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**OPERATION OF
FEDERAL
RESERVE BANK
OF CHICAGO**

1928

**SEVENTH FEDERAL RESERVE
DISTRICT**



**FOURTEENTH 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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FOURTEENTH ANNUAL
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THE FEDERAL RESERVE
BOARD

FEDERAL RESERVE BANK OF CHICAGO DIRECTORS AND OFFICERS FOR 1929

CLASS A—DIRECTORS

Elbert L. Johnson, Waterloo, Iowa
(1929)
President, First National Bank, Waverly
George M. Reynolds, Chicago, Illi-
nois (1930)
Chairman of Board, Continental
National Bank and Trust Company
Edward R. Estberg, Waukesha, Wis-
consin (1931)
President, Waukesha National Bank

CLASS B—DIRECTORS

Robert Mueller, Decatur, Illinois
(1929)
Secretary, Mueller Company
August H. Vogel, Milwaukee, Wis-
consin (1930)
Vice-President, Pfister and Vogel
Leather Company
Stanford T. Crapo, Detroit, Michigan
(1931)
Secretary and Treasurer, Huron
Portland Cement Company

CLASS C—DIRECTORS

James Simpson, Chicago, Illinois
(1929)
President, Marshall Field and Company
William A. Heath, Evanston, Illi-
nois (1930)
Federal Reserve Agent
Frank C. Ball, Muncie, Indiana
(1931)
President, Ball Bros. 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

DETROIT BRANCH,

George B. Morley, Saginaw, Michi-
gan
President, Second National Bank
David McMorran, Port Huron, Mich-
igan
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 CREDITS
Kent C. Childs, Controller of Loans
and Credits
Franklin L. Purrington, Manager,
Discount Department
Eugene A. Delaney, Manager, Cred-
it Department
Joseph C. Callahan, Manager, Mem-
ber 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 De-
partment
Robert E. Coulter, Manager, Cash
Custody Department
Fred Bateman, Manager, Securities
Department

COLLECTIONS

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

ADMINISTRATION

James H. Dillard, Controller of Ad-
ministration
Robert J. Hargreaves, Manager, Per-
sonnel Department
Louis G. Meyer, Manager, Service
Department
Frank A. Lindsten, Manager, Dis-
bursing Department
Arthur L. Olson, Assistant Controller
FISCAL AGENCY
Don A. Jones, Controller of Fiscal
Agency Functions

Directors and Officers

*Julius H. Haass, Detroit, Michigan
President, Peoples Wayne County Bank
William R. Cation, Managing Direc-
tor
Harlan J. Chalfont, Cashier
George T. Jarvis, Assistant Cashier
John G. Baskin, Assistant Cashier
Floyd L. Bowen, Assistant Auditor
Henry M. Butzel, Assistant Counsel

*Filling unexpired term of John W. Staley,
deceased.

**FEDERAL RESERVE BANK
OF CHICAGO**

Chicago, January 12, 1929.

SIR:

I have the honor to submit herewith, in accordance with the usual custom, the fourteenth annual report of the Federal Reserve Bank of Chicago, covering the year 1928.

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, 1928	Dec. 31, 1927	Dec. 31, 1926
Gold with Federal reserve agent.....	213,217	247,767	163,424
Gold redemption fund with United States Treasury.....	9,843	4,267	8,668
Gold held exclusively against Federal reserve notes.....	223,060	252,034	172,092
Gold settlement fund with Federal Reserve Board.....	180,100	103,172	131,482
Gold and gold certificates held by bank.....	60,751	55,980	64,587
Total gold reserves.....	463,911	411,186	368,161
Reserves other than gold.....	11,764	16,831	21,856
Total reserves	475,675	428,017	390,017
Non-reserve cash	10,781	9,362	10,958
Bills discounted:			
Secured by United States Government obligations.....	80,872	30,976	58,929
Other bills discounted.....	65,647	21,694	38,902
Total bills discounted.....	146,519	52,670	97,831
Bills bought in open market.....	39,078	62,295	50,116
United States Government securities:			
Bonds	19,937	48,934	20,516
Treasury notes	6,184	8,070	5,491
Certificates of indebtedness.....	9,729	32,994	22,751
Total United States Government securities.....	35,850	89,998	48,758
Total bills and securities.....	221,447	204,963	196,705
Uncollected items	89,931	88,620	89,874
Bank premises	8,527	8,609	7,770
All other resources.....	849	1,375	2,591
Total resources	807,210	740,946	697,915
LIABILITIES			
Federal reserve notes in actual circulation.....	323,590	265,293	249,693
Deposits:			
Member bank—reserve account.....	343,099	345,676	311,664
Government	1,068	2,518	2,582
Foreign bank	904	639	3,857
Other deposits	2,101	1,108	943
Total deposits	347,172	349,941	319,046
Deferred availability items.....	79,336	73,124	78,595
Capital paid in.....	18,478	17,965	16,716
Surplus	36,442	32,778	31,881
All other liabilities.....	2,192	1,845	1,984
Total liabilities	807,210	740,946	697,915
Ratio of total reserves to deposit and Federal reserve note liabilities combined.....per cent	70.9	69.5	68.6
Contingent liability on bills purchased for foreign cor- respondents	44,901	31,571	7,734

OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1928

In common with the majority of other Federal Reserve districts, the year 1928 in the Seventh has been one of active money markets accompanied by a rising trend in rates, and considerable expansion of industry and trade over 1927, many phases of activity having shown greater improvement the latter part of the year than the first, with all-time records being established in some instances. Automobile production exceeded slightly that of the previous record year, 1926, and was much larger than in 1927, the margin of gain being more pronounced in the later months of 1928; distribution statistics followed a similar trend, with the volume of cars sold at wholesale greater than in any previous year. Sales and output of agricultural machinery and equipment also exceeded the volume of any year since this bank has collected data, and were 22 and 23 per cent larger, respectively, than for 1927. Building, as reflected in contracts awarded, likewise reached a peak in 1928. A high level of activity was maintained in the iron and steel industry, both sales and operations being larger than a year ago; a betterment in prices the latter part of the year placed the industry in a stronger position than for many months. Shipments by malleable casting foundries in the district exceeded those in 1927, while shipments of steel castings showed little change in volume. Meat packing was another industry to show expansion in 1928 over 1927, with sales about 4 per cent larger; the last half of the year proved better than the first. In the coal industry, output was larger than in 1927, but the market for the most part remained dull; the main feature of the year was the settlement of labor difficulties in the Illinois and Indiana fields.

Merchandising statistics for 1928 indicate general improvement over 1927. Department store sales expanded about 5 per cent, and business of retail shoe and furniture dealers was slightly larger. Chain store sales likewise gained. In wholesale trade, drugs, shoes, and electrical supplies exceeded the 1927 volume, while hardware and dry goods declined, and groceries showed little change.

Most departments in the Federal Reserve bank in 1928 carried a heavier volume of work than in any preceding year, notable increases over 1927 occurring in the volume of discounts for member banks and of checks handled. The volume of reserve bank credit in use in the district during the year just closed was considerably in excess of the preceding year. Total bills and securities of the Federal Reserve bank during 1928 ranged from a low point of \$148,936,000 on September 12 to a high of \$278,664,000 on December 26, the latter figure being the largest volume since August 3, 1921. The weekly average of this item in 1928 was \$194,851,000 as against

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Earnings and Expenses

EARNINGS	1928	1927	1926
Discounted bills	\$5,427,825	\$2,247,451	\$3,015,981
Purchased bills	1,301,910	1,188,546	1,230,850
U. S. securities.....	1,722,821	2,215,536	1,929,874
Foreign loans on gold.....			25,450
Deficient reserve penalties.....	44,287	47,971	50,427
Miscellaneous	439,575	467,848	314,461
Total earnings	\$8,936,418	\$6,167,352	\$6,567,043
CURRENT EXPENSES			
Salaries:			
Bank officers	\$ 307,420	\$ 296,811	\$ 299,523
Clerical staff	1,712,899	1,730,516	1,685,405
Special officers and watchmen.....	129,351	112,208	97,675
All other	275,378	273,338	287,790
Governors' conferences	344	274	420
Federal reserve agents' conferences.....	269	168	230
Federal Advisory Council.....	1,054	1,214	1,193
Directors' meetings	9,797	8,969	10,210
†Traveling expenses	23,687	25,262	24,630
Assessments for Federal Reserve Board expenses.....	95,764	106,972	99,230
Legal fees	3,444	3,199	8,513
Insurance (other than on currency and security ship- ments)	31,603	36,773	42,082
Taxes on banking house	281,601	276,000	278,458
Light, heat, and power.....	35,136	26,703	27,477
Repairs and alterations, banking house.....	21,373	21,225	769
Rent	5,134	38,700	38,231
Telephone	20,638	21,646	20,698
Telegraph	41,758	40,930	46,182
Postage	243,679	243,272	239,748
Expressage	55,671	55,411	51,446
Insurance on currency and security shipments.....	67,496	68,179	66,838
Printing and stationery.....	76,749	73,073	76,641
Office and other supplies.....	61,235	54,444	61,721
Miscellaneous expenses	82,894	85,365	69,726
Federal reserve currency (including shipping charges):			
Original cost	90,615	267,131	275,997
Cost of redemption.....	21,690	19,275	13,604
Total current expenses.....	\$3,696,679	\$3,887,058	\$3,824,437
PROFIT AND LOSS ACCOUNT	1928	1927	1926
Earnings	\$8,936,418	\$6,167,352	\$6,567,043
Current expenses	3,696,679	3,887,058	3,824,437
Current net earnings.....	\$5,239,739	\$2,280,294	\$2,742,606
Additions to current net earnings.....	\$ 11,833	\$ 13,061	\$ 13,098
Deductions from current net earnings:			
Depreciation allowances on bank premises.....	\$ 192,809	\$ 165,197	\$ 165,197
Reserve for probable losses.....	23,659	50,809	241,032
Furniture and equipment.....	68,872	130,720	83,039
All other	202,803	18,985	12,513
Total deductions	\$ 488,143	\$ 365,711	\$ 501,781
Net deductions from current net earnings.....	\$ 476,310	\$ 352,650	\$ 488,683
Net earnings available for dividends, surplus, and franchise tax	\$4,763,429	\$1,927,644	\$2,253,923
Dividends paid	\$1,099,761	\$1,029,990	\$ 985,959
Transferred to surplus account.....	\$3,663,668	\$ 897,654	\$1,267,964

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

FEDERAL RESERVE BANK OF CHICAGO

\$155,813,000 in 1927. Loans and discounts of reporting member banks were likewise in heavier volume than in the preceding year, commercial loans in Chicago showing a greater expansion than those on stocks and bonds.

The rediscount rate of the Chicago Federal Reserve bank underwent three changes during the year. On January 25 it was raised to 4 per cent from the $3\frac{1}{2}$ per cent obtaining since September 7, 1927, and on April 20 a $4\frac{1}{2}$ per cent rate was established, which on July 11 was increased to 5 per cent.

The number of bank suspensions in the district continues to decline. During 1928 a total of 87 banks suspended, as compared with 124 in 1927 and 182 in 1926. Of those suspending in 1928, thirteen were national banks, eight state member, and sixty-six non-member of which eight were private institutions.

A financial development of considerable interest in this district is the continued downward trend in the volume of paper in the portfolios of member banks eligible for discount at the Federal Reserve bank. The increasing tendency of industry to finance itself by stock and bond issues rather than by borrowing at the banks is undoubtedly a fundamental factor underlying this development. It is of course offset to a certain extent by the ability of banks to provide themselves with eligible paper by resorting to the acceptance market so widely developed under the leadership of the Reserve System, but the low rate on bills during the year 1928 as compared with other forms of investment for bank funds, apparently has tended to discourage member banks from fortifying themselves in this respect.

Farm income of the five states including the Seventh Federal Reserve district for the crop year 1928-1929 increased about 4 per cent in comparison with that of 1927-1928 on the basis of the latest information available. Crops in general were better than in 1927; important exceptions, however, were winter wheat, rye, hay, sugar beets, celery, and onion, all of which fell considerably below the production of last year. Fewer pigs were raised in the district during the spring months of 1928 than in the corresponding period of 1927, though the number of lambs increased. Hogs and lambs moved to market in greater volume during the year than was the case in 1927; marketing of cattle and calves, on the other hand, showed a decrease. County agents in the district reported smaller supplies of live stock available on December 1 for winter and spring marketing than a year ago, but dairy herds increased about 3 per cent during the year. Prices for cattle, calves, lambs, sheep, corn, and rye advanced, while hog and wheat prices declined. Grain seeded this autumn entered the winter in good condition, particularly in view of the lack of protecting snow cover until after the turn of the year. Winter wheat acreage is indicated as approximately 13 per cent smaller than that planted in the autumn of 1927.

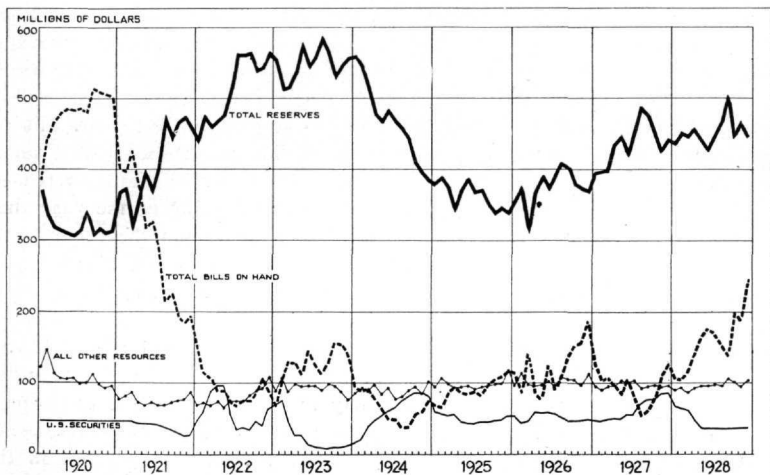
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COMPARATIVE VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS 1928, 1927, AND 1926

NUMBER OF PIECES HANDLED	1928	1927	1926
Bills discounted:			
Applications	13,056	12,811	16,831
Notes discounted.....	48,885	59,413	81,998
Bills purchased in open market for own account	22,062	24,318	21,579
Currency received and counted.....	376,595,000	354,844,000	328,450,000
Coin received and counted.....	279,743,000	263,577,000	246,233,000
Checks handled	123,365,000	119,112,000	111,800,000
Collection items handled:			
United States Government coupons paid.....	4,743,000	6,084,000	6,547,000
All other	702,000	599,000	556,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....	1,377,000	1,493,000	858,000
Transfers of funds.....	337,000	299,000	297,000
Envelopes received and dispatched..	5,085,000	5,071,000	4,757,000
AMOUNTS HANDLED			
Bills discounted	\$ 5,928,134,000	\$ 2,778,197,000	\$ 2,972,108,000
Bills purchased in open market for own account	324,613,000	370,354,000	301,759,000
Currency received and counted.....	2,103,652,000	1,979,757,000	1,872,170,000
Coin received and counted.....	38,253,000	36,096,000	34,794,000
Checks handled	29,077,223,000	27,069,498,000	27,294,595,000
Collection items handled:			
United States Government coupons paid	63,567,000	64,196,000	76,554,000
All other	1,004,814,000	989,766,000	922,542,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....	1,506,837,000	1,456,559,000	639,421,000
Transfers of funds.....	27,047,795,000	24,367,445,000	23,012,766,000

MOVEMENT OF RESOURCES

Federal Reserve Bank of Chicago, 1920 to 1928 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 1928 were \$4,763,429, as against \$1,927,644 in 1927 and \$2,253,923 in 1926. Out of 1928 net earnings, dividends of \$1,099,761 were paid, and \$3,663,668 transferred to surplus. No franchise tax was paid the United States Government. Total current expenses in 1928 were \$3,696,679 compared with \$3,887,058 in 1927.

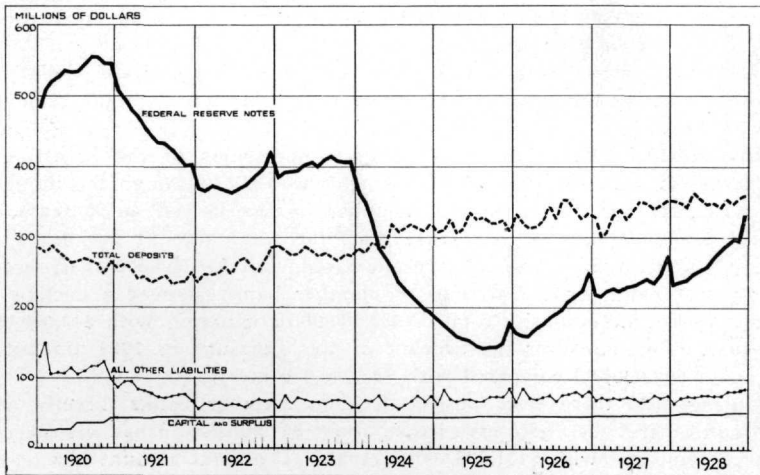
Discount Operations in 1928—The loan and discount operations of the Federal Reserve Bank of Chicago during the year 1928 were marked by a substantial increase in volume as compared with the year 1927. The high point of loans for the year was on December 26, \$201,768,000, and the low point February 1, \$39,769,000.

Country bank borrowings followed the usual seasonal fluctuations, loans to member banks in the larger centers accounting very largely for the increase in loans over the year 1927. The high point of member banks' borrowings in the City of Chicago was \$107,866,000 on December 3, and the low point \$3,355,000 on February 18, while the high point of member banks' borrowings in the City of Detroit was \$52,048,000 on August 2, and the low point \$5,300,000 on March 15.

Loans to member banks in Iowa, an essentially agricultural state, followed the usual seasonal trends. The customary liquidation following the first of the year resulted in Iowa member banks reducing their borrowings from \$4,330,000 on January 3 to \$1,506,000 on July 5. Thereafter, a gradual increase for harvesting and crop-moving purposes brought them up to the high point of \$10,067,000 on December 5, liquidation then carrying them down to \$6,696,000 on December 31.

This bank extended credit accommodation during the year to 686 banks,

MOVEMENT OF LIABILITIES
Federal Reserve Bank of Chicago, 1920 to 1928 Inclusive



Data as of the last reporting date in each month.

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represented by 13,056 applications and 48,885 notes rediscounted, having a face value of \$5,928,133,782, involving an increase of \$3,149,937,067 over the year 1927. Included in the foregoing totals for 1928 are thirteen applications and 802 notes totaling \$121,057 for account of a non-member bank, representing rediscounts of notes secured by adjusted service certificates under Regulation M, Series of 1926.

During the year \$503,130 of rediscounted paper was taken from rediscounts and placed in Failed Banks Account because of the failure of 15 member banks indebted to us at the time of closing. This, as compared with \$1,826,645 during 1927, represents a reduction of \$1,323,515.

As was the case in 1927, 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 3.08 per cent in September to a low of 2.44 per cent in June.

Collateral and Safekeeping Operations—A much larger volume of securities was held as collateral during 1928 than in the preceding year; the high point of \$245,327,000 was reached on July 2 and compared with the January 3, 1927 peak of \$146,846,000, while the January 11 low of \$124,852,000 in 1928 exceeded last year's low point by \$35,021,000. December 31 holdings of collateral amounted to \$214,526,000 in contrast to \$132,894,000 at the close of 1927.

Seven hundred ninety-four banks had \$289,181,788 in securities deposited for safe-keeping with the head office and Detroit Branch on December 31, an increase of 90 in the number of banks using the service and a decrease of \$13,905,733 in the amount of securities from a year ago. During 1928, 165,948 pieces were received for safe-keeping with an aggregate value of \$283,733,971, or 0.7 and 20.0 per cent less, respectively, than in 1927. On the other hand, 25,160 receipts were issued during the year in comparison with 23,888 in 1927, while 17,723 receipts were released or 17.1 per cent more than a year ago.

There were also detached from bonds in the Safekeeping and Collateral divisions during the year 419,572 interest coupons with a total value of \$19,792,846.

Investments—During the year 1928 the operations of the Investment Department were very similar in character to 1927, although the number of purchases for the account of member banks showed an increase of about 2,000 transactions over that year, the total amount purchased in 1928 aggregating about \$40,000,000 compared with \$35,000,000 the preceding year. Sales for the account of member banks showed a decline of about 4,000 transactions, a total of \$32,000,000 comparing with \$43,000,000 in 1927. Purchases for the account of the Treasury in 1928 amounted to about \$43,000,000 compared with \$55,000,000 in 1927.

During 1928 there were purchased from member banks directly and through other Federal Reserve banks about \$97,000,000 in bankers' acceptances compared with \$137,000,000 in 1927. The total amount purchased during 1928 from all sources was \$326,000,000 against \$375,000,000 in 1927.

FEDERAL RESERVE BANK OF CHICAGO

The figures include purchases under sales contract which in 1928 totaled over \$105,000,000. Holdings of acceptances during the year were at a low point on August 1, when \$10,677,000 was held, and the high point during the year was on January 11, with \$63,377,000. On December 31 holdings for our own account amounted to \$39,078,000.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS 1928,
1927, AND 1926—AMOUNTS IN THOUSANDS OF DOLLARS

	1928		1927		1926	
	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....	6,897	\$367,656	5,056	\$806,585	5,040	\$294,870
*Market Sales.....	8,967	365,414	13,167	664,501	8,931	249,608
Bought with Agreement	334	189,530	395	204,177	508	141,049
Sold under Agreement	508	191,670	538	200,305	554	141,671
Totals	16,706	1,114,270	19,156	1,875,568	15,033	827,198

*These figures include special Certificates of Indebtedness to cover overdrafts amounting to \$131,000,000 in 1928, \$384,000,000 in 1927, and \$112,000,000 in 1926.

Federal Reserve Note and Deposit Liabilities; Reserve Position—The volume of Federal Reserve notes in circulation in 1928 continued to show expansion, exceeding the level in 1927 by a considerable margin. The low point of the year was shown February 1 when \$229,549,000 was reported, and the high point on the last reporting date of the year, December 26, with \$331,855,000; on January 4, the first reporting date, \$263,128,000 was shown. The chart on page 9 presents graphically the trend of Federal Reserve note circulation from 1920 through the current year. Member bank deposits have exceeded the level maintained in 1927; a low point of \$335,592,000 (August 29) compares with a low of \$297,168,000 on February 23 of the preceding year, whereas a high point of \$360,813,000 reported on May 9 of this year exceeds but slightly the 1927 high of \$360,274,000 on October 19 of that year. On January 4, the first reporting date of the year, member bank deposits stood at \$357,295,000. Total cash reserves ranged from a low point of \$416,795,000 on January 18 to a high of \$524,852,000 on September 12; cash reserves on January 4 were reported as \$432,535,000 and as \$443,268,000 on December 26. The reserve ratio of this bank in 1928 touched a high of 81.0 per cent September 12, and the low point, 64.1, was recorded December 26, the last reporting date of the year, which compares with 69.4 on January 4.

Membership—Six state banks of the Seventh district were admitted to the System in 1928, as follows: Iowa State Bank, Algona, Iowa; Cass City State Bank, Cass City, Michigan; Center Line State Savings Bank, Center Line, Michigan; Peoples Wayne County Bank, Detroit, Michigan; American State Bank, Frankenmuth, Michigan; and the Kalamazoo Trust and Savings Bank, Kalamazoo, Michigan. Five of these were new banks,

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and one succeeded two state member banks that merged. Twenty-five state banks withdrew from the System, eight on six months' notice, thus becoming eligible non-members, one was converted into a national bank, two were succeeded by non-member banks, three consolidated with national banks, two were succeeded by one of the new state member banks listed above, one went into voluntary liquidation, while the accounts of eight closed banks—two of which closed in 1927—were terminated. The withdrawal of three other state banks is pending, one of them a closed bank, one has merged with a national bank, and the third because of absorption by a non-member bank. Twelve national banks were admitted to the System during 1928, seven of them being new banks, and one a conversion from a state member bank, one a conversion from an eligible non-member, one a successor to two other national banks which merged with the new bank, one a successor to a national bank whose withdrawal is pending, and one the successor to two banks—one of them a national bank whose withdrawal is pending and one an ineligible non-member. Thirty-two national banks withdrew from the System: one through voluntary liquidation; six by merger with other national banks, and two by merging with a national bank entering the System as a new bank; ten national banks were absorbed by other banks, eight of these by non-members, one by a national, and one by a state member bank; while thirteen national banks became insolvent, two of these being closed in 1927 and the remaining eleven in 1928. The withdrawal of five national banks is pending, two having been succeeded by new national banks, one having merged with another national bank, and two suspended.

MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

	December 31, 1928			December 31, 1927			December 31, 1926		
	Nat'l.	State	Total	Nat'l.	State	Total	Nat'l.	State	Total
Illinois	323	60	383	325	69	394	328	69	397
Indiana	170	14	184	175	15	190	184	15	199
Iowa	272	55	327	285	64	349	314	74	388
Michigan	95	147	240	94	145	239	96	148	244
Wisconsin	110	15	127	111	17	128	111	18	129
Total	970	291	1,261	990	310	1,300	1,033	324	1,357

Authorization and approval by the Federal Reserve Board to exercise fiduciary powers was given during 1928 to forty-two national banks, twenty-eight of them receiving full powers and fourteen supplemental or partial, as indicated in the tabulation below.

Calls to the number of 1,297 were made by representatives of the Bank Relations Department during 1928, of which 903 were on member banks and 394 on non-member institutions.

During the year just closed eight 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 IN 1928 TO EXERCISE FIDUCIARY POWERS

- ILLINOIS: Charleston, First National Bank.
 Chicago, Albany Park National Bank & Trust Company.
 Chicago, Hyde Park National Bank.
 Chicago, Jackson Park National Bank.
 Chicago, National Bank of the Republic of Chicago.
 Chicago, Portage Park National Bank.
 Chicago, Roseland National Bank.
 Chicago, Straus National Bank & Trust Company.
 Galesburg, First Galesburg National Bank & Trust
 Company.
 Lake Forest, First National Bank.
 Peoria, First National Bank.
 Pontiac, National Bank of Pontiac.
 Rockford, Commercial National Bank of Rockford.
 Woodstock, American National Bank.
- INDIANA: *Batesville, First National Bank.
 *Brookville, National Brookville Bank.
 East Chicago, First National Bank.
 *Fort Wayne, First National Bank.
 **Fort Wayne, Lincoln Nat'l Bank & Trust Company.
 Gary, First National Bank.
 Hammond, Hammond Nat'l Bank & Trust Company.
 *Kokomo, Citizens National Bank.
 Lebanon, First National Bank.
 Martinsville, Citizens National Bank
 Plainfield, First National Bank
 †Plymouth, First National Bank of Marshall County
 Terre Haute, Citizens National Bank & Trust Company
 Terre Haute, First McKeen National Bank & Trust
 Company
 Terre Haute, Terre Haute National Bank & Trust
 Company
- IOWA: Dysart, Dysart National Bank
 Ottumwa, First National Bank
 Perry, First National Bank
 *Waterloo, Commercial National Bank
- MICHIGAN: †Alpena, Alpena National Bank
 Detroit, Merchants National Bank of Detroit
 †St. Johns, St. Johns National Bank
 †Traverse City, First National Bank
 †Union City, Union City National Bank

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WISCONSIN: *Beaver Dam, Old National Bank.
 Green Bay, Kellogg Citizens National Bank
 *Oshkosh, City National Bank
 *Wausau, First National Bank

*Supplemental. †Partial. All others full powers.

**Granted supplemental powers following consolidation with another bank; other powers granted in 1924 under name of Lincoln National Bank; institution therefore now enjoying full powers.

Division of Research and Statistics.—The work of the Division of Research and Statistics continued to expand in 1928, with an increasing volume of requests for special compilations and information from officers of this bank, the Federal Reserve Board, and outside sources, and with several special statistical studies completed. Among the latter were separate analyses of earnings and expenses of state banks in Iowa, Indiana, and Wisconsin, prepared in co-operation with the respective state banking departments, the results of which were distributed by the state bankers' associations to the banks in these states. In furthering the value of the reporting trade and industrial services, the list of reporting department stores in the city of Chicago was considerably increased, about fifty cities were added to the list of those from which building permit figures are received, and the number of automobile distributors and dealers reporting monthly data was expanded. Several special summaries on department store trade were added to the list of those already being prepared each month.

The reference library collection of books and pamphlets, administered as part of this division, now numbers about 7,500 pieces, of which 420 were added this year. Reference and other library work continues in about the same volume as during past years.

Fiscal Agency Functions—The work of the Fiscal Agency Department during 1928 continued heavier than is normal because of the redemption of the Third Liberty Loan. In refunding this loan bonds as follows were retired:

	<i>Number of Pieces</i>		<i>Par Value</i>
	<i>Coupon Bonds</i>	<i>Registered Bonds</i>	
By Purchase	54,101	18,295	\$ 81,231,000
By Exchange	76,151	20,313	86,504,100
By Ordinary Redemption	463,903	116,712	137,751,300
TOTAL	594,155	155,320	305,486,400

In the performance of other fiscal agency transactions, there were surrendered to us for exchange Government securities amounting to \$335,948,850 represented by 350,785 pieces, against which were delivered 235,353 pieces totaling \$335,983,050. In making telegraphic transfer of United

FEDERAL RESERVE BANK OF CHICAGO

States Treasury Certificates of Indebtedness and notes, there were accepted for transfer to other Federal Reserve banks \$345,024,750, and delivered for account of other Federal Reserve banks \$311,859,650.

Government securities redeemed aggregated \$474,107,769, represented by 906,066 pieces. The greater part of this par value was Third Liberty Loan bonds, as shown under "Ordinary Redemption" in the tabulation above.

During the year 1928 the bank received subscriptions for new issues of United States securities amounting to \$604,670,400, against which were allotted and distributed \$351,755,850. This represents 12,227 subscriptions, and payment for the allotment was made by the surrender of \$100,674,400 of other Government securities, \$23,220,100 by cash, and \$218,343,200 by credit in War Loan Deposit Account. The balance of \$9,518,150 represents transfers of allotment to and from other Federal Reserve banks.

The total value of securities handled by the Fiscal Agency Department during the year on all transactions was \$1,506,837,219 against \$1,456,558,640 in 1927.

In order to care for the increased volume of work during the Third Liberty Loan redemption, the number of employes was increased to 143, but by the end of the year this had been reduced to 51, approximately the same as prior to the calling of the Second Liberty Loan in 1927.

Gold Settlement Fund—Transactions between the Seventh and other Federal Reserve districts through the Gold Settlement Fund resulted in a net loss of \$39,772,000 during 1928 compared with a net gain of \$3,545,000 in 1927. Receipts from other Federal Reserve banks totaled \$18,252,967,000, an increase of \$1,557,988,000 over 1927, while total payments in 1928 to other Federal Reserve banks of \$18,292,739,000 gained \$1,601,305,000 over the \$16,691,434,000 in the preceding year. The Gold Settlement Fund as of December 31, 1928, was \$180,099,850 as against \$103,172,323 at the close of 1927.

Clearings and Collections—The volume of checks handled during the year 1928 by the head office and the Detroit Branch combined, showed a very substantial increase over that handled in 1927. The total number of checks increased 3.6 per cent, those payable in Chicago and Detroit gained 5.3 per cent, those payable outside of these cities gained 3.5 per cent, and Government checks decreased 2.9 per cent. The total number of items handled during the year by both offices was over 123,365,000 (including duplications), amounting to \$29,077,223,000. Of these, 91.2 per cent were drawn on banks in the Seventh district, 4.7 per cent on banks in other districts, and 4.1 per cent on the United States Treasurer. By the close of 1928 the check department had reached the highest point of efficiency since its beginning. Because of increased operating efficiency the head office was enabled to handle three million more checks, with less employes than in 1927. This and other economies effected, reduced the per item handling cost more than 10 per cent.

A total of 701,865 non-cash collections, with an aggregate value of

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\$1,004,814,493, was handled by this bank and its Detroit branch in 1928, as against 599,247 transactions with an aggregate value of \$989,766,422 in 1927. This is an increase of 17.1 per cent in number of collections. Of this number, 590,164 with a total value of \$849,055,506 were handled in the head office and 111,701 pieces with a total value of \$155,758,987 were handled by the Detroit Branch.

An aggregate of \$27,047,795,000 was transferred during 1928 compared with \$24,367,445,000 the preceding year. Of the 1928 total \$17,642,203,000 was transferred over leased wires as against \$15,602,358,000 in 1927, and \$3,263,583,000 over commercial wires compared with \$2,807,207,000 the preceding year. All other transfers in 1928 amounted to \$6,142,009,000 as against \$5,957,880,000 in 1927. Transactions numbered 336,541 compared with 298,724 in the preceding year.

Cash and Currency Operations—1928 showed a continued increase in the currency and coin operations at the Federal Reserve Bank of Chicago. Currency received amounted to \$2,110,220,000 compared with \$1,963,017,000 in 1927. Payments of \$2,107,963,000 during the past year compared with \$1,954,855,000 in 1927. The volume of Federal Reserve notes in circulation in 1928 showed a marked increase; on January 4, the first reporting date in the year, the item stood at \$263,128,000, and on December 26 a high point of \$331,855,000 was reported. The low point of the year was shown on February 1 with \$229,549,000. The rising trend during 1928 reflected, in part, the payment of Federal Reserve notes into circulation in relatively large volume, as compared with gold certificates which, for the country as a whole, constituted a declining proportion of total money in circulation during the year. Gold certificates paid out totaled \$538,000,000, as against \$586,000,000 in 1927 and \$696,000,000 in 1926.

Internal Organization—Edward R. Estberg, President, Waukesha National Bank, Waukesha, Wisconsin, was elected a Class A Director to succeed Charles H. McNider, of Mason City, Iowa, whose term expired December 31, 1928. Mr. McNider died on October 30, 1928, and his unexpired term from that date until December 31, 1928, was not filled. Stanford T. Crapo, whose term expired December 31, 1928, was re-elected a Class B Director. Frank C. Ball, whose term expired December 31, 1928, was re-appointed a Class C Director.

The Directors for the year 1929 will consist of the following:

CLASS A—George M. Reynolds, Chicago Illinois; Edward R. Estberg, Waukesha, Wisconsin; 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 1929, and James Simpson as Deputy Chairman.

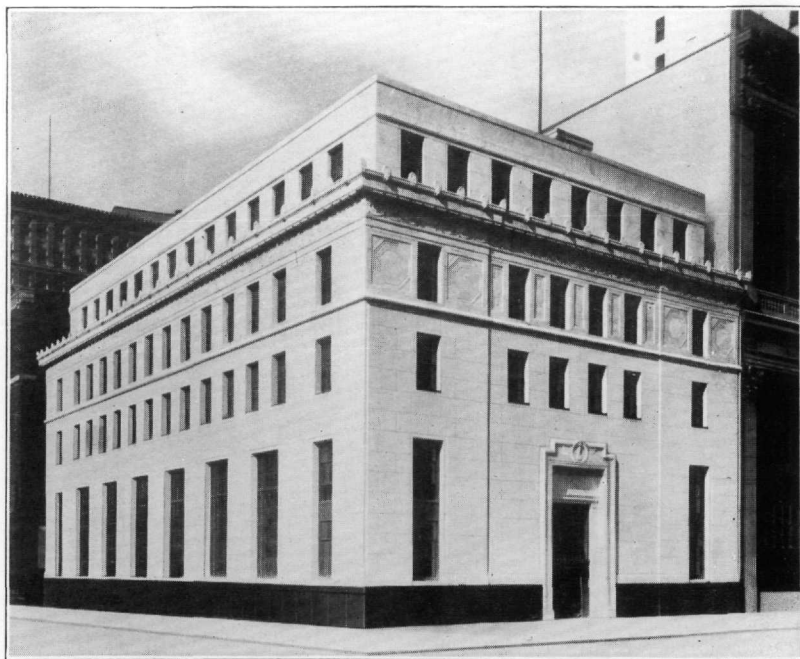
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The Executive Committee for the year 1929 will consist of Governor James B. McDougal, William A. Heath, Chairman, and the following Directors: Elbert L. Johnson, George M. Reynolds, James Simpson, and August H. Vogel. The Membership Committee for the year 1929 will consist of the following: Mr. Heath, Federal Reserve Agent, Governor McDougal, and Mr. Vogel.

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

December 31, 1927.....	1,279
December 31, 1928.....	1,151
Decrease	128

The Detroit Branch Board of Directors for the year 1929 will be composed of N. P. Hull, Lansing, Michigan; James Inglis, Detroit, Michigan; William J. Gray, Detroit, Michigan; Julius H. Haass, 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
160 Fort Street West, Detroit

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John W. Staley, who was appointed a director January 25, 1924, and who had served continuously since that date, died February 17, 1928, and Julius H. Haass, President, Peoples Wayne County Bank, Detroit, Michigan, was appointed to fill his unexpired term, ending December 31, 1929.

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

December 31, 1927.....	203
December 31, 1928.....	213
Increase	10

