1990 ANNUAL REPORT

FEDERAL RESERVE BANK OF CHICAGO

The Federal Reserve Bank of Chicago, as part of the nation's central banking system, serves the Seventh District which includes major portions of Illinois, Indiana, Michigan, and Wisconsin plus all of Iowa. Its role is to foster a healthy economy and financial system by participating in the formulation and implementation of the nation's monetary policy, supervising banks and bank holding companies, and providing banking services to depository institutions and the U.S. government.

1990 ANNUAL REPORT

FEDERAL RESERVE BANK OF CHICAGO

"It is hard for me to imagine a more exciting time–a time of greater challenge and opportunity . . . The past year marked the beginning of a new era . . . many of the changes that we in the financial services industry have been talking about for so long are at last beginning to unfold. . . . on the economic policy front . . . the direction we take at this point is particularly critical for the Midwest."

These were a few of my thoughts as I began my first president's message appearing in this Reserve Bank's annual report for 1981. Predicting that 1981 would begin a new era was certainly an accurate but perhaps not a very difficult call. The most far-reaching piece of banking legislation in almost fifty years had just initiated a process that was certain to transform our entire financial system. And it was clear that our economy was going through a parallel restructuring process that would radically change the way we worked and the way we competed as a nation.

If it was safe to say that the first year of the decade marked the beginning of a new era, I think it is equally as safe to predict that the final year of the decade, 1990, will be looked back on as the turning point or culmination of that era. But at the start of 1990 this was not my view, nor was it the prevailing view of how the year would go. As 1990 began, we seemed poised to enjoy another year of uninterrupted economic growth, a continuation–albeit at a moderate pace–of the longest peacetime expansion in our nation's history. But then a number of events occurred, and 1990 took a turn that could not have been anticipated.

For one, dealing with the federal budget deficit had a very unsettling effect. The difficult and protracted negotiations yielded a compromise solution that may not reduce the deficit in the desired amount.

Another important development was the turn of events in Eastern Europe and the Soviet Union. The opportunity for an end to the Cold War, the granting of new political and economic freedoms, and the opening of new markets for our exports boded well, particularly at a time when exports were so critical to the continuation of our economic expansion. But by year-end some of these possibilities seemed far more remote than we had wanted to believe earlier.

And as these potential export markets became more elusive, our own financial markets became more turbulent. Certainly, the problems were in no way systemic, and in fact were barely discernible in the Midwest. Nonetheless, public confidence was greatly weakened by the widely publicized increase in bank failures. Adding to this uncertainty was the general curtailment of credit extension, even though appropriate and to be expected in a weaker economic environment following a prolonged period of particularly heavy lending activity.

Finally, and most critically, the specter and then the increasing reality of conflict in the Middle East had a very profound effect on our economy. As hopes for peace evaporated, so did our nation's longest peacetime expansion.

As a consequence of these events, it seems that 1990 became a capstone to a remarkable era–a highly rewarding period to be sure, but, ultimately, one that was not sustainable. The growth we experienced during much of the period–a 3.8 percent annual increase in real GNP from the end of 1982 through 1989–was inordinately high by historical standards. More disturbingly, it was consumption-oriented and debt-driven. Although our overall results were outstanding, the experience was quite uneven and left us in a highly leveraged position, with some significant imbalances to address.

More positively, there is evidence that we are coming to grips with these imbalances, that we are making meaningful progress on some of these issues. It appears that corporations and consumers alike have readjusted their thinking regarding excessive levels of debt. Favorable export trends, aided by gains in manufacturing productivity and a lower dollar, have yielded some progress on our international trade deficit. And although the oil situation has introduced a complicating factor, there is no evidence that we as a society have lost our overall commitment to move toward price stability. So while we must contend with 1990's unsettling events in the short run, we should not lose sight of these positive developments for the longer run.

In this sense, then, 1990 appears to represent the beginning of a necessary period of adjustment, a welcome transition phase. Of course, recession is never welcome, and the hardship it inevitably inflicts is regrettable. But by moving successfully, and hopefully quickly, through this transition, and by making further progress on the imbalances that typified the 1980s, we can set the stage for a very positive experience for the remainder of the 1990s. Let us hope that some years from now we will be able to look back at 1990 as another milestone, a year that launched us on a path of more realistic growth, consistent with both the long-term potential of our economy and general price stability. While the ensuing expansion may be less vigorous than the last, it is reasonable to expect that it will be more sustainable and more consistent, and consequently a better experience for all sectors, all regions, and all participants in our economy.

The feature article of this report takes a closer look at 1990 from the perspectives of the District economy, financial structure, and Reserve Bank, contrasting the current state of affairs with conditions a decade earlier. The brief summary of the Bank's many achievements during 1990, included in the section focusing on the Federal Reserve Bank of Chicago, cannot adequately pay tribute to the outstanding effort and dedication of our staff, plus the insightful leadership of our Board of Directors, that made those accomplishments possible.

I feel particularly fortunate to be surrounded by so many highly qualified and public-spirited individuals.

At the end of 1990 a few of these outstanding individuals completed their terms of service on our Boards. I would like to extend my great appreciation to Edward D. Powers and Barry F. Sullivan on our Chicago Board, and James A. Aliber and Frederik G. H. Meijer on our Branch Board. In addition, I want to express my particular gratitude to Marcus Alexis, who served as a director for six years, including four years as Deputy Chairman and the past year as Chairman of our Board. His wise counsel and enthusiastic support during a period of significant challenge and accomplishment were greatly appreciated and will be missed.

Silas Keehn

Silas Keehn, President
March 1, 1991

From left: seated, Chairman Marcus Alexis, Deputy Chairman Charles S. McNeer; standing, President Silas Keehn, First Vice President Daniel M. Doyle.

THE DISTRICT IN 1990

A PORTRAIT FOLLOWING A DECADE OF CHANGE

In many ways, 1990 was a year of transition. The end of an old decade; the beginning of a new one. A natural time to pause and take stock. The following pages take stock of the Seventh Federal Reserve District states: Illinois, Indiana, Iowa, Michigan, and Wisconsin. We focus on three aspects of the District in 1990: the economy, the financial structure, and the Federal Reserve Bank of Chicago itself.

What emerges is a District shaped by competition. For the District economy, it was competition from other regions in the U.S. and from other nations. For the District financial structure, it was increased competition among a wide variety of providers. For the Bank, the challenge was twofold: to help improve the efficiency of the payments system by successfully competing within the marketplace in providing priced services; and to modify its monetary policy and supervision and regulation activities in response to the increased competitive pressures in the District.

The following provides a graphic portrait of the District in 1990 after a decade of increased competition. We hope it provides a perspective on where we are, where we have been, and, perhaps, where we are going.

DISTRICT ECONOMY

After a decade of change, the Seventh District economy in 1990 was more competitive compared with 1980: leaner, more productive, and more diversified. A District worker was more likely to find employment in the service industry–especially personal and business services, real estate, insurance or finance. On the other hand, manufacturing employees probably worked for a company that had improved its productivity, perhaps a company involved in exporting or even a joint venture with a foreign firm. The improvement in competitiveness can be seen in the District's growth in both output and employment during the economic expansion from 1983 to 1990. While the District had lagged the nation since at least the early 1960s, it did show widespread signs of a turnaround as the 1990s approached.

The District's smaller share of total U.S. employment in 1990 compared with 1980 was due in part to a decline in manufacturing–employment in this sector not only lagged national growth but actually decreased in absolute numbers from its previous cyclical peak, despite a record peacetime expansion. But judging manufacturing solely on employment statistics is misleading because of the District's productivity gains. Due in part to its improved efficiency, the region's manufacturing output grew at a faster rate than the nation over the 1983-90 expansion.

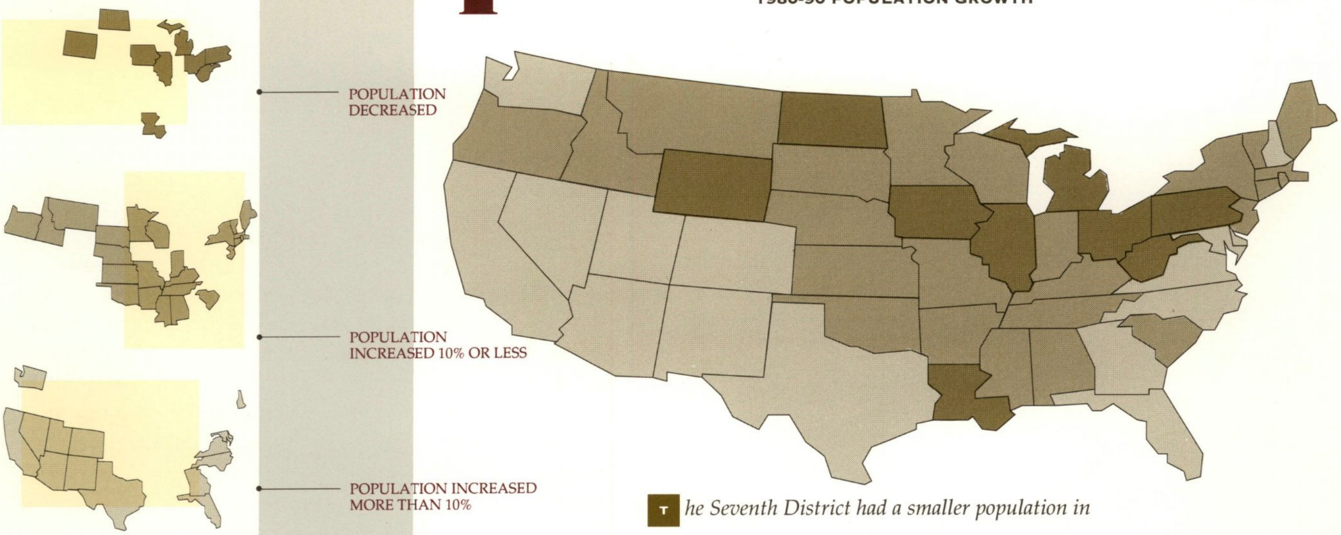
The state of the District's service sector in 1990 was somewhat different. Compared with manufacturing, the District's service sector created far more jobs over the 1980s. But the growth in services was not fast enough to keep pace with the nation, causing the region's share of total U.S. employment to fall. In addition, the District's service sector output growth lagged the nation in the 1980s, another long-term structural trend. The District's underachieving service sector began to catch up with the nation in the late 1980s, but it still appears to be adjusting to the structural changes that have taken place in manufacturing. The region's heavy loss of relatively high-paying manufacturing jobs contributed to both a population decrease and sluggish per capita income growth, which hampered services. However, the service sector should turn around in the coming decade if manufacturing continues its strong performance of the late 1980s.

While services will play an increasingly important role, the manufacturing sector is likely to remain the core of the District's economy. The production of autos, steel, and machinery continues to have a strong ripple effect on the region. Services will continue to account for the largest share of the District's employment and output, but this sector will need a vibrant manufacturing base in order to obtain a larger portion of national growth in the coming years.

1

POPULATION MOVES SOUTH AND WEST

1980-90 POPULATION GROWTH



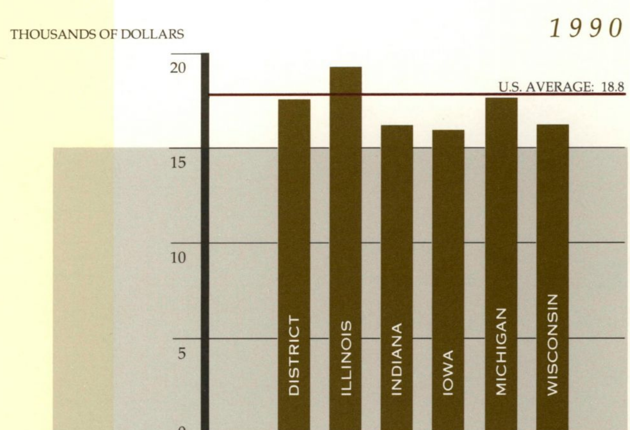
The Seventh District had a smaller population in 1990 following a migration to job opportunities in the West and South during the 1980s. Preliminary Census data indicate that the total population of the five District states declined by about 160 thousand. Only two District states–Indiana and Wisconsin–registered population gains. In contrast, California, Texas, and Florida had over 11 million additional residents by 1990.

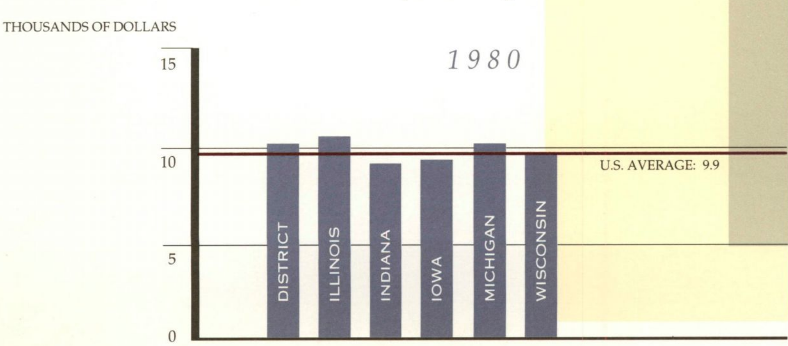
2

INCOME SLUGGISH

PER CAPITA INCOME

The District's per capita income was lower than the national average in 1990, a trend that dates to 1982. The sluggish per capita income growth has hampered the service sector. However, the District's below-average wage growth in manufacturing in the 1980s has helped to slow the migration of firms and has improved the region's competitiveness as compared with the rest of the country.

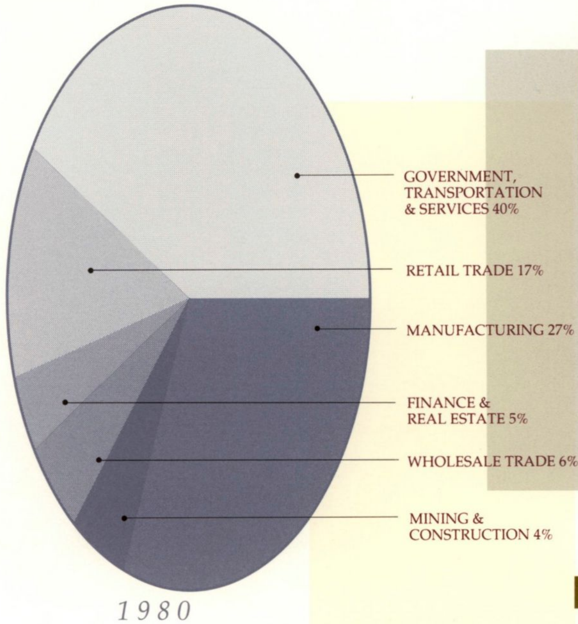


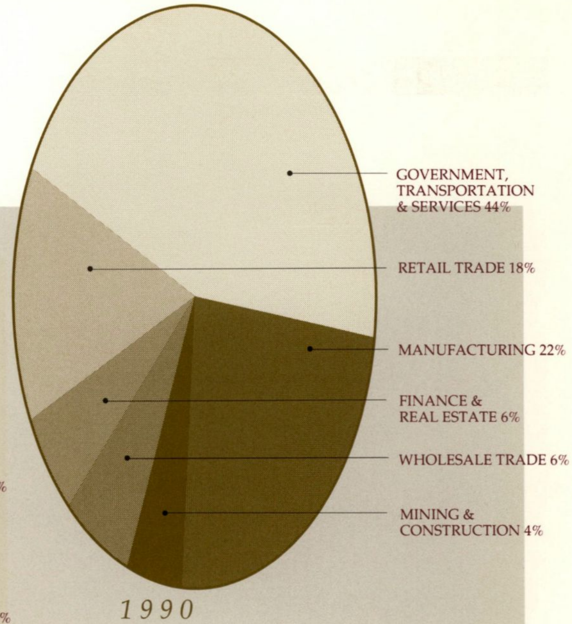


3

SHIFT TO SERVICES

DISTRIBUTION OF DISTRICT EMPLOYMENT





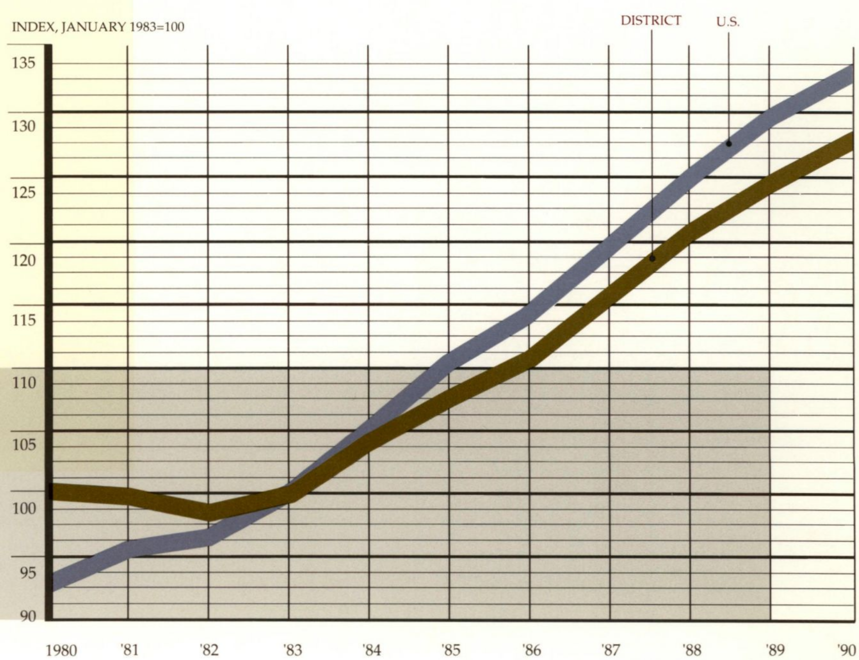
Following a decade of restructuring, the Seventh District had a larger percentage of employees working in the service sector in 1990. The shift is mainly due to manufacturing's improved productivity–fewer employees are needed to produce the same output. In addition, the shift has been accelerated by manufacturers' increased tendency to out-source service activity.

4

SERVICES GROWTH LAGS U.S.

SERVICE SECTOR OUTPUT DISTRICT VS. U.S.

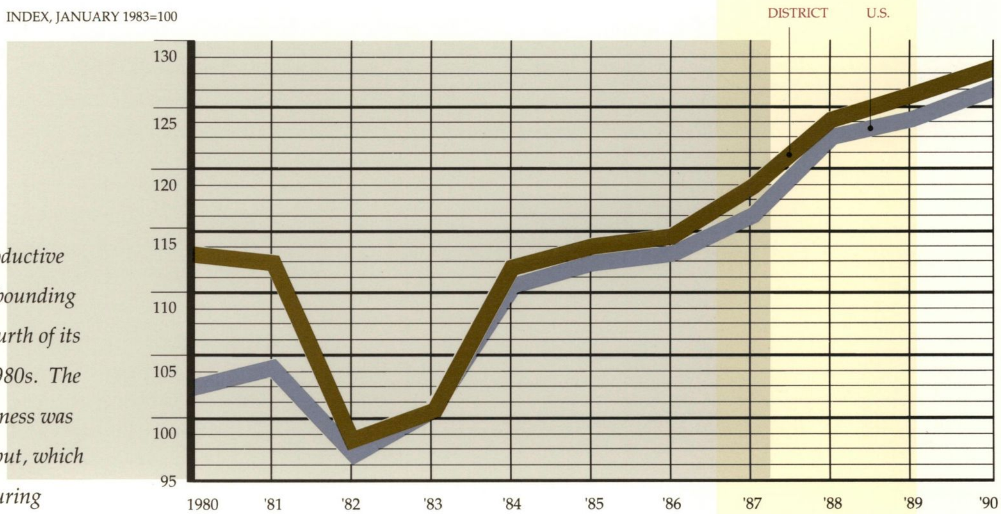
The District's service sector failed to keep pace with the nation in 1990, a trend that persisted over the 1980s. The District's service sector may still be adjusting to the effects of the structural upheavals in manufacturing.



5

PRODUCTIVITY PAYS OFF

MANUFACTURING OUTPUT
DISTRICT VS. U.S.

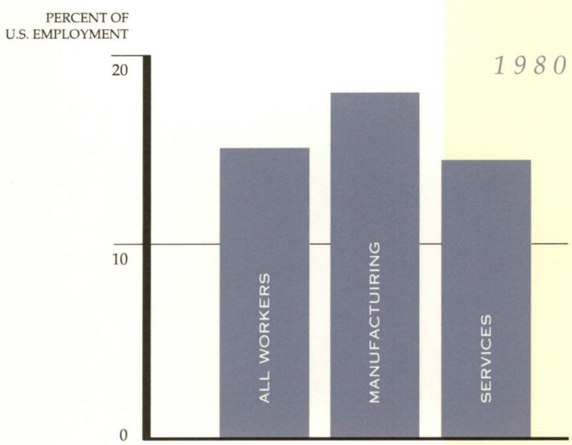


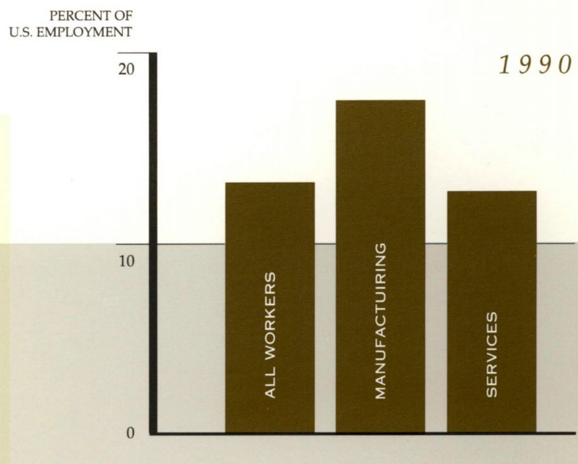
The District had a much more productive manufacturing sector in 1990, rebounding following the loss of almost one-fourth of its manufacturing jobs in the early 1980s. The District's heightened competitiveness was reflected in its manufacturing output, which grew faster than the nation during the economic expansion.

6

DISTRICT SHARES SMALLER

DISTRICT SHARES OF
U.S. EMPLOYMENT





The District had a smaller share of total employment in 1990 as compared with 1980, lagging the nation in both services and manufacturing. During the 1980s, District service employment increased but not as fast as the nation. The region also lost ground in the manufacturing sector: District employment decreased; U.S. employment was flat.

The more competitive environment in 1990 was both a blessing and a curse for Seventh District depository institutions: They were better able to compete, but they also faced more competition. Deregulation efforts–though incomplete–provided institutions with more avenues to pursue profits. At the same time, however, there was much more intense competition among District banks, savings and loans, and credit unions. And other competitors such as nonbank lenders, the commercial paper market, foreign banks, and the mutual fund industry had obtained larger market shares by 1990.

Increased competition resulted in a wider array of services and lower prices for consumers, but it also led to pressures on profitability, especially for the largest and smallest banks. Between 1980 and 1982, the Return on Assets (ROA) for U.S. banks averaged 71 basis points. In the last three years of the decade, ROA averaged 58 basis points–a 22 percent decline. Although Seventh District banks also experienced pressures on profitability, they emerged from the 1980s in comparatively strong shape. The District's ROA for the last three years of the decade was 93 basis points as compared with 65 basis points from 1980 through 1982.

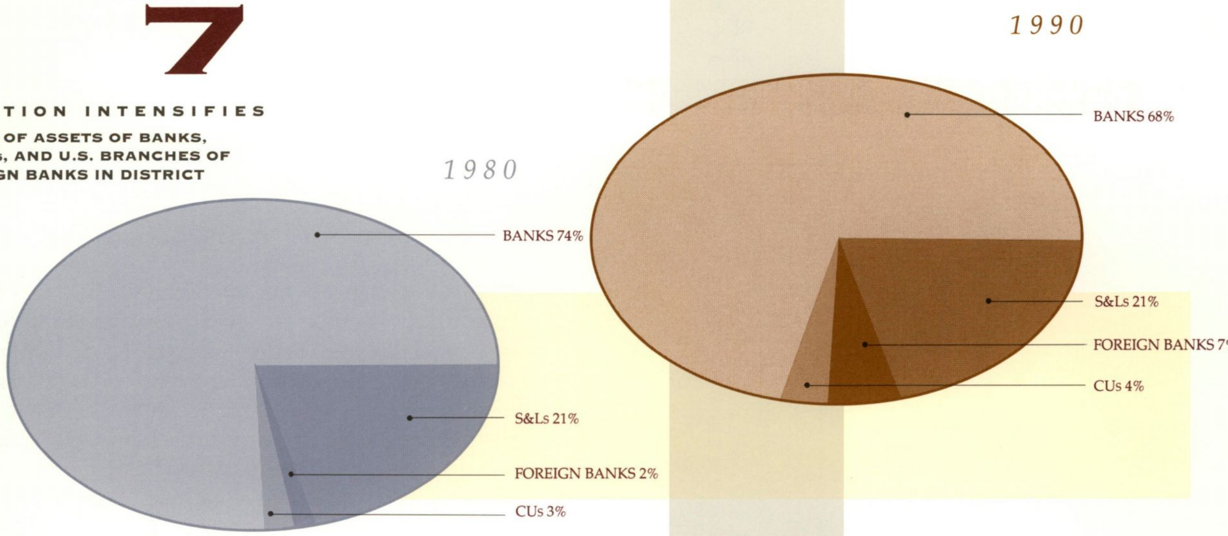
One response to the heightened competition was consolidation–the number of depository institutions in Seventh District states decreased from 8,030 in 1980 to 5,732 in 1990. As interstate and intrastate acquisitions reduced the fragmentation of the region's financial structure, the number of banking organizations declined dramatically.

As competitive pressures mounted, public debate increasingly focused on various strategies for structural reform of the banking system. At the close of the decade, banks were expecting increased competition, hoping for legislative action, and continuing to adapt to a much more complex marketplace.

7

COMPETITION INTENSIFIES

SHARE OF ASSETS OF BANKS, S&Ls, CUs, AND U.S. BRANCHES OF FOREIGN BANKS IN DISTRICT

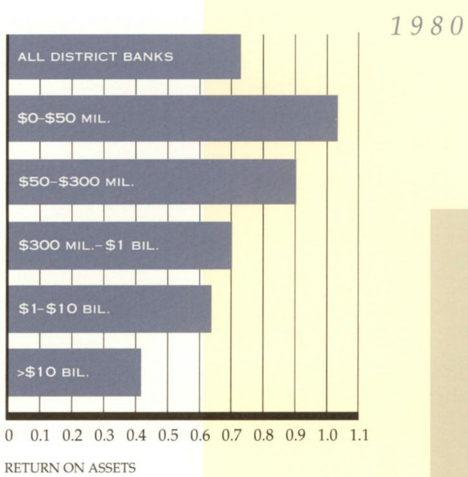


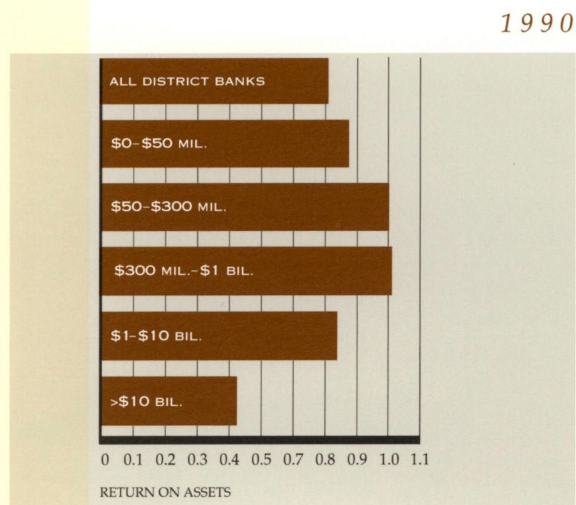
Faced with increased competition from various sources, banks in the Seventh District states had a smaller share of assets in 1990. The number of District savings and loans and credit unions declined, but their share of assets remained approximately the same. The U.S. branches of foreign banks in the District registered the largest percentage increase in assets.

8

DISTRICT RESPONDS TO PROFITABILITY PRESSURES

RETURN ON ASSETS OF DISTRICT BANKS BY BANK ASSET SIZE



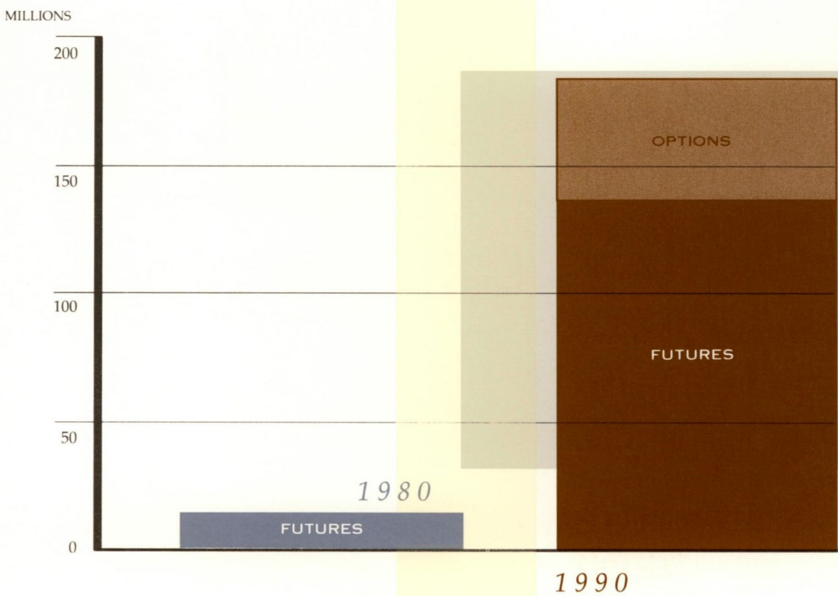


As competition increased in the 1980s, so did the pressure on banks' profitability. The largest and smallest banks were hit the hardest. Banks in the Seventh District states, however, had relatively strong earnings in the latter half of the decade.

9

FINANCIAL FUTURES VOLUME EXPLODES

VOLUME OF U.S. FINANCIAL FUTURES CONTRACTS AND OPTIONS



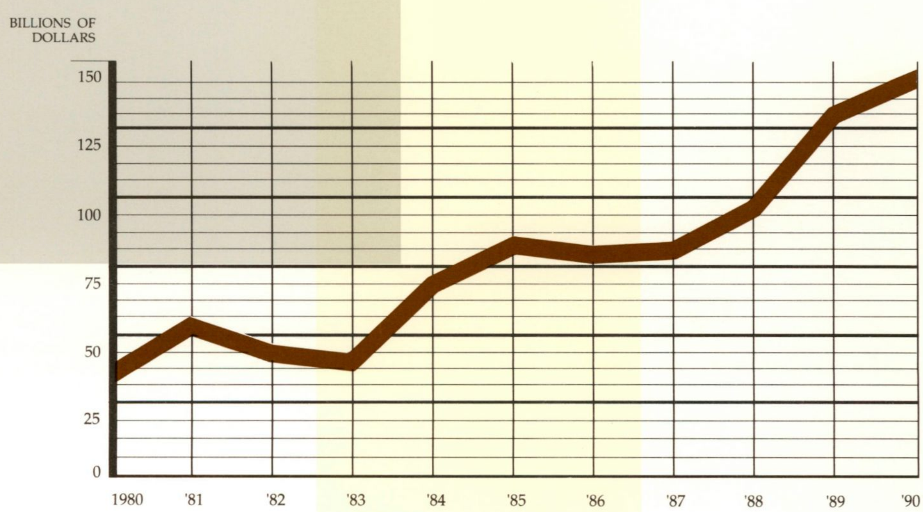
The volume of U.S. financial futures contracts and options reached new heights in 1990. Introduced by Chicago exchanges in the 1970s, financial futures contracts have come to play an increasingly important role in the global financial system. U.S. Treasury bond futures were the most actively traded contract in the world in 1990.

10

DISINTERMEDIATION TAKES HOLD

U.S. NONFINANCIAL FIRM-ISSUED COMMERCIAL PAPER OUTSTANDING

Disintermediation–the shifting of savings and borrowing activities from banks to nonbanks–was more prevalent in 1990. For example, large firms were much more likely to turn to the commercial paper market to meet their short-term funding needs. Nonfinancial commercial paper issuance in the U.S. increased by 80 percent in the last half of the decade.



11

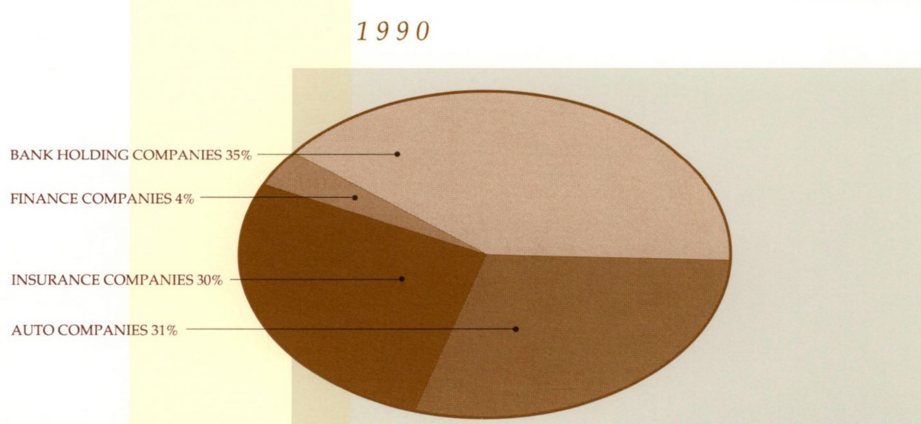
DISTRICT CONSOLIDATES
NUMBER OF BANKS AND BANKING ORGANIZATIONS

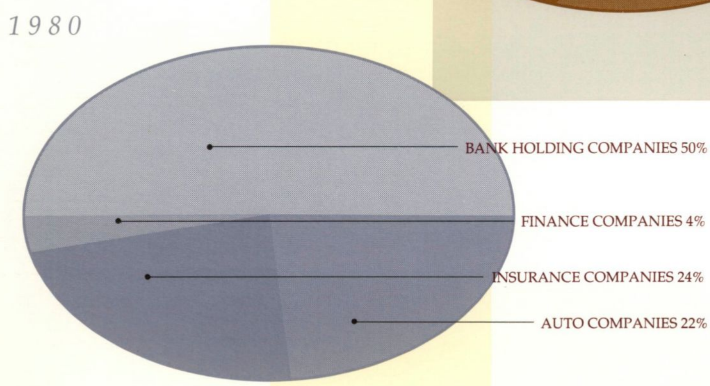
	NUMBER OF BANKS	NUMBER OF BANKING ORGANIZATIONS
MI		
1980	375	240
1990	255	159
WI		
1980	640	502
1990	504	333
IA		
1980	654	584
1990	567	462
IN		
1980	407	406
1990	307	208
IL		
1980	1255	1251
1990	1103	797

Although consolidation was not as dramatic as some predicted, the number of banks in the Seventh District states decreased from 3331 in 1980 to 2736 in 1990 and the number of banking organizations declined from 2983 to 1959. Interstate barriers slowly crumbled, but there was not an onslaught of buyers–a total of 47 bank holding companies crossed state lines to purchase District banks.

12

DISTRICT RETAINS DIVERSITY
ASSET DISTRIBUTION OF TOP 25 FINANCIAL SERVICE FIRMS





A look at the 25 largest financial service firms headquartered in the District (ranked by assets) reveals the diversity of the region's financial structure in 1990. The composition of the top 25 has not changed much since 1980–there is one less finance company and one more bank holding company. But auto companies and insurance companies had a larger share of assets in 1990.

THE BANK IN 1990

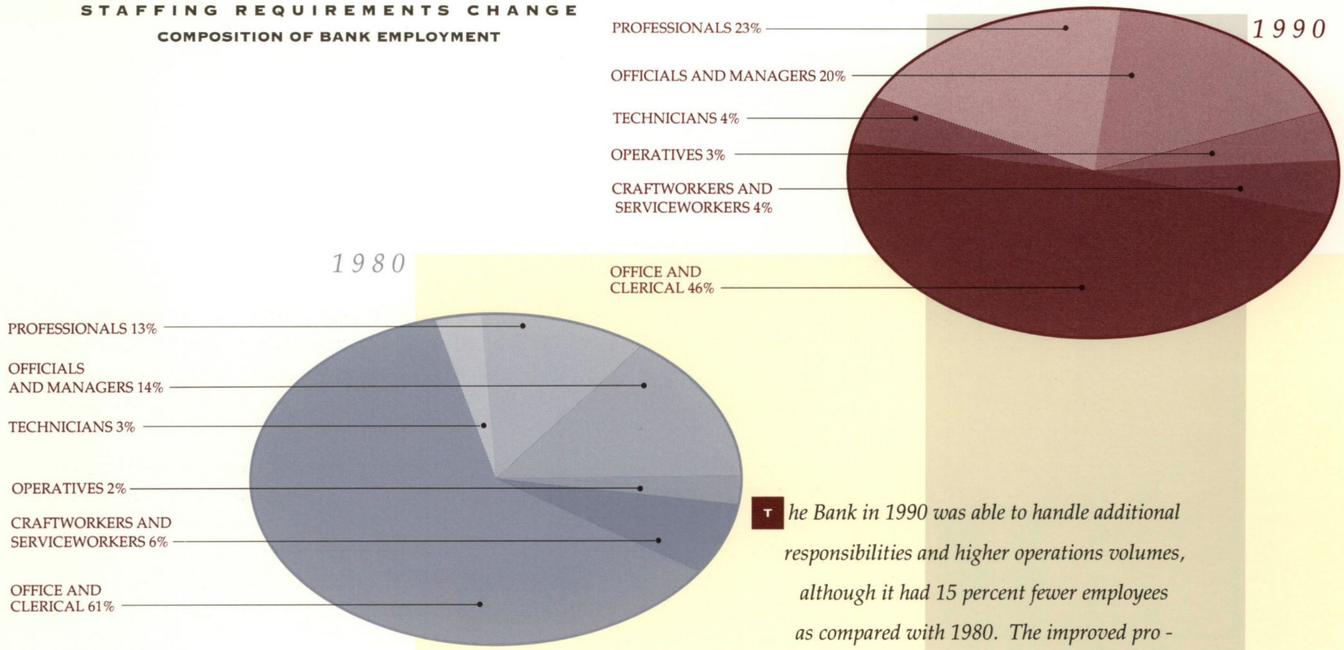
Like the District as a whole, the Federal Reserve Bank of Chicago has been shaped by a decade of competition and change. The Bank was able to do more with less in 1990, successfully handling added responsibilities and higher service volumes with fewer employees as compared with 1980. The state of the Chicago Fed at the end of the decade is reflected in the following selection of its accomplishments during 1990:

- Overall, the Bank met a very ambitious management plan while again reducing operating expenses in real terms.
- We celebrated the commitment of our staff at a reception honoring nearly 200 employees with 25 or more years of service.
- The Bank fully recovered the costs of providing priced services for the seventh straight year and achieved a unit production cost index below the Federal Reserve System average for the third straight year.
- Chairman Greenspan keynoted our nationally prominent annual Conference on Bank Structure and Competition where over 500 financial, academic and regulatory leaders explored public policy issues.
- With the support and cooperation of District financial institutions, the Bank's Statistics Division was able to meet 99.9 percent of 117,684 report deadlines, representing a significant contribution to the nation's financial and monetary database.
- The Bank installed 738 Fedline II connections, almost twice the previous record in the Fed System, providing depository institutions with a reliable and cost effective means of receiving electronic services.
- Our Des Moines Office led an effort to develop optical disk technology to improve check adjustment activities.
- Check Services staff pioneered in developing the "Electronic Cash Letter" as a means of electronically exchanging check information.
- A full disaster recovery test demonstrated the Bank's ability to recover critical operations in case of an emergency.
- Funds transfer operations, with continued emphasis on reliability of operations, surpassed the system's "uptime" target of 99.50 percent, exceeding the system target for the third consecutive year.
- With the help of local, state, federal and military forces, and using armored cars, planes and helicopters, the Bank moved $1.4 billion in securities, weighing over two tons, from the Detroit Branch to its vaults in Chicago.
- The Bank continued to play an active leadership role in the System, hosting a management conference on emerging issues to prepare System leaders to meet the challenges the Fed will likely confront in the decade ahead.

13

STAFFING REQUIREMENTS CHANGE

COMPOSITION OF BANK EMPLOYMENT

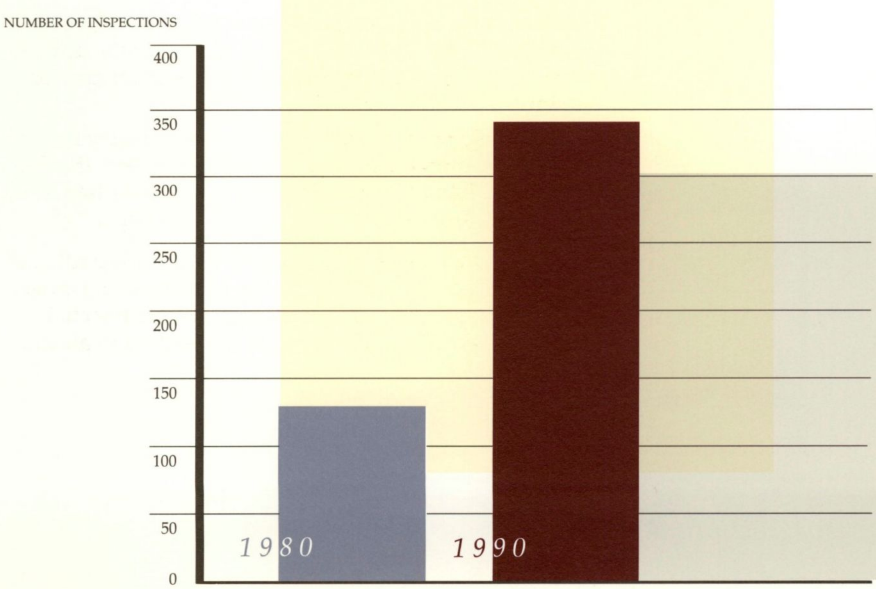


The Bank in 1990 was able to handle additional responsibilities and higher operations volumes, although it had 15 percent fewer employees as compared with 1980. The improved productivity was due in part to an increased emphasis on automation and computers. As operations became more complex, the Bank's needs evolved: the number of staff positions increased while the number of clerical jobs declined.

14

INSPECTIONS INCREASE

BANK HOLDING COMPANY INSPECTIONS AND VISITS

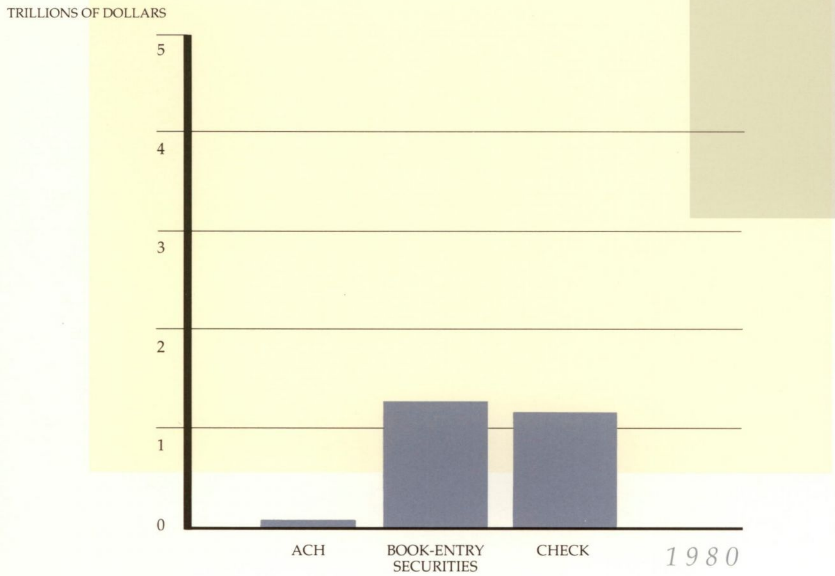


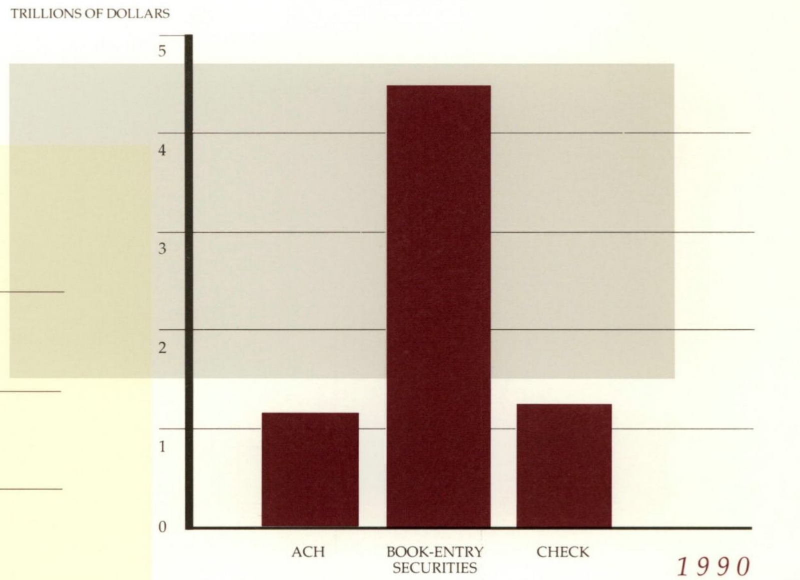
The number of bank holding company inspections and visits by Chicago Fed examiners almost tripled from 1980 to 1990. This trend was partially due to the larger number of District banking companies, but it also reflected the Bank's increased frequency of inspections. As the District's financial structure became more competitive and interdependent, the Bank hired more examiners, intensified training, and expanded its communication with other regulators.

15

ELECTRONIC PAYMENTS VOLUMES SOAR

DOLLAR VOLUME OF CHICAGO FED ACH, BOOK-ENTRY, AND CHECK SERVICES





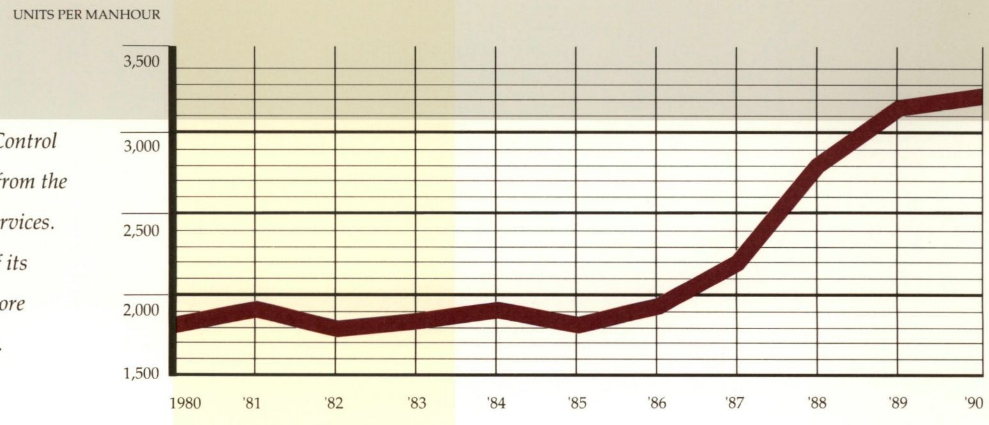
Electronic transactions played a more important role in the District's payments system in 1990. Price incentives and the availability of inexpensive computer equipment made services such as Automated Clearinghouse (ACH) a more attractive alternative for the Chicago Fed's customers. The dollar value of the Bank's ACH and book-entry security transactions rose dramatically; check volumes also increased, but in a less spectacular fashion.

16

PRODUCTIVITY IMPROVES

CHECK PROCESSING–UNITS PER MANHOUR

Following the passage of the Monetary Control Act, the Chicago Fed faced competition from the private sector in providing financial services. The Bank improved the efficiency of its operations, resulting in a leaner, more productive organization in 1990.



VOLUME OF OPERATIONS

	1990	1989	1990	1989
	DOLLAR AMOUNT		NUMBER OF ITEMS	
CHECK & ELECTRONIC PAYMENTS				
Checks, NOWs, & share drafts processed	1.1 trillion	1.1 trillion	2.0 billion	1.9 billion
Fine sort & packaged checks handled	238.5 billion	242.4 billion	563.7 million	502.2 million
U.S. government checks processed	52.6 billion	55.8 billion	60.1 million	57.1 million
Automated Clearinghouse (ACH) items processed	1.2 trillion	1.1 trillion	341.2 million	234.7 million
Transfers of funds	32.9 trillion	29.0 trillion	12.3 million	11.1 million
CASH OPERATIONS				
Currency received & counted	24.6 billion	24.0 billion	1.9 billion	2.0 billion
Unfit currency destroyed	5.2 billion	4.9 billion	569.7 million	550.6 million
Coin received & counted	578.8 million	515.3 million	4.7 billion	4.1 billion
SECURITIES SERVICES FOR DEPOSITORY INSTITUTIONS				
Safekeeping balance December 31:				
Definitive securities	8.9 billion	11.8 billion	310.4 thousand	377.8 thousand
Book-entry securities	289.3 billion	244.0 billion	–	–
Purchase & sale	3.4 billion	3.2 billion	21.9 thousand	22.7 thousand
Collection of securities & other noncash items	1.0 billion	1.1 billion	227.8 thousand	231.2 thousand
LOANS TO DEPOSITORY INSTITUTIONS				
Total loans made during year	4.6 billion	3.3 billion	1,412	1,990
SERVICES TO U.S.TREASURY & GOVERNMENT AGENCIES				
Issues, redemptions & exchanges:				
U.S. savings bonds	1.1 billion	1.2 billion	2.4 million	3.1 million
Definitive government securities	0.5 billion	0.7 billion	19.9 thousand	27.1 thousand
Book-entry government securities	4.2 trillion	4.0 trillion	1.7 million	1.7 million
Government coupons paid	124.9 million	103.2 million	87.6 thousand	100.2 thousand
Federal tax deposits processed	114.8 billion	116.5 billion	805.1 thousand	874.9 thousand
Food stamps redeemed	1.9 billion	1.5 billion	369.1 million	301.7 million

STATEMENT OF CONDITION

	12/31/90	12/31/89
ASSETS		
Gold certificate account	$ 1,377,000,000	$ 1,361,000,000
Interdistrict settlement account	2,973,755,256	1,786,742,663
Special drawing rights certificate account	1,336,000,000	1,100,000,000
Coin	33,166,775	35,862,164
Loans and securities:		
Loans	19,770,000	9,877,000
Federal agency securities	773,434,152	775,097,120
U.S. government securities	28,672,192,779	26,939,976,768
Total loans and securities	29,465,396,931	27,724,950,888
Cash items in process of collection	758,704,242	809,277,501
Bank premises	110,085,723	109,763,162
Other assets	4,842,005,502	4,696,646,683
Total assets	**$ 40,896,114,429**	**$ 37,624,243,061**
LIABILITIES		
Federal Reserve notes	$ 36,047,198,859	$ 32,240,869,404
Deposits:		
Depository institutions	3,510,536,719	3,709,539,154
U.S. Treasury—general account	0	0
Foreign	18,750,000	19,350,000
Other	30,606,693	189,732,230
Total deposits	3,559,893,412	3,918,621,384
Deferred availability cash items	343,156,861	560,848,934
Other liabilities	345,803,497	342,890,639
Total liabilities	$ 40,296,052,629	$ 37,063,230,361
CAPITAL ACCOUNTS		
Capital paid in	$ 300,030,900	$ 280,506,350
Surplus	300,030,900	280,506,350
Total capital	$ 600,061,800	$ 561,012,700
Total liabilities and capital	**$ 40,896,114,429**	**$ 37,624,243,061**

STATEMENT OF INCOME

	1990	1989
CURRENT INCOME		
Interest on loans	$ 2,087,399	$ 148,259,735
Interest on government securities	2,405,484,721	2,384,805,935
Interest on investments of foreign currencies	326,135,464	133,784,400
Service fees	95,255,549	94,098,692
All other	2,716,550	12,103,973
Total current income	$ 2,831,679,683	$ 2,773,052,735
CURRENT EXPENSES		
Operating expenses	$ 160,718,493	$ 152,860,604
Other current expenses	22,943,254	27,038,513
Total current expenses	183,661,747	179,899,117
Less reimbursement for certain fiscal agency and other expenses	13,168,250	12,548,912
Current net expenses	$ 170,493,497	$ 167,350,205
Current net income	$ 2,661,186,186	$ 2,605,702,530
ADDITIONS TO (OR DEDUCTIONS FROM) CURRENT NET INCOME		
Net profit (or loss) on sales of securities	$ 7,678,024	$ 1,377,332
Net profit (or loss) on foreign exchange transactions	267,423,888	164,355,514
Board of Governors assessment	(38,650,045)	(34,117,852)
All other—net	(10,177,070)	(4,126,924)
Net additions (or deductions)	$ 226,274,797	$ 127,488,070
Net income available for distribution	**$ 2,887,460,983**	**$ 2,733,190,600**
DISTRIBUTION OF NET INCOME		
Dividends paid	$ 17,329,763	$ 16,791,352
Payments to U.S. Treasury (as interest on Federal Reserve notes)	2,850,606,670	2,708,899,298
Transferred to surplus	19,524,550	7,499,950
Total income distributed	**$ 2,887,460,983**	**$ 2,733,190,600**

1990 Board of Directors, Federal Reserve Bank of Chicago, from left to right: seated, R. Cline, M. Alexis, C. McNeer, P. Schierl; standing, B. Sullivan, J. Gabbert, E. Powers, M. Naylor, B. Backlund.

DIRECTORS AND ADVISORY COUNCILS

BOARD OF DIRECTORS FEDERAL RESERVE BANK OF CHICAGO

CHAIRMAN

Marcus Alexis
Visiting Professor
Northwestern University
Evanston, Illinois

DEPUTY CHAIRMAN

Charles S. McNeer
Chairman and
Chief Executive Officer
Wisconsin Energy Corporation
Milwaukee, Wisconsin

B. F. Backlund
Chairman and
Chief Executive Officer
Bartonville Bank
Bartonville, Illinois

Richard G. Cline
Chairman, President, and
Chief Executive Officer
NICOR Inc.
Naperville, Illinois

John W. Gabbert
President and
Chief Executive Officer
First of America Bank-La Porte, N.A.
La Porte, Indiana

Max J. Naylor
President
Naylor Farms, Inc.
Jefferson, Iowa

Edward D. Powers
Chief Executive Officer
Fire Brick Engineers Company
Milwaukee, Wisconsin

Paul J. Schierl
Former Chairman and
Chief Executive Officer
Fort Howard Corporation
Green Bay, Wisconsin

Barry F. Sullivan
Chairman of the Board
and Chief Executive Officer
First Chicago Corporation
The First National Bank of Chicago
Chicago, Illinois

BOARD OF DIRECTORS DETROIT BRANCH

CHAIRMAN

Phyllis E. Peters
Director, Professional Standards Review
Deloitte & Touche
Detroit, Michigan

James A. Aliber
Chairman and
Chief Executive Officer
FirstFed of Michigan
Detroit, Michigan

Beverly Beltaire
President
P.R. Associates, Inc.
Detroit, Michigan

Frederik G. H. Meijer
Chairman of the Board
Meijer, Incorporated
Grand Rapids, Michigan

J. Michael Moore
Chairman and Chief Executive Officer
Invetech Company
Detroit, Michigan

Robert J. Mylod
Chairman, President, and
Chief Executive Officer
Michigan National Corporation
Farmington Hills, Michigan

Norman F. Rodgers
President and
Chief Executive Officer
Hillsdale County National Bank
Hillsdale, Michigan

1990 Board of Directors, Detroit Branch, from left to right: seated, F. Meijer, P. Peters, B. Beltaire; standing, N. Rodgers, R. Mylod, J. Aliber, J. Moore.

1990 Federal Advisory Council Representative, B. West.

ADVISORY COUNCILS

FEDERAL ADVISORY COUNCIL REPRESENTATIVE

B. Kenneth West
Chairman and
Chief Executive Officer
Harris Bankcorp, Inc.
and Harris Trust
and Savings Bank
Chicago, Illinois

ADVISORY COUNCIL ON AGRICULTURE

Varel Bailey
Anita, Iowa
Iowa Corn Growers Association

Kent Chidley
Rochelle, Illinois
Illinois Corn Growers Association

Nancy Kavazanjian
Juneau, Wisconsin
Wisconsin Soybean Association

Glen Keppy
Davenport, Iowa
Iowa Pork Producers Association

Melvin Manternach
Monticello, Iowa
Iowa National Farmers Organization

Marshall A. Martin
Purdue University
West Lafayette, Indiana
Member at Large

Grant C. Putman
Williamston, Michigan
Michigan Soybean Association

Mark D. Smuts
Charlotte, Michigan
Michigan Farm Bureau

Robert S. Tramburg
Madison, Wisconsin
Wisconsin Grain Dealers Association

Richard G. Wagner
GROWMARK, Inc.
Bloomington, Illinois
Member at Large

Jim Willrett
Malta, Illinois
Illinois Beef Association

ADVISORY COUNCIL ON SMALL BUSINESS

Gerald H. Ablan
Bedford Park, Illinois
Independent Business Association of Illinois

John W. Anhut
Farmington, Michigan
Michigan State Chamber of Commerce

John W. Bender
Bloomington, Indiana
U.S. Chamber of Commerce

Andrea Paulette Harris
Southfield, Michigan
National Association of Women Business Owners

Jeanine Hettinga
Des Moines, Iowa
U.S. Chamber of Commerce

Toni A. Lazar
West Des Moines, Iowa
National Association of Women Business Owners/Central Iowa Chapter and National Federation of Independent Business/Iowa Chapter

Lisa Mauer
Tool Service Corporation
Milwaukee, Wisconsin
Member at Large

Jose F. Nino
Chicago, Illinois
U.S. Hispanic Chamber of Commerce

John D. Roethle
Milwaukee, Wisconsin
Independent Business Association of Wisconsin

Stephen S. Stack
Chicago, Illinois
Illinois Manufacturers' Association

Robert Stamstad
Poynette, Wisconsin
Wisconsin Manufacturers and Commerce

Jean L. Wojtowicz
Cambridge Capital Management Corporation
Indianapolis, Indiana
Member at Large

OFFICERS

Silas Keehn
President

Daniel M. Doyle
First Vice President

Federal Reserve Bank of Chicago Management Committee, from left to right: seated, R. Bush, F. Dreyer, S. Keehn, D. Doyle, C. Vander Wilt; standing, W. Gram, K. Scheld, R. Anstee, C. Furbee, R. Sloan, W. Conrad.

CENTRAL BANK ACTIVITIES

ECONOMIC RESEARCH AND INFORMATION SERVICES

Karl A. Scheld
Senior Vice President and Director of Research

ECONOMIC RESEARCH

David R. Allardice
Vice President and Assistant Director of Research

Gary L. Benjamin
Economic Adviser and Vice President

Larry R. Mote
Economic Adviser and Vice President

Steven H. Strongin
Economic Adviser and Vice President

Herbert L. Baer, Jr.
Senior Economist and Assistant Vice President

Anne Marie L. Gonczy
Senior Economist and Assistant Vice President

Robert H. Schnorbus
Senior Business Economist and Research Officer

William A. Testa
Senior Regional Economist and Research Officer

INFORMATION SERVICES

Nancy M. Goodman
Vice President

STATISTICS

Jean L. Valerius
Vice President

SUPERVISION AND REGULATION AND LOANS

Franklin D. Dreyer
Senior Vice President

SUPERVISION AND REGULATION

David S. Epstein
Vice President

Roderick L. Housenga
Vice President

Geoffrey C. Rosean
Vice President

Nicholas P. Alban
Assistant Vice President

Barbara D. Benson
Assistant Vice President

John L. Bergstrom
Assistant Vice President

George M. Gregorash
Assistant Vice President

Douglas J. Kasl
Assistant Vice President

William H. Lossie, Jr.
Assistant Vice President

Patrick J. Tracy
Assistant Vice President

Alicia Williams
Assistant Vice President

A. Raymond Bacon
Examining Officer

Robert A. Bechaz
Examining Officer

Kathleen E. Benson
Examining Officer

Maureen A. Cummings
Information Processing Officer

John M. Montgomery
Examining Officer

N. Dean Rowland
Examining Officer

John A. Valenti
Information Support Officer

Barbara Van Den Bossche
Examining Officer

Gay Whiting
Applications Officer

Donald H. Wilson
Financial Markets Officer

LOANS AND RESERVES

Gerard J. Nick
Vice President

William J. O'Connor
Loans Officer

SERVICES TO DEPOSITORY INSTITUTIONS

OPERATIONS AND CHECK SERVICES

Charles W. Furbee
Senior Vice President

CASH, FISCAL AGENCY AND SECURITIES SERVICES

David R. Starin
Vice President

Jerome D. Nicolas
Assistant Vice President

Lawrence J. Powaga
Assistant Vice President

Guadalupe Garcia
Operations Officer

Erich R. Mueller
Operations Officer

CHECK SERVICES

William A. Bonifield
Vice President

Allen R. Jensen
Vice President

Diane S. Noble
Assistant Vice President

Tyler K. Smith
Operations Officer

AUTOMATION AND ELECTRONIC SERVICES

William C. Conrad
Senior Vice President

Wayne R. Baxter
Vice President

Glen Brooks
Vice President

George E. Coe
Vice President

Stephen M. Pill
Vice President and Data Security Officer

R. Steve Crain
Assistant Vice President

Theodore E. Downing, Jr.
Assistant Vice President

Brenda D. Ladipo
Assistant Vice President

Frank S. McKenna
Assistant Vice President

Karen L. Rosenberg
Assistant Vice President

James M. Rudny
Assistant Vice President

Charles L. Schultz
Assistant Vice President

James L. Strieber
Assistant Vice President

Thomas M. Matsumoto
Systems Officer

David E. Ritter
Systems Officer

Kathleen H. Williams
Operations Officer

SUPPORT FUNCTIONS

FINANCIAL AND MANAGEMENT SERVICES

Carl E. Vander Wilt
Senior Vice President and Chief Financial Officer

ACCOUNTING SERVICES

Jerome F. John
Vice President

Jeffrey L. Miller
Assistant Vice President

MANAGEMENT SERVICES

Glenn C. Hansen
Vice President

Margaret K. Koenigs
Assistant Vice President

Jeffrey B. Marcus
Planning Officer

OFFICE OF THE GENERAL COUNSEL

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

LEGAL SERVICES

Teri J. Kurasch
Vice President and Associate General Counsel

Elizabeth A. Knospe
Assistant Counsel

Yurii Skorin
Assistant Counsel

OFFICE OF THE BANK SECRETARIAT

Joan M. De Rycke
Assistant Vice President and Assistant Secretary

SUPPORT SERVICES

Richard P. Anstee
Senior Vice President

ADMINISTRATIVE AND GENERAL SERVICES

Robert D. Lauson
Vice President

Kenneth R. Berg
Assistant Vice President

Kristi L. Zimmermann
Administrative Officer

HUMAN RESOURCE SERVICES

Thomas G. Ciesielski
Vice President

Sheryn E. Bormann
Assistant Vice President

Richard F. Opalinski
Personnel Officer

FEDERAL RESERVE SYSTEM SECURITIES PRODUCT OFFICE

James A. Bluemle
Vice President and Securities Product Manager

Dara Hunt
Operations Officer

OFFICE OF THE GENERAL AUDITOR

Richard P. Bush
General Auditor

Angelina S. Chin
Assistant General Auditor

Betty P. Chow
Auditing Officer

DISTRICT OFFICES

DETROIT BRANCH

Roby L. Sloan
Senior Vice President and Branch Manager

Frederick S. Dominick
Vice President and Assistant Branch Manager

Patrick A. Garrean
Assistant Vice President

Yvonne M. Montgomery
Assistant Vice President

Joseph R. O'Connor
Assistant Vice President

Richard L. Simms, Jr.
Assistant Vice President

F. Alan Wells
Assistant Vice President

REGIONAL OFFICES

DES MOINES

L. Edward Ketchmark
Assistant Vice President

INDIANAPOLIS

Donna M. Yates
Assistant Vice President

MILWAUKEE

Anthony J. Tempelman
Assistant Vice President

EXECUTIVE APPOINTMENTS

DIRECTORS

Reserve Bank directors have a general governance responsibility for the management of Bank operations, contribute to the formulation of U.S. monetary policy, and act on the Bank's discount rate.

The selection process for the nine-member board ensures broad representation from banks of varying sizes, as well as from diverse sectors of the District economy, including consumers, industry, agriculture, services, and labor. Three bankers and three nonbankers are elected by member banks. Three additional nonbankers are appointed by the Board of Governors in Washington, D.C.

Similarly, the Board of Governors selects three nonbankers to serve on the seven-member board of the Bank's Detroit Branch. Four additional directors are selected by the Chicago Reserve Bank Board. The Branch Board selects its own chairman each year. All Reserve Bank and Branch directors serve three-year terms.

DIRECTOR APPOINTMENTS AND ELECTIONS EFFECTIVE IN 1990 WERE:
- Marcus Alexis designated Chairman.
- Charles S. McNeer designated Deputy Chairman.
- Richard G. Cline appointed a director.
- B. F. Backlund and Paul J. Schierl reelected as directors.
- Phyllis E. Peters designated Branch Chairman.
- J. Michael Moore and Norman F. Rodgers appointedBranch directors.

YEAR-END APPOINTMENTS AND ELECTIONS TO TERMS BEGINNING IN 1991 WERE:
- Charles S. McNeer designated Chairman, succeeding Marcus Alexis who completed six years of service as a director.
- Richard G. Cline designated Deputy Chairman.
- Robert M. Healey (President, Chicago Federation of Labor and Industrial Union Council) appointed a director, replacing Dr. Alexis.
- David W. Fox (Chairman, President, and Chief Executive Officer, Northern Trust Corporation, Chicago) and A. Charlene Sullivan (Associate Professor of Management, Purdue University, West Lafayette, Indiana) elected directors, replacing Barry F. Sullivan and Edward D. Powers who completed six years of service on the Board.
- Phyllis E. Peters redesignated Branch Chairman.
- Beverly Beltaire reappointed a Branch Director.
- Charles E. Allen (President and Chief Executive Officer, Graistone Realty Advisors, Inc., Detroit) and William E. Odom (Chairman, Ford Motor Credit Company, Dearborn, Michigan) appointed Branch directors, replacing James A. Aliber and Frederik G. H. Meijer who completed their terms on the Branch Board.

ADVISORY COUNCILS

The Federal Advisory Council, which meets quarterly with the Board of Governors in Washington, D.C. to discuss current business and financial conditions, is comprised of one member from each of the 12 Federal Reserve Districts. Each year the Chicago Reserve Bank's Board of Directors selects a representative to this group. B. Kenneth West, Chairman and Chief Executive Officer of Harris Bankcorp, Inc. and Harris Trust and Savings Bank, Chicago, served as the Seventh District's representative in 1989 and 1990, and was reappointed by the Chicago Fed Board for 1991.

Members of the Bank's two advisory councils are selected from nominations by Seventh District small business and agricultural organizations and served the second year of their two-year terms in 1990. The councils provide a vital communication link between the Bank and these important economic sectors.

OFFICERS

Appointments to a Federal Reserve Bank's official staff are made by the Bank's Board of Directors.

OFFICERS PROMOTED IN 1990 WERE:
- Steven H. Strongin, Economic Adviser and Vice President, Economic Research.
- Patrick A. Garrean, Assistant Vice President, Detroit Branch.
- George M. Gregorash, Assistant Vice President, Supervision and Regulation.
- Brenda D. Ladipo, Assistant Vice President, Automation Services.
- Jeffrey L. Miller, Assistant Vice President, Accounting Services.
- Karen L. Rosenberg, Assistant Vice President, Automation Services.
- James L. Strieber, Assistant Vice President, Automation Services.

NEW OFFICERS APPOINTED IN 1990 WERE:
- Betty P. Chow, Auditing Officer, Office of the General Auditor.
- Maureen A. Cummings, Information Processing Officer, Supervision and Regulation.
- Guadalupe Garcia, Operations Officer, Cash Services.
- Dara Hunt, Operations Officer, System Securities Product Office.
- Elizabeth A. Knospe, Assistant Counsel, Legal Services.
- Jeffrey B. Marcus, Planning Officer, Management Services.
- Erich R. Mueller, Operations Officer, Operations and Check Services.
- Robert H. Schnorbus, Senior Business Economist and Research Officer, Economic Research.
- Tyler K. Smith, Operations Officer, Check Services.
- William A. Testa, Senior Regional Economist and Research Officer, Economic Research.
- Kathleen H. Williams, Operations Officer, Electronic Services.
- Donald H. Wilson, Financial Markets Officer, Supervision and Regulation.

Also during 1990, Vice President Robert A. Ludwig, Support Services, retired following more than 42 years of dedicated service to the Bank.

FEDERAL RESERVE BANK
OF CHICAGO

HEAD OFFICE
230 South LaSalle Street
P.O. Box 834
Chicago, Illinois 60690

DETROIT BRANCH
160 West Fort Street
P.O. Box 1059
Detroit, Michigan 48231

DES MOINES OFFICE
616 Tenth Street
P.O. Box 1903
Des Moines, Iowa 50306

INDIANAPOLIS OFFICE
41 East Washington Street
P.O. Box 2020B
Indianapolis, Indiana 46206

MILWAUKEE OFFICE
304 East State Street
P.O. Box 361
Milwaukee, Wisconsin 53201

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