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OPERATION OF FEDERAL RESERVE BANK OF CHICAGO

1925

SEVENTH FEDERAL RESERVE
DISTRICT



ELEVENTH ANNUAL
REPORT TO
THE FEDERAL RESERVE
BOARD

OPERATION OF
FEDERAL
RESERVE BANK
OF CHICAGO

1925

SEVENTH FEDERAL RESERVE
DISTRICT



ELEVENTH ANNUAL
REPORT TO
THE FEDERAL RESERVE
BOARD

FEDERAL RESERVE BANK OF CHICAGO

DIRECTORS AND OFFICERS FOR 1925

CLASS A—DIRECTORS

Charles H. McNider, Mason City,
Iowa
President, First National Bank
George M. Reynolds, Chicago, Illinois
Chairman of Board, Continental and
Commercial National Bank
Elbert L. Johnson, Waterloo, Iowa
President, First National Bank, Waverly

CLASS B—DIRECTORS

Stanford T. Crapo, Detroit, Michigan
Secretary and Treasurer, Huron Port-
land Cement Company
August H. Vogel, Milwaukee, Wis-
consin
Vice-President, Pfister and Vogel Leather
Co.
Robert Mueller, Decatur, Illinois
Secretary, Mueller Company

CLASS C—DIRECTORS

Frank C. Ball, Muncie, Indiana
President, Ball Bros. Company
William A. Heath, Evanston, Illinois
Federal Reserve Agent
James Simpson, Chicago, Illinois
President, Marshall Field & Company

OFFICERS

William A. Heath, Chairman
James Simpson, Deputy Chairman
William H. White, Assistant Federal
Reserve Agent
Frank M. Huston, Manager, Division
of Research and Statistics
Francis R. Burgess, Auditor
Walter A. Hopkins, Assistant Audi-
tor
Charles L. Powell, Counsel
Frank O. Wetmore, Chicago, Illinois,
Member Federal Advisory Council

OFFICERS—(CONTINUED)

James B. McDougal, Governor
John H. Blair, Deputy Governor
Charles R. McKay, Deputy Governor

LOANS AND CREDITS

Kent C. Childs, Controller of Loans
and Credits
Allen R. LeRoy, Manager, Loans
Eugene A. Delaney, Manager, Credit
Department
Joseph C. Callahan, Manager, Member
Bank Accounts Department

INVESTMENTS

Alba W. Dazey, Manager, Investment
Department

CASH AND CUSTODIES

Otto J. Netterstrom, Controller of
Cash and Custodies
Jesse G. Roberts, Manager, Cash
Department
Robert E. Coulter, Manager, Cash
Custody Department
Fred Bateman, Manager, Securities
Department

COLLECTIONS

William C. Bachman, Controller of
Collections
Irving Fischer, Manager, Check
Department
Louis G. Pavey, Manager, Collection
Department

ADMINISTRATION

James H. Dillard, Controller of
Administration
Robert J. Hargreaves, Manager, Per-
sonnel Department
Louis G. Meyer, Manager, Service
Department
Frank A. Lindsten, Manager, Dis-
bursing Department
Richard Huelsman, Manager, Plan-
ning Department

FISCAL AGENCY

Don A. Jones, Controller of Fiscal
Agency Functions

DETROIT BRANCH

(128 Congress Street, West)

DIRECTORS AND OFFICERS

George B. Morley, Saginaw, Michigan
President, Second National Bank
William J. Gray, Detroit, Michigan
President, First National Bank
Harry H. Bassett, Flint, Michigan
President, Buick Motor Company
N. P. Hull, Lansing, Michigan
President, Grange Life Insurance
Company
James Inglis, Detroit, Michigan
President, American Blower Company
John W. Staley, Detroit, Michigan
President, Peoples State Bank
William R. Cation, Managing Director
John G. Baskin, Assistant Federal
Reserve Agent
George T. Jarvis, Assistant Auditor
John B. Dew, Cashier
Harlan J. Chalfont, Assistant Cashier
Henry M. Butzel, Assistant Counsel

**FEDERAL RESERVE BANK
OF CHICAGO**

CHICAGO, January 16, 1926.

SIR:

In compliance with your letter of December 7, 1925, I have the honor to submit herewith the eleventh annual report of the Federal Reserve Bank of Chicago, covering the year 1925.

Respectfully,

W. A. HEATH,
Federal Reserve Agent.

HON. D. R. CRISSINGER,
*Governor, Federal Reserve Board,
Washington, D. C.*

FEDERAL RESERVE BANK OF CHICAGO

Comparative Statement of Condition

IN THOUSANDS OF DOLLARS

| RESOURCES | Dec. 31, 1925 | Dec. 31, 1924 | Dec. 31, 1923 |
|---------------------------------------------------------------------------------------|------------------|------------------|------------------|
| Gold with Federal reserve agent..... | 114,683 | 165,909 | 334,917 |
| Gold redemption fund with United States Treasury..... | 5,612 | 2,498 | 4,196 |
| Gold held exclusively against Federal Reserve notes..... | 120,295 | 168,407 | 389,113 |
| Gold settlement fund with Federal Reserve Board..... | 128,969 | 110,989 | 106,900 |
| Gold and gold certificates held by bank..... | 69,067 | 87,980 | 49,091 |
| Total gold reserves..... | 318,331 | 367,376 | 545,104 |
| Reserves other than gold..... | 17,494 | 15,576 | 8,286 |
| Total reserves..... | 335,825 | 382,952 | 553,390 |
| Non-reserve cash..... | 9,568 | 9,266 | 7,500 |
| Bills discounted: | | | |
| Secured by United States Government obligations..... | 55,505 | 19,379 | 48,866 |
| Other bills discounted..... | 32,455 | 18,445 | 46,468 |
| Total bills discounted..... | 87,960 | 37,824 | 95,334 |
| Bills bought in open market..... | 27,711 | 33,882 | 42,437 |
| United States Government securities: | | | |
| Bonds..... | 20,190 | 19,494 | 4,425 |
| Treasury notes..... | 18,955 | 46,556 | 4,868 |
| Certificates of indebtedness..... | 13,657 | 14,320 | 1,464 |
| Total United States Government securities..... | 52,802 | 80,370 | 10,757 |
| Foreign Loans on gold..... | 1,077 | 894 | |
| Total bills and securities..... | 169,550 | 152,970 | 148,528 |
| Uncollected items..... | 97,279 | 81,588 | 66,451 |
| Bank premises..... | 7,933 | 8,099 | 8,264 |
| All other resources..... | 1,928 | 1,556 | 240 |
| Total resources..... | 622,083 | 636,431 | 784,373 |
| LIABILITIES | | | |
| Federal Reserve notes in actual circulation..... | 180,118 | 196,529 | 406,901 |
| Deposits: | | | |
| Member bank—reserve account..... | 306,521 | 312,395 | 268,212 |
| Government..... | 434 | 6,173 | 2,745 |
| Foreign bank..... | 1,139 | 275 | 226 |
| Other deposits..... | 888 | 1,340 | 826 |
| Total deposits..... | 308,982 | 320,183 | 272,009 |
| Deferred availability items..... | 85,020 | 72,786 | 58,611 |
| Capital paid in..... | 15,731 | 15,172 | 15,179 |
| Surplus..... | 30,613 | 30,426 | 30,426 |
| All other liabilities..... | 1,619 | 1,335 | 1,247 |
| Total liabilities..... | 622,083 | 636,431 | 784,373 |
| Ratio of total reserves to deposit and Federal Reserve note liabilities combined..... | 68.7% | 74.1% | 81.5% |
| Contingent liability on bills purchased for foreign correspondents..... | 9,706 | 6,360 | 2,640 |

OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1925

THE generally prosperous industrial and agricultural conditions prevailing throughout the country have been shared by the Seventh Federal Reserve district and reflected in the operations of the Federal Reserve Bank of Chicago in 1925.

Business has been carried on in large volume; although the first six months of the year were marked by considerable unevenness, by midyear the majority of activities in the district exceeded 1924 levels, broadening moderately after the usual summer curtailments which were less extensive than in former years, so that in many instances new yearly records were set. Important among these were the year's automobile output, steel ingot production, building operations, and the manufacture of farm equipment. As a consequence, industrial workers were well employed and at higher wages than during the preceding year, with resultant expansion of demand for consumption goods.

Agricultural sections in general have contributed to increased purchasing power, good crops, as a rule with fair prices, effecting pronounced improvement in the majority of farming communities. Unfortunately there are some areas which have not shared in the increased income, and others, while benefiting, have not shared sufficiently to enable them to recuperate fully from the depression of recent years. The corn crop constituted the one exception to prevailing fair prices; the bulk of this has not been marketed, but if fed promises a good return at current livestock prices.

Financial features have been the plentiful funds available at relatively low rates, unprecedented activity in the investment market, and the new records reached in number and amount of savings deposits.

The personnel of the bank has been reduced during 1925 without impairment of efficiency, notwithstanding the handling of a considerably heightened volume of work as compared with 1924.

Financial Results of Operations—The volume of Federal Reserve credit extended to member banks has been on an expanding scale, reflected in the figures showing amounts of bills discounted at the close of 1925 and 1924. On December 31, 1925, total bills discounted aggregated \$87,960,000, as against \$37,824,000 at the close of 1924, while total cash reserves dropped from \$382,952,000 on December 31, 1924, to \$335,825,000

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Earnings and Expenses

| EARNINGS | 1925 | 1924 | 1923 |
|---------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|
| Discounted bills..... | \$2,121,979 | \$2,044,407 | \$3,872,139 |
| Purchased bills..... | 1,055,291 | 705,723 | 1,420,395 |
| U. S. securities..... | 1,834,450 | 2,121,708 | 1,049,666 |
| Deficient reserve penalties..... | 43,069 | 39,910 | 37,573 |
| Miscellaneous..... | 369,874 | 290,421 | 131,586 |
| Total earnings..... | \$5,424,663 | \$5,202,169 | \$6,511,359 |
| CURRENT EXPENSES | | | |
| Salaries: | | | |
| Bank officers..... | \$ 321,901 | \$ 347,478 | \$ 332,875 |
| Clerical staff..... | 1,663,194 | 1,818,716 | 1,947,951 |
| Special officers and watchmen..... | 95,633 | 102,906 | 108,696 |
| All other..... | 282,265 | 271,471 | 344,363 |
| Governors' conferences..... | 360 | 383 | 711 |
| Federal reserve agents' conferences..... | 346 | 302 | 363 |
| Federal Advisory Council..... | 992 | 914 | 1,007 |
| Directors' meetings..... | 8,147 | 8,441 | 9,094 |
| #Traveling expenses..... | 25,879 | 26,222 | 31,780 |
| Assessments for Federal Reserve Board expenses..... | 97,955 | 91,183 | 97,426 |
| Legal fees..... | 2,000 | 4,711 | |
| Insurance (other than on currency and security ship- ments)..... | 46,069 | 39,714 | 38,601 |
| Taxes on banking house..... | 242,374 | 230,166 | 230,455 |
| Repairs and alterations, banking house..... | 34,353 | 17,941 | 88,308 |
| Light, heat, and power..... | 33,906 | 41,240 | 49,602 |
| Rent..... | 38,364 | 48,142 | 42,176 |
| Telephone..... | 21,878 | 26,675 | 30,164 |
| Telegraph..... | 49,570 | 59,305 | 62,125 |
| Postage..... | 237,061 | 213,546 | 207,994 |
| Expressage..... | 51,588 | 50,584 | 55,244 |
| Insurance on currency and security shipments..... | 64,870 | 58,859 | 56,083 |
| Federal Reserve Currency: | | | |
| Original cost, including shipping charges..... | 189,089 | 225,985 | 210,993 |
| Cost of redemption, including shipping charges..... | 20,675 | 36,556 | 57,752 |
| Taxes on Federal Reserve bank-note circulation..... | | | 2,006 |
| Office and other supplies..... | 66,379 | 76,924 | 144,239 |
| Printing and stationery..... | 71,329 | 81,128 | 112,922 |
| All other expenses..... | 77,862 | 66,944 | 110,094 |
| Total current expenses..... | \$3,744,039 | \$3,946,436 | \$4,373,024 |
| PROFIT AND LOSS ACCOUNT | 1925 | 1924 | 1923 |
| Earnings..... | \$5,424,663 | \$5,202,169 | \$6,511,359 |
| Current expenses..... | 3,744,039 | 3,946,436 | 4,373,024 |
| Current net earnings..... | \$1,680,624 | \$1,255,733 | \$2,138,335 |
| Additions to current net earnings: | | | |
| Withdrawn from reserve for— | | | |
| Depreciation on United States bonds..... | | 21,370 | 29,946 |
| All other..... | 12,646 | 6,487 | 11,957 |
| Total additions..... | \$ 12,646 | \$ 27,857 | \$ 41,903 |
| Deductions from current net earnings: | | | |
| Depreciation allowances on bank premises..... | \$ 165,197 | \$ 165,197 | \$ 451,044 |
| Reserve for probable losses..... | 323,097 | 181,674 | 363,586 |
| Furniture and equipment..... | 32,718 | 11,818 | 166,662 |
| All other..... | 50,985 | 15,778 | 20,591 |
| Total deductions..... | \$ 571,997 | \$ 374,467 | \$1,001,883 |
| Net deductions from current net earnings..... | \$ 559,351 | \$ 346,610 | \$ 959,980 |
| Net earnings available for dividends, surplus and fran- chise tax..... | \$1,121,273 | \$ 909,123 | \$1,178,355 |
| Dividends paid..... | \$ 934,016 | \$ 909,123 | \$ 904,371 |
| Transferred to surplus account..... | 187,257 | | 27,398 |
| Franchise tax paid United States Government..... | | | 246,586 |

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

FEDERAL RESERVE BANK OF CHICAGO

on December 31, 1925. Member bank deposits at the end of 1925 were \$306,521,000 compared with \$312,395,000 on the corresponding date in 1924.

The charts on page 8 present the movement of the principal resources and liabilities from 1920 to 1925, inclusive.

Net earnings from January 1, 1925, to December 31, 1925, totaled \$1,121,272.70 compared with \$909,123.00 in the preceding year. Dividends of \$934,015.92 were paid out of 1925 net earnings, and \$187,256.78 transferred to surplus account. No franchise tax was paid the United States Government, as was the case also in 1924; in the latter year no transfer to surplus was made.

At the beginning of the year 1924, the budget system which had been in use in the agent's division was extended to all departments of the bank, and vigorous efforts were made to effect economy wherever possible. As a result, the total expenses for the year 1924 were \$426,587.85 less than for the year 1923. This reduction was accomplished notwithstanding the fact that the volume of operations handled in all of the departments, excepting the Discount and Government Bond departments, showed increases over the year 1923. This policy was continued during the year 1925, with the result that the total expenses for the year 1925 show a reduction of \$202,397.26 when compared with the year 1924, and the volume of operations, generally, show an increase over the previous year, exceptions in both years being the Discount and Government Bond departments.

Discount Operations in 1925—The loan and discount operations of the Federal Reserve Bank of Chicago during the year 1925 were marked by seasonal fluctuations and showed evidence of heavy demand in certain lines of industry. During the first six weeks of the year loans declined from \$46,830,000 on January 2 to \$23,635,000 on February 18, the latter being the low point of the year. Subsequent to February 18 the general trend of loans was upward with a marked increase at the end of the year, the high point, \$124,560,000, being reached on December 29.

Activity in the automotive industry was evidenced in the trend of the volume of credit in automobile manufacturing centers. Measured by our loans to member banks in the state of Iowa, agricultural demand was found to have followed the usual seasonal fluctuations. These loans decreased from \$11,637,000 on January 2 to \$8,531,000 on April 1, largely because of the marketing of crops and live stock carried over from 1924. The summer demand increased these loans to a level between \$10,000,000 and \$11,000,000, until the harvesting demand in the fall carried them to the high point of \$13,739,000 on December 7.

The number of applications, 16,509, and the number of notes discounted, 79,204, during the year showed a reduction from the volume of 19,391 and 92,140, respectively, in 1924. The volume in dollars, \$2,075,378,000, however, showed a very substantial increase over the \$1,035,261,000 in 1924.

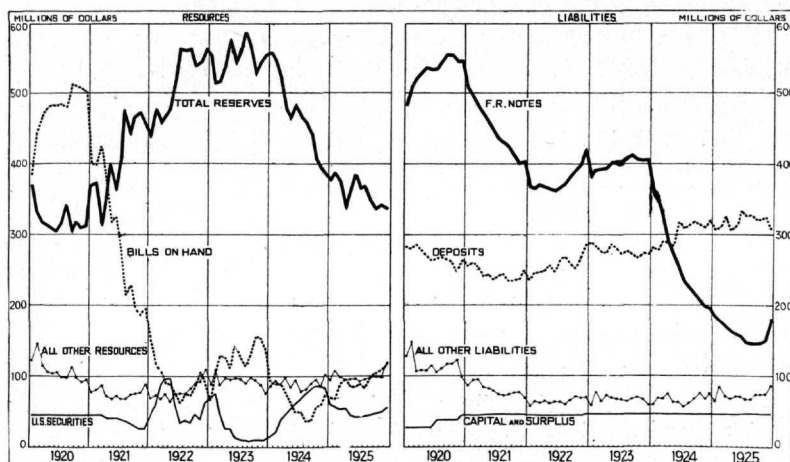
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COMPARATIVE VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS 1925, 1924, and 1923

| Number of Pieces Handled | 1925 | 1924 | 1923 |
|----------------------------------------------------------------------------------------------------|------------------|------------------|-----------------|
| Bills discounted: | | | |
| Applications..... | 16,509 | 19,391 | 21,196 |
| Notes discounted..... | 79,204 | 92,140 | 94,971 |
| Bills purchased in open market for own account..... | 17,316 | 10,135 | 20,241 |
| Currency received and counted..... | 303,159,000 | 282,779,000 | 268,485,000 |
| Coin received and counted..... | 207,945,000 | 208,091,000 | 206,613,000 |
| Checks handled..... | 104,023,000 | 97,084,000 | 88,649,000 |
| Collection items handled: | | | |
| United States Government coupons paid..... | 7,158,000 | 8,063,000 | 10,459,000 |
| All other..... | 507,000 | 489,000 | 442,000 |
| United States securities—issues, redemptions, and exchanges by Fiscal Agency department..... | 1,178,000 | 2,634,000 | # 22,041,000 |
| Transfers of funds..... | 271,000 | 263,000 | 246,000 |
| Envelopes received and dispatched | 4,810,000 | 5,279,000 | 7,460,000 |
| Amounts Handled | | | |
| Bills discounted..... | \$ 2,075,378,000 | \$ 1,035,261,000 | \$2,508,082,000 |
| Bills purchased in open market for own account..... | 247,786,000 | 164,045,000 | 265,360,000 |
| Currency received and counted..... | 1,669,703,000 | 1,564,021,000 | 1,501,901,000 |
| Coin received and counted..... | 31,540,000 | 29,234,000 | 28,843,000 |
| Checks handled..... | 25,356,469,000 | 23,280,863,000 | 23,074,243,000 |
| Collection items handled: | | | |
| United States Government coupons paid..... | 80,233,000 | 82,348,000 | 89,818,000 |
| All other..... | 832,836,000 | 618,147,000 | 763,273,000 |
| United States securities—issues, redemptions, and exchanges by Fiscal Agency department..... | 699,530,000 | 831,013,000 | 1,116,402,000 |
| Transfers of funds..... | 20,537,448,000 | 18,833,433,000 | 15,588,668,000 |

Large total due to redemption of war savings securities which matured January 1, 1923.

MOVEMENT OF RESOURCES AND LIABILITIES FEDERAL RESERVE BANK OF CHICAGO—1920 TO 1925, INCLUSIVE



FEDERAL RESERVE BANK OF CHICAGO

This is accounted for by the fact that a large percentage of the loans handled was extended to banks in larger centers and based on rediscounts of larger denominations. The decrease in the number of items was affected by \$2,633,600 of rediscounted paper being taken from rediscounts and placed in Failed Banks Account during the year; this volume was almost entirely represented by notes of small denomination.

During the year 1925 this bank accommodated 825 banks as compared with 922 in the year 1924.

The aggregate reserve balances maintained by all member banks of the Seventh district exceeded the total legal requirements throughout the year, the excess ranging from 3.11 per cent at the maximum, to 2.30 per cent, the low point. In 1924 aggregate excess reserve balances ranged from a high of 5.20 per cent to a low of 2.57 per cent.

Collateral and Safekeeping Operations—The volume of securities held as collateral in 1925 was in excess of the preceding year, \$90,561,000 being reported on January 2 and \$126,632,000 on December 31, 1925, the latter constituting the high point, and the \$60,664,000 held on March 16 the low point of the year.

The safekeeping services of the Reserve bank on December 31 were being utilized by 635 banks, representing an increase of 5.0 per cent over the number so doing at the end of 1924. The amount held for safekeeping on December 31, 1925, was \$149,091,448, or 4.5 per cent in excess of the \$142,604,851 on the corresponding date in 1924. During 1925, pieces numbering 96,429 were entrusted to this bank for safekeeping compared with 99,918 the year before, and 83,002 pieces were released as against 96,235 in 1924. Receipts to the number of 11,170, or 25.2 per cent more than in 1924, were issued in 1925, and 7,982 receipts were released, representing an increase of 30.2 per cent over the preceding year.

Investments—During 1925, holdings of bankers' acceptances by the Federal Reserve Bank of Chicago fluctuated from a peak of \$43,282,000 on March 25 to a low point of \$24,077,000 on August 25, the investment account showing \$27,711,000 (inclusive of bills bought under sales contract) held at the close of the year. Purchases of acceptances during the year amounted to \$247,786,000 as against \$164,045,000 the previous year, those bought under repurchase agreement totaling \$48,010,000 in 1925 as compared with \$27,039,000 in 1924. Purchases of bills for account of member banks were only \$650,000 in 1925 compared with \$1,800,000 the preceding year.

Holdings of United States securities, consisting for the most part of short maturities, were at a high point the first weekly reporting date of the year, January 7, when \$74,558,000 was reported. These were allowed to mature without reinvestment, or were sold gradually as market conditions seemed to warrant, until a low point of \$38,650,000 was reached on June 17. At the close of the year holdings aggregated \$52,802,000. Open-

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market operations in United States securities throughout the year have been co-ordinated with the other Federal Reserve banks, and purchases and sales have been made primarily to suit the needs of commerce and business.

During the year the Federal Reserve bank purchased \$41,000,000 in United States securities for member banks, compared with \$24,000,000 in 1924. Sales for member banks amounted to \$50,000,000 as against \$42,000,000 in the preceding year. Purchases of securities for account of the Treasury aggregated approximately \$40,000,000, whereas in 1924 these amounted to \$16,000.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS 1925, 1924, AND 1923—AMOUNTS IN THOUSANDS OF DOLLARS

| | 1925 | | 1924 | | 1923 | |
|--------------------------------------------------|------------------------|---------|------------------------|---------|------------------------|---------|
| | Number of Transactions | Amount | Number of Transactions | Amount | Number of Transactions | Amount |
| Certificates of Indebtedness and Treasury Notes: | | | | | | |
| Market Purchases..... | 109 | 167,607 | 264 | 173,615 | 1,006 | 76,505 |
| Market Sales..... | 222 | 182,543 | 462 | 92,309 | 813 | 73,083 |
| Bought with Agreement | 581 | 92,574 | 410 | 52,293 | 2,142 | 198,472 |
| Sold under Agreement | 519 | 90,771 | 401 | 56,292 | 2,250 | 211,317 |
| U. S. Bonds: | | | | | | |
| Bought | 4,314 | 63,141 | 2,989 | 61,015 | 3,356 | 43,015 |
| Sold | 9,611 | 32,752 | 11,698 | 37,845 | 9,710 | 23,840 |
| Totals | 15,356 | 629,388 | 16,224 | 473,369 | 19,277 | 626,232 |

NOTE.—Includes transactions for the account of member and other banks, but excludes temporary Treasury Certificates purchased from the Treasury Department.

Deposit and Federal Reserve Note Liabilities; Reserve Position—The volume of Federal Reserve notes in circulation showed a steadily declining trend during the first eight months of 1925, but after September seasonal requirements for currency were reflected in greater volume of Federal Reserve notes. On January 7, the first weekly reporting date of the year, they stood at \$192,163,000 and on December 30, the last reporting date, at \$179,712,000. The lowest point of the year in Federal Reserve note circulation was \$144,708,000 on September 2. A factor in this reduction in the net circulation of Federal Reserve notes between the beginning and the end of the year was the paying out of a greater volume of gold notes than in 1924. Weekly changes in Federal Reserve note circulation are shown in the Annual Report of the Federal Reserve Board. Throughout the year member bank deposits have averaged higher than in 1924 and, while showing considerable week-to-week fluctuation, the \$324,211,000 given on December 30 differs but little from the \$321,704,000 on the first weekly reporting date of the year.

Total cash reserves in the early months of 1925 showed no established trend, but after April the movement was downward with little interrup-

FEDERAL RESERVE BANK OF CHICAGO

tion. On January 7 total cash reserves were \$385,289,000 as compared with \$321,491,000 on December 30.

The reserve ratio of this bank has been lower during 1925 than in the preceding year, on January 7 amounting to 74.3 per cent, and on December 30 to 63.4 per cent, touching a high point of 81.7 per cent on August 12. The December 30 figure constituted the year's low point.

Membership—Five state banks in the Seventh district were admitted to the System in 1925, as follows: Columbia State Savings Bank, Chicago, Illinois; LaGrange Trust and Savings Bank, LaGrange, Illinois; Sumner State Bank, Stockland, Illinois; First Trust and Savings Bank of Hammond, Indiana; and the Utica State Savings Bank, Utica, Michigan. A total of sixteen withdrew, of which number eleven were closed, two were absorbed by state member banks, and three left on six months' notice. These changes resulted in a net reduction of eleven state member banks during 1925. The names of eighteen national bank members have been added during 1925, thirteen of which were new institutions, four succeeded other national banks, and one represented a conversion of a state bank. Twelve, however, closed their accounts with the Federal Reserve bank, thus reducing to six the gain in the total number of national banks of the district. Of those which closed their accounts, eight had previously suspended operations, seven in 1925 and one late in 1924; five national banks, including two of those no longer operating, were absorbed by other banks; and one bank consolidated with another national bank. A total of sixteen national banks suspended operations during the year, but nine of these have not closed their accounts and therefore are included in the number of member national banks. Total membership showed a reduction of five from the figures of December 31, 1924.

MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

| | December 31, 1925 | | | December 31, 1924 | | | December 31, 1923 | | |
|-----------------|-------------------|-------|-------|-------------------|-------|-------|-------------------|-------|-------|
| | Nat'l | State | Total | Nat'l | State | Total | Nat'l | State | Total |
| Illinois | 333 | 70 | 403 | 331 | 67 | 398 | 336 | 68 | 404 |
| Indiana | 189 | 17 | 206 | 189 | 18 | 207 | 191 | 19 | 210 |
| Iowa | 341 | 90 | 431 | 346 | 100 | 446 | 348 | 107 | 455 |
| Michigan | 90 | 152 | 242 | 83 | 154 | 237 | 182 | 153 | 235 |
| Wisconsin | 112 | 20 | 132 | 110 | 21 | 131 | 107 | 24 | 131 |
| Totals | 1,065 | 349 | 1,414 | 1,059 | 360 | 1,419 | 1,064 | 371 | 1,435 |

Thirty national banks were authorized and approved by the Federal Reserve Board to exercise fiduciary powers. Of this number, two, as indicated by an asterisk in the list appended below, were granted supplementary, or limited, powers, all others receiving full powers.

ILLINOIS: Aurora, American National Bank.
Aurora, Aurora National Bank.
Chicago, Guardian National Bank.
Chicago, Irving Park National Bank.

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- ILLINOIS: Chicago, Washington Park National Bank.
Riverside, First National Bank.
Rockford, Security National Bank.
Waukegan, First National Bank.
Springfield, Illinois National Bank.
- INDIANA: Auburn, City National Bank.
Cloverdale, First National Bank.
Connersville, First National Bank.
Franklin, Citizens National Bank.
LaFayette, National Fowler Bank.
(*) Marion, First National Bank.
Mulberry, Citizens National Bank
Richmond, Union National Bank.
West Port, First National Bank.
- IOWA: Cedar Falls, Cedar Falls National Bank.
Dubuque, Consolidated National Bank.
Eldon, First National Bank.
Eldora, First National Bank.
Harlan, Harlan National Bank.
Jewell Junction, First National Bank.
Sioux City, Toy National Bank.
- MICHIGAN: Ionia, National Bank of Ionia.
Kalamazoo, Kalamazoo National Bank.
Monroe, First National Bank.
(*) Quincy, First National Bank.
- WISCONSIN: Stevens Point, Citizens National Bank.

Since the opening of the Federal Reserve Bank of Chicago, through 1925, thirty national banks and twenty-six state member banks, or a total of fifty-six member banks, have closed their doors. Ten of the number have since re-opened, while thirty-four have liquidated fully, since closing, their indebtedness to the Federal Reserve bank. Included in the above totals are sixteen national banks and eight state member banks which suspended business during the year 1925.

Realizing the necessity for the maintenance of relations of mutual friendship and understanding between the Reserve bank and its member banks, representatives of the Bank Relations Department made 1,723 calls on members during 1925. Such visits not only establish personal contacts, but also bring about, on the one hand, an understanding of the services afforded them by the Reserve bank and, on the other hand, an appreciation by the Reserve bank of the local problems of the members. Misunderstandings are in large measure prevented and, when occurring, these visits are invaluable in clearing them up. Non-member banks are also visited whenever practicable, 1,432 such calls being made in 1925, but these calls are not made for the purpose of soliciting membership.

During the year there were seventy-five addresses delivered by offi-

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cials and other representatives of the Federal Reserve Bank of Chicago. The audiences included trade bodies of various kinds, schools, community gatherings, and hearers interested primarily in banking and the place the Federal Reserve System occupies in our financial structure.

Division of Research and Statistics—The Division of Research and Statistics in 1925 has carried, with decreased personnel, an increasingly heavy volume of work in the preparation of statistical data for the Federal Reserve Board, officials of this bank, and various outside sources, besides completing a detailed preliminary study of member bank earnings and expenses for the year 1924. The reporting service, now comprising approximately 1500 firms engaged in the major industries of the Seventh district, was extended to include the retail shoe trade, and the scope of the lumber survey was greatly increased. The Monthly Review of Business Conditions, based on the reports from individual firms, is sent to a list of 12,000 names in the United States and foreign countries.

The Reference Library, operated in conjunction with the Division of Research and Statistics, now comprises about 6,000 volumes, acquired by gift, purchase, and deposits from the Chicago Public Library, as well as many thousand pamphlets, clippings, valuable maps, charts, and manuscript compilations.

Fiscal Agency Functions—The work of the Fiscal Agency Department has now become more or less routine, the outstanding features being the Treasury financing usual in March, June, September, and December. This bank, as in previous years, took an active part in Government financing during 1925, distributing \$166,719,700 of Certificates of Indebtedness and Treasury Bonds. In the performance of other fiscal agency functions, there were surrendered to this bank for exchange, conversion, redemption, etc., Government securities amounting to \$532,810,704, represented by 1,147,130 pieces. Against these surrenders there were delivered 160,802 pieces aggregating \$316,611,300.

The telegraphic transfer of United States Treasury Certificates of Indebtedness and short-term notes is still used by banks and brokers dealing in these securities and, during the year of 1925, this bank accepted for telegraphic transfer to other Federal Reserve banks \$226,958,400 and delivered \$132,005,000 of Government securities against receipts by other Federal Reserve banks.

The work for the War Finance Corporation is entirely finished, the last of the advances made through this bank having been paid. No new loans were made during the year but twenty-four renewals were effected aggregating \$399,089, and substitutions of collateral amounted to \$838,759. On July 1, 1925, all of the Wisconsin business being handled by the Federal Reserve Bank of Chicago was transferred to the Corporation's Minneapolis office.

Gold Settlement Fund—As was the case in 1924, the volume of balances

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settled through the Gold Settlement Fund in 1925 increased over the preceding year, receipts from other Federal Reserve banks amounting to \$15,400,734,000 compared with \$14,189,217,000 in 1924, and payments to other Federal Reserve banks aggregating \$15,444,254,000 as against \$14,365,048,000 in 1924. These transactions between the Seventh and other Federal Reserve districts, therefore, entailed a net loss of \$43,520,000 to the Chicago bank, whereas in 1924 the corresponding loss had been \$175,831,000. The weekly figures of Gold Settlement Fund transactions are contained in the Annual Report of the Federal Reserve Board.

As a result of these transactions and a considerable volume of deposits, the Gold Settlement Fund, which at the end of 1924 amounted to \$110,989,000, on December 31, 1925, was shown as \$128,969,000.

Clearings and Collections—The total number of checks handled during the year 1925 by the Federal Reserve Bank of Chicago, including the Detroit Branch, was 104,023,000, amounting to \$25,356,469,000, an increase over 1924 of 6,939,000 or 7.1 per cent in the number of items and \$2,075,606,000 in amount. The number of items drawn on Chicago and Detroit banks was practically unchanged, Government checks decreased 5.9 per cent, but items payable outside of Chicago and Detroit increased 10 per cent. The largest volume of items ever handled in one day by the head office and its Detroit Branch combined was 565,447, amounting to \$122,088,000 on November 12, 1925.

While the Check Department handled nearly seven million items in excess of the volume in 1924, its operating expenses in 1925 were less than in the preceding year.

A total of 507,411 non-cash collection items, with an aggregate value of \$832,836,405, was handled by the Federal Reserve Bank of Chicago and the Detroit Branch in 1925, as compared with 489,474 items totaling \$618,147,324 in the preceding year. This represents an increase of 3.7 per cent in the number of items. Of this volume 418,877 items with a total value of \$710,123,836 were handled by the Chicago office, and 88,534 by the Detroit office with a total value of \$122,712,569.

An aggregate of \$20,537,448,000 was transferred by wire during 1925 compared with \$18,833,433,000 in 1924. Of the 1925 total, \$13,457,299,000 was transferred over leased wires, as against \$14,157,666,000 in 1924, and \$2,642,276,000 over commercial wires, all other transfers in 1925 amounting to \$4,437,873,000. Transactions numbered 270,868 compared with 262,776 the preceding year.

Cash and Currency Operations—The amount of currency and coin received and paid out at this bank during 1925 was larger than in any previous year. Currency received amounted to \$1,672,620,000, as compared with \$1,569,248,000 for the preceding year; while payments amounted to \$1,692,976,000, as compared with \$1,532,185,000 in 1924. Shipments of currency and coin to and from country banks numbered 92,644, and in 1924

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were 88,870. During 1925, \$889,998,000 in gold certificates were paid out as compared with \$704,320,000 during the previous year, and \$763,443,000 were received in 1925 compared with \$455,419,000 in 1924. This was a factor in a further reduction in the net circulation of Federal Reserve notes outstanding from a high point of \$195,964,000 on January 2 to \$180,118,000 on December 31.

Internal Organization, Buildings, and Property—Charles H. McNider, Class A Director, and Stanford T. Crapo, Class B Director, whose terms expired at the end of 1925, were re-elected. William A. Heath, Class C Director, whose term also expired at the end of 1925, was re-appointed by the Federal Reserve Board.

The Directors for the year 1926 will consist of the following:

CLASS A—Elbert L. Johnson, Waterloo, Iowa; Charles H. McNider, Mason City, Iowa; George M. Reynolds, Chicago, Illinois.

CLASS B—Stanford T. Crapo, Detroit, Michigan; Robert Mueller, Decatur, Illinois; August H. Vogel, Milwaukee, Wisconsin.

CLASS C—Frank C. Ball, Muncie, Indiana; James Simpson, Chicago, Illinois; William A. Heath, Evanston, Illinois.

The Federal Reserve Board again designated William A. Heath as Chairman of the Board of Directors and Federal Reserve Agent for 1926, and James Simpson as Deputy Chairman.

The Executive Committee for 1925 consisted of James B. McDougal, Governor, William A. Heath, Federal Reserve Agent, Charles H. McNider, George M. Reynolds, James Simpson, and August H. Vogel.

The Membership Committee was composed of William A. Heath, Federal Reserve Agent, James B. McDougal, Governor, and August H. Vogel.

These Committees will serve the Board of Directors in 1926 as constituted during the past year.

There were five resignations in the official staff at the head office during 1925: Frank R. Hanrahan, Manager of Loans, resigned January 31, 1925; John R. Rumbaugh, Manager, Gov't Bond Dept., June 7, 1925; Walter F. McLallen, Secretary and Ass't Federal Reserve Agent, June 30, 1925; Clarke Washburne, Controller of Investments, July 10, 1925; Everett L. Harris, Manager, Bank Relations Department, October 31, 1925. No appointments were made to fill these vacancies.

Following is a comparison of the total number of employees exclusive of officers at the head office:

| | |
|------------------------|-------|
| December 31, 1924..... | 1,246 |
| December 31, 1925..... | 1,209 |
| Reduction | 37 |

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The Detroit Branch Board of Directors for the year 1926 will be: N. P. Hull, Lansing, Michigan; James Inglis, Detroit, Michigan; William J. Gray, Detroit, Michigan; John W. Staley, Detroit, Michigan; W. R. Cation, Detroit, Michigan; Harry H. Bassett, Flint, Michigan; and George B. Morley, Saginaw, Michigan.

There was one resignation in the official staff at Detroit, H. H. Gardner, Assistant Cashier, resigning June 30, 1925.

Following is a comparison of the total number of employees exclusive of officers at the Detroit Branch:

| | |
|------------------------|-----|
| December 31, 1924..... | 156 |
| December 31, 1925..... | 165 |
| Increase | 9 |

The bank building at the head office, completed in 1922, was designed primarily for use of the Federal Reserve bank. At the time it was planned, the head office had approximately 1,600 employees and, naturally, considerable space was allowed for further expansion, as bank operations were increasing rapidly at that time. Since the building has been occupied, readjustments and curtailments of some of the activities of the bank and increased efficiency have made it possible to reduce the staff of the organization, including all employees connected with the operation of the building, to approximately 1,200, and to reduce the amount of space originally assigned to some departments.

In view of these facts, it was decided to rent part of the space in the building to desirable tenants for terms of from five to ten years. We have rented at present to outside tenants approximately five floors. This includes two floors for which leases were executed in 1925. Income from the building during the year 1925 amounted to \$203,724.08 compared with \$142,670.60 during the year 1924.

The total cost of the bank's building complete, including machinery, vaults, and permanent equipment, and including also the cost of the ground upon which it is erected, was \$10,457,231.83. In reduction of this total, the following items have been charged to Profit and Loss:

| | |
|-------------------------------------------------------------------------------------------|--------------|
| Assessed value of old buildings wrecked..... | \$847,398.92 |
| Estimated excess over normal cost of building and permanent equipment | 1,830,847.20 |
| Depreciation on building (2% per annum)..... | 272,990.16 |
| Depreciation on machinery and permanent equip- ment (6 $\frac{2}{3}$ % per annum)..... | 222,600.00 |

The property is carried on the books today at a valuation of \$7,283,395.55.

The bank also owns a building site in the city of Detroit, the net cost of which was \$650,000, purchased with the intention of erecting a building thereon for the occupancy of the Detroit Branch. This is vacant property and produced a revenue during 1925 of \$7,200. No definite arrangements have as yet been made for the construction of a building for the Detroit Branch.