aggregating \$25,400,000, the year before.

On December 31, there were 60 banks which had been granted the privilege of direct routing of non-cash items payable in other Federal reserve districts, as compared with 36 at the end of 1924.

Transfers of Funds.—During the year this bank effected a total of 151,936 incoming and outgoing wire and mail transfers of funds, involving \$4,991,465,000, as against 112,129 transfers, amounting to \$4,341,043,000, in 1924. These transfers were between member banks in this district and other districts, as well as between member banks within the district.

In addition, this bank handled 16,219 deposits, aggregating \$25,235,000, for national banks to their 5 per cent redemption funds in Washington. The number of such deposits and their aggregate amount in 1924 were 17,545 and \$28,043,000, respectively.

Safekeeping.—On October 13, 1925, this bank extended its custody service. After that date, any negotiable securities or notes and bills owned by member banks were accepted from them for safekeeping. In addition, it held securities in custody for the United States Treasury.

Upon request, this bank clipped maturing coupons from securities held in custody and collected maturing notes and bills, making disposition of the proceeds according to instructions.

In course of the year is clipped and accounted for 99,751 coupons from the securities held, which compares with 107,824 during 1924.

Fiscal Agency.—In its capacity as fiscal agent of the United States Government, the functions performed by this bank consisted mainly of the sale, delivery, exchange and redemption of securities and the receipt and disbursement of funds.

The total number of pieces of securities handled by this bank during 1925, in issuing, redeeming and exchanging Government securities (excluding securities delivered in exchange transactions) was 330,047 and represented \$159,120,000, as against 677,805 pieces, representing \$159,086,000, in 1924.

At the close of 1925, there were 252 banks in the district which had qualified to receive deposits arising from the sale of Government securities, as against 249 at the end of the previous year. The amount of Government funds in these depositories was \$11,087,000, which compares with \$12,481,000 at the close of 1924. This institution held the collateral pledged as security for the deposits and performed other duties incident to the deposit and withdrawal of the funds.

On December 31, 1925, deposits of the United States Government in this bank amounted to \$1,468,000, as compared with \$2,468,000 on the corresponding date in 1924.

Gold Settlement Fund.—Settlement of check clearings between Federal reserve banks, transfers of funds between reserve districts and transfers of funds for the United States Treasury continued to be effected daily through the gold settlement fund in Washington. These transactions were handled over the private wire system which connects the several Federal reserve banks, their branches and the Federal Reserve Board.

The balance to the credit of this bank in the fund on December 31 was \$20,398,000, as compared with \$23,834,000 on the last day of 1924.

Mail.—A total of 2,325,000 envelopes was received and dispatched by this bank during 1925, which compares with 2,691,000 in 1924.

RELATIONS WITH BANKS.

Visits.—Continuing the practice previously inaugurated, regular calls were made throughout the year on member and non-member banks in the district. The value of such visits has been evident in many ways, principally in establishing personal contact with officers of the banks, and in bringing about a better understanding of the System and a more efficient use of the facilities it provides.

A large number of bankers and other visitors have called to inspect the new buildings of the parent reserve bank in St. Louis and the branch in Little Rock, as well as the addition to the quarters of the Louisville Branch.

Officers of all member banks in the district were invited by the Bankers' Club of St. Louis to the city on June 17, to commemorate the first decade of the Federal Reserve Bank. On this occasion about 400 bankers visited the institution.

Publications.—As in the past, a review of business conditions was prepared each month and mailed to the member banks, business interests who co-operated in supplying information, and others interested in receiving it. The mailing list was revised in course of the year, and on December 31 the circulation was 7,336, or approximately the same as at the end of the preceding year.

Fiduciary Powers.—In 1925, nine national banks in the Eighth District were granted permission by the Federal Reserve Board to exercise fiduciary powers under Section 11(k) of the Federal Reserve Act, and two banks which had previously received authority went out of business.

At the close of the year there were 127 national banks in this district authorized to exercise fiduciary powers. The distribution of these banks by States was as follows: Arkansas,

24; Illinois, 29; Indiana, 22; Kentucky, 27; Mississippi, 3; Missouri, 20, and Tennessee, 2.

Examinations.—Examiners for this bank in course of the year made 107 credit investigations of member State banks and trust companies. These were made in conjunction with examinations by the State banking departments. The Federal reserve examiners also made 8 examinations of State banks applying for membership.

Four calls were made by this institution upon State member banks for reports of condition. The dates of these calls were: April 6, June 30, September 28 and December 31. The Comptroller of the Currency called on the national banks for four reports of condition as of the same dates.

Copies of the periodical reports of condition, semi-annual reports of earnings and dividends, and reports of examinations of the national banks of the district, as well as those of State member banks, were received and handled by the Examination Division.

Membership.—Ten new national banks became members of the Federal Reserve Bank of St. Louis in 1925. The memberships of seven national associations were terminated—all through voluntary liquidation. Five State banks and trust companies became members. Memberships of eight State institutions were terminated—one through consolidation, three through involuntary liquidation, and four after giving the required six months' notice.

On December 31, 1925, this bank had a membership of 628, consisting of 498 national banks and 130 State banks and trust companies. The resources of the member banks represented about two-thirds of the total resources of all eligible banks in the district.

Foreign Accounts.—This institution in 1925 participated with the Federal Reserve Bank of New York in certain investment transactions for banking institutions in England, France, Belgium, Switzerland, Holland, Czecho Slovakia, Germany, Hungary, Poland, Sweden, Japan, Sumatra and Columbia.

ORGANIZATION.

Conferences.—The annual conference of directors and officers of the parent bank with directors of the branches was held in St. Louis on June 17. Hon. D. R. Crissinger, Governor of the Federal Reserve Board, was present. In addition, officers of the parent bank and the branches held conferences from time to time during the year.

Personnel.—The following directors were chosen in December to succeed those whose terms were expiring at the end of 1925:

For Parent Bank—John C. Martin, Class A, elected by member banks in Group 3; W. B. Plunkett, Class B, elected by member banks in Group 2, and C. P. J. Mooney, Class C, appointed by the Federal Reserve Board;

For Louisville Branch—W. P. Kincheloe and Attila Cox, elected by parent bank, and Embry L. Swearingen, appointed by Federal Reserve Board;

For Memphis Branch—V. S. Fuqua and J. W. Vanden, elected by parent bank, and T. K. Riddick, appointed by Federal Reserve Board;

For Little Rock Branch—A. F. Bailey and W. A. Hicks, elected by parent bank, and Moorhead Wright and Gordon H. Campbell, appointed by Federal Reserve Board. Mr. Campbell was chosen for the unexpired term of C. S. McCain, who had resigned effective at end of the year.

Breckinridge Jones represented this district in the Federal Advisory Council during 1925.

Clifford Wood was elected Assistant Cashier of the Little Rock Branch on August 5, to succeed F. A. Coe, resigned.

On December 31, the parent bank and branches had a total of 586 officers and employees, of which three were temporary employees. At the end of the preceding year the personnel numbered 579, of which 1 was a temporary employe.

A roster of the directors and officers of the parent bank and each branch is given on page 1.

BANKING QUARTERS

Parent Bank.—During the early months of the year the head office in St. Louis continued in its leased quarters in the Federal Commerce Trust building at Broadway and Pine streets, while storage space was still retained in the Planters building and the U. S. Custom House. On May 30 and 31, equipment, records, etc., were moved into the new Federal Reserve Bank building at 411 Locust street, and on June 1 the bank opened for business in its new, permanent quarters.

Branches.—The addition to the Louisville Branch building was completed and put into service the early part of 1925. The new building of the Little Rock Branch, located at Third and Louisiana streets, was occupied March 16. The Memphis Branch continued in the same rented quarters it has occupied for the past several years.

EXHIBITS.

The following detailed schedules in reference to this bank and district will appear in the forthcoming annual report of the Federal Reserve Board for 1925: (1) Comparative statement of condition, (2) Movement of principal assets and liabilities, (3) Discounts and purchases of bills and securities, (4) Volume of bills discounted for member banks in each State, (5) Earnings and expenses, (6) Volume of operations in principal departments, (7) Operations of Federal Reserve Clearing System, (8) Clearings and transfers through Gold Settlement Fund, (9) Principal assets and liabilities of reporting member banks, and (10) Debits to individual accounts in leading centers of the district.