1953 in Review

Annual Report of the

Federal Reserve Bank of Chicago

The 39th

Annual Report

of the President

to Member Banks

Federal Reserve Bank of Chicago

1953

Federal Reserve Bank of Chicago

February 15, 1954

OFFICE OF THE PRESIDENT

To the Member Banks of the
Seventh Federal Reserve District:

I am pleased to submit to you the 1953 Annual Report of the Federal Reserve Bank of Chicago. During the year we continued to enjoy from our Member Banks a wholehearted cooperation and counsel which made possible further improvement in our operations.

In keeping with the high level of economic activity which characterized the year, the volume of services to Member Banks, Government, and the public increased. These are described briefly in the report, along with the major Midwest economic developments which gave to 1953 its distinguishing characteristics.

On behalf of the Directors, Officers, and Staff, I extend to you the warmest thanks of myself and our entire organization.

Very truly yours,

C. S. Young

President

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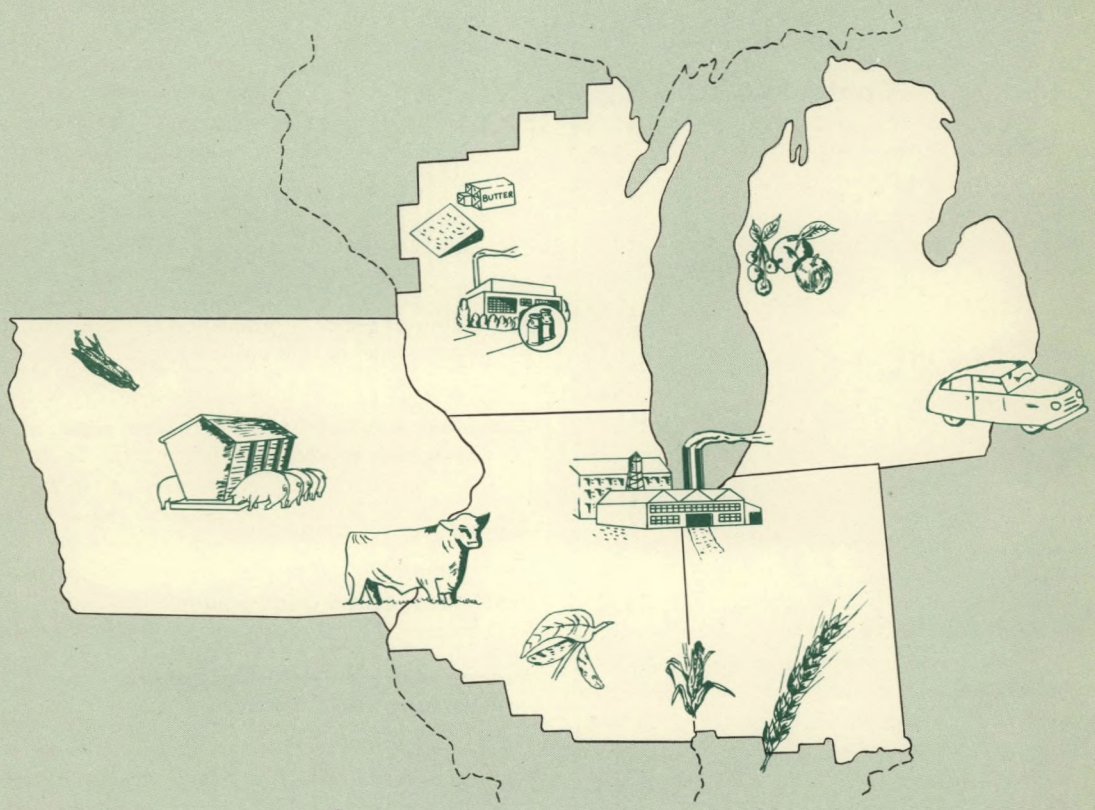
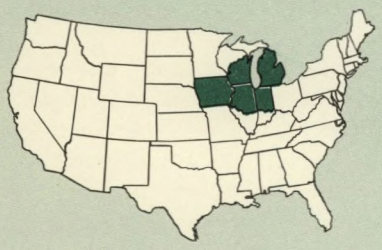
The Seventh Federal Reserve District





1953 in Review

The year in brief

In 1953, for the first time since 1948, economic activity underwent a transition from expansion to decline. The year was divided rather clearly into two parts — a gradual rise characterized the first half and a moderate decline the second. This change of pace within the year has tended to overshadow the fact that the year as a whole took its place at the top of a procession of four record years.

A listing of the accomplishments of the American economy in 1953 becomes almost a monotonous recitation of new record highs. Over-all the year witnessed an increase from 1952 of about 5 per cent in total output of goods and services. Personal income rose by a slightly higher proportion, and virtually all groups excepting the farmer participated. Moreover, these gains represent changes in real volume, as the general level of prices showed great stability.

In the fourth quarter of 1953 total business volume remained above the year-earlier level, but factory output was noticeably lower. Moreover, virtually all business categories reported sales, orders, and inventories in the fourth quarter below peak levels set earlier in the year. Evidence of this generalized slackening of activity continued to accumulate as the most prosperous year in history drew to a close.

In the credit sector the cleavage between trends in the first and second halves was marked. In the early months of 1953, booming business kept credit demands strong. Interest rates climbed as a result of a substantial rise in consumer and mortgage credit, a large volume of security issues, and an absence of the usual seasonal decline in business loans. Credit extensions continued heavy into the second quarter, but in midsummer the pressure of demand for borrowed funds began to ease noticeably in one segment after another.

The usual fall upsurge in the demand for credit was tardy in appearing and lacked the vigor of earlier years. This change of pace was striking considering the fact that business activity had fallen but little from early summer peaks. Interest rates on virtually all types of borrowings began to recede after reaching levels well above those of other recent years.

In the spring, the Federal Reserve System took steps to ease the supply of funds. Treasury bills were purchased in May and June, and reserve requirements of member banks were cut at mid-year. In the second half of the year, reserve funds continued to be supplied in a volume sufficient to provide for the normal seasonal needs of public and private borrowers.

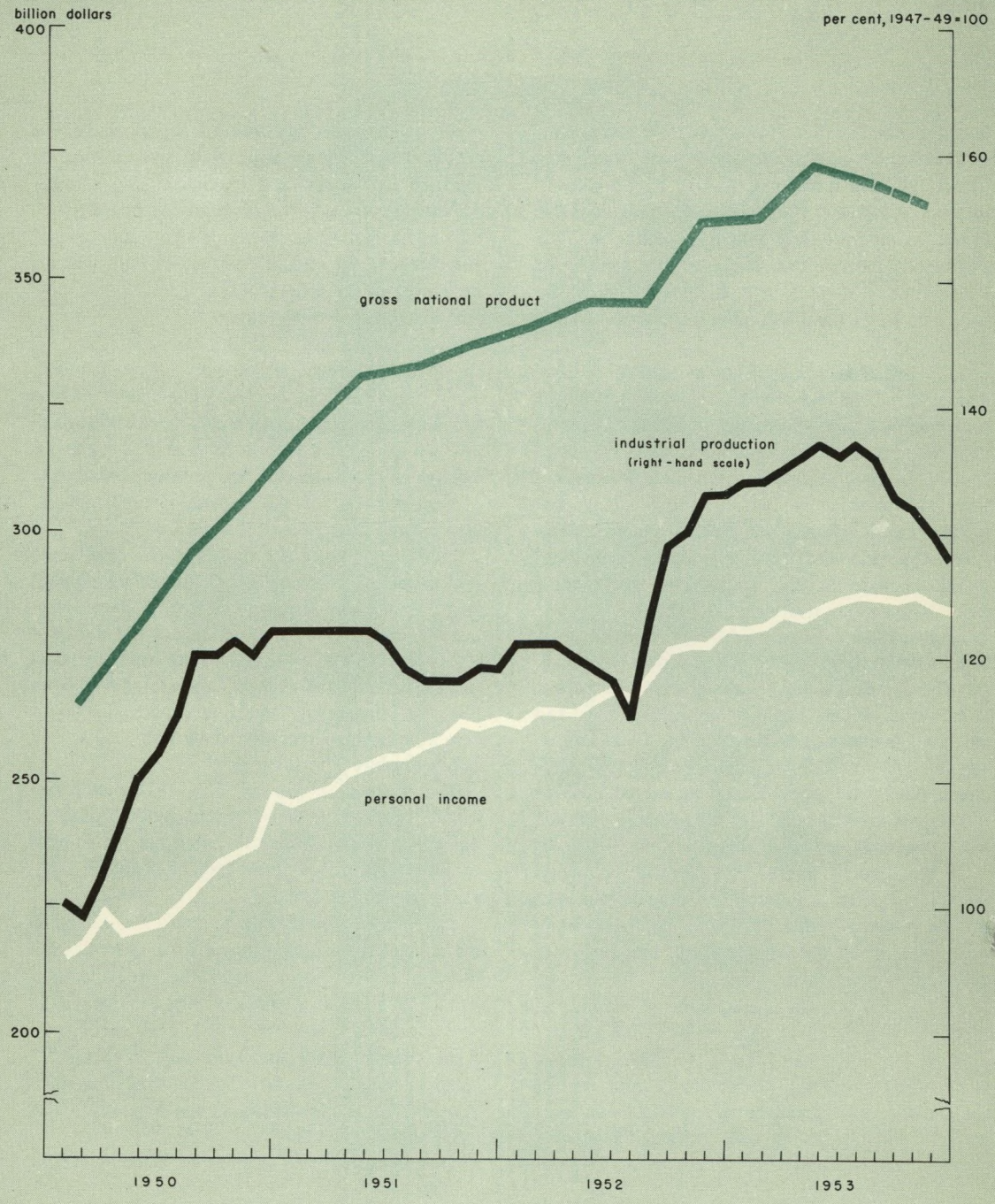
Developments in the monetary field reflected the moderate slowing of business investment and a slackening toward year-end in credit buying of consumer durables, particularly automobiles. Business inventories began to decline in the fourth quarter after a substantial rise from the start of the year, and plant and equipment expenditures finally reached the crest of a long climb at about the same time.

The four-year boom, 1949-53, was based largely upon rising Government expenditures for defense and rising business outlays for capital expansion. Both of these factors reached high-water marks last year.

In 1953, for the first time since 1950, Government expenditures were lower in the second half than in the first. Nevertheless, the Federal sector provided a strong expansive influence for 1953 as a whole. Total cash expenditures rose by over 5 per cent from the previous year, to almost 77 billion dollars. Moreover, for the first time since World War II, the Treasury spent substantially more than it took in.

Despite continued high-level activity, easier

Expansion has keynoted economic trends over the past four years



money, and a large Federal deficit, it is apparent that the last half of 1953 saw the beginning of the second period in the postwar years in which the resistance of the American economy to downward pressures would be tested. The first came in 1948-49 when an "inventory recession," concentrated in soft goods, failed to spread despite apprehension that the long-awaited postwar depression was at hand. In retrospect, it is apparent that the effects of the working down of inventories in 1949 were offset largely by a continued strong demand for automobiles and housing coupled with a substantial rise in Government spending and a cut in income taxes.

At the end of 1953, after six months of gradual decline, personal income was still very close to the record levels of midyear. Industrial production, however, had fallen 7 per cent from the peak, and nonfarm employment was off by one million. Retail sales were slower in the last five months and probably failed to equal year-ago results in the fourth quarter. Meanwhile, consumers and business had added another thick layer of possessions to their eight-year postwar accumulation. As a result, their immediate needs for goods of all kinds had been satisfied so well as to still all talk of shortages.

The picture at year-end was brightened by the knowledge that tax cuts would go into effect on January 1. The financial health of business firms, farmers, and consumers remained excellent. Liquid asset holdings had risen further during the year, and an ample supply of loanable funds was available. Unemployment compensation and farm price supports were helping to cushion the moderate downturn in earned income. Finally, prices of goods and services continued firm in the face of slowing business, an indication that speculative activity had been restrained during the upswing.

A factor of strength hard to evaluate but present nonetheless was the reservoir of confidence in the future. Informed businessmen had been generally aware at the start of 1953 that the uptrend was nearing its peak. The eventual recognition that an adjustment was in process did not, therefore, surprise policy makers.

Many business executives were proposing aggressive selling campaigns featuring improved products as an antidote to lagging demand, while Government spokesmen had indicated that they saw nothing alarming in the business outlook and had pledged vigorous use of monetary and other measures to stabilize the economy.

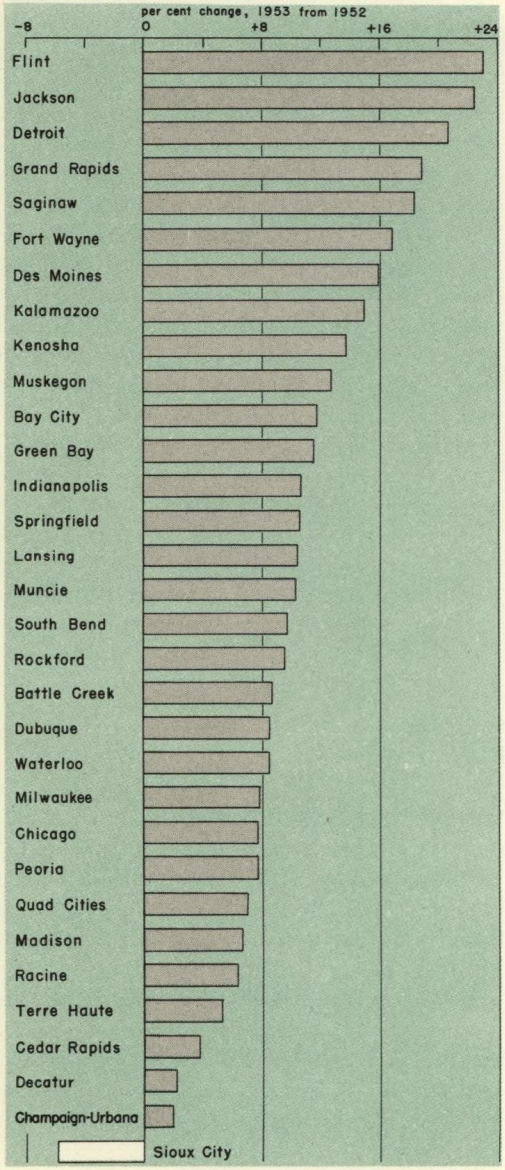
The industrial sector—production achievement meets defense and civilian needs.

IN MID-1953 an uneasy truce ended three years of hot war on the Korean peninsula. At about the same time, the drive to achieve industrial capacity equal to the task of supplying civilian needs while meeting defense requirements was largely realized. With an abundance of goods being turned out, any lingering fears of continuing general price inflation gave way to consideration of the perils of deflation.

New production records were achieved in virtually all basic industries in 1953. Total factory output exceeded the previous high year by about 8 per cent. In the spring an improvement in raw material supplies permitted virtually all remaining controls over wages, prices, and materials to be stripped away. These developments coupled with the absence of major work stoppages contributed heavily to the swift upward surge of industrial activity in the first half of 1953, following the ending of the steel strike in the late summer of the previous year. During this period, total output rose by nearly 20 per cent, and individual industries such as automobiles and electrical machinery increased by much larger proportions.

In the peak weeks of the spring of 1953, steel

Midwest centers lead nation in growth in checkbook spending



THREE-FOURTHS of the Seventh District's thirty-two metropolitan areas reported a 1953 increase in checkbook spending which was greater than the 7.2 per cent national average. Since more than 90 per cent of all money transactions are carried out by check, the dollar amount of charges to checking accounts provides a comprehensive indicator of changes in over-all activity in local communities.

According to this measure of business activity, the region's chief automobile manufacturing centers led the parade in 1953. In terms of percentage gain in checkbook spending over 1952, the top five Midwest metropolitan areas were located in the Michigan automotive complex.

In more diversified cities, the contrast between 1952 and 1953 levels of activity was less sharp. Among Illinois and Iowa metropolitan centers, for example, only Springfield and Des Moines reported debits increases of as much as 10 per cent. Smallest increases appeared in those centers which most directly serve agricultural areas.

Bank debits, although a very comprehensive measure, are not a perfect indicator of current local business activity since some checks are drawn in order to complete out-of-city transactions or to effect financial operations such as the purchase of securities or the transfer of funds. For example, Sioux City reported the only 1953 decline in debits among Midwest centers chiefly because of lower prices paid for cattle sold in its market. The smaller dollar volume of cattle payments moving through the banks meant smaller incomes, but primarily for the cattle growers rather than the residents of Sioux City.

was poured at a rate equal to 120 million tons per year, passenger cars were assembled at a 7.8 million yearly pace, and television sets were turned out at a 10 million annual rate. These production rates were far in excess of consumer takings in any one year, and it was generally understood at the time that they would not be maintained for long.

Heavy output added to inventories at all levels of business in spite of record sales and caused many firms to embark upon a policy of liquidation. Attempts to run down inventories were primarily responsible for the midyear turnabout in industrial production and the continuing slide in the second half of the year. The decline was augmented by order cancellations and a cutback in new commitments for military goods. In the fourth quarter, national security expenditures were running about 4.2 billion dollars per month compared with a high of 4.6 billion in the second quarter.

One of the most remarkable aspects of the gradual downtrend in industrial activity after the summer of 1953 was its universality. In the final months of the year, every major manufacturing category was operating at lower rates, seasonally adjusted, than the highs for the year. Most types of activity had hit top rates by the end of the second quarter, but for a few lines such as paper products and crude oil the peak was reached in the late summer or early fall.

Durables mark downturn in Midwest

In part, the second-half decline in industrial production could be explained in terms of the changing seasonal patterns in such important Midwest industries as automobiles and farm machinery. But this was only a part of the story. The edge of demand for most goods had been dulled by the addition to the large output in earlier postwar years of the record first-half volume. In addition, optimistic production schedules in the early fall in such lines as automobiles, appliances, and petroleum products resulted in a further pile-up of stocks.

For the most part, the industries which experienced the greatest declines in output in the second half of 1953 were those which had enjoyed the swiftest rise from the previous year. In general, these were the durable goods lines — products which are long lasting and the purchase of which may be postponed or accelerated as conditions warrant. Included, in addition to the major consumer items — automobiles, appliances, and furniture — are the machinery and equipment purchased by business firms. These industries characteristically show greater fluctuations than the total of all goods and services. In the past few years, strong civilian demand for durables has been supplemented by heavy dependence of the armed services upon Midwest factories for aircraft engines, ordnance, military vehicles, and other supplies.

The Midwest has a very large share of the metal-using, hard goods industries. This pre-eminence is built upon a reservoir of skilled workmen, central locations, and excellent transportation facilities leading to raw materials and markets. Although the five states of the Seventh District include only 16 per cent of the nation's population, they account for more than one-fourth of U. S. production of durable goods.

Machinery, electrical goods, and transportation equipment are particularly important categories of manufacturing employment in the Midwest. In Indiana, these classes accounted for over 40 per cent of manufacturing employment last spring; in Illinois and Wisconsin, it was 50 per cent; in Michigan, almost two-thirds. For the nation as a whole, employment in these industries amounted to about 28 per cent of the total for manufacturing. The region includes two-thirds of all automotive industry employment and three-fourths of the farm implement workers.

Automobiles: During 1953, the important automobile industry produced 6.1 million passenger cars and 1.2 million trucks — altogether 7.3 million vehicles. This was second only to the 8 million produced in 1950 and was 30 per cent above the 5.6 million turned out in 1952.

In the first half of 1953, output of passenger

cars exceeded the same period in 1952 by 50 per cent. Moreover, work on military contracts had expanded substantially with the result that the automobile cities — Detroit, Lansing, Flint, South Bend, Kenosha, and certain other centers — witnessed booming activity. This picture was altered drastically in the second half as a result of heavy dealer inventories and cutbacks in defense contracts. In November and December car output fell to the lowest point since the steel strike, about 70 per cent of the October rate, partly as a result of model change-overs.

In the spring of 1953 a number of newly completed Michigan plants designed for the production of tanks and aircraft engines were diverted to other uses as contracts were scaled down or transferred to other producers. Production of tactical vehicles was declining in the second half of the year, and all outstanding contracts were expected to be completed by the middle of 1954.

Steel: The nation's steel capacity rose by almost 7 million tons in 1953 to over 124 million. Not all of this capacity was required toward year-end as operating rates dropped well below 100 per cent. During the year 112 million tons of steel were produced, well above the 1951 high of 105 million and 20 per cent more than the 93 million for 1952.

The Chicago area's share of last year's production tonnage was 20.7 million, more than the Pittsburgh metropolitan area. Despite gains in steel capacity, the area surrounding Chicago and Detroit continues to consume more steel than it produces. Thus, operating rates in these cities held closer to capacity than was the case for older producing areas. In fact, very substantial projects for increasing steel capacity in the Detroit area have been announced, mainly for the production of types of steel used in large volume by the automotive industry.

Electrical goods: Chicago, Milwaukee, and Indianapolis along with some smaller Midwest centers have an important stake in the electrical goods industry. Until the final months of the year, these firms continued to expand operations, principally because of heavy defense orders and the desire to stockpile sufficient television sets for the fall market. Electronics constitute too vital a component of modern military equipment to allow much reduction in demand from that source, but slow TV sales caused extensive layoffs toward year-end. In the year, however, over 7 million TV sets were produced, compared with 6 million in 1952.

Farm machinery: Production of farm implements in 1953 fell 7 per cent below the previous year which, in turn, had failed to match record 1951. Production workers in the industry numbered only 110,000 in late 1953 — 30,000 less than a year earlier and 50,000 below the 1951 peak. Defense work and production of civilian goods in other lines helped maintain employment of some of the agricultural equipment producers.

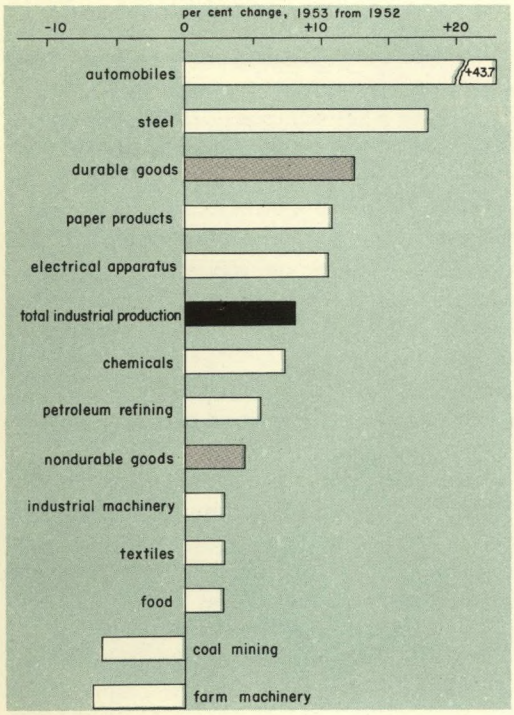
Inventories turn the corner

It is apparent that gains in output which are based upon inventory growth can not be maintained for long. The rise in inventories continued into the third quarter, but a fairly rapid liquidation began in the fourth.

October was the first month to register an over-all drop in business inventories, after a rise of almost 5 billion dollars from the start of 1953. By that time most appliance and TV set makers, automotive and farm implement firms, and other hard goods producers had been forced to cut production as a result of accumulations of stocks.

At year-end, dealers possessed over one-half million new cars compared with about 300,000 on January 1. Dealers, distributors, and manufacturers were reported to have two million TV sets in stock, almost double the previous year-end total. In the soft goods lines, apparel stores were troubled during the fall with bulging stocks resulting from overenthusiastic sales projections and the effects of warm weather on consumer buying. Commissions in oil-producing states had ordered reductions in allowable crude production because of large above-ground stocks.

Hard goods show largest output gains



From July on, manufacturers' sales declined on a seasonally adjusted basis until by November they were 7 per cent below the spring peak. Although the rate was still higher than in previous years, an ominous note had been introduced by the fall slump in new orders which continued to run 10 per cent below the reduced level of sales from August through November.

Even firms which did not consider inventories "too high" in relation to sales were tempted to reduce their investment in stocks as a result of growing expectations of price concessions and the ready availability of supplies. Deliveries had accelerated to the point that many orders were ready for shipment ahead of schedule, and firms which had been buying 60 to 90 days or more ahead could revert to a 30-day basis.

Inventory movements are of special importance in short-run business trends. When stocks are building, demand exceeds purchases by final users; when liquidation is under way, the reverse holds true. As production falls, the process may become cumulative because weekly hours are reduced, layoffs occur, and consumer income declines. In addition the effects spread quickly to nonmanufacturing activity. In the fourth quarter, railroads, for example, reported freight carloadings to be running 10 per cent below the 1952 period.

Inventories of hard goods manufacturers at year-end appeared to be especially burdensome. Holdings of these firms amounted to 57 per cent of all manufacturers' inventories in November of 1953 compared with 49 per cent in June 1950. It was in the durables lines also that the new orders decline was most noticeable.

Department stores in large Midwest cities ended 1953 with inventories 4 per cent higher than at the beginning of the year, partly because December sales did not match the 1952 figure. Thus sales-stocks ratios declined despite very cautious ordering throughout the fall. Larger stocks were particularly marked in the apparel and furniture departments.

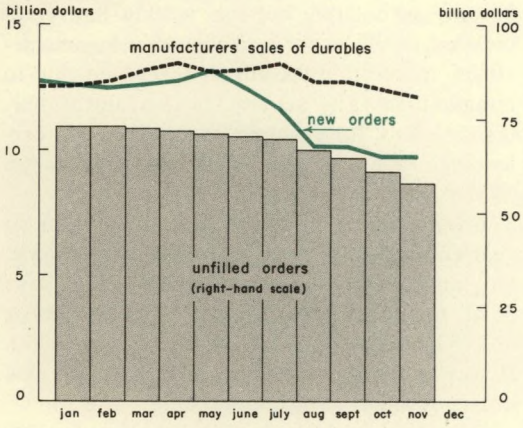
Growth in plant capacity

Expenditures of business firms on new plant and equipment reached a new record high in 1953 for the fourth successive year. The year's 28 billion dollar outlay brought the total for the 1950-53 period to 100 billion dollars—almost 43 billion of which was for manufacturing facilities.

Steel ingot capacity rose from 100 to 124 million tons during this period and surpassed the original goals set in 1950 when the enlarged defense program was launched. Petroleum product capacity increased by over 20 per cent, and electric power capacity rose to 90 million kilowatts from 66 million in 1950. Virtually all other producers of raw materials reported substantial gains.

Most industries were slowing capital outlays in the fourth quarter of 1953, thus ending the continuous upward sweep since 1950, and sur-

Order backlogs declined as sales of durable goods producers outran new business



veys indicated a moderately reduced level of capital outlays for the early months of 1954.

Construction contract awards for commercial and manufacturing buildings in the Midwest were at a high level in the second half of 1953, and public utility and commercial expenditures, buoyed up principally by electric power and new shopping centers, appeared likely to expand further. But the much larger segments — manufacturing, mining, and transportation — doubtless had passed their peaks.

Unfilled orders for various types of capital equipment had largely melted away by year-end. Machine tool backlogs which amounted to 23 months of sales at their peak in 1951 were down to less than six months. New orders for machinery of all types fell by one-third between April and November. Almost 70,000 freight cars had been on order early in 1953, but by October this figure had been worked down to 31,000.

Prices steady, profit margins narrow

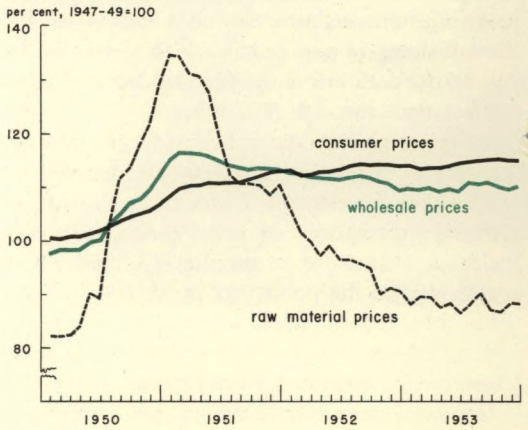
Throughout 1953, the general level of prices showed continued stability despite pronounced movements in other measures of economic change. There were, of course, declines in some sectors which were offset by increases elsewhere, but sharp changes were relatively rare. Only a few significant price increases were posted after the ending of controls in the spring of 1953, indicating the degree to which supplies had improved relative to demand.

Average wholesale prices closed the year at almost exactly the same level as at the start, although there were diverse trends within the aggregate. Farm products had slipped about 6 per cent, while most manufactured goods had risen slightly under the influence of high-level demand and the steady push of rising labor costs. By the fall of 1953, prices received by farmers were back to the pre-Korea level and were showing signs of stability due in part to the effects of Government programs on supported commodities.

Consumer prices were slightly higher than in 1952, but the over-all picture continued to be one of stability as in the past two years. Food costs were down a little, but rents increased substantially in areas such as Detroit and Chicago which were recently decontrolled.

Prices of manufactured goods did not weaken appreciably in the fall despite over-ample supplies of many items. Raw materials

The price level showed great stability through the year



for industrial use which had spurted so sharply after the beginning of the Korean war were substantially deflated before 1953 began, although steel scrap, natural rubber, and most nonferrous metals experienced substantial declines during the year.

Some reduction in production costs were realized as 1953 drew to a close. Some firms were benefiting from the cessation of purchases of premium-priced foreign or "conversion" steel. Others were able to withdraw aged, high-cost equipment from use as orders declined. Unit costs in most manufacturing lines were reduced as a result of less overtime and the elimination of marginal workers.

Profit margins were already narrowing in the third quarter either because of price concessions or, more often, reductions in volume. Nevertheless, corporate profits before taxes for 1953 were estimated to have been close to the record total of 43.7 billion dollars in 1951 which was about 10 per cent above the 1952 figure. After taxes, profits of almost 20 billion dollars were not far from record totals.

Agriculture—a "soft" spot, but there were signs of stability at year-end

WHILE most segments of the economy continued to set new records well into the year, agriculture was experiencing further downward adjustments in prices and income following the peaks reached in 1951. At the close of the year, farm product prices were off 6 per cent from a year earlier, and large supplies continued to weigh heavily on commodity markets.

Many farmers had reduced their spending for machinery and new buildings from the high levels of other recent years. Land values, which had turned down about mid-1952, continued a slow steady decline throughout 1953, and the value of cattle on farms had declined sharply. Despite reduced capital expenditures and a shrinkage in value of land and some other assets, farm debts showed a further moderate increase. Thus, the financial position of agriculture deteriorated somewhat in 1953, but still remained generally strong at year-end. Farm product prices had dropped to 90 per cent of parity for the first time since 1940. Farmers' realized net income, about 12.5 billion dollars, was 15 per cent below the 1951 peak and approximated the 1945 and 1950 levels.

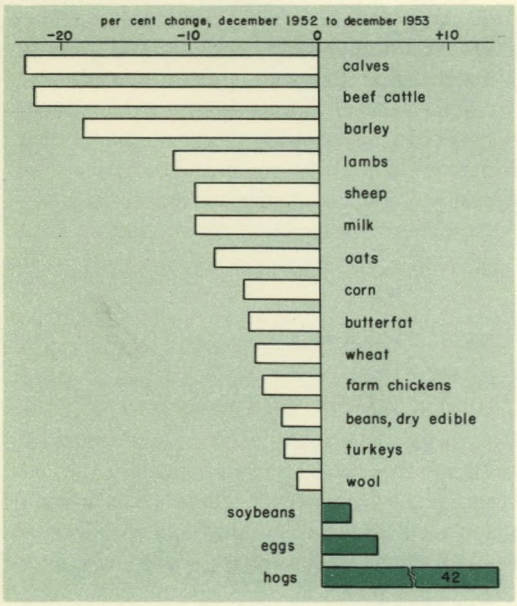
The downtrend in prices came to an end, at least temporarily, in the closing months of the year and gave rise to hopeful suggestions that the readjustment of agriculture to a "peacetime" economy had been largely completed. But with over 5 billion dollars of agricultural commodities owned by the Commodity Credit Corporation or under price support loans, agriculture geared to a large volume of production, foreign markets showing only very limited signs of recovery, and some indications that domestic demand might weaken, there was still considerable concern in many rural communities.

Midwest in favored position

The adjustments taking place in agriculture, however, promised to be less severe in the Midwest than in a number of other areas. The rural economy of this region is oriented primarily to the production of livestock commodities which, for the most part, are sold on the domestic market. The key factor, therefore, is the buying power of American consumers, and this had remained strong throughout the postwar years.

The nation's farmers grossed about 30 billion dollars from sales of farm products in 1953, 7 per cent less than in the previous year. Both crops and livestock provided less income than in 1952. Midwest farmers fared relatively a little better. Grossing nearly 6.9 billion, they came within 5 per cent of equaling their previous

Prices of most Midwest farm commodities moved to lower levels in 1953



year's sales. Their share of the national total, nearly 23 per cent, showed a modest increase over that of the previous year. This relatively favorable showing occurred despite the heavy decline in prices of cattle, which are second only to hogs as a source of farm income in the District.

A further favorable factor in District agriculture, as compared with several other areas last year, was the weather. Whereas drouth visited a number of important agricultural regions during the growing season, it did not call on the Midwest until most crops were ready for harvest.

Adjustment in cattle

The nation's total output of agricultural commodities in 1953 was maintained at the record rate set in the previous year — about 45 per cent above the prewar, 1935-39, average. In the Midwest, however, total production was slightly smaller than in the preceding year.

The major source of adjustment in Midwest agriculture in 1953 was in the cattle business. Farmers and ranchers marketed cattle in record volume. Total slaughter was large enough to bring to a halt the rapid build-up in herds which had been under way since 1949. With about one-fourth more cattle slaughtered than in 1952, prices were down sharply. And as prices of slaughter stock slipped, expected profits from cattle feeding evaporated, and losses were chalked up by many farmers on this phase of their business.

Illinois cattle feeders, for example, recovered less than half of the value of feed used in their 1952-53 cattle-feeding activities. Normaliy farmers must have a return of about $1.20 for each dollar of feed if all costs are to be covered. As a result of losses experienced in the past two years, farmers have purchased fewer cattle for the 1953-54 feeding season. The number on feed at year-end was down 9 per cent from a year earlier in the nation and 15 per cent in Iowa—the leading state.

Hogs, the major source of farm income in Illinois, Indiana, and Iowa, provide a different story. Prices averaged well above the 1952 level and, although the number raised was down about 10 per cent from the previous year, income from sales of hogs increased. Under the stimulus of high prices, farmers were expanding hog production at year-end.

Another bright spot in the picture was provided by poultry and eggs. Prices of these commodities generally ranged about equal to or above year-ago levels and, with lower feed costs, returns were generally favorable. Eggs and chickens were produced in record volume, but the turkey crop was smaller than in the previous year.

Milk production was increased moderately as farmers added to their dairy herds, but since prices averaged well below 1952, income from dairy products declined.

Crops usually provide less than one-third of farmers' cash receipts in District sales and generally were sold at lower prices than in the

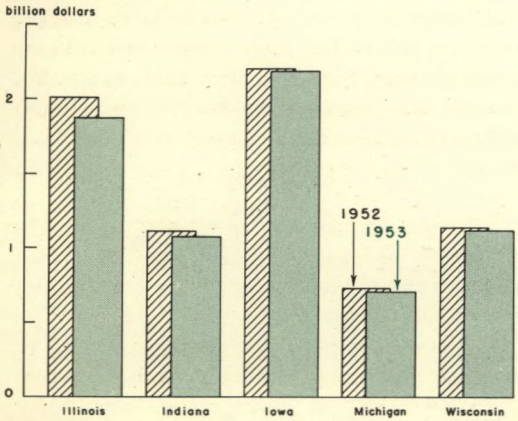
previous year. A large volume of marketings, including part of the previous year's large harvests, was instrumental in maintaining receipts at about the 1952 level.

Production of crops in District states is important primarily as a source of raw materials for the livestock industry. In this respect, of course, corn is king. Although grown on nearly every District farm, corn provides cash income on less than 30 per cent of them. Its relative unimportance as a cash crop, nevertheless, does not diminish its significance to the area.

The 1953 harvest totaled 3,177 million bushels and was moderately smaller than in the previous year. But with fewer hogs and cattle being fed, part of the crop will be placed under CCC price support loan. The Commodity Credit Corporation owned or had under loan more than half a billion bushels at the end of November, and stocks continued to accumulate.

The soybean and wheat harvests, although making "good" yields, nevertheless turned in a smaller total volume than in the previous year. Here again, however, stocks are large, prices are off, and the price support program is playing an important role.

Cash receipts from farm marketings dropped below the 1952 level in all District states



Agricultural exports in 1952-53 were off nearly one-third from the record volume of the previous year, wheat and cotton bearing the brunt of the decline. In part, the sharp drop in exports was due to good crops throughout the world's major producing areas. The abundance of supply erased concern about inventories for future needs, with the result that there was a willingness to draw down previously accumulated stocks in some parts of the world. The sharp drop in U. S. exports reflected also the high level of domestic price supports which tended to price our commodities out of world markets.

Although exports do not account for a large part of District agricultural commodities, except for soybeans and lard, and to a lesser extent, corn, Midwest agriculture feels repercussions from any contraction in demand for commodities produced in other areas. This may be expected to show with even greater force as wheat and cotton acreages are cut back and land in others areas is diverted to soybeans, feed crops, and livestock.

Land values slip

After moving up about 25 per cent from mid-1950 to mid-1951, under the speculative upsurge associated with Korea, land values held about steady until mid-1952, when a decline began which continued through 1953.

	Mid-1950 to Korea peak	Korea peak to November 1953
	(per cent change)	
Illinois	+32	—8
Indiana	+33	—7
Iowa	+25	—8
Michigan	+26	—3
Wisconsin	+18	—7
U. S.	+27	—6

The descent thus far has been rather gentle. While there is no indication that land values will decline as rapidly as they advanced in the initial part of the recent upsurge, there is every indication that the direction of movement will continue downward at least until the decline in farm

product prices and income has run its course.

Farm mortgage debt continued its postwar uptrend in 1953 and, along with developments in credit markets generally, is carrying a somewhat higher interest rate than in other recent years. Although real estate transactions typically involved more credit relative to sales value in 1953 than at any time in the postwar period, the farm mortgage debt situation continues generally favorable. Total mortgage debt is still at a low level relative to either land values or the current level of farm income and even in drouth-affected areas continues to be serviced with only very few delinquencies. Farm mortgage foreclosures remain almost nonexistent across the countryside.

Reflecting the heavy load of short-term indebtedness which some farmers had accumulated in recent years, there was a nominal volume of refinancing of short-term debts into longer-term farm mortgage debt in 1953. This barometer of financial stringency in agriculture, however, gave no positive storm warning in Corn Belt states.

Short-term debts of farmers declined moderately over the past year. The decline reflected primarily the trend of cattle prices and the volume of feeder cattle purchased in areas where cattle feeding is an important activity. Iowa and Illinois farmers, for example, reduced their short-term bank borrowings about 27 and 23 per cent, respectively. A related factor, no doubt, was the reduction in purchases of new farm machinery in 1953. In other Midwest states, however, where cattle feeding is less important, farmers are using about the same amount of short-term credit as a year ago. Delinquencies on short-term farm loans have increased somewhat, as indicated by a rise in the number of renewals and extensions. The financial position of farmers, nevertheless, remained generally strong at year-end.

A good year for consumers

Wages and salaries rose by about 8 per cent nationally between 1952 and 1953, a considerably larger relative gain than that shown by other types of personal income. The decline in farmers' net income offset to a large extent higher returns from dividends, unincorporated businesses and other nonwage sources.

The largest income rise was posted by manufacturing workers because of a 5 per cent increase in average weekly earnings and a similar rise in the number of workers employed. Mainly, these increases were concentrated in the durable goods lines. As a result most Midwest cities enjoyed an even larger year-to-year income gain than did the nation as a whole.

Employment joined the long list of new records. Unemployment, moreover, averaged the lowest in the entire postwar period. But the situation was changing rapidly at year-end.

In September and October, unemployment was estimated nationally at only 1.2 million in spite of the widely held belief that 2 million represented a virtually irreducible peacetime minimum. In December, however, the number had jumped to 1.9 million despite increased seasonal hirings by trade and service firms.

Unemployment compensation claims dropped to a low ebb in June, but a substantial rise occurred in the second half. District states reported insured unemployment to be up more sharply than was the case for the nation as a whole.

	December 27, 1952	June 27, 1953	December 26, 1953
	(In thousands)		
United States	1,005	852	1,711
Illinois	43	53	92
Indiana	16	16	47
Iowa	5	4	15
Michigan	26	20	93
Wisconsin	14	10	42

SOURCE: U. S. Department of Labor.

In August manufacturing employment in the nation stood at a peacetime high of 17.3 million. By December this number had fallen over 5 per cent, and layoffs continued. During this period manufacturing wages and salaries dropped by almost 6 per cent.

The increase in unemployment in the late months of 1953 was largely confined to unskilled factory workers in durable goods industries, but some skills formerly in short supply were no longer so classified. In most centers, even those in which layoffs were important, office workers continued to be hard to recruit.

Midwest centers had been among the tightest labor markets in the nation in the first half of 1953, but this position was relinquished as the year wore on. Manufacturing employment in durable goods lines was particularly strong. Michigan cities recorded the greatest gains from 1952, as manufacturing employment in that state rose by over 16 per cent in the spring over the same months in 1952 when allocations had cut auto output.

By September, Detroit reported one of the highest unemployment rates in the nation. The number of jobless had moved up from 20,000 in the spring to 75,000 in the fall — about 5 per cent of the labor force. There was no further rise to year-end, however.

Cities specializing in farm machinery such as the Davenport — Rock Island — Moline area and Racine, together with some smaller centers, encountered rising rates of unemployment as production was cut back to reduce swollen inventories.

Milwaukee manufacturing employment dropped to 10,000 below the year-ago figure in November and unemployment rose from 6,000 to 16,000. The dependence of this city on capital goods industries and motor vehicles caused appreciable loosening of the labor market after the summer peak in jobs.

Chicago, because of its diversified industries, remained one of the tightest major labor markets in the country. Even in Chicago, however, there was a general, if moderate, softening at the end of 1953. Unemployment compensation and relief claims moved up as layoffs occurred in farm machinery, television, and other hard goods lines.

Indianapolis, like Chicago, continued to experience an active demand for workers. Manufacturing employment in November equaled the year-ago figure.

Unemployment totals remained lower than might have been indicated by reports of factory output cutbacks. Some of those laid off found jobs readily in fields which had been understaffed. Of considerable importance also in mitigating unemployment was the shortening of work weeks in manufacturing.

The average week nationally declined to about 40 hours from 41 hours earlier in the year. The result was that average weekly earnings in the fall were the lowest for the year despite a continuing rise in basic wage rates. "Overtime" which had added significantly to factory workers' take-home pay was rapidly disappearing. In Midwest states the amount of overtime work had been greater than in the nation generally. The work week had averaged 42 hours; consequently, the reduction to 40 hours or less had a proportionately greater impact on take-home pay.

Autos pace retail trade

The volume of retail trade in most lines and in virtually all District centers broke all records last year. Nationally, total retail sales topped the 1952 volume by 4 per cent. Reasons for this are not hard to find. Consumer income was substantially higher than in 1952, prices were relatively stable, and the selection of all kinds of merchandise was the widest ever.

Although new sales records were common last year, gains from 1952 were generally modest in both soft goods and durable lines. Automobile dealers, whose sales volume rose sharply on the crest of a spectacular increase in new car purchases, were the main exception to this pattern. Nationally, 1953 sales and the per cent change from the previous year for

selected kinds of retail stores were as follows:

	1953 (billion dollars)	Per cent change
Automotive group	33.5	+18.2
Gasoline stations	10.5	+5.7
Food group	40.9	+2.8
Homefurnishings stores	9.1	+1.9
General merchandise stores	19.0	+1.5
Drug stores	4.8	+1.4
Lumber and hardware group	13.5	−1.5
Apparel stores	10.3	−3.0

Sales of general merchandise did moderately better in most District centers than in the nation, reflecting the generally larger increases in employment and income in the Midwest last year. Judging from department store volume, however, changes in sales varied substantially among individual centers (see chart). Led by the 18 per cent larger volume in Flint, Michigan cities showed by far the largest year-to-year sales gains. Seven of the ten largest increases in the District occurred in Michigan centers. Sharp increases in wage and salary income, resulting from the upsurge in auto output, obviously were responsible for this favorable showing.

Other cities showing larger than average gains in department store trade were Fort Wayne, South Bend, and Indianapolis — all heavily industrialized centers. Despite substantially higher personal income payments, sales volume in the Chicago and Milwaukee areas increased only slightly in 1953. The continued trend toward suburban shopping and aggressive competition from specialty stores, however, may have adversely affected department store trade in these and other major metropolitan areas.

In most Iowa cities, department store sales were no better than in 1952, reflecting the decline in farm incomes and the relatively greater dependence of these areas upon agriculture. Manufacturing layoffs and uncertainties concerning the job outlook contributed to a 4 per cent decline in the Quad Cities area—where industrial activity is heavily concentrated in production of farm machinery and equipment.

Automobile sales jumped sharply in all areas last year, however, and this probably explains the modest advance in general merchandise sales relative to personal income. Nationally, new car registrations from January through November ran 42 per cent ahead of the same period in 1952. For the year they totaled about 5.8 million units, second only to the 6.3 million new cars purchased in 1950. Unit sales of used cars were also well ahead of 1952, but because of sharply lower prices, dollar volume was probably about the same as in the previous year. Despite the lagging used car volume, *the gain in sales of automobile dealers nationally accounted for about three-fourths of the rise in total retail sales last year.* Thus, much of the increase in consumer buying power was channeled into the automobile market rather than the general merchandise lines.

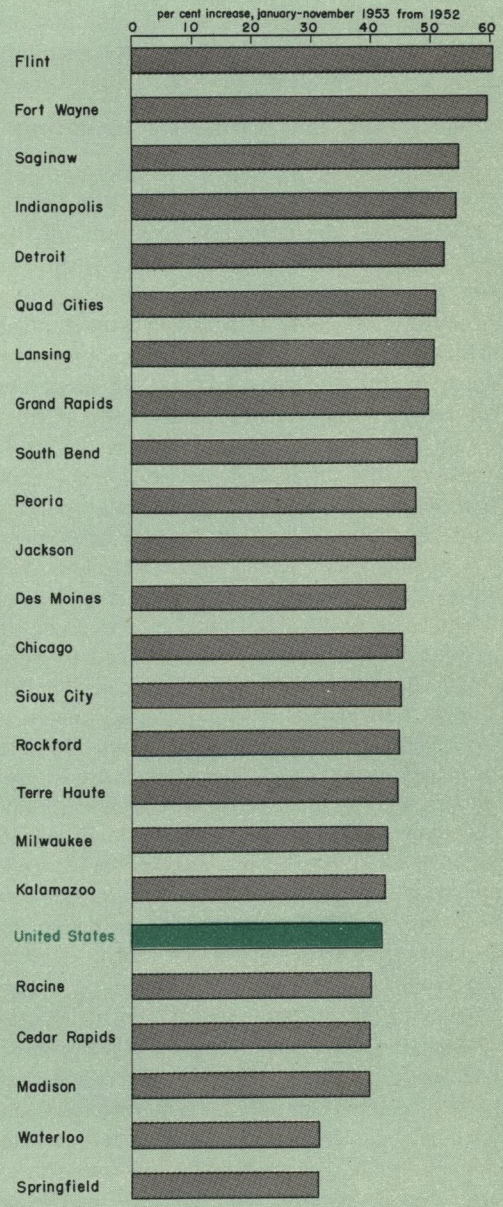
The upsurge in new car purchases in most District centers was even sharper than in the nation generally. All metropolitan areas showed substantial gains, and in three-fourths of the District cities the percentage increase was larger than the national average (see chart). The pattern of relative changes less clearly distinguishes between the different types of centers than was the case with department store sales. In part this results from the fact that the percentage gains in all but four of the areas fell within a rather narrow range — from 40 to 55 per cent.

The uniformity of gains in new car registrations in all areas points up the fact that sales were limited because of inadequate supplies in 1952. Nevertheless, the expansion last year represented considerably more than a recovery from the artificially depressed level of the previous year. Nationally, new car registrations in 1953 were about one-eighth larger than in 1951 — when new cars were generally in good supply — and all District centers except South Bend, Racine, Waterloo, and Cedar Rapids showed sizable increases from the 1951 unit volume. Substantially higher incomes, the ab-

Retail sales topped previous year

Department stores showed gains in most District cities

New car registrations increased sharply in all metropolitan areas



SOURCE: R. L. Polk & Company

sence of Federal restrictions on credit terms, and the intervening year of relatively light purchases contributed to this increased level of sales. In addition, many dealers, hard pressed to move mounting stocks of cars, turned to increasingly aggresive sales techniques and attractive trade-in allowances or cash discounts as the year progressed.

Instalment debt continues to mount

Extension of credit plays an important part in the sale of most consumer durable goods. Well over half the new cars, two-thirds of the used cars, and a major share of the furniture, "big ticket" appliances, and television sets bought in 1952 were financed in part through the use of credit. Therefore, considering the sharp rise in new car sales and the moderate increase in sales of most other types of durable goods which occurred last year, it is not surprising that total consumer instalment debt continued to mount.

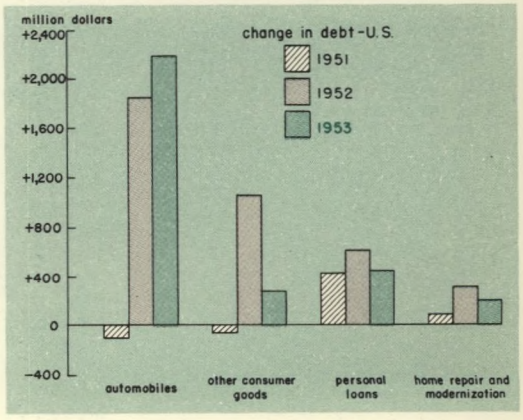
By the end of 1953, consumer instalment debt totaled about 22 billion dollars. This was more than 3 billion dollars larger than a year earlier, and about 7 billion greater than at the time Regulation W was suspended in May 1952. The increase in 1953 was considerably smaller than in the previous year, however, despite the greater dollar volume of durable goods sales. Although automobile credit expanded more than in 1952, the growth in all other types of instalment debt was smaller (see chart). Moreover, the increase in debt during the second half of 1953 was sharply lower than during the first half and amounted to only a third of the gain in the same period a year earlier.

In part, the slower rate of growth in recent months reflects a falling off in the use of credit in financing purchases of durable goods. In the latter part of 1953, credit extended on consumer durables other than cars was an eighth lower than a year earlier, although total sales of such goods were maintained at about the same level. Automobile credit extensions in the July-November period were 5 per cent greater than in the same months of 1952. Since sales of automobile dealers jumped 22 per cent in the same period, it is clear that a smaller proportion of consumer expenditures for cars involved credit. Stiffer credit standards on the part of many lenders may have played a part in this development.

Equally important in the smaller credit expansion since midsummer has been the rising trend in the volume of repayments. During the fall, repayments were running 12 per cent larger than a year earlier on automobile debt and 8 per cent higher on debt incurred for the purchase of other consumer goods. Reasons for the rise in repayments are twofold. First, monthly servicing charges on instalment contracts have expanded with the rapid growth in total indebtedness since the spring of 1952. Second, the marked relaxation of credit terms which occurred following the suspension of Regulation W has extended the length of time before final repayments are made on contracts written since then.

Based upon instalment contracts written in the past, repayment volume changes more slowly than does the volume of new credit ex-

Instalment debt on automobiles expanded more last year than in 1952



tensions. Thus, the level of repayments has lagged behind new credit extensions during the past period of rapidly rising indebtedness but, by the same token, would continue in heavy volume for some time after new credit extensions have fallen off. The main economic significance of this is that credit provides additional purchasing power to consumers — mainly for purchase of durable goods — while indebtedness is rising, but diverts a portion of current income to contractual repayments when indebtedness turns downward.

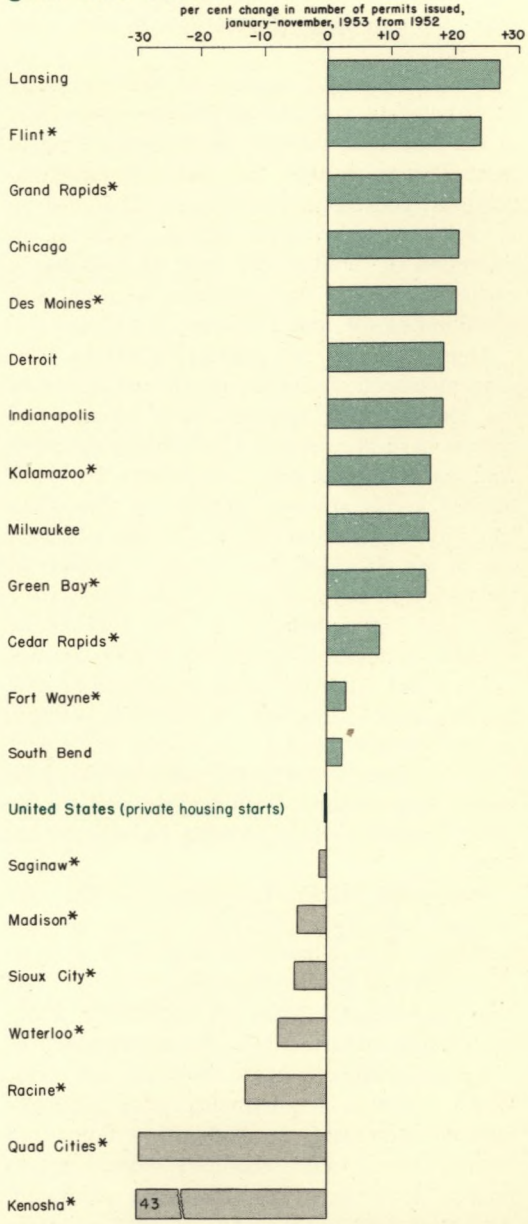
Home building holds in high volume

Residential construction continued at a fast pace in most communities last year. Nationally, work was begun on 1.1 million new dwellings — the fifth consecutive year in which housing starts exceeded the million mark. The 1953 total was 25,000 units less than in the previous year due to a sharp drop in public housing. Private starts numbered about the same as in the year before, and expenditures for private residential construction, at 11.9 billion dollars, were 7 per cent higher than in 1952.

Changes in the volume of private home building, as evidenced by the number of residential building permits issued, varied widely among District centers. In 11 of 20 Midwest metropolitan areas, housing starts increased substantially last year. These included all but one of the reporting Michigan cities and the major District centers — Chicago, Detroit, Milwaukee, Indianapolis, and Des Moines. In Kenosha and the Quad Cities area, on the other hand, home-building activity dropped sharply as local employment conditions worsened during the year. Starts in four other areas were also down moderately, while little change occurred in Fort Wayne, South Bend, and Saginaw.

Significant differences in the pace of building among areas are to be expected, since both the demand for and supply of housing are essentially local in character. Moreover, the long

Home-building activity varies widely, but most District centers gain over 1952



*Excludes some outlying places in the metropolitan area for which building permit data are not available.

useful life of most types of housing means that new building in any one year is a relatively minor proportion of the total housing supply. Thus, small changes in the demand for housing may result in large fluctuations in new construction.

The fast pace of business activity obviously contributed to and was an essential ingredient in the favorable showing of home building in most District centers last year. In addition, however, construction activity is influenced by a variety of other local factors, such as in-migration of families, the level of building in earlier years, and the character, location, and condition of the area's housing inventory.

Thus, although the population of the Chicago metropolitan area is nearly twice that of the Detroit area, housing starts in the two centers have been about equal during the post-war years. In large part, this reflects the much heavier in-migration of workers to the Michigan city. On the other hand, Chicago has been one of the strongest major housing markets in the nation in the past year, as the demand for new and better housing on the part of its resident population continued strong. In addition to the relatively small proportion of new housing added since the War, recent strength in the Chicago market reflects the movement from congested areas to the suburbs and from rental to purchased dwellings, as well as the older character of its existing housing inventory.

Mortgage credit: It seems clear that the marked relaxation of credit terms on new housing, which followed the suspension of Regulation X and comparable restrictions on VA- and FHA-insured loans in September 1952, contributed importantly to the maintenance of a large volume of home building last year. Down payment requirements were generally reduced appreciably for both conventional and insured loans, and secondary borrowing to finance down payments was again permitted. At a later date, in the spring of 1953, contract maturities on Federally-aided loans were extended from 20 to 25 and in some cases to 30 years. As a result, the number of prospective buyers entering the market for new houses increased.

Reflecting the rise in interest rates on all types of investments, most lenders increased rates on conventional mortgages in late 1952 or early 1953, generally by ¼-½ per cent. Many lenders also took the opportunity afforded by the plethora of investment outlets to tighten credit standards on mortgage loans. More rigorous tests regarding both the financial capacity of prospective borrowers and the character of property offered as collateral were commonly adopted.

As interest rates advanced, fixed rate FHA and VA loans became progressively less attractive to lenders as compared with conventional mortgages and other investment outlets. Consequently, the proportion of total new housing starts financed with these types of mortgages dropped steadily through the winter and spring. Moreover, many project builders complained that commitments for future FHA and VA loans on proposed construction had become difficult to obtain, even at substantial discounts from face value of the mortgages. In May, interest rates were increased ½ per cent on the 4 per cent VA loans and ¼ per cent on the 4¼ per cent FHA loans. The proportion of housing starts financed with insured loans promptly increased to about its earlier level, although such loans are reported to have continued to sell at discounts through most of the year.

Beginning in early fall, mortgage funds became easier to obtain in most District centers. The principal factors accounting for this change have been a continuing heavy inflow of savings to financial institutions, a moderate falling off in the volume of mortgage loan closings, and a decline in the amounts of corporate and municipal security flotations. Interest rates on corporate, municipal, and Government securities have declined moderately, while mortgage rates have remained at the

higher level established early in the year. Thus, at year-end, the increased attractiveness of mortgage yields and the reduced demand for credit generally pointed to prospects for an ample supply of mortgage funds to meet the needs of Midwest home builders and buyers.

Savings growth accelerated

Despite higher retail sales and moderately larger expenditures for new housing, individuals added considerably more to their savings balances last year than in 1952 or any other postwar year. Savings accounts in Seventh District member banks and in insured savings and loan associations in the five-state area increased by over 900 million dollars in the first 11 months of 1953, 11 per cent more than in the same period of the preceding year. The gain was larger than in 1952 in every District state, with Iowa showing the largest and Illinois the smallest increase relative to total balances.

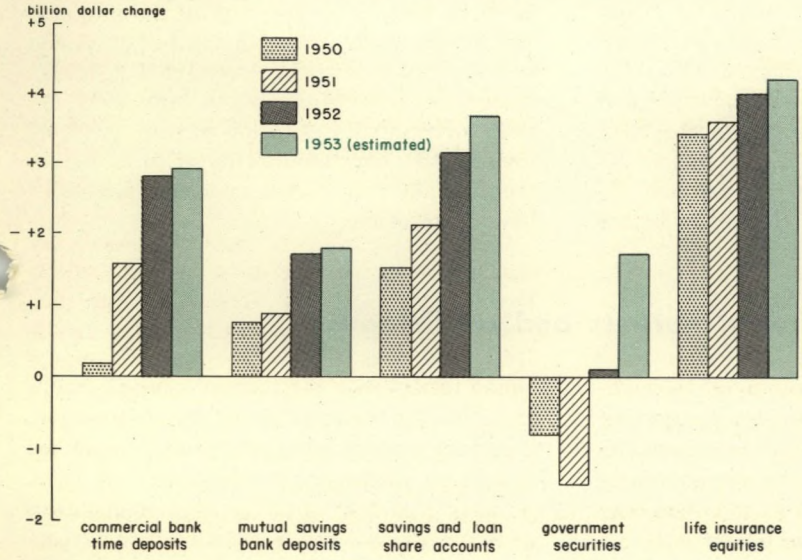
As in the nation, however, additions to share account holdings bulked larger than time deposit gains. In fact, the inflow of savings to insured associations in this region increased by nearly one-fourth, while time deposits of member banks grew moderately less than in the previous year. The greater success of savings and loan associations in attracting new savings is vividly illustrated in Chicago, where insured associations, holding only two-thirds as much in savings balances as do banks, experienced a savings inflow twice as great.

	Net savings inflow		
	1952	1953	Per cent change
	(million dollars)		
All Chicago Banks	130	110	—15
Cook County insured savings and loans	200	243	+22

Nationally, net new savings in the form of time deposits at commercial and mutual savings banks, savings and loan association share accounts, and Government security holdings amounted to about 10 billion dollars last year, up from 7.7 billion in 1952. In addition, equities in life insurance policies increased about 4 billion dollars, moderate additions were made to holdings of currency and demand deposits, and a near-record volume of corporate and municipal securities was purchased by individuals, pension funds, and nonprofit institutions.

All major types of financial institutions experienced a larger savings inflow than in earlier years (see chart). By far the most striking change in trend, however, occurred in Government security holdings. Individuals increased their holdings by about 1.7 billion dollars, the first sizable gain

Savings growth exceeded earlier years in 1953



Savings account holdings increased more in 1953 than in the previous year

	Net increase first 11 months of 1952	Net increase first 11 months of 1953	Estimated total holdings December 1953
Illinois	343	383	4,800
Michigan	222	243	2,720
Indiana	112	127	1,370
Wisconsin	107	113	1,250
Iowa	43	54	530
Total:	827	920	10,670
Member banks	365	347	6,830
Insured savings and loan associations	462	573	3,840

Note: Savings account holdings include time deposits of Seventh District member banks and share accounts of insured savings and loan associations.

since 1949. In part the expansion resulted from an improvement in the savings bond program. In the E and H bonds, sales volume increased substantially more than redemptions last year, reflecting greater participation in the payroll savings plan, increased limits on the maximum purchase permitted in any one year, and the introduction of moderately higher yields in mid-1952.

Individuals reduced their holdings of F and G bonds again in 1953 as large blocks purchased during the War reached maturity. Most of these bonds were held by large investors, however, and it seems probable that much of the proceeds have been reinvested in marketable Government securities — especially the new 3¼ per cent 30-year bond issued last spring. Substantially higher yields and increased uncertainty concerning the future course of stock prices also may have contributed to a sharp gain in individual holdings of marketables during the year.

By the end of 1953, personal holdings of liquid assets in the form of demand deposits, time deposits, share accounts, and Government securities totaled in excess of 200 billion dollars. This is four times the amount of such balances in 1939 and one-third larger than in 1946.

Many regard these tremendous liquid asset balances as a potential source of purchasing power which can be tapped to help sustain retail sales volume if personal incomes decline. While there is no question but that such holdings strengthen the over-all financial position of consumers, their influence in supporting current levels of expenditure may be exaggerated.

In the first place, liquid asset balances are highly concentrated. Over 90 per cent of all such liquid assets were held by the top 30 per cent of the nation's spending units at the beginning of 1953, according to findings of the *Survey of Consumer Finances*. Second, relatively few of the workers most likely to suffer loss of their jobs or significant reductions in weekly pay during any business downturn hold sizable liquid asset balances. Only about one-fifth of the unskilled and service workers and one-third of all skilled and semiskilled workers reported holdings amounting to $500 or more in early 1953. Finally, uncertainties as to job security probably would lead many families to strive to reduce spending and add to their savings in periods of business recession.

Credit markets and credit policy

THE VAST FLOWS OF SAVINGS into 1953's financial markets were matched by equally striking totals of demands for investible funds. State and municipal authorities floated the largest volume of new offerings on record, up more than one-third from 1952. Well over one billion of the 5.5 billion total was in the form of revenue bonds to finance toll road and toll bridge construction. Corporate security issues for new money climbed to a figure challenging the peak total of 1952. A halving of new offerings by manufacturers and railroads was nearly offset by moderate in-

creases in commercial, communication, and utilities issues and a trebling of offerings by financial concerns desirous of bolstering working capital positions.

The Federal Government, too, was making heavy net demands. The Treasury in 1953 initiated more new cash offerings than at any time since the days of World War II finance. Unavoidable borrowing needs were created by the smaller than expected volume of receipts in the first half of 1953 and by the 8.1 billion seasonal deficit that materialized as anticipated in the fall. Such borrowing took on increased significance under the Treasury policy of lengthening the maturity of its debt whenever such action seemed practicable.

Added to all the above demands for longer-term funds was the total of residential mortgage requests that flowed into lending institutions without interruption as the year progressed. Individual demands also impinged upon the shorter-term credit market in the form of applications for instalment credit.

Agricultural credit needs continued to grow, due almost entirely to direct or indirect bank acquisition of price support loans guaranteed by the Commodity Credit Corporation. The only major type of credit which did not evince substantial growth was short-term credit to business.

The need for flexibility

The funneling of all these credit demands into the financial markets did not proceed evenly. There was little automatic conformity with the regular inflow of nonbank investible funds and with the seasonal changes in bank lending ability. Resolving such differences required flexibility and responsiveness in the market forces of supply and demand. The objective of the Federal Reserve System was to assure that such responses were not in conflict with the basic interests of economic stability and growth.

Federal Reserve policy operations in 1953 were complicated by three related developments. The balance of demands for and supplies of credit appeared to shift during the year, from a

Net reserve position of the banking system improved markedly as 1953 progressed

tendency for demands to outrun available funds to the reverse. Changing market expectations, discounting a continuation of first one condition and then the other, accentuated oscillations in interest rates and credit availability. Finally, the basic economic situation itself was shifting from a cresting business boom to a mild easing. Adaptation to these sometimes conflicting trends required that Federal Reserve operations exhibit a high degree of flexibility.

Reserve shifts: Moving into 1953 credit and capital demands were strong, and bank loan totals remained unseasonally high. To carry the substantial increase of the previous fall in earning assets and currency demand, member banks had borrowed heavily from Federal Reserve Banks and entered the new year more than 1.5 billion in debt. A tone of mild restraint was evident in the money markets as banks used some seasonally freed funds to pay down a portion of their indebtedness.

This tone was preserved by a substantial reduction of Government security dealer repurchase agreements with the Federal Reserve System, by some liquidation of direct System holdings of Treasury bills, and by a gold outflow

which absorbed most of the reserves freed by the seasonal return of currency from circulation. Bank repayment of indebtedness was encouraged by a January increase in Federal Reserve discount rates from 1¾ to 2 per cent, a level more in line with Treasury bill yields.

Despite the various reserve-draining operations, however, short-term Government securities yields remained fairly stable aside from the usual tax influenced March fluctuations.

Rates climb: Beginning in early April, a combination of events and expectations induced jagged upward movements in all market interest rates. The Treasury announced a cash offering of 3¼ per cent bonds maturing in 1983, in what was believed to be the first of a succession of steps to place more Federal debt in the long-term area. In the meantime, long-term offerings of corporate and municipal funds were appearing in heavy volume. Short-term credit demand remained strong, and, in recognition, leading banks across the country announced the first increase in over a year in the rate charged prime commercial borrowers. Reserve drains continued as the Treasury drew in funds and banks continued to repay borrowings. Privately owned demand deposit totals dropped more than seasonally as banks moved more cautiously on loan extensions and sold short-term Governments to nonbank investors in substantial volume.

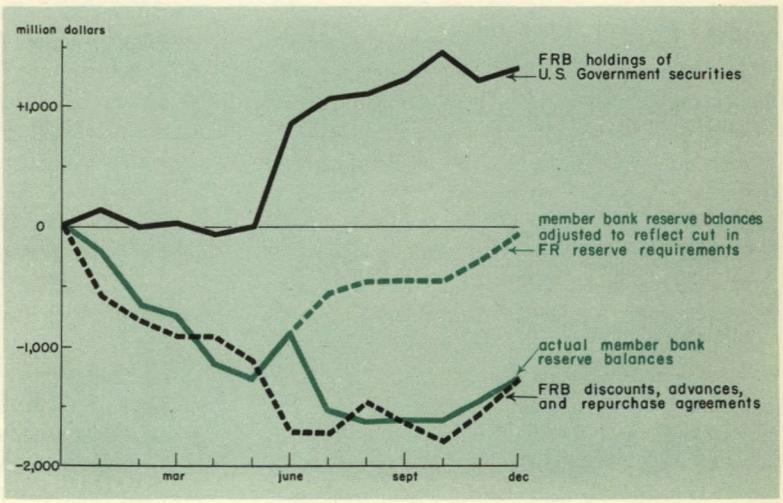
Early in May the Federal Reserve System began a program of bill purchases designed to moderate reserve pressures. Market participants, however, expressed growing concern over the prospects for heavy borrowing demands by both the governmental and private borrowers late in the year. The discounting of such developments led to repeated markdowns on outstanding securities.

Some prospective borrowers hesitated to accept the costs involved in entering such a securities market, at the same time many investors grew increasingly reluctant to take investment action in the prevailing environment. Such trends reached their climax with a sharp jump upward in money market rates on June 1. The yields on longest Treasury bills closed at 2.47 bid, and on the recently issued 3¼ per cent bonds touched 3.32.

Turning points

In this hypersensitive situation, continuation of the Federal Reserve bill buying program reversed market rate trends on the following day. A series of moves by Treasury and Federal Reserve authorities in the ensuing weeks completed the turnabout of investor and borrower expectations. The System stepped up its bill purchases, and the Treasury further eased the market by temporary borrowing from the Federal Reserve over the June tax period. Banks used the reserves

Federal Reserve factors affecting member bank reserves



thus released in rapid repayment of practically all remaining indebtedness to Reserve Banks.

The Treasury also clarified market prospects by announcing a cash offering of tax anticipation certificates to be dated July 15, in total large enough to cover the bulk of its second-half deficit. Coordinately, the Board of Governors announced reductions in reserve requirements effective early in July. The official announcement stated:

> "This step was taken in pursuance of Federal Reserve policy, designed to make available the reserve funds necessary to meet the essential needs of the economy and to help maintain stability of the dollar. The reduction, releasing an estimated $1,156,000,000 of reserves, was made in anticipation of the exceptionally heavy demands on bank reserves which will develop in the near future when seasonal requirements of the economy will expand and Treasury financing in large volume is inescapable. The action is intended to provide assurance that these needs will be met without undue strain on the economy and is in conformity with System policy of contributing to the objective of sustaining economic equilibrium at high levels of production and employment."

Because of the absorption of reverses in requirements against deposits created in purchasing the new Treasury issues, as well as the reserve drains from the reversal of temporary technical influences operating in June, no protracted reserve and market ease resulted. Rates were stable over the remainder of the summer, with Treasury bill yields around the level of the early months of the year.

As the months progressed, private credit demands in both the long-term and short-term market slackened slightly, with the most marked slowdown appearing in consumer credit.

Fall ease: Events in September provided a second concentrated shift in market atmosphere, this time in the direction of sharp declines in yields. In preparation for forthcoming seasonal reserve needs, moderate Federal Reserve purchases of Treasury bills were effected during much of that month. At mid-month, a combination of technical ease of reserve funds and reduction in foreign central bank rates led to a sharp bidding down of short-term yields. The movement was reinforced by nonbank demand for short-term securities, particularly after the Treasury ceased the sale of nonmarketable tax savings notes on demand. Demands for short-term credit were clearly lagging behind their usual seasonal pattern, and this also was true of the reserve drain from currency withdrawals. Investor willingness to commit funds in longer-term instruments increased, and the market readily absorbed corporate and municipal offerings in sizes and at rates that would not have been accepted four months earlier.

The tone of eased credit availability which was established in this period prevailed through the remainder of the year. Long-term rates continued to ease gently, despite the Treasury issuance of intermediate term bonds both on exchange and in a modest cash offering. Slackening in loan demand persisted, and the volume of private securities offerings fell below the earlier pace.

Short-term rates exhibited considerable fluctuation, declining through mid-October and then rising gradually to the day before Christmas. Drains of reserves as deposit increases and currency withdrawals progressed were moderated by System purchases of Treasury bills around the first of November and through much of December. In total, such purchases added 500 million to bank reserves. In addition, the usual December pressures were moderated by System acquisitions of Governments from dealers under repurchase agreements, which by December 29 aggregated nearly 700 million dollars.

Money at year-end

At year-end, the pertinent questions in financial circles were concentrated on the prospects for credit demands. An adequate supply of loanable funds was assured for the period which lay

ahead. Member banks on December 29 held almost exactly the same 20 billion total of reserves which they had a year earlier, but some important differences existed. Bank indebtedness to the Reserve System was negligible, and temporary dealer repurchase agreements with the System totaled less than half the bank indebtedness at the end of 1952. Required reserves were down, excess reserves were correspondingly higher, and lower percentage reserve requirements gave each reserve dollar more expansion potential.

In its operations for the year, the banking system as a whole effected a 5 billion expansion in total deposits and currency, less than half the 1952 increase. The smaller amount of deposit creation in 1953 stemmed directly from the smaller dollar growth in bank loans outstanding.

Most of the deposit increase which did occur was placed by the public in time deposits, expanding these accounts by exactly the same percentage as the year before. As a result, maintained savings and slackening loan demand combined to hold the 1953 increase in the spendable money supply—demand deposits and currency outside banks—to less than 1 per cent.

Midwest banking — a contrast between large and small centers

BANKS THROUGHOUT THE MIDWEST were full participants in most of the significant national credit developments which characterized 1953. With few exceptions, changes in over-all Midwest banking figures were a mirror of the changes in banks the country over. Credit demands, after continuing strong through the early months, dropped appreciably below their usual pace as the year grew older. Over-all increases by year-end were substantial in both deposits and earning assets but somewhat below the gains which 1952 had brought.

Within the Midwest, most outstanding differences in trend occurred between banks of major cities and those in smaller centers. After moving ahead more or less together in 1952, banks in the leading cities — Chicago, Des Moines, Detroit, Indianapolis, and Milwaukee — fell distinctly behind the country bank rate of growth last year. In terms of loan totals alone, this difference seemed likely to continue, for large city banks were more heavily concentrated in those loans which showed the greatest tendency to lag by year-end.

Loan demand slows

Over 1953 as a whole, loans outstanding at Midwest member banks moved up some 7 per cent, to a total of nearly 8 billion dollars.

Loans to business, however, dropped fractionally for the first year since 1949 — both here and around the nation. This net decline was in sharp contrast to the record of the intervening years, which under the pressures of the post-Korean boom had chalked up more than a 65 per cent increase in business loans. Being closely related to the tempo of business activity, last year's business loan dip gave confirmation, if any was needed, of the turnaround in Midwest business.

In the early months of the year, there were few indications of the slackening to come later. Rising business activity held credit demands high. Even the usual spring paydowns of credit lines by such seasonal borrowers as food processors and sales finance companies were slow in appearing, although less so in the Midwest than elsewhere. For these and other business lines, inventory build-ups and extensions of trade and consumer credit helped to maintain demand for funds. At midyear, the larger banks, which hold the bulk of the business loans, reported a first-half seasonal decline even smaller than in 1952.

One distinction among borrowers was apparent. Sustained demand for bank credit was

originating primarily from firms engaged in the distribution of goods. Public utilities and manufacturers — particularly of hard goods — were paring down their new loan requests. Needs for funds by these firms apparently were stabilizing, and actions to fund some bank debt into longer-term obligations were numerous.

With the capital markets becoming easier after June, firms in other lines also chose to refinance bank loans. Sales finance companies were active in open market financings. With a developing lag in their net expansion of instalment credit, they were able to employ much of the proceeds of new issues to reduce bank lines.

The sharpest contrast to the pattern of the past emerged in the fall, when business loans actually declined moderately in place of the usual substantial seasonal rise. Behind this trend were the same dampening factors discerned earlier in the year, but their influence became more marked in the late months. Net seasonal borrowing from banks by sales finance companies was negligible, and metals producers effected their largest loan repayments in several years. The usual post-harvest rise in loans to firms handling agricultural products was curtailed by lower agricultural prices and the higher proportions of some crops which were held out of private distribution channels by the Federal farm price support program.

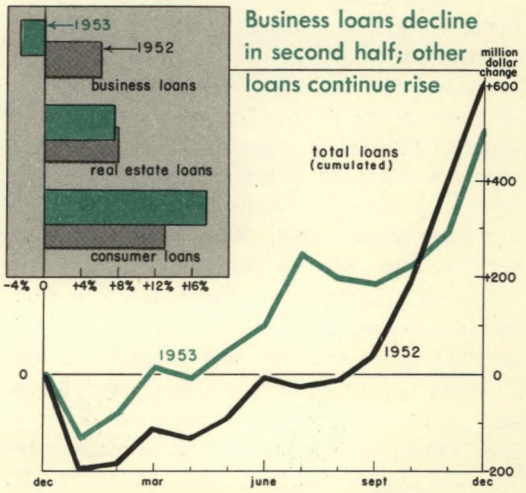
In many businesses, the supply of funds becoming available from internal sources was catching up with working capital needs. Under such circumstances, repayment of bank loans was to be expected. The reduction in business loans around year-end, however, apparently reflected more than the changing tempo of business activity. Under the Mills Plan, corporations have been paying a steadily increasing proportion of their Federal income taxes during the first six months of the year. Thus third- and fourth-quarter cash drains through taxes are dwindling. Furthermore, as the end of 1953 approached, some bank loans may have been retired in anticipation of the demise of the excess profits tax, with its allowance of capital credit for borrowed funds.

During 1953, no other bank credits appeared as sensitive as business loans to the changing tempo of over-all activity.

Consumer instalment loans of Midwest banks rose rapidly in the early months of 1953. By midyear retail automobile paper in the portfolios of District banks outside Chicago was 40 per cent or more above year-ago levels. Increases of only moderately smaller proportions occurred in loans to finance other durable goods and to repair and modernize housing.

Moving into the third quarter, the pace of consumer borrowing began to slow considerably, and, aside from seasonal movements, this trend continued to the end of the year. Automobile loans showed the first and sharpest slackening; in Chicago, for example, this type of bank credit actually declined fractionally during the summer months. In total, however, consumer loans outstanding continued to mount slowly over the last half of 1953. By year-end, the total 1953 increase in Midwest banks amounted to 18 per cent, somewhat larger than the 1952 gain.

Loans at District member banks



Real estate loan holdings of Midwest banks reflected a steady parade of borrowing requests during the past year and by year-end had expanded by 8 per cent, a shade less than the increase in the previous year. Spurring mortgage loan expansion was the high level of new home construction.

The expansion in mortgage holdings proceeded most rapidly in banks in the less populous centers. Both there and elsewhere, roughly half of the net increase was in the form of FHA-insured obligations. Acquisitions of these fixed-rate loans in banks outside large cities proceeded rather evenly through the year. On the other hand, VA-insured mortgages, carrying a still lower fixed rate, found little acceptance in Midwest banks. Only leading city banks reported any net increases over the year, and these gains were small and concentrated in the last three months.

Agricultural credit was the one major area in which loan trends displayed weakness from the beginning of 1953. Expansion of farm real estate loans, for example, was substantially slowed, with most net increases in this region centering in Wisconsin banks. Apparently declining farm prices and incomes bred increasing caution in prospective purchasers of farm land.

Working capital loans to farmers continued the downward trend begun in 1952 in the heavy credit-using cattle-feeding areas of Illinois and Iowa. In large part this decline was a reflection of lower prices paid for livestock. Short-term loans to farmers in other areas and for other purposes recorded some minor advances. In general, recent developments have tended to introduce more conservatism on the part of both farmers and their bankers.

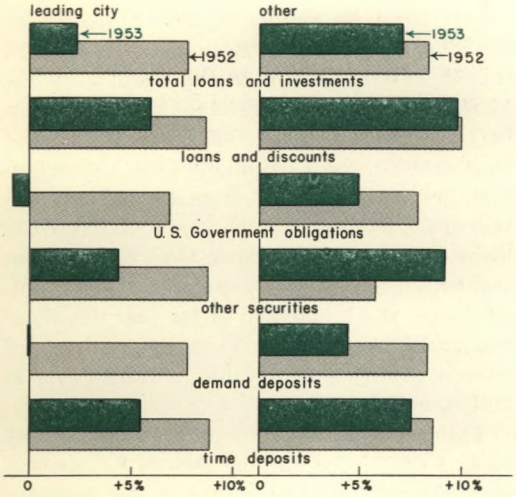
The only increases of consequence in agricultural credit were those fostered by the swelling farm price support program of the Commodity Credit Corporation. Lower prices and bigger harvests led farmers to divert a large volume of last year's crops to sealed storage, securing loans guaranteed by the CCC. As early as the end of September, such CCC loans in Midwest banks were running 20 million dollars ahead of a year ago, and the margin widened very rapidly as 1953 drew to a close. One factor assuring substantial bank participation in price support loans was the introduction of large-scale offerings of certificates of interest in price support loans in CCC hands. Such instruments appealed to many urban banks which ordinarily do not actively participate in agricultural financing. Chicago banks alone acquired close to 160 million of the total 810 million of certificates issued nationally in October and December.

Investment additions vary

Despite the smaller size of 1953 loan expansion, such accommodation left most Midwest banks with relatively few additional resources for investment in securities. On the average, the 1953 increase in investments was a scanty 2 per cent, compared with a 7 per cent rise the year before. Such an average, however, conceals sizable differences in experience among institutions in and outside the region's leading cities. Milwaukee banks, facing unusually strong loan demands, found it necessary to cut Government securities holdings. Detroit and Chicago institutions managed to end 1953 with approximately the same total of Governments with which they had opened the year. In Iowa, and particularly in Des Moines, on the other hand, lagging loan demand facilitated large net investment in Governments over the year as a whole.

The net additions to Midwest Government holdings were made chiefly in the period of rising security market prices and declining yields after early June. During the tight money market of spring, most banks were liquidating short-term securities more or less in line with usual seasonal needs to meet reserve drains. But by mid-July, the Treasury cash offering of a tax anticipation certificate was able to find a good many willing subscribers in banks around the Midwest. Most succeeding months brought still further acquisitions.

City banks trail in 1953 growth of District member banks



In general, banks in outlying areas increased their portfolio of Governments by an average of 5 per cent during the year, while banks in the leading cities reduced their holdings slightly. Similarly, although banks in both groups added to their stock of state and local obligations during the year, the 9 per cent gain in outlying banks was more than double the percentage growth at banks in the leading cities.

Deposits fare better at country banks

Behind this variation in investments lay a clear divergence in deposit trends. Rural banks continued to enjoy deposit gains comparable in magnitude to 1952's over-all 8 per cent rise. In Chicago, in contrast, 1953 brought a slight deposit loss. Most other large Midwest centers fared only slightly better for the year as a whole.

The lagging pace of city bank deposits became apparent before 1953 was well advanced. Early seasonal dips in demand deposits proceeded further than in 1952, and the eventual recovery was slower to appear. The city bank lag was confirmed in the trend of time deposits, which slowly and steadily dropped behind the increase in outlying areas as the year progressed. By year-end, the time deposit increase in Chicago averaged 4 per cent, exactly half the 1952 rate for both city and country banks. In outlying areas, meanwhile, savers continued to match their 1952 rate of time deposit additions throughout 1953. With this rate of deposit accruals, country bank managers had the resources at hand to expand both loans and investments at a faster rate than could the larger city institutions.

Profits up

The shifting financial tides of 1953 had their repercussions on the earnings position of banks. The base of total earning assets was expanded moderately over the year, and a good portion of that expansion was centered in comparatively high-yielding types of assets such as consumer instalment and real estate loans. Market interest rates on both loans and securities moved higher in the early months, but the opportunity to obtain higher yields on investment portfolios was fleeting, since securities yields, within a few months, had returned to the lowest levels in four years.

Operating in this environment, Midwest banks in 1953 raised their gross operating earnings by 13 per cent. Cutting into this income were higher operating expenses, taxes, and in some cases reserve provisions. Nonetheless, a new record high of 124 million dollars in net profits after taxes could be reported. This represented an increase of 5 per cent over their 1952 profits.

Here again, leading city banks and outlying banks revealed contrasting trends. Net profits for the former were up but 2 per cent over 1952, compared to nearly a 10 per cent rise for the latter. In good part, however, these differences were more apparent than real, stemming from heavy reserve deductions in outlying banks in 1952, and in 1953 in some leading city banks. On a gross earnings basis, the two groups reported fairly comparable gains.

Bank operations reflect high-level activity

In 1953, the volume of operations of the Federal Reserve Bank of Chicago and the Detroit Branch continued to increase, reflecting the record levels of business activity and the continued rise in deposits and deposit activity at District member banks.

Typifying economic growth in the state of Michigan, facilities of the Detroit Branch were expanded by the addition of a newly constructed building. When opened in April, the modern eight-story annex more than tripled the Branch's working area. The enlarged capacity made it possible for Detroit to serve all Seventh District member banks in the state. Accordingly, at year-end the Branch area was expanded to include banks in the entire lower peninsula for most Federal Reserve transactions.

Procedures for the destruction of worn-out currency were streamlined during the year. Since last summer, each Federal Reserve Bank has been destroying all Treasury-issued currency unfit for further circulation rather than forwarding it to the Treasury for redemption as had been done previously. Substantial savings are effected as a result of eliminated shipping costs. During the last half of the year, the Bank burned 83 million pieces — 110 million dollars worth of silver certificates and 9 million dollars of United States notes.

A second operating improvement, involving a new leased wire system of communication for the entire Federal Reserve System, was put into effect in July. The change included transfer of the main teletype switching center from the Chicago Bank to Richmond and elimination of the minor switching centers on the East and West coasts. Transmission facilities were also modified to enable wires to be sent directly to each Reserve Bank Branch, instead of first passing through their main office.

Services to the Commodity Credit Corporation were expanded sharply. In July, the CCC transferred to the Federal Reserve Bank of Chicago the custodian activities previously handled for the eastern section of the country by the Federal Reserve Bank of New York. In October, the Chicago Bank, as Fiscal Agent and Custodian for the Commodity Credit Corporation, began the issuance, transfer, and redemption of Certificates of Interest in a pool of CCC loans on commodities other than cotton. Subsequently another pool was established for cotton loans, and by the end of the year this Bank had issued over five thousand such certificates of interest having a total value in excess of 800 million dollars.

The number of commercial bank checks cleared at Chicago and the Detroit Branch was some 20 million greater than in the previous year, and the value of checks handled increased by almost 10 billion dollars to a total of 152 billion. The value of Government checks and postal money orders processed also rose sharply above the preceding year, but there was little change in the number. On the other hand, despite an increase in number, the total dollar value of acceptances, drafts, and securities collected was less than in 1952.

Wire transfers of funds rose from 103 billion dollars to 108 billion at Chicago and from 26 billion to 32 billion at the Detroit Branch.

Circulation of Seventh District Federal Reserve notes increased 3 per cent during the year, reaching a new high of 5,143 million dollars in December. However, the growth in the Midwest, as elsewhere, was somewhat less than the 1952 rise of about 4 per cent.

Over one billion dollars of unfit currency were withdrawn from circulation in the Seventh District during the year. About one-third of the worn bills, representing 14 per cent of the dollar volume, were destroyed at the Chicago and Detroit Banks.

Member banks made a greater use of the Bank's discount facilities than in the previous

Collections made through the Federal Reserve Bank

	1953		Per cent change from 1952	
	Chicago	Detroit Branch	Chicago	Detroit Branch
Dollar volume (millions)				
Commercial bank checks	123,751	27,896	+6	+8
Government checks[1]	11,499	4,028	+22	+30
Other items	1,130	140	—4	—9
Pieces (millions)				
Commercial bank checks	320	57	+6	+7
Government checks[1]	111	15	+1	*
Other items	1	*	+7	+14

*Less than 500,000 or less than .5 per cent.
[1]Including Postal Money Orders.

Cash department operations

	1953		Per cent change from 1952	
	Chicago	Detroit Branch	Chicago	Detroit Branch
Dollar volume (millions)				
Currency paid to banks[1]	3,670	1,153	+5.3	+7.3
Coin paid to banks[1]	120	18	—3.4	+20.8
Coin wrapped	84	9	+2.5	+24.0
Unfit currency withdrawn from circulation	833	189	+6.0	+33.0
Pieces (millions)				
Currency paid to banks[1]	623	178	+4.3	+5.6
Coin paid to banks[1]	1,331	207	—0.3	+17.6
Coin wrapped	1,012	107	+6.8	+26.1
Unfit currency withdrawn from circulation	204	52	—2.9	+50.8

[1]Excluding other Federal Reserve Banks.

Safekeeping of securities

	1953		Per cent change from 1952	
	Chicago	Detroit Branch	Chicago	Detroit Branch
Dollar volume (millions)				
Securities received	9,306	5,558	*	—11
Securities released	8,661	5,342	—8	—12
Coupons detached	110	14	+10	+31
Pieces (thousands)				
Securities received	305	102	+15	+4
Securities released	293	83	+10	—9
Coupons detached	1,270	191	+5	+4

*Less than .5 per cent.

year. Chiefly because of substantial credit requests in the first half, total borrowings for the year amounted to 15,141 million dollars, about 800 million more than in 1952.

The volume of investments made for member bank accounts continued to grow. Purchases increased over one-third in Detroit and almost one-sixth in Chicago, while sales rose only slightly.

Measured by number of items handled, 1953 brought an increase in work load connected with the safekeeping of securities for member banks and the public. The dollar volume of the securities handled, however, decreased because of a reduction in the average dollar amount.

Reflecting the increased volume of services to member banks, the amount of mail handled at Chicago and Detroit rose slightly to 7.5 million pieces, while the number of telegrams increased to over 300,000, a gain of 12 per cent. The average total number of employees declined slightly — from 3,018 in 1952 to 2,985 last year.

Services to Treasury Department

	1953		Per Cent Change from 1952	
	Chicago	Detroit Branch	Chicago	Detroit Branch
Handling of marketable securities				
Dollar volume (thousands)				
New issues at par value	12,146,372	2,435,809	+1.1	+231.2
Redemptions at maturity value	12,100,729	1,737,085	+24.1	+32.2
Exchanges and transfers	13,447,899	3,369,013	+6.6	+36.8
Pieces (thousands)				
New issues	216	18	+63.6	+64.0
Redemptions	263	25	+36.6	+45.1
Exchanges and transfers	303	26	+16.9	+34.5
Handling of savings bonds and notes				
Dollar volume (thousands)				
New issues at maturity value	1,562,357	596,230	+23.5	+41.7
Redemptions at redemption value*	1,756,977	895,668	+24.7	+5.0
Pieces (thousands)				
New issues	10,575	5,216	+7.7	+15.1
Redemptions*	11,669	4,881	+4.3	+9.7
Collections of Federal taxes (thousands)				
Dollar volume of receipts processed	4,229,157		+7.7	
Number of receipts processed	1,045		+23.5	

*Includes Armed Forces Leave Bonds.

Average amount of Savings deposits

Securities issued and redeemed, after a postwar dip, have climbed consistently

Marketable and savings securities handled through the Federal Reserve Bank of Chicago and its Detroit Branch.

As with services to member banks, the fiscal agency operations of the Bank were also characterized by increased activity. The table on the facing page illustrates the substantial rise in number of items processed as compared with the previous year.

One important change in 1953 announced at midyear was that banks authorized as depositaries could receive Federal excise taxes along with Social Security contributions and withheld income taxes.

Changes in member banks

In 1953 the following Seventh District banks became members of the Federal Reserve System:

National Bank of Albany Park
Chicago, Illinois

Ottawa National Bank
Ottawa, Illinois

First State Bank
Green, Iowa

Security Savings Bank
Marshalltown, Iowa

St. Ansgar Citizens State Bank
St. Ansgar, Iowa

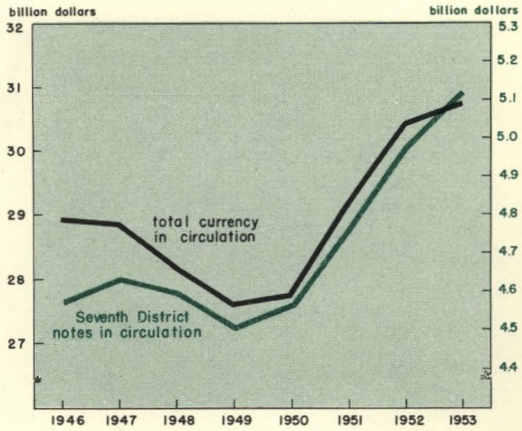
West Liberty State Bank
West Liberty, Iowa

Bank of Dearborn
Dearborn, Michigan

Bank of Sturgeon Bay
Sturgeon Bay, Wisconsin

Since one bank withdrew from membership and one underwent voluntary liquidation, there was a net increase of six member banks, bringing the District total to 1,014. The resources of four additional banks were brought into the System through mergers with member banks.

Note circulation of the Chicago Reserve Bank has paralleled the national total of new currency



Changes in officers

During 1953 the following promotions were made at the Federal Reserve Bank of Chicago and the Detroit Branch:

Russel A. Swaney, to Vice President
Bruce L. Smyth, to Assistant Vice President
LeRoy A. Davis, to Assistant Cashier
Fred H. Grimm, to Assistant Cashier
Harry S. Schultz, to Assistant Cashier
Hugh J. Helmer, to Assistant Chief Examiner
Charles J. Scanlon, to Assistant Chief Examiner

The following officers, each with many years service at the Bank, were retired:

Harlan J. Chalfont, Vice President
F. L. Purrington, Assistant Vice President
Herbert H. Conklin, Assistant Cashier
C. M. Saltnes, Assistant Cashier

Comparative Statement of Condition

Assets

	Dec. 31, 1953	Dec. 31, 1952
Gold Certificates on Hand and Due from U. S. Treasury	3,743,997,013.55	4,430,854,137.32
Redemption Fund — Federal Reserve Notes	151,495,190.00	119,452,700.00
Other Cash	62,521,459.80	54,784,083.66
Total Cash	3,958,013,663.35	4,605,090,920.98
Discounts and Advances	3,055,000.00	7,360,500.00
U. S. Government Securities	4,375,704,000.00	3,437,028,000.00
Total Bills and Securities	4,378,759,000.00	3,444,388,500.00
Bank Premises	6,448,254.79	6,680,636.02
Federal Reserve Notes of Other Banks	27,163,500.00	23,133,000.00
Uncollected Items	719,839,031.18	704,039,961.48
Other Assets	25,934,569.76	22,954,908.03
Total Assets	9,116,158,019.08	8,806,287,926.51

Liabilities

Federal Reserve Notes in Actual Circulation	5,111,406,285.00	4,971,415,290.00
Deposits:		
Member Bank — Reserve Account	3,250,620,029.36	3,066,257,823.23
U. S. Treasurer — General Account	30,188,768.35	28,709,863.68
Other Deposits	73,835,665.01	85,944,791.80
Total Deposits	3,354,644,462.72	3,180,912,478.71
Deferred Availability Items	505,627,999.92	519,439,776.68
Other Liabilities	3,016,988.44	1,962,285.84
Total Liabilities	8,974,695,736.08	8,673,729,831.23

Capital Accounts

Capital Paid In	35,000,850.00	32,341,950.00
Surplus (Section 7)	90,791,917.69	84,628,184.18
Surplus (Section 13b)	1,429,383.78	1,429,383.78
Other Capital Accounts	14,240,131.53	14,158,577.32
Total Liabilities and Capital Accounts	9,116,158,019.08	8,806,287,926.51

Comparative Statement of Earnings and Expenses

	1953	1952
Earnings	80,692,341.94	67,492,987.62
Expenses:		
Operating Expenses	13,981,511.54	13,227,178.27
Assessment for Board of Governors	561,000.00	572,900.00
Cost of Federal Reserve Currency	2,413,367.33	1,755,196.48
Total Current Expenses	16,955,878.87	15,555,274.75
Current Net Earnings	63,736,463.07	51,937,712.87
Additions to Current Net Earnings:		
Profit on Sales of U. S. Government Securities	292,476.79	293,142.06
Other Additions	123.39	6,171.30
Total Additions to Current Net Earnings	292,600.18	299,313.36
Total Current Net Earnings and Additions	64,029,063.25	52,237,026.23
Deductions from Current Net Earnings:		
Retirement System (Increased Benefits to Members)	299,518.18	...
Other Deductions	87,338.89	77,357.86
Total Deductions from Current Net Earnings	386,857.07	77,357.86
Net Earnings	63,642,206.18	52,159,668.37
Paid United States Treasury (Interest on Federal Reserve Notes)	55,473,065.89	45,238,680.03
Net Earnings After Payments to United States Treasury	8,169,140.29	6,920,988.34
Dividends Paid	2,005,406.78	1,894,010.38
Transferred to Surplus (Section 7)	6,163,733.51	5,026,977.96

Surplus Account
(Section 7)

Surplus January 1	84,628,184.18	79,601,206.22
Transferred to Surplus — as above	6,163,733.51	5,026,977.96
Surplus December 31	90,791,917.69	84,628,184.18

Statement of Disposition of Net Earnings

Year	Net Earnings	Dividends Paid	Paid to U. S. Treasury	Transferred to Capital Accounts
	(in thousands)			
1914-15	20	...	...	20
1916	403	361	...	42
1917	1,232	862	216	154
1918	6,805	605	...	6,200
1919	8,576	701	...	7,875
1920	25,876	793	10,394	14,689
1921	14,505	854	11,576	2,075
1922	1,405	876	1,186	— 657
1923	1,178	904	247	27
1924	909	909	...	...
1925	1,121	934	...	187
1926	2,254	986	...	1,268
1927	1,928	1,030	...	898
1928	4,763	1,100	...	3,664
1929	5,425	1,170	603	3,651
1930	1,054	1,211	...	— 157
1931	610	1,170	...	— 561
1932	2,243	1,030	1,092	121
1933	1,790	858	...	932
1934	1,404	761	...	643
1935	771	754	18	...
1936	932	726	28	178
1937	1,688	763	28	896
1938	1,091	791	21	279
1939	983	820	5	158

Year	Net Earnings	Dividends Paid	Paid to U. S. Treasury	Transferred to Capital Accounts
	(in thousands)			
1940	2,608	827	11	1,770
1941	1,024	897	27	100
1942	1,197	956	4	238
1943	5,759	994	...	4,766
1944	7,831	1,115	6	6,710
1945	13,430	1,215	3	12,212
1946	13,361	1,312	...	12,049
1947	12,789	1,380	10,250	1,139
1948	27,718	1,472	23,621	2,625
1949	33,425	1,556	28,681	3,187
1950	34,833	1,671	29,846	3,317
1951	44,326	1,773	38,298	4,256
1952	52,160	1,894	45,239	5,027
1953	63,642	2,005	55,473	6,164
Total	403,052	40,037	256,872	106,144
Adjustments				
1a	— 19,749			— 19,749
1b	19,749		19,749	
2	1,418			1,418
3	— 3,208			— 3,208
4	7,616			7,616
Total	408,878	40,037	276,621	92,221

Notes on adjustments

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

Details may not add to totals because of rounding.

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Detroit, Michigan
Chairman

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Butler Brothers
Chicago, Illinois
Deputy Chairman

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

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Grede Foundries, Inc.
Milwaukee, Wisconsin

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Allis-Chalmers Mfg. Co.
Milwaukee, Wisconsin

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

ALLAN B. KLINE, *President*
American Farm Bureau Federation
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The North Shore National Bank of Chicago
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ARTHUR M. GUSTAVSON, *Assistant General Auditor*
C. PAUL VAN ZANTE, *Chief Examiner*
HUGH J. HELMER, *Assistant Chief Examiner*
CHARLES J. SCANLON, *Assistant Chief Examiner*

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Chicago, Illinois

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Detroit Branch

Directors

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Detroit, Michigan

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