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OPERATION OF
FEDERAL
RESERVE BANK
OF CHICAGO

1927

SEVENTH FEDERAL RESERVE
DISTRICT



THIRTEENTH ANNUAL
REPORT TO
THE FEDERAL RESERVE
BOARD



FEDERAL RESERVE BANK OF CHICAGO
Jackson Boulevard and La Salle Street, Chicago

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FEDERAL
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SEVENTH FEDERAL RESERVE
DISTRICT



THIRTEENTH ANNUAL
REPORT TO
THE FEDERAL RESERVE
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FEDERAL RESERVE BANK OF CHICAGO DIRECTORS AND OFFICERS FOR 1928

CLASS A—DIRECTORS

Charles H. McNider, Mason City, Iowa (1928)
President, First National Bank
Elbert L. Johnson, Waterloo, Iowa (1929)
President, First National Bank, Waverly
George M. Reynolds, Chicago, Illinois (1930)
Chairman of Board, Continental National Bank and Trust Company

CLASS B—DIRECTORS

Stanford T. Crapo, Detroit, Michigan (1928)
Secretary and Treasurer, Huron Portland Cement Company
Robert Mueller, Decatur, Illinois (1929)
Secretary, Mueller Company
August H. Vogel, Milwaukee, Wisconsin (1930)
Vice-President, Pfister and Vogel Leather Company

CLASS C—DIRECTORS

Frank C. Ball, Muncie, Indiana (1928)
President, Ball Bros. Company
James Simpson, Chicago, Illinois (1929)
President, Marshall Field and Company
William A. Heath, Evanston, Illinois (1930)
Federal Reserve Agent

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 Auditor
Charles L. Powell, Counsel
Frank O. Wetmore, Chicago, Illinois, Member Federal Advisory Council

DETROIT BRANCH—*Directors and Officers*

George B. Morley, Saginaw, Michigan
President, Second National Bank
David McMorran, Port Huron, Michigan
Treasurer and Manager, McMorran Milling Company
William J. Gray, Detroit, Michigan
President, First National Bank
James Inglis, Detroit, Michigan
President, American Blower Company
N. P. Hull, Lansing, Michigan
President, Grange Life Insurance Co.

OFFICERS—(CONTINUED)

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

LOANS AND CREDIT

Kent C. Childs, Controller of Loans and Credits
Frank L. Purrington, Manager, Discount Department
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, Personnel Department
Louis G. Meyer, Manager, Service Department
Frank A. Lindsten, Manager, Disbursing Department

FISCAL AGENCY

Don A. Jones, Controller of Fiscal Agency Functions

*John W. Staley, Detroit, Michigan
President, Peoples State Bank

William R. Cation, Managing Director

Harlan J. Chalfont, Cashier
George T. Jarvis, Assistant Cashier
John G. Baskin, Assistant Cashier
Floyd L. Bowen, Assistant Auditor
Henry M. Butzel, Assistant Counsel

*Died Feb. 17, 1928.

**FEDERAL RESERVE BANK
OF CHICAGO**

Chicago, January 17, 1928.

SIR:

I have the honor to submit herewith, in accordance with the usual custom, the thirteenth annual report of the Federal Reserve Bank of Chicago, covering the year 1927.

Respectfully,

W. A. HEATH,

Federal Reserve Agent.

HON. ROY A. YOUNG,
*Governor, Federal Reserve Board,
Washington, D. C.*

FEDERAL RESERVE BANK OF CHICAGO

Comparative Statement of Condition

(IN THOUSANDS OF DOLLARS)

RESOURCES	Dec. 31, 1927	Dec. 31, 1926	Dec. 31, 1925
Gold with Federal reserve agent.....	247,767	163,424	114,683
Gold redemption fund with United States Treasury.....	4,267	8,668	5,612
Gold held exclusively against Federal reserve notes.....	252,034	172,092	120,295
Gold settlement fund with Federal Reserve Board.....	103,172	131,482	128,969
Gold and gold certificates held by bank.....	55,980	64,587	69,067
Total gold reserves.....	411,186	368,161	318,331
Reserves other than gold.....	16,831	21,856	17,494
Total reserves.....	428,017	390,017	335,825
Non-reserve cash.....	9,362	10,958	9,568
Bills discounted:			
Secured by United States Government obligations.....	30,976	58,929	55,505
Other bills discounted.....	21,694	38,902	32,455
Total bills discounted.....	52,670	97,831	87,960
Bills bought in open market.....	62,295	50,116	27,711
United States Government securities:			
Bonds.....	48,934	20,516	20,190
Treasury notes.....	8,070	5,491	18,955
Certificates of indebtedness.....	32,994	22,751	13,657
Total United States Government securities.....	89,998	48,758	52,802
Foreign loans on gold.....	0	0	1,077
Total bills and securities.....	204,963	196,705	169,550
Uncollected items.....	88,620	89,874	97,279
Bank premises.....	8,609	7,770	7,933
All other resources.....	1,375	2,591	1,928
Total resources.....	740,946	697,915	622,083
LIABILITIES			
Federal reserve notes in actual circulation.....	265,293	249,693	180,118
Deposits:			
Member bank—reserve account.....	345,676	311,664	306,521
Government.....	2,518	2,582	434
Foreign bank.....	639	3,857	1,139
Other deposits.....	1,108	943	888
Total deposits.....	349,941	319,046	308,982
Deferred availability items.....	73,124	78,595	85,020
Capital paid in.....	17,965	16,716	15,731
Surplus.....	32,778	31,881	30,613
All other liabilities.....	1,845	1,984	1,619
Total liabilities.....	740,946	697,915	622,083
Ratio of total reserves to deposit and Federal reserve note liabilities combined.....per cent	69.5	68.6	68.7
Contingent liability on bills purchased for foreign correspondents.....	31,571	7,734	9,706

OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1927

The year 1927 has been a period of considerable economic interest in the Seventh Federal Reserve district. The outstanding features have been the unexpectedly improved outlook for agriculture, as the result of autumn weather conditions conducive to maturing of corn and other major crops and a rise in value of some farm products, and the downward trend in automobile production, a movement begun in the late months of the preceding year and resulting in the lowest production figure in December since 1922. In the Federal Reserve bank, an increased volume of work was carried in the Collection Department, Fiscal Agency Department, Investment Department, and in safekeeping services for member banks, during 1927. Operations in the Fiscal Agency Department were largely in connection with redemption activities of the United States Treasury, which involved a marked expansion in volume of work handled. With these exceptions, the work within the Federal Reserve bank has varied little in volume or character from 1926.

As was the case in 1926, at the close of the year conditions in this district in the main are good. Agriculture, the outstanding weak spot in the district's economy a year ago, while benefited greatly by favorable weather late in the current season, cannot yet be said to have recovered fully from the distress period of recent years, though psychologically considerable improvement has taken place during 1927. The lowered volume of output in the automotive industry, reflected in both wholesale and retail distribution figures, prolonged stagnation in the coal industry as an outgrowth of the strike effective from April to October, and marked slowing-down of the steel industry in the latter months of the year, less extensive in this district than in other parts of the country, however, have exerted a retarding influence. Retail trade suffered during the autumn from the extended period of warm weather which delayed the distribution of winter lines of merchandise, but nevertheless has enjoyed a volume of business little different from 1926, an unusually good year.

Total bills and securities of the Federal Reserve bank during 1927 ranged from a low point of \$114,471,000 on May 18, to a high of \$230,796,000 December 14, whereas in the preceding year the high point had been \$234,868,000 (December 29) and the low \$125,699,000 on March 17. This slightly lower volume of reserve bank credit in use in the Seventh district as compared with 1926 is a reflection of the ability of member banks to care for the needs of their customers without recourse to the reserve bank, rather than an outgrowth of a lessened demand for banking accommodation in this district. Loans and discounts of reporting member banks have

THIRTEENTH ANNUAL REPORT

Earnings and Expenses

EARNINGS	1927	1926	1925
Discounted bills	\$2,247,451	\$3,015,981	\$2,121,979
Purchased bills	1,188,546	1,230,850	1,055,291
U. S. securities	2,215,536	1,929,874	1,834,450
Foreign loans on gold		25,450	
Deficient reserve penalties	47,971	50,427	43,069
Miscellaneous	467,848	314,461	369,874
Total earnings	\$6,167,352	\$6,567,043	\$5,424,663
CURRENT EXPENSES			
Salaries:			
Bank officers	\$ 296,811	\$ 299,523	\$ 321,901
Clerical staff	1,730,516	1,685,405	1,663,194
Special officers and watchmen	112,208	97,675	95,633
All other	273,338	287,790	282,265
Governors' conferences	274	420	360
Federal reserve agents' conferences	168	230	346
Federal Advisory Council	1,214	1,193	992
Directors' meetings	8,969	10,210	8,147
†Traveling expenses	25,262	24,630	25,879
Assessments for Federal Reserve Board expenses	106,972	99,230	97,955
Legal fees	3,199	8,513	2,000
Insurance (other than on currency and security shipments)	36,773	42,082	46,069
Taxes on banking house	276,000	278,548	242,374
Light, heat, and power	26,703	27,477	33,906
Repairs and alterations, banking house	21,225	769	34,353
Rent	38,700	38,231	38,364
Telephone	21,646	20,698	21,878
Telegraph	40,930	46,182	49,570
Postage	243,272	239,748	237,061
Expressage	55,411	51,446	51,588
Insurance on currency and security shipments	68,179	66,838	64,870
Printing and stationery	73,073	76,641	71,329
Office and other supplies	54,444	61,721	66,379
Miscellaneous expenses	85,365	69,726	77,862
Federal reserve currency (including shipping charges):			
Original cost	267,131	275,997	189,089
Cost of redemption	19,275	13,604	20,675
Total current expenses	\$3,887,058	\$3,824,437	\$3,744,039
PROFIT AND LOSS ACCOUNT	1927	1926	1925
Earnings	\$6,167,352	\$6,567,043	\$5,424,663
Current expenses	3,887,058	3,824,437	3,744,039
Current net earnings	\$2,280,294	\$2,742,606	\$1,680,624
Additions to current net earnings	\$ 13,061	\$ 13,098	\$ 12,646
Deductions from current net earnings:			
Depreciation allowances on bank premises	\$ 165,197	\$ 165,197	\$ 165,197
Reserve for probable losses	50,809	241,032	323,097
Furniture and equipment	130,720	83,039	32,718
All other	18,985	12,513	50,985
Total deductions	\$ 365,711	\$ 501,781	\$ 571,997
Net deductions from current net earnings	\$ 352,650	\$ 488,683	\$ 559,351
Net earnings available for dividends, surplus, and franchise tax	\$1,927,644	\$2,253,923	\$1,121,273
Dividends paid	\$1,029,990	\$ 985,959	\$ 934,016
Transferred to surplus account	897,654	1,267,964	187,257

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

FEDERAL RESERVE BANK OF CHICAGO

been in greater volume during 1927 than in 1926, the increases, however, representing for the most part loans on stocks and bonds, commercial loans tending downward, especially the latter months of the year which have been marked by considerable industrial uncertainty.

On September 7 the rediscount rate of the Chicago Federal Reserve bank, which had been at 4 per cent for all classes and maturities of eligible paper since June 14, 1924, was lowered to $3\frac{1}{2}$ per cent. This change was in conformity with reductions that were made at about this time at the other reserve banks.

During the past year a total of 124 banks suspended in the Seventh district, a noteworthy decrease from the 182 in 1926. Of those suspending in 1927, twenty-five were national banks, nine were state members, and ninety non-members of which fifteen were private institutions. With these figures the number of closed banks in the district since 1920 aggregates 647, including ninety-one national banks and fifty-one state member banks. In 1927 eleven banks re-opened, three national (one of which closed in 1926) and eight non-member of which one was a private bank.

Despite the uncertainty of outlook which persisted until autumn, the agricultural industry in the Seventh district at the close of 1927 finds itself in fairly good position, though less favorable, owing to smaller crops, than in some other sections of the Middle West. The growing season, opening unusually early, was handicapped by a frost in April which reduced the outlook for early crops and in a number of instances resulted in lessened acreages of fall crops, and by continued cold and rainy weather in May and June. Growth was further adversely affected by intense heat the fore part of July. More favorable weather after mid-summer, however, coupled with the fact that frost was experienced later than is the case most years, resulted in far better yields than had been anticipated. Hay and forage crops were in bountiful supply, and some increase over last year was shown in barley, buckwheat, strawberries, and a few varieties of garden truck. Practically all of the major crops in this district, nevertheless, were reduced from a year ago; production of fruit was approximately half that in 1926. The spring crops of lambs and pigs were in excess of 1926, but a reduction from a year ago was shown in the autumn crop of pigs. Because of the relatively smaller corn crop in this district, there was evident some tendency to market hogs earlier this autumn than usual, and a considerable reduction in cattle feeding was indicated. December 1 farm holdings decreased 12.8 per cent in number of beef cattle, 5.0 per cent in size of lamb flocks, and 2.7 per cent in the number of hogs of marketable age. Dairy herds increased 3.0 per cent.

Prices of corn, oats, barley, rye, cattle, calves, butter fat, and apples advanced over 1926, while those for hay, hogs, chickens, eggs, and wool declined. Lamb, wheat, and buckwheat quotations showed considerable fluctuation, but the average was approximately that of 1926.

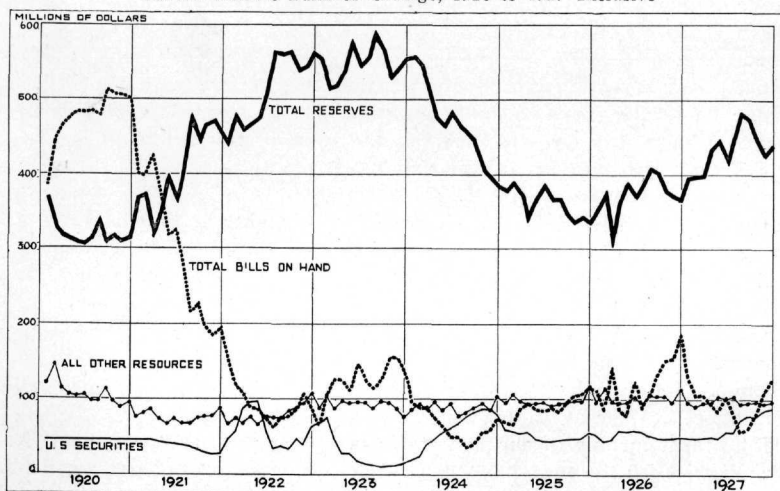
Total farm income of the five states including the Seventh Federal Reserve district for the 1927-1928 crop year declined nearly two per cent from 1926-1927, according to the best information available.

THIRTEENTH ANNUAL REPORT

COMPARATIVE VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS 1927, 1926, AND 1925

NUMBER OF PIECES HANDLED	1927	1926	1925
Bills discounted:			
Applications	12,811	16,831	16,509
Notes discounted.....	59,413	81,998	79,204
Bills purchased in open market for own account	24,318	21,579	17,316
Currency received and counted.....	354,844,000	328,450,000	303,159,000
Coin received and counted.....	263,577,000	246,233,000	207,945,000
Checks handled	119,112,000	111,800,000	104,023,000
Collection items handled:			
United States Government coupons paid	6,084,000	6,547,000	7,158,000
All other	599,000	556,000	507,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....	1,493,000	858,000	1,178,000
Transfers of funds.....	299,000	297,000	271,000
Envelopes received and dispatched..	5,071,000	4,757,000	4,810,000
AMOUNTS HANDLED			
Bills discounted	\$ 2,778,197,000	\$ 2,972,108,000	\$ 2,075,378,000
Bills purchased in open market for own account	367,141,000	301,759,000	247,786,000
Currency received and counted.....	1,979,757,000	1,872,170,000	1,669,703,000
Coin received and counted.....	36,096,000	34,794,000	31,540,000
Checks handled	27,069,498,000	27,294,595,000	25,356,469,000
Collection items handled:			
United States Government coupons paid	64,196,000	76,554,000	80,233,000
All other	989,766,000	922,542,000	832,836,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....	1,456,559,000	639,421,000	699,530,000
Transfers of funds.....	24,367,445,000	23,012,766,000	20,537,448,000

MOVEMENT OF RESOURCES
Federal Reserve Bank of Chicago, 1920 to 1927 Inclusive



Data as of the last reporting date in each month.

FEDERAL RESERVE BANK OF CHICAGO

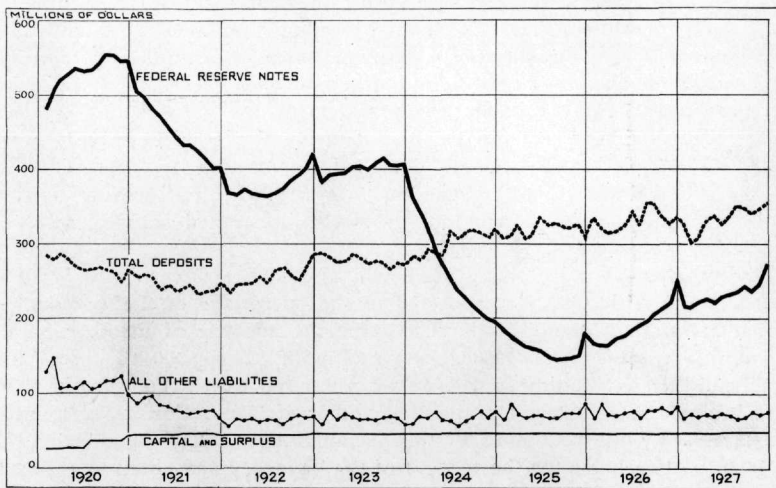
Financial Results of Operation—Net earnings of the Federal Reserve Bank of Chicago for the calendar year 1927 were \$1,927,644, compared with \$2,253,923 in 1926 and \$1,121,273 in 1925. Out of 1927 net earnings, dividends of \$1,029,990 were paid, and \$897,654 was transferred to surplus. No franchise tax was paid the United States Government. Total current expenses in 1927 were \$3,887,058, compared with \$3,824,437 in 1926.

Discount Operations in 1927—The loan and discount operations of the Federal Reserve Bank of Chicago during the year 1927 reflected the usual seasonal fluctuations and demand occasioned by Government financing operations. The high point of loans for the year was January 5, \$119,961,000, and the low point, \$30,570,000, September 7.

Demands from banks in agricultural communities followed the usual seasonal trend and may be evidenced by loans of this bank to Iowa member banks, which are granted almost entirely for agricultural purposes. In that state member banks were borrowing \$9,358,000, the high point of the year, on January 10. The reduction from this point was steady until April 5, with \$5,057,000. The customary increase thereafter until May 11 brought loans to Iowa member banks up to \$6,353,000, after which there was a steady decline until the low point of \$2,177,000 was reached September 16. Thereafter the fall demand brought them up to \$7,005,000 on November 29. The autumn liquidating period reduced them to \$4,023,000 December 31. In general the character of agricultural paper submitted to the reserve bank for rediscount has been of better quality during the past year than formerly.

During the year, this bank extended credit accommodation to 746 member banks, represented by 12,811 applications and 59,413 notes discounted.

MOVEMENT OF LIABILITIES
Federal Reserve Bank of Chicago, 1920 to 1927 Inclusive



Data as of the last reporting date in each month.

THIRTEENTH ANNUAL REPORT

with a face value of \$2,778,196,715, a decline in dollar amount of \$193,911,267 from 1926.

Rediscounted paper aggregating \$1,826,645 was taken from rediscounts and placed in the Failed Banks Account during the year, as a result of the failure of thirty member banks indebted to this bank at the time of closing. This represents a reduction of \$2,405,795 from the 1926 figure and reflects the improved condition of member banks.

The aggregate average reserve balances maintained by all member banks in the Seventh district exceeded the total legal requirements throughout the year, the excess ranging from a high monthly average of 3.14 in November to a low of 2.27 in February.

• **Collateral and Safekeeping Operations**—The volume of securities held as collateral in 1927 decreased slightly as compared with 1926; the high point of the year occurred January 3 with \$146,846,257, and the low point March 15 with \$89,830,817. The high point in 1926 was shown November 27—\$150,311,000—and the low of \$86,535,000 on March 18. On December 31, 1926, securities held as collateral totaled \$136,483,000, and on December 31, 1927, \$132,894,000.

On December 31, 1927, the safekeeping services of this bank and the Detroit Branch were being utilized by 704 banks, representing a gain of 17 institutions availing themselves of this service during the year. The total amount held by the head office and branch was \$303,087,521 on December 31, or 86.5 per cent above the corresponding figure the preceding year. Pieces to the number of 167,055, representing \$354,589,646, were received, the number of pieces increasing 76.6 per cent over the 1926 aggregate. There were released 128,280 pieces (\$241,214,974), representing a gain of 56.9 per cent over 1926. Receipts numbering 23,888 were issued—95.2 per cent more than in the preceding year—and 15,140 receipts were released, a gain of 61.3 per cent over 1926. The marked increase in volume of safekeeping operations in 1927 over the preceding year is partly attributable to the resolution of the Chicago Clearing House Association adopted January 1, 1927, to the effect that on and after that date Clearing House members make a charge of \$1.00 per thousand for the safekeeping services rendered to their correspondent banks. During the year there were more than 267,000 pieces of coupons detached, amounting to approximately \$11,000,000, which involved considerable work both in the Records Division and the Custodian Division before the banks concerned actually received credit for the proceeds.

Investments—A more active market in United States securities in 1927, as compared with 1926, was reflected in the operations of the Investment Department, the volume of purchases for the account of member banks amounting to about \$35,000,000 compared with \$24,000,000 the preceding year, and sales amounting to \$43,000,000 compared with \$34,000,000 in 1926. The increase in volume, as well as in number of transactions, is accounted for largely by the refunding of the Second Liberty Loan bonds by the Treasury. Purchases for the account of the Treasury amounted to approximately \$55,000,000, as against \$50,000,000 last year. Purchases in Chicago

FEDERAL RESERVE BANK OF CHICAGO

for the account of the Federal Reserve System amounted to more than \$100,000,000 in 1927, compared with about \$25,000,000 in 1926.

There was a noticeable increase in the activity of the market in Chicago for bankers' acceptances during 1927, which was reflected in purchases of the reserve bank from member banks; these totaled about \$120,000,000 compared with \$28,000,000 in 1926. Total purchases amounted to approximately \$375,000,000 as compared with \$318,000,000 during 1926. These figures include purchases under sales contract, which totaled over \$102,000,000 compared with \$80,000,000 in 1926. Holdings of acceptances during the year were at the low point on August 10 with \$18,921,000, and reached a maximum of \$66,203,000 on December 21. On December 31 this item stood at \$62,295,000.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS 1927,
1926, AND 1925—AMOUNTS IN THOUSANDS OF DOLLARS

	1927		1926		1925	
	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.....	5,056	\$806,585	5,040	\$294,870	4,423	\$230,748
*Market Sales.....	13,167	664,501	8,931	249,608	9,833	215,295
Bought with Agreement	395	204,177	508	141,049	581	92,574
Sold under Agreement	538	197,411	554	137,273	519	90,771
Totals	19,156	1,872,674	15,033	822,800	15,356	629,388

*These figures include special Certificates of Indebtedness to cover overdrafts amounting to \$384,000,000 in 1927; \$112,000,000 in 1926; \$78,500,000 in 1925.

Federal Reserve Note and Deposit Liabilities; Reserve Position—The volume of Federal Reserve note circulation in 1927 was considerably in excess of the preceding year. The low point was shown on February 16, \$210,803,000, and the high point, \$271,754,000, December 28. On the first reporting date of the year, January 5, Federal Reserve notes in circulation amounted to \$245,440,000, and after declining to the low point the middle of February, showed a rising trend throughout the year, subject to considerable fluctuation from week to week. The chart on page 9 depicts the trend in Federal Reserve note circulation from 1920 through the current year. Member bank deposits have been on a slightly higher level than in 1926. A high point of \$360,274,000 was reached October 19, and the low point of \$297,168,000 on February 23. On January 5, the first reporting date of the year, this item stood at \$336,832,000, and on December 28 at \$346,855,000. Total cash reserves, touching their low point on January 5, with \$385,775,000, on December 28 were \$438,551,000, the high point of the year appearing September 7, \$494,183,000. The reserve ratio of this bank during 1927 ranged from a low of 65.5 per cent January 5, to a high of 83.0 on two successive weekly reporting dates, August 31 and September 7. On December 28 the ratio was 70.3 per cent.

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Membership—Six state banks of the Seventh district were admitted to the System in 1927, as follows: Peoples State Bank, Shannon, Illinois; Wheaton Trust and Savings Bank, Wheaton, Illinois; Ladoga State Bank, Ladoga, Indiana; Guardian Detroit Bank, Detroit, Michigan; Fordson State Bank, Fordson, Michigan; and Pigeon State Bank, Pigeon, Michigan. Of these, four were new banks, and two formerly eligible non-members. Twenty state banks withdrew, of which number six did so on six months' notice, two were liquidated and absorbed by non-member banks, one consolidated with a new national bank, and the accounts of eleven closed banks were terminated, seven of these having been closed during 1927 and four in 1926. These changes resulted in a net reduction of fourteen state member banks during 1927. The withdrawals of five state banks are pending—two were closed and three are withdrawing on six months' notice. Eleven national banks were added to membership in 1927; three of them new; seven successors to other national banks, one of which closed in 1926, two in 1927, and the remaining four were absorbed; one was a new bank which consolidated with and succeeded a state member bank. The memberships of fifty-four national banks were terminated during the year, seventeen on account of absorption by other banks (nine by other national banks, five by state member banks, three by non-member banks), three liquidated voluntarily, one was succeeded by a non-member trust company, and thirty-three were closed, one in 1925, eleven in 1926, and twenty-one in 1927. The withdrawals of eight national banks are pending: two of these were closed; three liquidated voluntarily and have been absorbed, two of them by non-member banks, and one by a state member bank; two are contemplating liquidation—one of them to be absorbed by another national; and one has been absorbed by a non-member bank. Total membership showed a reduction of fifty-seven from December 31, 1926.

MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

	December 31, 1927			December 31, 1926			December 31, 1925		
	Nat'l	State	Total	Nat'l	State	Total	Nat'l	State	Total
Illinois	325	69	394	328	69	397	333	70	403
Indiana	175	15	190	184	15	199	189	17	206
Iowa	285	64	349	314	74	388	341	90	431
Michigan	94	145	239	96	148	244	90	152	242
Wisconsin	111	17	128	111	18	129	112	20	132
Total	990	310	1,300	1,033	324	1,357	1,065	349	1,414

Authorization and approval by the Federal Reserve Board to exercise fiduciary powers was given to forty-one national banks, twenty-one of them receiving full powers, and twenty supplementary or partial, as shown in the tabulation below.

A total of 1,240 calls was made by representatives of the Bank Relations Department during 1927, of which 861 were on member banks and 379 on non-member institutions.

During 1927 twelve addresses were made by officers and other representatives of the Federal Reserve Bank of Chicago.

FEDERAL RESERVE BANK OF CHICAGO

MEMBER BANKS AUTHORIZED AND APPROVED TO EXERCISE FIDUCIARY POWERS

- ILLINOIS: Berwyn, First National Bank.
Chicago, Continental National Bank & Trust Co.
(*Granted originally to Continental and Commercial National Bank.*)
Chicago, National Builders Bank of Chicago.
*Decatur, National Bank of Decatur.
*Joliet, First National Bank.
Knoxville, Farmers National Bank.
*LaSalle, LaSalle National Bank.
Naperville, First National Bank.
Ottawa, First National Bank.
Paris, First National Bank.
Pekin, American National Bank.
Peru, Peru National Bank.
Sterling, Sterling National Bank.
Wilmette, First National Bank.
- INDIANA: Huntington, First National Bank.
Indianapolis, Continental National Bank.
*LaPorte, First National Bank.
*Mishawaka, First National Bank.
New Castle, Farmers and First National Bank.
*Richmond, Second National Bank.
*Rockville, Rockville National Bank.
*Russiaville, First National Bank.
*Tipton, Citizens National Bank.
†*Wabash, Farmers and Merchants National Bank.
- IOWA: Charles City, Citizens National Bank.
*Clinton, City National Bank.
†Columbus Junction, Louisa County National Bank.
Dysart, First National Bank.
*Red Oak, First National Bank.
Sioux City, Live Stock National Bank.
*Waterloo, Pioneer National Bank.
- MICHIGAN: *Battle Creek, Central National Bank.
†*Birmingham, First National Bank.
*Flint, First National Bank.
†Ludington, First National Bank.
*Port Huron, First National Bank.
St. Joseph, Commercial National Bank.
- WISCONSIN: Baraboo, First National Bank.
*Janesville, First National Bank.
Kenosha, U. S. National Bank.
Madison, Commercial National Bank.

*Supplementary. †Partial. All others full powers.

THIRTEENTH ANNUAL REPORT

Division of Research and Statistics—Beside an increased volume of statistical data prepared for officials of this bank, the Federal Reserve Board, and outside sources, particularly member banks, the Division completed in 1927 a study of the earnings and expenses in 1926 of 1,324 member banks in the Seventh district, thus providing a basis of comparison with a similar study for 1924 completed two years ago. The 1926 study was carried further by grouping the member banks according to size of city wherein located. A special earnings and expense study of all state banks in Iowa (1926) was completed, and similar studies for other states including the Seventh district are under way. Special compilations of deposits of state banks in several states over a considerable period of years were prepared for the use of the Federal Reserve Board. During the year nearly all monthly business indices were changed from a 1919 to a 1923-1924-1925 monthly average base. The reporting list of chain stores and of foundries in the district was materially expanded in 1927. In response to the increasing interest of reporting firms in procuring bases for comparing their individual operations, the policy was adopted in 1927 of supplying reporting firms with special summaries for their particular lines and cities as early in each month as reports are received from a sufficient number.

Approximately 500 books and pamphlets were added to the reference library, administered as a part of this division, making a total of over 7,000 volumes now on the shelves.

Fiscal Agency Functions—During 1927 this bank continued to take an active part in United States Government financing, the work for this year being augmented by the payment of the Second Liberty Loan.

During the year the bank distributed \$479,536,000 of new issues of United States securities which were allotted on 11,753 subscriptions. Payments for these were made by the surrender of \$262,727,350 of maturing securities, \$3,938,260 by cash, and \$211,714,490 by credit in War Loan Deposit Account. The balance (\$1,156,000) represented transfers of allotment to and from other Federal Reserve banks.

In the performance of other fiscal agency transactions there were surrendered for exchange, Government securities amounting to \$342,451,250, represented by 693,515 pieces, against which were delivered 160,985 pieces, aggregating \$335,316,600. Government securities to the amount of \$634,571,789 were redeemed, represented by 688,364 pieces.

In refunding the Second Liberty Loan there were retired through this bank by purchase, exchange, and cash redemption \$430,261,600 of bonds, 456,417 pieces in coupon form and 95,971 pieces in registered form.

In making telegraphic transfer of United States Treasury Certificates of Indebtedness and notes, this bank accepted for transfer to other Federal Reserve banks \$217,508,450, and delivered for account of other Federal Reserve banks, \$165,067,900.

Shortly before November 15, 1927, the date on which Second Liberty Loan bonds were called for payment, the Treasury offered to purchase bonds of this issue for the Cumulative Sinking Fund at prices ranging

FEDERAL RESERVE BANK OF CHICAGO

from par, to par and three thirty-seconds. Under this offer this bank purchased for the Treasurer's account \$18,332,750 of 4 and 4¼ per cent bonds.

The total value of United States securities, new issues, redemptions, and exchanges received by the Fiscal Agency Department during the year was \$1,456,558,640 against \$639,420,529 for the year 1926.

Gold Settlement Fund—Transactions between the Seventh and other Federal Reserve districts through the Gold Settlement Fund resulted in a net gain of \$3,545,000 compared with a gain of \$23,212,000 during the preceding year. Receipts from other Federal Reserve banks aggregated \$16,694,979,000, a rise of \$310,628,000 over 1926, and payments to other Federal Reserve banks totaled \$16,691,434,000 as against \$16,361,139,000 the preceding year. The Gold Settlement Fund on December 31, 1927, amounted to \$103,172,323 compared with \$131,481,442 at the close of 1926.

Clearings and Collections—The volume of checks handled during the year 1927 by the head office and the Detroit Branch combined, showed a very substantial increase over 1926. The total number of checks increased 6.5 per cent; those payable in Chicago and Detroit gained 7.0 per cent, those payable outside these cities 6.6 per cent, and Government checks 3.1 per cent. The total number of items handled during the year by both offices was 119,112,000 (including duplications), amounting to \$27,069,498,000. Of these, 90.3 per cent of the items were drawn on banks in the Seventh district, 5.3 per cent on banks in other districts, and 4.4 per cent on the United States Treasurer. On October 13, 1927, the head office and branch combined dealt with the largest volume of items in the history of the check collection department. A total of 653,793 was handled, amounting to \$132,813,000. There were 116,941 of these payable in Chicago and Detroit, 521,075 payable outside of those cities, and 15,777 payable by the Treasurer of the United States. This volume surpasses the previous high point (October 13, 1926) by 46,751 items and \$5,806,000. The close of 1927 found the check department at the highest point of efficiency in its existence.

There were thirty-eight fewer non-par banks in the Seventh district at the close of 1927 than at the beginning of the year. A large number of Michigan banks requested reinstatement in the par list the early part of the year.

A total of 599,247 non-cash collection letters, with an aggregate value of \$989,766,422, was handled by the bank and Detroit Branch in 1927, as against 556,433 letters totaling \$922,542,280 in 1926. This represents an increase of 7.7 per cent in number of letters. Of this volume, 504,911 items with a total value of \$852,285,549 were handled in the head office, and 94,336 with a total value of \$137,480,873 were handled by the Detroit Branch.

An aggregate of \$24,367,445,000 was transferred by wire during 1927, compared with \$23,012,766,000 the preceding year. Of the 1927 total, \$15,602,358,000 was transferred over leased wires as against \$14,621,903,000 in 1926, and \$2,807,207,000 over commercial wires compared with \$2,956,-

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703,000 the preceding year. All other transfers in 1927 amounted to \$5,957,880,000 as against \$5,434,160,000 in 1926. Transactions numbered 298,724 compared with 296,979 the preceding year.

Cash and Currency Operations—The currency and coin operations at the Federal Reserve Bank of Chicago during 1927 continued to increase, as has been the case in previous years. Currency received amounted to \$1,963,017,000, compared with \$1,913,410,000 in 1926. Payments of \$1,954,-855,000 during the past year compared with \$1,883,179,000 in 1926. The volume of Federal Reserve notes in circulation in 1927 showed only moderate expansion—\$245,440,000 on January 5, the first reporting date of the year, and \$265,293,000 on December 31—the gain being due in part, as was the case in 1926, to the fact that fewer gold certificates were available for payment. Gold certificates paid out totaled \$586,000,000 as against \$696,-000,000 in 1926.

Internal Organization, Buildings, and Property—George M. Reynolds, Class A Director, and August H. Vogel, Class B Director, whose terms expired with the end of 1927, were re-elected. William A. Heath, Class C Director, whose term also expired at the end of 1927, was reappointed by the Federal Reserve Board.

The Directors for the year 1928 will consist of the following:

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

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

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

The Federal Reserve Board again designated William A. Heath as Chairman of the Board of Directors and Federal Reserve Agent for the year 1928, and James Simpson as Deputy Chairman.

The Executive Committee for the year 1927 consisted of Governor James B. McDougal, William A. Heath, Chairman, and the following Directors: Charles H. McNider, George M. Reynolds, James Simpson, and August H. Vogel. The Membership Committee for the year 1927 consisted of Mr. Heath, Federal Reserve Agent, Governor McDougal, and Mr. Vogel. These committees will serve the Board of Directors in 1928 as constituted during the past year.

There was one resignation in the official staff at the Chicago office during the year 1927. Allen R. LeRoy, Manager of Loans, resigned as of July 31, 1927, and there was one appointment in the official staff during 1927. Frank L. Purrington was appointed Manager of the Discount Department as of August 12, 1927.

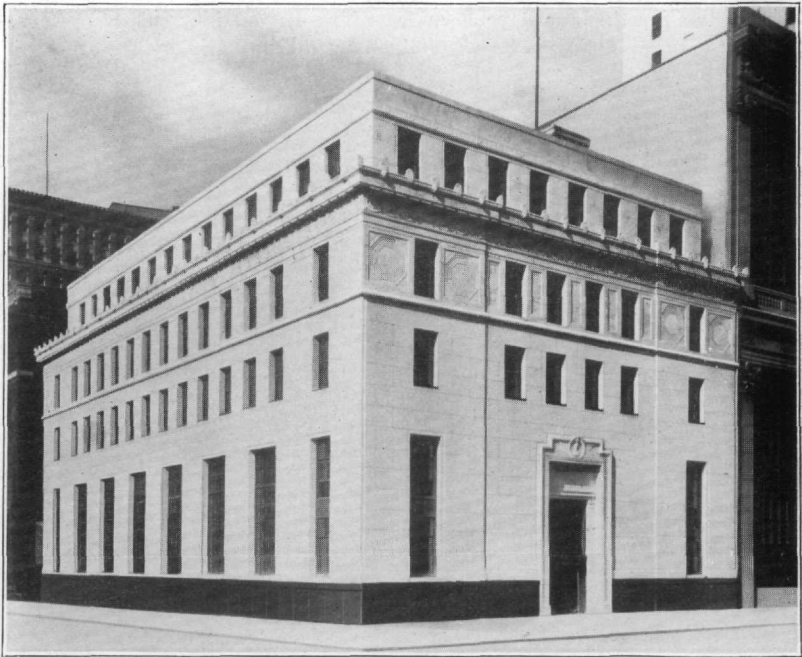
The following is a comparison of the total number of employees, exclusive of officers, at the Chicago office:

December 31, 1926.....	1,265
December 31, 1927.....	1,279
Increase	14

FEDERAL RESERVE BANK OF CHICAGO

During the year, a part of the first floor and basement, aggregating 18,000 square feet, was leased to an outside tenant, which brings the total space leased in this building up to the equivalent of approximately six floors. The income from the building during the year 1927 amounted to \$293,418 compared with \$233,136 during 1926.

The Detroit Branch Board of Directors for the year 1928 will be composed of: N. P. Hull, Lansing, Michigan; James Inglis, Detroit, Michigan; William J. Gray, Detroit, Michigan; John W. Staley, Detroit, Michigan; William R. Cation, Detroit, Michigan; David McMorran, Port Huron, Michigan; and George B. Morley, Saginaw, Michigan.



DETROIT BRANCH OF THE FEDERAL RESERVE BANK OF CHICAGO
Fort and Shelby Streets, Detroit

There was one resignation in the official staff at the Detroit Branch during 1927. John B. Dew resigned as Cashier February 14, 1927, and there were two changes of title at the Detroit Branch during 1927. Harlan J. Chalfont, formerly Assistant Cashier, was appointed Cashier July 1, 1927, and John G. Baskin, formerly Assistant Federal Reserve Agent, was appointed an assistant cashier July 1, 1927.

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

December 31, 1926.....	173
December 31, 1927.....	203
.....	---
Increase	30

This increase is largely due to the occupancy of the new building.

The Detroit Branch moved into its new quarters on December 19, 1927, the new building, contracts for which were let on December 7, 1926, having been practically completed. The building is located on a lot 75 by 130 feet, at the corner of Fort and Shelby Streets. It includes four stories and basement. Reinforced foundations were provided so that it can be extended sixteen additional stories if necessary. Approximately 4,600 square feet on the fourth floor have been leased to an outside tenant. The remainder of the building is being retained by the branch for its own use.