

C H I C A G O



FEDERAL RESERVE BANK
OF CHICAGO

PRESIDENT'S
ANNUAL REPORT
TO
MEMBER BANKS



ACTIVITIES
FOR THE YEAR
1 9 4 8



D E T R O I T

FEDERAL RESERVE BANK OF CHICAGO

**PRESIDENT'S ANNUAL REPORT
TO MEMBER BANKS
OF THE SEVENTH
FEDERAL RESERVE DISTRICT**

ACTIVITIES FOR THE YEAR 1948

FEDERAL RESERVE BANK OF CHICAGO

OFFICE OF THE PRESIDENT



January 27, 1949

To the Member Banks of the Seventh
Federal Reserve District:

You will find in the following pages a brief summary of the activities of the Federal Reserve Bank of Chicago during 1948. In addition to the regular departmental reports, the work of our currency and coin divisions is described in some detail, illustrated by photographs of representative cash operations.

As in past years, the basic factor in our ability to handle these volumes of work has been the continuing support and cooperation of our Member Banks. We are most grateful indeed for that support and cooperation, and extend the thanks of our entire organization.

Very truly yours,

A handwritten signature in cursive script, appearing to read "C. S. Young".

President

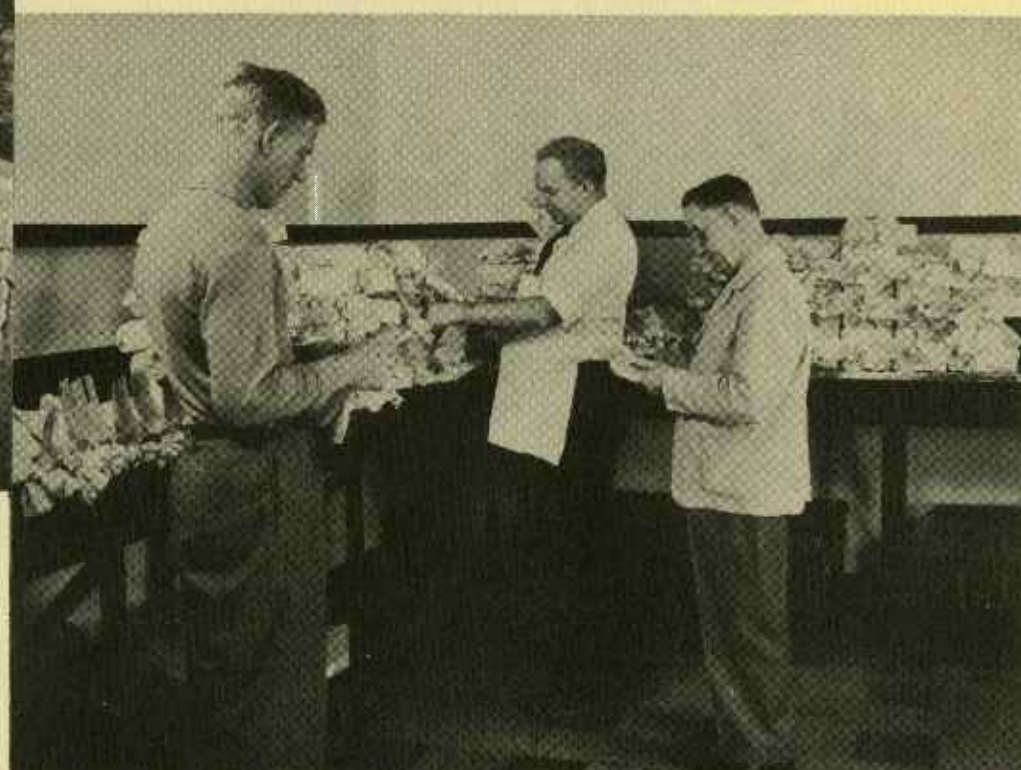
The illustrations on the following page set forth the salient points of the currency and coin routines of the Federal Reserve Bank of Chicago.

A detailed explanation of this operation appears on page 13.

1. UNISSUED F. R. NOTES BEING CHECKED INTO VAULT STOCK



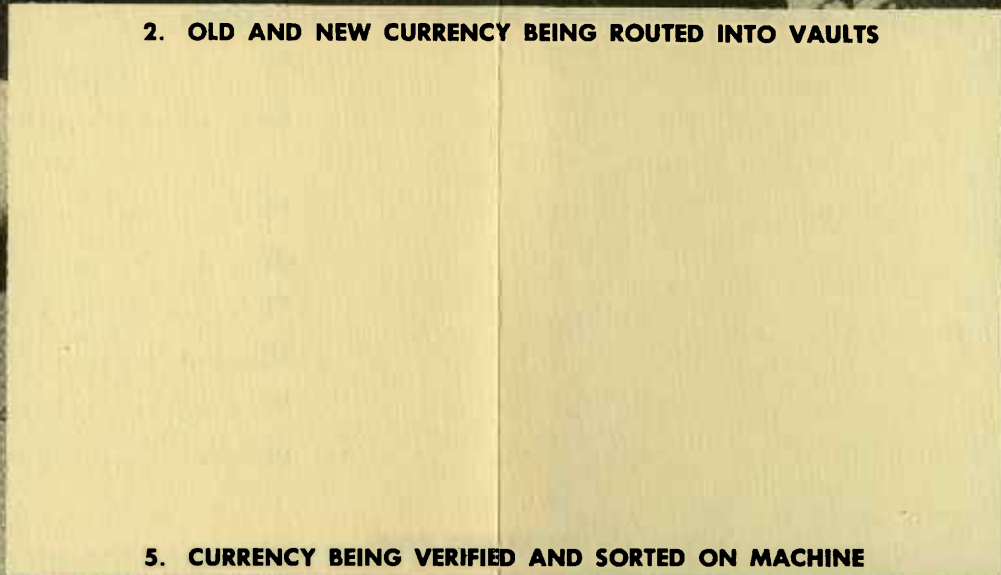
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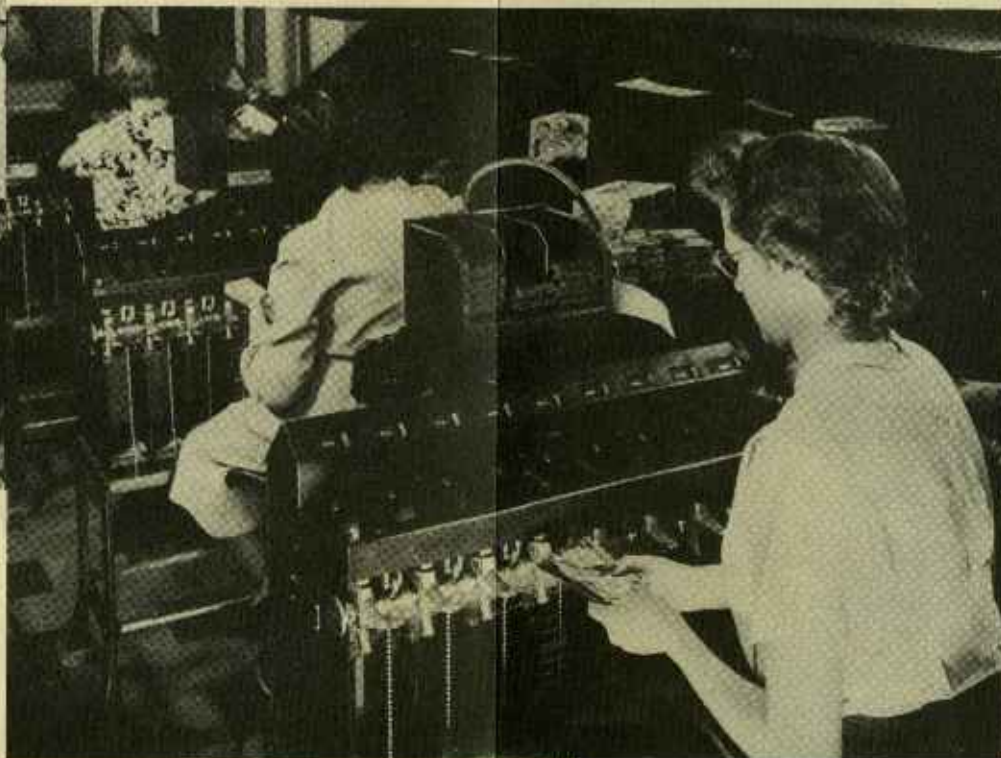
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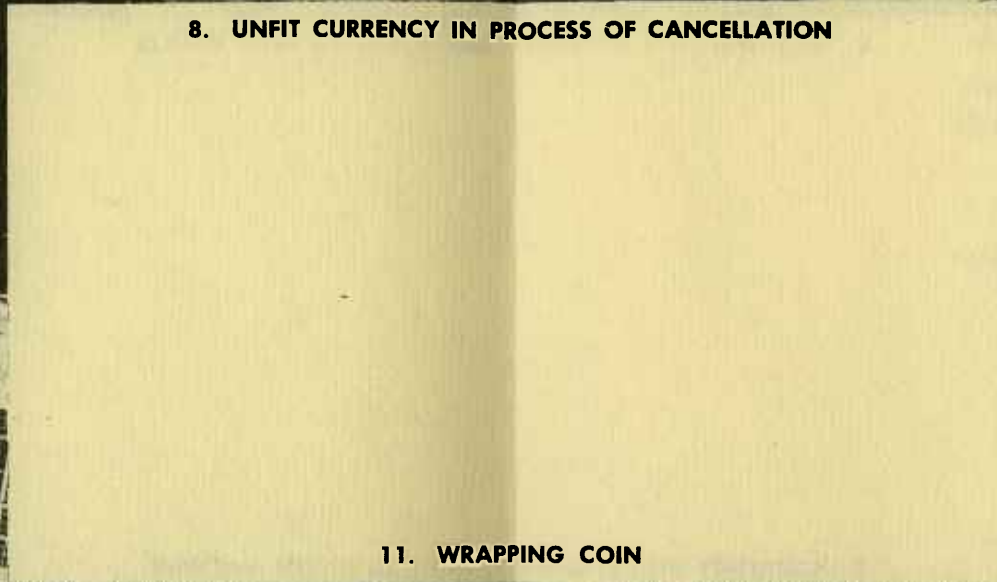


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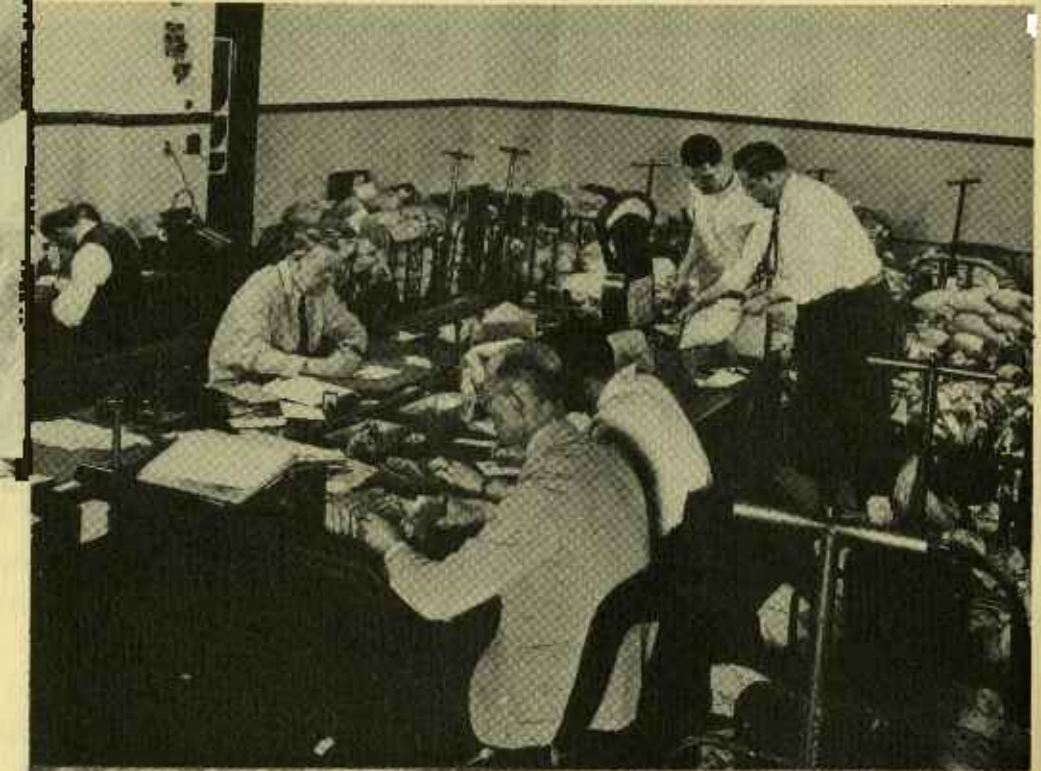
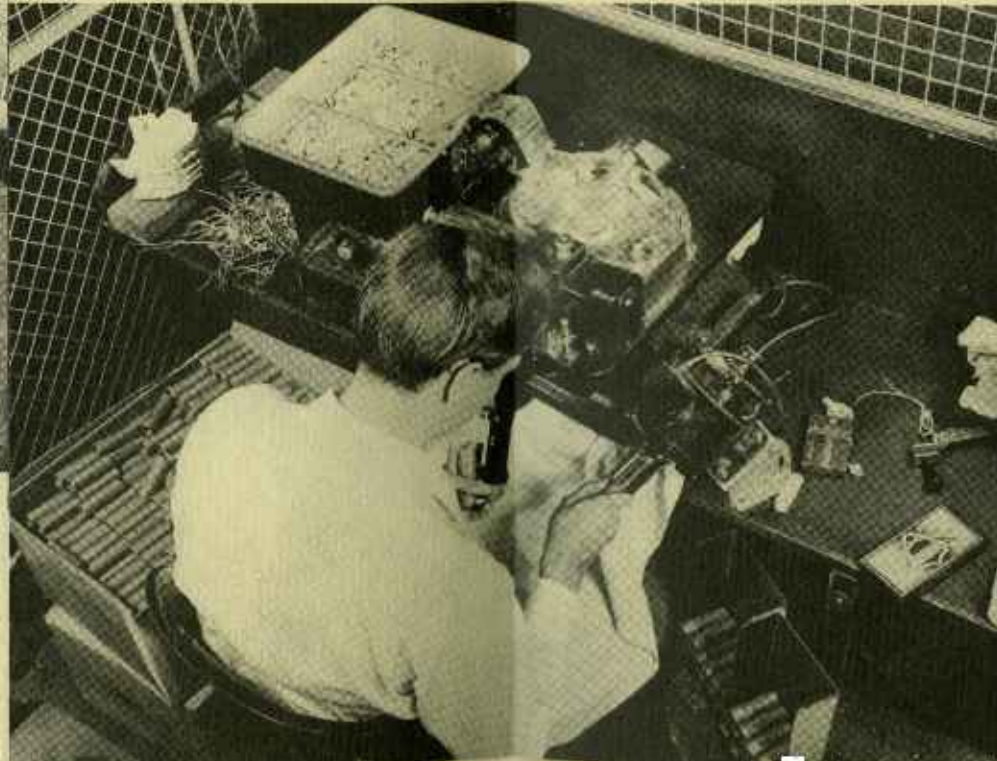
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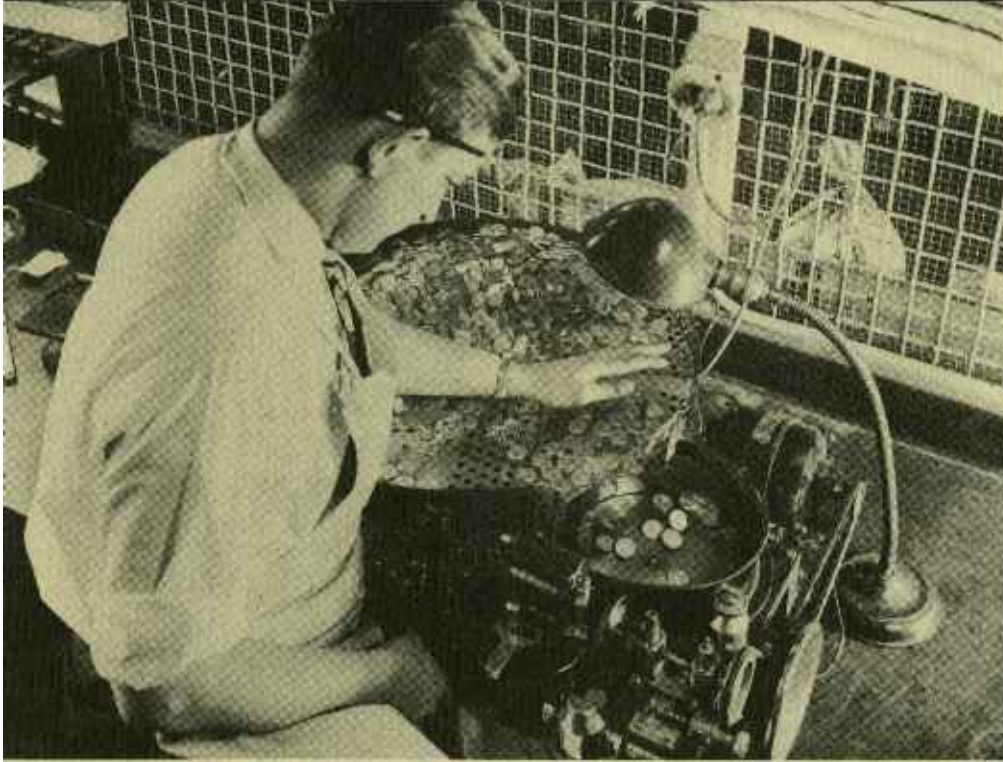


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SEVENTH DISTRICT ECONOMIC SUMMARY

Upward Pace in Business Slows in 1948

During the year just closed, the Seventh Federal Reserve District as well as the nation once again achieved new all-time records in most measures of business and employment. The year 1948, however, was marked by growing evidence of a return to more normal supply-demand relationships in most markets.

Reflecting the predominantly inflationary character of the year, most price-affected business indicators, such as sales, income, and profits made larger gains than physical unit measures, such as employment, industrial production, and carloadings. Agriculture, however, was marked by a downward drift in prices, particularly in grains, during 1948, but record crops nevertheless enabled gross farm income to exceed the 1947 level by a small margin. Although new highs were established in all forms of credit, the 1947-48 increases in mortgages and business loans outstanding in the District were below the national gains. By the final quarter of the year, numerous leveling-to-declining trends in business were evident, but no sharp general readjustment appeared imminent.

In 1948 the Seventh District repeated its longstanding tendency to mirror many of the economic trends of the country, no doubt because the District closely parallels the economic structure of the nation and accounts for about one-fifth of most major national economic totals. For business as a whole, it cannot be said that the District was markedly stronger than the nation. Likewise, with the exception of residential construction, in which the District's lag was noticeable, no unusual weaknesses became apparent. Moreover, the Midwest was not confronted with year-end layoffs and shortened workweeks to any appreciable degree and less than in several other sections of the country.

Principal Products in Heavy Demand

Continued high demand for the District's principal industrial products was responsible for record employment and business earnings last year. Steel and automobile shortages persisted throughout the year despite expanded full capacity operations in both industries. Farm machinery, especially tractors, remained in strong demand, as did petroleum products, mining and construction machinery, and heavy electrical equipment. Some resurgence in electronic products, particularly because of rapidly growing television output, likewise contributed to the high-level stability in manufactures which the District achieved during 1948. As war-inspired backlogs of demand disappeared in a growing number of cases, seasonal fluctuations in demand and output, common in prewar years, again became evident.

Over-all industrial production nationally advanced about three percent during the past year, and the Seventh District record at least paralleled this gain. Since total employment advanced about two per cent, some slight improvement in output per worker appears to have occurred in 1948.

District employment gains were confined to nonagricultural occupations, and moreover, largely to the trade and service fields. In contrast, however, the principal increases in employment nationally were in manufacturing and construction. District manufactures adding to their work forces during the year included iron and steel, non-ferrous metals, and automobiles, but gains in these fields were more than offset by losses in electrical machinery, printing, paper and leather manufacturing establishments. In view of the greater concentration of employment in manufacturing activities during the war years, the slight relative shift away from manufacturing during 1948 may well be viewed as a further step in the gradual return to a more normal labor market structure. The District, however, continues to have a distinctly larger proportion of persons employed in factories than the nation as a whole.

Personal income increased steadily during the past year because of fairly general advances in wages, farm marketing receipts, and other forms of earnings. The 1947-48 rise is estimated to have been about 10 per cent, lifting aggregate personal income in the District to more than 35 billion dollars. To an important degree, widespread third round wage increases were responsible for raising average weekly earnings of factory workers to \$59.00, or eight per cent above 1947, and noticeably ahead of the national figure of \$54.00, which represented a seven per cent gain from the previous year.

Inflationary Impact Somewhat Greater

Seventh District consumers continued to experience a somewhat greater impact of inflation in meeting their living expenses than residents of most other regions. During the past twelve months, consumer prices averaged nine per cent above the 1947 level, compared with an eight per cent rise generally in the nation. Comparable consumer price advances in Chicago and Indianapolis were roughly 10 per cent. The year-to-year increase narrowed appreciably, however, during the final quarter.

Detailed price movements actually were quite mixed, with the principal rises occurring in the clothing, fuel, and miscellaneous—including local transportation—groups. Declines, confined almost entirely to foods and textiles, became sufficiently important during the final months of the year, however, to more than offset rises elsewhere and turn the official price indexes down slightly.

Emphasis upon nonresidential building continued to dominate District construction during 1948 as in every year since the end of the war. While urban nonresidential building permit values increased 58 per cent over 1947, well ahead of the nation, the rise in residential permits was 21 per cent, considerably under the country-wide figure. Toward the end of the year, tightening availability of mortgage and construction funds clearly limited new residential starts. A few thousand finished homes remained unsold.

Rising price-quality consciousness sharply influenced what and where consumers bought in 1948, but retail sales nevertheless surged to a new high, despite some lagging during the early Christmas buying period. Seventh District department store sales approached two billion dollars, marking the tenth consecutive annual rise, nine of which have established successive new all-time records. The seven per cent sales rise during 1947-48 in the District matched the national increase. Retail expenditures were characterized by shifts: to durables, and particularly from foods; to second or lower-priced lines, reappearing after an extended period of absence during the war and initial postwar years; to stores appealing for sales largely upon a price basis; and to seasonal consumer buying habits well known before the war, and particularly late Christmas buying. While sellers experienced difficulty moving particular types of goods, especially some luxury items and others no longer in short supply, consumer response to "good buys" was reported excellent throughout the district.

Net Cash Farm Income Declines Slightly

The year 1948 marked a new all-time high in the gross cash income of Seventh District farmers, but rising expenses of production left farmers slightly to somewhat smaller net incomes than in 1947. Furthermore, the rising price level has affected farmers' living expenses in such a way that 1946 was probably the best year for farmers in terms of *real* incomes.

The Year 1948 saw new records in crop production for the District. The five states of the District produced a total corn crop of 1,677,000,000 bushels, 46 per cent of the national total, and more than 30 per cent above the average of the 10-year period, 1937-46. The oats crop for the states was 691 million bushels, also 46 per cent of the national total, and exceeded the 10-year average by about nine per cent. The soybean crop of 146 million bushels was two-thirds of the nation's crop and exceeded all previous records. The hay crop of 19,000,000 tons for the five states, while below last year's and the 10-year average, was still large enough to be considered an excellent output except in the nation's leading state, Wisconsin, where this year's crop fell nearly one-fifth below last year.

The bumper corn crop presented something of a problem. With the District livestock population reduced as a result of the short feed crops of 1947, the question of economic utilization of the new crop presented a challenge to farmers. The price of corn fell off drastically, and in spite of a Government support level of around \$1.45, new crop corn has been sold generally at \$1.15 to \$1.25. Lack of storage space, partly as a result of limitations on Commodity Credit Corporation, partly due to lack of materials to build new facilities, resulted in the deficit in price below support levels.

The plethora of feeds and the concomitant price readjustments have put feed prices in a position relative to livestock that is one of the most favorable in years. In spite of this price position the District's farmers as a whole appear to be reluctant to gamble on feeding up to the level suggested by the price ratio, and instead are taking the Government loan on corn and engaging in only a very conservative hog and cattle feeding program.

Land prices in the District as a whole leveled off, with only very slight rises in some areas. Farm transfers have been less frequent than in recent years, and many potential sellers are reported to have reduced their asking prices in order to move their land while the market is still good. Farmers still maintain a low level of real estate debt, although the trend of the total is slightly upward.

Farmers and bankers have maintained fairly conservative credit conditions, and while farm loans for operating use and for capital equipment have shown marked increases in some situations, the general trend has been one of modest increases in borrowing to meet higher costs of operation.

In farm machinery and equipment the year 1948 saw the fulfillment of many farmers' backlogs, although small tractors and some harvesting machinery still continue short in some areas, the latter due largely to the extra load of the bumper crop. But price premiums above list have diminished or disappeared for many items, and equipment dealers moved into a period when they have to "sell" some items in their lines.

Continued high levels of non-farm employment have kept the labor supply for the District's farmers relatively tight, sufficiently so to maintain pressure on farmers to proceed with mechanization. Perhaps the most important consequence of this situation credit-wise is that the equipment required means a higher relative total of investment in such items for the operator. As a result of these requirements and the higher price levels, it takes three to four times as much capital to start farming today as it did 10 to 15 years ago.

Member Bank Earning Assets Decrease

Member banks in the Seventh Federal Reserve District experienced a decline in earning assets in 1948, paralleling a trend which appears to have held in the nation as a whole. The drop in principal resources of Seventh District member banks, which is estimated to have been about 300 million dollars, contrasts with a gain of almost 800 million for the year 1947. This development resulted primarily from a sharp reduction in Government security holdings only partially offset by a moderate continuation of loan expansion.

Total Government security holdings of these banks declined by some 700 million dollars. Weekly reporting bank figures indicate that most of this decline occurred in Chicago and, to some lesser extent, in Detroit. The reduction in bank Government portfolios reflected principally a shift from bonds, which was compensated for to only a minor degree by acquisition of short term issues. Many banks sold bonds to meet increases in reserve requirements which were imposed on central reserve city banks in February, June, and September, and also on all other member banks in September.

In contrast with the contraction in Government security holdings, loans made by District member banks continued to expand in 1948. For the first 11 months of the year, total loans rose about 320 million, but this gain was less than half of that for the comparable period of 1947. Weekly reporting member banks, which consist chiefly of the larger banks in the larger centers, accounted for only one-third of the gain made in loans by all District member banks in 1948—a much smaller proportion than in the previous year. Thus, it appears that in 1948 an increasing proportion of commercial bank loans was made by smaller banks. In these weekly reporting banks, the slackening in loan growth was relatively greatest in the business and agricultural category. Real estate loans and particularly "other loans," which are largely consumer loans, showed a growth more nearly comparable with 1947. In fact, Chicago reporting banks indicated a gain in "other loans" in 1948 as compared with an actual contraction in 1947.

Deposits at Seventh District member banks for the year 1948 as a whole were relatively stable. Total demand deposits, other than interbank deposits, declined 30 million dollars through November as compared with an increase of 740 million for the year 1947. Part of the decline in demand deposits adjusted was offset by a gain in United States Government deposits. Time deposits in the District, as well as in the nation, increased during the year but at a more moderate rate than in 1947.

For the first half of 1948 member bank earnings compared favorably with the comparable period of the previous year. Net current operating earnings for the first six months of 1948 were 67 million compared with 62 million in 1947. Preliminary reports suggest a continuation of this trend through the rest of 1948. Despite the contraction in total earning assets of District member banks, higher returns on loans and investments and a larger loan volume presumably enabled many banks to maintain or slightly better their earnings position.

FEDERAL OPEN MARKET COMMITTEE

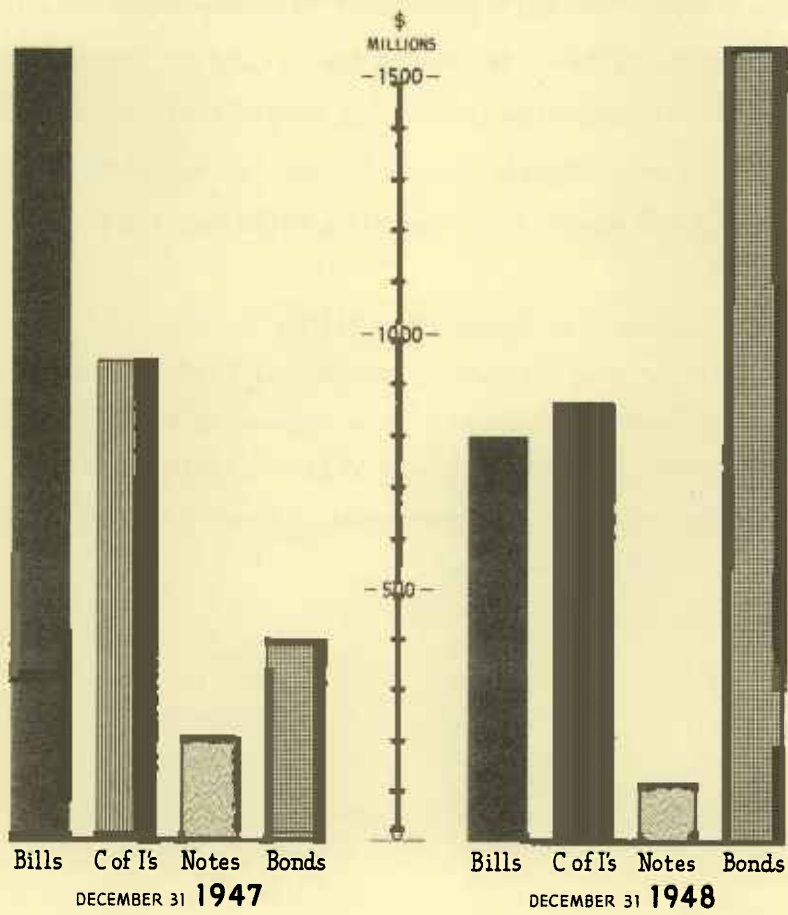
The activities of the System Open Market Account are directed by the Federal Open Market Committee, consisting of seven members of the Board of Governors of the Federal Reserve System and the presidents of five of the Federal Reserve banks, including the Federal Reserve Bank of Chicago. The Federal Open Market Committee assumes the responsibility of deciding when and what securities to buy or sell in the open market, with a view to preventing violent fluctuations in money rates and to maintaining an orderly market for government securities. The Federal Reserve banks are required by law to carry out the program of the Open Market Committee. The United States Government securities shown on the December 31, 1948, statement of the Federal Reserve Bank of Chicago represented this bank's share in the portfolio of the System Open Market Account in which all the Federal Reserve banks participate.

This bank's participation in the System Open Market Account amounted on December 31, 1948, to \$3,332,925,000 par value of securities, representing 14.28% of the total portfolio of \$23,332,746,000. This figure is comparable with an amount of \$3,085,404,000 par value of securities held on December 31, 1947, an increase of \$247,521,000. In addition to the increase in amount, the composition of our participation changed very materially during the year, as will be noted from the following analysis:

	<u>Dec. 31, 1948</u>	<u>Dec. 31, 1947</u>	<u>Increase or Decrease</u>
Bills	\$ 797,316,000	\$1,535,867,000	— 48.1%
C of I's	863,550,000	946,565,000	— 8.8%
Notes	112,328,000	205,644,000	— 45.4%
Bonds	1,559,731,000	397,328,000	+292.6%
Total	<u>\$3,332,925,000</u>	<u>\$3,085,404,000</u>	+ 8.0%

It will be evident that the activity of the Open Market Committee in support of the rate structure of the government securities market resulted in the net accumulation of a large amount of bonds, mostly long-term, and the disposal of substantial amounts of Treasury bills, certificates of indebtedness, and notes.

FEDERAL RESERVE BANK OF CHICAGO
Participation in
SYSTEM OPEN MARKET ACCOUNT



SUPPLYING CURRENCY AND COIN TO THE SEVENTH FEDERAL RESERVE DISTRICT

(See Pictorial Insert, Opposite Table of Contents)

One of the important functions of the Federal Reserve Bank of Chicago is that of supplying the Seventh Federal Reserve District with the currency and coin necessary for its economic life, and removing that currency and coin when it becomes unfit for further circulation. Such an operation involves the obtaining of new currency and coin; its storage, protection, and shipment as required, and the inspection, sorting, and counting of incoming deposits.

Sources of Currency and Coin

The Federal Reserve Bank obtains all of its new coin and some of its new currency (Silver Certificates and United States Notes) from the Treasury Department, making payment through the Treasurer's General Account. Most new currency (about 85%) is issued by the Federal Reserve Bank itself in the form of Federal Reserve Notes. Acceptable collateral is deposited to the full face value of the new currency wanted, and new Federal Reserve Notes are released to the Federal Reserve Bank by the Federal Reserve Agent (illustration 1). Such new currency is set up simultaneously on the Federal Reserve Bank's books as a liability, and the Federal Reserve Bank is required to maintain a reserve in gold certificates of not less than 25%.

This new currency and coin is augmented by substantial amounts of fit circulated currency and coin received in incoming deposits (described later), and the new and fit money provide an inventory of cash, which is maintained in the Federal Reserve Bank's vaults for service to member banks (illustration 2).

Shipments

Currency and coin are shipped to member banks upon request (illustration 3). The reserve accounts of such banks are charged with the value of the cash involved, shipping charges being absorbed by the Federal Reserve Bank. Nonmember banks usually obtain their currency and coin through correspondent member banks. The Federal Reserve Bank makes every effort to fill orders for currency in accordance with the wishes of its members. However, the paying out of new currency and coin is governed entirely by the volume of fit and circulated on hand. United States mints supply Federal Reserve Banks with new coin only when circulated is not available.

Incoming Currency and Coin from Member Banks

The great bulk of incoming currency is received from member banks for credit to their reserve accounts (illus-

tration 4). Transportation costs on shipments from out-of-town banks are borne by the Federal Reserve Bank.

Incoming currency is verified and sorted as to fit and unfit. Federal Reserve Notes are also sorted as to bank of issue. Most of this sorting and proving is done on electrically operated currency counting machines (illustration 5). This mechanization of the proving routine, which is the basis for the Federal Reserve Bank's ability to handle large volumes of currency (illustration 6), requires that all counts and proofs be on a piece basis alone, rather than upon pieces and denomination. For this reason, member banks are required to ship currency sorted in standard straps and straight as to denomination. Shipments of currency mixed as to denomination or in a badly worn condition must be proved and sorted by hand (illustration 7).

Currency segregated as unfit for further use in the above sort is cancelled by die perforation, cut in half lengthwise (illustration 8), and the halves forwarded separately to the Treasury Department for destruction.

Federal Reserve Notes fit for further circulation must be returned to the bank of issue. Other fit incoming currency is routed back into the vault inventory to await shipment.

Incoming coin received from member banks (illustration 9) is processed through automatic counting machines for verification, and rebagged. During this work (illustration 10), the machine operator inspects the coin and removes counterfeits, slugs, foreign coin, and all other coin unfit for further circulation. The verified bagged coin is then placed in the vault inventory for future shipment.

Wrapped Coin

Member banks may obtain wrapped coin if they so desire. A separate wrapped coin division is maintained, where all work in connection with the wrapping, storage, and shipping of coin is done.

Coin is transferred into this division in bags which have previously been proved and inspected, as described above. Automatic machines count the coin into standard rolls, and feed each such counted group through a spout into a paper roll held by the operator. The filled roll is then sealed in a crimping device attached to the machine (illustration 11).

In this work, the machine operators handle a batch of coin at a time and place the finished bags of wrapped coin on steel skids. These skids are handled mechanically, and are placed in wall compartments of the coin

vaults, where they become part of the inventory of wrapped coin (illustration 12).

Because of the high degree of mechanization necessary to keep the cost of wrapped coin within a reasonable figure, only standard bag units are placed in inventory, and member banks are required to order wrapped coin in terms of such units. A charge is made for wrapped coin, including only the salaries and supplies applicable to the wrapping operation. Transportation costs are absorbed by the Federal Reserve Bank.

Operational Setup

The work described above is carried out by a Cash Department of approximately 270 employees. Two officials, an assistant vice president and an assistant cashier, are in direct charge of operations, working under the over-all direction of a vice president. Most of the De-

partment's personnel are engaged in proving and sorting; 135 are assigned to the verification of incoming currency.

The Federal Reserve Bank's cash operations occupy approximately 30,000 square feet of floor space, which is located on the first floor and on the three basement levels of the Bank building. A considerable outlay of equipment is required for this work, especially vault facilities and the mechanical equipment used to count and transport currency and coin. The maintenance of accuracy and efficiency requires well-lighted areas, and, for the comfort of the employees, air conditioning is provided. Sound reduction materials are used on walls and ceilings, and music is wired in at different intervals throughout the day.

The volume of work involved in the foregoing transactions is indicated in the figures below.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
PIECES				
Currency				
Outgoing	536,339,523	505,142,656	143,610,922	119,530,095
Incoming	554,539,859	523,534,850	133,988,000	113,721,732
Forwarded for Redemption	214,308,066	207,974,832	23,954,149	37,034,139
Coin				
Outgoing—Loose	698,834,817	568,634,136	97,388,734	100,925,458
Wrapped	554,211,410	316,034,000	5,700,550*	—
Total	1,253,046,227	884,668,136	103,089,284	100,925,458
Incoming—From Banks	1,100,820,759	738,481,403	98,639,931	67,931,653
From Mints	162,450,000	146,400,000	22,375,000	37,340,000
From Other F. R. Banks	11,450,000	4,100,000	2,560,000	5,025,000
DOLLAR VALUE OF PIECES				
Currency				
Outgoing	\$3,127,707,000	\$3,003,754,800	\$ 901,077,058	\$ 779,261,517
Incoming	3,288,919,875	3,118,258,887	932,118,965	772,650,408
Forwarded for Redemption	811,033,375	772,378,087	108,854,545	161,067,133
Coin				
Outgoing—Loose	\$ 49,431,921	\$ 42,515,060	\$ 8,179,653	\$ 7,676,707
Wrapped	56,863,182	31,394,450	584,300*	—
Total	\$ 106,295,103	\$ 73,909,510	\$ 8,763,953	\$ 7,676,707
Incoming—From Banks	\$ 98,175,709	\$ 66,919,297	\$ 8,674,806	\$ 5,232,730
From Mints	7,750,000	6,950,000	1,600,000	2,350,000
From Other F. R. Banks	1,650,000	1,300,000	610,000	915,000
FEDERAL RESERVE NOTE ISSUES—FEDERAL RESERVE AGENT				
Pieces				
Received from Washington	64,748,000	61,764,000	8,840,000	12,700,000
Issued to Bank	68,765,550	72,259,000	9,344,340	13,356,000
Dollar Value of Pieces				
Received from Washington	\$ 705,040,000	\$ 752,640,000	\$ 111,000,000	\$ 180,000,000
Issued to Bank	785,900,000	867,060,000	126,080,000	180,420,000

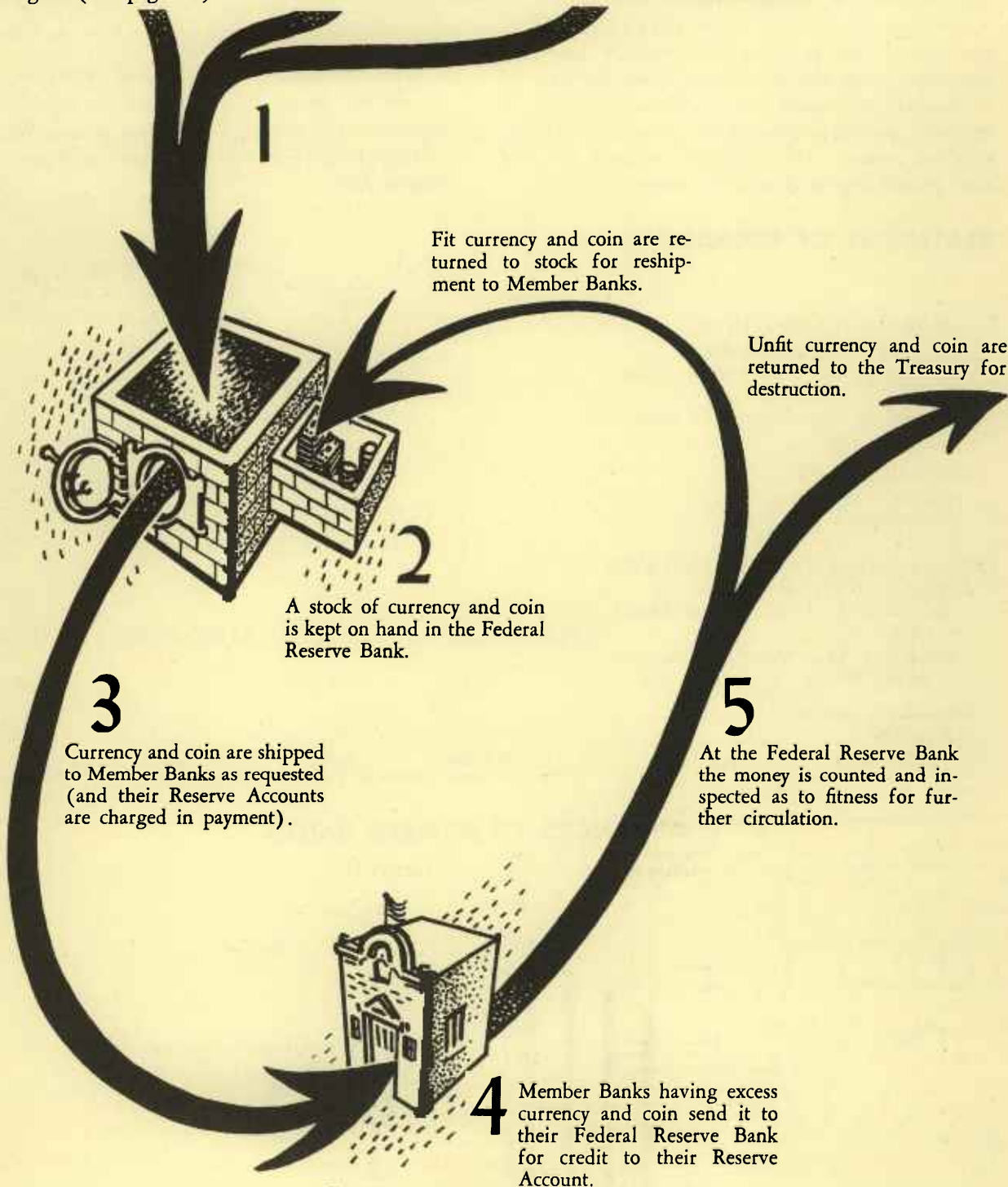
*Wrapped Coin Service
Inaugurated October 15, 1948.

MOVEMENT OF CURRENCY AND COIN

Federal Reserve Notes are obtained from the Federal Reserve Agent (See page 13).

New silver certificates and United States Notes are obtained from the Treasury and payment is made through the Treasurer's General Account.

New coin is obtained from the mints, and payment therefor is made through the Treasurer's General Account.



SERVICES TO MEMBER BANKS

DISCOUNTS AND OTHER CREDITS

The Federal Reserve Banks are empowered to make loans to member banks and, under certain circumstances, to commercial firms.

GENERAL SUMMARY

Member bank borrowings from the Head Office increased during 1948 to an aggregate of \$3,046,865,000, while similar borrowings from the Detroit Branch declined somewhat during the period.

The increase of 152% at the Head Office may be attributed to some extent to the increase in reserve requirements which became effective during the year. In all instances, borrowings from the Head Office were for temporary periods pending an orderly liquidation of investment accounts. Detroit Branch advances were for short periods also, to adjust cash reserves.

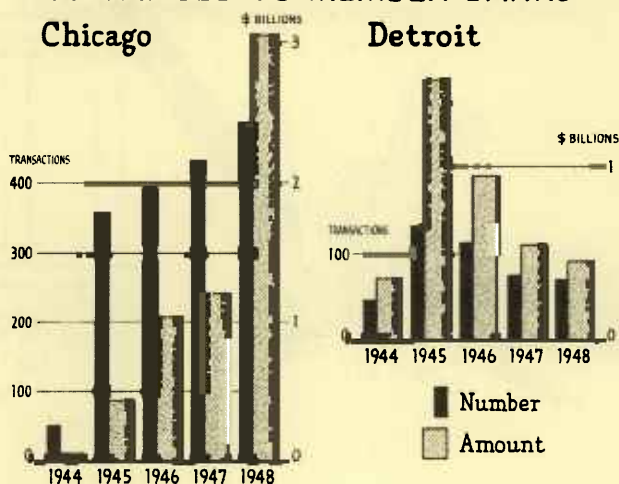
The peak in member bank borrowings from the Head Office occurred on March 28, when, because of reductions in deposits of Illinois banks over the April 1 tax date, loans outstanding reached a total of \$343,145,000. These were promptly liquidated shortly after the tax date.

Three commitments, aggregating \$472,500, were entered into during 1948 with financing institutions in connection with working capital loans to industrial enterprises under the provisions of Section 13b of the Federal Reserve Act.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
NUMBER OF TRANSACTIONS				
ADVANCES TO MEMBER BANKS				
Secured by U. S. Government Obligations	484	430	70	74
Secured by Other Acceptable Assets—Section 10b	1	1	—	2
INDUSTRIAL LOANS				
Advances	—	—	—	—
Commitments	3	2	—	—
DOLLAR VALUE OF TRANSACTIONS				
ADVANCES TO MEMBER BANKS				
Secured by U. S. Government Obligations	\$3,046,865,000	\$1,207,743,000	\$ 466,045,000	\$ 558,040,000
Secured by Other Acceptable Assets—Section 10b	50,000	400,000	—	200,000
INDUSTRIAL LOANS				
Advances	—	—	—	—
Commitments	472,500	345,000	—	—

ADVANCES TO MEMBER BANKS



SERVICES TO MEMBER BANKS

SAFEKEEPING OF SECURITIES

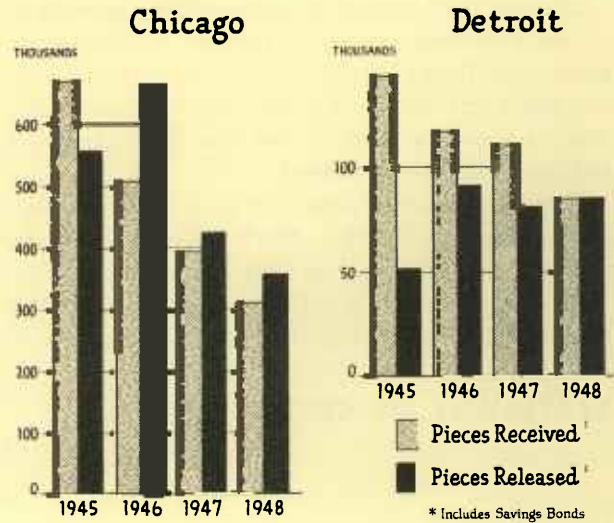
The Federal Reserve Banks act as depositories for securities owned by member banks. Securities so held are completely serviced as to collection of interest, redemptions, exchanges, etc.

A free safekeeping service for U. S. Savings Bonds, Series E, is extended to members of the armed forces and to the general public.

GENERAL SUMMARY

The number and dollar value of securities handled in safekeeping operations declined during the year 1948. Securities on hand at the close of the year were down \$357,000,000 at Chicago, and up \$54,000,000 at Detroit, the latter change due primarily to increased holdings for member banks and to a larger balance of member bank securities in process of exchange. The Branch's storage facilities were increased during the year.

Savings Bonds safekeeping volumes declined generally, although civilian releases increased both at Chicago and Detroit.



STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
SAFEKEEPING—MEMBER BANKS, ETC.				
PIECES				
Securities—Received	226,869	285,520	19,082	25,374
Released	212,100	235,196	20,891	20,835
Coupons Detached from Securities	<u>934,840</u>	<u>879,662</u>	<u>151,796</u>	<u>150,969</u>
DOLLAR VALUE OF PIECES				
Securities—Received	\$ 8,977,566,386	\$29,594,516,120	\$ 1,261,764,135	\$ 2,085,896,680
Released	9,334,846,359	30,358,925,792	1,208,065,590	2,169,647,150
Held as of December 31...	4,428,820,351	4,786,100,324	362,561,984	308,863,439
Coupons Detached from Securities	<u>79,713,752</u>	<u>90,658,171</u>	<u>3,724,445</u>	<u>5,947,690</u>
Receipts Issued	24,127	31,167	2,413	3,267
Receipts Released	26,682	30,059	3,125	3,678
Receipts Outstanding	<u>58,621</u>	<u>61,166</u>	<u>7,324</u>	<u>8,036</u>
SAFEKEEPING—SAVINGS BONDS				
PIECES				
Received—U. S. Army Personnel	36,566	52,366	—	—
Civilian	48,755	57,459	65,936	84,735
Released—U. S. Army Personnel	94,563	139,589	—	—
Civilian	53,083	51,906	64,132	60,647
Held as of Dec. 31--U. S. Army Personnel	385,003	443,000	—	—
Civilian	<u>334,874</u>	<u>339,202</u>	<u>297,746</u>	<u>295,942</u>
DOLLAR VALUE OF PIECES				
Received—U. S. Army Personnel	\$ 2,502,935	\$ 3,576,860	—	—
Civilian	9,459,021	8,183,178	\$ 6,319,630	\$ 6,507,890
Released—U. S. Army Personnel	5,096,875	6,961,075	—	—
Civilian	6,045,752	6,637,021	4,604,815	4,185,240
Held as of Dec. 31--U. S. Army Personnel	19,626,085	22,220,025	—	—
Civilian	<u>54,237,248</u>	<u>50,823,979</u>	<u>24,489,955</u>	<u>22,775,140</u>

SERVICES TO MEMBER BANKS

COLLECTION OF CHECKS AND OTHER ITEMS

The Federal Reserve Banks act as nation-wide clearing agents for the routing of checks between commercial banks in much the same manner as clearing house associations do in local communities, and accept and pay checks drawn by the Federal

Government. They also collect drafts, notes, bonds, coupons, acceptances, etc., for member banks and deliver against payment securities sold by member banks.

GENERAL SUMMARY

The year 1948 brought increased volumes of work to our check collection systems. Although the number of government checks handled declined somewhat, a general rise in city and country items was sufficient to produce an over-all increase in total items handled of 6% at Chicago and 8% at Detroit.

Extensive alterations were made in our Check Department facilities at Chicago. Work areas were enlarged and improved, additional equipment was obtained, and the transfer of outgoing cash letters to proof machines was started, to be completed in 1949. All return checks

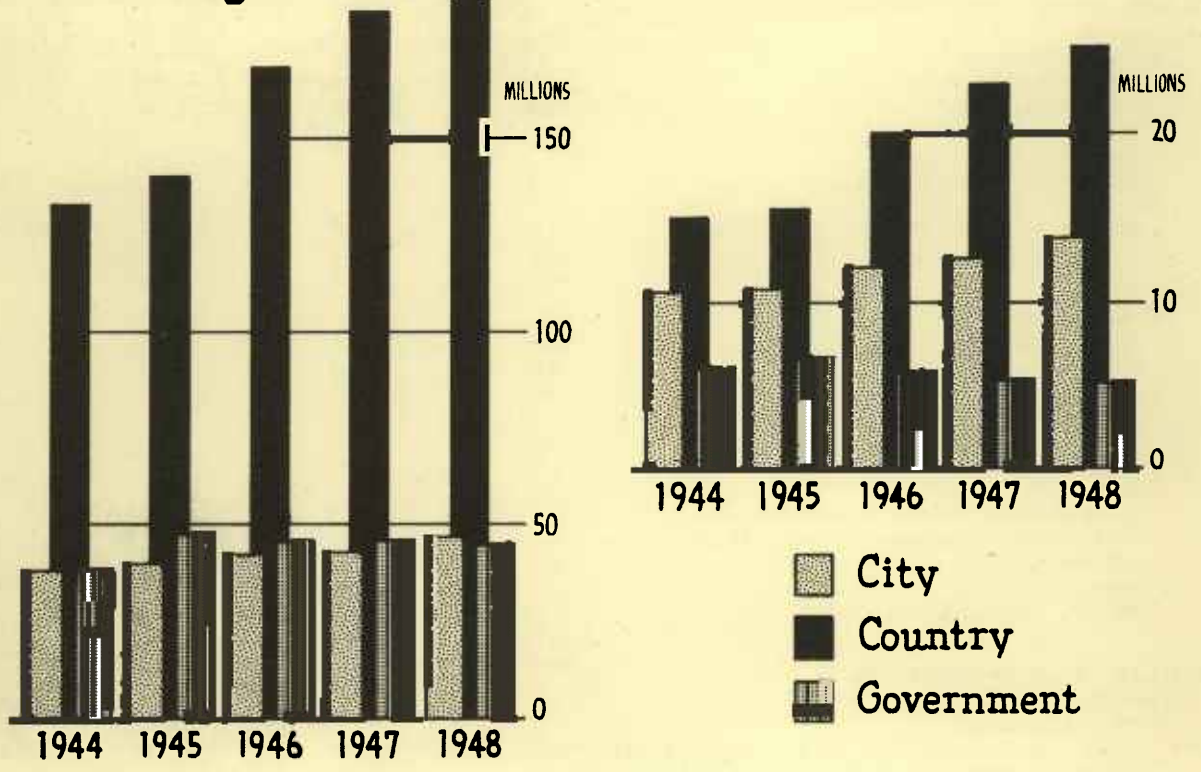
are now microfilmed, thus increasing the service we can render on such items. Negotiations were started during the year towards routing all checks direct, with payment to be made to correspondent banks for our account, where Chicago Exchange would not be available.

Although Saturday closing has been observed by our Detroit Branch since August 21, 1948, work is continued there each Saturday to the extent of forwarding country checks and the preparation of checks drawn on Detroit banks and the United States Treasury for presentation.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
CHECKS				
Number of Checks Handled				
City	46,916,000	42,718,000	14,019,000	12,711,000
Country	194,543,000	182,390,000	25,320,000	23,070,000
Government—Paper	3,432,000	4,081,000	891,000	953,000
Card	41,645,000	41,835,000	4,426,000	4,550,000
Totals	<u>286,536,000</u>	<u>271,024,000</u>	<u>44,656,000</u>	<u>41,284,000</u>
Dollar Value of Checks Handled				
City	\$55,257,910,000	\$50,198,913,000	\$13,034,004,000	\$10,965,013,000
Country	36,482,969,000	33,065,055,000	5,443,955,000	4,625,857,000
Government—Paper	4,433,454,000	5,796,590,000	676,738,000	556,484,000
Card	2,529,661,000	2,567,080,000	292,534,000	417,531,000
Totals	<u>\$98,703,994,000</u>	<u>\$91,627,638,000</u>	<u>\$19,447,231,000</u>	<u>\$16,564,885,000</u>
DAILY AVERAGE NUMBER OF CASH LETTERS DISPATCHED.....				
	<u>6,064</u>	<u>5,277</u>	<u>549</u>	<u>545</u>
NON-CASH ITEMS				
Number of Transactions				
City	43,167	42,246	20,760	17,987
Country*	177,107	190,795	17,551	21,118
Coupon and Security	505,234	486,324	25,183	25,246
Totals	<u>725,508</u>	<u>719,365</u>	<u>63,494</u>	<u>64,351</u>
*Includes direct sendings to other Federal Reserve Banks by our Member Banks				
	<u>98,010</u>	<u>106,893</u>	<u>6,572</u>	<u>7,910</u>
Dollar Value of Transactions				
City	\$ 131,997,000	\$ 129,751,000	\$ 43,793,000	\$ 56,204,000
Country*	472,313,000	575,468,000	58,950,000	70,557,000
Coupon and Security	829,902,000	923,018,000	51,668,000	71,105,000
Totals	<u>\$ 1,434,212,000</u>	<u>\$ 1,628,237,000</u>	<u>\$ 154,411,000</u>	<u>\$ 197,866,000</u>
*Includes direct sendings to other Federal Reserve Banks by our Member Banks				
	<u>\$ 351,765,000</u>	<u>\$ 450,347,000</u>	<u>\$ 47,367,859</u>	<u>\$ 59,137,113</u>

NUMBER OF CHECKS HANDLED



SERVICES TO MEMBER BANKS
INVESTMENTS

The Federal Reserve Banks act as securities agents for member banks. The purchase and sale of bonds by member banks, either

for their own account or for the account of customers, may be effected through their Reserve Bank without charge.

GENERAL SUMMARY

Operations of the Head Office Investment Department declined substantially in 1948 from the previous year, particularly in dollar volume, on account of the discontinuance of the arrangement in effect during part of 1947 under which holders of Treasury bills were permitted to sell them to the Federal Reserve banks at a stated price with the privilege of repurchase.

However, security transactions in the open market for the account of member banks, other Federal Reserve banks, and others, showed an increase from the previous year of 17% in number of transactions and 45% in dollar value.

At the Detroit Branch, the number of purchases increased slightly, while the number of sales declined 37%.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
NUMBER OF SECURITY TRANSACTIONS				
PURCHASES				
U. S. GOVERNMENTS				
Member Banks and Others.....	3,045	3,205	631	625
Other F. R. Banks.....	162	164	—	—
Repurchase Agreement.....	—	1,146	—	—
Own Account.....	—	1	—	—
System Open Market Account.....	2	—	—	—
OTHER				
Member Banks and Others.....	18	22	—	—
Total Purchases.....	<u>3,227</u>	<u>4,538</u>	<u>631</u>	<u>625</u>
SALES				
U. S. GOVERNMENTS				
Member Banks and Others.....	8,630	6,695	634	1,007
Other F. R. Banks.....	436	420	—	—
Repurchase Agreement.....	—	1,042	—	—
Repurchase Agreement				
Exchanged for Treasury Bills Due 7-31-47	—	7	—	—
Repurchase Agreement Matured.....	—	278	—	—
Repurchase Agreement				
Transferred to System Open Market Account	—	315	—	—
Own Account—Transferred to System Open				
Market Account.....	—	1	—	—
OTHER				
Member Banks and Others.....	48	80	—	—
Total Sales.....	<u>9,114</u>	<u>8,838</u>	<u>634</u>	<u>1,007</u>
DOLLAR VALUE OF SECURITIES				
PURCHASES				
U. S. GOVERNMENTS				
Member Banks and Others.....	\$ 130,174,450	\$ 119,820,650	\$ 13,795,134	\$ 21,971,181
Other F. R. Banks.....	9,810,400	21,398,500	—	—
Repurchase Agreement.....	—	9,590,508,000	—	—
Own Account.....	—	39,952,000	—	—
System Open Market Account.....	1,000,000	—	—	—
OTHER				
Member Banks and Others.....	291,000	569,000	—	—
Total Purchases.....	<u>\$ 141,275,850</u>	<u>\$ 9,772,248,150</u>	<u>\$ 13,795,134</u>	<u>\$ 21,971,181</u>
SALES				
U. S. GOVERNMENTS				
Member Banks and Others.....	\$ 308,371,730	\$ 175,938,140	\$ 26,799,201	\$ 30,574,157
Other F. R. Banks.....	24,157,500	8,129,500	—	—
Repurchase Agreement.....	—	7,445,191,000	—	—
Repurchase Agreement				
Exchanged for Treasury Bills Due 7-31-47	—	39,952,000	—	—
Repurchase Agreement Matured.....	—	1,236,993,000	—	—
Repurchase Agreement				
Transferred to System Open Market Account	—	1,699,583,000	—	—
Own Account—Transferred to System Open				
Market Account.....	—	39,952,000	—	—
OTHER				
Member Banks and Others.....	759,250	634,900	—	—
Total Sales.....	<u>\$ 333,288,480</u>	<u>\$10,646,373,540</u>	<u>\$ 26,799,201</u>	<u>\$ 30,574,157</u>

ECONOMIC RESEARCH

Information on current economic developments in which the Federal Reserve System has an interest is gathered and interpreted by the Bank. These studies are made available not only to the officers and directors of this Bank and to the Board of Governors, but also to member banks and business firms in the Seventh Federal Reserve District, an informational service being

a very important activity of the Research Department. Members of the research staff maintain continuing close contact with leaders of banking, industry, agriculture, and trade so as to obtain first-hand information on banking and business in this Reserve District.

GENERAL SUMMARY

During 1948 the current research and reporting work of the Research Department continued along the same lines as in recent years, with the usual emphasis on the study of economic conditions in the Seventh Federal Reserve District. Current developments in the fields of bank credit and business finance, Federal fiscal policy, labor and industry, retail trade, consumer credit, state and local public finance, agriculture, and farm credit received close attention. Included among the special studies completed during the year were a survey of the Chicago industrial area and a seven-year index study of department store indexes of sales and stocks by departments.

A few minor statistical series were discontinued during the year and a number of others were revised and improved. As a part of the System wide study, all of the statistical series were reviewed and evaluated.

The following material was published during the year as a result of current studies and collection of data in the Seventh District:

Weekly

Agricultural Letter; department store sales; bank condition statements—member bank (national, and cities of Chicago, Detroit, Indianapolis, and New York) and Federal Reserve Banks combined.

Monthly

Business Conditions (monthly review); retail trade and consumer credit series—department stores, furniture, household appliance, jewelry, and shoes; financial reports—assets and liabilities of Seventh District member banks, bank debits, bankers acceptances, and commercial paper; other business summaries—business indexes, farm business conditions, and paper and pulp.

Quarterly

Farm land value survey.

Annual and Special Reports

Department store sales and stocks by departments; deposit ownership survey; meat packing study supplement; Chicago industrial area survey; member bank operating ratio study; member bank earning asset analysis; member bank bad debt loss analysis; and retail credit survey.

Many of the above reports are based on figures assembled as a part of the national collection of data by the Federal Reserve Banks for the Board of Governors. The customary current and special reports of Seventh District statistical material were prepared and sent to the Board. Members of the research staff participated in the usual System conferences and studies of national economic conditions.

SERVICES TO MEMBER BANKS

EXAMINATION OF BANKS

An examination of the state member banks in the District is made each calendar year by the Federal Reserve Bank. Field investigations required in connection with applications to exercise banking functions are also carried out. Various applications

and reports required by law to be rendered by organizations performing banking services in this Reserve District are analyzed and reviewed by the Bank before being submitted to the Board of Governors.

GENERAL SUMMARY

Nine banks, 7 national and 2 state, were admitted to membership in 1948. The staff of the Bank Examination

Department completed 587 examinations during the year.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
NUMBER OF EXAMINATIONS MADE				
Regular	443	433		
Membership	2	2		
Trust Departments	140	137		
Follow-up Investigations	2	1		
			INCLUDED IN CHICAGO DATA	
NUMBER OF MEMBER BANKS IN 7th F. R. DISTRICT				
NATIONAL BANKS				
As of January 1.....	561	559		
Additions (See Note A).....	7	6		
Withdrawals (See Note B).....	1	4		
As of December 31.....	567	561		
STATE BANKS				
As of January 1.....	442	443		
Additions (See Note A).....	2	3		
Withdrawals (See Note B).....	3	4		
As of December 31.....	441	442		

NOTE A—ADDITIONS TO MEMBERSHIP DURING 1948

NATIONAL BANKS

First National Bank of Evergreen Park, Evergreen Park, Illinois
 National Bank of Joliet, Joliet, Illinois
 National Bank of Petersburg, Petersburg, Illinois
 National Bank of St. Anne, St. Anne, Illinois
 Wauconda National Bank, Wauconda, Illinois
 Eagle Grove National Bank, Eagle Grove, Iowa
 First National Bank of Tipton, Tipton, Iowa

STATE BANKS

Central Bank, Grand Rapids, Michigan
 Monroe County Bank, Sparta, Wisconsin

NOTE B—WITHDRAWALS DURING 1948

NATIONAL BANKS

1—assumed by another bank

STATE BANKS

2—voluntary withdrawals
 1—voluntary liquidation

SERVICES TO MEMBER BANKS

BANK AND PUBLIC RELATIONS

The personnel assigned to the public relations staff visit member and non-member banks, attend conventions and group meetings, deliver public addresses, etc., and in general attempt to deter-

mine ways in which the Bank's services to its members may be improved.

GENERAL SUMMARY

The emphasis in the bank and public relations program during 1948 was on services to banks. Many of the bank relations calls made during the year were to improve relationships between the various operating departments of the Federal Reserve Bank of Chicago and the banks being called on. The calls also proved valuable as a means of increasing understanding and friendship for the Federal Reserve System and as a way of getting bankers' opinions on local business and agricultural conditions and national and international problems, the reports of which are helpful in the preparation of monthly reports to the officers and directors of this Bank and quarterly reports to the Board of Governors. Officers and representatives of the Head Office and Detroit Branch made 3122 calls on banks in 1948.

As a part of its bank relations program, the Bank and Public Relations Department started a series of conferences designed to better acquaint the officers and representatives of the Federal Reserve Bank of Chicago with the banking departments of the various District states. Thus far, conferences to create a better working relationship have been held for the members of the banking departments of two of the Seventh District states.

All meetings in the Seventh Federal Reserve District sponsored by bankers' associations were attended.

Public Relations activities of the Head Office and Branch included attendance at 240 industrial and other meetings and the furnishing of speakers for 144 business and civic groups.

By means of press releases and articles, the general public became further informed on the activities of the Federal Reserve Bank of Chicago.

The number of meetings held at the bank was increased in 1948 and those in attendance included bankers, business executives, representatives of state, local and national Governmental organizations, and representatives of the various bank regulatory agencies.

An increasing number of bankers and students, as well as other interested persons, were conducted on tours through the Federal Reserve Bank of Chicago and the Detroit Branch.

The Bank and Public Relations Department, together with the Research and Bank Examination Departments, continued its monthly staff meetings held for the purpose of ensuring a constantly improving relationship between the bankers in the Seventh Federal Reserve District and their Federal Reserve bank.

SERVICES TO TREASURY DEPARTMENT

ISSUANCE OF GOVERNMENT SECURITIES

The Federal Reserve Bank, acting as agent of the Treasury Department, performs all operations relative to the placing of new Treasury issues in the hands of the general public, and relays information from Washington throughout this district. The Bank qualifies commercial banks and others in the district as agents in the sale of U. S. Savings Bonds, Series E, to the pub-

lic; and services these agents as regards supplies of new bonds, applicable Treasury directives, the processing of paid registrations, etc. The Bank analyzes the sales of U. S. Savings Bonds, and furnishes the Treasury Department and others with detailed reports showing what the public purchased in the various counties and states in this district.

GENERAL SUMMARY

Subscriptions to new Treasury issues other than E Bonds declined during 1948. The reduction in dollar value for securities issued at Chicago was due particularly to cash payments by the Treasury of Treasury bills, which reduced the amount of securities available for subscription. Treasury bills were offered both for cash subscription and on an exchange basis, whereas other securities issued during the year were offered on an

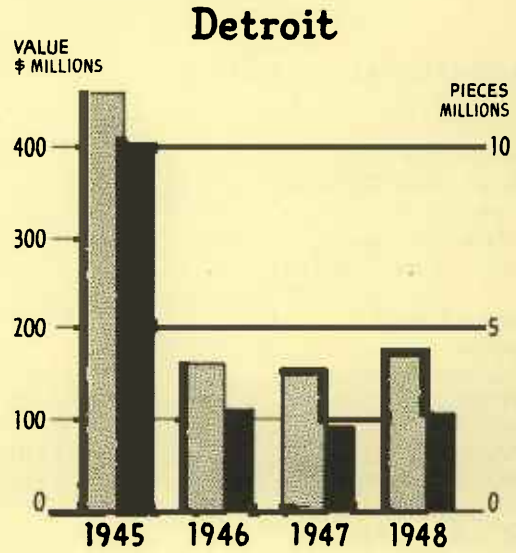
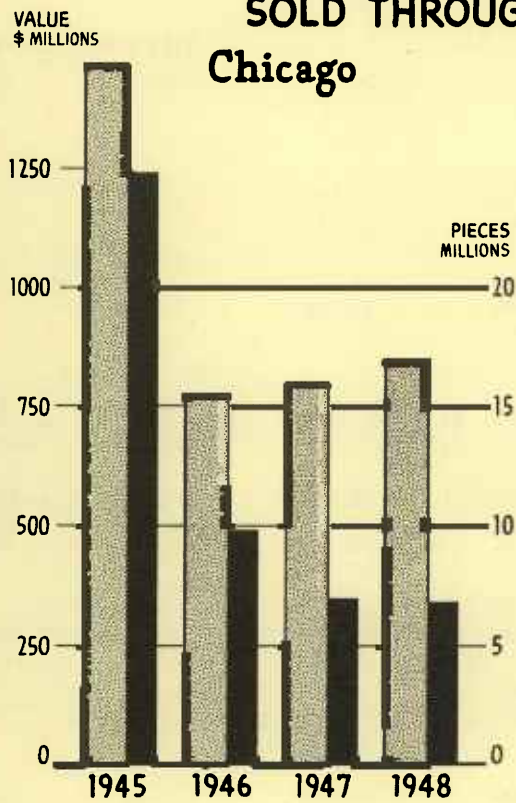
exchange basis only.

Sales of Series E Savings Bonds by issuing agents showed some change, Chicago's activity decreasing 84,000 pieces while Detroit's increased 343,000. However, the total maturity value of these sales increased \$48,269,000 for Chicago, and \$20,804,000 for Detroit. Savings Bonds sales were stimulated by the "Drive" held during the summer of 1948.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
NEW ISSUES				
SUBSCRIPTIONS				
Forms Received				
Treasury (Other Than "E" Bonds)	146,575	171,750	10,911	14,014
"E" Bonds	28,800	18,700	1,840	1,708
Number of Subscribers				
Treasury (Other Than "E" Bonds)	154,420	181,800	11,488	14,455
"E" Bonds	336,330	300,450	176,492	126,991
DOLLAR VALUE OF SUBSCRIPTIONS				
Received				
Treasury (Other Than "E" Bonds)	\$ 9,448,406,000	\$13,797,900,000	\$ 539,154,000	\$ 567,434,000
"E" Bonds	20,325,000	16,935,000	4,902,000	3,377,000
Allotted				
Treasury (Other Than "E" Bonds)	7,930,905,000	- 10,212,335,000	539,233,000	535,214,000
"E" Bonds	20,325,000	16,935,000	4,876,000	3,347,000
ISSUING AGENTS				
SERIES "E" SAVINGS BONDS SOLD				
Pieces	6,793,000	6,877,000	2,651,000	2,308,000
Maturity Value	\$ 848,959,000	\$ 800,690,000	\$ 175,819,000	\$ 155,015,000
Number of Qualified Issuing Agents as of December 31	3,097	3,128	369	372
SALES ANALYSIS				
Number of Geographical Sales Reports Prepared	1,830	2,820	232	129
Dollar Value	\$ 1,272,916,000	\$ 1,382,800,000	\$ 698,303,000	\$ 653,863,000
SHIPPING AND DELIVERY				
PIECES SHIPPED				
Treasury (Other Than "E" Bonds)	140,000	173,000	54,000	62,000
"E" Bonds	7,011,000	6,985,000	259,000	196,000
ARMED FORCES LEAVE BONDS				
STUBS PROCESSED				
Pieces				
Army Issuing Officers	4,630	450,550	2,157	200,723
Navy Issuing Officers	44,820	1,623,850		
Total	49,450	2,074,400	2,157	200,723
Face Value				
Army Issuing Officers	\$ 744,000	\$ 95,522,000	\$ 346,000	\$ 41,538,000
Navy Issuing Officers	6,772,000	322,259,000		
Total	\$ 7,516,000	\$ 417,781,000	\$ 346,000	\$ 41,538,000

SERIES "E" SAVINGS BONDS SOLD THROUGH ISSUING AGENTS



Dollar Value
(Maturity Value)

Pieces

SERVICES TO TREASURY DEPARTMENT

SERVICING OF GOVERNMENT SECURITIES

The Federal Reserve Banks handle the servicing of all government securities. Such work includes exchanges, transfers, cus-

tody of blank stock, accounts of depository banks, etc.

GENERAL SUMMARY

"Marketable Issues" activities at Chicago during 1948 were substantially less than those for 1947, primarily because of a relatively quiet Government bond market; similar transactions at the Detroit Branch showed little change from 1947 activities.

"Public Debt Transfers" of Government securities both at Chicago and Detroit were much greater in 1948 than in 1947, due largely to the fact that Treasury bonds

were permitted to be transferred by wire effective March 1, 1948.

The year's activities in the Depository Bank Division at Chicago and Detroit showed a considerable increase over 1947 levels. Initiation of war loan payments for withheld taxes in the spring of 1948 and frequent Treasury Department calls accounted for the increased volumes.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
DENOMINATIONAL EXCHANGE				
PIECES				
Received				
Marketable Issues	60,550	107,500	614	618
Public Debt Transfers.....	93,100	31,650	4,695	1,938
Issued				
Marketable Issues	83,500	106,300	2,312	2,592
Public Debt Transfers.....	37,500	24,500	3,889	2,521
MATURITY VALUE				
Received				
Marketable Issues	\$1,102,217,000	\$1,739,910,000	\$ 11,559,000	\$ 10,940,000
Public Debt Transfers.....	4,640,340,000	2,701,775,000	159,598,000	209,090,000
Issued				
Marketable Issues	1,102,217,000	1,739,910,000	11,559,000	10,940,000
Public Debt Transfers.....	4,609,430,000	2,685,625,000	194,259,000	245,113,000
DEPOSITORY BANKS				
Number of Payments Handled.....	190,700	155,200	14,242	10,986
Depository Balances as of December 31..	\$ 330,095,000	\$ 169,690,000	\$ 93,396,000	\$ 40,630,000
Number of Qualified Depository Banks as of December 31.....	1,692	1,676	133	131
CUSTODY				
PIECES				
Received from Treasury Department..	8,616,000	8,500,000	2,817,000	2,527,000
Prepared for Delivery.....	8,882,000	8,435,000	3,095,000	2,627,000
SECURITY MAIL				
PIECES RECEIVED	307,000	338,000	33,000	30,000

SERVICES TO TREASURY DEPARTMENT

REDEMPTION OF GOVERNMENT SECURITIES

In connection with their duties as Fiscal Agent of the United States, the Federal Reserve Banks accept (and pay) Government securities eligible for redemption, either directly from the holders thereof, or, in the case of Savings Bonds, from commer-

cial banks designated as paying agents. Securities paid in redemption are processed as directed by the Treasury and are turned over to the Bureau of the Public Debt for final settlement and disposal.

GENERAL SUMMARY

The number of pieces of all series of savings bonds redeemed in 1948 decreased approximately 15% at Chicago and approximately 16% at the Detroit Branch. Detroit's total dollar amount of redemptions also decreased about 5% in 1948, but total redemption values at Chicago showed a 9% increase over 1947. This increase is accounted for primarily by the greater amount of matured savings bonds paid out during the current year. Pieces and dollar amounts redeemed by the Bank increased from 1947 volumes mainly due to a substantial

increase in redemption of Series F and G Bonds, both at Chicago and at Detroit.

Pieces of the \$25 denomination continued to comprise the major portion of pieces of savings bonds redeemed.

Redemption of Armed Forces Leave Bonds declined during 1948.

The dollar value of redemptions other than savings bonds increased during 1948 at Chicago and Detroit; both dollar value and number of coupons redeemed declined during the year.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
REDEMPTIONS				
U. S. SAVINGS BONDS				
Pieces*				
By Paying Agents.....	11,438,000	13,600,000	4,182,000	4,995,000
By Federal Reserve Bank.....	<u>483,000</u>	<u>413,000</u>	<u>61,000</u>	<u>60,000</u>
Total.....	<u>11,921,000</u>	<u>4,013,000</u>	<u>4,243,000</u>	<u>5,055,000</u>
*\$25 Pieces, Series E, Included Above	<u>7,775,000</u>	<u>9,625,000</u>	<u>3,020,000</u>	<u>3,663,000</u>
Redemption Value				
By Paying Agents.....	\$ 564,135,000	\$ 563,465,000	\$161,912,000	\$175,852,000
By Federal Reserve Bank.....	<u>217,179,000</u>	<u>154,200,000</u>	<u>22,000,000</u>	<u>18,180,000</u>
Total.....	<u>\$ 781,314,000</u>	<u>\$ 717,665,000</u>	<u>\$183,912,000</u>	<u>\$194,032,000</u>
ARMED FORCES LEAVE BONDS*				
Pieces				
By Paying Agents.....	190,200	632,750	48,872	179,181
By Federal Reserve Bank.....	<u>950</u>	<u>37,450</u>	<u>32</u>	<u>66</u>
Total.....	<u>191,150</u>	<u>670,200</u>	<u>48,904</u>	<u>179,247</u>
Redemption Value				
By Paying Agents.....	\$ 41,119,000	\$ 132,891,000	\$ 10,455,731	\$ 36,176,737
By Federal Reserve Bank.....	<u>217,000</u>	<u>7,096,000</u>	<u>7,021</u>	<u>14,373</u>
Total.....	<u>\$ 41,336,000</u>	<u>\$ 139,987,000</u>	<u>\$ 10,462,752</u>	<u>\$ 36,191,110</u>
*Redemption of Armed Forces Leave Bonds Authorized September 2, 1947				
Number of Qualified Paying Agents as of December 31.....				
	<u>2,400</u>	<u>2,403</u>	<u>199</u>	<u>200</u>
OTHER BONDS, NOTES, BILLS, AND CERTIFICATES REDEEMED				
Pieces.....				
	252,000	252,000	24,000	25,000
Amounts.....	<u>\$8,155,226,000</u>	<u>\$7,413,000,000</u>	<u>\$681,531,000</u>	<u>\$630,286,000</u>
U. S. AND OTHER GOVERNMENTAL AGENCY COUPONS REDEEMED				
Pieces.....				
	1,919,000	2,116,000	195,000	215,000
Dollar Value.....	<u>\$ 108,164,000</u>	<u>\$ 126,410,000</u>	<u>\$ 9,276,000</u>	<u>\$ 11,937,000</u>

SERVICES TO TREASURY DEPARTMENT

COLLECTION OF WITHHELD TAXES

The Bank acts as agent of the Treasury Department, assisting the Bureau of Internal Revenue in the collection of funds de-

posited in commercial banks by employers under withholding tax arrangements.

GENERAL SUMMARY

At the close of the year, 1,777 banks were carried in our accounts as Depositories for "Withheld Taxes." Depositories paid to us during the year approximately 1,541 millions of dollars represented by over 676,000 receipts. The dollar value of the receipts increased approximately 42% over 1947; the number issued increased about 26%.

Offices of the Internal Revenue Department deposited with us their certificates of deposit amounting to over 1,600 millions of dollars, represented by more than 714,000 receipts.

The largest volume received from depositories on any

one day was received on February 13, 1948, and amounted to \$46,202,000.

Withheld Tax activities previously performed at the Detroit Branch were for the larger part absorbed, beginning the first of the year, by the Head Office which accounts for the increased number of receipts and dollar value at Chicago.

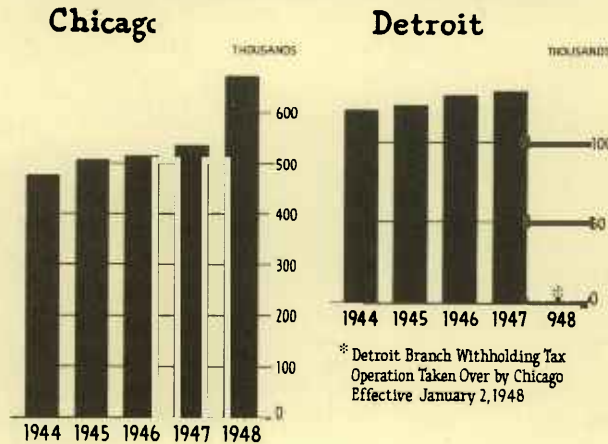
Effective July 1, 1948 a pilot system was installed for processing withheld tax receipts by means of punched-card equipment. The Treasury Department authorized this change in keeping with their economy program.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
Receipts Issued by Depositories	676,394*	536,141	—*	134,590
Dollar Value of Receipts Issued	\$1,540,960,000*	\$1,088,926,000	—*	\$424,712,000

*Detroit Branch withholding tax operation taken over by Chicago effective January 2, 1948.

DEPOSITORY RECEIPTS RECEIVED



* Detroit Branch Withholding Tax Operation Taken Over by Chicago Effective January 2, 1948

RECONSTRUCTION FINANCE CORPORATION

The Federal Reserve Banks are fiscal agents of the Reconstruction Finance Corporation and the Commodity Credit Corporation. In such capacity the Bank disburses the proceeds of loans,

makes advances for the accounts of various Governmental corporations, maintains custody of collateral, handles work relative to the redemption and exchange of securities, etc.

GENERAL SUMMARY

CHICAGO

Reconstruction Finance Corporation

Disbursements, receipts and custody transactions handled for account of the Reconstruction Finance Corporation during the year 1948 averaged 19.4 per cent less in amount and 46.6 per cent less in number as compared to the year 1947. This was due to the gradual decline in activities in connection with the liquidation of national defense programs which the Corporation handled during the war.

Under the reorganization plan, the loan agencies assumed accounting responsibility during 1948 for all programs administered by the agencies which had not been transferred at the close of 1947. The Federal Reserve banks, as fiscal agents, continue to perform some of the accounting functions under programs administered directly by the Washington office of the Corporation. Due to the transfer of accounting responsibility, a new custody record was established during 1948 to control all documents remaining in custody of the Federal Reserve Bank under programs administered by the Loan Agency.

Commodity Credit Corporation

Transactions handled for account of Commodity Credit Corporation for the year 1948 averaged 37.9 per cent less in amount and 34.2 per cent less in number than the transactions handled during 1947.

The lower volume in both disbursements and receipts was due to decreased orders for grain and other commodities by the U. S. Government departments and foreign governments for which Commodity Credit Corporation handles purchases in the domestic markets.

Although there was less activity during the first three quarters of 1948, in the last quarter the record grain crops and lower market prices resulted in a marked increase in activity under the grain loan programs. Disbursements to banks and other lending agencies for purchase of commodity loans and deposit by the local office of the Corporation of sealing fee payments by producers making loans increased substantially.

DETROIT BRANCH

During the year 1948 the activities of the R.F.C. Custody Division were further reduced by the transfer on January 15, 1948 of the accounting responsibility from the custodian to the local loan agency on loans under the Administration supervision of the Loan Agency Managers. This completed the transfer of programs designated for decentralization, which began during 1947.

On May 31, 1948, a new Custody Control was established for notes and collateral documents covering all decentralized loans and mortgage purchases.

During the past year the corporation's most active program was the purchase of F.N.M.A. and V.A. Guaranteed mortgages, a total of over 4,000 mortgages being purchased.

The number of receipt and disbursement transactions handled for the account of the Commodity Credit Corporation was negligible.

BOARD OF GOVERNORS ACTIVITIES

CONSUMER CREDIT

The Board of Governors of the Federal Reserve System, works through the Reserve Banks in its regulation of credit and installment buying. Each Bank investigates credit activities through-

out its district to ascertain whether or not Executive orders and related directives are being violated.

GENERAL SUMMARY

During August 1948, Regulation W was re-established pursuant to the provisions of Public Law 905 and became effective on September 20.

Administration of the regulation at the head office and the Detroit Branch entailed the following activities.

Circular mailings with respect to the regulation have exceeded 125,000 in addition to more than 12,000 letters which have been written to registrants with reference to registration and other matters arising in connection with the regulation. More than 7,000 inquiries have been answered and 22,765 registration certificates have been issued to business firms whose activities are subject to the regulation.

Since September 28, representatives of this bank have called upon 2,751 business concerns to make a spot-check of their books and records to determine their compliance with the provisions of the regulation. These representatives have filed detailed reports covering their analysis and review of the records and these reports have revealed that 768 of the concerns have inadvertently violated the regulation. In addition, two concerns were found to have violated the regulation wilfully.

Our investigations reveal that the registrants on the whole are complying with the requirements of the regulation in a satisfactory manner, and where inadvertent violations have been found, the registrants have taken steps to avoid a recurrence. Our representatives have had most favorable reception and cooperation from the registrants, most of whom welcome an opportunity to have someone advise them on the subject. In many cases the registrants have told our representatives the uniform terms specified in the regulation are regarded as a constructive factor in creating desirable credit standards for the trade.

GENERAL BANK ACTIVITIES
ACCOUNTING

The central accounting routines of the Bank include the maintenance of the reserve accounts of member banks, the constant analysis of these reserves as regards the legal minimum of each bank, the maintenance of accounts with other Federal Reserve Banks through an interdistrict settlement fund, the transfer of

funds by wire for member banks, the handling of all Bank disbursements, the compilation of claims for services rendered the government, the assembly of cost data and construction of reports, etc.

GENERAL SUMMARY

The number of entries to member bank reserve accounts increased during the year, as did entries to other Federal Reserve Banks. General ledger entries declined during the period.

Transfers of funds increased in 1948, both in number of items and dollar amount.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
GENERAL LEDGER				
Number of Entries				
Functioned	307,549	345,493	37,409	41,000
FEDERAL RESERVE BOOKS				
Number of Entries				
Functioned	1,574,299	1,358,964	285,514	262,941
MEMBER BANKS RESERVE ACCOUNTS				
Number of Entries				
Functioned	2,477,706	2,404,550	352,943	350,165
Active Accounts as of December 31.....	<u>804</u>	<u>795</u>	<u>99</u>	<u>99</u>
MEMBER BANK RESERVES				
Excess Over Requirement				
Maximum	Period Jan. 15 \$ 136,677,000	Period Mar. 15 \$ 148,433,000	Period Apr. 15 \$ 25,053,000	Period Sep. 30 \$ 25,503,000
Minimum	Nov. 30 <u>87,380,000</u>	July 31 <u>99,431,000</u>	May 31 <u>9,472,000</u>	Feb. 28 <u>9,357,000</u>
Assessable Deficiencies				
Banks	206	201	17	22
Amount of Penalties Assessed	<u>\$ 15,636</u>	<u>\$ 9,900</u>	<u>\$ 881</u>	<u>\$ 1,260</u>
TRANSFERS OF FUNDS				
Number of Transfers..	199,652	189,642	34,116	29,377
Dollar Value	<u>\$68,388,569,000</u>	<u>\$49,907,887,000</u>	<u>\$15,475,604,000</u>	<u>\$12,741,185,000</u>
EXPENSE DISBURSEMENTS				
Expense Vouchers				
Functioned	<u>\$ 13,336,122</u>	<u>\$ 12,368,440</u>	<u>\$ 3,058,029</u>	<u>\$ 2,939,431</u>
Fiscal Agency Claims Prepared	<u>3,731,435</u>	<u>4,578,435</u>	<u>1,005,177</u>	<u>1,399,023</u>

GENERAL BANK ACTIVITIES

WIRES, TELEPHONE, MAIL, FILES

In addition to the usual mail and telephone facilities, the Bank maintains the principal relay center of a leased wire system having connections with the Board of Governors in Washington, with the other Reserve Banks and Branches, with the Treasury

Department, and with the Reconstruction Finance Corporation. Telegrams effecting transfers of funds for members, Fiscal Agency operations, and other banking transactions are processed both in code and in clear.

GENERAL SUMMARY

The Chicago relay office of the Federal Reserve Leased Wires System handled over a million telegrams during 1948, an increase of 2.4% over the 1947 volume. The Codes and Telegrams Division of Chicago processed 181,000 messages during the period, or 2% more than during 1947. Detroit Branch leased wire activities increased during the year, although the volume of commercial wires handled declined from the 1947 levels.

decreased somewhat. Air Express service (to all Federal Reserve Banks and Branches and to some member banks) increased almost 50% during the year. Local telephone calls declined in 1948, both at Chicago and Detroit, while long-distance calls increased at the two offices.

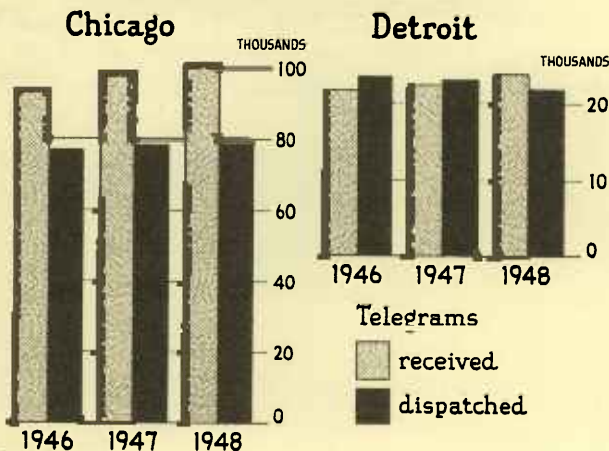
Head Office Mail Department activities showed a slight increase during 1948; mail handled at Detroit

The Chicago General Files Division handled over 1,500,000 pieces during 1948, as compared with 1,100,000 pieces in 1947. Pieces filed at Detroit declined during the period.

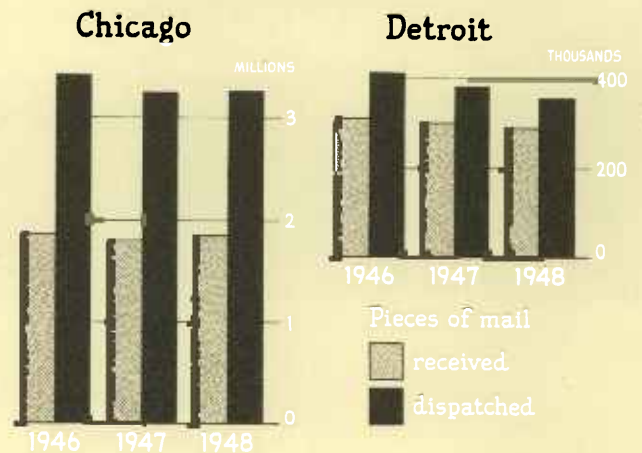
STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
TELEGRAMS PROCESSED				
LEASED WIRES				
Received				
In Code	71,706	68,747	18,737	16,246
In Clear	7,112	6,862	3,853	4,669
Dispatched				
In Code	56,353	49,786	16,138	15,186
In Clear	7,839	10,619	4,011	4,863
COMMERCIAL WIRES				
Received				
In Code	17,080	18,121	1,018	1,102
In Clear	5,660	5,267	555	582
Dispatched				
In Code	10,217	12,339	1,845	3,031
In Clear	5,309	5,947	.48	93
MAIL HANDLED				
Number of Pieces Received	1,858,174	1,803,462	289,396	301,886
Number of Pieces Dispatched, Mail and Express	3,267,846	3,251,448	354,484	382,803

TELEGRAMS PROCESSED



MAIL HANDLED



GENERAL BANK ACTIVITIES

PERSONNEL

All general personnel activities of the Bank are handled by a central personnel unit. Such work includes the hiring of employees, the keeping of salary and personnel records, the promo-

tion of education and welfare programs, and the maintenance of a medical department and an employees' cafeteria.

GENERAL SUMMARY

The number of employees increased at Chicago and declined at Detroit during 1948, and both offices had lower personnel turnovers during the period. One hundred and ninety Head Office employees have been with the Bank twenty-five years or more.

The Bank's Job Evaluation Plan was further developed during the year, provision being made for annual merit ratings and employee interviews.

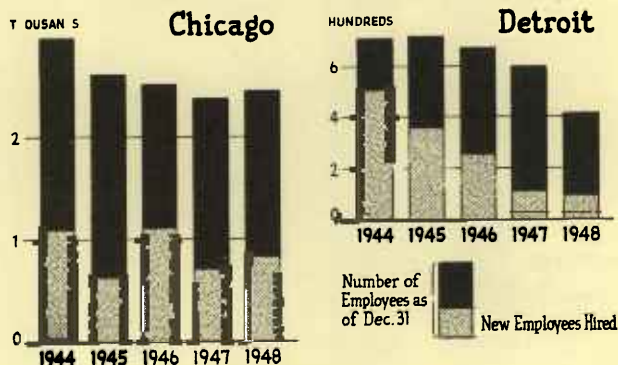
At the close of the year, approximately 11% of Chicago's personnel consisted of students about to graduate from local high schools and former service men attending schools under government educational programs. These employees are, of course, carried on a part-time basis.

Permissive legislation with respect to Saturday closing of banks was passed by the Michigan legislature and became effective August 21, 1948. In conjunction with other local Clearing House Association banks, the Detroit Branch closed to the public on Saturdays beginning that date.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1948	1947	1948	1947
NUMBER OF EMPLOYEES				
As of December 31	2,448	2,373	372	413
New Employees	823	700	101	117
Separations	748	837	140	300
MEDICAL				
Physical Examinations	936	884	117	110
Requests for Medical Care	36,995	32,327	3,434	2,759
CAFETERIA				
Number of Meals Served—				
Cafeteria	829,020	737,313	69,844	69,008
Officer's Dining Room	10,714	10,376	—	—
Daily Average Number of Meals Served				
Cafeteria—Noon Only	1,997	1,813	249	229

NUMBER OF EMPLOYEES



GENERAL BANK ACTIVITIES

PROCUREMENT

The central procurement units of the Bank handle the purchasing of all equipment and supplies, the storage of supplies, and

the maintenance of a printshop, an addressing division, and an office machine repair shop.

GENERAL SUMMARY

The number of purchase orders written by the Chicago Purchasing Department for building supplies, office supplies, printing, stationery, and equipment increased from 8006 in 1947 to 8228 in 1948 while orders written by the Detroit Branch declined from 2613 in 1947 to 2401 in 1948. The additional Chicago activity in 1948 was further evidenced by an increase in dollar value of orders written from about \$685,000 in 1947 to about \$887,000 in 1948.

A heavier volume of work was handled by the Chi-

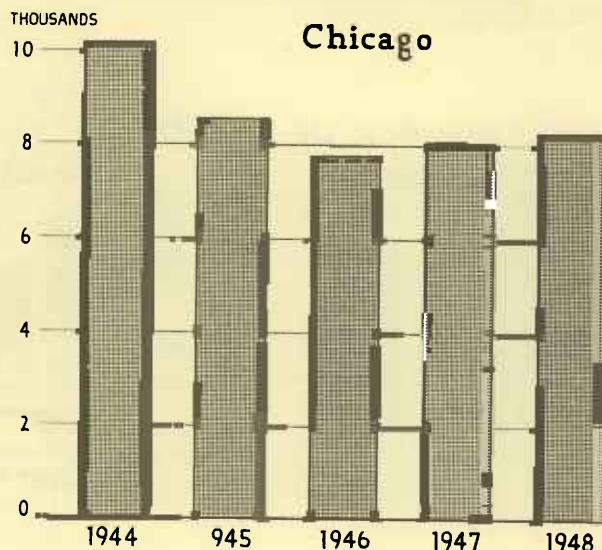
ago printshop as indicated by 5949 jobs processed in 1948 as compared to 3595 jobs processed the previous year. The number of jobs processed by the Detroit Branch printshop declined somewhat.

In order to maintain the Bank's office machines in efficient operating condition the Chicago machine repair shop made over 14,800 service calls during 1948, an increase of 1100 over 1947. The Detroit Branch's machine service calls dropped about 1700 from the 1947 figures to approximately 8100 in 1948.

STATEMENT OF OPERATIONS

	CHICAGO				DETROIT BRANCH			
	1948		1947		1948		1947	
PURCHASING								
Purchase Orders	8,228		8,006		2,401		2,613	
PRINTING	Jobs	Impressions	Jobs	Impressions	Jobs	Impressions	Jobs	Impressions
Duplicating	323	44,000	453	96,000	—	—	—	—
Mimeograph	271	160,000	555	397,000	410	167,000	563	211,000
Multilith	1,672	13,019,000	1,157	9,708,000	215	719,000	135	351,000
Multigraph	268	2,068,000	311	1,385,000	—	—	—	—
Photostat	3,415	48,000	1,119	46,000	339	9,000	518	3,000
	<u>5,949</u>	<u>15,339,000</u>	<u>3,595</u>	<u>11,632,000</u>	<u>964</u>	<u>895,000</u>	<u>1,216</u>	<u>565,000</u>

PURCHASE ORDERS ISSUED



MAINTENANCE OF BUILDING

The operation of the Bank's main building and auxiliary space is handled by a general maintenance staff. This work includes

routine duties, such as janitor service and elevator service, as well as major alterations and upkeep.

GENERAL SUMMARY

Bond Department sections occupying 50,000 square feet in the Insurance Exchange Building were returned to this building on the 8th and 9th floors in May, 1948, with the withdrawal of our tenants, Marsh & McLennan, from that space on May 1, 1948. Withheld Tax and War Bond Custody operations conducted in 11,000 square feet in the 120 South LaSalle Building were returned to this building on May 8, 1948, and assigned vault space and other quarters on the second and tenth floors. Because of increased storage requirements and the absorption of space previously used for storage in this building, 11,820 square feet were rented as a warehouse in the 900 North Franklin Building as of August 1, 1948, for a term of five years and nine months.

During the year the enlarging of our truck concourse and construction of a new directors' room on the 5th floor were completed. Conversion of building light and power from direct to alternating current and elevator modernization contracted for in 1947 are now well under way. The alternating current change-over is about one-half completed and the elevator installation modernization about one-third. Both are expected to be completed in the latter half of 1949.

A contract was let for air conditioning the 8th, 9th, 10th, and 13th floors which will see the building one hundred per cent air conditioned except for two lightly populated service floors. The completion of this work is promised in time for the 1949 cooling season.

An installation of under-floor electric ducts has been undertaken on part of the 10th and all of the 11th and

12th floors to meet the need of the Check Department for flexibility in location of power outlets for electrically operated office machines; this to be followed by a floor covering of rubber tile. Deterioration of the 10th and 11th floors required removal of the maple top floor and wooden subfloor which were replaced by concrete and should last the life of the building. The wood in the 12th floor being in better condition, it was necessary at this time only to install the under-floor ducts and rubber tile. The whole program, involving 42,000 square feet, is complete except for an area of 4500 square feet on the 12th floor.

Acoustical tile was applied to the ceilings and in some cases part of the side walls in all of the first and second basements, to the balance of the 14th floor already partly treated, and to the 8th floor in certain noisy spots where IBM machines are operating.

Incandescent lighting fixtures of an improved design were installed on the entire 14th floor, and we have scheduled such treatment for the whole 12th floor, of which more than half had been completed by year-end.

Other such operations under way include new police alarms, fire prevention sprinkler systems and alarms for air conditioning fan rooms, complete redecoration of the 11th floor, to be followed by the same treatment for the 12th floor, and steel plates—some already installed and some on order—for the floors of the coin and currency sections in the first floor, first and third basements where heavy hand truck loads have caused rapid deterioration of standard floors.

GENERAL BANK ACTIVITIES

LEGAL

Legal matters arising in the course of this Bank's operations (litigation, preparation and approval of documents, preparation

of opinions and memoranda relating to Federal and State regulations and laws) are handled by the legal department.

GENERAL SUMMARY

The Legal Department consists of the General Counsel and an Assistant Counsel. During the latter part of the year the Assistant Counsel serving the Detroit Branch and the Assistant General Counsel at the head office left the Bank for other connections.

The General Counsel was selected and is acting as legal and technical advisor to Governor Evans, hearing officer in the proceeding under the Clayton Act instituted by the Board of Governors against Transamerica Corporation. The General Counsel is counsel for the Chairman of the System Insurance Committee, and also during the year served on four System special committees or subcommittees.

The legal matters handled by the department included conferences with and advice to officers and supervisors of various operating departments; examination for approval of all applications for membership in the Federal Reserve System, applications of national banks to exercise fiduciary powers and all documents evidencing changes in the corporate status of state member banks; correspondence and conferences with representatives of member banks and state banking associations concerning banking laws, regulations and rulings of the Board of Governors; consultations and correspondence with the Board of Governors and its staff; and examination of court orders relating to the special custody of securities.

FEDERAL RESERVE BANK OF CHICAGO

STATEMENT OF EARNINGS, EXPENSES, AND DISPOSITION OF NET EARNINGS

NOVEMBER 16, 1914 (Date of Incorporation) TO DECEMBER 31, 1948

YEAR	EARNINGS AND EXPENSES						DISPOSITION OF NET EARNINGS							
	CURRENT EARNINGS	CURRENT EXPENSES	CURRENT NET EARNINGS	ADDITIONS TO CURRENT NET EARNINGS	DEDUCTIONS FROM CURRENT NET EARNINGS	NET EARNINGS	DIVIDENDS PAID	SECTION 7	SECTION 13b	FRANCHISE TAX	PAID U. S. TREASURY SECTION 13b	INTEREST ON F. R. NOTES OUTSTANDING	OTHER TRANSFERS	BALANCE TO PROFIT & LOSS
1914-15.....	\$ 268,885	\$ 245,584	\$ 23,301	\$ —	\$ 3,210	\$ 20,091	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 20,091
1916.....	665,937	237,731	428,206	—	25,000	403,206	361,319	—	—	—	—	—	—	41,887
1917.....	2,083,164	584,069	1,499,095	2,127	269,343	1,231,879	862,259	215,799	—	215,799	—	—	—	61,978
1918.....	8,481,747	1,478,310	7,003,437	—	198,356	6,805,081	604,635	6,200,416	—	—	—	—	—	—
1919.....	12,012,078	2,450,244	9,561,834	—	985,630	8,576,204	700,807	7,875,397	—	—	—	—	—	—
1920.....	30,303,218	4,164,176	26,139,042	69,307	332,600	25,875,749	792,769	14,688,500	—	10,394,480	—	—	—	—
1921.....	20,382,170	4,734,100	15,648,070	4,826	1,147,779	14,505,117	853,785	2,075,323	—	11,576,009	—	—	—	—
1922.....	6,748,863	4,080,057	2,668,806	572,019	1,835,610	1,405,215	876,203	657,289	—	1,186,301	—	—	—	—
1923.....	6,511,359	4,373,024	2,138,335	41,903	1,001,883	1,178,355	904,371	27,398	—	246,586	—	—	—	—
1924.....	5,202,169	3,946,436	1,255,733	27,857	374,467	909,123	909,123	—	—	—	—	—	—	—
1925.....	5,424,663	3,744,039	1,680,624	12,646	571,997	1,121,273	934,016	187,257	—	—	—	—	—	—
1926.....	6,567,043	3,824,437	2,742,606	13,098	501,781	2,253,923	985,959	1,267,964	—	—	—	—	—	—
1927.....	6,167,352	3,887,058	2,280,294	13,061	365,710	1,927,645	1,029,990	897,655	—	—	—	—	—	—
1928.....	8,936,418	3,696,679	5,239,739	11,833	488,143	4,763,429	1,099,761	3,663,668	—	—	—	—	—	—
1929.....	9,889,451	4,092,369	5,797,082	8,050	380,467	5,424,665	1,170,363	3,651,464	—	602,838	—	—	—	—
1930.....	4,834,153	3,805,117	1,029,036	298,510	273,218	1,054,328	1,211,418	157,090	—	—	—	—	—	—
1931.....	4,143,601	3,524,401	619,200	263,967	273,272	609,895	1,170,633	560,738	—	—	—	—	—	—
1932.....	5,613,671	3,432,693	2,180,978	874,264	812,517	2,242,725	1,029,933	121,279	—	1,091,513	—	—	—	—
1933.....	6,764,554	3,854,009	2,910,545	373,245	1,493,297	1,790,493	858,127	932,366	—	—	—	—	—	—
1934.....	8,152,371	3,551,838	4,600,533	1,611,990	4,808,032	1,404,491	761,334	669,479	—	26,322	—	—	—	—
1935.....	6,177,615	3,697,540	2,480,075	951,304	2,660,159	1,71,220	753,583	—	—	—	17,637	—	—	—
1936.....	4,423,476	3,453,380	970,096	1,526,060	1,563,978	932,178	725,553	153,241	25,030	—	28,354	—	—	—
1937.....	4,575,583	3,199,558	1,376,025	811,188	499,607	1,687,606	763,115	883,370	12,767	—	28,354	—	—	—
1938.....	3,954,026	3,318,002	636,024	1,637,141	1,182,207	1,090,958	791,007	279,031	206	—	20,714	—	—	—
1939.....	4,254,602	3,316,352	938,250	521,313	476,646	982,917	819,532	158,265	—	—	5,120	—	—	—
1940.....	4,831,217	3,471,164	1,360,053	1,530,021	282,100	2,607,974	826,919	1,770,131	—	—	10,924	—	—	—
1941.....	5,089,095	4,227,534	861,561	163,061	157	1,024,465	896,766	100,484	—	—	27,215	—	—	—
1942.....	6,590,508	5,177,403	1,413,105	386,898	602,842	1,197,161	955,508	237,632	—	—	4,021	—	—	—
1943.....	8,738,325	5,850,233	2,888,092	4,137,334	1,266,073	5,759,353	993,684	4,765,619	—	—	50	—	—	—
1944.....	14,204,919	6,757,377	7,447,542	383,895	—	7,831,437	1,115,422	6,710,302	—	—	5,713	—	—	—
1945.....	20,076,761	6,551,011	13,525,750	422,552	517,991	13,430,311	1,215,381	12,212,414	—	—	2,516	—	—	—
1946.....	21,235,190	7,789,344	13,445,846	243,136	328,214	13,360,768	1,311,792	12,048,976	—	—	—	—	—	—
1947.....	21,318,967	8,843,097	12,475,870	447,858	154,505	12,769,223	1,380,234	1,139,227	—	427	10,249,335	—	—	—
1948.....	43,407,727	10,843,513	32,564,214	1,115,619	5,961,421	27,718,412	1,472,491	2,624,684	—	—	23,621,237	—	—	—
Totals.....	\$328,030,878	\$140,201,879	\$187,828,999	\$18,476,083	\$31,638,212	\$174,666,870	\$31,137,792	\$84,182,254	\$ 11,681	\$25,313,526	\$ 151,045	\$33,870,572	\$ —	\$ —

ADJUSTMENTS

F. D. I. C. Stock

1934 — Purchase

—19,748,517

1947 — Retirement (proceeds to Treasury)

19,748,517

Payments from U. S. Treasury, Section 13b loans, Years 1934 and 1935

1,417,702

Transferred from Surplus to Reserves for Contingencies, Years 1940, 1942, and 1943

— 3,207,763

Transferred to Surplus (Section 7) from Reserves for Contingencies, Year 1945

7,615,843

Totals

\$31,137,792

\$68,841,817

\$ 1,429,383

\$25,313,526

\$ 151,045

\$33,870,572

\$19,748,517

\$ —

FEDERAL RESERVE BANK OF CHICAGO

COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

YEAR ENDED DECEMBER 31, 1948, AND YEAR ENDED DECEMBER 31, 1947

	1948	1947
EARNINGS	\$43,407,726.69	\$21,318,967.85
EXPENSES:		
Operating Expenses	9,407,419.49	7,752,397.70
Assessment for Board of Governors	442,736.46	358,627.98
Cost of Federal Reserve Currency	993,356.72	732,071.56
Total Net Expenses	<u>\$10,843,512.67</u>	<u>\$ 8,843,097.24</u>
Current Net Earnings	\$32,564,214.02	\$12,475,870.61
ADDITIONS TO CURRENT NET EARNINGS:		
Profit on Sales of U. S. Government Securities	\$ 826,315.07	\$ 340,408.87
Other Additions	289,304.22	107,449.05
Total Additions to Current Net Earnings	<u>\$ 1,115,619.29</u>	<u>\$ 447,857.92</u>
Total Current Net Earnings and Additions to Current Net Earnings	\$33,679,833.31	\$12,923,728.53
DEDUCTIONS FROM CURRENT NET EARNINGS:		
Total Deductions from Current Net Earnings	\$ 337,420.86	\$ 154,505.16
Total Net Earnings	<u>\$33,342,412.45</u>	<u>\$12,769,223.37</u>
Transferred to Reserves for Contingencies	5,624,000.00	—
Paid United States Treasury (Section 13b)	—	426.82
Paid United States Treasury (Interest on Federal Reserve Notes)	23,621,236.98	10,249,335.31
Net Earnings After Reserves and Payments to United States Treasury ...	\$ 4,097,175.47	\$ 2,519,461.24
Dividends Paid	1,472,491.62	1,380,233.78
Transferred to Surplus (Section 7)	<u>\$ 2,624,683.85</u>	<u>\$ 1,139,227.46</u>

FEDERAL RESERVE BANK OF CHICAGO
SURPLUS ACCOUNT (SECTION 7)

YEAR ENDED DECEMBER 31, 1948, AND YEAR ENDED DECEMBER 31, 1947

SURPLUS JANUARY 1	\$66,217,133.72	\$65,077,906.26
TRANSFERRED TO SURPLUS--- AS ABOVE	2,624,683.85	1,139,227.46
SURPLUS DECEMBER 31	<u>\$68,841,817.57</u>	<u>\$66,217,133.72</u>

FEDERAL RESERVE BANK OF CHICAGO

COMPARATIVE STATEMENT OF CONDITION

DECEMBER 31, 1948, AND DECEMBER 31, 1947

ASSETS		
	Dec. 31, 1948	Dec. 31, 1947
GOLD CERTIFICATES ON HAND AND DUE FROM U. S. TREASURY.....	\$4,371,527,751.76	\$4,182,995,550.98
REDEMPTION FUND—FEDERAL RESERVE NOTES.....	106,421,425.00	90,073,683.08
OTHER CASH	40,332,361.59	42,325,966.94
Total Cash	<u>\$4,518,281,538.35</u>	<u>\$4,315,395,201.00</u>
BILLS DISCOUNTED	28,157,000.00	7,056,600.00
Total Bills.....	<u>\$ 28,157,000.00</u>	<u>\$ 7,056,600.00</u>
U. S. GOVERNMENT SECURITIES	3,332,925,000.00	3,085,404,000.00
Total Bills and Securities.....	<u>\$3,361,082,000.00</u>	<u>\$3,092,460,600.00</u>
BANK PREMISES	3,191,169.34	3,063,507.26
FEDERAL RESERVE NOTES OF OTHER BANKS.....	22,147,000.00	22,440,500.00
UNCOLLECTED ITEMS	464,343,991.35	464,387,652.61
OTHER ASSETS	21,189,287.87	16,005,592.50
Total Assets	<u><u>\$8,390,234,986.91</u></u>	<u><u>\$7,913,753,053.37</u></u>

LIABILITIES		
FEDERAL RESERVE NOTES IN ACTUAL CIRCULATION.....	\$4,598,426,295.00	\$4,636,568,155.00
DEPOSITS:		
Member Bank — Reserve Account	3,121,361,725.57	2,655,848,626.09
U. S. Treasurer — General Account	114,068,871.17	101,887,281.36
Other Deposits	97,380,822.83	50,467,947.38
Total Deposits	<u>\$3,332,811,419.57</u>	<u>\$2,808,203,854.83</u>
DEFERRED AVAILABILITY ITEMS	353,456,394.26	372,809,057.01
OTHER LIABILITIES	1,752,251.75	2,336,935.09
Total Liabilities	<u><u>\$8,286,446,360.58</u></u>	<u><u>\$7,819,918,001.93</u></u>

CAPITAL ACCOUNTS		
CAPITAL PAID IN	25,479,500.00	23,826,650.00
SURPLUS (Section 7)	68,841,817.57	66,217,133.72
SURPLUS (Section 13b)	1,429,383.78	1,429,383.78
OTHER CAPITAL ACCOUNTS	8,037,924.98	2,361,883.94
Total Liabilities and Capital Accounts	<u><u>\$8,390,234,986.91</u></u>	<u><u>\$7,913,753,053.37</u></u>

DIRECTORS AND OFFICERS

DIRECTORS

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Barrington, Illinois

Deputy Chairman

WALTER J. CUMMINGS, Chairman

Continental Illinois National Bank

and Trust Company of Chicago

Chicago, Illinois

PAUL G. HOFFMAN, Administrator

Economic Cooperation Administration

Washington, D. C.

HORACE S. FRENCH, President

The Manufacturers National Bank of Chicago

Chicago, Illinois

VIVIAN W. JOHNSON, President

First National Bank

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WILLIAM J. GREDE, President

Grede Foundries, Inc.

Milwaukee, Wisconsin

ALLAN B. KLINE, President

American Farm Bureau Federation

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WILLIAM C. HEATH, President

A. O. Smith Corporation

Milwaukee, Wisconsin

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P. C. CARROLL, *Assistant Cashier*

E. A. HEATH, *Assistant Cashier*

W. A. HOPKINS, *Assistant Cashier*

C. T. LAIBLY, *Assistant Cashier*

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O. C. BARTON, *Assistant Counsel*

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A. M. GUSTAVSON, *Assistant Auditor*

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(CONTINUED)

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Chicago, Illinois

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Detroit, Michigan

CHARLES A. KANTER, President
The Manufacturers National Bank of Detroit
Detroit, Michigan

ERNEST GILBERT, Farmer
Waldron, Michigan

BEN R. MARSH, Vice President & General Manager
Michigan Bell Telephone Company
Detroit, Michigan

JOHN A. STEWART, Vice President and Cashier
Second National Bank and Trust Company
Saginaw, Michigan

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