

FEDERAL RESERVE BANK OF CHICAGO

PRESIDENT'S
ANNUAL REPORT
TO
MEMBER BANKS



ACTIVITIES FOR THE YEAR
1949

FEDERAL RESERVE BANK OF CHICAGO

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

ACTIVITIES FOR THE YEAR 1949

FEDERAL RESERVE BANK OF CHICAGO



OFFICE OF THE PRESIDENT

January 26, 1950

To the Member Banks of the Seventh
Federal Reserve District:

You will find in the following pages a brief description of the services performed by the Federal Reserve Bank of Chicago for the banks of the Seventh Federal Reserve District, as well as for the Government and the general public, during 1949. The operations of our Government Bond Department, which issues, services, and redeems Government securities, are described in some detail.

To this record I would like to add one important fact that cannot be expressed in a chart, or a graph, or a tabulation: during 1949 we continued to enjoy from our Member Banks a whole-hearted cooperation which alone made the handling of these volumes of work possible. For that support, I would like to extend the warmest thanks of myself and our entire organization.

Very truly yours,

President

TABLE OF CONTENTS

Economic Summary	1
Federal Open Market Committee.....	6
Government Bond Department.....	8
Departmental Activities	
Services to Treasury Department	
Issuance of Government Securities.....	13
Servicing of Government Securities.....	14
Redemption of Government Securities.....	15
Collection of Withheld Taxes.....	16
Services to Member Banks	
Discounts and Other Credits.....	17
Currency and Coin.....	18
Collection of Checks and Other Items.....	20
Safekeeping of Securities.....	22
Investments.....	23
Economic Research.....	24
Examination of Banks.....	25
Bank and Public Relations.....	26
Reconstruction Finance Corporation.....	27
General Bank Activities	
Accounting.....	28
Wires, Telephone, Mail, Files.....	29
Personnel.....	30
Procurement.....	31
Building Operations.....	32
Legal.....	33
Statement of Condition.....	34
Statement of Earnings and Expenses.....	35
Earnings History.....	36
Directors and Officers.....	38
Board of Governors Organization Chart.....	40

SEVENTH DISTRICT ECONOMIC SUMMARY FOR 1949

Business Slide Halted

Reflecting the basic strength of the District's postwar economy, general business activity in 1949 as a whole declined only slightly from the peak year of 1948. Unlike previous postwar years, however, 1949 was characterized by a fairly marked dip during the first half and a recovery during the last six months.

The dominant aspect of the minor recession and subsequent rise was the change in inventory buying. Excessive caution in business purchases early in the year resulted in cutbacks in employment and production for many lines. However, consumer expenditures declined less than manufacturing output and it became evident by the middle of the year that inventory buying policies had been unduly restrictive. The resurgence of orders beginning about July was primarily responsible for the advances registered during the second half of the year.

High and rising levels of government expenditures—state and local, as well as Federal—provided strong support to general levels of business during the year. Increased expenditures for public construction, for instance, to a considerable extent offset the year's declines in business expenditures for plant and equipment.

Strikes in steel and coal during October affected economic activity adversely, particularly in the Seventh District, but recovery during November and December was rapid. In general, however, labor strife was less widespread than in the earlier postwar period.

Industrial Output Lower

Manufacturing production in the Seventh District during 1949 dropped somewhat more than the eight per cent decline for the nation as a whole because of the greater relative importance of durable goods in this area. However, factory output averaged roughly 75 per cent above the prewar level. During the final half of the year a distinct recovery from the low points of June and July was evident despite the handicaps of major work stoppages later in the year.

Although the year's volume of production in many types of manufacturing important to the District was below the record 1948 levels, a few industries established new output records. Less iron and steel, industrial and farm machinery, furniture, home appliances, and petroleum products were produced. On the other hand, over six million cars and trucks were turned out—an increase of about 20 per cent over 1948 to an all-time high record—and approximately two and one-half million television sets were produced as that industry moved into truly large-scale production.

Continuing a trend which began in the fourth quarter of 1948, District employment in manufacturing industries declined steadily until June of 1949. The moderate upturn which began in July was interrupted by the coal and steel strikes which in turn had secondary effects later in the year extending to automobiles and other steel-using industries. Employment in nonmanufacturing industries followed chiefly seasonal trends but remained at relatively the

same level as the previous year, with the result that total employment averaged only two per cent under 1948.

Plant and equipment expenditures by business dropped off substantially after the first quarter of last year as many industries gradually attained adequate capacity to meet the post-war levels of demand. An increasing proportion of new capital outlays was for the purpose of modernization or improvement rather than expansion. Toward the end of 1949 few new major projects for expansion were contemplated except in the utility fields.

Seventh District housing starts increased significantly during the latter half of 1949 and at a greater rate than the increase for the nation as a whole. This is in contrast to previous postwar years in which housing activities lagged behind national developments. Single family units continued to dominate the field, but a markedly higher number of apartment units were started than in the previous year. Mortgage funds became more freely available as the year progressed, partly as a result of the more liberalized mortgage buying program of the Federal National Mortgage Association. Greater availability of capital funds generally and a somewhat greater confidence regarding long-run real estate values also contributed to the increased mortgage funds. The market for newly finished homes continued strong as the year ended.

Income and Consumer Expenditures Steady

Declining moderately in each quarter of 1949, aggregate personal income in the fourth quarter reached a level about three per cent below that of October-December 1948, the post-war peak. The gradual decline during 1949 contrasts with an upward movement of income during the previous year so that total payments to individuals were only slightly less than in 1948. Moreover, because of declines in individual income tax rates, it is probable that 1949 disposable income exceeded that of 1948 by a small margin.

Wage and salary payments, the largest component of personal income, appear to have been about equal to those of 1948, as effects of the third-round wage increase and subsequent salary raises offset the moderate decline in employment and average hours worked. Proprietors' income, however, declined about ten per cent during the year, owing to substantial reductions in net farm income and some narrowing of merchants' profit margins. Dividend and interest payments increased moderately during the year. However, unemployment compensation advanced sharply in response to slackened industrial activity.

Maintenance of total retail sales at near 1948 levels during the past year was marked by substantially increased price consciousness and buying selectivity on the part of consumers. Despite small but widespread price declines, retail sales dropped only two to three per cent from 1948 levels, indicating that physical sales volume probably exceeded that of 1948 by a small margin. Moreover, increases in service expenditures and purchases of new houses tended to offset this decline in retail sales, with the result that total consumer expenditures appear to have virtually equaled those of 1948.

Sales of automobiles and television increased sharply to new highs during the year, while sales of foods and food products about equaled those of 1948. Total Seventh District department store sales declined approximately five per cent, however, as men's and women's apparel, housefurnishings, and electrical appliances displayed considerable sales weakness, especially during the spring and early summer months. Credit sales of most types of consumers durable goods increased substantially, largely as a result of the marked easing in consumer credit terms which occurred after expiration of Regulation W on June 30.

Prices paid by consumers in the major Seventh District cities eased less than two per cent during the year. Fairly substantial declines in the prices of clothing and housefurnishings, and lesser drops in food prices were offset in part by minor increases in most other items. Wholesale prices generally declined about six per cent during the year.

Farm Income Reduced

Although the physical volume of Seventh District farm products marketed in 1949 was larger than in the preceding year, a 12 per cent lower average level of prices resulted in reduced farm income. Cash receipts from marketings were off about eight per cent from the 1948 level in the five states of the Seventh District. This was moderately less than the 10 per cent decline for the United States as a whole as increased marketings of corn and livestock partially offset the effects of price declines.

Production costs continued at about the 1948 level with the result that net farm income declined relatively more than gross cash receipts. Since prices of commodities purchased for family living declined only slightly, the purchasing power of net farm income was materially less than in the preceding year.

This did not deter farmers, however, from making large additional investments in production facilities—soil improvements, machinery and equipment, buildings and fences—and in such living facilities as house modernization, automobiles, and household appliances. Expenditure levels were maintained in some instances by drawing on past accumulations of cash, deposits, and war savings bonds and in others by increasing debts.

Farm debts, both real estate and non-real estate, increased during 1949 but nevertheless remained on the whole at relatively low levels. Even so, debts became burdensome in some instances where production operations returned less than anticipated income. Expanded livestock feeding operations necessitated increased borrowing by many farmers.

Farm real estate prices declined in the District as a whole, although some areas showed moderate rises during the first half of the year and stable prices during the second half. In the better areas farm land continued to yield attractive returns and fewer farms were offered for sale.

Farm Production at High Levels

Crop production in the five states of the Seventh District did not equal the record high mark set in 1948 even though the 73.3 million acres of principal crops harvested exceeded

the harvested area of a year ago by 350 thousand acres. Corn production of 1,535 million bushels, although 10 per cent less than the record high output in 1948, was the second largest crop on record and one-fifth larger than the 1938-47 average. Oat and soybean harvests were moderately smaller than in the preceding year but were at high levels relative to other recent years. Hay production of 20.5 million tons was up about nine per cent, although the harvested acreage was smaller than in the preceding year, but still was below the 1938-47 average.

Corn, the most important crop in the District, encountered serious harvesting difficulties. A severe windstorm on October 10 in part of the District, several weeks of dry weather which caused the corn stalks to be brittle, and extensive corn borer damage which weakened stalks and ear shanks caused exceptionally heavy dropping of ears. Favorable weather, however, permitted much of the dropped corn to be saved by hand-gleaning or salvaged by livestock. The exceptionally large inventory of corn accumulated from the 1948 and 1949 crops is a matter of concern to many Seventh District farmers as they attempt to assess future prospects.

The large carry-over of feed grains from the 1948 harvest, together with high-level production in 1949 encouraged expansion of livestock production, particularly hogs. Farmers in Seventh District states raised 15 per cent more pigs in 1949 than in the preceding year, accounting for 46 per cent of the United States total. Cattle feeding, dairy, poultry, and egg production were continued at high levels.

Prices of farm products, which had declined sharply in the second half of 1948, continued a gradual downward trend during 1949 and at year-end showed net declines of six per cent for both meat animals and dairy products, nine per cent for feed grains, 19 per cent for poultry and eggs, and 23 per cent for oil bearing crops.

Government price support programs were of increasing importance in the markets for Seventh District farm products during 1949. Prices of most important crops and of dairy products and eggs were supported in varying degrees by loan or purchase programs. Supports were available also for hogs but market prices did not fall below the support level.

Member Bank Earning Assets Increase

In sharp contrast to the 300 million dollar decline of 1948, earning assets of member banks in the Seventh Federal Reserve District increased nearly 1,400 million dollars, or nine per cent, during 1949. This advance, the largest in the postwar years, corresponded to the national trend and was due almost entirely to the substantial expansion of Government security holdings.

During 1949 District member banks expanded their Government securities portfolios by nearly 1,200 million dollars, with the growth concentrated in the last seven months of the year. The principal causes of the increase were three reductions in member bank reserve requirements, in May, June, and August. In total, these reductions lowered reserve requirements for each class of bank by four percentage points. Country banks, however, acquired a fairly small amount of additional Government securities. In general they deposited a sizeable

proportion of their freed reserves in correspondent balances, rather than investing directly; and as a consequence central reserve city banks in this District accounted for 732 million of the total increase in Government holdings. Almost all of the acquired Governments were in the form of bills and certificates.

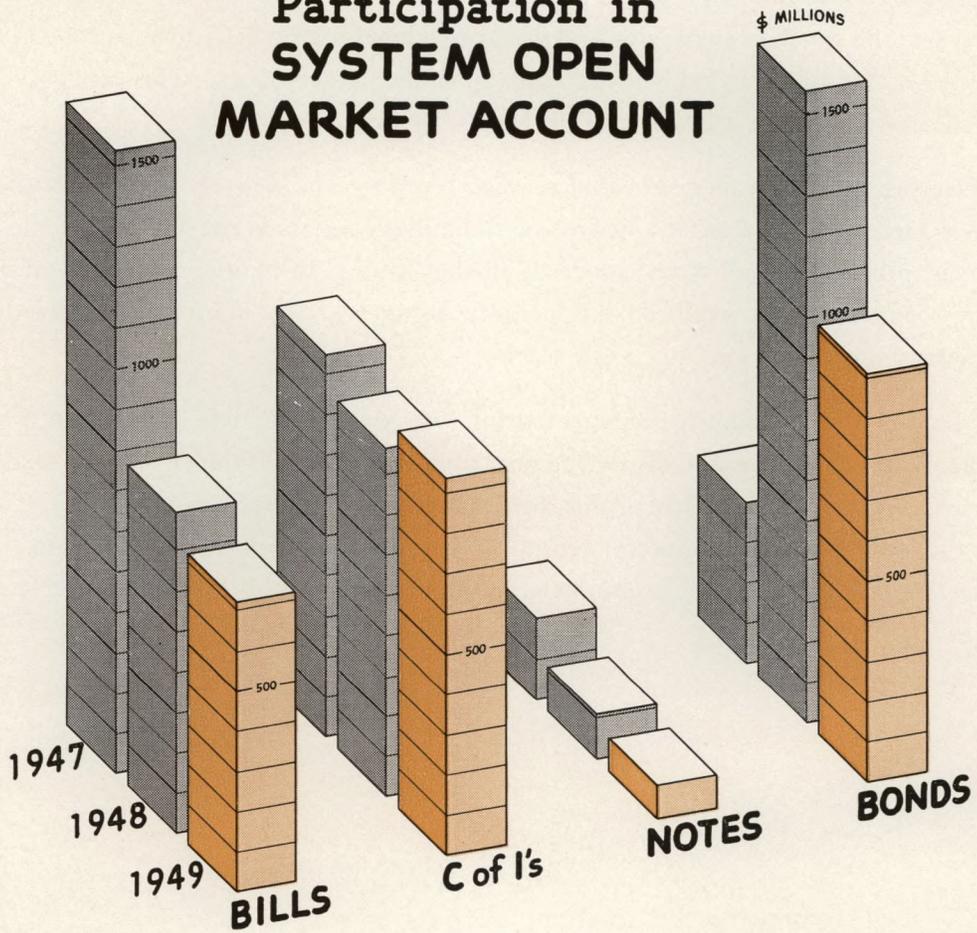
Loans outstanding for District member banks on December 28, 1949 were slightly above year-ago levels, despite considerable variation during the year. During the first six months, total loans for District banks declined 225 million dollars, chiefly because of the rapid contraction in business loans experienced by central reserve city banks. A modest recovery during the fall in loans of this category, however, plus a substantial and fairly steady rise in real estate and "other" (largely consumer) loans, served to compensate for the first-half decline. In general, country and the smaller reserve city banks increased loans, particularly to nonbusiness borrowers, much more steadily and in greater magnitude than the larger banks. This tendency has been characteristic of District banking over the last two years.

Deposits at District member banks reached levels at the end of 1949 moderately above those of December 1948, after a decline of 500 million dollars in the first half of the year. All classes of private deposits shared modestly in the advance. In addition, Government deposits in weekly reporting banks increased substantially above year-ago figures, especially during the last few months of the year.

Member bank earnings for the first-half of 1949 were moderately higher than for the comparable period of the previous year. The growth in earning assets during the last six months of the year suggests that bank earnings for the second half will be still higher. Preliminary reports show this to be particularly true for central reserve city banks, which after suffering an earnings decline in early 1949 acquired large amounts of Government securities during the late summer months.

FEDERAL RESERVE BANK OF CHICAGO

Participation in
SYSTEM OPEN
MARKET ACCOUNT



FEDERAL OPEN MARKET COMMITTEE

The activities of the System Open Market Account are directed by the Federal Open Market Committee, consisting of all the members of the Board of Governors of the Federal Reserve System and the presidents of five out of the twelve Federal Reserve banks. The president of the Federal Reserve Bank of Chicago serves on this committee in alternate years.

To the Federal Open Market Committee is assigned the responsibility of deciding the amount and character of government securities to be bought or sold in the open market, together with the timing of such transactions with a view to the prevention of violent fluctuations in money rates and the maintenance of an orderly market for government securities. The Federal Reserve banks are required by law to co-operate in carrying out

the objectives of the Open Market Committee. The United States government securities shown on the December 31, 1949, 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 Dec. 31, 1949, to \$2,817,903,000 par value of securities, representing 14.92% of the total portfolio of \$18,884,597,000. This figure is comparable with an amount of \$3,332,925,000 par value of securities held on December 31, 1948, a decrease of \$515,022,000. In addition to the decrease in amount, the composition of our participation changed materially during the year as will be noted from the following analysis:

	Dec. 31, 1949	Dec. 31, 1948	Increase or Decrease
Bills	\$ 720,606,000	\$ 797,316,000	\$— 76,710,000
C of I's	936,404,000	863,550,000	+ 72,854,000
Notes	83,890,000	112,328,000	— 28,438,000
Bonds	1,077,003,000	1,559,731,000	—482,728,000
Total	\$2,817,903,000	\$3,332,925,000	\$—515,022,000

It will be evident that the activities of the System Open Market Account during the year 1949 resulted in the net sale of a substantial total of government bonds, while changes in the holdings

of shorter maturities,—that is, Treasury bills, certificates of indebtedness and notes,—were minor in amount.

GOVERNMENT BOND DEPARTMENT

Fiscal Agent of the United States

The act of Congress creating the Federal Reserve System stipulates that Federal Reserve Banks shall act as fiscal agents of the United States. Prior to that time the fiscal agency functions were performed by Sub-Treasuries located in various cities, and were confined largely to the handling of coin and currency. With a Federal debt at that time of only about \$1,000,000,000, most of which was deposited as collateral to secure national banknote circulation, there were obviously few services required in connection therewith.

The tremendous increase in the public debt, resulting principally from this country's participation in two world wars, imposed a large number of new fiscal agency duties upon the Federal Reserve Banks. During the eight War Loan Drives of the recent war, for example, about 1,500 employees (constituting about one-third of the total number of employees of the Federal Reserve Bank in Chicago and Detroit) were engaged in conducting the various activities involved in the Treasury's war financing program. In the Chicago office alone over \$24,000,000,000 of United States securities, representing more than 50,000,000 pieces, were handled in these operations.

While peacetime activities are on a greatly reduced scale, the services performed for the Treasury, the commercial banks and the public are similar in nature to those conducted during the war. A brief outline of these services, which are performed both at the head office in Chicago and at the branch in Detroit, follows:

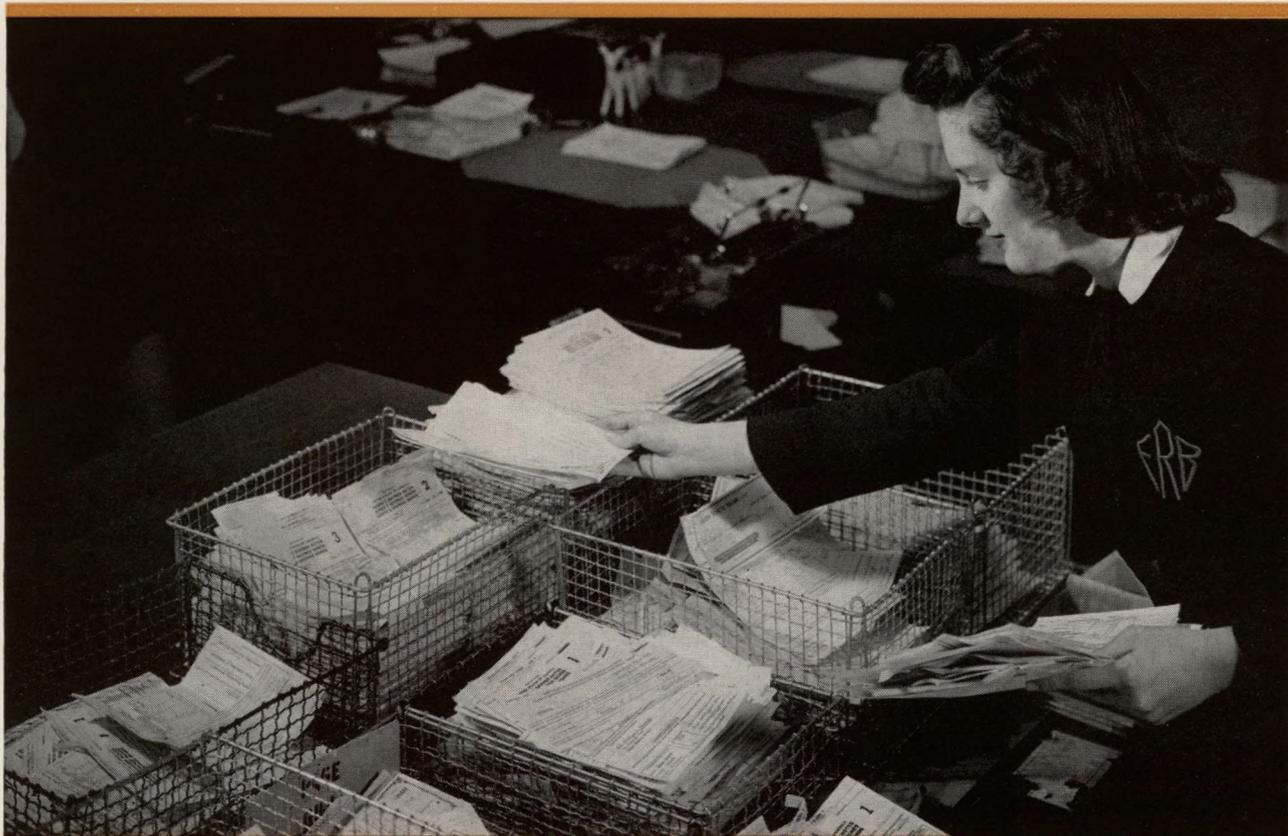
New Issues of Marketable Treasury Securities

When the Secretary of the Treasury announces the opening of subscription books for a new cash or exchange offering of Treasury securities, the circulars and subscription forms are prepared by the *New Issue Division* for distribution to all banks and others in the Seventh Federal Reserve District.

When the completed subscriptions are returned they are processed by this division and delivery of the securities is approved. It may be of interest to note that between 10 and 14 per cent of the total amount of Treasury offerings are purchased by banks and other investors in the Seventh Federal Reserve District.

Applications for Savings Issues

Practically all applications for Series F and G Savings Bonds and Series D Savings Notes are received by the



Sorting Applications for Savings Issues



Mechanical Inscribing of Savings Bonds

Federal Reserve Bank through commercial banks. These applications are handled in the *New Issue Division* where the securities are inscribed in the owner's name and delivered in accordance with his instructions. However, new marketable securities which are to be issued in registered form are inscribed at the Treasury Department in Washington, D. C., where registration books are maintained for payment of interest and transfer of ownership.

Custody of Treasury Securities

As fiscal agents of the Treasury, Federal Reserve Banks carry in their *Custody Division* a stock of all outstanding issues of Treasury securities, and whenever a new issue is offered for subscription a stock of all denominations of this issue is sent to the Federal Reserve Banks and to those branches where stocks are maintained. The Detroit Branch of this bank maintains a full stock of all such issues. There are presently outstanding the following number of publicly owned Treasury securities:

Marketable Securities		
<u>Number of Issues</u>	<u>Type of Security</u>	<u>Amount outstanding (in millions of dollars)</u>
32	Treasury bonds	\$104,700
2	Treasury notes	8,400
8	Treasury certificates of indebtedness	29,500
13	Treasury bills	12,300
Savings Securities		
4	Savings Bonds (Series D, E, F, G,)	57,000
1	Savings Notes (Series D)	7,000
		\$218,900

The above figures do not include special issues (not publicly held) of about \$34,000,000,000 and several

miscellaneous items which bring the total interest bearing public debt to approximately \$255,000,000,000.

The *Custody Division* releases these securities against subscriptions for new issues, against requisitions of Issuing Agents for blank Series E Savings Bonds, for purposes of denominational exchanges, for the exchange of registered bonds into coupon bonds, for reissue of savings bonds, and to complete telegraphic transfers of securities. Detailed monthly reports by issues and denominations are



Counting Government Bonds in Vault

made to the Treasury Department to account for the Federal Reserve Bank's holdings of all Treasury securities. These custodies currently aggregate approximately \$8,000,000,000.

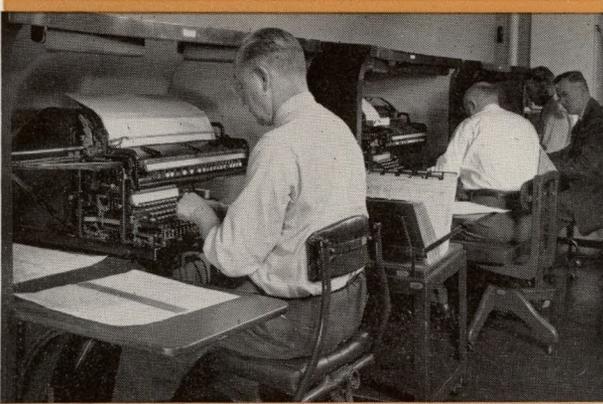
Treasury Tax and Loan Account

(Formerly called "War Loan Account")

When payment for newly issued securities is made by qualified depositaries under Circular No. 92, the accounts



Redeeming Coupons from Government Securities

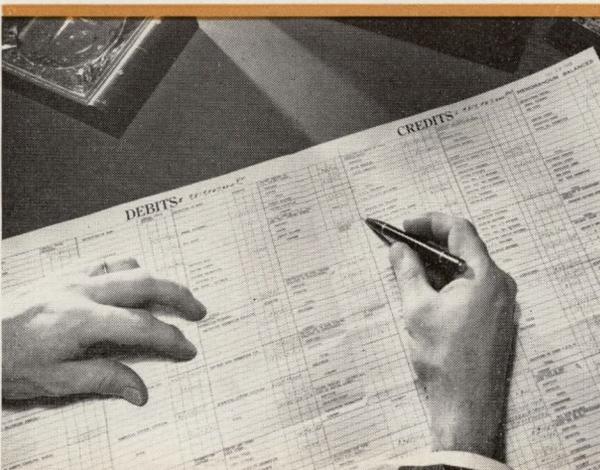


Mechanical Bookkeeping Machines used in Control unit.

and the collateral records pertaining thereto are maintained in the *Depository Bank Division*. About 1,800 banks out of a total of 2,500 in this district are qualified depositories. Depositories are periodically grouped into two classes, A and B, depending upon the amount of their Treasury Tax and Loan Account balances on a specified date. The latest date for establishing such groups was September 16, 1949, and there are currently 1,516 depositories in Group A with total balances as of December 31, 1949, of \$41,687,000, and 313 depositories in Group B with balances on that date of \$522,419,000. This account may also be used under the terms of Treasury Circular No. 848 in connection with the payment of Withheld and Social Security Taxes.

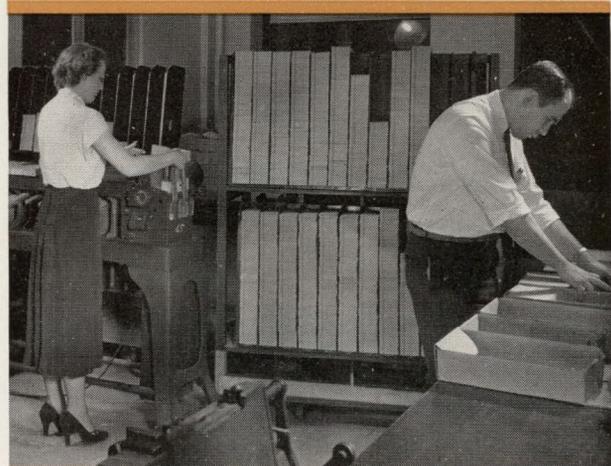
"CPD Transfers" and Denominational Exchanges

When a bank or other investor buys or sells Treasury securities and delivery thereof is to be made in some other Federal Reserve city, the transactions may be completed by utilizing the Leased Wire System of the Federal Reserve Banks, the transaction being called a "CPD transfer"—meaning a transfer authorized by the Com-



Preparing daily department control sheet

missioner of the Public Debt. This privilege for many years applied only to short term securities, but may now be used in connection with all types of marketable Treasury issues whenever a sale is involved. This activity together with that of making denominational exchanges is performed in the *Denominational Exchange and CPD Division*.



Mechanical sorting of series E stubs received from Issuing Agents

Coupon Redemptions

Matured coupons detached from bearer issues of Treasury securities and other Governmental Agencies and presented to the *Coupon Redemption Division* by banks or other investors are paid either by check or by credit to the member banks' accounts.

Redemption of Treasury Securities

Marketable Treasury issues in either bearer or registered forms are redeemed at or after their maturity or redemption dates in the *Securities Redemption Division*. Bearer securities are paid either by check or credit to the member bank's reserve account upon presentation, but registered securities must first be forwarded for release to the Treasury Department in Washington, D. C., where permanent registration books for the entire country are maintained, before payment can be made.

Savings Bonds — Issuing Agents

Although a large number of Series E Savings Bonds are issued at the Federal Reserve Bank, these represent a small percentage of the total Series E Bonds issued. Approximately 3,500 Issuing Agents (consisting principally of banks, corporations and savings and loan associations, but not including post offices) are furnished blank Series E Savings Bonds by this bank and account to it for all bonds consigned to such agents. Requisitions for blank bonds and ledger accounts for all such issuing agents, as well as transmittal letters forwarded by the agents in connection with sales of Series E Bonds, are



Preparing Blank Series E bonds for shipment to Issuing Agents

handled and maintained in the *Issuing Agents Division*. Currently these agents are selling approximately \$53,000,000 issue price of Series E Bonds monthly.

Savings Bonds — Reissues

It is only natural that with the widespread ownership of savings bonds, and with resultant changes in the status of such holders because of death, marriage, etc., many occasions arise when savings bonds need to be re-issued. A separate *Reissue Division* handles these transactions, which originate in all sections of this district. The head office in Chicago also performs this function for reissue cases received at the Treasury Department from the entire United States.

Savings Bonds — Redemptions

Prior to October 1944 redemptions of savings bonds were handled exclusively at Federal Reserve Banks, but since that date about 97 per cent of all redemptions are being handled by Paying Agents—mainly banks—who transmit the paid bonds to the Federal Reserve Banks. The Redemption Divisions at Chicago and Detroit service about 2,600 Paying Agents, who, together with the Federal Reserve Bank, are currently redeeming a monthly average of approximately 1,230,000 pieces of Series A to E Savings Bonds aggregating about \$65,350,000 redemption value. Matured savings bonds included in these figures represent about 16 per cent of total current

dollar redemptions. Except for a small volume of redemptions at the Treasury Department the figures quoted cover total redemptions for this district, whereas sales figures under Issuing Agents above do not include Post Office sales.

Savings bonds were first put on sale in 1935, but the early maturities in 1945 to 1948 were not voluminous.



Sorting redeemed savings bonds



Preparing registered mail shipments for delivery to post office

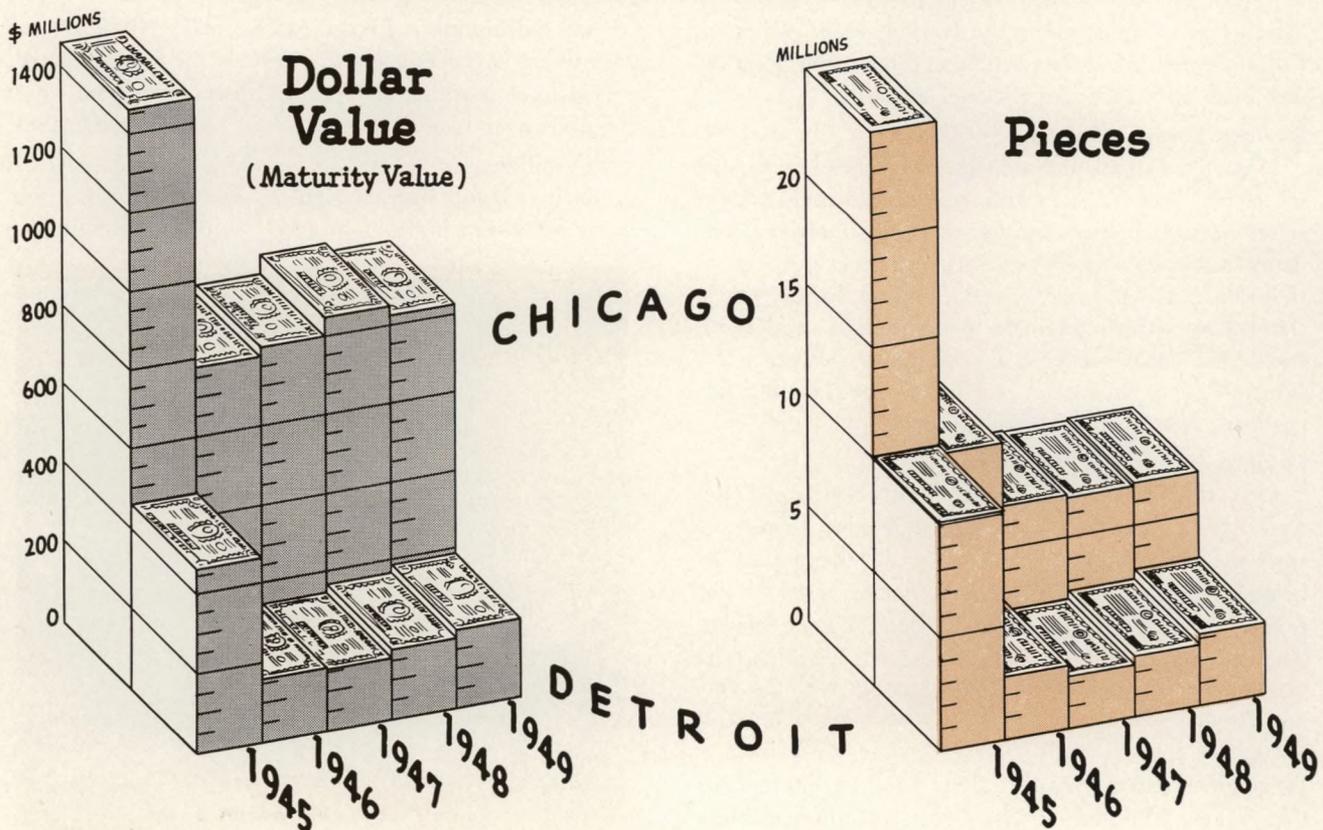
Greatly increased sales resulting from the initiation of the National Defense Program in 1941 and the subse-

quent outbreak of war, account for the heavy maturities starting in 1952 and reaching a peak in 1954. There are currently outstanding Series E, F and G Savings Bonds with 1954 maturities in the amount of approximately \$9,000,000,000 (present redemption value). Paying Agents are given immediate credit upon receipt of the transmittal letter for the amounts paid out by them in cashing bonds, subject to later adjustment when the bonds are processed.

Cancelled Securities

All Treasury securities, marketable and non-marketable, are cancelled by distinctive cancellation mark, and they are then sorted according to issue, denomination, and, in some cases, serial number, and delivered to the Treasury Department. Marketable issues are returned to Washington, but savings bonds are delivered to the Savings Bonds Division of the Treasury Department in Chicago, national headquarters for savings bond operations.

SERIES "E" SAVINGS BONDS SOLD THROUGH ISSUING AGENTS



SERVICES TO TREASURY DEPARTMENT

ISSUANCE OF GOVERNMENT SECURITIES

Although the Treasury Department issues some of its securities—both marketable and savings issues—directly, by far the major portion is issued through the Federal Reserve Banks, acting as fiscal agents of the United States. Information regarding new Treasury offerings, either for cash or in exchange, is distributed by the Federal Reserve Banks through commercial banks to the general public, and subscriptions from investors of all types are

received for processing. The Federal Reserve Banks service agents for the sale of U. S. Savings Bonds, Series E, by supplying blank bonds, receiving payment for bonds issued, and maintaining accounts. Detailed sales reports showing geographical and investor-type distribution of new issues of Government securities are supplied to the Treasury Department.

GENERAL SUMMARY

During 1949, the sales of savings securities were maintained at a rather constant level, and Treasury financing activities were confined primarily to refunding opera-

tions. As a result, Bank services necessary to handle the issuance of government securities were about the same in 1949 as in the previous year.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
SUBSCRIPTIONS AND APPLICATIONS				
FORMS RECEIVED				
Marketable Issues	11,200	10,950	560	450
Savings Issues	147,800	164,425	11,930	12,300
NUMBER OF SUBSCRIBERS INVOLVED				
Marketable Issues	21,800	21,750	1,300	1,025
Savings Issues	<u>486,000</u>	<u>469,000</u>	<u>199,200</u>	<u>186,950</u>
DOLLAR VALUE—SUBSCRIPTIONS				
RECEIVED				
Marketable Issues	\$10,646,252,000	\$8,270,875,000	\$593,173,000	\$353,284,000
Savings Issues	1,292,065,000	1,197,855,000	342,851,000	190,772,000
DOLLAR VALUE—SUBSCRIPTIONS				
ALLOTTED				
Marketable Issues	8,091,315,000	6,753,375,000	593,173,000	353,284,000
Savings Issues	<u>1,292,065,000</u>	<u>1,197,855,000</u>	<u>342,301,000</u>	<u>190,825,000</u>
PIECES DELIVERED ON ORIGINAL ISSUE				
Marketable Issues	112,400	111,200	7,830	5,960
Savings Issues	<u>712,000</u>	<u>748,800</u>	<u>220,550</u>	<u>213,250</u>
SALES BY ISSUING AGENTS				
SERIES E SAVINGS BONDS				
Maturity Value	\$ 824,480,000	\$ 848,959,000	\$197,054,000	\$176,674,000
Number of Pieces	<u>6,873,000</u>	<u>6,792,500</u>	<u>3,165,950</u>	<u>2,650,000</u>
NUMBER OF QUALIFIED ISSUING				
AGENTS AS OF DECEMBER 31.....	<u>3,107</u>	<u>3,097</u>	<u>364</u>	<u>369</u>

SERVICES TO TREASURY DEPARTMENT

SERVICING OF GOVERNMENT SECURITIES

Servicing of the public debt after it is outstanding in the hands of the general public is one of the functions of Federal Reserve Banks in their capacity as fiscal agents of the United States. The principal services performed are: making denominational and other exchanges, handling telegraphic transfers of Government

securities, maintaining a general stock of all Treasury issues outstanding with the public, reissuing savings bonds, maintaining the Treasury tax and loan accounts, and other miscellaneous services.

GENERAL SUMMARY

Inasmuch as the servicing of government securities is closely related to the Treasury's financing program, the amount of work handled by the Bank varies with the volume of Treasury operations.

Services during the current year closely approximated those rendered by the Bank during 1948.

The reissues involved in Treasury claim cases (the issuance of duplicate bonds) represented a new activity in 1949.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
MARKETABLE ISSUES				
DENOMINATIONAL AND OTHER				
EXCHANGES				
Pieces Received	62,800	81,250	1,160	960
Maturity Value	\$1,382,582,000	\$1,522,235,000	\$ 27,672,000	\$ 12,671,000
Pieces Issued	85,700	98,500	2,300	2,650
Maturity Value	\$1,375,708,000	\$1,524,658,000	\$ 27,354,000	\$ 12,588,000
TELEGRAPHIC TRANSFERS (CPD)				
Pieces Received	57,300	93,100	3,560	4,700
Maturity Value	\$3,895,367,000	\$4,640,340,000	\$373,607,000	\$159,598,000
Pieces Issued	48,800	37,500	7,200	3,900
Maturity Value	\$5,379,602,000	\$4,609,430,000	\$662,106,000	\$194,258,000
SAVINGS BONDS				
REISSUES				
Pieces Received	627,500	561,400	97,190	90,290
Maturity Value	\$ 208,512,000	\$ 191,695,000	\$ 15,349,000	\$ 10,635,000
Pieces Issued	616,000	661,000*	94,960	87,000
Maturity Value	\$ 202,034,000	\$ 257,236,000*	\$ 12,456,000	\$ 9,664,000
REISSUES—TREASURY CLAIM CASES				
Pieces Issued	36,100	—	—	—
Maturity Value	\$3,332,000	—	—	—
DEPOSITARY BANKS (WAR LOAN)				
Number of Payments Handled	197,000	190,700	21,360	14,240
Depository Balances as of December 31	\$ 425,623,000	\$ 330,095,000	\$138,483,000	\$ 93,396,000
Number of Qualified Depositories as of December 31	1,696	1,692	134	133
CUSTODY OF FISCAL STOCK				
Pieces Received from Treasury Dept...	8,691,000	8,616,000	3,587,400	2,817,300
Pieces Prepared for Delivery	8,798,000	8,882,000	3,595,800	3,094,800

*Year 1948 includes \$79,750,000 involving 110,000 pieces issued upon reissue on special authorization from Treasury Department and discontinued in June 1948.

SERVICES TO TREASURY DEPARTMENT

REDEMPTION OF GOVERNMENT SECURITIES

Federal Reserve Banks as fiscal agents of the United States redeem Government securities at maturity, or prior to maturity in the case of securities eligible for redemption in that manner. Savings bonds are redeemed either directly from the holders

thereof or through commercial banks designated as paying agents. Redeemed securities are cancelled and forwarded to the Treasury Department.

GENERAL SUMMARY

Comments on previous pages with reference to the Treasury's financing program during 1949 are applicable in connection with the redemption of Government securities. Savings bond redemptions remained on substantially an even keel compared with the previous year. However, a considerable increase occurred in the redemption of matured savings bonds; this condition will

increase from year to year until a peak is reached in 1954, the year in which the maximum wartime sales of savings issues will mature. The reverse is true in the case of Armed Forces Leave Bonds, as the amount outstanding is decreasing year by year because of redemption of these securities prior to their maturity.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
TREASURY ISSUES—OTHER THAN SAVINGS AND ARMED FORCES LEAVE BONDS				
Number of Pieces				
Bearer Securities	182,200	204,500	13,230	12,480
Registered Securities	<u>38,700</u>	<u>47,800</u>	<u>8,940</u>	<u>11,100</u>
Maturity Value				
Bearer Securities	\$7,876,693,000	\$7,414,046,000	\$1,000,622,000	\$585,089,000
Registered Securities	<u>530,309,000</u>	<u>741,180,000</u>	<u>97,184,000</u>	<u>96,442,000</u>
SAVINGS BONDS				
*Number of Pieces				
By Paying Agents—A-E.....	10,372,000	11,438,000	4,057,450	4,181,800
By FRB —A-E.....	321,000	299,000	47,100	44,000
By FRB —F-G.....	<u>186,000</u>	<u>184,000</u>	<u>19,400</u>	<u>17,500</u>
*Number of Pieces \$25 E Bonds Included in Above				
	6,919,000	7,775,000	2,898,000	3,019,500
Number of Pieces Matured Bonds Included in Above				
	<u>433,000</u>	<u>314,000</u>	<u>76,300</u>	<u>53,300</u>
Redemption Value				
By Paying Agents—A-E.....	\$ 564,660,000	\$ 564,135,000	\$ 165,168,000	\$161,912,000
By FRB —A-E.....	85,268,000	55,509,000	8,777,500	6,154,000
By FRB —F-G.....	160,320,000	161,670,000	16,913,000	15,846,000
Matured Bonds Included in Above.....	<u>150,426,000</u>	<u>96,980,000</u>	<u>20,885,000</u>	<u>14,415,000</u>
ARMED FORCES LEAVE BONDS				
Number of Pieces.....	67,150	191,150	16,500	48,950
Redemption Value	<u>\$ 15,465,000</u>	<u>\$ 41,336,000</u>	<u>\$ 3,673,000</u>	<u>\$ 10,463,000</u>
NUMBER OF QUALIFIED PAYING AGENTS AS OF DECEMBER 31, 1949..				
	<u>2,408</u>	<u>2,400</u>	<u>200</u>	<u>199</u>
U. S. GOVERNMENT AND OTHER GOVERNMENTAL AGENCY COUPONS				
Number of Pieces	1,735,000	1,918,500	179,800	195,600
Dollar Value	<u>\$ 99,069,000</u>	<u>\$ 108,164,000</u>	<u>\$ 9,141,000</u>	<u>\$ 9,276,000</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

deposited by employers under withholding tax arrangements.

GENERAL SUMMARY

Depository banks collected and transferred to us \$1,423,000,000 in Withheld Taxes during 1949, for which they issued 653,000 depository receipts. These figures represent decreases of 8% in dollar value and 3% in number of receipts, as compared with the remittances handled during 1948.

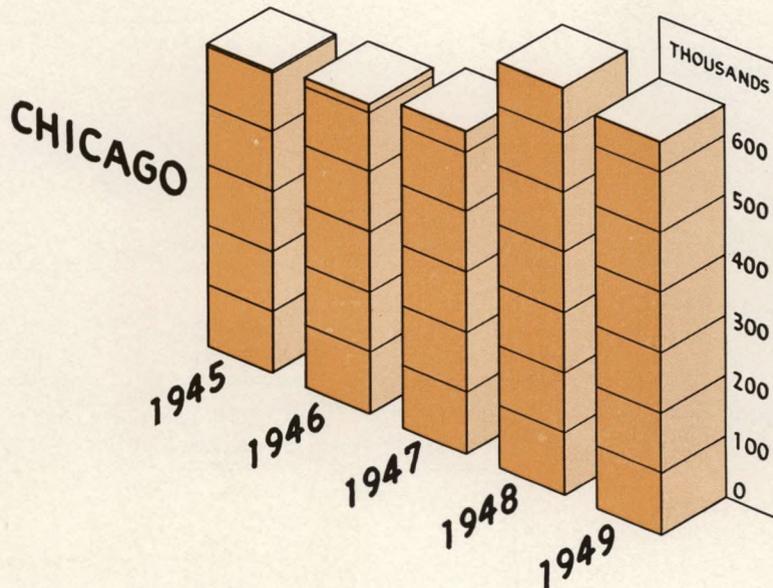
Offices of the Internal Revenue Department charged to us their certificates of deposit amounting to \$1,495,000,000.

During the year, preliminary work was completed on a revised and expanded system for the collection of both Withheld Taxes and Social Security Taxes. Under the new plan, employers may remit either through depository banks, or directly to the Federal Reserve Banks. Accordingly, operations under the previous system were brought to a close December 31, 1949, except for residual work connected with deposits of 1949 taxes.

STATEMENT OF OPERATIONS

	CHICAGO	
	1949	1948
Receipts Issued by Depositories.....	652,881	676,394
Dollar Value of Receipts Issued.....	\$1,423,024,000	\$1,540,960,000

DEPOSITORY RECEIPTS RECEIVED



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 Chicago and Detroit Branch decreased during 1949, primarily because of reductions in reserve requirements which became effective during the year.

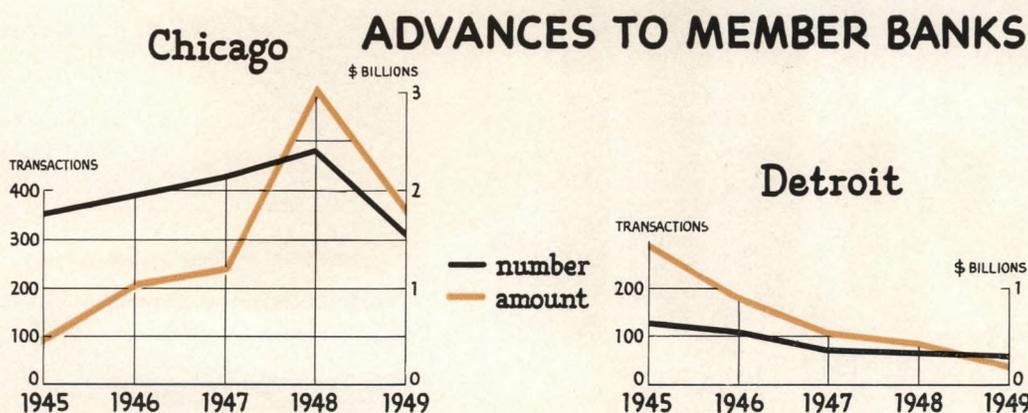
One advance of \$50,000 was made secured by notes

evidencing corn loans entered into pursuant to the loan program of the Commodity Credit Corporation.

Four commitments, aggregating \$66,533, were granted to financing institutions in connection with working capital loans to industrial enterprises under the provisions of Section 13b of the Federal Reserve Act.

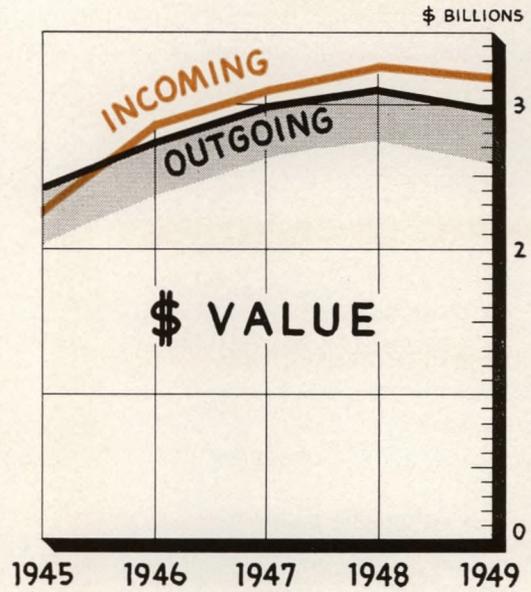
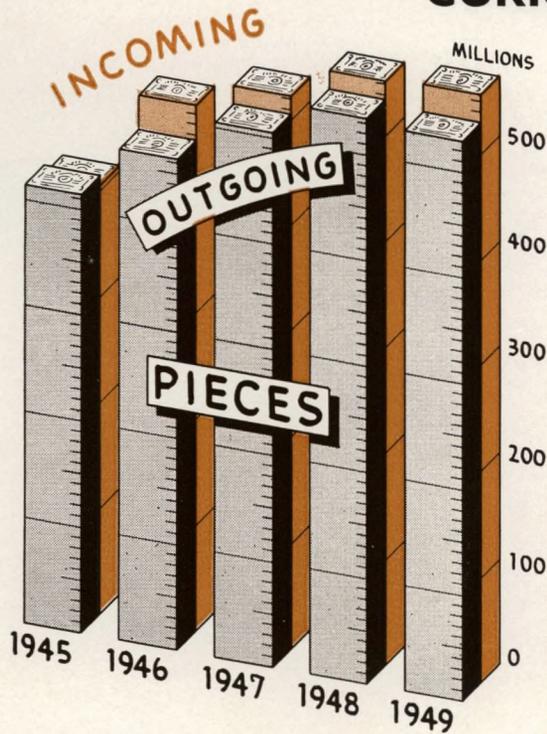
STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
NUMBER OF TRANSACTIONS				
ADVANCES TO MEMBER BANKS				
Rediscounts	2	—	—	—
Secured by U. S. Government Obligations	312	484	61	70
Secured by Eligible Paper.....	1	—	—	—
Secured by Other Acceptable Assets—Section 10b	—	1	—	—
INDUSTRIAL LOANS				
Commitments	4	3	—	—
DOLLAR VALUE OF TRANSACTIONS				
ADVANCES TO MEMBER BANKS				
Rediscounts	\$ 38,029	\$ —	\$ —	\$ —
Secured by U. S. Government Obligations	1,841,338,000	3,046,865,000	215,150,000	466,045,000
Secured by Eligible Paper.....	50,000	—	—	—
Secured by Other Acceptable Assets—Section 10b	—	50,000	—	—
INDUSTRIAL LOANS				
Commitments	66,533	472,500	—	—



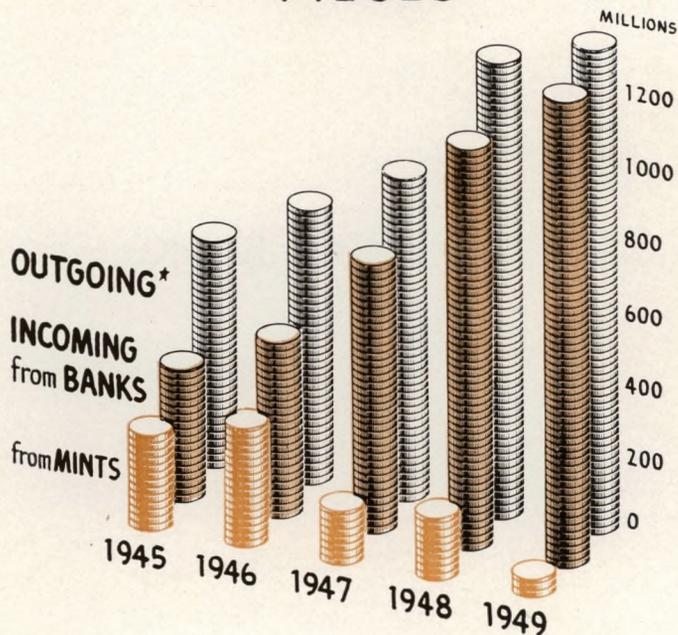
HEAD OFFICE CASH OPERATIONS

CURRENCY

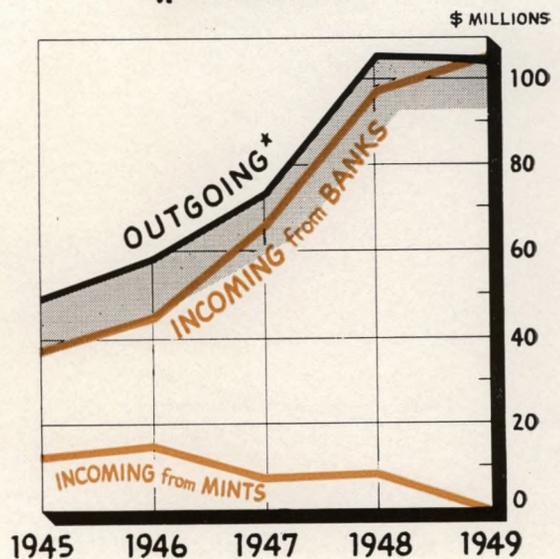


COIN

PIECES



\$ VALUE



* Includes wrapped coin payments instituted in October of 1946

CURRENCY AND COIN

Currency and coin are routed into general circulation through the Federal Reserve Banks, which act as distributing agents between the Treasury and the Banking community. Commercial banks desiring currency or coin may obtain it from this Bank in exchange for their draft, a charge to their reserve account,

etc. Similarly, banks having excess cash may turn it in to this Bank and obtain funds in return. Incoming cash is used either to supplement new currency and coin in outgoing shipments, or, if unfit for further circulation, is returned to the Treasury for destruction.

GENERAL SUMMARY

Outgoing currency handled during 1949 declined moderately from all-time peaks established in 1948. However, increased volumes of currency for redemption, wrapped coin, and coin received from banks were processed in 1949.

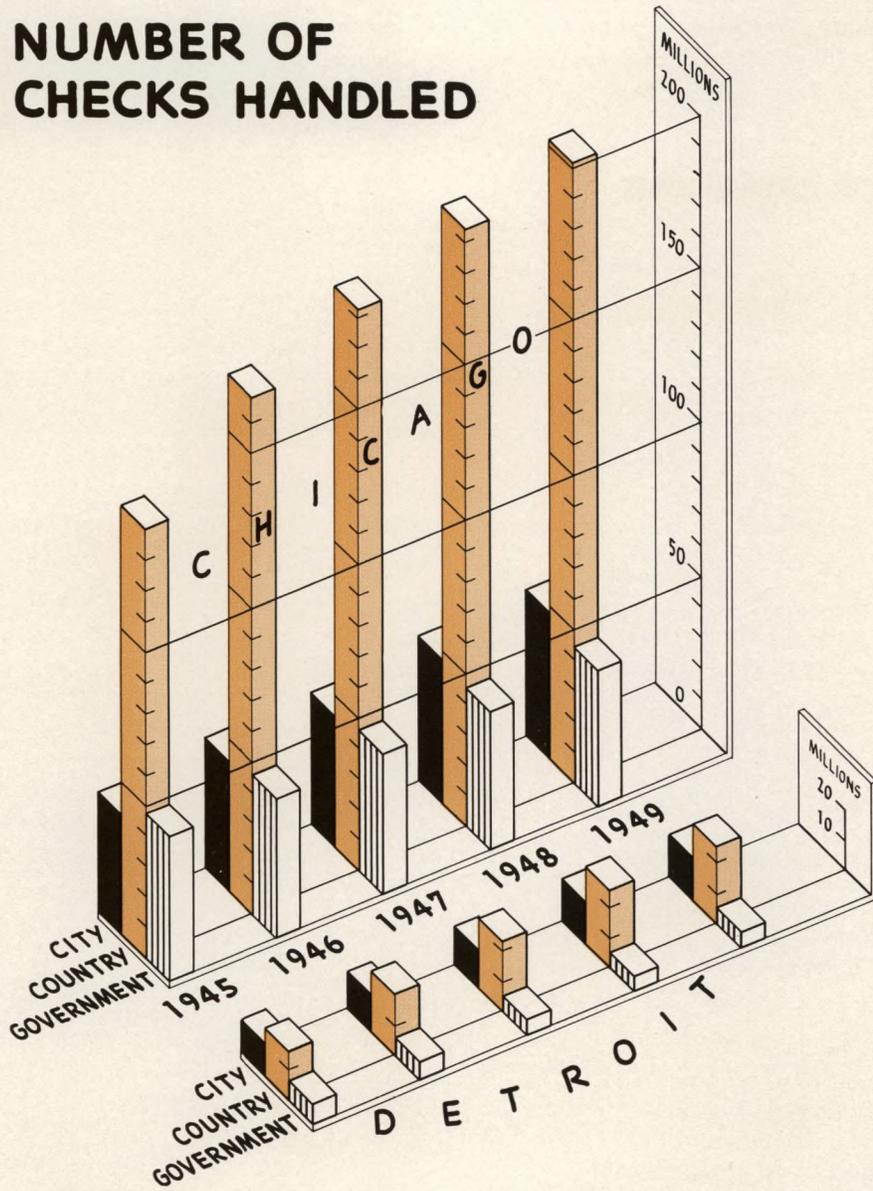
The net circulation of our Federal Reserve Notes amounted to \$4,501,280,000 at the end of 1949, against \$4,598,426,000 on December 31, 1948, the net decrease amounting to \$97,146,000. The all-time high of \$4,669,338,000 was recorded on December 24, 1947.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
PIECES				
Currency				
Outgoing	530,888,131	536,339,523	138,959,206	143,610,922
Incoming	558,377,758	554,539,859	140,140,943	133,988,000
Forwarded for Redemption.....	227,775,957	214,308,066	41,762,180	23,954,149
Coin				
Outgoing—Loose	764,496,603	698,834,817	51,462,807	97,388,734
Wrapped	563,457,000	554,211,410	46,889,700	5,700,550*
Total	1,327,953,603	1,253,046,227	98,352,507	103,089,284
Incoming—From Banks	1,282,457,814	1,100,820,759	110,937,421	98,639,931
From Mints	45,100,000	162,450,000	4,500,000	22,375,000
From Other F. R. Banks....	5,000,000	11,450,000	3,545,000	2,560,000
DOLLAR VALUE OF PIECES				
Currency				
Outgoing	\$2,984,250,500	\$3,127,707,000	\$867,504,156	\$901,077,058
Incoming	3,207,451,014	3,288,919,875	918,374,667	932,118,965
Forwarded for Redemption.....	847,900,014	811,033,375	175,634,606	108,854,545
Coin				
Outgoing—Loose	\$ 47,352,801	\$ 49,431,921	\$ 4,422,446	\$ 8,179,653
Wrapped	58,465,400	56,863,182	3,320,900	584,300*
Total	\$ 105,818,201	\$ 106,295,103	\$ 7,743,346	\$ 8,763,953
Incoming—From Banks	\$ 106,010,802	\$ 98,175,709	\$ 9,340,413	\$ 8,674,806
From Mints	550,000	7,750,000	117,000	1,600,000
From Other F. R. Banks....	400,000	1,650,000	275,000	610,000
FEDERAL RESERVE NOTE ISSUES—FEDERAL RESERVE AGENT				
Pieces				
Received from Washington.....	61,144,000	55,908,000	9,740,000	8,840,000
Issued to Bank.....	59,910,000	57,120,100	9,188,020	9,344,340
Dollar Value of Pieces				
Received from Washington.....	\$ 632,320,000	\$ 594,040,000	\$117,000,000	\$111,000,000
Issued to Bank.....	611,380,000	625,720,000	115,200,000	126,080,000

*Wrapped Coin Service
Inaugurated October 15, 1948.

NUMBER OF CHECKS HANDLED



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 number of city and country items processed during 1949 increased 3% at Chicago and 2% at Detroit. However, the dollar value of all checks handled by Chicago decreased \$7,304,418,000 for the year 1949, or about \$24,000,000 for each working day.

Preparation of outgoing cash letters on proof machines effected an 11% reduction in letters dispatched

and a 17% reduction in the number of employees at Chicago.

Check Department employees at Chicago work 5 days each week on a rotating basis in order to comply with the Saturday closing law in effect since August 6, 1949. However, operations are continued for six full days each week in order to render maximum service on check collections.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
CHECKS				
Number of Checks Handled				
City	47,511,000	46,916,000	14,764,000	14,019,000
Country	201,730,000	194,543,000	25,491,000	25,320,000
Government—Paper	3,814,000	3,432,000	989,000	891,000
Card	40,216,000	41,645,000	4,646,000	4,426,000
Totals	<u>293,271,000</u>	<u>286,536,000</u>	<u>45,890,000</u>	<u>44,656,000</u>
Dollar Value of Checks Handled				
City	\$50,956,061,000	\$55,257,910,000	\$12,302,979,000	\$13,034,004,000
Country	34,009,768,000	36,482,969,000	5,361,938,000	5,443,955,000
Government—Paper	3,725,385,000	4,433,454,000	884,793,000	676,738,000
Card	2,708,362,000	2,529,661,000	308,535,000	292,534,000
Totals	<u>\$91,399,576,000</u>	<u>\$98,703,994,000</u>	<u>\$18,858,245,000</u>	<u>\$19,447,231,000</u>
DAILY AVERAGE NUMBER OF CASH LETTERS DISPATCHED.....				
	<u>5,439</u>	<u>6,064</u>	<u>552</u>	<u>549</u>
NON-CASH ITEMS				
Number of Transactions				
City	28,304	43,167	24,949	20,760
Country*	152,434	177,107	15,573	17,551
Coupon and Security	535,320	505,234	114,728	117,890
Totals	<u>716,058</u>	<u>725,508</u>	<u>155,250</u>	<u>156,201</u>
*Includes direct sendings to other Federal Reserve Banks by our Member Banks				
	<u>98,931</u>	<u>98,010</u>	<u>6,046</u>	<u>6,572</u>
Dollar Value of Transactions				
City	\$ 98,851,000	\$ 131,997,000	\$ 32,716,000	\$ 43,793,000
Country*	364,684,000	472,313,000	35,297,000	58,950,000
Coupon and Security	869,692,000	829,902,000	47,996,000	51,668,000
Totals	<u>\$ 1,333,227,000</u>	<u>\$ 1,434,212,000</u>	<u>\$ 116,009,000</u>	<u>\$ 154,411,000</u>
*Includes direct sendings to other Federal Reserve Banks by our Member Banks				
	<u>\$ 265,809,000</u>	<u>\$ 351,765,000</u>	<u>\$ 28,088,000</u>	<u>\$ 47,368,000</u>

SERVICES TO MEMBER BANKS

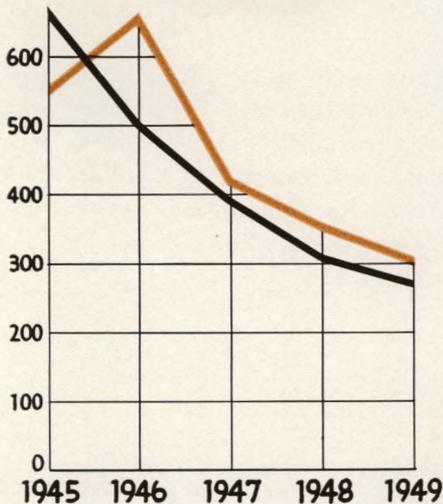
SAFEKEEPING OF SECURITIES

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.

THOUSANDS

Chicago



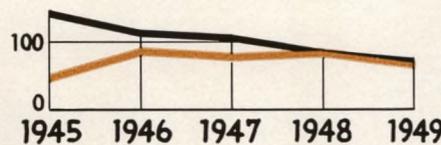
GENERAL SUMMARY

The dollar value of securities on hand at the close of 1949 increased considerably over 1948 year-end holdings. Greater holdings for member banks created increases of \$956,000,000 at Chicago and \$167,000,000 at Detroit. Chicago processed \$325,000,000 in securities for exchange during December, 1949.

U. S. Army personnel deposited 10% more Savings Bonds during 1949, while their withdrawals decreased 23%. The dollar value of civilian releases increased both at Chicago and Detroit.

THOUSANDS

Detroit



— pieces received*
 — pieces released*
 *includes Savings Bonds

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
SAFEKEEPING—MEMBER BANKS, ETC.				
PIECES				
Securities—Received	192,416	226,869	19,800	18,327
Released	176,272	212,100	16,679	19,330
Coupons Detached from Securities.....	873,652	934,840	153,449	151,796
DOLLAR VALUE OF PIECES				
Securities—Received	\$10,152,780,248	\$ 8,977,566,386	\$ 1,206,608,026	\$ 1,261,764,135
Released	9,196,352,276	9,334,846,359	1,039,569,259	1,208,065,590
Held as of December 31...	5,385,248,323	4,428,820,351	529,600,750	362,561,984
Coupons Detached from Securities.....	84,143,991	79,713,752	4,515,654	3,724,445
Receipts Issued	22,285	24,127	2,268	2,413
Receipts Released	22,937	26,682	2,612	3,125
Receipts Outstanding	57,959	58,621	7,463	7,324
SAFEKEEPING—SAVINGS BONDS				
PIECES				
Received—U. S. Army Personnel.....	40,227	36,566	—	—
Civilian	40,899	48,755	56,423	65,936
Released—U. S. Army Personnel.....	73,058	94,563	—	—
Civilian	57,702	53,083	56,225	64,132
Held as of Dec. 31—U.S. Army Personnel	352,172	385,003	—	—
Civilian.....	318,071	334,874	297,944	297,746
DOLLAR VALUE OF PIECES				
Received—U. S. Army Personnel.....	\$ 2,559,945	\$ 2,502,935	—	—
Civilian	7,806,110	9,459,021	\$ 5,455,100	\$ 6,319,630
Released—U. S. Army Personnel.....	3,966,405	5,096,875	—	—
Civilian	14,061,439	6,045,752	5,257,345	4,604,815
Held as of Dec. 31—U.S. Army Personnel	18,215,625	19,626,085	—	—
Civilian.....	47,981,919	54,237,248	24,687,710	24,489,955

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

The number of transactions handled by the Investment Department at Chicago declined somewhat in 1949 from that of the previous year. However, the par value of the securities involved showed a substantial increase. Reflecting the relaxation in reserve requirements during the year and the generally easier money market, purchase

transactions more than doubled in dollar amount, while securities sold for member banks and others declined 20%.

At the Detroit Branch, the number of purchases increased 20% while sales transactions declined 22%.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
NUMBER OF SECURITY TRANSACTIONS				
PURCHASES				
U. S. GOVERNMENTS				
Member Banks and Others.....	2,954	3,045	760	631
Other F. R. Banks.....	161	162	—	—
System Open Market Account.....	—	2	—	—
OTHER				
Member Banks and Others.....	9	18	—	—
Total Purchases.....	<u>3,124</u>	<u>3,227</u>	<u>760</u>	<u>631</u>
SALES				
U. S. GOVERNMENTS				
Member Banks and Others.....	7,282	8,630	496	634
Other F. R. Banks.....	474	436	—	—
OTHER				
Member Banks and Others.....	62	48	—	—
Total Sales.....	<u>7,818</u>	<u>9,114</u>	<u>496</u>	<u>634</u>
DOLLAR VALUE OF SECURITIES				
PURCHASES				
U. S. GOVERNMENTS				
Member Banks and Others.....	\$305,507,650	\$130,174,450	\$18,665,118	\$13,795,134
Other F. R. Banks.....	15,763,000	9,810,400	—	—
System Open Market Account.....	—	1,000,000	—	—
OTHER				
Member Banks and Others.....	145,000	291,000	—	—
Total Purchases.....	<u>\$321,415,650</u>	<u>\$141,275,850</u>	<u>\$18,665,118</u>	<u>\$13,795,134</u>
SALES				
U. S. GOVERNMENTS				
Member Banks and Others.....	\$247,362,970	\$308,371,730	\$9,162,119	\$26,799,201
Other F. R. Banks.....	17,047,350	24,157,500	—	—
OTHER				
Member Banks and Others.....	577,410	759,250	—	—
Total Sales.....	<u>\$264,987,730</u>	<u>\$333,288,480</u>	<u>\$ 9,162,119</u>	<u>\$26,799,201</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 1949 the Research Department continued its current research and reporting work along the same general lines as in recent years. Greater emphasis was placed on the study of agricultural and business conditions in the Seventh Federal Reserve District, Federal fiscal policy, and the functioning of the monetary mechanism. Current developments in the field of bank credit and business finance, labor and industry, retail trade, consumer credit, state and local government finance, and farm credit continue to receive close attention.

The Research Department continued to em-

phasize strengthening its ties with bankers, businessmen, and agricultural leaders. The Department answered thousands of inquiries for business and financial information received by mail, phone, or in person from banks, business firms, and others.

A great amount of important data was again collected through the cooperation of Seventh District reporting banks and business firms. The usual summary reports of statistical data were prepared and sent to the Board of Governors. 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 and farm business conditions.

Quarterly

Farm land value survey.

Annual and Special Reports

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

The number of copies published of *Business Conditions* has been increasing steadily the past few years so that it now averages 13,000 monthly, of which 3,600 are sold at cost in bulk subscriptions to a number of member banks which redis-

tribute them to their customers. Approximately 30,000 copies were distributed of the December issue, which contained special articles on the agricultural outlook for 1950 and the newly enacted farm legislation.

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

Three banks, 1 national and 2 state, were admitted to membership in 1949. The staff of the Bank Examination

Department completed 591 examinations during the year.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
NUMBER OF EXAMINATIONS MADE				
Regular	442	443		
Membership	2	2		
Trust Departments	145	140		
Follow-up Investigations	2	2		
	<u> </u>	<u> </u>		
NUMBER OF MEMBER BANKS IN 7th F. R. DISTRICT				
NATIONAL BANKS				
As of January 1.....	567	561		
Additions (See Note A).....	1	7		
Withdrawals (See Note B).....	3	1		
As of December 31.....	<u>565</u>	<u>567</u>		
STATE BANKS				
As of January 1.....	441	442		
Additions (See Note A).....	2	2		
Withdrawals (See Note B).....	3	3		
As of December 31.....	<u>440</u>	<u>441</u>		

INCLUDED IN
CHICAGO DATA

NOTE A—ADDITIONS TO MEMBERSHIP DURING 1949

NATIONAL BANKS

Farmers and Merchants National Bank of Monticello, Monticello, Indiana

STATE BANKS

City Bank, Detroit, Michigan

The State Savings Bank of Flat Rock, Flat Rock, Michigan

NOTE B—WITHDRAWALS DURING 1949

NATIONAL BANKS

3—voluntary liquidations. (Assets and liabilities assumed by other banks)

STATE BANKS

2—voluntary withdrawals

1—consolidation

BANK AND PUBLIC RELATIONS

The personnel assigned to the bank and public relations staff call on member and nonmember banks, attend conventions and group meetings, deliver public addresses, and in general attempt

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

GENERAL SUMMARY

The true value of the bank and public relations program cannot be presented in tables or charts, as the end result is best measured by the increases in understanding and acceptance of the Federal Reserve System by an ever-widening circle of bankers, businessmen, and others whose support is important to the success of its operations. Nevertheless, new goals were set and new records achieved in all the department's operations.

During 1949, 3,197 calls on banks were made by officers of the Head Office and Detroit Branch, bank relations representatives, and other staff members. This number of calls sets a new record. Volume of calls alone, however, is not an adequate criterion of this work. For instance, many calls were made to correct situations arising in the course of every-day transactions. In all such cases, the person-to-person contact resulted in removing the difficulty and invariably provided the basis for a cementing of friendships.

One tangible bit of evidence of the residual value of frequent contacts with our members has been the interest bankers have been taking in visiting the Federal Reserve Bank of Chicago. Officers have been so impressed by their contacts here that many have arranged to bring their entire staff to Chicago for an organized tour. In addition, bankers have sponsored tours by other groups.

More than eighty tours were conducted for 1,895 persons at the Head Office and Detroit Branch. These groups came from business organizations, schools, universities, churches, foreign countries, Government offices, and public welfare organizations.

All State bankers' conventions, group meetings, and special purpose bankers' meetings in the Seventh Federal Reserve District during the year were attended by officers of the Head Office and Detroit Branch, economists, or special representatives.

Public relations activities of the Head Office and Detroit Branch included attendance at 271 industrial, business, and other meetings and the furnishing of speakers for about 150 business, banking, 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 monthly staff meetings of the Bank and Public Relations Department, Research Department, and Bank Examination Department were continued for the purpose of exchanging current economic information and keeping field men thoroughly acquainted with changes in bank operating procedure and Federal Reserve policy in order to serve member banks in the Seventh Federal Reserve District.

SERVICES TO R. F. C.

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

Reconstruction Finance Corporation

Transactions handled for the account of the Reconstruction Finance Corporation increased considerably during 1949. Disbursements and receipts functioned aggregated 104 per cent more in amount. The total number of all disbursement, receipt and custody transactions in 1949 increased 35 per cent from the 1948 volume.

These gains were created by an increase in the number of loans made by the Reconstruction Finance Corporation to business enterprises and an increase in the number of mortgages purchased by its subsidiary, the Federal National Mortgage Association.

Commodity Credit Corporation

Transactions handled for account of the Commodity Credit Corporation for the year 1949 were 891 per cent more in number and 127 per cent more in amount than the transactions handled during 1948.

This greatly increased volume in both disbursements and receipts was due to increased activity in the Commodity Credit Corporation's price support operations. Disbursements for the purchase of loans from banks, from production credit associations, and from other institutions which act as lending agencies of the Corporation under grain loan programs increased substantially. Marked increases were recorded in disbursements for payment of drafts issued by state Offices of Production and Marketing Administration; these drafts represented purchase, loan, and service transactions related to the various commodity programs.

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 general ledger entries decreased during 1949, as did entries to member bank reserve accounts. Chicago's entries to other Federal Reserve Banks increased during the period.

Transfers of funds at Detroit Branch increased in 1949, both in number of items and in dollar amount, while 1949 figures for Chicago were lower than those of the previous year.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
GENERAL LEDGER				
Number of Entries				
Functioned	277,632	307,549	33,613	37,409
FEDERAL RESERVE BOOKS				
Number of Entries				
Functioned	1,460,758	1,440,503	279,738	285,514
MEMBER BANKS' RESERVE ACCOUNTS				
Number of Entries				
Functioned	2,241,276	2,457,968	341,617	352,943
Active Accounts as of				
December 31	<u>814</u>	<u>804</u>	<u>101</u>	<u>99</u>
MEMBER BANK RESERVES				
Excess Over Requirement	Period	Period	Period	Period
Maximum	July 15 \$	Jan. 15 \$	July 15 \$	Apr. 15 \$
Minimum	Apr. 30	Nov. 30	Dec. 15	May 31
	<u>186,782,000</u>	<u>136,677,000</u>	<u>34,766,000</u>	<u>25,053,000</u>
	<u>77,005,000</u>	<u>87,380,000</u>	<u>10,120,000</u>	<u>9,472,000</u>
Assessable Deficiencies				
Banks	134	206	8	17
Amount of Penalties				
Assessed	<u>\$ 8,723</u>	<u>\$ 15,636</u>	<u>\$ 292</u>	<u>\$ 881</u>
TRANSFER OF FUNDS				
Number of Transfers...	196,428	199,652	34,213	34,116
Dollar Value	<u>\$65,419,048,000</u>	<u>\$68,388,569,000</u>	<u>\$16,627,317,000</u>	<u>\$15,475,604,000</u>
EXPENSE DISBURSEMENTS				
Expense Vouchers				
Functioned	\$ 13,596,737	\$ 13,336,122	\$ 3,610,413	\$ 3,058,029
Fiscal Agency Claims				
Prepared	<u>3,270,509</u>	<u>3,731,435</u>	<u>885,617</u>	<u>1,005,177</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 matched its 1948 volume by processing over a million telegrams during 1949.

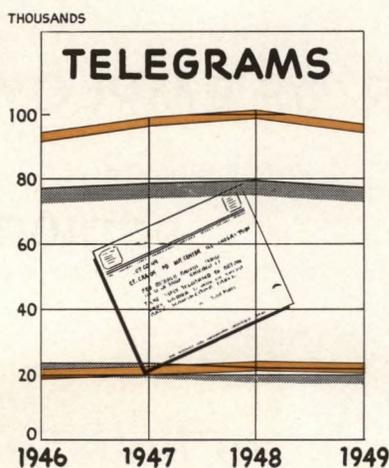
Total messages handled by the Codes and Telegrams Divisions decreased slightly: wires sent and received by Chicago totaled 174,000; by Detroit, 45,000.

Air Express service (to all Federal Reserve Banks and Branches and to some member banks) was equal to peak figures established in 1948—shipments averaged over one thousand pounds a day during 1949.

The 1,700,000 pieces handled by the Chicago General Files Division represented a 13% increase over 1948 volume.

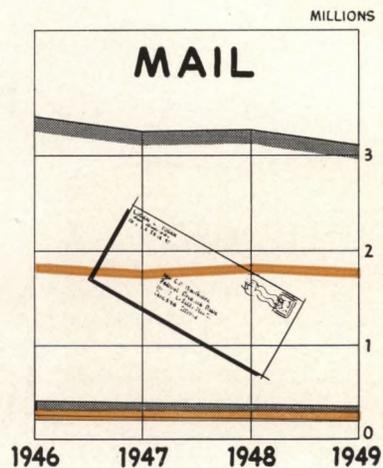
STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
TELEGRAMS PROCESSED				
LEASED WIRES				
Received				
In Code	68,248	71,706	18,844	18,737
In Clear	6,792	7,112	3,514	3,853
Dispatched				
In Code	56,300	56,353	16,561	16,138
In Clear	6,407	7,839	3,509	4,011
COMMERCIAL WIRES				
Received				
In Code	16,362	17,080	760	1,018
In Clear	5,663	5,660	464	555
Dispatched				
In Code	10,007	10,217	1,459	1,845
In Clear	4,473	5,309	61	48
MAIL HANDLED				
Number of Pieces Received	1,801,559	1,858,174	282,912	289,396
Number of Pieces Dispatched, Mail and Express	3,104,486	3,267,846	335,991	354,484



Chicago
 received
 dispatched

Detroit



GENERAL BANK ACTIVITIES

PERSONNEL

General personnel activities of the Bank are handled by central personnel units. Such work includes the selection, hiring, transferring, promotion, counseling, and termination of employees; the preparation of pay roll and sundry payments to employees, and making necessary withholding tax, retirement, and other deductions; the making of status changes and maintenance of

earnings, retirement system, salary deductions, and personnel records; the administration of the Job Evaluation Plan, education, training, employee welfare, and hospital surgical insurance programs, and a monthly employee's magazine; the maintenance of a medical division, recreational library, and employee lounges.

GENERAL SUMMARY

Reduction in the personnel requirements of the Check and Government Bond Departments accounted for most of the decrease in number of employees at Chicago during 1949. Employee stability is reflected in lower personnel turnover at both offices, and in the continuous service record of 131 Chicago employees who have been with the bank thirty years or more.

At the Detroit Branch, an aptitude testing program

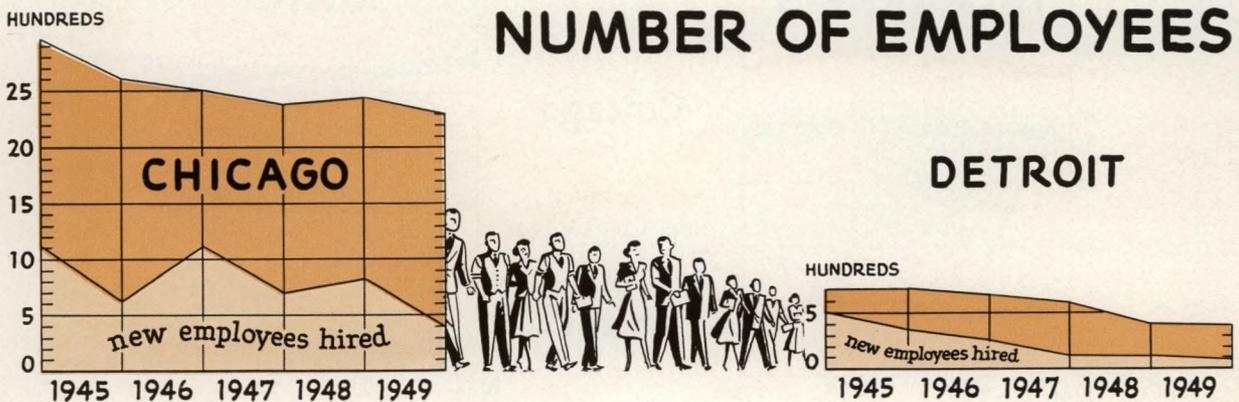
was established as an aid in selecting new employees, and a Michigan state charter was obtained to operate a bank credit union.

Permissive legislation with respect to Saturday closing of banks was passed by the Illinois legislature and became effective August 6, 1949. In conjunction with other local Clearing House Association banks, the Chicago office closed to the public on Saturdays beginning that date.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1949	1948	1949	1948
NUMBER OF EMPLOYEES				
As of December 31.....	2,304	2,448	380	404
New Employees	395	823	78	101
Separations	539	748	100	140
MEDICAL				
Physical Examinations	833	936	73	117
Requests for Medical Care.....	33,337	36,995	3,158	3,434
CAFETERIA				
Number of Meals Served—				
Cafeteria	719,993	829,020	*41,842	69,844
Officer's Dining Room.....	10,308	10,714	—	—
Daily Average Number of Meals Served				
Cafeteria—Noon Only	1,859	1,997	258	249

*Cafeteria closed August 13, 1949, because of building construction.



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 at our head office for printing, office supplies, stationery, equipment, etc., during 1949 totaled 7,682, a decrease from the 8,228 orders written during 1948. This decrease was caused largely by the leveling off of the heavy inventories carried in our warehouse. The dollar value of orders written during the year amounted to \$828,000, as compared with orders of \$887,000 during 1948. This decline resulted

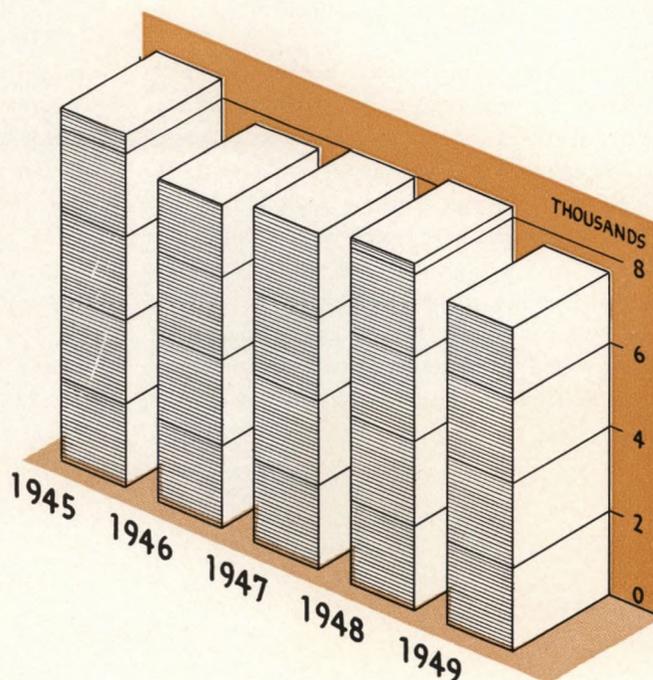
from a smaller number of orders written, and a downward trend in some prices.

In our Printshop, the number of impressions and jobs decreased during the period, largely due to the absence of work formerly handled for the Reconstruction Finance Corporation. Our Addressograph Division exceeded 4,000,000 impressions during the year.

STATEMENT OF OPERATIONS

	CHICAGO				DETROIT BRANCH			
	1949		1948		1949		1948	
PURCHASING								
Purchase Orders	7,682		8,228		2,154		2,401	
PRINTING								
	Jobs	Impressions	Jobs	Impressions	Jobs	Impressions	Jobs	Impressions
Duplicating	285	42,000	323	44,000	—	—	—	—
Mimeograph	215	188,000	271	160,000	337	120,000	410	167,000
Multilith	1,628	9,747,000	1,672	13,019,000	279	1,559,000	215	719,000
Multigraph	283	3,216,000	268	2,068,000	—	—	—	—
Photostat	2,590	46,000	3,415	48,000	252	2,000	339	9,000
	<u>5,001</u>	<u>13,239,000</u>	<u>5,949</u>	<u>15,339,000</u>	<u>868</u>	<u>1,681,000</u>	<u>964</u>	<u>895,000</u>

PURCHASE ORDERS ISSUED CHICAGO



GENERAL BANK ACTIVITIES

BUILDING OPERATIONS

The operation of the bank's main building and auxiliary space involves real estate valuation and rate procedures; contract negotiation; architecture, engineering and decorating in connection with major alterations; and the supplying of the services

of air, water, heat, light and power, sewage disposal, vertical transportation, building and furniture repairs and maintenance, and decoration and cleaning.

GENERAL SUMMARY

For several years we have been engaged in a heavy program of renovation which includes five major projects and a great number of smaller ones. The large projects are: installation of standard doors in vault No. 4 and enlargement of our truck concourse, finished respectively in 1946 and 1948; air conditioning of the last four floors of our building, finished in 1949; conversion of our electric power from direct to alternating current; and full modernization of the electric elevator system, including a signal control system in the principal elevators, to be finished in 1950. The smaller projects include replacement of our obsolete and worn-out police alarm system and of our master-controlled electric wall clocks; floor covering; sound reduction; limited lighting improvements; under-floor electric service to accommodate the growing use of electrically operated office machines; use of varied rather than standardized colors in decoration; up-to-date treatment of wall, door and window framing (as alterations are made); and relocation for efficiency of several large departments.

We have two large projects left, neither of which has been started. The first is replacement with glass and metal or wood partitions of our obsolete tellers' caging, and the second is increasing the capacity of our electric risers to meet the growing demands indicated by the increasing use of electrically operated business machines and the increase in lighting intensities. While we knew that this expansion in capacity would have to be made some day, our reserve capacity was exhausted much more rapidly than expected. Even now we have been compelled to divert power from its assigned location to serve a heavy concentration of IBM machines in our Check

Department. We have confined our lighting improvement within the limitations of our present capacity and expect to wait several years for the full development of the present trend in lighting, especially the fluorescent tube.

We have just completed relocation of the Personnel Department from the third floor and the Medical Department from the 13th floor into a combination suite on the ninth floor. Our program for 1950 includes the provision of an enlarged men's lounge room on the thirteenth floor in the quarters vacated by the Medical Department; the relaxation of the crowded conditions under which cafeteria employees have been working for several years; and a relocation of departments now on the third floor into more comfortable quarters. Finally, we shall relocate the Research Department on the fifth and sixth floor levels, which will permit returning about 3,500 square feet on the fifth floor to its original use as an auditorium.

The continued rise in prices is reflected in the continued increase in the cost of operating our building according to the uniform accounting system of the National Association of Building Owners and Managers. Under this system we regard the bank as a tenant and our resulting square foot unit costs represent typical office building costs such as taxes, depreciation, insurance, elevator operation, cleaning, heating and ventilation and general maintenance. For the first ten months of 1949 we operated the building at an annual estimated square foot cost of \$2.79 against 1948 figures of \$2.14, 1941 figures of \$1.20, and 1938 figures of \$1.15.

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, an Assistant Counsel and a secretary.

In 1948 the General Counsel was selected and is continuing to act 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 five 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

COMPARATIVE STATEMENT OF CONDITION

DECEMBER 31, 1949, AND DECEMBER 31, 1948

ASSETS

	Dec. 31, 1949	Dec. 31, 1948
GOLD CERTIFICATES ON HAND AND DUE FROM U. S. TREASURY.....	\$4,375,007,011.53	\$4,371,527,751.76
REDEMPTION FUND—FEDERAL RESERVE NOTES.....	82,956,787.50	106,421,425.00
OTHER CASH	29,799,938.29	40,332,361.59
Total Cash	<u>\$4,487,763,737.32</u>	<u>\$4,518,281,538.35</u>
BILLS DISCOUNTED	9,751,829.40	28,157,000.00
Total Bills	\$ 9,751,829.40	\$ 28,157,000.00
U. S. GOVERNMENT SECURITIES.....	2,817,903,000.00	3,332,925,000.00
Total Bills and Securities.....	<u>\$2,827,654,829.40</u>	<u>\$3,361,082,000.00</u>
BANK PREMISES	3,514,194.10	3,191,169.34
FEDERAL RESERVE NOTES OF OTHER BANKS.....	18,464,500.00	22,147,000.00
UNCOLLECTED ITEMS	435,848,992.88	464,343,991.35
OTHER ASSETS	15,368,009.11	21,189,287.87
Total Assets	<u><u>\$7,788,614,262.81</u></u>	<u><u>\$8,390,234,986.91</u></u>

LIABILITIES

FEDERAL RESERVE NOTES IN ACTUAL CIRCULATION.....	\$4,501,280,050.00	\$4,598,426,295.00
DEPOSITS:		
Member Bank—Reserve Account	2,627,072,464.20	3,121,361,725.57
U. S. Treasurer—General Account	56,269,040.19	114,068,871.17
Other Deposits	117,481,449.57	97,380,822.83
Total Deposits	<u>\$2,800,822,953.96</u>	<u>\$3,332,811,419.57</u>
DEFERRED AVAILABILITY ITEMS	370,515,152.61	353,456,394.26
OTHER LIABILITIES	1,678,405.13	1,752,251.75
Total Liabilities	<u>\$7,674,296,561.70</u>	<u>\$8,286,446,360.58</u>

CAPITAL ACCOUNTS

CAPITAL PAID IN	\$ 26,885,350.00	\$ 25,479,500.00
SURPLUS (Section 7)	72,028,821.73	68,841,817.57
SURPLUS (Section 13b)	1,429,383.78	1,429,383.78
OTHER CAPITAL ACCOUNTS	13,974,145.60	8,037,924.98
Total Liabilities and Capital Accounts.....	<u><u>\$7,788,614,262.81</u></u>	<u><u>\$8,390,234,986.91</u></u>

FEDERAL RESERVE BANK OF CHICAGO
COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

YEAR ENDED DECEMBER 31, 1949, AND YEAR ENDED DECEMBER 31, 1948

	1949	1948
EARNINGS	\$47,051,999.33	\$43,407,726.69
EXPENSES:		
Operating Expenses	10,040,239.13	9,407,419.49
Assessment for Board of Governors	446,200.00	442,736.46
Cost of Federal Reserve Currency	1,121,901.80	993,356.72
Total Current Expenses	<u>\$11,608,340.93</u>	<u>\$10,843,512.67</u>
Current Net Earnings	<u>\$35,443,658.40</u>	<u>\$32,564,214.02</u>
ADDITIONS TO CURRENT NET EARNINGS:		
Profit on Sales of U. S. Government Securities	\$ 4,268,571.03	\$ 826,315.07
Other Additions	131,944.37	289,304.22
Total Additions to Current Net Earnings	<u>\$ 4,400,515.40</u>	<u>\$ 1,115,619.29</u>
Total Current Net Earnings and Additions to Current Net Earnings	\$39,844,173.80	\$33,679,833.31
DEDUCTIONS FROM CURRENT NET EARNINGS:		
Total Deductions from Current Net Earnings	\$ 535,630.69	\$ 337,420.86
Net Earnings	<u>\$39,308,543.11</u>	<u>\$33,342,412.45</u>
Transferred to Reserves for Contingencies	5,884,000.00	5,624,000.00
Paid United States Treasury (Interest on Federal Reserve Notes)	28,681,442.18	23,621,236.98
Net Earnings After Reserves and Payments to United States Treasury	<u>\$ 4,743,100.93</u>	<u>\$ 4,097,175.47</u>
Dividends Paid	1,556,096.77	1,472,491.62
Transferred to Surplus (Section 7)	<u>\$ 3,187,004.16</u>	<u>\$ 2,624,683.85</u>

FEDERAL RESERVE BANK OF CHICAGO
SURPLUS ACCOUNT (SECTION 7)

YEAR ENDED DECEMBER 31, 1949, AND YEAR ENDED DECEMBER 31, 1948

SURPLUS JANUARY 1	\$68,841,817.57	\$66,217,133.72
TRANSFERRED TO SURPLUS — AS ABOVE	3,187,004.16	2,624,683.85
SURPLUS DECEMBER 31	<u>\$72,028,821.73</u>	<u>\$68,841,817.57</u>

FEDERAL RESERVE BANK OF CHICAGO

STATEMENT OF EARNINGS AND EXPENSES

NOVEMBER 16, 1914 (Date of Incorporation) TO DECEMBER 31, 1949

YEAR	CURRENT EARNINGS	CURRENT EXPENSES	CURRENT NET EARNINGS	ADDITIONS TO CURRENT NET EARNINGS	DEDUCTIONS FROM CURRENT NET EARNINGS	NET EARNINGS <small>(See disposition, next page)</small>
1914--15.....	\$ 268,885	\$ 245,584	\$ 23,301	\$ —	\$ 3,210	\$ 20,091
1916	665,937	237,731	428,206	—	25,000	403,206
1917	2,083,164	584,069	1,499,095	2,127	269,343	1,231,879
1918	8,481,747	1,478,310	7,003,437	—	198,356	6,805,081
1919	12,012,078	2,450,244	9,561,834	—	985,630	8,576,204
1920	30,303,218	4,164,176	26,139,042	69,307	332,600	25,875,749
1921	20,382,170	4,734,100	15,648,070	4,826	1,147,779	14,505,117
1922	6,748,863	4,080,057	2,668,806	572,019	1,835,610	1,405,215
1923	6,511,359	4,373,024	2,138,335	41,903	1,001,883	1,178,355
1924	5,202,169	3,946,436	1,255,733	27,857	374,467	909,123
1925	5,424,663	3,744,039	1,680,624	12,646	571,997	1,121,273
1926	6,567,043	3,824,437	2,742,606	13,098	501,781	2,253,923
1927	6,167,352	3,887,058	2,280,294	13,061	365,710	1,927,645
1928	8,936,418	3,696,679	5,239,739	11,833	488,143	4,763,429
1929	9,889,451	4,092,369	5,797,082	8,050	380,467	5,424,665
1930	4,834,153	3,805,117	1,029,036	298,510	273,218	1,054,328
1931	4,143,601	3,524,401	619,200	263,967	273,272	609,895
1932	5,613,671	3,432,693	2,180,978	874,264	812,517	2,242,725
1933	6,764,554	3,854,009	2,910,545	373,245	1,493,297	1,790,493
1934	8,152,371	3,551,838	4,600,533	1,611,990	4,808,032	1,404,491
1935	6,177,615	3,697,540	2,480,075	951,304	2,660,159	771,220
1936	4,423,476	3,453,380	970,096	1,526,060	1,563,978	932,178
1937	4,575,583	3,199,558	1,376,025	811,188	499,607	1,687,606
1938	3,954,026	3,318,002	636,024	1,637,141	1,182,207	1,090,958
1939	4,254,602	3,316,352	938,250	521,313	476,646	982,917
1940	4,831,217	3,471,164	1,360,053	1,530,021	282,100	2,607,974
1941	5,089,095	4,227,534	861,561	163,061	157	1,024,465
1942	6,590,508	5,177,403	1,413,105	386,898	602,842	1,197,161
1943	8,738,325	5,850,233	2,888,092	4,137,334	1,266,073	5,759,353
1944	14,204,919	6,757,377	7,447,542	383,895	—	7,831,437
1945	20,076,761	6,551,011	13,525,750	422,552	517,991	13,430,311
1946	21,235,190	7,789,344	13,445,846	243,136	328,214	13,360,768
1947	21,318,967	8,843,097	12,475,870	447,858	154,505	12,769,223
1948	43,407,727	10,843,513	32,564,214	1,115,619	5,961,421	27,718,412
1949	47,051,999	11,608,341	35,443,658	4,400,515	6,419,630	33,424,543
Totals.....	<u>\$375,082,877</u>	<u>\$151,810,220</u>	<u>\$223,272,657</u>	<u>\$22,876,598</u>	<u>\$38,057,842</u>	<u>\$208,091,413</u>



FEDERAL RESERVE BANK OF CHICAGO

STATEMENT OF DISPOSITION OF NET EARNINGS

NOVEMBER 16, 1914 (Date of Incorporation) TO DECEMBER 31, 1949

Year	Net Earnings (See detail, previous page)	TRANSFERRED TO SURPLUS			PAID U. S. TREASURY				Balance to Profit & Loss
		Dividends Paid	Section 7	Section 13b	Franchise Tax	Section 13b	Interest on F. R. Notes Outstanding	Other Transfers	
1914-15...	\$ 20,091	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 20,091
1916...	403,206	361,319	—	—	—	—	—	—	41,887
1917...	1,231,879	862,259	215,799	—	215,799	—	—	—	— 61,978
1918...	6,805,081	604,635	6,200,446	—	—	—	—	—	—
1919...	8,576,204	700,807	7,875,397	—	—	—	—	—	—
1920...	25,875,749	792,769	14,688,500	—	10,394,480	—	—	—	—
1921...	14,505,117	853,785	2,075,323	—	11,576,009	—	—	—	—
1922...	1,405,215	876,203	— 657,289	—	1,186,301	—	—	—	—
1923...	1,178,355	904,371	27,398	—	246,586	—	—	—	—
1924...	909,123	909,123	—	—	—	—	—	—	—
1925...	1,121,273	934,016	187,257	—	—	—	—	—	—
1926...	2,253,923	985,959	1,267,964	—	—	—	—	—	—
1927...	1,927,645	1,029,990	897,655	—	—	—	—	—	—
1928...	4,763,429	1,099,761	3,663,668	—	—	—	—	—	—
1929...	5,424,665	1,170,363	3,651,464	—	602,838	—	—	—	—
1930...	1,054,328	1,211,418	— 157,090	—	—	—	—	—	—
1931...	609,895	1,170,633	— 560,738	—	—	—	—	—	—
1932...	2,242,725	1,029,933	121,279	—	1,091,513	—	—	—	—
1933...	1,790,493	858,127	932,366	—	—	—	—	—	—
1934...	1,404,491	761,334	669,479	— 26,322	—	—	—	—	—
1935...	771,220	753,583	—	—	—	17,637	—	—	—
1936...	932,178	725,553	153,241	25,030	—	28,354	—	—	—
1937...	1,687,606	763,115	883,370	12,767	—	28,354	—	—	—
1938...	1,090,958	791,007	279,031	206	—	20,714	—	—	—
1939...	982,917	819,532	158,265	—	—	5,120	—	—	—
1940...	2,607,974	826,919	1,770,131	—	—	10,924	—	—	—
1941...	1,024,465	896,766	100,484	—	—	27,215	—	—	—
1942...	1,197,161	955,508	237,632	—	—	4,021	—	—	—
1943...	5,759,353	993,684	4,765,619	—	—	50	—	—	—
1944...	7,831,437	1,115,422	6,710,302	—	—	5,713	—	—	—
1945...	13,430,311	1,215,381	12,212,414	—	—	2,516	—	—	—
1946...	13,360,768	1,311,792	12,048,976	—	—	—	—	—	—
1947...	12,769,223	1,380,234	1,139,227	—	—	427	10,249,335	—	—
1948...	27,718,412	1,472,491	2,624,684	—	—	—	23,621,237	—	—
1949...	33,424,543	1,556,097	3,187,004	—	—	—	28,681,442	—	—
Totals ...	\$208,091,413	\$32,693,889	\$87,369,258	\$ 11,681	\$25,313,526	\$151,045	\$62,552,014	\$ —	\$ —

ADJUSTMENTS—

—19,748,517 (1)		—19,748,517 (1a)							
19,748,517 (1)							19,748,517 (1b)		
1,417,702 (2)			1,417,702 (2)						
— 3,207,763 (3)		— 3,207,763 (3)							
7,615,843 (4)		7,615,843 (4)							
Totals ...	\$213,917,195	\$32,693,889	\$72,028,821	\$1,429,383	\$25,313,526	\$151,045	\$62,552,014	\$19,748,517	\$ —

NOTES:

- (1) F. D. I. C. Stock
 - (a) 1934—Purchase.
 - (b) 1947—Retirement (proceeds to Treasury).
- (2) Payments from U. S. Treasury, Section 13b loans, Years 1934 and 1935.
- (3) Transferred from Surplus to Reserves for Contingencies, Years 1940, 1942, and 1943.
- (4) Transferred to Surplus (Section 7) from Reserves for Contingencies, Year 1945.

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Chairman

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Detroit, Michigan
Deputy Chairman

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Continental Illinois National Bank
and Trust Company of Chicago
Chicago, Illinois

WILLIAM C. HEATH, President
A. O. Smith Corporation
Milwaukee, Wisconsin

HORACE S. FRENCH, President
The Manufacturers National Bank of Chicago
Chicago, Illinois

VIVIAN W. JOHNSON, President
First National Bank
Cedar Falls, Iowa

WILLIAM J. GREDE, President
Grede Foundries, Inc.
Milwaukee, Wisconsin

ALLAN B. KLINE, President
American Farm Bureau Federation
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H. F. WILSON, *Assistant Vice President*

G. W. MITCHELL, *Senior Economist*

C. P. VAN ZANTE, *Chief Examiner*

E. D. BRISTOW, *Assistant Cashier*
P. C. CARROLL, *Assistant Cashier*
H. H. CONKLIN, *Assistant Cashier*
E. A. HEATH, *Assistant Cashier*
C. T. LAIBLY, *Assistant Cashier*

H. J. NEWMAN, *Assistant Cashier*
C. M. SALTNES, *Assistant Cashier*
E. F. SHIREY, *Assistant Cashier*
B. L. SMYTH, *Assistant Cashier*
R. A. SWANEY, *Assistant Cashier*

P. C. HODGE, *General Counsel*
O. C. BARTON, *Assistant Counsel*

J. J. ENDRES, *Auditor*
A. M. GUSTAVSON, *Assistant Auditor*

DIRECTORS AND OFFICERS

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Chicago, Illinois

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Chicago, Illinois

EDWARD M. KERWIN, Vice President
E. J. Brach and Sons
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Harnischfeger Corporation
Milwaukee, Wisconsin

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Marshall Field & Company
Chicago, Illinois

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Detroit, Michigan

CHARLES A. KANTER, Chairman of the Board
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

OFFICERS

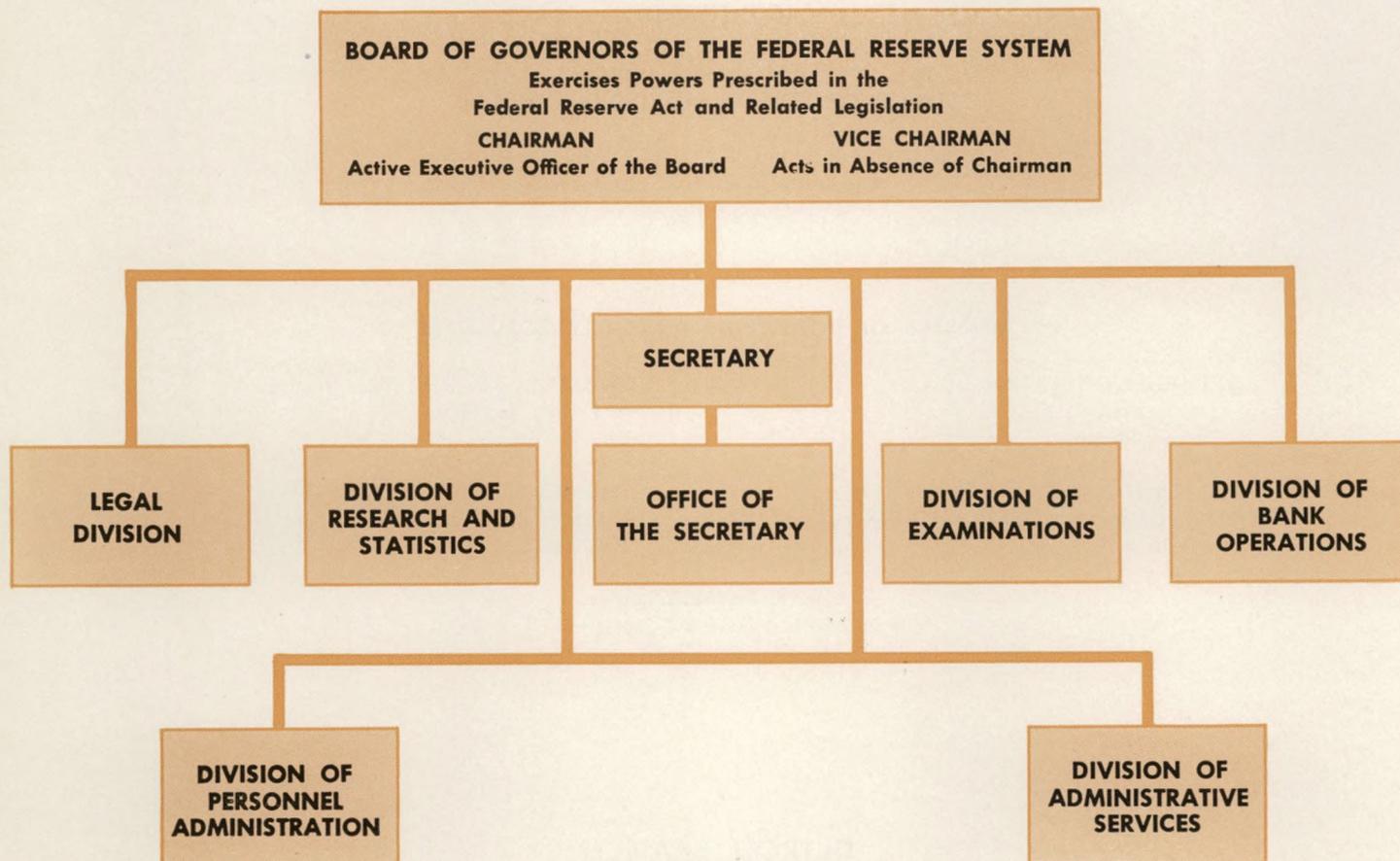
E. C. HARRIS, *Vice President*
H. J. CHALFONT, *Manager*

H. L. DIEHL, *Cashier*
R. W. BLOOMFIELD, *Assistant Cashier*

A. J. WIEGANDT, *Assistant Cashier*

ORGANIZATION CHART

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



FUNCTIONS

SECRETARY

Serves as Chief Administrative Officer of the Board in its relations with the divisions of its staff and with the Federal Reserve Banks, and as Assistant Secretary of the Federal Open Market Committee. Performs other duties assigned to him by the Chairman or the Board. Exercises general supervision over activities of the Secretary's Office.

LEGAL DIVISION

Advises and assists the Board with respect to legal matters arising in the conduct of its business. Prepares regulations, rulings, orders, opinions, and correspondence or other documents of a legal or semi-legal character. Handles litigation involving the Board and the conduct of hearings before the Board; and consults with and renders assistance to Federal Reserve Bank counsel in connection with litigation involving Federal Reserve Banks. Prepares drafts of proposed amendments to the law, analyzes and keeps the Board informed with respect to pending legislation on banking and related subjects, prepares material for Board's Loose Leaf Service, and

prepares compilations of laws relating to the Federal Reserve System and digests of State laws on certain banking subjects.

DIVISION OF RESEARCH AND STATISTICS

Keeps Board informed of developments in industry, commerce, agriculture, and finance with a view to formulation of credit and monetary policy. Prepares statistics and charts and currently interprets developments in production and distribution of commodities, employment, income, expenditures, savings, and the course of prices, as well as in banking, consumer credit, capital markets, and international balance of payments. Makes special studies of fiscal and labor problems from the monetary point of view. Also keeps the Board advised of principal financial and economic developments abroad with particular reference to the international financial policies of the U. S. Government. Works with research departments of Federal Reserve Banks on similar problems. Has responsibility for most of the contents of the Federal Reserve Bulletin and the Board's Annual Report. Has charge of the Board's general library.

OFFICE OF THE SECRETARY

Clears and conducts official correspondence of the Board. Prepares minutes covering the proceedings of, and a record of policy actions taken by, the Board and the Federal Open Market Committee. Maintains docket of matters awaiting action by the Board and exercises supervision over the official records of the Board. Gives special attention to general correspondence from the public including particularly requests for information on economic, monetary and banking questions.

DIVISION OF EXAMINATIONS

(1) Examines the Federal Reserve Banks. Reviews bank examination and supervisory activities of the Reserve Banks, and participates in conferences, to further coordination of policies and practices. Reviews the activities of the auditing departments of the Reserve Banks and participates in conferences of auditors. (2) Analyzes, and prepares reports with recommendations to the Board on, applications and data regarding (a) State banks for membership in the Federal Reserve System, (b) consolidations, mergers, out-of-town branches, etc., involving State member banks, (c) holding company affiliates for voting permits, (d) national banks for trust powers, and (e) certain other grants of authority. Reviews reports of examination of State member banks and reports of examination of, and annual reports submitted by, holding company affiliates. (3) Examines corporations organized under section 25(a) of Federal Reserve Act, and, when directed by the Board, corporations operating under agreements with the Board made in accordance with section 25 of the Act. (4) Follows developments in banking policies and practices, advises the Board regarding supervisory policies and procedures, and maintains liaison with other Federal supervisory agencies regarding individual banks and general banking matters.

DIVISION OF BANK OPERATIONS

Handles matters coming before the Board relating to the condition, operations, and earnings and expenses of Federal Reserve Banks, to condition and earnings and expense reports of member banks, and to the banking structure generally. Maintains a record of changes in the status of all banks and branches in the United States, including bank groups and chains, and compiles related data. Issues the Par List. Operates Interdistrict Settlement Fund. Prepares production schedules for printing Federal Reserve notes, and supervises distribution of paper currency among Federal Reserve Banks. Super-

vises Reserve Bank budgetary procedure; receives and analyzes annual Reserve Bank budget statements and makes reports thereon to Board; follows up budgetary matters with Reserve Banks. Makes field surveys of operations of Federal Reserve Banks with principal reference to operating costs. Prepares schedules determining periodic reallocation of securities in the System Open Market Account. Handles matters relating to loans guaranteed by the Federal Reserve Banks. Maintains records relating to discount rates, bank premises, and fiscal agency and other operations of the Federal Reserve Banks.

DIVISION OF PERSONNEL ADMINISTRATION

Handles matters pertaining to personnel, salary administration, and appointment of directors of the Federal Reserve Banks.

Serves as the Board's central personnel unit for recruitment, investigation, and classification of personnel, as well as the general administration of personnel policies. Maintains personnel and leave records, handles retirement matters, and supervises the emergency medical room.

DIVISION OF ADMINISTRATIVE SERVICES

Serves as central budgetary, procurement, duplicating, communications, space control, and service unit of Board. Prepares master budget. Collects funds receivable, makes authorized disbursements, and maintains Board's books of account. Prepares pay rolls and keeps related records. Audits operations of cafeteria and concessions. Distributes Board publications on a paid, exchange or complimentary basis and handles correspondence relating thereto. Proofreads and prepares printer's copy of material for Federal Reserve Bulletin, etc. Purchases, stores and distributes supplies and equipment; and awards contracts for special services. Performs offset printing, photostat, mimeograph and addressograph work; maintains mailing lists; receives, distributes and dispatches all mail. Operates cafeteria, private dining rooms and snack bar; IBM equipment; telegraph switching center; telephone switchboard; main terminal of pneumatic tube system; passenger automobiles and delivery service; inter-division page service; and special stenographic and messenger service. Also operates and maintains Board's building and grounds, including all mechanical equipment, such as elevators, air conditioning, etc.