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OPERATION
OF
FEDERAL RESERVE BANK
OF CHICAGO
1929

SEVENTH FEDERAL RESERVE
DISTRICT



FIFTEENTH ANNUAL REPORT
TO
THE FEDERAL RESERVE BOARD

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THE FEDERAL RESERVE BOARD

FEDERAL RESERVE BANK OF CHICAGO

Directors and Officers for 1930

CLASS A—DIRECTORS

GEORGE M. REYNOLDS, Chicago, Illinois (1930)
Chairman of Board, Continental Illinois Bank and Trust Company
EDWARD R. ESTBERG, Waukesha, Wisconsin (1931)
President, Waukesha National Bank
GEORGE J. SCHALLER, Storm Lake, Iowa (1932)
President, Citizens First National Bank

CLASS B—DIRECTORS

AUGUST H. VOGEL, Milwaukee, Wisconsin (1930)
Vice-President, Pfister and Vogel Leather Company
STANFORD T. CRAPO, Detroit, Michigan (1931)
Secretary and Treasurer, Huron Portland Cement Company
ROBERT M. FEUSTEL, Fort Wayne, Indiana (1932)
President, Indiana Service Corporation

CLASS C—DIRECTORS

WILLIAM A. HEATH, Evanston, Illinois (1930)
Federal Reserve Agent
FRANK C. BALL, Muncie, Indiana (1931)
President, Ball Bros. Company
JAMES SIMPSON, Chicago, Illinois (1932)
President, Marshall Field and Company

OFFICERS

WILLIAM A. HEATH, *Chairman*
JAMES SIMPSON, *Deputy Chairman*
WILLIAM H. WHITE, *Assistant Federal Reserve Agent*
CLIFFORD S. YOUNG, *Assistant Federal Reserve Agent*
HARRIS G. PETT, *Manager, Division of Research and Statistics*
FRANCIS R. BURGESS, *Auditor*
WALTER A. HOPKINS, *Assistant Auditor*
CARL MEYER, *Counsel*
FRANK O. WETMORE, Chicago, Illinois, *Member Federal Advisory Council*

JAMES B. McDUGAL, *Governor*
JOHN H. BLAIR, *Deputy Governor*
CHARLES R. MCKAY, *Deputy Governor*

LOANS AND CREDITS

KENT C. CHILDS, *Controller of Loans and Credits*
EUGENE A. DELANEY, *Manager Credit Department*
JOSEPH C. CALLAHAN, *Manager, Member Bank Accounts Department*
FRANKLIN L. PURRINGTON, *Manager, Discount 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*
ARTHUR L. OLSON, *Assistant Controller*

FISCAL AGENCY

DON A. JONES, *Controller of Fiscal Agency Functions*

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 Company
JULIUS H. HAASS, Detroit, Michigan
President, Peoples Wayne County 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*
ISADORE LEVIN, *Assistant Counsel*

FEDERAL RESERVE BANK OF CHICAGO

Chicago, January 14, 1930.

Sir :

I have the honor to submit herewith, in accordance with the usual custom, the fifteenth annual report of the Federal Reserve Bank of Chicago, covering the year 1929.

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, 1929	Dec. 31, 1928	Dec. 31, 1927
Gold with Federal reserve agent.....	269,564	213,217	247,767
Gold redemption fund with United States Treasury....	11,420	9,843	4,267
Gold held exclusively against Federal reserve notes..	280,984	223,060	252,034
Gold settlement fund with Federal Reserve Board.....	86,463	180,100	103,172
Gold and gold certificates held by bank.....	73,601	60,751	55,980
Total gold reserves.....	441,048	463,911	411,186
Reserves other than gold.....	12,652	11,764	16,831
Total reserves	453,700	475,675	428,017
Non-reserve cash	12,405	10,781	9,362
Bills discounted:			
Secured by United States Government obligations..	75,121	80,872	30,976
Other bills discounted.....	37,547	65,647	21,694
Total bills discounted.....	112,668	146,519	52,670
Bills bought in open market.....	37,561	39,078	62,295
United States Government securities:			
Bonds	25,439	19,937	48,934
Treasury notes	12,208	6,184	8,070
Certificates of indebtedness.....	22,953	9,729	32,994
Treasury bills.....	8,247	.....	.....
Total United States Government securities.....	68,847	35,850	89,998
Federal Land Bank bonds.....	1,500	.....	.....
Total bills and securities.....	220,576	221,447	204,963
Uncollected items	84,034	89,931	88,620
Bank premises	8,295	8,527	8,609
All other resources.....	657	849	1,375
Total resources	779,667	807,210	740,946
LIABILITIES			
Federal reserve notes in actual circulation.....	304,538	323,590	265,293
Deposits:			
Member bank—reserve account.....	331,302	343,099	345,676
Government	2,930	1,068	2,518
Foreign bank	768	904	639
Other deposits	1,484	2,101	1,108
Total deposits	336,484	347,172	349,941
Deferred availability items.....	76,345	79,336	73,124
Capital paid in.....	20,013	18,478	17,965
Surplus	40,094	36,442	32,778
All other liabilities.....	2,193	2,192	1,845
Total liabilities	779,667	807,210	740,946
Ratio of total reserves to deposit and Federal reserve note liabilities combined.....per cent	70.7	70.9	69.5
Contingent liability on bills purchased for foreign corre- spondents	74,895	44,901	31,571

OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1929

THE year 1929 in the Seventh district came to a close with business and industrial activity at a considerably lower level than in 1928 or the earlier months of the year. The recession, though evident in some lines of industry since summer, notably automobile production, became more general and widespread after the drop in security prices in late October and early November, and the opening of the new year finds many phases of the district's economy in process of adjustment. In spite of the developments of the fourth quarter, however, 1929 in the aggregate was characterized by large scale production and distribution in several important industries. Automobile production, for example, was greater than in any previous year and aggregated almost 1,000,000 cars heavier than in 1928; output, while lower in the last quarter of the year than in the same period a year ago, for the first nine months totaled larger than in all of 1928. Distribution of automobiles fell off considerably in the later months of 1929, but heavy gains recorded in the earlier months effected an increase for the year as a whole over 1928. The iron and steel industry of the district also experienced record activity through the first eight months of 1929, and the usual seasonal recession which takes place in midsummer was scarcely evident. In September, however, a decline was apparent, this trend continuing to the close of the year, but aggregate output for 1929 exceeded the 1928 volume. Shipments of steel and malleable castings were in greater volume than the year previous; the gain in steel casting shipments was evident for each month of 1929, but shipments of malleable castings in the later months of the year were below the 1928 volume for the same months. Sales of meat packing companies in the aggregate exceeded the total for the preceding year by about 5.7 per cent. From the production viewpoint, the coal industry in 1929 also showed improvement over 1928 and 1927.

Distribution of commodities both at wholesale and retail was larger during 1929 than in 1928, and the latter year had shown expansion over 1927. Department store trade increased approximately 1 per cent over 1928, sales of shoes and furniture at retail were larger, and chain store trade continued to gain in the aggregate. In reporting wholesale lines, the grocery, hardware, dry goods, and the electrical supply trade recorded heavier sales in 1929 than a year ago, those of electrical supplies being especially good; drug and shoe wholesalers reported a smaller volume sold than in 1928. As in manufacturing lines, merchandising activity fell off in the later months of the year.

Several departments in the Federal Reserve Bank in 1929 carried a heavier volume of work than in 1928, and in some cases operations exceeded any previous year, notably in currency received and counted, checks handled, and in transfer of funds. The volume of reserve bank credit in use in the district during the year changed little from 1928. The weekly average of total bills and securities of the Federal Reserve Bank in 1929 was \$195,166,000, compared with \$194,851,000 in 1928 and \$155,813,000 in 1927.

It became apparent in the opening months of the year that member banks were not liquidating their loans at the Federal Reserve Bank as is usual at that season each year. On December 31, 1928, the total loans to member banks amounted to approximately \$146,000,000, and by February 28 the item stood at \$195,000,000, an increase of \$49,000,000. Furthermore, some of the member banks had been in debt to the reserve bank practically continuously for a considerable period. In these circumstances, steps were taken to correct the situation by requesting liquidation of loans at the reserve bank by those member banks which had been continuous and heavy borrowers, particularly those in Chicago, Detroit, Milwaukee, and other of the important cities in the district, as the increased demands for credit did not come from agricultural areas, but were concentrated largely in the principal cities through a large increase in the collateral loans of the member banks located therein. By this means total loans to member banks were reduced from the high point of \$237,000,000 on March 20 to \$88,000,000 on May 11, a drop of \$149,000,000, of which \$124,000,000 occurred in Chicago, \$16,000,000 in Detroit, \$6,000,000 in Milwaukee, and the remaining \$3,000,000 in other cities. Further reductions in borrowings were made by Chicago member banks and on October 24, when the severe break occurred in the securities markets, they were borrowing only \$4,600,000, and were therefore well prepared to meet the seasonal commercial demand as well as to supply the additional amount of credit required for collateral loans caused by the crisis in the securities markets. The growth of member bank loans on securities to others, not brokers but chiefly customers who had transferred their borrowings from brokers directly to the banks, increased very materially between October 23 and November 13, for the most part in Chicago, and liquidation of this type of loan subsequent to that date has been on a limited scale.

The rediscount rate of the Federal Reserve Bank of Chicago on November 23 was lowered to $4\frac{1}{2}$ per cent from the 5 per cent in effect since July 11, 1928.

A total of 93 banks in the district suspended in 1929, an increase of six over the 87 closed during the preceding year. Of the 1929 aggregate thirteen were national banks, five state member banks, and seventy-five non-member, of which twelve were private institutions.

The Seventh district shared to a considerable extent in the country-wide trend in bank mergers. During the year just closed, approximately 174 institutions have been involved in consolidations, with aggregate capital of almost \$144,000,000 and gross deposits of nearly \$2,300,000,000. The resulting institutions numbered 85, with capital of over \$176,000,000. In 1928, banks involved in consolidations numbered 159, with 78 resulting institutions whose aggregate capital, however, amounted to less than \$50,000,000 and with gross deposits of only \$841,000,000. Among the larger mergers in 1929 may be noted: in Illinois, those of the Illinois Merchants Trust Company and the Continental National Bank and Trust Company of Chicago into the Continental Illinois Bank and Trust Company; of the Union Trust Company, the First National Bank and the First Trust and Savings Bank, all of Chicago, into the First National Bank and the First Union Trust and Savings Bank; of the State Bank of Chicago, the Foreman National Bank and the Foreman Trust and Savings Bank into the Foreman-State National Bank and the Foreman-State Trust and Savings Bank; of the Central Trust Company and Bank of America, of Chicago, into the Central Trust Company of Illinois; and of the National Bank of the Republic and the Chicago Trust Company, although both of these latter institutions retained their individual identity; in Indiana, that of the Tri-State Loan and Trust Company and the First National Bank of Fort Wayne into the First and Tri-State National Bank and Trust Company; in Iowa, that of the Iowa National Bank, Des Moines National Bank and the Des Moines Savings Bank and Trust Company into the Iowa-Des Moines National Bank and Trust Company; and in Michigan, those of the National Bank of Commerce and Griswold-First State Bank of Detroit into the National Bank of Commerce; of the Merchants National Bank and Dime Savings Bank of Detroit into the Bank of Michigan; of the Old National Bank and Kent State Bank of Grand Rapids into the Old Kent Bank; and of the Industrial Savings Bank and Union Trust and Savings Bank of Flint into the Union Industrial Bank of Flint.

In the matter of group and chain banking, also, the district has witnessed significant developments during the year 1929, several groups of many ramifications in the banking structure of the district having come into existence in that period, in the main through organizations of holding companies for the purchase of constituent institutions. Outstanding in this respect are the First National-People's Wayne and the Guardian Detroit-Union groups in Detroit, Michigan; the First Wisconsin group whose holding company is known as the Wisconsin Bank Shares Corporation, of Milwaukee, Wisconsin; and the National Republic Bancorporation of Chicago, whose organization was announced as the year drew to a close, with stock holdings in some fifteen banks and investment companies in Chicago and adjacent territory. The Northwest Bancorporation of

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Earnings and Expenses

EARNINGS	1929	1928	1927
Discounted bills.....	\$6,777,014	\$5,427,825	\$2,247,451
Purchased bills.....	1,285,493	1,301,910	1,188,546
U. S. securities.....	1,269,968	1,722,821	2,215,536
Federal Intermediate Credit Bank debentures.....	5,903	.....	.....
Federal Land Bank bonds.....	16,638	.....	.....
Deficient reserve penalties.....	76,425	44,287	47,971
Miscellaneous.....	458,010	439,575	467,848
Total earnings.....	<u>\$9,889,451</u>	<u>\$8,936,418</u>	<u>\$6,167,352</u>
CURRENT EXPENSES			
Salaries:			
Bank officers.....	\$ 311,591	\$ 307,420	\$ 296,811
Clerical staff.....	1,677,987	1,712,899	1,730,516
Special officers and watchmen.....	128,016	129,351	112,208
All other.....	283,826	275,378	273,338
Governors' conferences.....	232	344	274
Federal reserve agents' conferences.....	128	269	168
Federal Advisory Council.....	1,360	1,054	1,214
Directors' meetings.....	11,540	9,797	8,969
†Traveling expenses.....	20,033	23,687	25,262
Assessments for Federal Reserve Board expenses.....	106,654	95,764	106,972
Legal fees.....	9,697	3,444	3,199
Insurance (other than on currency and security ship- ments).....	44,620	31,603	36,773
Taxes on banking house.....	291,366	281,601	276,000
Light, heat and power.....	32,037	35,136	26,703
Repairs and alterations, banking house.....	21,947	21,373	21,225
Rent.....	.....	5,134	38,700
Telephone.....	19,879	20,638	21,646
Telegraph.....	43,281	41,758	40,930
Postage.....	265,294	243,679	243,272
Expressage.....	62,745	55,671	55,411
Insurance on currency and security shipments.....	73,332	67,496	68,179
Printing and stationery.....	74,581	76,749	73,073
Office and other supplies.....	55,890	61,235	54,444
Miscellaneous expenses.....	81,381	82,894	85,365
Federal reserve currency (including shipping charges):			
Original cost.....	450,979	90,615	267,131
Cost of redemption.....	23,973	21,690	19,275
Total current expenses.....	<u>\$4,092,369</u>	<u>\$3,696,679</u>	<u>\$3,887,058</u>
PROFIT AND LOSS ACCOUNT			
Earnings.....	\$9,889,451	\$8,936,418	\$6,167,352
Current expenses.....	4,092,369	3,696,679	3,887,058
Current net earnings.....	<u>\$5,797,082</u>	<u>\$5,239,739</u>	<u>\$2,280,294</u>
Additions to current net earnings.....	\$ 8,050	\$ 11,833	\$ 13,061
Deductions from current net earnings:			
Depreciation allowances on bank premises.....	\$ 233,682	\$ 192,809	\$ 165,197
Reserve for probable losses.....	31,500	23,659	50,809
Furniture and equipment.....	59,750	68,872	130,720
All other.....	55,535	202,803	18,985
Total deductions.....	<u>\$ 380,467</u>	<u>\$ 488,143</u>	<u>\$ 365,711</u>
Net deductions from current net earnings.....	<u>\$ 372,417</u>	<u>\$ 476,310</u>	<u>\$ 352,650</u>
Net earnings available for dividends, surplus and fran- chise tax.....	<u>\$5,424,665</u>	<u>\$4,763,429</u>	<u>\$1,927,644</u>
Dividends paid.....	\$1,170,363	\$1,099,761	\$1,029,990
Transferred to surplus account.....	3,651,464	3,663,668	897,654
Franchise tax paid United States Government.....	602,838	.....	.....

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

Minneapolis, while operating largely in other districts, during the year 1929 acquired stock in several institutions in the Seventh district, located in Des Moines, Mason City, and Sioux City, Iowa, and Berlin, Wisconsin. Many of the large banks in Chicago, Detroit, and other important cities have assumed substantial control of smaller outlying institutions by means of the acquisition by individual directors of stock holdings in the latter banks.

Farm income in the Seventh district for the crop year July 1, 1929, to June 30, 1930, is estimated as 0.6 per cent more than that of 1928-1929, according to the latest figures available. The income from farm crops alone is expected to exceed that of the preceding crop year by 9.5 per cent, reflecting in large measure a good crop of winter wheat in contrast to a poor yield in 1928; this gain, however, is offset by a decline of 2.3 per cent in the income from live stock and animal products. Crops in 1929 in general were smaller than in 1928, the result of delayed planting, cool, unfavorable weather until midsummer, followed by a drought, regarded by many as the worst in years, extending from the middle of July to early September. The production of winter wheat, rye, hay, peaches, strawberries, and a number of truck crops, however, increased over last year. A smaller crop of pigs and a larger one of lambs were reported than in 1928. December 1 supplies of live stock available for winter and spring marketing were indicated as less than a year ago; dairy herds increased.

FINANCIAL RESULTS OF OPERATION

Net earnings of the Federal Reserve Bank of Chicago for the calendar year 1929 were \$5,424,665, as against \$4,763,429 in 1928 and \$1,927,644 in 1927. Out of 1929 net earnings, dividends of \$1,170,363 were paid, \$3,651,464 was transferred to surplus, and \$602,838 paid to the United States Government as a franchise tax, the first such payment since 1923 when \$246,586 was paid. While this bank paid no franchise tax to the United States Government between 1923 and 1929, it has nevertheless, since its organization, paid such tax to an aggregate of \$24,222,013 in the years and in the amounts shown below:

1917	\$ 215,799
1920	10,394,480
1921	11,576,009
1922	1,186,301
1923	246,586
1929	602,838
	<hr/>
	\$24,222,013

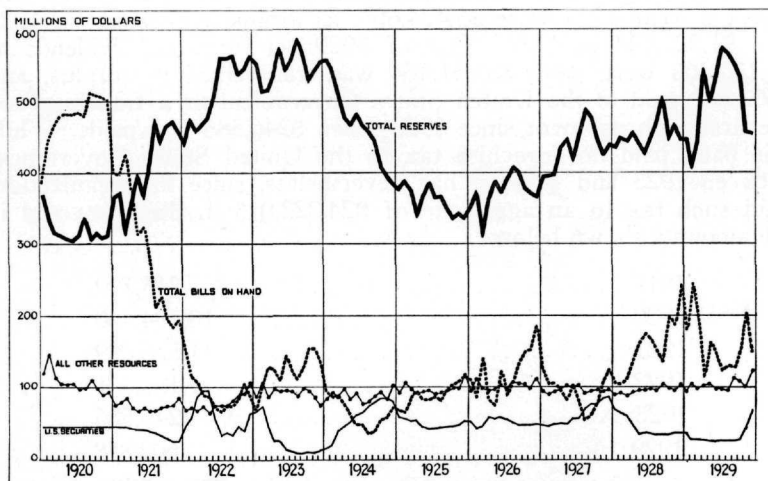
FIFTEENTH ANNUAL REPORT

Comparative Volume of Operations in Principal Departments 1929, 1928, and 1927

NUMBER OF PIECES HANDLED	1929	1928	1927
Bills discounted:			
Applications	13,554	13,056	12,811
Notes discounted	54,860	48,885	59,413
Bills purchased in open market for own account	14,029	22,062	24,318
Currency received and counted....	410,223,000	376,595,000	354,844,000
Coin received and counted.....	231,019,000	279,743,000	263,577,000
Checks handled	129,661,000	123,365,000	119,112,000
Collection items handled.....			
United States Government coupons paid	3,548,000	4,743,000	6,084,000
All other	742,574	702,000	599,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department....	374,000	1,377,000	1,493,000
Transfers of funds.....	355,000	337,000	299,000
Envelopes received and dispatched	4,901,088	5,085,000	5,071,000
AMOUNTS HANDLED			
Bills discounted	\$ 5,187,455,000	\$ 5,928,134,000	\$ 2,778,197,000
Bills purchased in open market for own account	262,259,000	324,613,000	370,354,000
Currency received and counted....	2,266,698,000	2,103,652,000	1,979,757,000
Coin received and Counted.....	34,327,000	38,253,000	36,096,000
Checks handled	35,219,944,000	29,077,223,000	27,069,498,000
Collection items handled:			
United States Government coupons paid	64,084,000	63,567,000	64,196,000
All other	996,964,000	1,004,814,000	989,766,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department....	1,189,208,000	1,506,837,000	1,456,559,000
Transfers of funds.....	31,088,981,000	27,047,795,000	24,367,445,000

MOVEMENT OF RESOURCES

Federal Reserve Bank of Chicago, 1920 to 1929, Inclusive



Data as of the last reporting date in each month.

FEDERAL RESERVE BANK OF CHICAGO

Although total current expenses in 1929 were \$4,092,369 compared with \$3,696,679 in the preceding year, the gain was attributable in large measure to increased cost of currency, amounting to \$360,364.

DISCOUNT OPERATIONS IN 1929

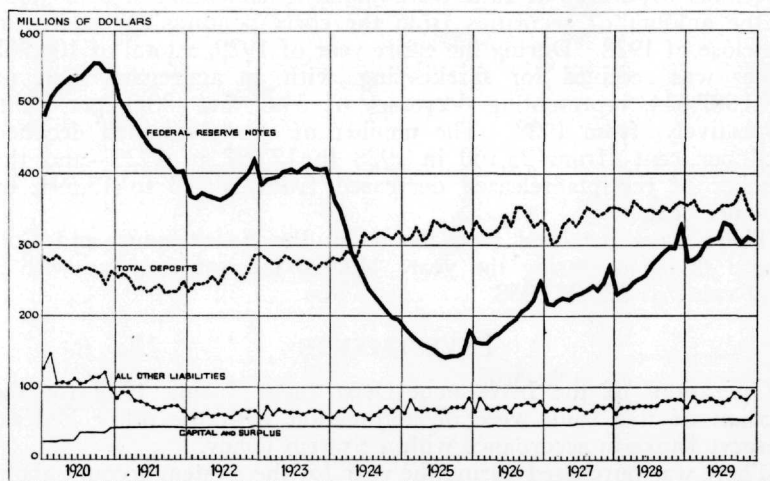
The loan and discount operations of the Federal Reserve Bank of Chicago during the year 1929 were marked by a substantial increase in the average amount of loans outstanding over the year 1928, though the total volume of paper handled was smaller. The high point of loans for the year was on March 20, \$237,173,000, and the low point was on September 10, \$82,547,000.

Country bank borrowings followed the usual seasonal fluctuations, the bulk of the increase in loans coming from the larger centers.

Agricultural and livestock demands followed the usual seasonal trend. A typical illustration of the trend of agricultural demand may be found in the fluctuation of loans to member banks in the state of Iowa. In this state the usual seasonal liquidation followed the first of the year, when member banks' borrowings declined from \$6,385,000 on January 4 to \$3,070,000 on February 23. The planting season brought this item back to \$7,419,000 on June 1, followed by the summer reduction and then by the fall demand, which brought the total amount up to the high point of \$13,289,000 on December 4. Thereafter, the marketing of farm products gradually liquidated these loans down to \$6,217,000 on December 31.

MOVEMENT OF LIABILITIES

Federal Reserve Bank of Chicago, 1920 to 1929, Inclusive



Data as of the last reporting date in each month.

The high point of member banks' borrowings in the city of Chicago was \$149,445,000 on March 19 and the low point \$1,472,000 on October 30.

We extended credit accommodation during the year to 709 banks, represented by 13,554 applications and 54,860 notes rediscounted, having a face value of \$5,187,455,000. This represents a decrease of \$740,679,000 from the year 1928.

During the year \$372,296 of rediscounted paper was taken from rediscounts and placed in Failed Banks Accounts because of the failure of 12 member banks indebted to us at the time of closing. This, compared with \$503,131 during the year 1928, represents a reduction of \$130,834.

The aggregate average reserve balances maintained by member banks in the Seventh district exceeded the total legal requirements throughout the year, the excess attaining a peak of 2.63 per cent in July and registering lows of 2.14 in February, April, and August.

COLLATERAL AND SAFEKEEPING OPERATIONS

The volume of securities held as collateral during 1929 was at its maximum on March 29, with \$236,142,000, and showed the lowest aggregate on December 31 with \$151,002,000. In the preceding year the high point of \$245,327,000 was recorded July 2 and the low point of \$124,852,000 on January 11. December 31 holdings of collateral amounted to \$151,002,000 as against \$214,526,000 at the end of 1928.

Banks to the number of 769 had \$287,977,432 in securities deposited for safekeeping with the head office and Detroit branch on December 31, a drop of 25 in the number of banks and of \$1,204,356 in the amount of securities from the corresponding aggregates at the close of 1928. During the entire year of 1929, a total of 108,565 pieces was received for safekeeping, with an aggregate value of \$198,587,634, representing decreases of 34.6 and 30.0 per cent, respectively, from 1928. The number of receipts issued declined 29.7 per cent—from 25,160 in 1928 to 17,682 in 1929—and the number of receipts released decreased from 17,723 to 15,694, or 11.4 per cent.

There were detached from bonds in the Safekeeping and Collateral divisions during the year, 449,990 interest coupons with a total value of \$20,267,058.

INVESTMENTS

Operations of the Investment Department during 1929 for the account of this bank were in conjunction with the other Federal Reserve banks in accordance with a System policy.

There was purchased during the year for the System account about \$27,500,000 of short-term Government securities compared with

FEDERAL RESERVE BANK OF CHICAGO

\$17,200,000 in 1928, but only \$5,000,000 of these short-term securities was sold in this market in 1929 compared with \$17,200,000 during the preceding year. The System Investment Account of this bank was liquidated to some extent during the early part of the year, and then remained practically stationary until November, at which time this bank began to purchase quite liberally in this market, and continued to do so for the remainder of the year.

This bank's purchases of bankers' acceptances during the year followed the usual practice, being made freely from the open market and from member banks, but offerings for the first nine months were less than for several years past, the attractive rates on acceptances effecting better distribution to permanent investors. During 1929 this bank purchased for its own Investment Account, directly and through other Federal Reserve banks, about \$145,500,000 of bills (exclusive of repurchase agreements and a small amount of bills payable in foreign currency). Total purchases inclusive of these two items amounted to \$262,259,000 in 1929, as compared with \$324,600,000 in 1928. Holdings were at a low point on April 29, with \$1,651,000 of bills, exclusive of sales agreement contracts, and reached a high point on October 17 of about \$46,000,000.

The bank handled approximately 8,700 purchases of Government securities during the year for the account of member banks compared with 6,700 in 1928, but the par value amounted to about \$33,887,000 compared with \$39,727,000 in 1928. The sales for member banks were about 3,400 less in number but amounted to about \$6,500,000 more in par value. Purchases for the account of the Treasury amounted to slightly more than \$25,000,000 compared with \$43,000,000 last year.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS 1929, 1928, AND 1927—AMOUNTS IN THOUSANDS OF DOLLARS

	1929		1928		1927	
	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
Certificates of Indebtedness, Treasury Notes, and U. S. Bonds:						
*Market Purchases.....	8,818	\$274,609	6,897	\$367,656	5,056	\$806,585
*Market Sales.....	5,461	195,443	8,967	365,414	13,167	664,501
Bought with Agreement	371	169,021	334	189,530	395	204,177
Sold under Agreement	430	171,290	508	191,670	538	200,305
Totals	15,080	810,363	16,706	1,114,270	19,156	1,875,568

*These figures include special Certificates of Indebtedness to cover overdrafts amounting to \$116,500,000 in 1929, \$131,000,000 in 1928, and \$384,000,000 in 1927.

FEDERAL RESERVE NOTE AND DEPOSIT LIABILITIES; RESERVE POSITION

Reflecting a high level of business activity in the district through the greater part of the year, as well as desire of the public for the new currency, the volume of Federal Reserve notes in circulation showed a considerable expansion in 1929 over the preceding year, reaching a high point of \$349,600,000 on July 10, whereas in 1928 the high point of \$331,855,000 was reported on December 26. The low point of 1929 Federal Reserve note circulation in the district was recorded on February 6, with \$274,126,000, compared with the previous year's low of \$229,549,000 on February 1. The trend of Federal Reserve note circulation is shown since 1920 on the chart presented on page 11. Member bank reserve deposits ranged from a low point of \$330,831,000 (May 22) to a high of \$372,160,000 on October 30, with a weekly average of \$347,536,000 for the year as against \$349,965,000 in 1928; in that year the low point was shown on August 29 with \$335,592,000 and a peak of \$379,474,000 on July 3. Total cash reserves were at their lowest point in 1929 on March 20 (\$378,018,000), and the \$588,639,000 reported July 24 constituted the high point. In 1928 the low point of cash reserves was recorded on January 18 with \$416,795,000 and the high point on September 12 with \$524,852,000. On the closing day of 1929, this bank's reserve ratio was 70.7 per cent and on the first reporting date, January 2, was 68.6 per cent; the high points were shown May 15 and September 4 (85.9 per cent) and the low March 20 (60.0 per cent).

MEMBERSHIP

Four state banks in the Seventh district were admitted to membership in the System during 1929: the Continental Illinois Bank and Trust Company and the Central Trust Company of Illinois, Chicago, Illinois; Merchants Trust and Savings Bank, Battle Creek, Michigan; and the Chesaning State Bank, Chesaning, Michigan. One of these banks represented a consolidation of two member banks, another the merger of a non-member with a state member bank, and two were formerly eligible non-member banks entering the System. Forty-two state banks terminated their membership in the System during the year. One had previously merged with a national bank (1928); another took over a non-member bank and was readmitted under a new charter; one took out a membership under a new title following consolidation with a national bank; three merged with national banks; two were converted into national institutions; six represented mergers between state member banks, the resulting institutions becoming non-members (in the case of two of these banks, however, part of the assets were taken over by national

FEDERAL RESERVE BANK OF CHICAGO

banks); four merged with state member banks; four were taken over by non-member banks (one in October, 1928); sixteen others withdrew on six months' notice thereby becoming eligible non-members; three were closed (one in December, 1928); and one membership was cancelled by the Federal Reserve Board. The termination of twelve state memberships was pending at the end of the year, ten of which represented voluntary withdrawals on six months' notice and two were banks closed late in 1929. Thirteen banks became members of the System by virtue of new national bank charters, four of which represented conversions of non-member state banks into national banks, two were readmitted under new names, five were new banks, and two were conversions of state member banks into national institutions. Thirty-three banks withdrew from the System upon surrender of their national bank charters: six of them were merged with other national banks (part of the assets of one, however, were taken over by a non-member state bank); six were absorbed by state non-member banks; two were readmitted under new national bank charters; one was absorbed by a state non-member bank which later became a member; two consolidated with state member banks; one was converted into a state non-member bank; one took over a non-member bank and was readmitted to the System by virtue of a national bank charter under a new name; and fourteen banks were closed (three late in 1928). Thirteen national bank withdrawals were pending at the close of 1929: three because of mergers with other national banks; seven having been taken over by state non-member banks; one due to the conversion of a national bank into a state non-member; and two because of the banks being closed.

MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

	December 31, 1929			December 31, 1928			December 31, 1927		
	Nat'l.	State	Total	Nat'l.	State	Total	Nat'l.	State	Total
Illinois.....	321	48	369	323	60	383	325	69	394
Indiana.....	168	14	182	170	14	184	175	15	190
Iowa.....	259	41	300	272	55	327	285	64	349
Michigan.....	91	137	228	95	147	242	94	145	239
Wisconsin.....	110	13	123	110	15	125	111	17	128
Total.....	949	253	1,202	970	291	1,261	990	310	1,300

Calls were made by representatives of the Bank Relations Department to 922 member banks and 374 non-member banks during 1929, and eleven addresses were made by officers and other representatives of the Federal Reserve Bank of Chicago and the Detroit Branch during the year.

Fiduciary powers were granted to twenty-four national banks by the Federal Reserve Board during the year, eighteen receiving full powers, five supplemental powers, and one partial powers. Full

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trust powers, previously granted, due to consolidations were confirmed in the case of six banks.

MEMBER BANKS AUTHORIZED AND APPROVED IN 1929 TO EXERCISE FIDUCIARY POWERS

<i>Illinois:</i>	Chicago, Peoples National Bank & Trust Company *Decatur, Millikin National Bank Des Plaines, First National Bank Dundee, First National Bank Harvey, First National Bank St. Charles, St. Charles National Bank
<i>Indiana:</i>	Bluffton, First National Bank in Bluffton, Old National Bank Greensburg, Citizens National Bank *New Carlisle, First National Bank Noblesville, American National Bank Shelbyville, Shelby National Bank
<i>Iowa:</i>	*Coon Rapids, First National Bank Creston, First National Bank Des Moines, Central National Bank & Trust Company Ottumwa, Iowa National Bank Primghar, First National Bank †Tipton, Tipton National Bank *Webster City, Farmers National Bank
<i>Michigan:</i>	**Charlotte, First National Bank Niles, City National Bank & Trust Company Wyandotte, First National Bank
<i>Wisconsin:</i>	Beaver Dam, American National Bank Berlin, First National Bank

*Supplemental

**Partial

†Partial then supplemental

All others full powers

CONFIRMATIONS OF TRUST POWERS PREVIOUSLY GRANTED DUE TO CONSOLIDATIONS ALL HAVING FULL POWERS

<i>Indiana:</i>	Attica, Central National Bank & Trust Company La Porte, First National Bank & Trust Company
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FEDERAL RESERVE BANK OF CHICAGO

<i>Iowa:</i>	*Des Moines, Iowa-Des Moines National Bank & Trust Company
<i>Michigan:</i>	Detroit, National Bank of Commerce Muskegon, Hackley Union National Bank
<i>Wisconsin:</i>	Racine, First National Bank & Trust Company

*Power Number 9 granted with confirmation of other powers.

DIVISION OF RESEARCH AND STATISTICS

The work of the Research division continued to expand during 1929, with several special studies completed during the year and with numerous tabulations prepared in answer to requests from officers of the bank, the Federal Reserve Board, and others. Earnings and expense studies of all Iowa and Michigan banks were prepared covering 1928, and similar information was compiled for all member banks of the Seventh district. Comparable records were completed showing resource and liability items of national and state member banks in the Seventh district by states and call dates from June 30, 1919, through 1929. Similar information for all banks of the district and for entire states of the district is being prepared and was nearly half completed by the end of the year. The collection of data on bank suspensions, consolidations, and changes in group and chain banking was expanded. An analysis of department store trade in the Seventh district by departments and including stock turnover by months and by years from 1926 to 1928 inclusive was prepared for the retail trade. The division operated in 1929 with a smaller working force than in prior years.

The reference library collection, administered as a part of this division, has acquired 330 additional volumes and a large number of unbound pamphlets during the year. About 7,800 volumes are on the shelves. Many magazines and newspaper files now go back over a period of ten years, and several sets for a period of fifteen or twenty years. Reference and other library work continues in about the same volume as in past years.

FISCAL AGENCY FUNCTIONS

During the year 1929 the volume of work in the Fiscal Agency Department was much less than in the two preceding years, which were heavier than normal because of the retirement of the Second and Third Liberty Loans.

However, during 1929 this bank received 2,280 subscriptions for new issues of Government securities totaling \$346,191,000. On these, there was allotted \$219,527,500, delivery of which was made by 2,236

shipments containing 30,080 pieces. Payment for certificates allotted was made as follows:

By surrender of other Government securities...	\$ 71,781,970
By credit in War Loan Deposit Account.....	135,307,500
By cash	12,438,030
	<hr/>
	\$219,527,500

There were surrendered to us for exchange, transfer, etc., Government securities amounting to \$645,518,200, represented by 215,331 pieces—exclusive of 2,869 pieces amounting to \$3,241,900 returned to submitting banks for corrections in assignments, etc.—against which we delivered 294,505 pieces totaling \$605,520,550.

These figures include United States Treasury Certificates of Indebtedness and Treasury Notes totaling \$315,051,150 (35,090 pieces), which were accepted for telegraphic transfer to other Federal Reserve banks, and like securities totaling \$280,366,750 (16,234 pieces) were delivered for account of other Federal Reserve banks. Securities redeemed totaled \$300,371,991, represented by 128,624 pieces. In addition, 3,548,134 coupons were cashed, amounting to \$64,083,863.

In December, 1929, the Treasury Department made its first offering of Treasury bills under the Second Liberty Loan Act, as amended, and in response to our request forty-four tenders were received totaling \$4,099,000, of which six tenders totaling \$2,960,000 were accepted.

GOLD SETTLEMENT FUND

A net loss of \$142,637,000 was shown in Gold Settlement Fund transactions between the Seventh and other Federal Reserve districts in 1929, compared with a net loss of \$39,772,000 in 1928 and a net gain of \$3,545,000 in 1927. Receipts from other Federal Reserve banks amounted to \$20,430,663,000, a gain of \$2,177,696,000 over the preceding year, and total payments in 1929 of \$20,573,300,000, as against \$18,292,739,000 in 1928, increased \$2,280,561,000. The Gold Settlement Fund as of December 31, 1929, amounted to \$86,462,630.

CLEARINGS AND COLLECTIONS

The volume of checks handled during the year 1929 by the head office and the Detroit branch combined, showed a marked increase over 1928. The total number of checks increased 5.1 per cent, those payable in Chicago and Detroit gained 7.9 per cent, those payable outside of these cities increased 4.9 per cent, while Government checks exhibited an opposite trend, declining 4.6 per cent. The total number of items handled during the year by both offices was over 129,660,000 (including duplications), amounting to \$35,219,944,000.

Of these 91.3 per cent were drawn on banks in the Seventh district, 5.0 per cent on banks in other districts, and 3.7 per cent on the United States Treasurer.

A total of 742,574 non-cash collection letters, with an aggregate value of \$996,963,989, was handled by the bank and its Detroit branch in 1929, as compared with 701,865 letters with an aggregate value of \$1,004,814,493, handled during 1928. This is an increase of 5.8 per cent in number of collections. Of this number, 598,218 with a total value of \$824,621,190 were handled in the head office, and 144,356 with a total value of \$172,342,799 were handled by the Detroit branch.

Transfers of funds aggregating \$31,088,980,668 were made for account of member banks during 1929, compared with \$27,047,795,000 the preceding year. Of the 1929 total, \$20,892,261,121 was transferred over leased wires, as compared with \$17,642,202,987 in 1928, and \$3,631,323,551 over commercial wires compared with \$3,263,582,473 in the preceding year.

All other transfers in 1929 amounted to \$6,565,395,996 as compared with \$6,142,009,373 in 1928.

Transactions numbered 355,462 compared with 336,541 in the preceding year.

CASH AND CURRENCY OPERATIONS

Currency operations at the Federal Reserve Bank in 1929 exceeded by a considerable volume the work carried in 1928. Currency received amounted to \$2,266,793,000 compared with \$2,110,220,000 the preceding year. Payments in 1929 aggregated \$2,214,910,000 as against \$2,107,963,000 in 1928. Gold certificates to the amount of \$473,881,500 were paid out, compared with \$538,664,500 in the preceding year. The number of currency shipments to country banks in 1929 increased to 46,429 from the 39,438 reported in 1928, a reflection of demand for the new currency.

INTERNAL ORGANIZATION

George J. Schaller, President, Citizens First National Bank, Storm Lake, Iowa, was elected a Class A Director to succeed Elbert L. Johnson of Waterloo, Iowa, whose term expired December 31, 1929, and Robert M. Feustel, President, Indiana Service Corporation, Fort Wayne, Indiana, was elected a Class B Director to succeed Robert Mueller, Decatur, Illinois, whose term expired December 31, 1929. Elbert L. Johnson had been a Director of the Federal Reserve Bank since its beginning and Robert Mueller had been a Director since February, 1923. James Simpson, Chicago, Illinois, whose term expired December 31, 1929, was reappointed a Class C Director.

The Directors for the year 1930 will consist of the following:

CLASS A—George M. Reynolds, Chicago, Illinois; Edward R. Estberg, Waukesha, Wisconsin; George J. Schaller, Storm Lake, Iowa.

CLASS B—August H. Vogel, Milwaukee, Wisconsin; Stanford T. Crapo, Detroit, Michigan; Robert M. Feustel, Fort Wayne, Indiana.

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 1930, and James Simpson as Deputy Chairman.

The Executive Committee for the year 1930 will consist of the following: Governor McDougal, Mr. Heath, Chairman, and the following Directors: Messrs. Estberg, Reynolds, Simpson, and Vogel. The Membership Committee for the year 1930 will consist of the following: Mr. Heath, Federal Reserve Agent, Governor McDougal, and Mr. Vogel.

There was one resignation in the official staff at the Chicago office during the year 1929. Frank M. Huston, Manager of the Division of Research and Statistics, resigned as of June 30, 1929. There was one death in the official staff during 1929. Charles L. Powell, Counsel, died March 15, 1929.

There were three appointments in the official staff during 1929. Arthur L. Olson was appointed Assistant Controller as of January 1, 1929; Harris G. Pett was appointed Manager of the Division of Research and Statistics as of July 1, 1929; and C. S. Young was appointed Assistant Federal Reserve Agent as of January 1, 1930.

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

December 31, 1928.....	1,151
December 31, 1929.....	1,186
Increase	35

The Detroit Branch Board of Directors for the year 1930 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.

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

December 31, 1928.....	213
December 31, 1929.....	231
Increase	18