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**EIGHTEENTH
ANNUAL REPORT**

**FEDERAL RESERVE BANK
OF CHICAGO**

FOR THE YEAR ENDED DECEMBER 31, 1932



**FEDERAL RESERVE AGENT
SEVENTH FEDERAL RESERVE DISTRICT**

FEDERAL RESERVE BANK
OF CHICAGO

Chicago, January 27, 1933.

Sir :

I have the honor to submit herewith, in accordance with the usual custom, the eighteenth annual report of the Federal Reserve Bank of Chicago, covering the year 1932.

Respectfully,

EUGENE M. STEVENS,
Federal Reserve Agent.

HON. EUGENE MEYER,
*Governor, Federal Reserve Board,
Washington, D. C.*

FEDERAL RESERVE BANK OF CHICAGO

Directors and Officers for 1933

CLASS A—DIRECTORS

*GEORGE M. REYNOLDS, Chicago, Illinois (1933)
Director, Continental Illinois National Bank and Trust Company
EDWARD R. ESTBERG, Waukesha, Wisconsin (1934)
President, Waukesha National Bank
GEORGE J. SCHALLER, Storm Lake, Iowa (1935)
President, Citizens First National Bank

CLASS B—DIRECTORS

MAX W. BABB, Milwaukee, Wisconsin (1933)
President, Allis-Chalmers Manufacturing Company
STANFORD T. CRAPO, Detroit, Michigan (1934)
Secretary and Treasurer, Huron Portland Cement Company
NICHOLAS H. NOYES, Indianapolis, Indiana (1935)
Treasurer, Eli Lilly and Company

CLASS C—DIRECTORS

EUGENE M. STEVENS, Evanston, Illinois (1933)
Chairman
FRANK C. BALL, Muncie, Indiana (1934)
President, Ball Brothers Company
JAMES SIMPSON, Chicago, Illinois (1935)
Chairman, Commonwealth Edison Company

MELVIN A. TRAYLOR, Chicago, Illinois,
Member Federal Advisory Council

OFFICERS

EUGENE M. STEVENS, *Chairman of the Board and Federal Reserve Agent*
JAMES SIMPSON, *Deputy Chairman*
CLIFFORD S. YOUNG, *Assistant Federal Reserve Agent*
GEORGE A. PRUGH, *Assistant Federal Reserve Agent*
HARRIS G. PETT, *Manager, Division of Research and Statistics*
FRANCIS R. BURGESS, *Auditor*
WALTER A. HOPKINS, *Assistant Auditor*

JAMES B. McDUGAL, *Governor*
CHARLES R. McKAY, *Deputy Governor*
JAMES H. DILLARD, *Deputy Governor*

WILLIAM C. BACHMAN, *Assistant Deputy Governor*
EUGENE A. DELANEY, *Assistant Deputy Governor*
OTTO J. NETTERSTROM, *Assistant Deputy Governor*

FRED BATEMAN, *Manager, Securities Department*
JOSEPH C. CALLAHAN, *Manager, Member Bank Accounts Department*
ROBERT E. COULTER, *Manager, Cash Custody Department*
ALBA W. DAZEY, *Manager, Investment Department*
IRVING FISCHER, *Manager, Check Department*
ROBERT J. HARGREAVES, *Manager, Personnel Department*
FRANK A. LINDSTEN, *Manager, Disbursing Department*
LOUIS G. MEYER, *Manager, Service Department*
ARTHUR L. OLSON, *Manager, Loan Division*
LOUIS G. PAVEY, *Manager, Collection Department*
FRANKLIN L. PURRINGTON, *Manager, Discount Department*
JESSE G. ROBERTS, *Manager, Cash Department*
WILLIAM W. TURNER, *Manager, Loan Division*

CARL MEYER, *Counsel*

* On March 21, 1933, James R. Leavell, President, Continental Illinois National Bank and Trust Co., Chicago, was elected a Class A director to fill the unexpired term of George M. Reynolds, resigned.

On March 24, 1933, Howard P. Preston was elected Deputy Governor.

DETROIT BRANCH

Directors and Officers

GEORGE B. MORLEY, Saginaw, Michigan
Chairman of Board, Second National Bank and Trust Company
DAVID McMORRAN, Bay City, Michigan
President, Heintz Franks Sons, Inc.
WILSON W. MILLS, Detroit, Michigan
Chairman, First National Bank
JAMES INGLIS, Detroit, Michigan
President, American Blower Corporation
N. P. HULL, Lansing, Michigan
President, Michigan Milk Producers Assn.

JOHN BALLANTYNE, Detroit, Michigan

WILLIAM R. CATION, *Managing Director*
JOHN H. MARTIN, *Assistant Federal Reserve Agent*
HARLAN J. CHALFONT, *Cashier*
GEORGE T. JARVIS, *Assistant Cashier*
JOHN G. BASKIN, *Assistant Cashier*
FLOYD L. BOWEN, *Assistant Auditor*
ISADORE LEVIN, *Assistant Counsel*

EIGHTEENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF CHICAGO

GENERAL CONSIDERATIONS

AS ELSEWHERE, the year 1932 was one of severe strain on the economic and financial structure of the Seventh Federal Reserve district. Nevertheless, there were certain factors which reflected definite improvement over the preceding year. For example, bank failures totaled 631 in 1931, and in 1932 aggregated 507, a reduction of approximately 20 per cent. In the total of deposit liability of failed banks, the betterment was more significant; in 1931, this amounted to \$425,041,000, whereas in 1932, the total was \$262,739,000, a decrease of 38 per cent. The assistance rendered to many banks by the Reconstruction Finance Corporation has been an important factor contributing to the lowered rate of bank mortality. In the last quarter of 1932, there was a perceptible check in the rate of deposit decline in many banks, and some of the major banks in the metropolitan districts showed substantial increases.

Industrial production has materially decreased during the year, and there has been a continued growth in unemployment. At the same time costs of production have been adjusted further to reduced levels of consumption and lower prices, so that, in numerous cases, a comparatively small increase in output and distribution might well be reflected in substantially improved earnings.

As in other districts, the continued decline in commodity prices has been serious in its effect both on agriculture and on manufacturing and business in general. Farm income for the crop year 1932-33 is estimated at 21 per cent less than in the preceding crop year, which in turn fell below 1930-31 by 24 per cent. Conditions in the majority of farming sections of the district, not only with respect to the lowered volume of income, but involving also the tax and mortgage situation, constitute a problem of deep concern. Taxes, while remaining high and therefore continuing to absorb a burdensome portion of reduced farm income, give evidence of responding in some quarters to public demand for lower governmental expenditure; on the other hand, defaults of interest and foreclosures on mortgages have become more numerous, and no definite solution of this problem has been developed. In certain quarters in this district, local committees have been set up to act as intermediaries between the debtor and creditor on maturing farm mortgages, and it is believed that this effort is contributing toward better understandings and adjustments of debts.

In addition to the work of the Reconstruction Finance Corporation, the organization, early in the summer, of the district Banking and Industrial Committee exerted a helpful and steadying influence.

The committee, with the full cooperation of this bank, undertook the study and consideration of a number of pressing problems and sought to lend its assistance in efforts toward reconstruction. Prominent among its undertakings were its efforts to make available adequate funds for live-stock feeding, a consideration of the farm mortgage problem, the stimulation of the use of trade acceptances in place of open book accounts, concerted efforts through the establishment of committees throughout the district toward advisable rehabilitation of plants in industry, and the spread of the share-the-work movement among industrial employees.

With a view to liberalizing the loaning powers of the Federal Reserve banks, Congress during the year passed several amendments to the Federal Reserve Act, significant among them being that approved February 27, which enables reserve banks to make advances to member banks on assets not ordinarily eligible, provided that all eligible paper shall have first been exhausted. While this bank received a number of inquiries regarding the availability of credit under this amendment and several commitments were made, it was not called upon to make any advances, as the emergencies involved in each particular case were met without resorting to the additional credit arranged for.

Under an amendment of July 21 to the Federal Reserve Act, provision was made for the extension of credit by the reserve banks in "unusual and exigent circumstances" directly to any individual, partnership or corporation on paper which would otherwise be eligible for discount for member banks, provided such paper be endorsed and otherwise secured to the satisfaction of the Federal

The graph illustrates the volatility of gold prices during the early 1930s. A significant peak occurs in July 1932, reaching over \$600 million, which is likely due to the gold standard's collapse and the subsequent gold rush in California. The price then fluctuates between \$550 million and \$600 million for the remainder of the year.

FEDERAL RESERVE BANK OF CHICAGO

Reserve bank. Numerous inquiries were received at this bank pertaining to this amendment, and every effort was made to supply complete information, careful consideration being given to each inquiry. In the majority of cases, however, it developed that the proposed loans were not for eligible purposes. Many were not acceptable from a credit standpoint, and in several instances arrangements were made for credit direct with member banks in the vicinity of the proposed borrower.

BANKING DEVELOPMENTS

Member bank borrowing at the Reserve bank declined almost steadily throughout the year 1932, and on December 31 the total of bills discounted for member banks was 59½ million dollars less than at the close of the preceding year. The analysis of factors effecting this decrease is presented in detail in the accompanying tabulation.

FACTORS IN MEMBER BANK BORROWING AT THE FEDERAL RESERVE BANK OF CHICAGO

Changes between December 31, 1931 and December 31, 1932
(In millions of dollars)

Changes making for decrease in member bank borrowing:

1. Excess of local Treasury expenditures over receipts.....	467.79
2. Increase in holdings of U. S. securities by the reserve bank (local transactions)	41.42
3. Decrease in unexpended capital funds.....	1.28
4. Increase in reserve bank float.....	0.67

Total 511.16

Changes making for increase in member bank borrowing:

1. Funds lost through inter-district settlements for commercial and financial transactions	166.78
2. Increase in demand for currency.....	148.08
3. Increase in member bank reserve balances.....	125.38
4. Decrease in holdings of acceptances by the reserve bank (local transactions)	5.84
5. Decrease in holdings of other securities.....	3.49
6. Increase in non-member clearing balances.....	1.39
7. Sales of gold to industry.....	0.67

Total 451.63

Excess of changes making for decrease in member bank borrowing: 59.53

Absorption of this excess: Decrease in member bank borrowings (discounts for member banks) 59.53

An excess of local Treasury expenditures over receipts of approximately 468 millions, which included Reconstruction Finance Corporation operations in this district, and a gain in holdings of U. S. securities by the Reserve bank (local transactions) of over 41 million dollars, were the principal developments making for lessened member bank recourse to the Reserve bank. Offsetting these factors to a considerable extent were almost 167 millions in funds lost through inter-district settlements for commercial and financial transactions, an increase in currency demand of 148 millions, and a gain in member bank reserve balances of 125 millions. The sum of these three items, however, together with four minor changes, was less than the changes making for a decrease, and resulted in the decline in member bank borrowing.

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The demand for currency in the Seventh district expanded further in 1932, but the net increase for the year, amounting to 148 millions, was considerably smaller than the 295 million dollar gain for 1931. Weekly changes in currency demand since 1929 are shown in the chart.

The discount rate at this bank was changed but once during the year—a rate of $2\frac{1}{2}$ per cent being established on June 25, or a reduction of one per cent from the $3\frac{1}{2}$ per cent obtaining since October 17, 1931. On August 13, a rate of 6 per cent on discounts for individuals, partnerships and corporations was authorized, in connection with the amendment to the Federal Reserve Act of July 21, already discussed. Money rates in the district eased during the year.

As has already been stated, banks suspended in the district during the year just closed totaled 507 and involved deposits of \$262,739,000—approximately 20 per cent less in number and 38 per cent lower in dollar volume than in 1931. Fewer large banks suspended during 1932; only 3 reported deposits in excess of \$5,000,000 at time of closing, as compared with 11 in 1931. Reopenings numbered 77, more than twice those of 1931, with total deposits of \$79,343,000, nearly treble the volume of that year. There were also in this district, as in others, numerous bank moratoriums and holidays during the year. Most of the banks involved therein reopened following adjustments with depositors and stockholders. Additional data on suspensions are presented in the accompanying table which covers the years 1921-1932.

Mergers and absorptions fell off precipitately from 1931 in both number and amount of funds represented. Whereas 209 banks (revised figure) were absorbed in the earlier year, only 61 of the 117 banks merging in 1932 were thus eliminated. Loans and investments

BANK SUSPENSIONS—1921-1932—SEVENTH FEDERAL RESERVE DISTRICT
(Deposit Figures in Thousands of Dollars)

Year	Total all Banks		Member Banks						Non-Member Banks	
			Total		National		State Member			
	No.	Deposits	No.	Deposits	No.	Deposits	No.	Deposits	No.	Deposits
1921	46	18,336	5	1,934	4	1,295	1	639	41	16,402
1922	25	7,033	3	3,658	2	695	1	2,963	22	3,375
1923	53	16,577	8	2,530	2	293	6	2,237	45	14,047
1924	108	36,950	16	8,232	6	4,868	10	3,364	92	28,718
1925	109	34,126	24	12,402	16	7,658	8	4,744	85	21,724
1926	182	60,526	52	28,457	36	15,756	16	12,701	130	32,069
1927	124	44,380	34	15,787	25	10,463	9	5,324	90	28,593
1928	87	21,746	21	7,495	13	5,033	8	2,462	66	14,251
1929	93	35,579	18	8,253	13	5,607	5	2,646	75	27,326
1930	266	111,279	32	26,666	28	21,241	4	5,425	234	84,613
1931	631	425,041	102	174,836	70	77,166	32	97,670	529	250,205
1932	507	262,739	100	99,289	78	70,092	22	29,197	407	163,450
Total	2,231	1,074,312	415	389,539	293	220,167	122	169,372	1,816	584,773

involved in the 1932 consolidations aggregated 309 millions, and capital totaled 34 millions, in comparison with 2,221 millions of loans and investments and 169 millions of capital represented in the 1931 mergers. Two important additions to the national banks of the district took place during the year, one through the conversion of the Continental Illinois Bank and Trust Company of Chicago to a national bank—the Continental Illinois National Bank and Trust Company—and one through the organization of the City National Bank and Trust Company of Chicago, which took over the deposit liability of the Central Republic Bank and Trust Company of Chicago. Through closing of constituent banks, several small groups and chains were eliminated during the year: two in Chicago, one other in Illinois, two in Iowa, and one in Michigan. Of significance in both group and chain, and branch banking is the conversion by the First National Bank of Madison and First Wisconsin National Bank of Milwaukee of several Wisconsin Bankshares Corporation banks into branches through purchase.

INDUSTRIAL AND TRADE CONDITIONS

The manufacture and production of commodities in the Seventh district was reduced considerably further in 1932, the percentage declines in most lines being even greater than those shown in 1931 from 1930 and new low records being established in many instances. Prices of commodities likewise continued to drop during 1932. In the later months of the year, however, some reduction was noted in the rate of decline for several phases of production, and prices of certain commodities improved slightly. Activity in the steel industry of the district was the lowest in 1932 in many years, ingot production failing to exceed 25 per cent of capacity at any time during the year and dropping to less than 10 per cent at the close of the year. Production of agricultural machinery and of automobiles also was exceptionally light in 1932, the latter totaling approximately 45 per cent under the comparatively small volume of 1931. Shipments of steel castings totaled 60 per cent less than a year previous and those of malleable castings were in only half the 1931 volume, while stove and furnace shipments aggregated one-third less. Furniture manufacturers booked orders and made shipments totaling 45 per cent smaller than in 1931. Building construction was at a low ebb in 1932, amounting to less than half the volume of a year previous, while the 1932 decline in distribution of building materials approximated 30 per cent, the latter half of the year, however, showing smaller losses from the same period of the preceding year than did the first six months. The shoe industry furnished an exception to the general trend in manufacture, production of shoes in the Seventh district gaining 6 per cent in 1932 over 1931. Food-producing industries, likewise, though recording declines in production from a year previous and suffering sharp reductions in prices at wholesale, showed much smaller recessions in output than did other lines. Production of

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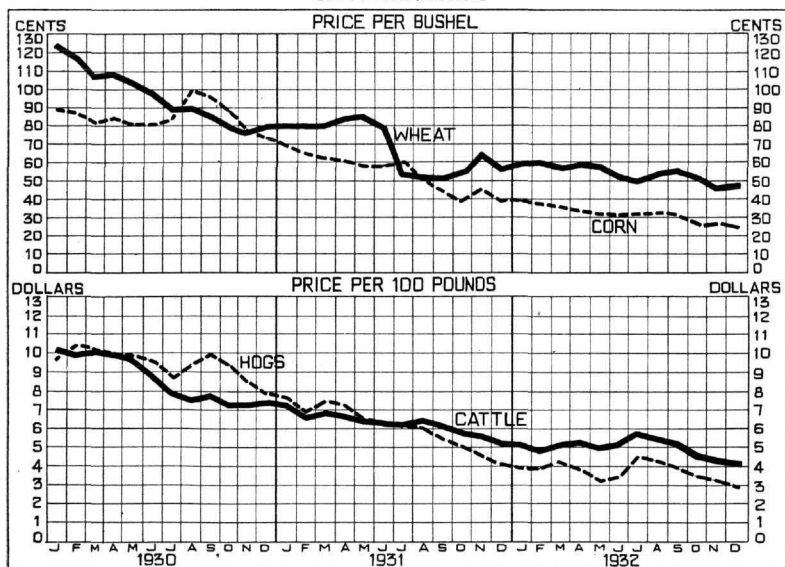
packing-house commodities, for instance, declined only 3 per cent in volume from 1931, that of butter only 2 per cent, while the manufacture of cheese decreased $9\frac{1}{2}$ per cent. Distribution of these commodities, also, showed only small declines in volume, although, owing to the lower prices, the aggregate value of sales was considerably reduced from 1931.

Industrial employment during 1932 averaged approximately 20 per cent lower than in 1931, and aggregate wage payments were more than 30 per cent smaller, the downward trend, which was practically continuous during the first nine months of the year, being sharper than in 1931. In the final quarter of 1932, however, increased activity at automobile plants was largely responsible for a moderate reversal of this trend. As in 1931, the general contraction in manufacturing industries contributed most heavily to the aggregate losses, although non-manufacturing industry also declined to a much greater extent than a year previous.

The distribution of commodities continued to decline sharply during 1932. The dollar volume of department store sales of reporting firms in the district totaled 25 per cent smaller than in 1931; the retail shoe trade showed a similar loss in volume; the retail furniture trade fell off 31 per cent; and sales of reporting chains aggregated 15 per cent smaller. Wholesale groups likewise recorded heavy losses in sales from 1931, the wholesale grocery trade declining 18 per cent, drugs 22 per cent, hardware 27 per cent, dry goods 30

GRAIN AND LIVE STOCK PRICES

1930 TO 1932 INCLUSIVE



per cent, shoes 39 per cent, and electrical supplies 38 per cent. In the later months of the year, however, the size of the declines from a year previous was reduced somewhat. Lower price levels than in 1931 accounted partly for the severity of the losses shown in dollar volume of both wholesale and retail lines. Inventories were maintained at a low level throughout the year.

In agriculture, substantial increases in the production of corn, oats, barley, buckwheat, flaxseed, potatoes, sugar beets, dry beans, hay, and truck crops were shown in 1932 over 1931. On the other hand, the production of wheat, rye, soy beans, cow peas, fruit, tobacco, and canning crops recorded a marked decrease in this comparison. The district crop of spring pigs was 5 to 10 per cent smaller than in 1931, but the autumn crop increased by a small amount over the preceding fall—probably not more than 4 per cent. The supply of live stock on farms was approximately the same on December 1, 1932, as a year earlier. The number of hogs available for winter and spring marketing declined one per cent from 1931, but the number of dairy and beef cattle increased by one per cent. Indications are that farmers are awaiting a favorable market to cull out the older dairy cattle. Prices declined sharply during the year.

DETAILS OF OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1932

Financial Results—Net earnings, after depreciation, reserves, etc., totaled \$2,242,725 in 1932, as compared with \$609,895 in the preceding year and with \$1,054,328 in 1930. Dividends to the amount of \$1,029,933 were paid, franchise tax of \$1,091,513 was paid to the United States Government, and \$121,279 transferred to surplus. Surplus at the end of 1931 aggregated \$38,411,011 and at the close of 1932 amounted to \$39,497,033, representing, in addition to the transfer from net earnings indicated above, a transfer from reserve for depreciation on United States bonds of \$964,743.

Loan and Discount Operations—The outstanding feature in the loan and discount operations of the Federal Reserve Bank of Chicago during the year 1932 was the almost continual decrease in volume from the beginning to the conclusion of the year.

On January 2, loans to member banks stood at the high point for the year, aggregating \$94,012,000, as compared with loans of \$14,969,000 on December 31, which latter amount represented the low point for the year. This decline in loans to member banks is similar to that experienced by other Federal Reserve banks and to some extent is due to the credit supplied by the purchases of Government securities by the System and advances made by the Reconstruction Finance Corporation, as well as to growth in gold stock during the latter part of the year and the issue of National bank notes under the amendment to the Federal Home Loan Bank Act; no doubt the reduced volume of business was also a contributing factor.

FEDERAL RESERVE BANK OF CHICAGO

Comparative Statement of Condition

(In Thousands of Dollars)

RESOURCES	Dec. 31 1932	Dec. 31 1931	Dec. 31 1930
Gold with Federal reserve agent.....	699,870	483,620	173,000
Gold redemption fund with United States Treasury..	3,392	9,627	1,097
Gold held exclusively against Federal reserve notes..	703,262	493,247	174,097
Gold settlement fund with Federal Reserve Board...	92,717	50,484	49,659
Gold and gold certificates held by bank.....	27,749	52,862	130,114
Total gold reserves.....	823,728	596,593	353,870
Reserves other than gold.....	27,811	29,277	21,592
Total reserves	851,539	625,870	375,462
Non-reserve cash	19,279	10,859	11,382
Bills discounted:			
Secured by United States Government obligations..	3,813	50,272	10,891
Other bills discounted.....	11,156	24,224	11,913
Total bills discounted.....	14,969	74,496	22,804
Bills bought in open market.....	3,964	42,052	52,370
United States Government securities:			
Bonds	40,775	53,354	30,905
Treasury notes	34,301	2,901	22,538
Certificates and bills.....	187,134	49,276	36,160
Total United States Government securities.....	262,210	105,531	89,603
Federal Intermediate Credit Bank debentures.....	.....	3,490	1,000
Total bills and securities.....	281,143	225,569	165,777
Due from foreign banks.....	419	1,232	94
Federal reserve notes of other banks.....	2,674	3,105	2,333
Uncollected items	43,214	53,531	68,621
Bank premises	7,595	7,827	8,061
All other resources.....	1,454	1,297	1,127
Total resources	1,207,317	929,290	632,857
LIABILITIES			
Federal reserve notes in actual circulation.....	692,150	519,471	139,163
Deposits:			
Member bank—reserve account.....	409,360	283,976	360,832
Government	1,782	3,291	2,590
Foreign bank	2,806	10,376	770
Other deposits	2,080	691	960
Total deposits	416,028	298,334	365,152
Deferred availability items.....	40,898	51,885	66,523
Capital paid in.....	16,157	18,011	20,145
Surplus	39,497	38,411	39,936
All other liabilities.....	2,587	3,178	1,938
Total liabilities	1,207,317	929,290	632,857
Ratio of total reserves to deposit and Federal reserve note liabilities combined.....per cent	76.8	76.5	74.4
Contingent liability on bills purchased for foreign correspondents	5,215	33,551	58,223

The high point of member bank borrowings in the City of Chicago was \$14,962,000 on June 24, and the low point \$105,000 on December 29. In the City of Detroit, member banks' borrowings reached a high point of \$46,650,000 on February 8. During a portion of the year and at its close no Detroit banks were borrowing. In Iowa, which is preeminently an agricultural state, member banks' borrowings reached a high point at \$8,677,000 on January 30 and receded to \$2,466,000 on December 31.

Credit accommodations were extended to 662 member banks during the year, represented by 15,284 applications and 92,706 notes rediscounted having a face value of \$1,054,226,288. In dollars, the volume represents an increase of \$45,193,160 over the year 1931. In addition to loans to member banks, 242 notes amounting to \$109,375, secured by Adjusted Service Certificates, were rediscounted on 10 applications for 7 non-member banks.

One hundred member banks suspended operations in this district during the year. Of these, 79 were indebted to the Federal Reserve Bank of Chicago at the time of suspension in the amount of \$7,310,325. This compares with \$7,016,026 placed in failed bank accounts during the year 1931, representing liabilities of 76 member banks.

Claims against suspended banks as of December 31, 1932, aggregated \$1,060,535, representing liabilities to this bank of 32 banks. During the year, collections from claims against closed banks totaled \$7,112,739, which included payment in full of the accounts of 72 banks.

Open Market Operations—Purchases by this bank of bankers' acceptances in 1932 aggregated only \$84,447,000—inclusive of allotments on System account, repurchase agreements, and of purchases from other Federal Reserve banks—as compared with \$347,353,000 in 1931. The high point of the bank's holdings for the year was \$42,395,000 on January 2, and the low \$3,964,000 on December 31. The principal reason for these declines is found in the fact that financing by means of bankers' acceptances decreased in 1932 and that the large accepting banks in the Seventh district pursued a policy of holding bills for their own investment, rather than marketing them. This development resulted in open-market rates on acceptances falling considerably under the bank's minimum buying rate, so that in 1932, for the first time since open-market operations were begun in 1915, this bank was offered, and consequently purchased no acceptances for a period of several months. The bank's minimum buying rate was reduced to $2\frac{3}{4}$ per cent on January 12, and showed a subsequent recession to $2\frac{5}{8}$ per cent on February 26 and to $2\frac{1}{2}$ per cent on March 25. The last change during the year was made on June 24, when the rate was lowered to one per cent. On the other hand, the open-market rate for prime bills was quoted at $\frac{3}{8}$ per cent during the closing weeks of the year.

Earnings and Expenses

EARNINGS	1932	1931	1930
Discounted bills	\$ 1,336,846	\$ 939,567	\$ 1,222,081
Purchased bills	367,299	764,703	629,854
United States Government securities.....	3,455,199	1,937,290	2,503,592
Deficient reserve penalties.....	53,856	32,290	35,290
Miscellaneous	400,471	469,751	443,336
Total earnings	\$ 5,613,671	\$ 4,143,601	\$ 4,834,153
CURRENT EXPENSES			
Salaries:			
Officers	\$ 322,012	\$ 325,015	\$ 320,490
Clerical employes	1,449,098	1,533,928	1,634,841
Other employes	410,210	414,510	406,045
Governors' conferences	240	250	89
Federal reserve agents' conferences.....	138	.....	115
Federal advisory council.....	1,400	1,035	1,228
Directors' meetings	12,532	12,229	11,637
Traveling expenses†	21,429	17,990	18,666
Assessments for Federal Reserve Board's expenses..	97,988	97,092	108,972
Legal fees	16,598	11,769	15,220
Insurance on currency and security shipments.....	43,341	61,130	64,654
Other insurance	44,509	44,642	44,663
Taxes on banking house.....	292,193	290,102	166,941
Light, heat and power.....	37,127	31,227	31,944
Repairs and alterations, banking house.....	28,194	7,680	12,059
Office and other supplies.....	37,769	40,289	45,228
Printing and stationery.....	46,882	61,727	67,093
Telephone	20,844	22,872	20,013
Telegraph	33,973	38,656	41,049
Postage	249,096	217,127	231,868
Expressage	49,309	52,743	58,546
Miscellaneous expenses	77,855	95,858	83,541
Total, exclusive of cost of currency	\$ 3,292,737	\$ 3,377,871	\$ 3,384,902
Federal reserve currency:			
Original cost	122,299	135,718	404,177
Cost of redemption.....	17,657	10,812	16,038
Total current expenses.....	\$ 3,432,693	\$ 3,524,401	\$ 3,805,117
PROFIT AND LOSS ACCOUNT			
	1932	1931	1930
Earnings	\$ 5,613,671	\$ 4,143,601	\$ 4,834,153
Current expenses	3,432,693	3,524,401	3,805,117
Current net earnings.....	\$ 2,180,978	\$ 619,200	\$ 1,029,036
Additions to current net earnings:			
Profit on United States Government securities sold	\$ 873,140	\$ 211,754	\$ 255,952
All others	1,124	52,213	42,558
Total additions	\$ 874,264	\$ 263,967	\$ 298,510
Deductions from current net earnings:			
Bank premises—depreciation	\$ 233,682	\$ 233,682	\$ 233,681
Furniture and equipment.....	14,588	8,883	38,980
Reserve for probable losses.....	21,593	.....	.....
Reserve for self-insurance.....	500,000	.....	.....
All other	42,654	30,707	557
Total deductions	\$ 812,517	\$ 273,272	\$ 273,218
Net deductions from current net earnings.....	.....	9,305	.....
Net additions to current net earnings.....	61,747	.....	25,292
Net earnings	\$ 2,242,725	\$ 609,895	\$ 1,054,328
Dividends paid	\$ 1,029,933	\$ 1,170,633	\$ 1,211,418
Transferred to surplus.....	121,279	.....	.....
Withdrawn from surplus.....	.....	560,738	157,090
Franchise tax paid United States Government.....	1,091,513	.....	.....

† Other than those connected with governors' and agents' conferences and meetings of directors and of the advisory council.

Earnings and Expenses—Continued
SURPLUS ACCOUNT

	1932	1931	1930
Surplus, beginning of year.....	\$38,411,011	\$39,936,492	\$40,093,582
Additions to surplus:			
Transferred from net earnings.....	121,279	.....	.....
Withdrawn from reserve for depreciation on United States bonds.....	964,743	.....	.....
Charges to surplus:			
Excess of expenses and dividend payments over earnings .....	.....	560,738	157,090
Reserve for depreciation on United States bonds.	.....	964,743	.....
Surplus, end of year.....	\$39,497,033	\$38,411,011	\$39,936,492

The amount of United States Government securities handled by the Investment Department was much greater than in earlier years. This was largely the consequence of this bank cooperating with the System policy of accumulating a large volume of United States Government securities during the summer and of making substantial additions to the bank's supplies of short-term United States Government securities in June. Total holdings, therefore, reached an all-time high of \$287,380,100 on June 29, 1932, from which point they subsequently declined to \$262,210,000 on December 31. The low point of the year was \$105,531,100 on January 2 and 3.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS
1932, 1931, and 1930

(Inclusive of transactions with member banks and with other Federal Reserve banks)
AMOUNTS IN THOUSANDS OF DOLLARS

	1932		1931		1930	
	Number of Trans- actions	Amount	Number of Trans- actions	Amount	Number of Trans- actions	Amount
Certificates of Indebtedness, Treasury Notes, and U. S. Bonds:						
*Market Purchases.....	17,112	\$ 753,803	11,189	\$463,074	5,895	\$348,388
*Market Sales	11,434	515,614	9,596	450,785	7,361	413,264
†Bought with Agreement..	13	25,844	5	705	220	68,532
†Sold under Agreement...	11	25,844	6	7,705	199	61,978
Totals	28,570	1,321,105	20,796	922,269	13,675	892,162

*These figures include special Certificates of Indebtedness to cover overdrafts amounting to \$24,000,000 in 1932, \$160,000,000 in 1931, and \$95,000,000 in 1930.

†Inclusive of Agreements purchased through other Federal Reserve banks.

Member Bank Reserves: Reserve Ratio—Reflecting open-market operations of the Reserve System and the augmented stock (since June) of monetary gold in the country, member bank reserve balances in this district showed materially increased volume in 1932. For the month of December, these balances were 82.25 per cent in excess of

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legal requirements, this representing the maximum excess for the year. The lowest percentage of excess over legal requirements was shown in February—3.58 per cent. In the preceding year, average excess ranged from a low of 2.04 per cent in February to a high of 8.32 per cent in September. The ratio of this bank's total reserves to deposit and Federal Reserve note liabilities combined was at its 1932 maximum of 83.7 per cent on March 30, and the low point of 70.4 was recorded June 29, at which time a large volume of Federal Reserve notes went into circulation as a result of banking disturbances for the most part in the city of Chicago.

Membership, Fiduciary Powers, and Bank Relations—The following tabulation shows changes in status of banks, affecting membership during 1932:

Losses to Membership:	1932	1931	1930
Consolidation of state member bank with national bank.....	5	2	3
Consolidation of state member bank with state member bank..	..	5	3
Consolidation of state member bank with non-member bank..	..	3	3
Conversion of state member bank to national bank.....	2	..	..
Conversion of state member bank to non-member bank.....	..	..	..
Refund of deposit to state bank closed in preceding year....	9	..	1
Succession of state member bank by state member bank.....	..	3	..
Suspensions and insolvencies of state member banks.....	16	23	4
Voluntary withdrawal of state bank.....	4	5	18
Consolidation of national bank with national bank.....	19	27	18
Consolidation of national bank with state member bank.....	1	7	1
Consolidation of national bank with non-member bank.....	14	26	20
Conversion of national bank to non-member bank.....	2	2	4
Refund of deposit to national bank closed in preceding year..	11	13	1
Succession of national bank by national bank.....	5	7	4
Suspensions and insolvencies of national banks.....	70	60	15
Voluntary liquidation of national bank.....	..	..	2
Total losses	158	183	97
Additions to Membership:			
Admission of state bank.....	3	1	1
Primary organization of state bank.....	..	1	..
Reopening of state member bank.....	4	..	..
Conversion of state member bank to national bank.....	2	..	..
Succession of state member bank by state member bank.....	..	3	..
Primary organization of national bank.....	3	3	2
Reopening of national bank.....	8	..	..
Succession of national bank by national bank.....	3	5	7
Total additions	23	13	10
Net losses	135	170	87
Withdrawals Pending at Close of Year:			
Consolidation of state member bank with national bank.....	..	2	..
Consolidation of state member bank with non-member bank...	..	..	1
*Suspensions and insolvencies of state member banks.....	6	9	..
Voluntary withdrawal of state member bank.....	1	1	2
Consolidation of national bank with national bank.....	4	10†	10
Consolidation of national bank with state member bank.....	..	..	1
Consolidation of national bank with non-member bank.....	2	10	4
Conversion of national bank to non-member bank.....	..	..	1
Succession of national bank by national bank.....	..	2	4
Suspensions and insolvencies of national banks.....	8	11	13
Total withdrawals pending.....	21	45†	36

*Including three member banks in custody pending reorganization.

†Revised figure.

FEDERAL RESERVE BANK OF CHICAGO

The following banks were authorized and approved in 1932 to exercise fiduciary powers:

Illinois:	Chicago, Continental Illinois National Bank & Trust Company
	Chicago, City National Bank & Trust Company
	*Peru, State-National Bank
	Rockford, Illinois National Bank & Trust Company
	†Rockford, Third National Bank
	†Savanna, First National Bank
Indiana:	Logansport, National Bank of Logansport
Iowa:	Newton, Newton National Bank
	Sioux City, First National Bank in Sioux City
Michigan:	Detroit, First Wayne National Bank
	Pontiac, First National Bank at Pontiac
Wisconsin:	Neenah, First National Bank

*Partial.

†Supplementary.

All others full powers.

The institutions listed below were given confirmations of full trust powers previously granted, due to consolidations or change of title:

Indiana:	Terre Haute, Terre Haute First National Bank
Michigan:	Detroit, First National Bank
Wisconsin:	*Shawano, First National Bank

*Partial.

MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

	December 31, 1932			December 31, 1931			December 31, 1930		
	Nat'l	State	Total	Nat'l	State	Total	Nat'l	State	Total
Illinois	218	22	240	263	34	297	312	38	350
Indiana	110	9	119	128	9	137	153	12	165
Iowa	166	21	187	197	24	221	236	31	267
Michigan	70	95	165	71	108	179	87	130	217
Wisconsin	90	10	100	101	11	112	106	11	117
Total	654	157	811	760	186	946	894	222	1,116

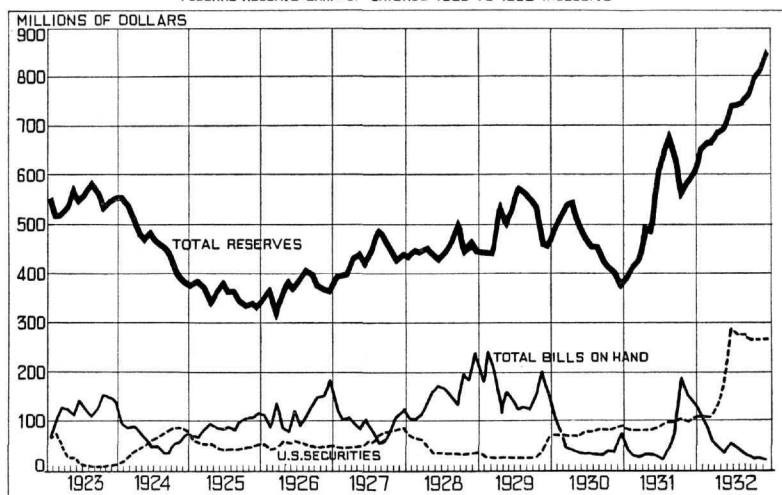
During 1932 representatives of the Bank Relations Department made 867 visits to member banks and 220 visits to non-member institutions—an aggregate of 1,087 calls. Visitors to the number of 3,546 were received at the head office and the Detroit Branch. At the head office 1,553 callers were bankers; 857 students, for the most part in groups; and 592 fell under other classifications.

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Comparative Volume of Operations in Principal Departments 1932, 1931, and 1930

Number of Pieces Handled	1932	1931	1930
Bills discounted:			
Applications	15,294	9,826	8,796
Notes discounted.....	92,948	61,060	38,847
Bills purchased in open market and from other F. R. banks for own account	2,260	16,522	17,728
Currency received and counted.....	359,168,000	398,698,000	409,291,000
Coin received and counted.....	290,267,000	328,241,000	323,631,000
Checks handled	99,242,000	121,752,000	128,039,000
Collection items handled:			
United States Government coupons paid	3,252,000	3,003,000	3,299,000
All other	757,000	780,000	753,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department	386,000	437,000	318,000
Transfers of funds.....	224,000	276,000	328,000
Envelopes received and dispatched...	4,511,000	4,889,000	4,826,000
Amounts Handled			
Bills discounted	\$ 1,054,336,000	\$ 1,009,299,000	\$ 1,171,330,000
Bills purchased in open market and from other F. R. banks for own account	84,447,000	347,353,000	359,330,000
Currency received and counted.....	2,184,821,000	2,245,632,000	2,262,720,000
Coin received and counted.....	27,859,000	30,547,000	35,497,000
Checks handled	17,601,483,000	23,367,737,000	30,271,276,000
Collection items handled:			
United States Government coupons paid	64,095,000	56,620,000	60,367,000
All other	803,509,000	1,168,078,000	1,183,646,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department	2,448,504,000	2,174,263,000	1,025,083,000
Transfers of funds.....	20,378,015,000	27,928,297,000	35,038,613,000

MOVEMENT OF RESOURCES FEDERAL RESERVE BANK OF CHICAGO 1923 TO 1932 INCLUSIVE



DATA AS OF THE LAST REPORTING DATE IN EACH MONTH.

FEDERAL RESERVE BANK OF CHICAGO

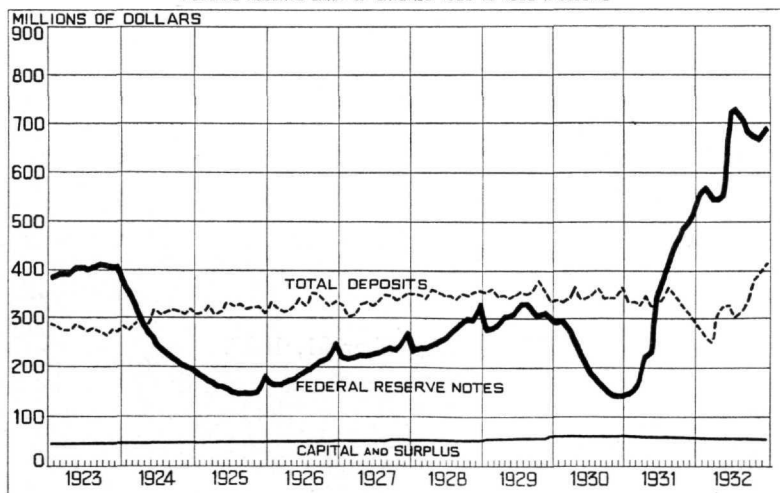
Collateral and Safekeeping Operations—The amount of securities and paper held as collateral for bills discounted and for loans at this bank showed an almost uninterrupted decline from the 1932 high point of \$233,351,567 on January 2 to a low of \$74,240,703 on November 28. The high point of 1931, reached on December 19, amounted to \$240,838,349; and the low of \$113,387,640 was registered on February 13.

On December 31, 1932, a total of 660 banks was using the safekeeping facilities afforded by the Reserve bank, as compared with 721 at the close of 1931. Pieces to the number of 93,061 valued at \$371,277,444 were received during 1932, a decline of 54,170 pieces and of \$45,023,452 in value from the preceding year. The number of receipts issued in 1932 was 15,215, which was 7,290 less than in 1931. Receipts to the number of 22,705, representing 142,670 pieces having a total value of \$346,636,559, were released, as compared with 29,966 releases representing 189,879 securities amounting to \$473,585,548 in the preceding year. Although these figures show a marked reduction from 1931, the work of the department remained heavy because a large number of defaults in bonds and coupons necessitated the handling of many items more than a customary number of times.

Fiscal Agency—The activities of the Fiscal Agency Department continued to increase in the year 1932, the dollar value of securities handled being approximately 12 per cent over the preceding year.

During the year this bank received 4,536 subscriptions for new issues of Government securities (including Treasury bills) totaling \$3,895,659,450. On these, there was allotted \$664,317,550, delivery

MOVEMENT OF LIABILITIES
FEDERAL RESERVE BANK OF CHICAGO 1923 TO 1932 INCLUSIVE



DATA AS OF THE LAST REPORTING DATE IN EACH MONTH

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of which was made by 4,470 shipments containing 95,590 pieces and amounting to \$666,954,850. The difference between this figure and allotments represents transfers on allotment to and from other Federal Reserve banks.

Payment for securities allotted was made as follows:

By surrender of other Government securities . . .	\$347,999,100
By credit in War Loan Deposit Account	228,180,730
By cash	87,995,269
By discount on Treasury bills	142,451
Total	\$664,317,550

There were surrendered to this bank for exchange, transfer, etc., Government securities amounting to \$1,139,419,650, represented by 236,039 pieces, while there were delivered 417,526 pieces totaling \$1,327,625,600. These figures include United States Treasury certificates of indebtedness, Treasury notes and Treasury bills, totaling \$613,667,600 (30,460 pieces), accepted for telegraphic transfer to other Federal Reserve banks, and like securities totaling \$818,178,800 (30,090 pieces) delivered for account of other Federal Reserve banks. Securities redeemed totaled \$642,129,784, represented by 54,343 pieces. In addition, 3,252,248 coupons amounting to \$64,095,033 were cashed.

In February 1932 the Federal Reserve Bank of Chicago, together with the other Federal Reserve banks, was requested to act as custodian for the Reconstruction Finance Corporation. This necessitated the building up of a new division in which there are now 183 employees.

During the year the Fiscal Agency Department (including the Detroit Branch) for account of the Reconstruction Finance Corporation made 2,803 advances to 1,839 borrowers for a total of \$294,282,788, of which \$49,875,304 was repaid.

Gold Settlement Fund—Transactions between the Seventh and other Federal Reserve districts recorded a net gain to this bank of \$128,133,000 in 1932, as compared with a gain of \$176,324,000 in 1931. Receipts from other Federal Reserve banks totaled \$13,577,648,000 and payments amounted to \$13,449,515,000 during the year. These figures reflected a considerable decrease in amount from the \$17,413,303,000 received and \$17,236,979,000 paid out for similar transactions in 1931. Our balance in the Gold Settlement Fund amounted to \$92,716,936 on December 31, 1932.

Clearings and Collections—The number of checks handled during the year 1932 by the Head Office and the Detroit Branch combined, was less than the 1931 volume. A large part of the decrease was due to the tax on checks imposed by the Revenue Act of 1932. The total number of checks decreased 18.5 per cent; those payable

FEDERAL RESERVE BANK OF CHICAGO

in Chicago and Detroit decreased 9.3 per cent; those payable outside of these cities decreased 22.3 per cent; and Government checks decreased .6 per cent. The total number of items handled during the year by both offices was 99,241,539 (including duplications), amounting to \$17,601,483,000, of which number 89.3 per cent was drawn on banks in the Seventh district, 5.3 per cent on banks in other districts, and 5.4 per cent on the United States Treasurer. On December 31, 1931, there were 495 banks using the Federal Reserve clearing facilities as compared with 504 on December 31, 1932.

The Federal Reserve Bank of Chicago and its Detroit branch handled 756,578 non-cash collection letters in 1932, as compared with 780,215 in the preceding year; in aggregate value the 1932 volume was \$803,508,761, a decline of \$364,569,131 from 1931. Of the foregoing 1932 totals, Detroit handled 131,762 items valued at \$78,214,-222 as against 131,883 items and \$128,297,527 a year earlier.

The volume of funds transferred by Chicago and Detroit for member banks was only \$20,378,014,526 in 1932, whereas \$27,928,297,109 was handled in this manner during 1931. Of the 1932 total, \$15,437,-401,787 went over leased wires and \$1,515,811,353 over commercial wires. All other transfers comprised the remaining \$3,424,801,386.

Cash Department—The amount of currency handled in the Cash Department during 1932 was less than in the preceding year. Payments of paper currency aggregated \$2,288,518,000 as compared with \$2,518,902,000 in 1931. Currency received amounted to \$2,184,-388,000 as compared with \$2,234,314,000 in the preceding year. However, there was an increase in Federal Reserve note circulation of this bank of \$164,524,000, from \$527,626,000 on January 2 to \$692,-150,000 on December 31. Although this increase is considerably less than the gain of \$378,234,000 in 1931, it is doubtless in large measure a reflection of continued, though decreased, hoarding in this district. The number of paper currency shipments to country banks was 34,684, as against 38,473 in 1931. The number of coin shipments to country banks was 8,542, as compared with 8,924 in the preceding year.

Internal Organization—George J. Schaller was re-elected a Class A director for the term expiring 1935. Nicholas H. Noyes, Treasurer of Eli Lilly and Company, Indianapolis, Indiana, was elected a Class B director for the term expiring 1935. James Simpson was re-appointed a Class C director for the term expiring 1935. Eugene M. Stevens was re-designated as Chairman of the Board and Federal Reserve Agent. James Simpson was re-designated as Deputy Chairman of the Board. The directors for the year 1933 are shown on page 2.

The Executive Committee for the year 1933 will consist of the following: Chairman, Governor McDougal; Eugene M. Stevens,

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Chairman of the Board and Federal Reserve Agent; Messrs. George M. Reynolds, James Simpson, Edward R. Estberg, and George J. Schaller, Directors.

The Committee on Admission for the year 1933 will consist of the following: Chairman of the Board and Federal Reserve Agent, Eugene M. Stevens; Governor McDougal and Director Estberg.

Robert M. Feustel, Class B Director, died May 8, 1932. Mr. Feustel served as a member of the Board of Directors from January 1, 1930, until his death.

There was one resignation from the official staff during the year: John H. Blair, deputy governor, resigned as of December 31.

The following is a comparison of the total number of employes, exclusive of officials, at the Chicago office:

December 31, 1931.....	1,045
December 31, 1932.....	1,178
Increase.....	<u>133</u>

Wilson W. Mills, Chairman of the First National Bank—Detroit, Detroit, Michigan, was appointed a director of the Detroit Branch to fill the unexpired term of William J. Gray, who died December 22, 1932. Mr. Gray served as a director of the Detroit Branch from January 1, 1926, until his death. John Ballantyne was reappointed as director and William R. Cation as managing director. The directors for the year 1933 are shown on page 2.

There was one appointment to and one resignation from the official staff of the Detroit Branch during the year 1932. William C. Recknagel was appointed Assistant Federal Reserve Agent, April 23, 1932, and resigned December 2, 1932.

The following is a comparison of the total number of employes, exclusive of officials, at the Detroit Branch:

December 31, 1931.....	207
December 31, 1932.....	248
Increase.....	<u>41</u>