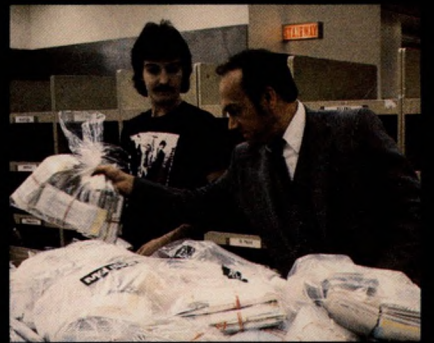
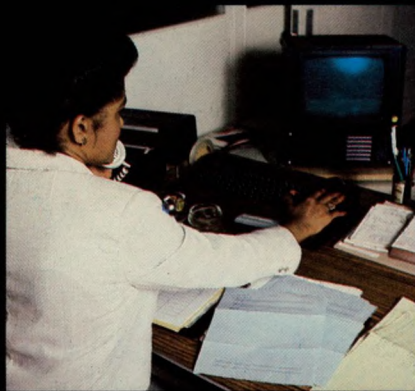


Serving the
public interest



1982 Annual Report
Federal Reserve Bank of Chicago

Y ISSUED NOTES



Federal Reserve Bank of Chicago

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Indianapolis, Indiana 46204

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Reserve Bank of Chicago (312/322-5112).*

1982 Annual Report



FEDERAL RESERVE BANK OF CHICAGO

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From our board and management

The year just passed was, once again, an extremely challenging one for the Federal Reserve Bank of Chicago.

In large measure, the challenges that we faced reflected aspects of the broader environment in which we operate. Clearly, very serious problems confront the Midwestern region we serve, and turbulence continues to plague the financial services industry. These conditions have had a profound impact on each of our major areas of responsibility.

With respect to our operations in the economic policy arena, this has been a most difficult time for gauging the impact of monetary policy actions. Because of deregulation and the introduction of new forms of deposit accounts, our standard guides for monetary policy—namely the M's—are being significantly distorted. Moreover, for policy purposes, our Bank's particular vantage point of the Midwest has posed some special challenges.

In assessing conditions and monitoring the impact of policy on the region, extreme care has had to be taken to separate the area's longer-term structural problems from cyclical trends. And in light of the particularly devastating effect of the national recession on the District, it has been very hard at times to fully appreciate the substantial gains that have been made in the battle against inflation.

Fortunately, as the new year began, there was mounting evidence that long-term economic growth could and would be renewed without reigniting inflationary forces. And as this occurs, it becomes clearer that we in the Midwest, after bearing perhaps the greatest burden in the anti-inflation campaign, may also realize the greatest benefit. A decade of inflation has magnified

our longer-term economic problems—the deterioration of our factories, the poor competitive position of our products in world markets. With the reestablishment of a more stable economic environment, the process of solving these problems can begin.

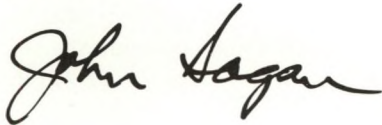
As in our monetary policy role, deregulation and the other profound changes taking place in the financial services industry have had a major impact on our bank supervision and regulation activities. There have been major financial stresses associated with difficult economic times. Also, rapid—and oftentimes unpredictable—changes have been occurring in products, prices, and market participants, brought about by changes in rules restricting banking services and geographic markets as well as innovation in the marketplace. These forces have posed significant challenges for the industry as a whole and the Bank in particular. Never before have conditions and circumstances changed so quickly—requiring us all to stay constantly on the alert for signs of strain, on the one hand, and for opportunities to foster positive changes in the financial system, on the other.

Finally, the challenges posed by a changing marketplace were surely experienced most directly by the Federal Reserve Bank of Chicago during 1982, the first full year that the Bank offered its services on a priced basis. In response, important steps were taken to restructure the Bank so that our organization would be well-positioned to effectively respond to the competitive forces of the marketplace. As a result, we feel confident that the

Bank will be able to carry out the Monetary Control Act's mandate to ensure that high quality services will be available to all depository institutions on an equitable basis.

We frequently discuss the Bank's accomplishments in fulfilling its general public mission by focussing on its three primary roles—as an economic policy maker, as a regulator, and as a provider of services. Most critical to our ability to meet these major responsibilities are our 3,000 dedicated employees.

In this year's annual report, we focus on but a handful of these employees and the roles they play in serving the public interest. By so doing, we hope to share with you the special pride we feel in the commitment and accomplishments of our entire staff.



John Sagan
Chairman of the Board



Silas Keehn
President

March 1, 1983



John Sagan

Silas Keehn

Serving the public interest . . . as a policy maker

Changes in the discount rate, fluctuations in the money supply, Federal Reserve officials testifying before Congress—these are the events that capture the attention of “Fed watchers” and that most of the public associates with the conduct of monetary policy. But activities that seldom make the news take place at the “grass roots” level—within each Federal Reserve District. These activities play a critical role in fostering effective policy decisions that are consistent with the public interest.

Focussing on key concerns and developments in the District

The Federal Reserve’s regional structure, a feature it shares with few other central banks around the world, is one of the System’s greatest strengths. In all phases of Federal Reserve operations—but particularly in its economic policy role—the System’s structure enhances its ability to serve a broad and diversified public interest.

By establishing a network of regional Reserve Banks, the central banking system’s architects clearly sought to diffuse the Federal Reserve’s own power and influence as well as to encourage regional influences on the System. To this day, the original concept of decentralized authority is reflected in the important economic policy roles played by Reserve Bank presidents, directors, and the research staffs that advise them.

By spreading policymakers across the nation, the regional structure serves to insulate monetary policy from undue political influence. At the same time, it provides an effective mechanism for collecting up-to-date and reliable information on which to base policy decisions.

To this end, a fundamental focus of the research activity at the Chicago Reserve Bank is on the key economic developments and issues in the District. The Bank serves one of the nation’s most important economic regions, covering most of Illinois, Indiana, Michigan, and Wisconsin plus all of Iowa. Industries of particular importance in this region—agriculture, steel, automobiles, capital goods, farm implements, transportation—have long received special attention from staff economists. In addition to continuously monitoring any relevant data available, staff members reach beyond the numbers to obtain first-hand information on emerging trends through direct contacts with industry executives and analysts.

Such activities are more or less duplicated in each of the Federal Reserve Districts. Through this economic intelligence gathering machinery, the System can capture and assess the frequently divergent trends and developments that occur simultaneously in an economy as diverse, widespread, and complex as ours. And given that monetary policy actions affect the economy with a significant lag, the ability to spot changes as they occur—or, even better, to anticipate them—is especially valuable.

Continuous monitoring of current conditions is, however, only one aspect of a Reserve Bank’s economic research activities. Complementing such efforts, the Federal Reserve Bank of Chicago conducts special studies and sponsors conferences and surveys aimed at developing a better understanding of fundamental economic relationships—that shed light, in other words, on various aspects of how the economy works.

Regional issues have long been an important focus of this area of the Bank’s research. In light of the changing character of the Midwest’s economy, however, the region is receiving even greater emphasis.

Studies that help to provide a better framework for understanding the historical development of the District economy, its current situation, and likely future course help to produce a clearer picture of how District conditions relate to national economic performance, a necessary ingredient for sound monetary policy recommendations. As an added public benefit, such studies can also provide a basis for sounder decisions by policymakers at the state and local level by illuminating those factors that underly the District’s present condition and act as impediments to its future growth and development.

Jeff Miller

Agriculture is a mainstay of the Midwest economy, with the Seventh Federal Reserve District producing one-fifth of the farm commodities sold in the nation and an even greater share of commodities exported. As an agricultural economist in the Chicago Bank's Research Department, Jeff Miller monitors crop and livestock production, sales of agribusiness firms, food prices, and farm income. Each quarter, Jeff conducts a survey of farm land values and credit conditions at agricultural banks in the District. His findings are shared with other economists who meet to review local developments for the purpose of advising on monetary policy and developing a better understanding of regional conditions. Jeff's analysis of trends and issues in agriculture also appears in the Bank's biweekly publication, Agricultural Letter.



Stimulating an exchange of views on economic and financial issues

Like its regional structure, the Federal Reserve System's independent status within government serves to insulate policymaking from short-run political considerations. In contrast to its counterparts in many other countries, this nation's central banking system is a separate, independent agency; it is not a branch of the Treasury Department. It operates on its own earnings and thus does not have to seek, through the appropriations process, Congress' prior approval of programs.

Also contributing to the System's independence is a selection process for its top officials that serves to insulate them from the day-to-day supervision of other government officials. Members of the Board of Governors, while appointed by the President of the United States, serve terms far longer than that of the chief executive who designated them. And these governors select only a minority of the directors of the Reserve Banks, the rest being elected through the private sector.

But the independent status of the Federal Reserve within the public sector is in no way meant to diminish its responsibility and accountability to the public. In fact, it has been the System's experience that to preserve the independence that the nation's lawmakers have granted it, the Federal Reserve must assure that its policies and actions are responsive to the public interest.

For this reason, the Federal Reserve Bank of Chicago sponsors a broad array of activities aimed at stimulating an exchange of views on economic and financial issues and policies. By providing forums for expressing a variety of ideas, the Bank obtains valuable input for better policy decisions. And by promoting broader understanding of the economy, the financial system, and the Federal Reserve's role, the Bank can foster informed public review of those policies.

To these ends the Bank has, for a number of years, published two economic newsletters, one with an international focus and the other dealing with agriculture, as well as its more in-depth review, *Economic Perspectives*. In 1982, a new monthly newsletter, *Midwest Update*, was launched, focussing on current economic developments in the District. These periodicals are supplemented by individual publications on topics of special interest aimed at a variety of levels and audiences. Examples range from *Credit Guide*, a new pamphlet already distributed to over 100,000 consumers nationwide, to papers in the Bank's staff studies series, which are sent for comment to colleagues in the economics community.

In addition to publications, the Bank disseminates information and stimulates discussion of pertinent issues by meeting with educators, students, economists, financial institutions, businesses, community and government leaders, and consumers. Two particularly noteworthy conferences, bringing researchers and practitioners together to discuss financial issues, were held this past year: Rural Financial Markets, jointly sponsored with the U.S. Department of Agriculture, and the 1982 Conference on Bank Structure and Competition which focussed on deregulation and interest rate risk. In addition, the Bank has recently launched a seminar series on Issues in Monetary Policy.

Another facet of the Bank's activities in this area during 1982 was its expanded outreach program to teachers at the high school level. New efforts include a workshop series and newsletter aimed at helping teachers introduce economic concepts in the classroom and, in this way, better prepare their students for the roles they will play in a democratic, free-market society.

Ann Dillon

A public information representative at the Chicago Reserve Bank, Ann Dillon spends much of her day working with individuals interested in learning about money and banking and the role of the Federal Reserve. She handles telephone inquiries, addresses community groups and clubs, and participates in special workshops for educators, all in an effort to enhance public understanding of the nation's economic system. During 1982, Ann, along with other public information staff, conducted 725 tours and distributed 210,000 pieces of literature and 500 films.



Serving the public interest . . . as a regulator and “lender of last resort”

Monetary policy is, of course, concerned with the performance of the economy generally; its focus is at the “macroeconomic” level. In contrast, the System’s other major central bank responsibilities—as a regulator and as a “lender of last resort”—focus at the “micro” level. Here, the concern is for the performance of the financial system and the institutions that comprise it—to assure that their operations serve and promote the public interest.

Assuring the viability of financial institutions

Banks occupy a position of special importance in the operation of the national economy. They serve as the custodians of a significant proportion of the public’s wealth and, in particular, of those assets that function as the primary means of payment, making commerce possible. As a result, the safety and soundness of the banking system has traditionally been viewed as an appropriate concern of public policy and was fundamental to the establishment of the Federal Reserve System in 1913.

Both the supervisory and lending functions of Reserve Banks are concerned with maintaining the health and viability of individual depository institutions. But the well-being of individual institutions is only the focus of these Reserve Bank activities, not the ultimate goal. The goal is not to maintain the stability of each institution *per se*, but to contain the effects of any instability. It is the welfare of the community and the public generally, not the welfare of the institution and its stockholders, that is the underlying concern.

By extending credit through the discount window, Reserve Banks offset financial strains being experienced by the borrowing institution. These strains may be very temporary or more persistent; they may be caused by any number of factors, such as unanticipated deposit withdrawals, unexpected local credit demands, or seasonal fluctuations. In providing credit, the central bank serves as “lender of last resort,” providing funds when and only so long as other sources are not readily available.

A loan through the discount window assures that the borrowing institution can maintain its level of service to its local community. The borrower obtains needed liquidity

without impinging on the liquidity of other institutions. The economic life and livelihood of the community—commerce, industry and agriculture—go on without disruption.

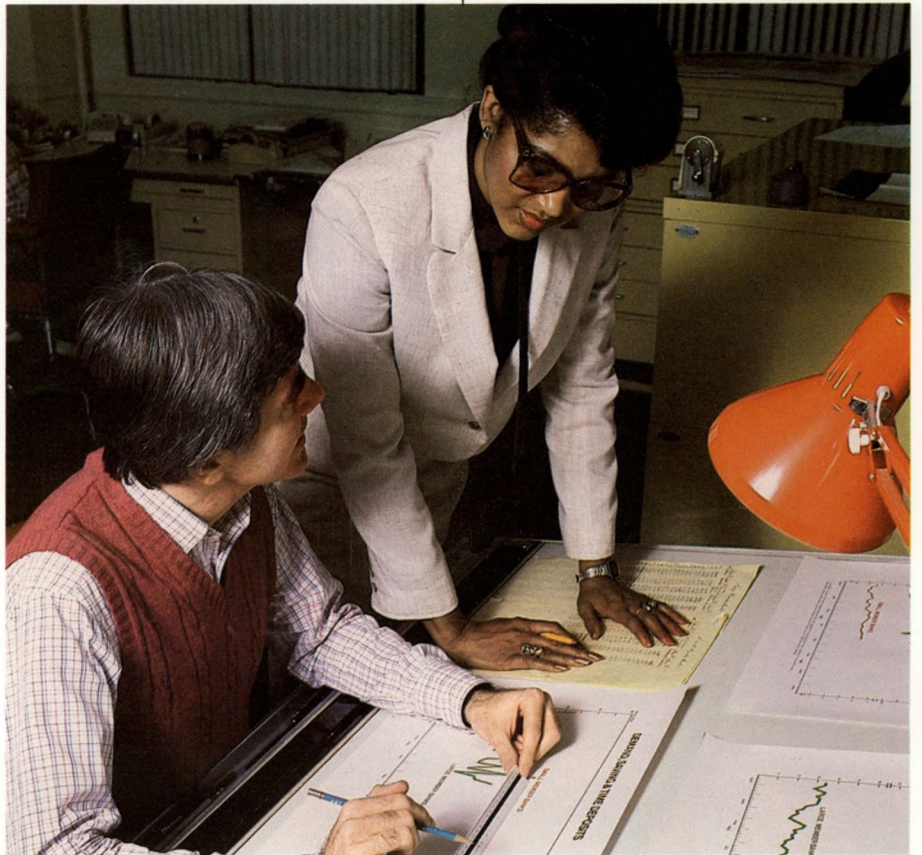
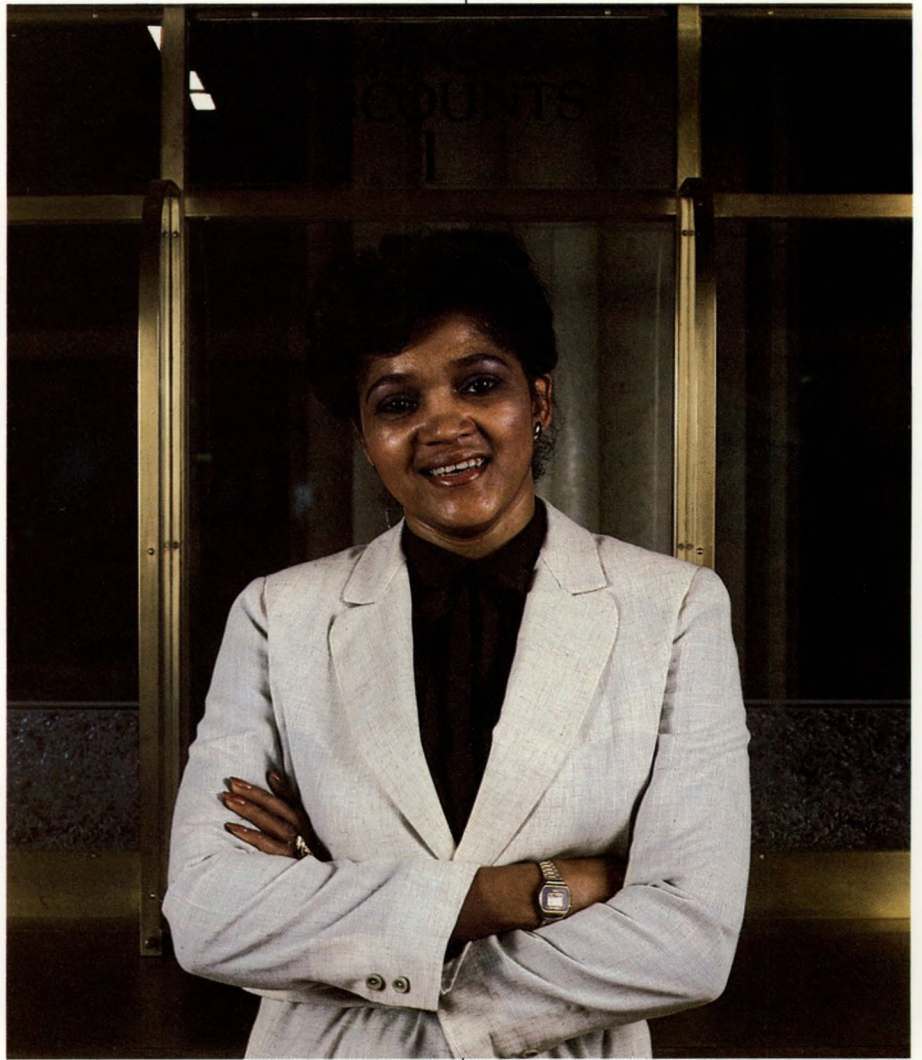
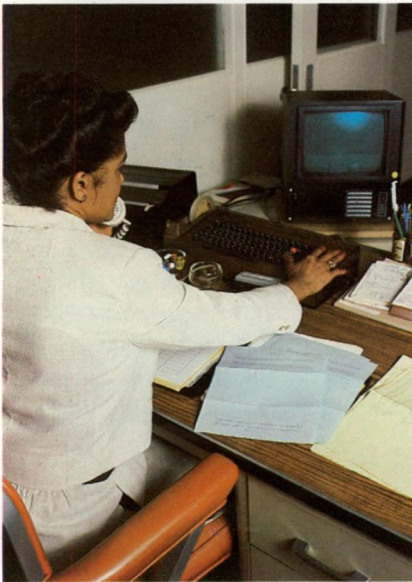
Similarly, through their supervisory activities, the various bank regulatory agencies, including the Federal Reserve, focus on the safe and sound operation of each institution under their jurisdiction. The condition of the institution is monitored to detect symptoms of stress, and overall management practices are evaluated to detect potential causes of stress.

The aim of this supervision is to confine or isolate financial strains—to prevent financial distress in one institution from harming others and weakening the public’s confidence in the banking system. It is not necessary to prevent each and every bank failure, but it must be recognized that certain failures can touch other institutions, other depositors, and other communities.

For the Federal Reserve Bank of Chicago, bank supervision is a significant task. The Bank oversees more than 200 banks and 700 bank holding companies. In addition, more than 7000 depository institutions operate in the District and potentially have access to the discount window. These totals rank at or near the top among the 12 Federal Reserve Districts. Moreover, the changing nature, volatility, and international scope of today’s financial system increase the difficulties and importance of this area of the Bank’s activity, an area in which the Bank performs some of its most valuable public services.

Myrtle Walton

Myrtle Walton, teller in the Loans Department, works with institutions wanting to borrow funds through the Federal Reserve discount window so that service to their communities can be maintained. Myrtle's role continues after the initial contact: she checks loan applications for completeness and accuracy, and reviews financial statements of companies whose notes are submitted as loan collateral. Myrtle prepares charts and graphs related to District borrowing for use at Loan Committee meetings, where key decisions concerning the provision of credit are made.



***Ensuring that
institutions operate
in the public
interest***

Bank safety and soundness, order and stability in the financial system—for many years these were, as Congress intended, the chief focus of Federal Reserve regulatory responsibilities. In recent years, however, public policy concerns regarding financial institution operations have broadened in scope and concomitantly, so has the sphere of the System's regulatory authority and activities.

One newer area of public concern is illustrated by the series of laws that Congress has enacted since the late 1960s, including, among others, Truth in Lending, Equal Credit Opportunity, Home Mortgage Disclosure, and Community Reinvestment. Overall this legislation has given the Federal Reserve expanded responsibilities to make sure that the public is treated fairly in its dealings with financial institutions.

Another area of increased public concern through the years relates to the structure of banking markets. Beginning with the Bank Holding Company Act passed in 1956, followed by the Bank Merger Act of 1960, the Federal Reserve was granted important new responsibilities for determining whether proposed mergers, acquisitions, and affiliations of banks with nonbank activities serve the public interest based on their likely competitive and related effects.

How will a merger or acquisition affect the local market and customers? Could it result in an excessive concentration of resources, likely to restrain trade? Will sufficient alternative sources of banking services be available to maintain an adequate level of competition and, thereby, an efficient use of resources? These are the types of questions the Federal Reserve Bank of Chicago is required to consider in analyzing the bank holding company and merger applications submitted to it.

In 1982, a total of 622 such applications and notices related to proposed banking structure changes were submitted for the Bank's consideration. And for the first time, this workload included applications to form multibank holding companies in Illinois as a result of a landmark change in the state's banking laws that took effect on the first of the year. While Illinois banking organizations have, on the whole, been most deliberate in taking advantage of their new authority, the liberalization of the state's laws has brought to the Chicago Reserve Bank important new responsibilities—to assure that any transformation of the state banking structure serves the public interest.

Alicia Williams

As consumer affairs officer at the Chicago Reserve Bank, Alicia Williams takes an active role in helping both individuals and banks understand the laws and rules meant to protect consumer rights. She spends much of her time talking with consumers, responding to their inquiries about credit and other banking-related topics. Along with the staff of examiners, Alicia ensures that state chartered member banks comply with Federal Reserve regulations that govern lending practices. She also serves as a liaison between depository institutions, community development organizations, and neighborhood groups to promote community reinvestment.



Serving the public interest . . . as a provider of services

Before the Monetary Control Act of 1980, the Federal Reserve Bank of Chicago provided financial services, such as check collection, currency and coin transportation, securities safekeeping, and wire transfers of funds, at no charge to its 900 member banks. Now, all depository institutions—including savings and loan associations, mutual savings banks, and credit unions—have direct access to Federal Reserve services on a fee basis. The intent of this legislative change was three-fold: to improve the level of service to all depository institutions in an increasingly competitive environment; to enhance the efficiency of the payments mechanism; and to foster technological innovation and development so that the nation's financial system keeps pace with public needs.

Improving levels of service available to all depository institutions

The Federal Reserve Bank of Chicago completed its first full year in the competitive marketplace in 1982. To prepare itself for this new role, the Bank conducted surveys to determine the needs of its new customers. The surveys found, among other things, that service fees paid by banks and thrifts differ, as does the credit availability granted on their deposits of checks. Moreover, institutions in remote areas have been excluded from some attractive cash and check service arrangements because of their location. In short, not all depository institutions have had access to comparable levels of service. In its new competitive posture, the Bank is addressing this situation.

A number of new products and services, primarily in check collection and processing, were developed by the Bank in 1982. Recognizing that many banks and thrifts lack check encoding and sorting capabilities, for example, unsorted deposit programs and encoding services were introduced during the year. At the same time, expanded deposit options were provided to benefit larger institutions that have more extensive sorting capabilities.

Several operational changes were also made to give more distant institutions easier access to Federal Reserve check services. Deposit deadlines were modified, enabling more institutions to utilize the System's transportation network. New transportation arrangements were made in Madison and Appleton, Wisconsin; Rockford, Illinois; and Detroit, facilitating collection in outlying areas.

The Bank's emphasis on improving service levels has stimulated a healthy competition among other financial service providers, and product development and promotion efforts have increased. New, more flexible service arrangements have been introduced.

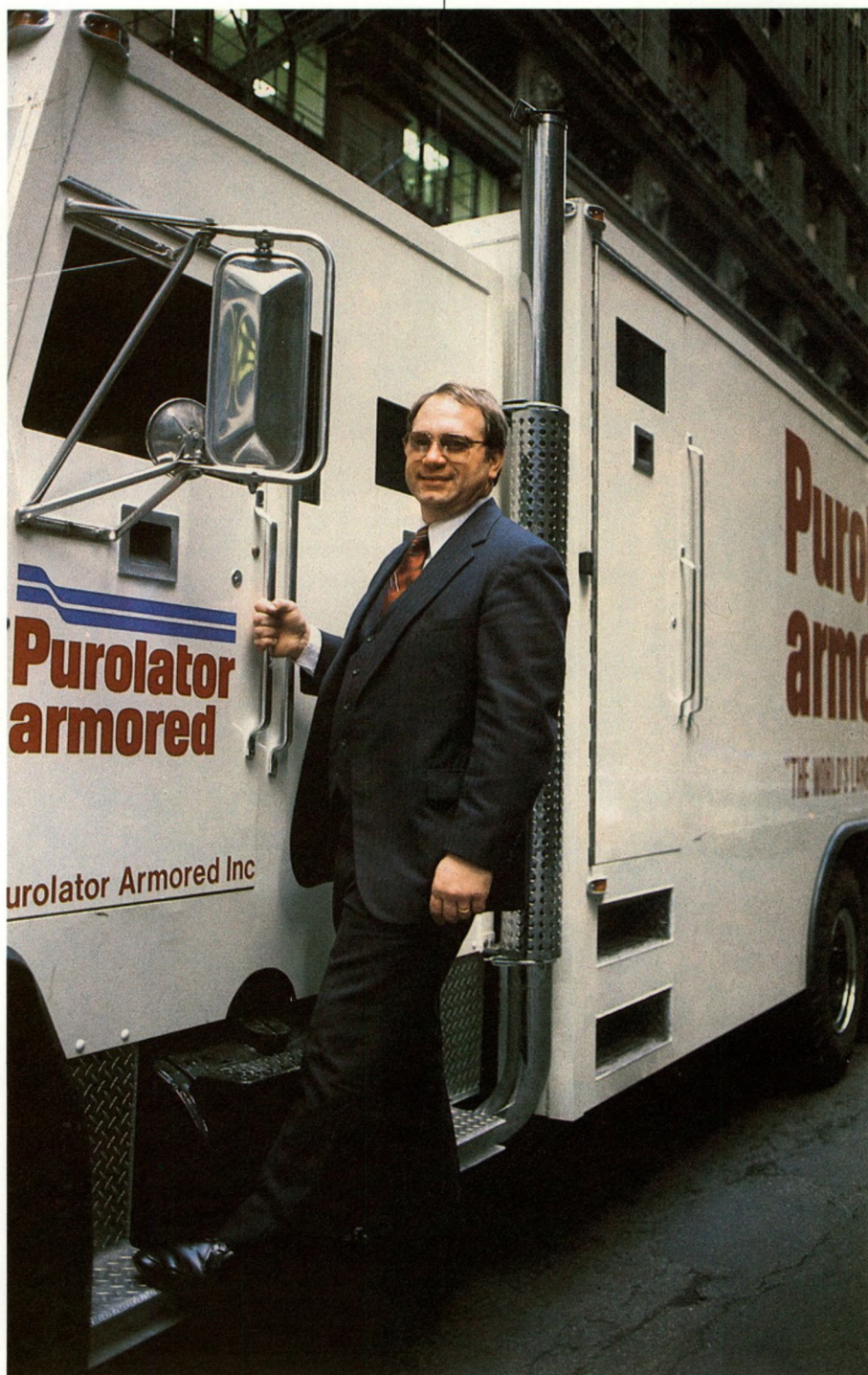
Depository institutions are now conducting careful cost/benefit analyses of the financial services they use. For them, Federal Reserve prices serve as competitive benchmarks against which private sector fees can be compared.

This heightened awareness has resulted in more open pricing policies. Arrangements that involve a close bundling of services, a variety of added charges (such as special processing and accounting fees), and compensating balance agreements that tie the provision of credit to the use of services are less common now than a year ago.

The ultimate beneficiary of an improved level of service for all depository institutions is the public, which can expect greater efficiency in the nation's payments system. By spurring competition and innovation in the marketplace, the Federal Reserve Bank's service level and price changes serve the public interest.

Max Ziemer

You're likely to find Max Ziemer, business development representative at the Detroit Branch, behind the wheel of his car en route to one of Michigan's depository institutions. Max works closely with bank and thrift officials in order to increase their familiarity with Federal Reserve products and prices. The information he provides helps institutions evaluate the level of service they are receiving. Through his contacts, Max gains valuable insights into customer needs that he uses to help develop high quality financial services, such as currency and coin transportation.



Speeding check collection and reducing float

The growth of a truly national economy was facilitated by widespread public acceptance of checks as a medium of exchange. Checks had surpassed currency in volume even before the Civil War. But it was not until the signing of the Federal Reserve Act in 1913 that a central check clearing facility was established, eliminating such practices as circuitous routing that delayed the flow of payments.

At that time, the Federal Reserve System was charged with the responsibility to foster the safety, integrity, and efficiency of the nation's payments mechanism. The Federal Reserve has since participated in the development of new encoding and processing techniques, established check clearing facilities in strategic economic hubs, and improved links between distant cities.

These advances enabled the System to process checks more efficiently and handle growing volume. In the last twenty years, the number of checks handled by the Federal Reserve has quadrupled.

The volatile nature of the current money market has also spurred efforts to enhance check operations. Availability—the speed with which checks are cleared and credit for deposits is granted—is now a foremost concern within the financial industry. Depository institutions are acutely aware of the economic ramifications of a day's delay in investment. Thus, efficiency in payments processing, a major concern to the Federal Reserve, is also a demand of the marketplace.

The Federal Reserve's air carrier network, the Interdistrict Transportation System (ITS) provides an avenue for enhancing the efficiency of the nation's payments system. Staff at the Chicago Bank, which serves as ITS national headquarters,

worked closely with various carriers throughout 1982, adding or modifying routes to improve service.

An expanded ITS network will be inaugurated in early 1983. Ten carriers flying 50 routes will be utilized, providing direct cross-country linkages. This means the Chicago Reserve Bank will be linked directly to the West Coast so that credit for a check drawn on a San Francisco bank and deposited at a Chicago institution can be granted—and proceeds invested—in a day's time.

The changes that speed collection and improve availability for customers also reduce float, a historical concern of the Federal Reserve. The Monetary Control Act requires that the Federal Reserve eventually charge for float. In the meantime, the System is engaging in a comprehensive float-reduction program through service changes.

The success of these efforts thus far has been largely attributed to an initial restructuring of ITS. In the first quarter of 1980, Federal Reserve float averaged \$4.9 billion daily; by the third quarter of 1982 that amount had been reduced to under \$2 billion. The System is looking into other ways of reducing float, with changes in crediting and charge-back procedures under consideration.

The increased use of electronics promises also to improve dramatically the efficiency of the payments mechanism, particularly as the benefits of faster check collection and reduced float are recognized. As the banking industry moves further into the electronic era, the Federal Reserve Bank of Chicago will continue to do its part in maintaining a payments system that is responsive to public needs.

Vince Aivazian

Though not a licensed pilot, Vince Aivazian is responsible for ensuring the safe and speedy transport of checks around the country. Vince is senior transportation analyst for the Interdistrict Transportation System (ITS), headquartered at the Chicago Reserve Bank. To aid in planning, Vince surveys ITS volume to determine whether high dollar routes are being properly serviced. Vince monitors check shipments—from time of receipt in the Bank's mail room to time of delivery—in order to observe and correct delays that might otherwise increase float.



Fostering innovation and technological development

For the Federal Reserve Bank of Chicago, the electronic era actually began shortly after the Bank's establishment in 1914, when the efficacy of using a wire network to transfer funds was recognized.

Since those early days, when Morse Code was used to transmit messages between Federal Reserve Bank offices, the Board of Governors, and the Treasury Department, the network has evolved from a funds transfer mechanism to a sophisticated communications system. The Chicago Reserve Bank has played an integral role in the technological development that has made this growth possible.

The Bank serves as national headquarters for the System's latest network, called the Federal Reserve Communications System for the 1980s (FRCS-80). During 1982, the speed and reliability of FRCS-80 were enhanced as two separate data networks were consolidated into a single system better able to accommodate the growing volume of funds transfers.

The Bank has brought the benefits of its nationwide communications system to Seventh District depository institutions. More than 500 banks and thrifts enjoyed direct, "on-line" service at the end of 1982. In a period of fluctuating interest rates and changing investment opportunities, institutions of all sizes know the importance of easy access to funds and to timely information.

This need for information has inspired recent product development efforts. During 1982, a number of new capabilities were provided to users of ACCESS 7/100, the Bank's low cost dial-up terminal designed specifically for smaller institutions. Through their terminals, these institutions can now receive such information as reserve

or clearing account balances; Treasury bill rates and Regulation Q ceilings; Treasury tax and loan due dates; and holiday closings.

The initiatives in electronic communications taken by the Bank have also fostered innovation and technological development in the marketplace. Amendments to Regulation E, governing electronic funds transfers, that reduce documentation requirements for institutions have aided these efforts.

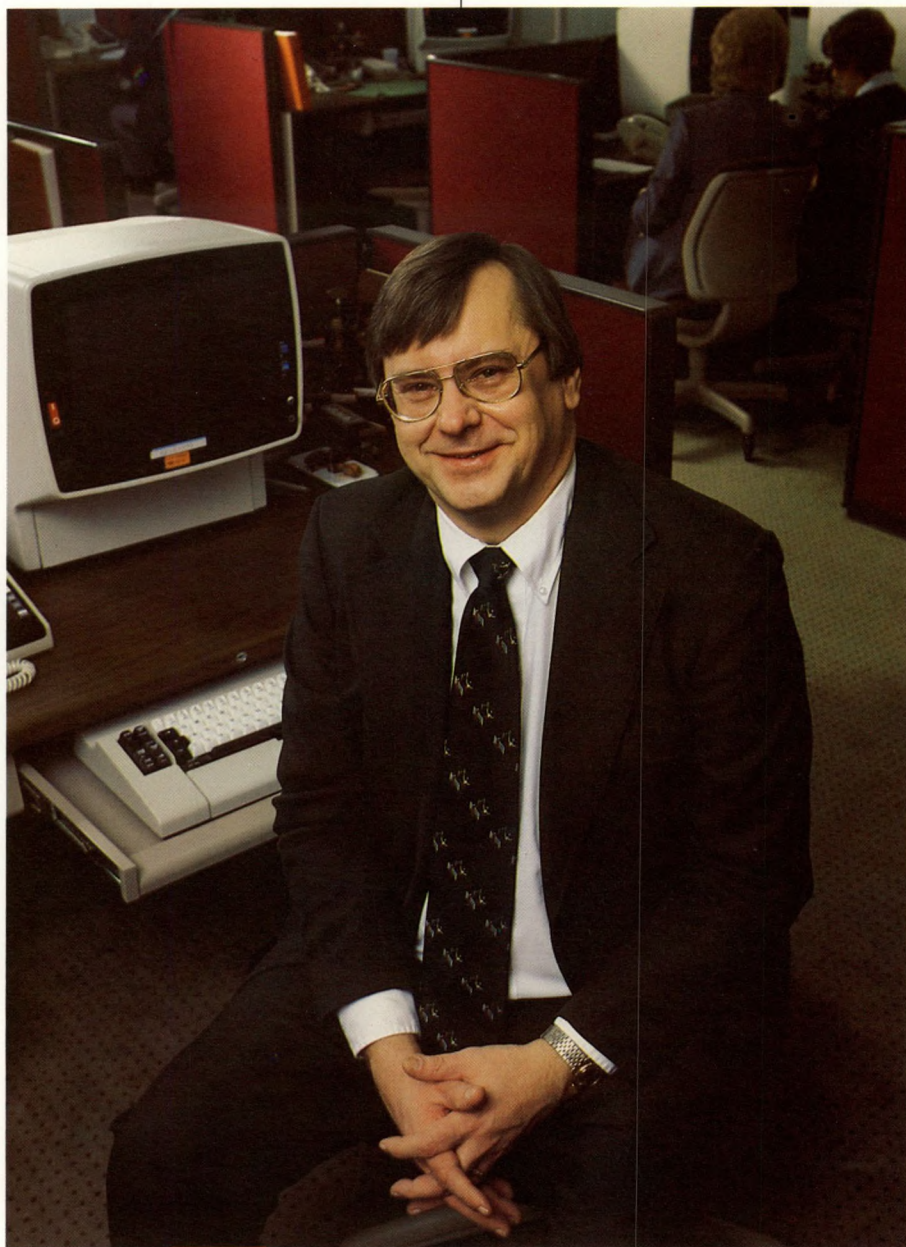
For example, the correspondent banking industry is developing comprehensive networks that utilize timesharing data, and still allow customers to make maximum use of existing communications equipment. The timesharing networks provide valuable information such as daily cash letter totals and account balances, giving users a convenient picture of their cash position. Because resources are shared, they also result in significant operating economies so that communications systems in general have become increasingly price competitive.

Other applications of this increasingly sophisticated technology are being marketed to depository institutions, including cash-flow forecasting models and corporate cash management programs. Data terminals are employed as a means of providing this information in an efficient, inexpensive, and timely manner.

By all accounts, the electronic explosion of the last few years is only the beginning of a revolution in the financial services industry. In the coming year, the Bank intends to foster such technological innovation in ways that will provide better service to its customers, the industry, and the public.

Ken Berg

Ken Berg is at home in the midst of computer hardware that would overwhelm some people. As division manager of the Chicago Bank's Automation Services Department, Ken works with his four group managers to design, develop, and maintain electronic communications systems. Over the past year, Ken has helped to provide a direct link with the Federal Reserve communications network to several hundred smaller depository institutions in the District through the Bank's ACCESS 7/100 terminals. Ken serves on a number of System task forces to improve the efficiency of electronic funds transfer operations and to enhance the network's other communications capabilities.



Directors (as of December 31, 1982)

Federal Reserve Bank of Chicago

John Sagan, Chairman
Vice President-Treasurer
Ford Motor Company
Dearborn, Michigan

Stanton R. Cook, Deputy Chairman
President and Chief Executive Officer
Tribune Company
Chicago, Illinois

Roger E. Anderson
Chairman of the Board
Continental Illinois National Bank
and Trust Company of Chicago
Chicago, Illinois

Edward F. Brabec
Business Manager
Chicago Journeymen Plumbers,
Local 130
Chicago, Illinois

Mary Garst
Manager—Cattle Division
The Garst Company
Coon Rapids, Iowa

Dennis W. Hunt
President
Hunt Truck Lines, Inc.
Rockwell City, Iowa

Leon T. Kendall
Chairman of the Board
and Chief Executive Officer
Mortgage Guaranty Insurance Corporation
Milwaukee, Wisconsin

Patrick E. McNarny
President and Chief Executive Officer
The First National Bank of Logansport
Logansport, Indiana

O. J. Tomson
President
The Citizens National Bank of Charles City
Charles City, Iowa



Board of directors, Federal Reserve Bank of Chicago, from left to right: D. Hunt, L. Kendall, M. Garst, S. Cook, J. Sagan, E. Brabec, P. McNarny, O. Tomson, R. Anderson

Detroit Branch

Russell G. Mawby, Chairman
President and Trustee
W.K. Kellogg Foundation
Battle Creek, Michigan

Robert E. Brewer
Executive Vice President—Finance
K Mart Corporation
Troy, Michigan

James H. Duncan
Chairman of the Board
First American Bank Corporation
Kalamazoo, Michigan

Karl D. Gregory
Professor of Economics and Management
Oakland University
Rochester, Michigan

Lawrence A. Johns
President
Isabella Bank and Trust
Mt. Pleasant, Michigan

Dean E. Richardson
Chairman of the Board
Manufacturers National Bank
of Detroit
Detroit, Michigan

Thomas R. Ricketts
Chairman of the Board and President
Standard Federal Savings
and Loan Association of Troy
Troy, Michigan



Board of directors, Detroit Branch, from left to right: (seated) L. Johns, R. Mawby, K. Gregory; (standing) D. Richardson, T. Ricketts, R. Brewer, J. Duncan

Federal Advisory Council Member

Robert M. Surdam
Chairman of the Board
National Bank of Detroit
Detroit, Michigan

The directors of the Federal Reserve Bank of Chicago appoint the Bank's officers and, through them, oversee the Bank's operations and affairs. They also appoint 4 of the 7 directors of the Bank's Detroit Branch (the remainder are appointed by the Federal Reserve System's Board of Governors) and select the District's representative to the 12-member Federal Advisory Council. At least once each 14 days, the directors establish (subject to review by the Board of Governors) the Bank's discount rate, i.e., the base interest rate that depository institutions pay to borrow from the Bank.



The selection process for Reserve Bank directors assures that they represent member banks of all sizes as well as a variety of nonbanking interests such as agriculture, commerce, industry, services, labor, and consumers. Drawing on their broad experience and knowledge of regional conditions, the directors provide information of critical value for monetary policy to the Bank's president and the Board of Governors. Given the diversity of their affiliations, the directors also contribute to broader public understanding of the System and its actions.

To this end and to gain further insight into current developments around the District, the directors of the Chicago Reserve Bank, joined by members of the Detroit Branch board, frequently hold meetings in the District's major cities. During 1982, in addition to meeting in Chicago, Detroit, and Des Moines, the directors paid a special visit to Coon Rapids, Iowa.



Joined there by the Honorable J. Charles Partee of the System's Board of Governors and the Bank's senior officers, the directors were able to observe some of the District's most impressive agricultural operations. The highlight of the visit, however, was an informal and lively get-together with farmers, community bankers, implement dealers, and other operators of small businesses from the surrounding area, providing the Federal Reserve representatives with an invaluable opportunity to exchange views with members of the local community and to listen to their many concerns about the District's and the nation's economy.



Officers *(as of December 31, 1982)*

Silas Keehn, President

Daniel M. Doyle, First Vice President

Central Bank Activities

Economic Research and Information

Karl A. Scheld, *Senior Vice President and Director of Research*

Research

Gary L. Benjamin, *Economic Adviser and Vice President*

George W. Cloos, *Economic Adviser and Vice President*

Joseph G. Kvasnicka, *Economic Adviser and Vice President*

Larry R. Mote, *Economic Adviser and Vice President*

Dorothy M. Nichols, *Economic Adviser and Vice President*

Harvey Rosenblum, *Economic Adviser and Vice President*

Patricia W. Wishart, *Vice President and Assistant Director of Research*

David R. Allardice, *Senior Economist and Assistant Vice President*

Anne Marie L. Gonczy, *Senior Economist and Assistant Vice President*

Frank S. McKenna, *Assistant Vice President*

Jean L. Valerius, *Assistant Vice President*

Information Services

Nancy M. Goodman, *Assistant Vice President*

Supervision and Regulation and Loans

James R. Morrison, *Senior Vice President*

Supervision and Regulation

Franklin D. Dreyer, *Vice President*

Roderick L. Housenga, *Chief Examiner*

Nicholas P. Alban, *Assistant Vice President*

John L. Bergstrom, *Assistant Vice President*

James A. Bluemle, *Assistant Vice President*

Rose M. Kubush, *Assistant Vice President*

Patrick J. Tracy, *Assistant Chief Examiner*

Thomas L. Wolfe, *Examining Officer*

Alicia Williams, *Consumer Affairs Officer*

Loans

Hilbert G. Swanson, *Assistant Vice President*

Services to Depository Institutions

Operations

Robert M. Fitzgerald, *Senior Vice President*

Cash

David R. Starin, *Vice President*

James M. Rudny, *Assistant Vice President*

Check Processing

Robert W. Wellhausen, *Vice President*

John D. Van Pelt, *Assistant Vice President*

Electronic and Other Payments Operations

Louis J. Purol, *Vice President*

William A. Bonifield, Jr., *Assistant Vice President*

Lawrence J. Powaga, *Assistant Vice President*

DeWayne W. Baker, *Operations Officer*

Fiscal Agency

Daniel P. Kinsella, *Vice President*

Warren E. Potts, *Assistant Vice President*

Warren E. Taubman, *Assistant Vice President*

FRB Customer Services

Roby L. Sloan, *Senior Vice President*

Paul J. Bettini, *Vice President*

Customer Service

Allen G. Wolkey, *Vice President*

Jack S. Light, *Assistant Vice President*

William D. Stratton, *Assistant Vice President*

Financial Institutions Accounts

Ruth F. Vilona, *Vice President*

Gerard J. Nick, *Operations Officer*

Product Management

Stephen M. Pill, *Assistant Vice President*

Support Functions

Financial Management and Automation Services

Carl E. Vander Wilt, *Senior Vice President*

Automation Support

Richard P. Anstee, *Vice President*

William Rooney, *Vice President*

R. Steve Crain, *Assistant Vice President*

Marlene M. O'Sullivan, *Assistant Vice President*

Janet M. Terry, *Assistant Vice President*

Computer Operations

Adolph J. Stojetz, *Vice President*

Carol P. Kaspar, *Assistant Vice President*

Charles L. Schultz, *Assistant Vice President*

Management Services

Glenn C. Hansen, *Vice President*

Carl C. Welke, *Assistant Vice President*

Jerome F. John, *Financial Officer*

LeRoy E. Ketchmark, *Systems Officer*

Office of the General Auditor

(reporting to board of directors)

Richard P. Bush, *General Auditor*

Andrew M. Cook, *Assistant General Auditor*

George W. Steffen, *Assistant General Auditor*

Office of the General Counsel

William H. Gram, *Vice President, General Counsel
and Secretary*

Oliver I. Ireland, *Vice President and
Associate General Counsel*

Office of the Secretariat

Susan Riis, *Administrative Officer*

Office of Human Relations

Raymond M. Scheider, *Vice President*

Support Services

Charles W. Furbee, *Senior Vice President*

Administrative Services

Wayne R. Baxter, *Vice President*

Theodore E. Downing, Jr., *Assistant Vice President*

General Services

Robert A. Ludwig, *Vice President*

Richard H. Ramsdell, *Assistant Vice President*

Human Resource Services

Gerald I. Silber, *Assistant Vice President*

District Offices

Detroit Branch

William C. Conrad, *Senior Vice President and Manager*

Frederick S. Dominick, *Vice President*

Glen Brooks, *Assistant Vice President*

Joseph R. O'Connor, *Assistant Vice President*

Richard L. Simms, Jr., *Assistant Vice President*

F. Alan Wells, *Assistant Vice President*

Regional Check Processing Centers

Des Moines Office

Thomas P. Killeen, *Assistant Vice President*

Indianapolis Office

Russell O. Langan, *Assistant Vice President*

Milwaukee Office

Thomas G. Ciesielski, *Assistant Vice President*

Special Project Office: Federal Reserve Communications System (FRCS-80)

M. Brian Carey, *Senior Vice President and Project Manager*

George E. Coe, *Vice President*

Laurence Washtien, *Vice President*

Robert W. Roberts, *Assistant Vice President*

Statement of condition

(in thousands of dollars)

	As of December 31	
	1982	1981
Assets		
Gold certificate account	1,476,000	1,171,000
Interdistrict settlement account	(158,061)	(930,308)
Special drawing rights certificate account	646,000	519,000
Coin	25,897	22,703
Loans and securities:		
Loans	83,094	398,512
Federal agency securities	1,268,324	1,393,091
U.S. government securities	19,245,508	19,500,662
Total loans and securities	20,596,926	21,292,265
Cash items in process of collection	922,928	1,011,076
Bank premises	18,526	17,478
Other assets	1,247,565	1,206,291
Total assets	24,775,781	24,309,505
Liabilities		
Federal Reserve notes	20,611,700	19,533,785
Deposits:		
Depository institutions	2,854,254	3,358,161
U.S. Treasury—general account	0	0
Foreign	29,610	46,893
Other	114,422	77,046
Total deposits	2,998,286	3,482,100
Deferred availability cash items	508,189	554,323
Other liabilities	288,260	379,187
Total liabilities	24,406,435	23,949,395
Capital accounts		
Capital paid in	184,673	180,055
Surplus	184,673	180,055
Total capital	369,346	360,110
Total liabilities and capital	24,775,781	24,309,505

Statement of earnings

(in thousands of dollars)

	Year ending December 31	
	1982	1981
Current earnings:		
Interest and surcharges on loans to depository institutions	17,978	30,154
Interest on government securities	2,235,497	2,226,833
Interest on investments of foreign currencies	60,767	82,500
Service fees	61,052	23,794
All other	1,320	1,155
Total current earnings	2,376,614	2,364,436
Current expenses:		
Operating expenses	125,450	112,441
Cost of Federal Reserve currency	12,131	10,252
Other current expenses	8,069	1,566
Total current expenses	145,650	124,259
Less reimbursement for certain fiscal agency and other expenses	9,323	8,098
Current net expenses	136,327	116,161
Current net earnings	2,240,287	2,248,275
Additions to (or deductions from) current net earnings:		
Net profit (or loss) on sales of securities	11,947	(19,187)
Net profit (or loss) on foreign exchange transactions	(21,095)	(44,981)
Assessment for expenses of Board of Governors	(8,650)	(9,246)
All other—net	(500)	(1,654)
Net additions (or deductions)	(18,298)	(75,068)
Net earnings before payments to U.S. Treasury	2,221,989	2,173,207
Distribution of net earnings:		
Dividends paid	10,926	10,748
Payments to U.S. Treasury (as interest on Federal Reserve notes)	2,206,445	2,159,223
Transferred to surplus	4,618	3,236
Total distribution	2,221,989	2,173,207

Highlights of operations

	Dollar amount		Number	
	1982	1981	1982	1981
Check and related services				
Checks, NOWs, and share drafts collected	1.1 trillion	1.2 trillion	1.8 billion	2.1 billion
U.S. government checks and postal money orders collected	101.0 billion	106.2 billion	80.0 million	84.9 million
Automated payments processed	99.6 billion	61.9 billion	42.0 million	38.0 million
Funds transfers	15.6 trillion	12.8 trillion	7.3 million	6.6 million
Cash operations				
Currency received and counted	11.8 billion	10.9 billion	1.2 billion	1.1 billion
Unfit currency withdrawn	2.5 billion	2.1 billion	441.1 million	375.4 million
Coin received and processed	325.6 million	313.7 million	2.2 billion	2.1 billion
Securities services for depository institutions				
Safekeeping of securities:				
Definitive, balance December 31	13.4 billion	10.0 billion	1.1 million	1.2 million
Book entry, balance December 31	87.5 billion	70.8 billion	—	—
Purchase and sale of securities	2.5 billion	2.9 billion	23.8 thousand	35.9 thousand
Collection of bonds, coupons and other noncash items	2.6 billion	2.3 billion ^r	389.6 thousand	635.3 thousand ^r
Loans to depository institutions				
Total loans made during year	36.2 billion	36.5 billion	10,326	16,003
Institutions accommodated	—	—	411	428
Services to U.S. Treasury				
Marketable government securities issued, serviced and redeemed:				
Definitive securities	3.5 billion	3.3 billion ^r	378.0 thousand	356.6 thousand
Book entry securities	1.8 trillion	1.0 trillion	178.4 thousand	174.5 thousand
U.S. savings bonds issued, serviced and redeemed	2.6 billion	3.0 billion	33.2 million	39.9 million
Federal tax deposits processed	70.2 billion	73.7 billion	802.8 thousand	814.0 thousand
Food stamps received and processed	1.3 billion	1.2 billion	341.3 million	327.9 million

^rRevised.

Photography:

Mary Cairns, Chicago, *p. 3, 5, 7, 9, 11, 13, 15, 17, cover.*

Isac Jo, Chicago, *p. 18 (top).*

Earl Williamson, Detroit, *p. 18 (bottom).*

Richard Jenkins, Carroll, Iowa, *p. 19.*

