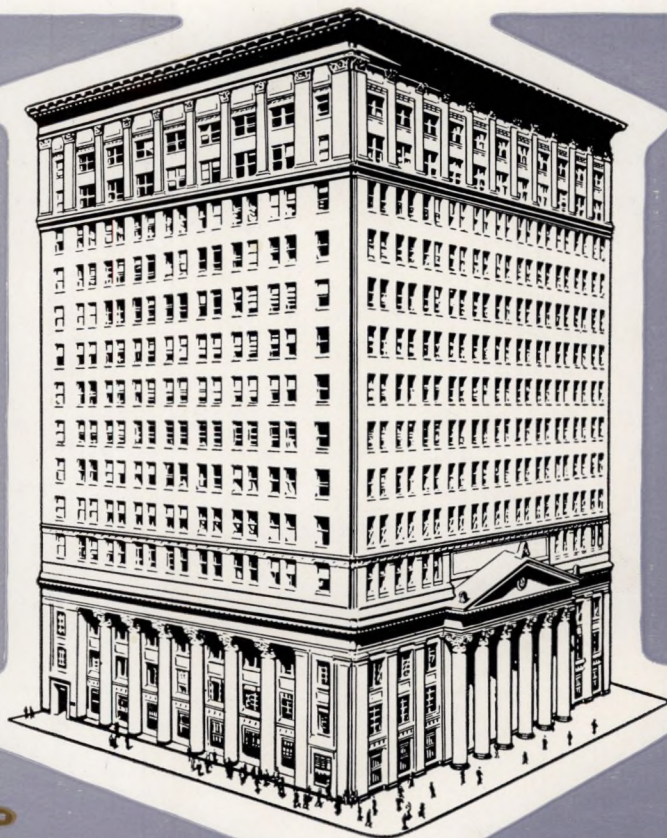


**FEDERAL RESERVE BANK  
OF CHICAGO**

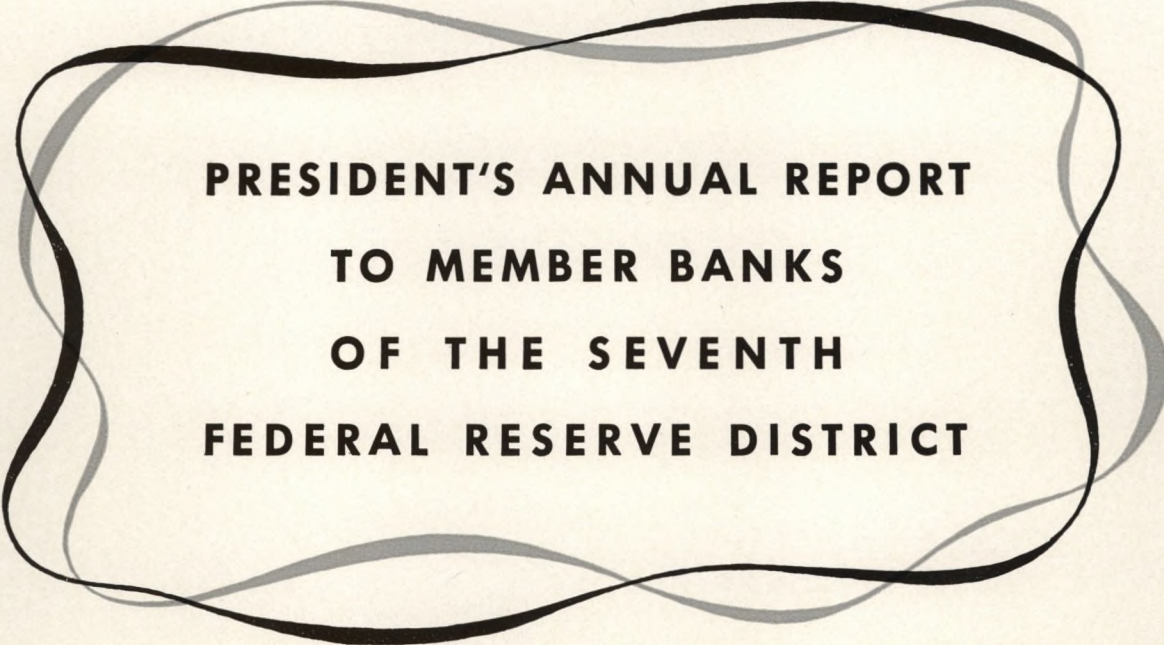


*President's Annual Report*  
to  
**MEMBER BANKS**



**ACTIVITIES FOR THE YEAR 1950**

*Federal Reserve Bank of Chicago*



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

*Activities for the Year 1950*

# FEDERAL RESERVE BANK OF CHICAGO

OFFICE OF THE PRESIDENT



January 30, 1951

To the Member Banks:

This annual report carries with it the grateful appreciation of the entire staff of the Federal Reserve Bank of Chicago for the co-operation of the bankers of the Seventh Federal Reserve District, without whose help and advice the accomplishments set forth herein could not have been attained.

Very truly yours,

*C. S. Young*  
President



Issuing Government bonds

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Proving and forwarding checks

## SEVENTH DISTRICT ECONOMIC SUMMARY FOR 1950

### **Business Reaches New Peaks**

In the year 1950, the Seventh Federal Reserve District as well as the nation reached new peak levels of economic activity. During the first six months business extended its 1949 fall recovery into a period of prosperity, based heavily upon credit expansion. After midyear, spectacular new peacetime records were set in almost all fields during the upsurge in pre-mobilization spending by the private sector of the economy. Throughout most of 1950 the expansion of District production was steady and substantial, but demand for goods grew even more rapidly, particularly after the start of the Korean war. By the end of the year inflationary pressures had grown to serious proportions.

The basic factor in the 1950 expansion was the strong ground swell of consumer spending. Even before Korea, individuals were purchasing homes and consumer durable goods at extremely high rates. The outbreak of open hostilities at the end of June, however, set off a three-month consumer buying wave of unprecedented proportions in both soft and hard goods lines. Retail sales declined somewhat from these levels thereafter, but the seasonal rise in sales at year-end set a new record in dollar volume.

Throughout most of the year, consumers evidenced an increasing willingness to spend their larger incomes, liquidate past savings, and go into debt in order to make desired purchases while goods were available. Resultant pressures upon the retail price structure were varying but strong, and were reinforced during the last months of the year as cost increases, in the form of higher wage rates and material costs, were reflected at the retail level.

To restrain excessive consumer demand, credit controls were imposed during September and October on the two major types of debt incurred by individuals—new residential mortgages and consumer instalment credit. The effects of these controls on Seventh District business were difficult to measure in the first few months of their existence. For example, prices of used automobiles dropped sharply, but production of new autos did not decline aside from the usual interruptions for model changeovers. In housing, on the other hand, selling prices evidenced little immediate change, while new production, as measured by housing starts, fell moderately from September through November. This latter decline, however, corresponds in both timing and magnitude to the seasonal construction decline witnessed in each postwar year except 1949, and probably is only incidentally due to the imposition of credit controls. Mortgage credit restrictions will not exert the major portion of their influence until more months have passed.

### **Business Spending and Industrial Output**

Added to the growing volume of consumer spending during 1950 were rising levels of business and governmental outlays. Seventh District concerns made plant and equipment expenditures at unexpectedly high rates during the first months of the year. After Korea,

these programs were revised upward, and by the end of the year were absorbing all the men and materials available. Durable goods industries, particularly, raised their capital expenditures targets. Inventory accumulations during the first half of the year provided a reservoir of finished goods which enabled business to meet the summer consumer buying wave with relative ease. Since that time the total value of inventories has increased considerably, primarily because of higher prices. As a result, many businesses have drawn substantially upon bank credit in their efforts to acquire sufficient holdings of materials to support production schedules.

State and local government expenditures remained at seasonally high levels during all of 1950, as both major and minor construction projects were pushed in the face of imminent materials shortages. The projected formidable increase in Federal government spending, meanwhile, did not materialize in significant volume during 1950. The great rise in demand during the year, therefore, came almost exclusively from private businesses and consumers.

To meet the ever growing private demand, industrial output within the Seventh District expanded to record peacetime levels during the year. The automobile industry turned out 8 million vehicles, one-third more than in the previous peak year of 1949. Steel ingot production in the area moved back up to "rated capacity" levels by midyear, and was maintained at or near that volume in almost every week thereafter. Most of the consumer durable goods industries centered in the District likewise reached new output levels sometime during the final half of the year. Nonetheless, by year-end the slowing rate of output expansion above previous capacity ceilings was falling behind the rise in consumer and business demand, with huge increases in Federal government purchases still to come.

### **Farm Income Below Last Year**

Although the trend in farm receipts has been definitely upward since midyear, the rise thus far has done no more than offset the decline in farm receipts during the preceding six months. Cash receipts from farm marketings in 1950 for Seventh Federal Reserve District farmers were about equal to the 1949 level, although the volume of marketings was slightly smaller. A rising level of farm production expenses, however, reduced net farm incomes slightly below the 1949 total, and farmers' real incomes continued the decline started in 1947.

Farm product prices, already rising early in the year, increased sharply following the outbreak of hostilities in Korea. As a result, the level of farm prices for the last six months of 1950 averaged 12 per cent higher than for the first half of the year. By the end of the year labor shortages were reported in some dairy sections and farm areas adjacent to booming industrial centers, with indications that this situation would become increasingly common in 1951.

Farm mortgage indebtedness showed a further moderate increase in 1950 while non-real estate indebtedness (excluding loans guaranteed by the CCC) in the Seventh Federal Reserve District increased sharply. This was due primarily to a large volume of livestock purchases, and acquisitions of machinery and other production materials at higher prices.



Crop production was again at a high level, being exceeded only in 1948 and 1949. The corn acreage allotment program plus a favorable soybean outlook resulted in much acreage being diverted from corn to soybean, oat, and hay production. Soybean production was the largest on record. Feed grain and hay harvests were large, but expanding livestock production is expected to utilize the total 1950 output as well as part of the large carryover from previous years. The number of pigs raised in 1950 was a peacetime record, and production of dairy products and beef feeding operations continued at high levels.

### **Strong Bank Loan Expansion**

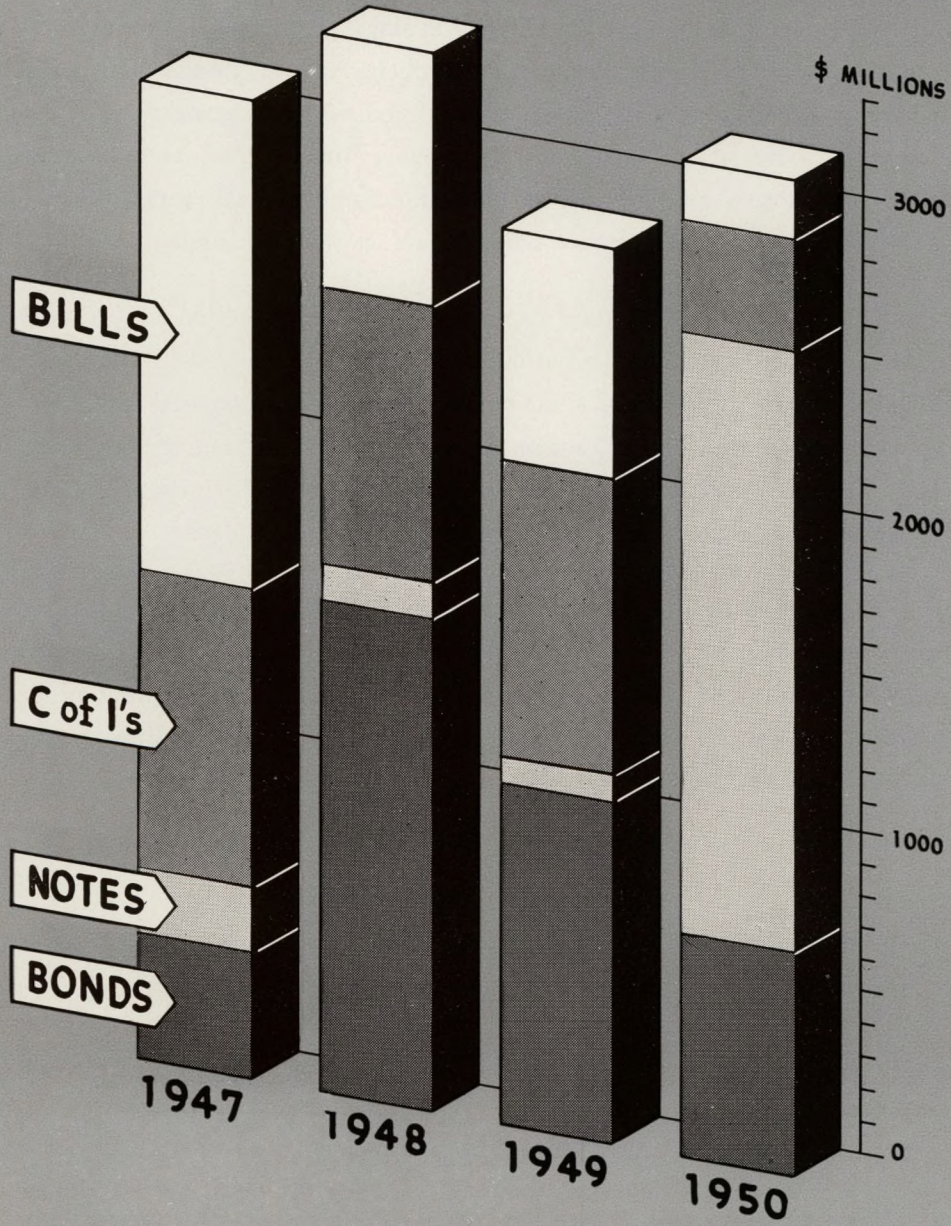
Like all other elements of Seventh District business, commercial banking was strongly influenced by the intensification of international conflicts. A moderate first-half rise of 175 million in member bank loans grew to a 968 million increase by November 29, as business and consumers drew heavily upon bank credit to finance their record rate of spending. By November 29, total loans, total non-Government investments, total earning assets, and total deposits at all Seventh District member banks stood at all time highs.

During the first half of 1950, loan expansion centered in rural banks, although Chicago banks experienced much less than their usual seasonal decline in credit. After June, however, commercial and industrial borrowings in major financial centers dominated the banking picture. Member banks financed the loan expansion primarily by shifting out of Government securities. Holdings of Governments dropped 526 million through November 29, 1950, with all but 76 million of the decline concentrated in the period after midyear.

Member bank net current earnings during the first half of 1950 totaled 76 million, nearly 10 per cent higher than for a year earlier. With an expanded total of all earning assets, sharply increased holdings of relatively high-yielding loans, and a somewhat higher pattern of interest rates prevalent since September, even larger increases in net current earnings were assured for the second half of the year.

FEDERAL RESERVE BANK OF CHICAGO

Participation in  
SYSTEM OPEN MARKET ACCOUNT



## FEDERAL OPEN MARKET COMMITTEE

The Federal Open Market Committee consists 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. Its primary activity is the direction of the operations of the System Open Market Account, in which all the Federal Reserve banks participate.

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 Federal Open Market Committee.

The United States government securities shown on the December 31, 1950 statement of the Federal Reserve Bank of Chicago represented this bank's share in the portfolio of the System Open Market Account. Our participation in the Account, on December 31, 1950, amounted to \$3,142,824,000 par value of securities, representing 15.16% of the total portfolio of \$20,724,467,000. The former figure is comparable with an amount of \$2,817,903,000 par value of securities held on December 31, 1949, an increase of \$324,921,000. In addition to the increase in amount, the composition of our participation changed substantially during the year, as will be evident from the following analysis:

### CHICAGO PARTICIPATION SYSTEM OPEN MARKET ACCOUNT

	Dec. 31, 1950	Dec. 31, 1949	Increase or Decrease
Bills .....	\$ 188,646,000	\$ 720,606,000	—\$ 531,960,000
C of I's .....	353,976,000	936,404,000	— 582,428,000
Notes .....	1,899,577,000	83,890,000	+ 1,815,687,000
Bonds .....	700,625,000	1,077,003,000	— 376,378,000
Total .....	\$3,142,824,000	\$2,817,903,000	+\$ 324,921,000

It is apparent that the activities of the System Open Market Account during the year 1950 resulted in the disposal of large totals of Treasury bonds, bills, and certificates of indebtedness, and the acquisition of an even greater amount of Treasury notes. This result came about largely on ac-

count of the pattern of Treasury financing during the year, which tended toward the replacement of maturing bonds and certificates of indebtedness with new note issues, not all of which were in immediate demand by holders of exchangeable securities.

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

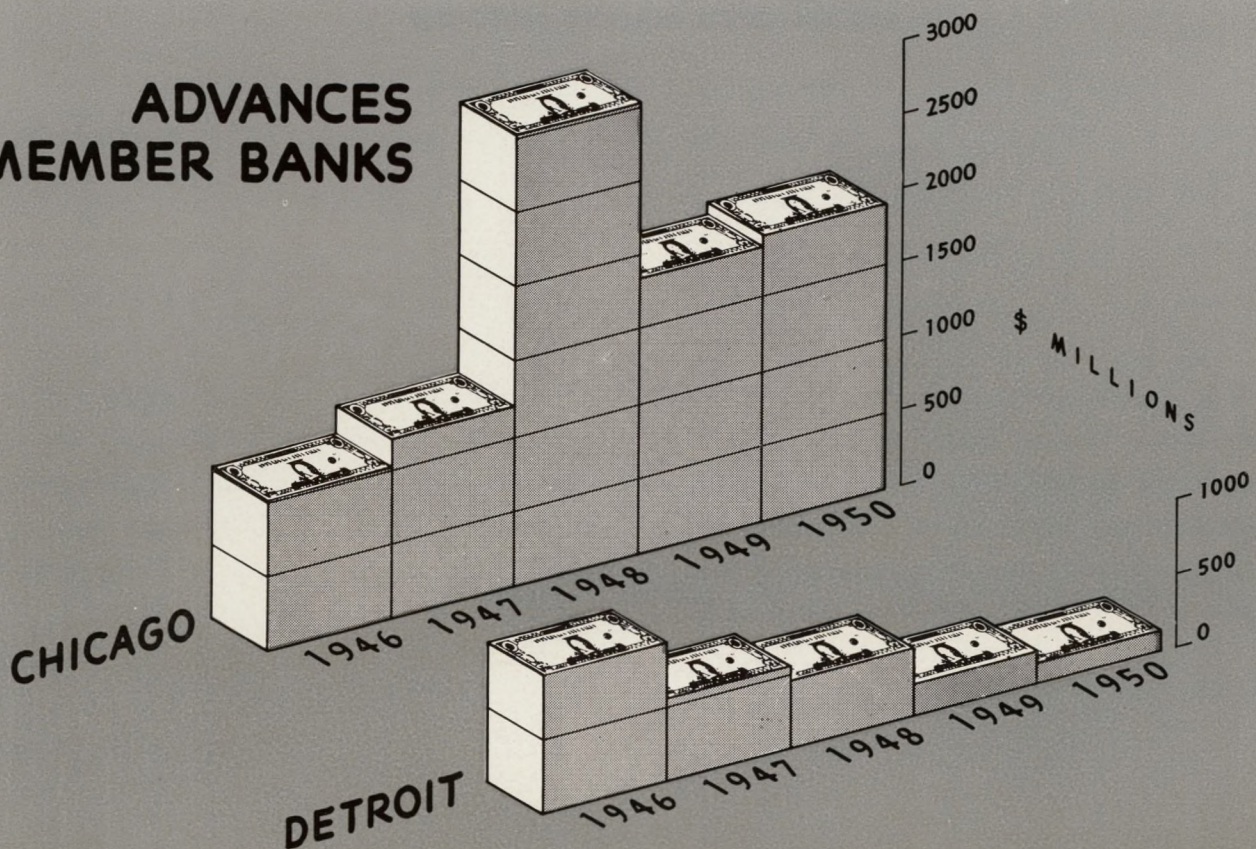
At Chicago, member bank borrowings secured by United States Government obligations increased during 1950. Also, one member bank rediscounted its eligible customers' notes aggregating \$105,991. Member bank borrowings from Detroit were less than 1949 amounts.

Seven commitments, totaling \$239,000, 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	
	1950	1949	1950	1949
<b>DOLLAR VALUE OF TRANSACTIONS</b>				
<b>ADVANCES TO MEMBER BANKS</b>				
Rediscounts .....	\$ 105,991	\$ 38,029	\$ —	\$ —
Secured by U. S. Government Obligations .....	1,921,630,000	1,841,338,000	146,130,000	215,150,000
Secured by Eligible Paper .....	—	50,000	50,000	—
<b>INDUSTRIAL LOANS</b>				
Commitments .....	239,000	66,533	—	—

ADVANCES TO MEMBER BANKS



## 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.

## GENERAL SUMMARY

The number of sales and purchase transactions processed at Chicago during 1950 declined slightly from 1949 figures. On the other hand, Detroit showed an increase in purchase transactions.

Par values involved in securities transactions showed a sizeable increase at Chicago. Purchases for member

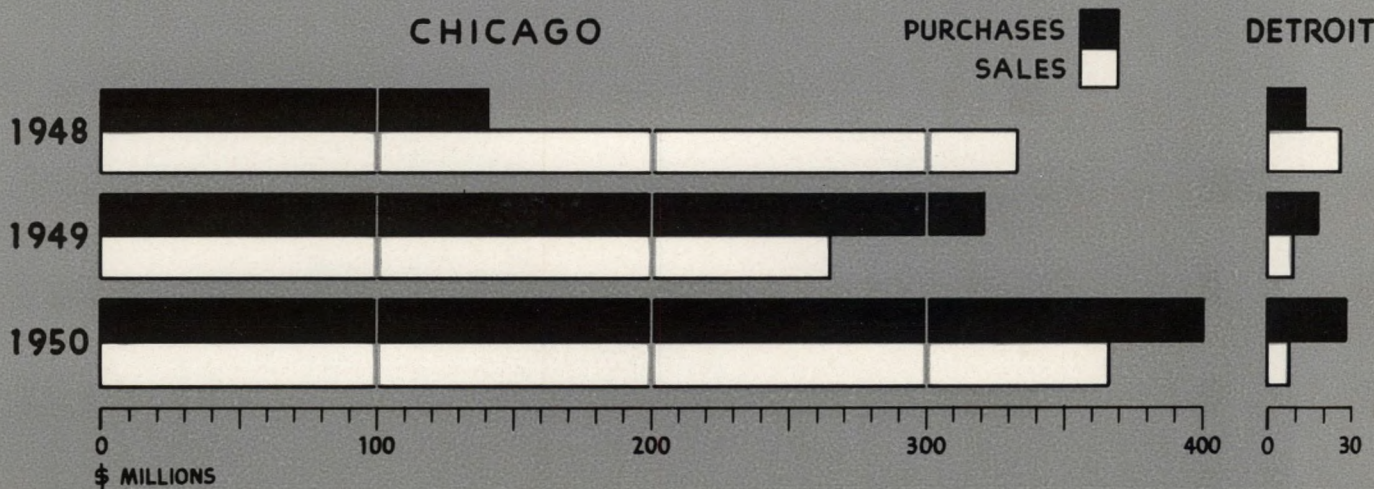
banks and others by the Branch increased over 1949 amounts, while sales decreased.

At Chicago, the total amount of the securities handled was more evenly divided between purchases and sales than in the previous year, although buyers were still predominant in activity, if not in number.

## STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>DOLLAR VALUE OF SECURITIES</b>				
<b>PURCHASES</b>				
U. S. GOVERNMENTS				
Member Banks and Others.....	\$323,552,900	\$305,507,650	\$28,943,439	\$18,665,118
Other F. R. Banks.....	26,911,125	15,763,000	—	—
Dealers—Repurchase Agreement.....	50,000,000	—	—	—
OTHER				
Member Banks and Others.....	240,100	145,000	—	—
Total Purchases.....	<u>\$400,704,125</u>	<u>\$321,415,650</u>	<u>\$28,943,439</u>	<u>\$18,665,118</u>
<b>SALES</b>				
U. S. GOVERNMENTS				
Member Banks and Others.....	\$289,649,570	\$247,362,970	\$ 8,152,677	\$ 9,162,119
Other F. R. Banks.....	26,829,150	17,047,350	—	—
Dealers—Repurchase Agreement.....	50,000,000	—	—	—
OTHER				
Member Banks and Others.....	39,150	577,410	—	—
Total Sales.....	<u>\$366,517,870</u>	<u>\$264,987,730</u>	<u>\$ 8,152,677</u>	<u>\$ 9,162,119</u>

# INVESTMENTS





Processing securities for safekeeping—vault custody

SERVICES TO MEMBER BANKS

## SAFEKEEPING OF SECURITIES

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

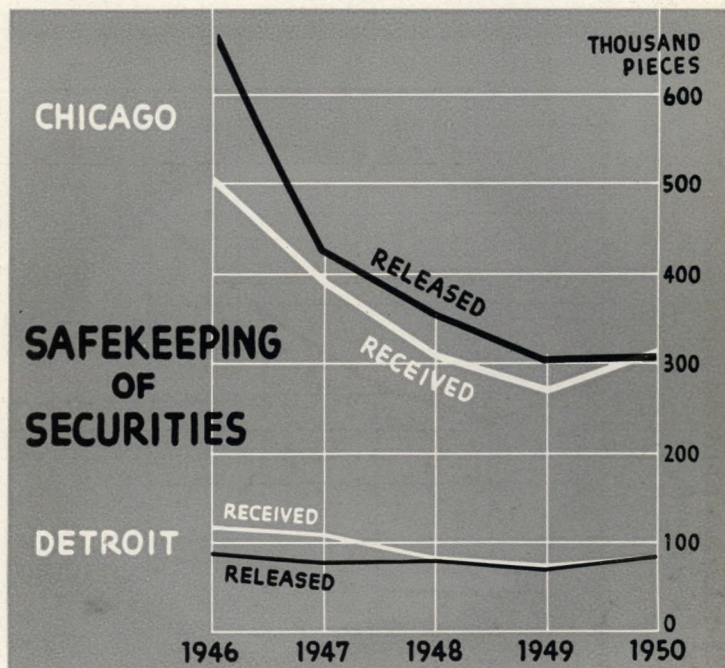
A free safekeeping service for U. S. Savings Bonds, Series E, is extended to members of the armed forces and to the general public.

### GENERAL SUMMARY

During 1950, the Bank experienced considerable activity in the safekeeping operation. Chicago's pieces-received volume for member banks was 34,000, or 18%, larger than in 1949, while Detroit's figures recorded an increase of 13,000, or 66%. Likewise, the number of pieces released topped 1949 amounts by 6,000, or 4%, at Chicago and 9,000, or 53%, at Detroit.

The number of coupons detached from securities by Chicago during 1950 was 158,000 greater than in 1949; Detroit's figures on coupons detached showed an increase of 11,000.

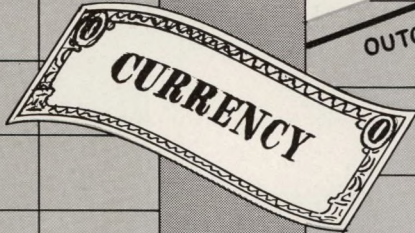
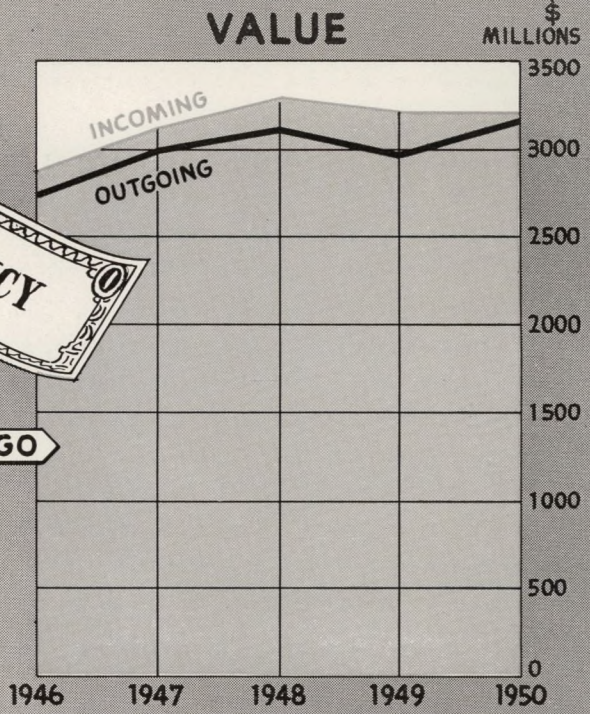
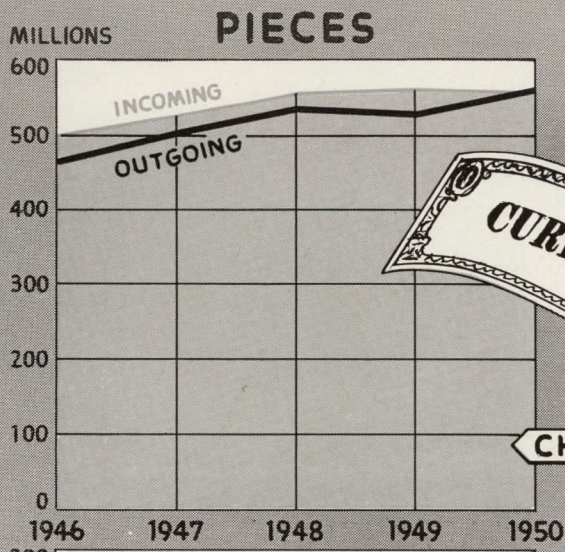
The number of pieces of United States Savings Bonds held in safekeeping as of December 31, 1950 declined from 1949 year-end holdings: Chicago's decrease was 40,000; Detroit's, 8,000.



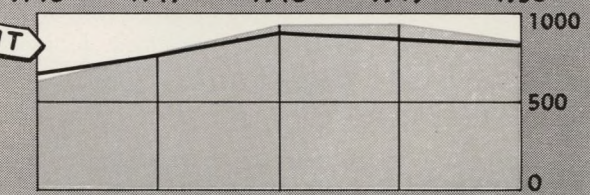
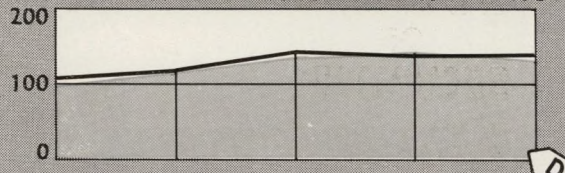
### STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>SAFEKEEPING—MEMBER BANKS, ETC.</b>				
PIECES				
Securities—Received .....	226,354	192,416	32,964	19,800
Released .....	182,498	176,272	25,531	16,679
Coupons Detached from Securities .....	1,031,985	873,652	164,989	153,449
<b>DOLLAR VALUE OF PIECES</b>				
Securities—Received .....	\$10,513,427,538	\$10,152,780,248	\$ 1,353,693,070	\$ 1,206,608,026
Released .....	10,779,162,846	9,196,352,276	1,316,385,463	1,039,569,259
Held as of December 31 .....	5,119,513,015	5,385,248,323	566,908,357	529,600,750
Coupons Detached from Securities .....	88,837,308	84,143,991	6,512,833	4,515,654
<b>SAFEKEEPING—SAVINGS BONDS</b>				
PIECES				
Received—U. S. Army Personnel .....	44,991	40,227	—	—
Civilian .....	41,411	40,899	52,591	56,423
Released—U. S. Army Personnel .....	64,563	73,058	—	—
Civilian .....	61,882	57,702	60,766	56,225
Held as of Dec. 31—U.S. Army Personnel .....	332,600	352,172	—	—
Civilian .....	297,600	318,071	289,769	297,944
<b>DOLLAR VALUE OF PIECES</b>				
Received—U. S. Army Personnel .....	\$ 3,107,060	\$ 2,559,945	—	—
Civilian .....	8,889,256	7,806,110	\$ 5,608,685	\$ 5,455,100
Released—U. S. Army Personnel .....	3,703,375	3,966,405	—	—
Civilian .....	8,419,382	14,061,439	5,343,565	5,257,345
Held as of Dec. 31—U.S. Army Personnel .....	17,619,310	18,215,625	—	—
Civilian .....	48,451,793	47,981,919	24,952,830	24,687,710

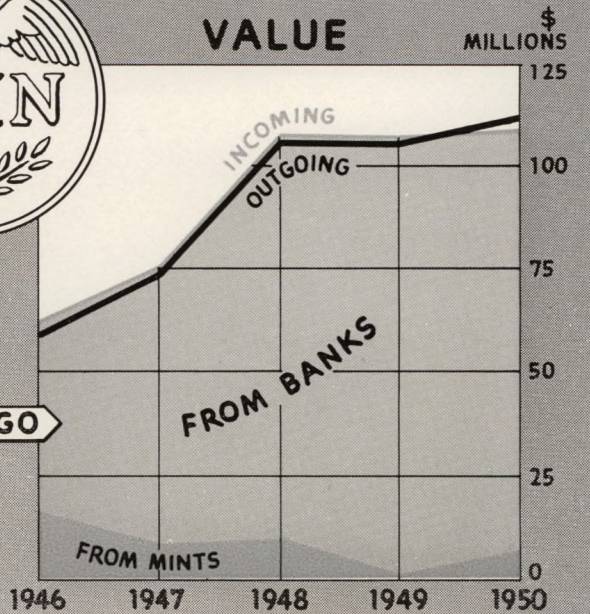
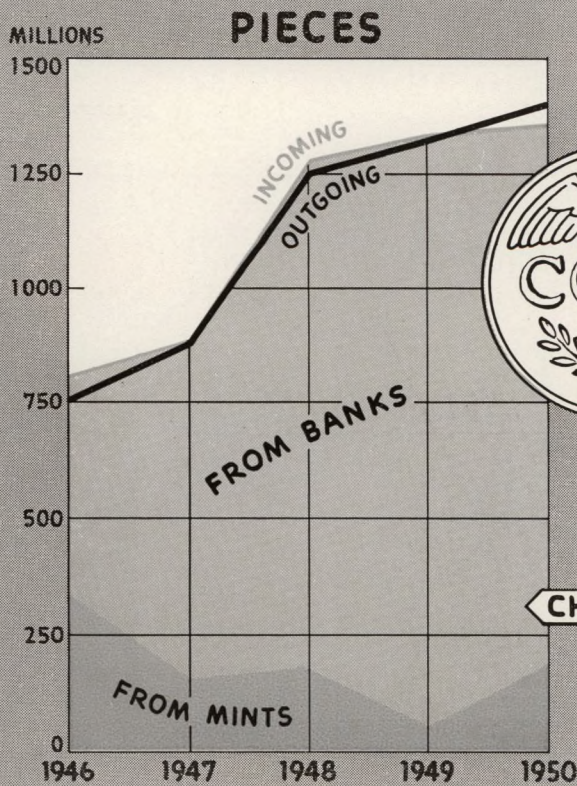
# CASH OPERATIONS



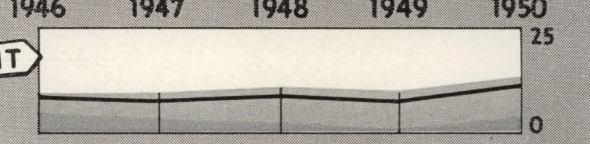
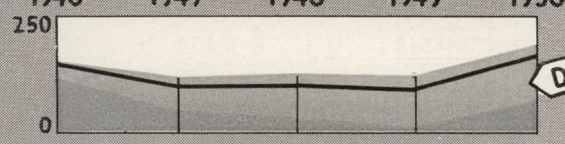
CHICAGO



DETROIT



CHICAGO



DETROIT



**SERVICES TO MEMBER BANKS**

## 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 1950 exceeded the record volumes reached during 1948, and established all-time peaks both as to dollar amount and number of pieces. The 1950 work-load on incoming currency approximated that carried in 1949. Outgoing payments of coin, both loose and wrapped, were processed in moder-

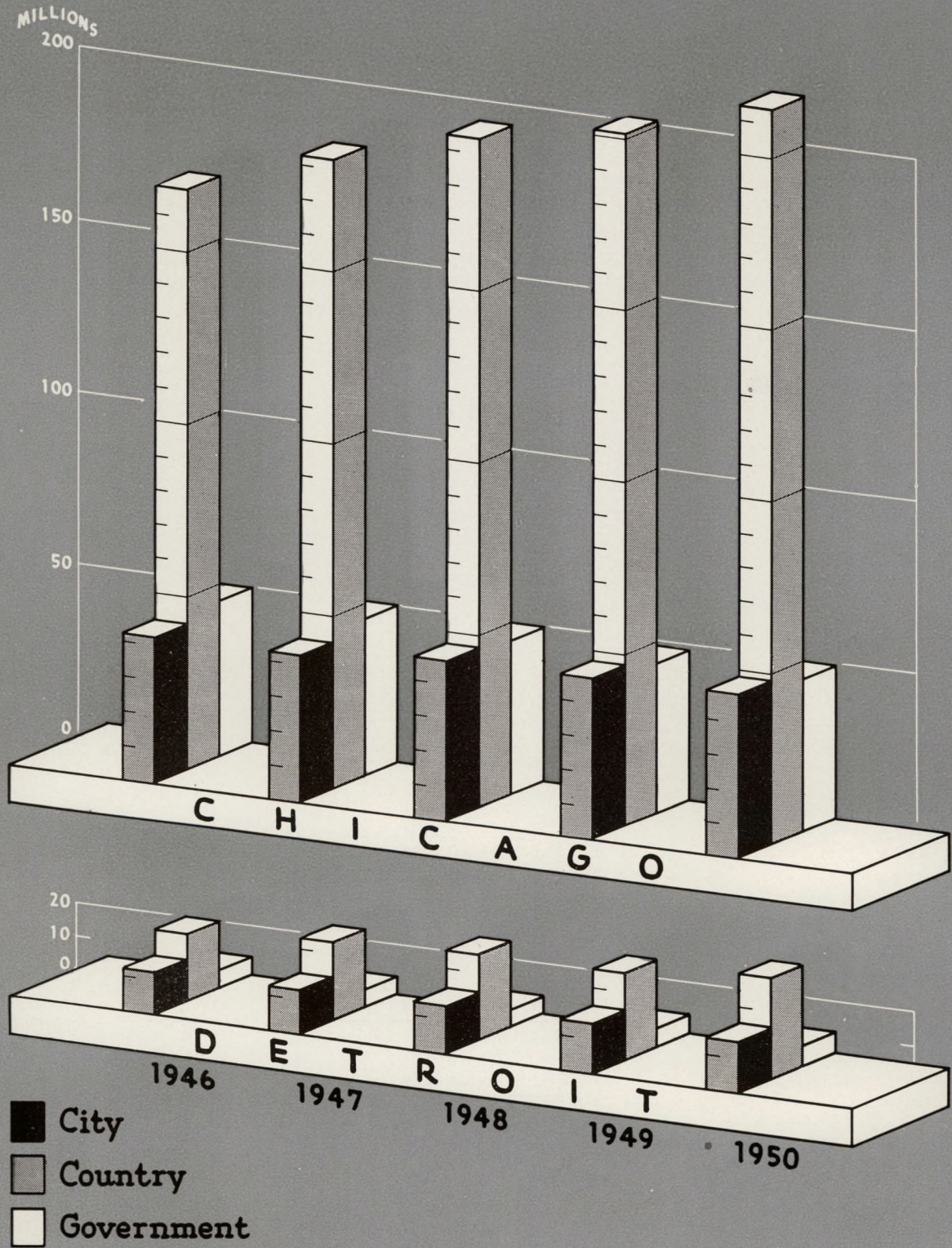
ately increased amounts during 1950, while pieces and amounts of coin received from banks decreased.

Net circulation of our Federal Reserve Notes amounted to \$4,559,960,000 on December 31, 1950. This figure was \$109,378,000 short of the all-time high circulation recorded on December 24, 1947.

### STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>PIECES</b>				
Currency				
Outgoing .....	562,888,492	530,888,131	139,320,548	138,959,206
Incoming .....	556,958,260	558,377,758	129,657,164	140,140,943
Forwarded for Redemption .....	209,091,771	227,775,957	45,618,970	41,762,180
Coin				
Outgoing—Loose .....	817,725,390	764,496,603	94,457,591	51,462,807
Wrapped .....	576,615,000	557,660,600	73,413,000	32,980,000
Total .....	1,394,340,390	1,322,157,203	167,870,591	84,442,807
Incoming—From Banks .....	1,171,841,129	1,282,457,814	118,618,352	110,937,421
From Mints .....	173,650,000	45,100,000	65,850,000	4,500,000
From Other F. R. Banks .....	8,000,000	5,000,000	1,447,000	3,545,000
<b>DOLLAR VALUE OF PIECES</b>				
Currency				
Outgoing .....	\$3,170,653,000	\$2,984,250,500	\$832,485,830	\$867,504,156
Incoming .....	3,202,911,541	3,207,451,014	835,211,310	933,667,769
Forwarded for Redemption .....	835,909,041	847,900,014	213,069,298	175,634,606
Coin				
Outgoing—Loose .....	\$ 53,416,151	\$ 47,352,801	\$ 6,031,125	\$ 4,422,446
Wrapped .....	58,199,750	57,962,830	5,464,250	2,236,700
Total .....	\$ 111,615,901	\$ 105,315,631	\$ 11,495,375	\$ 6,659,146
Incoming—From Banks .....	\$ 101,878,807	\$ 106,010,802	\$ 10,156,482	\$ 9,316,433
From Mints .....	4,770,000	550,000	2,271,000	117,000
From Other F. R. Banks .....	1,700,000	400,000	596,000	275,000
<b>FEDERAL RESERVE NOTE ISSUES—FEDERAL RESERVE AGENT</b>				
Pieces				
Received from Washington .....	73,260,000	61,144,000	15,720,000	9,740,000
Issued to Bank .....	74,066,000	59,910,000	15,428,000	9,188,020
Dollar Value of Pieces				
Received from Washington .....	\$ 745,000,000	\$ 632,320,000	\$195,000,000	\$117,000,000
Issued to Bank .....	772,420,000	611,380,000	190,340,000	115,200,000

# 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 checks processed during 1950 increased 5% at Chicago and 10% at Detroit, while the dollar value of all checks handled increased \$11,163,459,000

at Chicago and \$3,165,036,000 at Detroit.

Preparation of outgoing cash letters on proof machines effected a 25% reduction in letters dispatched at Chicago.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>CHECKS</b>				
Number of Checks Handled				
City .....	48,246,000	47,511,000	14,863,000	14,764,000
Country .....	214,132,000	201,730,000	29,504,000	25,491,000
Government—Paper .....	3,813,000	3,814,000	1,080,000	989,000
Card .....	41,288,000	40,216,000	5,124,000	4,646,000
Totals.....	<u>307,479,000</u>	<u>293,271,000</u>	<u>50,571,000</u>	<u>45,890,000</u>
Dollar Value of Checks Handled				
City .....	\$ 57,548,493,000	\$50,956,061,000	\$14,243,353,000	\$12,302,979,000
Country .....	38,968,304,000	34,009,768,000	6,456,731,000	5,361,938,000
Government—Paper .....	3,230,109,000	3,725,385,000	959,238,000	884,793,000
Card .....	2,816,129,000	2,708,362,000	363,959,000	308,535,000
Totals.....	<u>\$102,563,035,000</u>	<u>\$91,399,576,000</u>	<u>\$22,023,281,000</u>	<u>\$18,858,245,000</u>
DAILY AVERAGE NUMBER OF CASH LETTERS DISPATCHED.....				
	<u>4,067</u>	<u>5,439</u>	<u>548</u>	<u>552</u>
<b>NON-CASH ITEMS</b>				
Number of Transactions				
City .....	25,933	28,304	21,310	24,949
Country* .....	160,987	152,434	14,218	15,573
Coupon and Security.....	632,473	535,320	143,982	114,728
Totals.....	<u>819,393</u>	<u>716,058</u>	<u>179,510</u>	<u>155,250</u>
*Includes direct sendings to other Federal Reserve banks by our member banks .....				
	<u>106,908</u>	<u>98,931</u>	<u>6,007</u>	<u>6,046</u>
Dollar Value of Transactions				
City .....	\$ 65,040,000	\$ 98,851,000	\$ 29,377,000	\$ 32,716,000
Country* .....	380,618,000	364,684,000	33,778,000	35,297,000
Coupon and Security.....	994,624,000	869,692,000	65,540,000	47,996,000
Totals.....	<u>\$ 1,440,282,000</u>	<u>\$ 1,333,227,000</u>	<u>\$ 128,695,000</u>	<u>\$ 116,009,000</u>
*Includes direct sendings to other Federal Reserve banks by our member banks .....				
	<u>\$ 289,251,000</u>	<u>\$ 265,809,000</u>	<u>\$ 26,096,000</u>	<u>\$ 28,088,000</u>



Chicago relay turret, Federal Reserve leased wire system

SERVICES TO MEMBER BANKS

COMMUNICATIONS

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, with the Reconstruction Finance Corporation, and with the Commodity Credit Corporation. Telegrams effecting transfers of funds for members, Fiscal Agency operations, and other banking transactions are processed.

GENERAL SUMMARY

The Chicago relay office of the Federal Reserve Leased Wires System processed over 1,100,000 telegrams during 1950, an increase of 11% over the 1949 volume. Messages handled by the Codes and Telegrams Division

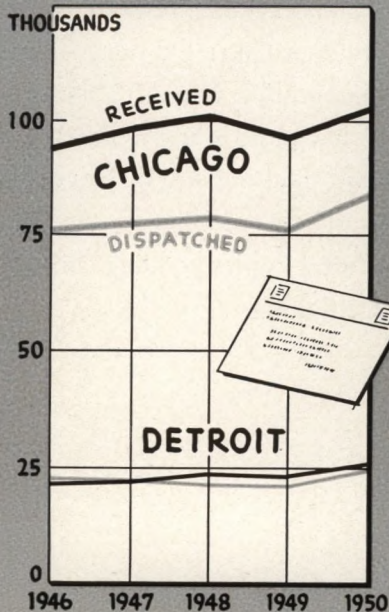
at Chicago increased 8% over 1949 figures to a total of 188,000.

Mail Department activities increased during the year both at Chicago and at Detroit. Also, increases in transfers of funds were registered at both offices.

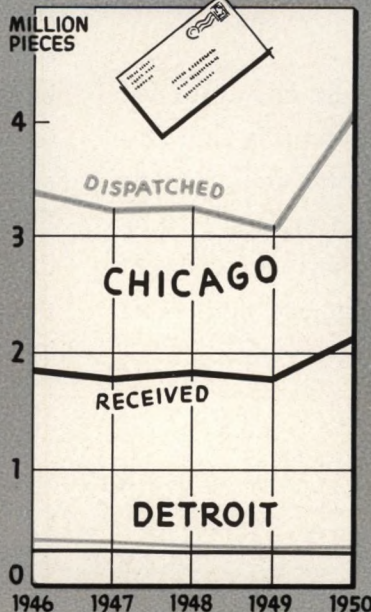
STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>TELEGRAMS PROCESSED</b>				
<b>LEASED WIRES</b>				
Received .....	80,157	75,040	24,984	22,358
Dispatched .....	70,514	62,707	23,847	20,070
<b>COMMERCIAL WIRES</b>				
Received .....	23,004	22,025	1,199	1,224
Dispatched .....	13,554	14,480	1,261	1,520
<b>MAIL HANDLED</b>				
Number of Pieces Received .....	2,144,288	1,801,559	294,302	282,912
Number of Pieces Dispatched, Mail and Express .....	4,095,381	3,104,486	345,655	335,991
<b>TRANSFER OF FUNDS</b>				
Number of Transfers .....	205,425	196,428	39,876	34,213
Dollar Value .....	\$74,658,796,000	\$65,419,048,000	\$22,986,784,000	\$16,627,317,000

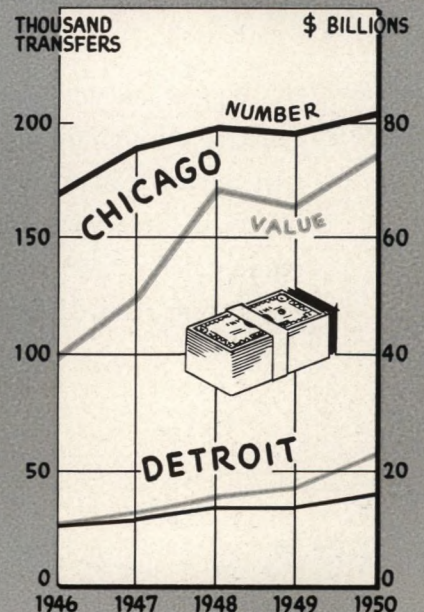
TELEGRAMS



MAIL



TRANSFER OF FUNDS



## ECONOMIC RESEARCH

The Bank gathers economic information and makes analytical studies which serve as the basis for the formulation and execution of monetary and credit policies. These data and studies are made available not only to the officers and directors of this Bank and to the Board of Governors, but also, in large part, to member banks and business firms in the Seventh Federal Reserve

District. This informational service is 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 in order to obtain firsthand information on banking and business in this Reserve District.

### GENERAL SUMMARY

In its studies during 1950 the Research Department emphasized the impact of international developments and partial mobilization upon Seventh District banking, industry, trade, and agriculture, with the rapid pace of events necessitating close attention to the changing outlook. Special studies of a pioneering nature conducted during the year covered such topics as the presentation of Federal receipts and expenditures on a cash and consolidated basis, the bearing of present commitments on future expenditures in the Federal budget, and the significance of velocity of circulation of the money supply.

The Department answered a mounting number of inquiries for business and financial information received by mail, phone, or in person from banks, business firms, and others. The Research officers and staff made about 150 addresses at banking, business, and agricultural meetings during the year and participated in many conferences concerned with national and District economic conditions.

A great amount of important data again was collected through the cooperation of Seventh District reporting banks and business firms. Reports on retail trade were received from firms representing about 2,500 stores; reports on instalment loans were received from about 500 firms other

than commercial banks; almost 23,000 registration statements under Regulation W were processed.

Summary reports of statistical data were prepared and sent to the Board of Governors. Greater use of collected data by reporting banks and firms was given marked attention. Altogether, 38 periodic statistical summaries were sent to a total mailing list of over 30,000, with almost half a million individual reports distributed.

One thousand Seventh District member banks received their own operating results recorded in our booklet *Member Bank Operating Ratios*. The *Agricultural Letter*, issued weekly during the year, reached a circulation of approximately 6,000.

The number of copies published regularly of *Business Conditions* has now risen to over 15,000, of which 4,000 are sold at cost in bulk subscriptions to a number of member banks which redistribute them to their customers. Some issues of *Business Conditions* were devoted entirely to a single important subject: February—the Federal budget; April—postwar Seventh District banking; September—old-age pension problems; October—credit, defense, and inflation; November—the farm outlook. These special issues created a heavy demand for extra copies totaling 24,000 beyond the usual distribution.

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. Such examination includes trust departments and is usually made jointly with a state banking department. A pre-membership examination is made of state banks applying for admittance

to the Federal Reserve System. Investigations in connection with applications to organize national banks are also carried out. Various reports and applications required by law to be rendered by member banks are reviewed and analyzed.

GENERAL SUMMARY

Seven banks, 4 national and 3 state, were admitted to membership in 1950. The examination work during the year proceeded along the same general lines as heretofore. In the field of trust department examinations, efforts to widen the scope of examinations were made with a view of bringing to light any possible weakness

in administration of trusts.

In addition to completing 597 examinations, 9 investigations were made by the staff of the Bank Examination Department in connection with applications to organize national banks, and 1 investigation was made in connection with an application to organize a state bank.

STATEMENT OF OPERATIONS

	<u>1950</u>	<u>1949</u>
NUMBER OF EXAMINATIONS MADE		
Regular .....	441	442
Membership .....	5	2
Trust Departments .....	146	145
Follow-up Investigations .....	3	2
Special .....	<u>2</u>	<u>0</u>
NUMBER OF MEMBER BANKS IN 7th F. R. DISTRICT		
NATIONAL BANKS		
As of January 1.....	565	567
Additions (See Note A).....	4	1
Withdrawals (See Note B).....	3	3
As of December 31.....	<u>566</u>	<u>565</u>
STATE BANKS		
As of January 1.....	440	441
Additions (See Note A).....	3	2
Withdrawals (See Note B).....	1	3
As of December 31.....	<u>442</u>	<u>440</u>

NOTE A—ADDITIONS TO MEMBERSHIP DURING 1950

NATIONAL BANKS

- Park National Bank of Chicago, Chicago, Illinois
- Union National Bank of Chicago, Chicago, Illinois
- National Bank of Chenoa, Chenoa, Illinois
- Peoples National Bank of Bay City, Bay City, Michigan

STATE BANKS

- Bank of Silvis, Silvis, Illinois
- State Bank of Whiting, Whiting, Indiana
- Farmers State Bank of Breckenridge, Breckenridge, Michigan

NOTE B—WITHDRAWALS DURING 1950

NATIONAL BANKS

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

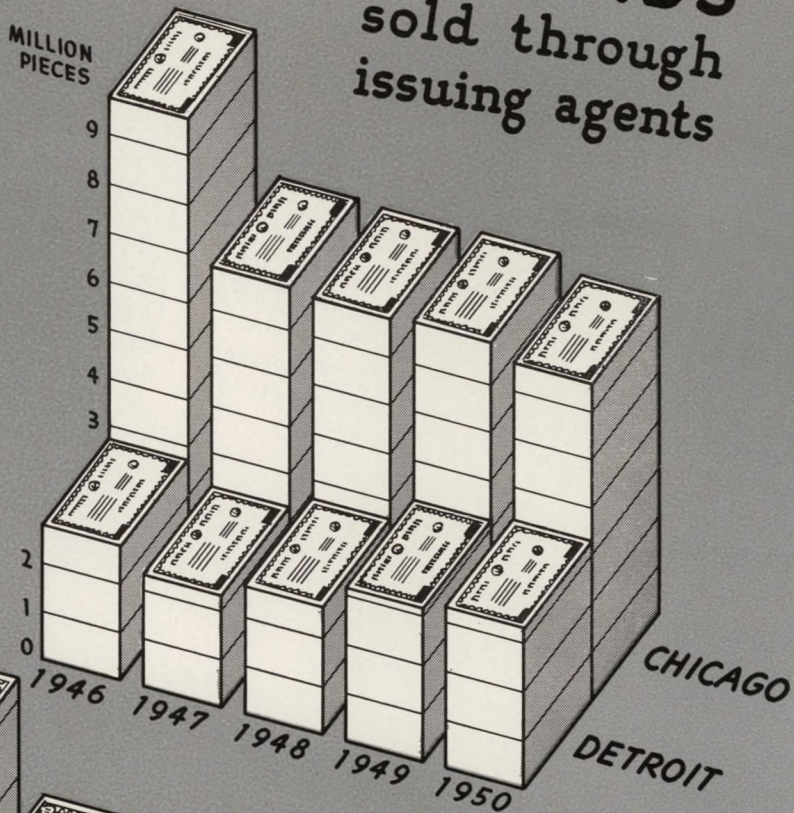
STATE BANKS

- 1—conversion

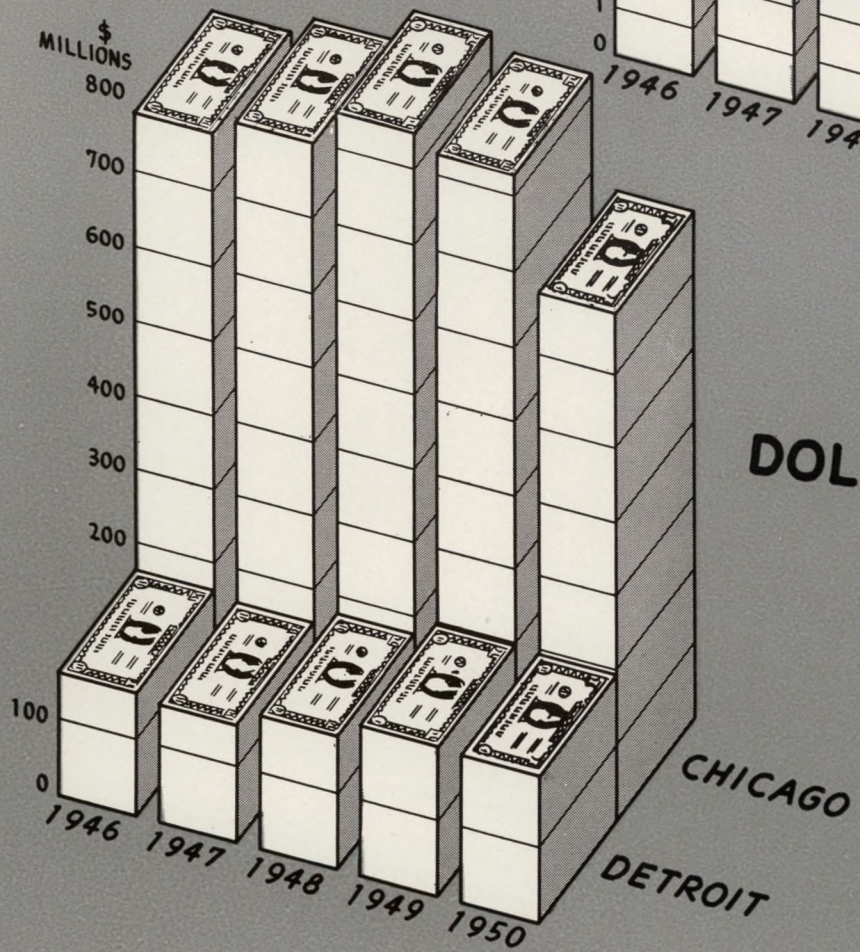
# SERIES "E" SAVINGS BONDS

sold through  
issuing agents

PIECES



DOLLAR VALUE





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

The number of applications for Treasury Savings Notes processed by Chicago in 1950 dropped considerably from the previous year, and the dollar value of subscriptions received for savings issues declined accordingly. This decrease in Notes was the result of higher yields available on Treasury Bills and Certificates, as well as the change in Treasury policy regarding the charging of accrued interest on Savings Notes.

The increase in the dollar value of subscriptions received at Chicago for marketable issues is due to a substantial increase in tenders for Treasury Bills.

The maturity value of Series E Savings Bonds sold by issuing agents during 1950 decreased; however, this decrease was in line with national experience and was due largely to a substantial decline in sales of the larger denominations.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>SUBSCRIPTIONS AND APPLICATIONS</b>				
FORMS RECEIVED				
Marketable Issues .....	11,300	11,200	480	560
Savings Issues .....	120,300	147,800	10,700	11,930
NUMBER OF SUBSCRIBERS INVOLVED				
Marketable Issues .....	20,700	21,800	1,280	1,300
Savings Issues .....	498,700	486,000	232,500	199,200
DOLLAR VALUE—SUBSCRIPTIONS				
RECEIVED				
Marketable Issues .....	\$12,543,416,000	\$10,646,252,000	\$578,622,000	\$593,173,000
Savings Issues .....	856,073,000	1,292,065,000	441,340,700	342,851,000
DOLLAR VALUE—SUBSCRIPTIONS				
ALLOTTED				
Marketable Issues .....	\$ 9,925,942,000	\$ 8,091,315,000	\$578,572,000	\$593,173,000
Savings Issues .....	856,073,000	1,292,065,000	441,431,100	342,301,000
PIECES DELIVERED ON ORIGINAL ISSUE				
Marketable Issues .....	111,500	112,400	8,500	7,830
Savings Issues .....	699,500	712,000	260,620	220,550
SALES BY ISSUING AGENTS				
SERIES E SAVINGS BONDS				
Maturity Value .....	\$ 681,396,000	\$ 824,480,000	\$194,580,000	\$197,054,000
Number of Pieces.....	6,572,500	6,873,000	3,328,500	3,165,950
NUMBER OF QUALIFIED ISSUING				
AGENTS AS OF DECEMBER 31.....	3,039	3,107	361	364



Posting control accounts of Government bond operations

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

During 1950, the number of pieces issued and related maturity value of marketable issues increased over 1949 volume, both at Chicago and at Detroit. This increased volume resulted primarily from exceptional activity prevailing in the Government bond market in connection with Treasury Department refinancing in August and December.

The number of payments handled in the Treasury Tax and Loan Account in 1950 was considerably greater than that functioned in 1949: Chicago's payments increased 51%; Detroit's, 27%. These increases are accounted for mainly by the increased number of withheld tax entries arising from the daily reporting requirement instituted in 1950 for depositaries for federal taxes.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>MARKETABLE ISSUES</b>				
DENOMINATIONAL AND OTHER EXCHANGES				
Pieces Received .....	57,200	62,800	830	1,160
Maturity Value .....	\$1,619,026,000	\$1,382,582,000	\$ 29,468,900	\$ 27,672,000
Pieces Issued .....	86,700	85,700	2,740	2,300
Maturity Value .....	\$1,613,702,000	\$1,375,708,000	\$ 29,494,900	\$ 27,354,000
TELEGRAPHIC TRANSFERS (CPD)				
Pieces Received .....	80,700	57,300	4,990	3,560
Maturity Value .....	\$5,946,987,000	\$3,895,367,000	\$ 837,455,500	\$373,607,000
Pieces Issued .....	61,900	48,800	8,200	7,200
Maturity Value .....	\$6,234,578,350	\$5,379,602,000	\$1,004,743,500	\$662,106,000
SAVINGS BONDS				
REISSUES				
Pieces Received .....	691,400	627,500	92,710	97,190
Maturity Value .....	\$ 237,541,600	\$ 208,512,000	\$ 14,147,400	\$ 15,349,000
Pieces Issued .....	589,500	616,000	92,410	94,960
Maturity Value .....	\$ 223,052,800	\$ 202,034,000	\$ 13,647,800	\$ 12,456,000
REISSUES—TREASURY CLAIM CASES				
Pieces Issued .....	70,600	36,100*	423	—
Maturity Value .....	\$ 6,659,400	\$ 3,332,000*	\$ 23,425	—
DEPOSITARY BANKS—TREASURY TAX AND LOAN ACCOUNT				
Number of Payments Handled .....	297,500	197,000	27,140	21,360
Depository Balances as of December 31	\$ 366,682,000	\$ 425,623,000	\$ 130,902,500	\$138,483,000
Number of Qualified Depositories as of December 31 .....	1,690	1,696	138	134
CUSTODY OF FISCAL STOCK				
Pieces Received from Treasury Dept...	8,582,600	8,691,000	3,918,400	3,587,400
Pieces Prepared for Delivery .....	8,070,600	8,798,000	3,869,900	3,595,800

\*New Activity  
July 1, 1949

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 canceled and forwarded to the Treasury Department.

GENERAL SUMMARY

The number of pieces of bearer securities redeemed was greater in 1950 than in the preceding year: Chicago's increase amounted to 15,000, or 9%, while Detroit's was 4,000, or 34%. However, the number of registered securities processed declined because of the very sub-

stantial reduction in 1950 redemption operations for Treasury Savings Notes.

The total number of United States Savings Bonds Series A-E redeemed during the current year increased over 1949 volumes: Chicago processed 807,000 more; Detroit handled an increase of 55,000.

STATEMENT OF OPERATIONS

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
TREASURY ISSUES—INCLUDING SAVINGS NOTES AND ARMED FORCES LEAVE BONDS				
Number of Pieces				
Bearer Securities .....	197,800	182,200	17,790	13,230
Registered Securities .....	<u>92,100</u>	<u>105,850</u>	<u>19,620</u>	<u>25,440</u>
Maturity Value				
Bearer Securities .....	\$7,814,244,000	\$7,876,693,000	\$1,411,317,300	\$1,000,622,000
Registered Securities .....	<u>374,594,500</u>	<u>545,774,000</u>	<u>193,441,900</u>	<u>100,857,000</u>
SAVINGS BONDS				
*Number of Pieces				
By Paying Agents—A-E.....	11,186,000	10,372,000	4,113,200	4,057,450
By FRB —A-E.....	314,600	321,000	47,000	47,100
By FRB —F-G.....	<u>209,900</u>	<u>186,000</u>	<u>19,900</u>	<u>19,400</u>
*Number of Pieces \$25 E Bonds Included in Above .....				
	7,194,200	6,919,000	2,947,300	2,898,000
Number of Pieces Matured Bonds Included in Above.....				
	<u>425,400</u>	<u>433,000</u>	<u>84,400</u>	<u>76,300</u>
Redemption Value				
By Paying Agents—A-E.....	\$ 679,944,200	\$ 564,660,000	\$ 174,476,800	\$ 165,168,000
By FRB —A-E.....	78,533,900	85,268,000	8,974,500	8,777,500
By FRB —F-G.....	184,723,800	160,320,000	17,578,800	16,913,000
Matured Bonds Included in Above...	<u>146,098,800</u>	<u>150,426,000</u>	<u>25,690,200</u>	<u>20,885,000</u>
NUMBER OF QUALIFIED PAYING AGENTS AS OF DECEMBER 31.....				
	<u>2,412</u>	<u>2,408</u>	<u>201</u>	<u>200</u>
U. S. GOVERNMENT AND OTHER GOVERNMENTAL AGENCY COUPONS				
Number of Pieces.....	1,609,300	1,735,000	213,900	179,800
Dollar Value .....	<u>\$ 90,448,600</u>	<u>\$ 99,069,000</u>	<u>\$ 18,461,300</u>	<u>\$ 9,141,000</u>

## COLLECTION OF FEDERAL TAXES

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

senting income and social security taxes withheld from employees, and employers contributions, under Federal Tax regulations.

### GENERAL SUMMARY

Effective January 1, 1950, the Treasury Department amended the regulations covering the collection of withheld taxes to include taxes collected under the Federal Insurance Contributions Act. A punched card depositary receipt covering both classes of taxes was substituted for the paper receipt formerly used for withheld taxes only.

Under the new procedure, employers have the option of making tax deposits directly with the Federal Reserve bank or with a qualified deposi-

tary bank. Commercial banks desiring to act as depositaries for Federal taxes are required to re-qualify under the revised Treasury regulations.

Tax deposits received by the Bank are summarized below, although the figures are not strictly comparable because the 1949 figures represent withheld income taxes only, while the 1950 figures cover both withheld income taxes and social security taxes:

### TAX DEPOSITS RECEIVED

	1950 Withheld Income and Social Security Taxes	1949 Withheld Income Taxes
Receipts .....	809,000	652,000
Dollar Value .....	\$1,993,000,000	\$1,423,000,000

Collection of Federal taxes during 1950 involved administering a "dual" system: operations pertaining to the old "1949" system had to be completed, and, at the same time, procedures for the new "1950" system had to be initiated. During the early months of 1950, 38,000 paper receipt copies aggregating \$94,200,000 were received from depositary banks in conclusion of the "1949" system. Throughout the year, 163,000 paper re-

ceipts outstanding were received from collectors of internal revenue and matched against our paper receipt copies, leaving a residue of only 237 of those receipt copies unmatched at the close of the year under the old system. Under the new system, the Bank received a total of 771,000 punched card receipts representing tax deposits of \$1,899,000,000.

☆ ☆ ☆

BOARD OF GOVERNORS ACTIVITIES

REGULATIONS V, W, AND X

The Board of Governors of the Federal Reserve System works through the Reserve banks in its regulation of loans guaranteed for defense production, consumer credit, and residential real estate credit. Each Reserve bank carries on specified activities

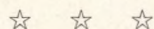
throughout its district to investigate applications for loan guarantees and to ascertain whether or not Executive orders and related directives are being followed.



**Regulation V — Loans Guaranteed for Defense Production**

Regulation V was revised effective September 27, 1950. This Regulation is based upon and issued pursuant to the Defense Production Act of 1950, and the President's Executive Order No. 10161 of September 9, 1950. Banks and other lending institutions making loans to contractors holding prime or sub-contracts calling for procurement

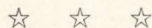
necessary to the defense effort, are eligible to obtain guarantees of stated percentages of such loans under the Regulation V program. To date, relatively few applications for guarantees have been received. It is anticipated, however, that as the rearmament program increases in volume, the number and amount of V loan guarantees will also increase, and may possibly exceed the very substantial volume of such guarantees issued during World War II.



**Regulation W — Consumer Credit**

Regulation W was reinstated under the authority of the Defense Production Act of 1950 on September 18, 1950. Primarily it is intended to assist in curtailing consumer credit which, prior to the Regulation, had been increasing excessively and contributing materially to inflationary pressures. Its secondary purpose is to siphon from civilian channels vital materials necessary to defense production. Despite the Regulation, the upward trend of prices continued so that effective October

16, 1950 the Regulation was amended, tightening down payment requirements and shortening maximum maturities on installment credits of all listed articles except home improvement. Within 10 days of the effective date of the Regulation, registration statements were made available to all registrants in this District, and, by the end of 1950, the major portion of registrants had complied with the Regulation in filing statements with the Bank. An investigation program was instituted promptly and is functioning smoothly.



**Regulation X — Residential Real Estate Credit**

Regulation X was issued under the authority of the Defense Production Act of 1950, and became effective October 12, 1950. At this time, the Regulation covers both urban and rural residences serving and designed to include not more than two-

family units. Registration of those affected by the Regulation has not been required, although registration may be required at the discretion of the Board of Governors of the Federal Reserve System. At the request of the Board of Governors, no investigation of registrants has as yet been made.

**GENERAL BANK ACTIVITIES**

**PERSONNEL**

General personnel activities of the Bank are handled by a central personnel department. This work includes: recruiting, selecting, hiring, transferring, promoting, counseling, and terminating services; preparing payrolls and sundry payments; making withholding tax, retirement, and other deductions; making status changes; maintaining individual earnings, retirement system,

social security, salary deduction, attendance, and other personnel records; administering wage, sick leave, and vacation policies, the Job Evaluation Plan, education, training, employee-welfare and hospital-surgical insurance programs; preparing the employees' monthly magazine; maintaining the Medical Division, recreational and rental libraries, and employees' lounges.

**GENERAL SUMMARY**

The number of employees at Chicago declined moderately during the first eight months of 1950, and reached a low of 2,127 on September 8. In the latter part of the year, this trend was sharply reversed because an increase in the volume of work and the addition of two new departments made it necessary to increase our work force. At the Branch, employee turnover during the first half of the year was relatively small; however, during the last half of 1950 the rate of turnover increased substantially.

Total personnel assigned to Chicago was 4% lower on December 31, 1950 than at the close of the previous year. This decrease would not have been registered if a

general tightening of the employment market had not prevented the Bank from completely meeting its personnel requirements. The Bank has resumed the practice of employing high school students on a part-time basis in order to provide additional workers. These student-employees will be employed full-time after they are graduated.

All changes necessary to effect the integration, on January 1, 1951, of Federal Old Age Insurance with the Bank's retirement system were made during the latter part of 1950.

**STATEMENT OF OPERATIONS**

	CHICAGO		DETROIT BRANCH	
	1950	1949	1950	1949
<b>NUMBER OF EMPLOYEES</b>				
As of December 31.....	2,216	2,304	385	380
New Employees .....	469	395	141	78
Separations .....	557	539	136	100
<b>MEDICAL</b>				
Physical Examinations .....	931	833	113	73
Requests for Medical Care.....	31,205	33,337	2,999	3,158
<b>CAFETERIA (See Note Below)</b>				
Number of Meals Served, Including Officers Dining Room.....	529,608	730,301	Branch cafeteria closed August 13, 1949 because of building construction.	
Daily Average Number of Meals Served In Cafeteria—Noon Only.	1,503	1,859		

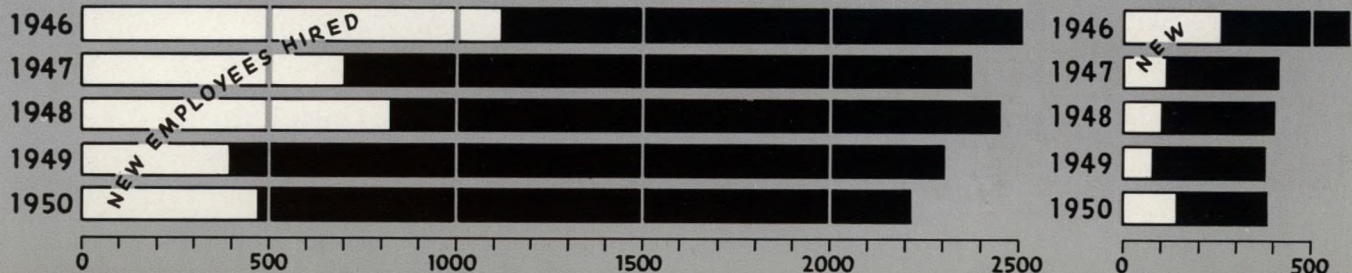
NOTE: 5-day week adopted effective August 6, 1949.

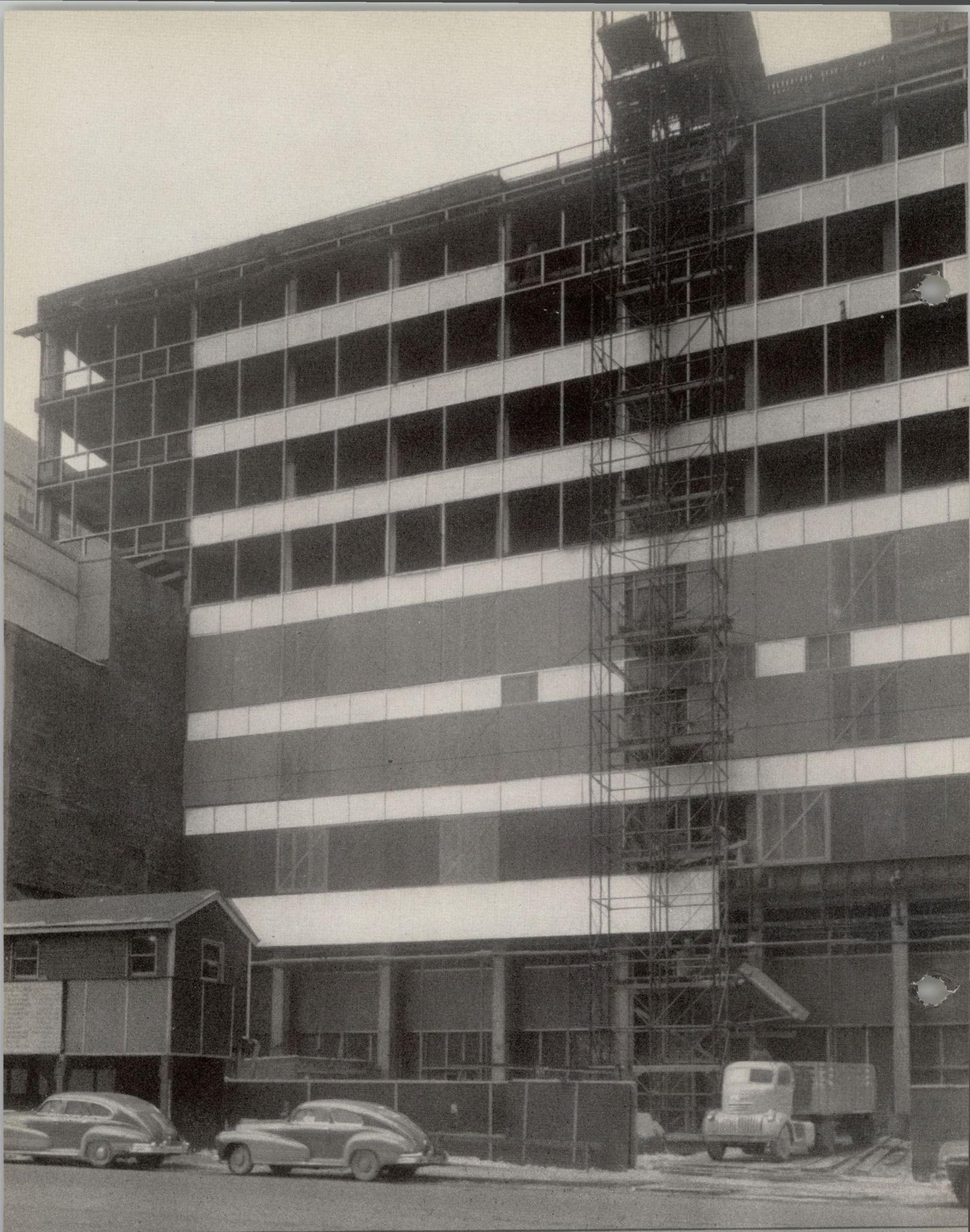


**EMPLOYEES**

**CHICAGO**

**DETROIT**





Construction of addition to Detroit Branch building



## GENERAL BANK ACTIVITIES

# BUILDING OPERATIONS

The operation of the Bank's own building, and such outside rented space as is required, involves attending routinely to the services of air, water, heat, light and power, sewage disposal, vertical transportation, building and furniture repairs and main-

tenance, and decorating and cleaning. Occasionally, attention is directed to real estate valuation and rate procedure, and, in connection with major alterations, to contract negotiation, architecture, engineering, and decorating.

## GENERAL SUMMARY

Operations carried on during 1950 were in furtherance of a renovation program started after World War II, aimed at modernizing the Bank

building. Since this program has now been practically fulfilled, a review is furnished of its more important projects.

### Projects Completed

1. Air-conditioned the entire building.
2. Installed standard doors in Vault No. 4; increased cash vault facilities 25%.
3. Enlarged truck concourse 66-2/3%.
4. Converted electric power and all electrical equipment to alternating current.
5. Modernized electric elevator system.
6. Installed under-floor electric outlet network for concentrations of business machines.
7. Installed modern wood and glass office partitions on two floors.
8. Replaced police alarm system.
9. Replaced all electric master-control wall clocks.
10. Made major departmental moves involving floors 13, 12, 11, 10, 9, 8, and 3.
11. Added oil burner alternate to coal burner boilers.
12. Modernized rest rooms.
13. Relocated laundry on 14th floor.

### Projects Near Completion

1. Increase electrical capacity from 2 to 8 watts per square foot.
2. Relocate Research Department on 5th and 6th floors.
3. Make pilot installation of fluorescent "troffer-lighting" system in Research Department.

A survey of the Bank building is under way in connection with the civil defense program to determine feasible defense measures, zones of relative safety, escape routes, and availability of elemental civil defense tools.

In anticipation of future space needs, a commitment has been made to rent 5,000 square feet of outside space on or before July 1, 1951.

Consideration has been given to the addition of four stories to the Bank building and the construction of additional vault space below the third

basement. Because of the national defense program, these construction projects will be postponed until conditions are more favorable for building.

Alterations of the Detroit Branch building and the construction of an eight-story addition thereto, which were contracted for on August 19, 1950, will be completed, it is anticipated, late in 1951. Approximately 118,000 square feet of additional space will be provided. Vault capacity will be more than doubled when construction on the addition to the cash and security vault is completed.

FEDERAL RESERVE BANK OF CHICAGO

COMPARATIVE STATEMENT OF CONDITION

DECEMBER 31, 1950, AND DECEMBER 31, 1949

	Dec. 31, 1950	Dec. 31, 1949
<b>ASSETS</b>		
GOLD CERTIFICATES ON HAND AND DUE FROM U. S. TREASURY . . . . .	\$4,160,181,824.23	\$4,375,007,011.53
REDEMPTION FUND—FEDERAL RESERVE NOTES . . . . .	100,276,265.00	82,956,787.50
OTHER CASH . . . . .	33,633,040.67	29,799,938.29
Total Cash . . . . .	\$4,294,091,129.90	\$4,487,763,737.32
BILLS DISCOUNTED . . . . .	105,990.95	9,751,829.40
Total Bills . . . . .	\$ 105,990.95	\$ 9,751,829.40
U. S. GOVERNMENT SECURITIES . . . . .	3,142,824,000.00	2,817,903,000.00
Total Bills and Securities . . . . .	\$3,142,929,990.95	\$2,827,654,829.40
BANK PREMISES . . . . .	5,062,021.99	3,514,194.10
FEDERAL RESERVE NOTES OF OTHER BANKS . . . . .	17,542,500.00	18,464,500.00
UNCOLLECTED ITEMS . . . . .	716,750,210.97	435,848,992.88
OTHER ASSETS . . . . .	18,406,141.04	15,368,009.11
Total Assets . . . . .	<u>\$8,194,781,994.85</u>	<u>\$7,788,614,262.81</u>

<b>LIABILITIES</b>		
FEDERAL RESERVE NOTES IN ACTUAL CIRCULATION . . . . .	\$4,559,959,775.00	\$4,501,280,050.00
DEPOSITS:		
Member Bank—Reserve Account . . . . .	2,797,828,130.46	2,627,072,464.20
U. S. Treasurer—General Account . . . . .	102,305,078.74	56,269,040.19
Other Deposits . . . . .	131,643,083.81	117,481,449.57
Total Deposits . . . . .	\$3,031,776,293.01	\$2,800,822,953.96
DEFERRED AVAILABILITY ITEMS . . . . .	482,690,658.85	370,515,152.61
OTHER LIABILITIES . . . . .	855,900.31	1,678,405.13
Total Liabilities . . . . .	<u>\$8,075,282,627.17</u>	<u>\$7,674,296,561.70</u>

<b>CAPITAL ACCOUNTS</b>		
CAPITAL PAID IN . . . . .	\$ 28,698,300.00	\$ 26,885,350.00
SURPLUS (Section 7) . . . . .	75,345,443.17	72,028,821.73
SURPLUS (Section 13b) . . . . .	1,429,383.78	1,429,383.78
OTHER CAPITAL ACCOUNTS . . . . .	14,026,240.73	13,974,145.60
Total Liabilities and Capital Accounts . . . . .	<u>\$8,194,781,994.85</u>	<u>\$7,788,614,262.81</u>

FEDERAL RESERVE BANK OF CHICAGO

COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

YEAR ENDED DECEMBER 31, 1950, AND YEAR ENDED DECEMBER 31, 1949

	1950	1949
EARNINGS .....	\$41,659,635.28	\$47,051,999.33
EXPENSES:		
Operating Expenses .....	10,064,335.34	10,040,239.13
Assessment for Board of Governors .....	473,900.00	446,200.00
Cost of Federal Reserve Currency .....	1,371,612.24	1,121,901.80
Total Current Expenses .....	<u>\$11,909,847.58</u>	<u>\$11,608,340.93</u>
Current Net Earnings .....	\$29,749,787.70	\$35,443,658.40
ADDITIONS TO CURRENT NET EARNINGS:		
Profit on Sales of U. S. Government Securities .....	\$ 5,131,653.36	\$ 4,268,571.03
Other Additions .....	7,986.71	131,944.37
Total Additions to Current Net Earnings .....	<u>\$ 5,139,640.07</u>	<u>\$ 4,400,515.40</u>
Total Current Net Earnings and Additions to Current Net Earnings .....	\$34,889,427.77	\$39,844,173.80
DEDUCTIONS FROM CURRENT NET EARNINGS:		
Total Deductions from Current Net Earnings .....	<u>\$ 56,411.31</u>	<u>\$ 535,630.69</u>
Net Earnings .....	\$34,833,016.46	\$39,308,543.11
Transferred to Reserves for Contingencies .....	—	5,884,000.00
Paid United States Treasury (Interest on Federal Reserve Notes) .....	29,845,729.40	28,681,442.18
Net Earnings After Reserves and Payments to United States Treasury .....	\$ 4,987,287.06	\$ 4,743,100.93
Dividends Paid .....	1,670,665.62	1,556,096.77
Transferred to Surplus (Section 7) .....	<u>\$ 3,316,621.44</u>	<u>\$ 3,187,004.16</u>

FEDERAL RESERVE BANK OF CHICAGO  
SURPLUS ACCOUNT (Section 7)

YEAR ENDED DECEMBER 31, 1950, AND YEAR ENDED DECEMBER 31, 1949

	1950	1949
SURPLUS JANUARY 1 .....	\$72,028,821.73	\$68,841,817.57
TRANSFERRED TO SURPLUS—AS ABOVE .....	3,316,621.44	3,187,004.16
SURPLUS DECEMBER 31 .....	<u>\$75,345,443.17</u>	<u>\$72,028,821.73</u>

FEDERAL RESERVE BANK OF CHICAGO

STATEMENT OF EARNINGS AND EXPENSES

NOVEMBER 16, 1914 (Date of Incorporation) TO DECEMBER 31, 1950

YEAR	CURRENT EARNINGS	CURRENT EXPENSES	CURRENT NET EARNINGS	ADDITIONS TO CURRENT NET EARNINGS	DEDUCTIONS FROM CURRENT NET EARNINGS	NET EARNINGS (See disposition, next page)
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
1950 .....	41,659,635	11,909,847	29,749,788	5,139,640	56,411	34,833,017
Totals .....	<u>\$416,742,512</u>	<u>\$163,720,067</u>	<u>\$253,022,445</u>	<u>\$28,016,238</u>	<u>\$38,114,253</u>	<u>\$242,924,430</u>

FEDERAL RESERVE BANK OF CHICAGO

STATEMENT OF DISPOSITION OF NET EARNINGS

NOVEMBER 16, 1914 (Date of Incorporation) TO DECEMBER 31, 1950

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	—	—
1950...	34,833,017	1,670,666	3,316,622	—	—	—	29,845,729	—	—
Totals ...	\$242,924,430	\$34,364,555	\$90,685,880	\$ 11,681	\$25,313,526	\$151,045	\$92,397,743	\$ —	\$ —
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 ...	\$248,750,212	\$34,364,555	\$75,345,443	\$1,429,383	\$25,313,526	\$151,045	\$92,397,743	\$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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