

**1993 Annual Report ■ Federal Reserve Bank of Chicago**

The Federal Reserve Bank of Chicago is one of 12 regional Reserve Banks across the United States that, together with the Board of Governors in Washington, D.C., serve as the nation's central bank. The role of the Federal Reserve System, since its establishment by an act of Congress passed in 1913, has been to foster a strong economy, supported by a stable financial system.

To this end, the Federal Reserve Bank of Chicago participates in the formulation and implementation of national monetary policy, supervises and regulates banks and bank holding companies, and provides financial services to depository institutions and the U.S. government. Through its head office in Chicago, branch in Detroit, and regional offices in Des Moines, Indianapolis, and Milwaukee, the Federal Reserve Bank of Chicago serves the Seventh Federal Reserve District, which includes major portions of Illinois, Indiana, Michigan, and Wisconsin plus all of Iowa.

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**Message from Management**



**From left:  
Deputy Chairman  
Robert Healey,  
First Vice President  
William Conrad,  
President Silas Keehn,  
and Chairman  
Richard Cline.**

*Congress constructed the System in a very meticulous way, combining  
of regional influences with a precise balance of public and private elements*

While it may not have always felt that way, 1993 was actually a very good year. The economic news was largely positive. Real output growth accelerated. The rate of inflation continued to moderate. New jobs were created and the unemployment rate declined.

These positive trends were fueled in large part by a favorable financial climate, conditions fostered in turn by real progress on the federal deficit and a very accommodative monetary policy. Within the low interest rate environment, balance sheets improved significantly across all sectors of the economy—for consumers, businesses, and governments alike. Conditions in the banking industry likewise were increasingly positive, reflected by solid earnings performance, improving asset quality, and strengthening capital positions.

The picture for this Reserve Bank's midwestern district was even brighter than that for the nation as a whole. Output gains within the region's all-important manufacturing sector exceeded the U.S. growth rate. After nearly a decade of painful adjustment, the region's focus on productivity seemed to be paying off. With the competitiveness of the Midwest's manufacturing base restored, the District appears to be poised for even better performance in the future.

This rather exciting story of the Midwest's productivity/performance paradigm is the focus of the essay that follows in this *Annual Report*. An important underlying element of this story, one not focused on directly, has to do with the type of people we find in the Midwest—people who roll up their sleeves and set their hands and their imaginations to any challenge that confronts them. Clearly, this industrious, innovative quality has been key to the region's resurgence. This same quality is also the unspoken message of the next section of this report, which spotlights the Bank's 1993 accomplishments and a handful of the many employees who made a few of those achievements possible.

The Federal Reserve Bank of Chicago and the entire Federal Reserve System are fortunate to be able to attract a staff of exceptional quality and commitment. The System is also fortunate to have a structure and foundation that, while admittedly complicated, actually serve to facilitate the work of that staff in carrying out the System's broad mission.

While it is fair to reexamine and debate the fine points of the System's structure, it is important to remember a few of its basic attributes. One current structural question has to do with the interrelations among the System's primary activities of monetary policy, bank supervision, and payments services. In our view and experience, these functions are integrally intertwined. Each supports the other and all are fundamental to the Federal Reserve's broad mission as the nation's central bank. The current bank regulatory framework no doubt can and should be improved. But eliminating the Federal Reserve's hands-on involvement in the banking system is neither necessary nor desirable for that purpose. Most importantly, it could jeopardize the Federal Reserve's ability to carry out its fundamental responsibility for assuring the ongoing integrity of the financial system, surely a risk we ought to avoid.

Other current structural issues relate to the Federal Reserve's organization, particularly with respect to questions of accountability and the role of the regional Reserve Banks and their presidents, who are not public officials in the strictest sense, in the policy process. Congress constructed the System in a very meticulous way, combining a careful weaving of regional influences with a precise balance of public and private elements. This structure was not meant to and indeed does not limit the System's accountability. To the contrary, it enables the System to be accountable to and to take account of a broad range of public interests while insulating it from narrow partisan influences. It is a structure that has served the nation well for eighty years.

But in the final analysis, structure only has made possible what people have accomplished. Again, we wish to salute the outstanding work of the entire staff of the Federal Reserve Bank of Chicago's five offices for making 1993 an exceptional year. Our deep gratitude also to the members of our boards of directors for their wise counsel, strong leadership, and continuing support. We want to express particular appreciation to Beverly Beltaire and Daniel Smith who completed their service on our Detroit Branch Board. Given the talents, creativity, and commitment of all these individuals, we are confident that the years ahead will be as productive and satisfying as was 1993.

**Richard Cline, Chairman**

**Silas Keehn, President**

*Careful weaving*

## **From Rust to Robust: The Midwest Responds**

*By the late 1970s the Midwest found itself with a new, and unwanted, sobriquet—the nation’s Rust Belt. The name was not entirely undeserved. Particularly in manufacturing—the core of the regional economy—the Midwest found itself at a competitive disadvantage. Due to its older and inefficient facilities as well as a number of other factors, the Midwest was unable to compete effectively with other regions, both in the U.S. and abroad. The region faced a major challenge: to improve its productivity or to continue to decline economically.*

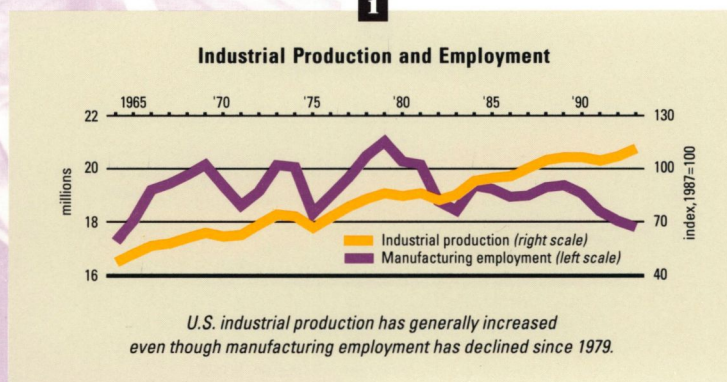
*After a painful period of adjustment, the Midwest responded in dramatic fashion. The region invested heavily in new technology and significantly improved its labor productivity, shedding its image as the nation’s Rust Belt and emerging as a center of lean and agile manufacturing. Today, the Midwest is a much more aggressive competitor in the global marketplace. This article examines the Midwest’s transformation in the 1980s, focusing on the manufacturing sector and its evolution from rust to robust.*

## The Midwest's Challenge

A vibrant manufacturing base traditionally has been crucial to the Midwest (defined here as the five states of the Seventh Federal Reserve District: Illinois, Indiana, Iowa, Michigan, and Wisconsin). Although the service sector accounts for the bulk of the regional economy, manufacturing still has a healthy 25 percent share of employment in the Midwest as compared to a 17 percent share nationwide. The Midwest's auto-steel-machine tool complex plays a particularly important role in the regional economy, with the Midwest's auto firms, for example, accounting for nearly half of U.S. car production.

Although still vital to the region, the manufacturing sector is perceived by many as being trapped in a slow and steady decline. This perception of the "deindustrialization" of the U.S. is somewhat misleading. True, the manufacturing sector's share of employment in the U.S. has decreased steadily for many decades, most noticeably since the early 1970s. Nevertheless, real manufacturing output—though highly cyclical—has stayed relatively constant as a percentage of total output since World War II.

The "image problem" for manufacturing is due in part to its most significant achievement: it can do more with less. The manufacturing sector has become much more efficient. Thus, manufacturing employment has been stagnant since 1964 even though the amount of output has steadily increased in line with the economy.



The manufacturing industry's increased efficiency in the 1980s and 1990s is evident in labor productivity figures (labor productivity is computed by taking the dollar value of the year's output, adjusting for inflation, and dividing by the hours worked). Since 1979, U.S. manufacturing labor productivity has increased an average of 2.4 percent annually. The increase in productivity is reflected in production and employment trends. Industrial production in the U.S. generally increased from 1979 through 1993; manufacturing employment declined during the same period (see graph 1).

The ability to increase manufacturing output while employment was declining was even more evident in the Midwest, indicating that substantial productivity improvements occurred during the 1980s. As in the U.S., Midwest industrial production increased steadily in the 1980s. In fact, the region's growth in manufacturing production has exceeded the nation's since 1987 (see graph 2). Despite this healthy growth, however, employment in the Midwest manufacturing sector actually decreased over the 1980s.

## Investing in the Region

Judging from manufacturing output growth, it appears that the Midwest became more productive in the 1980s as compared to other regions. Yet, it is a difficult trend to verify because productivity growth is difficult to estimate at the regional level. Has the Midwest manufacturing sector become significantly more efficient? And, if so, how?

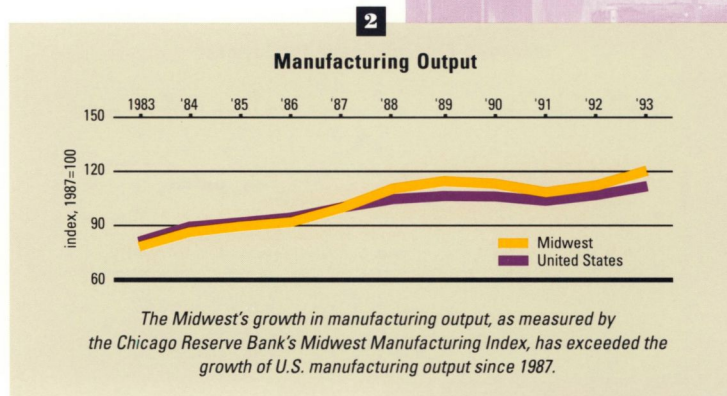
One way that firms can affect productivity is to eliminate less efficient resources, or, in other words, close facilities and lay off employees (euphemistically referred to as “downsizing”). Another alternative is to invest in new or renovated equipment and plants and introduce new, more efficient methods of utilizing resources.

How productivity gains are achieved is important for a region's growth. If the Midwest increased productivity only by shrinking its manufacturing base—closing inefficient plants—there would be little basis for future growth. Eventually other regions—both at home and abroad—would increase their market share at the Midwest's expense. But if a firm closes an outdated facility and then builds a new one nearby, it is eliminating less efficient resources as well as investing in the region, therefore providing a firmer foundation for growth.

Certainly, the Midwest closed many inefficient or unprofitable facilities during the 1980s. The recession of 1981-82 triggered a painful shakeout, with many companies going out of business or moving to the South or West. But how much capital did Midwest manufacturers invest in the region?

From 1973 to 1985, according to a Federal Reserve Bank of Chicago study, the Midwest's capital expenditures per worker increased at roughly the same rate as the rest of the nation, although investment tended to fluctuate. Midwest investment relative to the rest of the nation picked up in the late 1970s but slowed again with the onset of the 1981-82 recession. For the next few years after that recession, Midwest capital investment lagged the nation. Beginning in 1985, however, Midwest investment accelerated as compared to other regions. From 1986 through 1990, the average capital expenditure per worker in the Midwest was nine percent higher than the rest of the nation (see graph 3).

At first glance, it may be supposed that the increased investment was due to the predominance of industries in the Midwest, notably auto and steel, that require high degrees of capital investment. However, a closer look indicates that the Midwest's heavier investment was not due to industrial mix. Between 1986 and 1990, for example, investment per worker in





the transportation sector was 16 percent higher in the Midwest than in the rest of the nation. In primary metals (the steel industry), investment was 22 percent higher. In short, the region displayed a high degree of commitment to investment.

It appears that this trend has continued in the past three years, although output slowed in 1990-91 due to the recession. Even with weakened demand for products, however, there still has been a strong desire on the part of producers to improve efficiency. Judging from anecdotal evidence, Midwest producers have continued to build on their earlier efforts, with, for example, steel and auto firms continuing to invest in the region. In addition, it appears that many smaller and medium-sized firms have begun to increase their capital expenditures in recent years.

### Implementing Lean Manufacturing

Efforts to improve productivity in the region have also included the implementation of so-called lean manufacturing techniques.

The advantages of lean manufacturing in an era of accelerating global competition have been widely publicized. Lean manufacturing emphasizes quality and speedy response to market conditions using technologically advanced equipment and a flexible organization of the production process.

To achieve this goal, lean manufacturing stresses teamwork and participatory management. The purpose of this management style is to encourage employees to focus on flexibility and quality control, a change from the manufacturing approach originated by Henry Ford, which emphasizes specialization and narrowly defined job responsibilities. Low inventories and continuous improvement of operations are also central to the lean manufacturing philosophy, with most of the changes the result of suggestions from the factory floor.

To allow companies to be more agile and flexible competitors, lean manufacturing systems are designed to turn out small batches of customized products on relatively short notice and at low costs. As part of this process, lean manufacturing incorporates a short design cycle by taking an integrated approach to the various steps of manufacturing. Each step—market assessment, product design, engineering, component sourcing, and final assembly—is integrated into one decisionmaking unit.

Although the evidence is anecdotal, lean manufacturing clearly has played a role in improving productivity at some Midwest industries and firms, perhaps most notably in the auto industry. The recent experience of Chrysler Corporation, for example, illustrates the potential advantage of a streamlined

development process. Using lean manufacturing techniques, Chrysler developed its recently introduced LH-cars in 39 months with a technical staff of 740. In contrast, Chrysler required 54 months and a technical staff of 2,000 to develop the K-cars in the late 1970s.

### The Productivity Takeoff

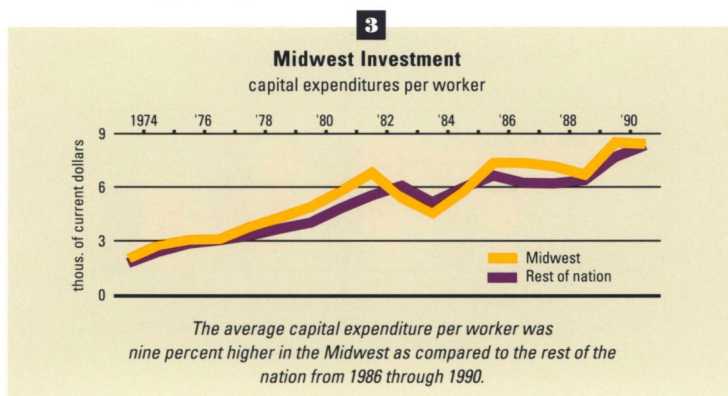
What was the result of these efforts to improve productivity? To help to measure the results of increased investment in the region, the Federal Reserve Bank of Chicago has developed estimates on how much Midwest manufacturing output has increased as compared to the growth that would have occurred using pre-1986 technology. To develop these estimates, the Bank projected output for the Midwest using a model estimated on data from 1973 through 1985. This enabled the Bank to project output for 1986 through 1990 on the basis of pre-1986 “old” technology and compare it to the actual output produced between 1986 and 1990 using “new” technology.

According to these estimates, the efficiency gains indicated by the gap between “old” and “new” technology were 8 percent more in Midwest manufacturing sectors than they were for corresponding sectors in the rest of the nation between 1986 and 1990. In other words, the Midwest’s investment paid an important dividend—more significant increases in efficiency as compared to rest of the nation.

Productivity gains—both in the U.S. and in the Midwest—appear to have occurred largely in durable goods manufacturing. Durable goods have traditionally played an important role in the Midwest economy, with the transportation, metalworking, and machinery sectors accounting for approximately 65 percent of the region’s manufacturing output.

Within durable goods, the Midwest’s productivity gains were most evident in the transportation sector, which is dominated, of course, by the auto industry. As measured by the “gap” between old and new technology, the transportation sector had efficiency gains of 7.9 percent between 1986 and 1990. In comparison, the rest of the nation had efficiency gains of 3.8 percent in the transportation sector.

Achieving these gains in the Midwest was often painful. During the 1980s, automakers closed seventeen car and truck assembly plants—six in the Midwest. At the same time, however, automakers constructed seventeen new plants, including seven in the Midwest. Some of the new plants were essentially replacements of existing Big Three facilities; others were new plants built by foreign auto companies, often in conjunction with a Big Three producer.



The Midwest's machinery sector also made significant strides between 1986 and 1990, achieving efficiency gains of 2 percent as compared to 0.9 percent for the rest of nation. The machinery sector, which is largely focused on the auto industry and exports, faced stiff global competition in the early 1980s. The efficiency of the sector improved due in part to an infusion of new capital, which, in some cases, was the result of a buy-out by a foreign company.

Another important contributor to the region's improved competitiveness was the Midwest steel industry, which realized efficiency gains of 2.8 percent. After a major downsizing in the early 1980s and an intense modernization effort, the Midwest has state-of-the-art integrated mills capable of continuous casting as well as mini-mills featuring flexible and innovative production methods. As a result, the region is now an effective global competitor in the production of high-quality steel.

Led by the improvements in auto, steel, and machinery, the Midwest's efficiency gains were most evident from 1986 through 1988, when the nation was undergoing a mini-boom (see graph 4). The gap between old and new technology output in the Midwest flattened out in 1989 and declined in 1990, perhaps reflecting the more stagnant economic growth at the end of the decade. Even though its efficiency gains decreased at the end of the decade, however, the Midwest's gains still exceeded those of the rest of the nation.

It appears that the Midwest has continued to focus on efficiency since 1990. As demand built slowly following the recession of 1990-91, Midwest producers expanded output without significant growth in hiring, indicating that efforts to improve efficiency have continued in recent years.

### Implications for Employment

The region's improvements in manufacturing productivity have resulted in benefits in the long run for many. But what about the implications for those inevitably hurt in the process?

Clearly, productivity improvements have meant that employment has not increased as rapidly as it would have in the past, given the same amount of output. Some indication of the upheaval in the manufacturing sector is provided by an estimate by the Congressional Budget Office (CBO) that roughly 10 million U.S. workers in the goods-producing industries lost jobs because of permanent layoffs and plant closings during the 1980s. Goods-producing workers were more likely to be displaced than service industry employees, according to the CBO. In 1990, for example, roughly one in 25 workers in goods-producing

industries were displaced as compared to one in 75 workers in service industries. Estimates are not available on a regional basis, but it seems plausible that Midwest workers were more adversely affected by displacement, given the region's relatively high concentration of manufacturing industries.

The U.S. is not alone in confronting this trend; other highly industrialized countries have had to wrestle with declining or stagnant manufacturing employment despite healthy growth in production (see graph 5). Canada, France, and the United Kingdom are among the highly industrialized countries that have experienced declines in manufacturing employment since 1979. Other countries have achieved somewhat better, but far from spectacular, results since 1979: Germany's manufacturing employment was flat; Japan's increased an average of 1.6 percent annually. The U.S., by comparison, averaged a 1.1 percent decline.

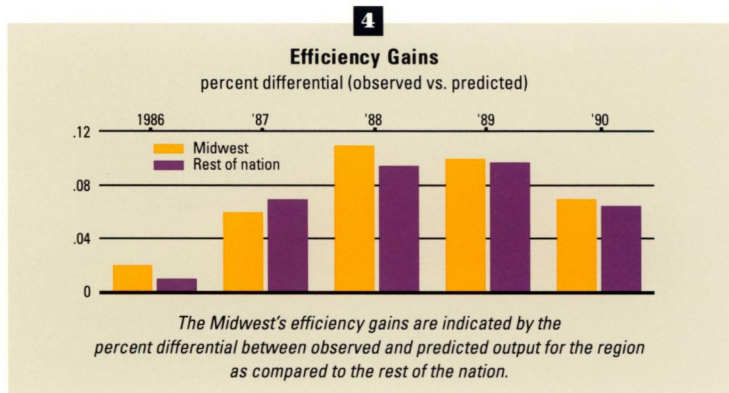
In general, it does not appear that the highly industrialized countries can look forward to a long-term resurgence in manufacturing employment growth. The U.S. is no exception. According to projections by the Bureau of Labor Statistics, U.S.

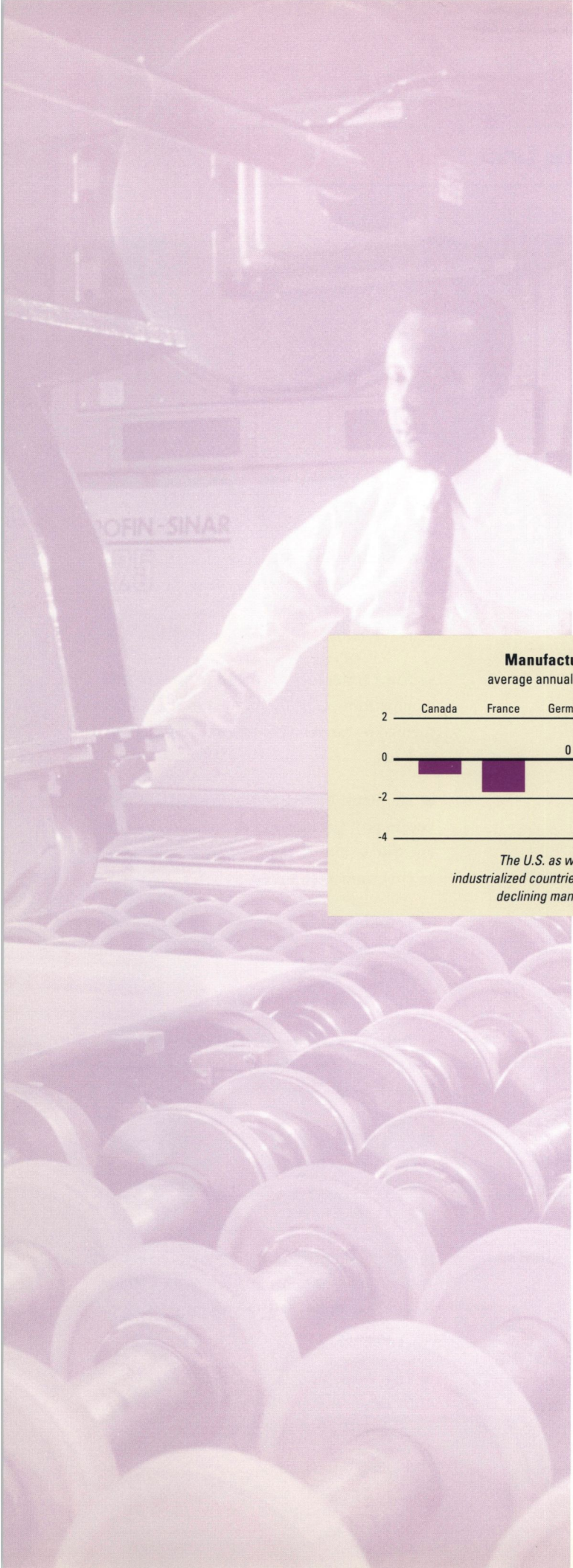
manufacturing employment is expected to decline in the U.S. through the year 2005. The implications of this trend are especially troublesome because manufacturing jobs tend to be relatively high paying.

While it is clear that displaced workers suffer short-term earnings losses, it is more difficult to determine the

long-term consequences. One indication is provided by a study by a Federal Reserve Bank of Chicago economist, which assessed such effects. According to the study, there were substantial long-term consequences for high seniority workers that were forced to leave declining firms between 1980 and 1986. Even five years after they lost their jobs, the workers studied had average annual earnings losses that were approximately 25 percent of their 1979 earnings.

Approximately 76 percent of those studied were displaced from the manufacturing sector. The study found that earnings losses were particularly severe for manufacturing workers unable to find another job in manufacturing. These workers had average annual losses of 38 percent of their 1979 earnings five years after they lost their jobs. Workers who were able to regain jobs in manufacturing fared somewhat better. In the fifth year after their job loss, workers able to find a job in manufacturing, but in a different industry, experienced losses of 19 percent of their 1979 earnings. Workers able to find employment in the same manufacturing industry experienced losses that were 17 percent of their previous earnings. Overall, the study found that



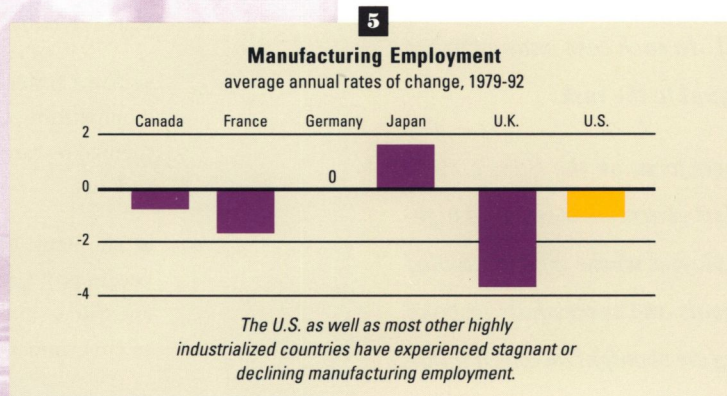


workers in highly unionized durable-goods manufacturing industries experienced particularly large losses.

High-seniority workers appear to have been particularly hard-hit by the effects of layoffs, judging from the results of the Bank's study. It should be noted, however, that such workers have been a relatively small portion of all layoffs nationally, accounting for an estimated 18 percent of displacements from 1980 through 1986.

### **A Brighter Outlook**

Like the other industrial countries in the world, the U.S. is undergoing wrenching changes in its economic structure, particularly in the manufacturing sector. Nevertheless, the outlook is relatively bright for the Midwest, which has become significantly more competitive since the recession of 1981-82. Manufacturing employment may inevitably decline, but if the Midwest has a competitive advantage it will maintain or increase its market share as compared to other regions and retain more jobs than it would have otherwise.



An example can clarify the point. Say the Heartland Widget Company employs a large number of people who work on one shift. As competition in the widget industry heats up, Heartland changes production and becomes more efficient, thus requiring fewer employees to produce the same amount. As a result, Heartland employs

fewer workers. However, Heartland's increased efficiency may enable it to gain market share and eventually start a second and even third shift. The additional employees required to run these extra shifts may not equal the total number of workers Heartland employed in the past. But certainly this is preferable to the alternative: no jobs at all because Heartland had to close or move.

The Midwest will continue to face new challenges. The region still has a preponderance of mature industries that are unlikely to experience rapid expansion. Yet, the region is much more productive and has positioned itself for solid, sustainable economic growth that could continue to slightly exceed the rest of the nation during the remainder of the 1990s.

A decade ago, the region faced the prospect of a continual decline in competitiveness. Now, the Midwest can look to the next ten years with rediscovered optimism. The Midwest's investment during the 1980s helped restore its manufacturing sector to a more competitive position, a change that will continue to have a ripple effect on the region. The Midwest today is more productive, more efficient, and better able to meet the challenges of the future.

## The Bank in 1993

*The Federal Reserve Bank of Chicago had another successful, productive year in 1993. Like the Midwest economy, the Bank has had to anticipate and respond to many changes. And, like the Midwest economy, the Bank has been able to rise to the challenge.*

*That the Bank was able to respond to these changes was due entirely to the exceptional efforts put forth by employees in 1993. Many of the Bank's activities were broad-based projects, bringing together employees from a wide variety of functions and all the Bank's offices to achieve an ambitious goal. In each case, management and staff were more than equal to the task.*

*The following pages focus on the Bank's 1993 accomplishments, listing selected achievements and highlighting just a few of the employees whose efforts enabled the Bank to accomplish its goals and successfully respond to change. Hopefully, placing the spotlight on only a handful of the outstanding individuals who work at the Bank will serve to pay tribute to all of their associates as well.*

■ The Bank again achieved its budget goals and met an ambitious management plan.

■ Federal Reserve Chairman Alan Greenspan joined directors in commemorating the Detroit Branch's 75 years of service.

■ During a particularly complex year for determining monetary policy, Economic Research enhanced the collection and analysis of information prior to meetings of the Federal Open Market Committee (*see page 14*).

■ Efforts to analyze the District economy included the increased use of input/output models to predict regional activity and "Economic Roundtables," featuring local leaders familiar with emerging developments.

■ The Conference on Bank Structure and Competition, *FDICIA: An Appraisal*, complemented research on controlling financial system risk.

■ The Bank hosted and published the proceedings of a conference intended to encourage discussion on market-based approaches to environmental policy.

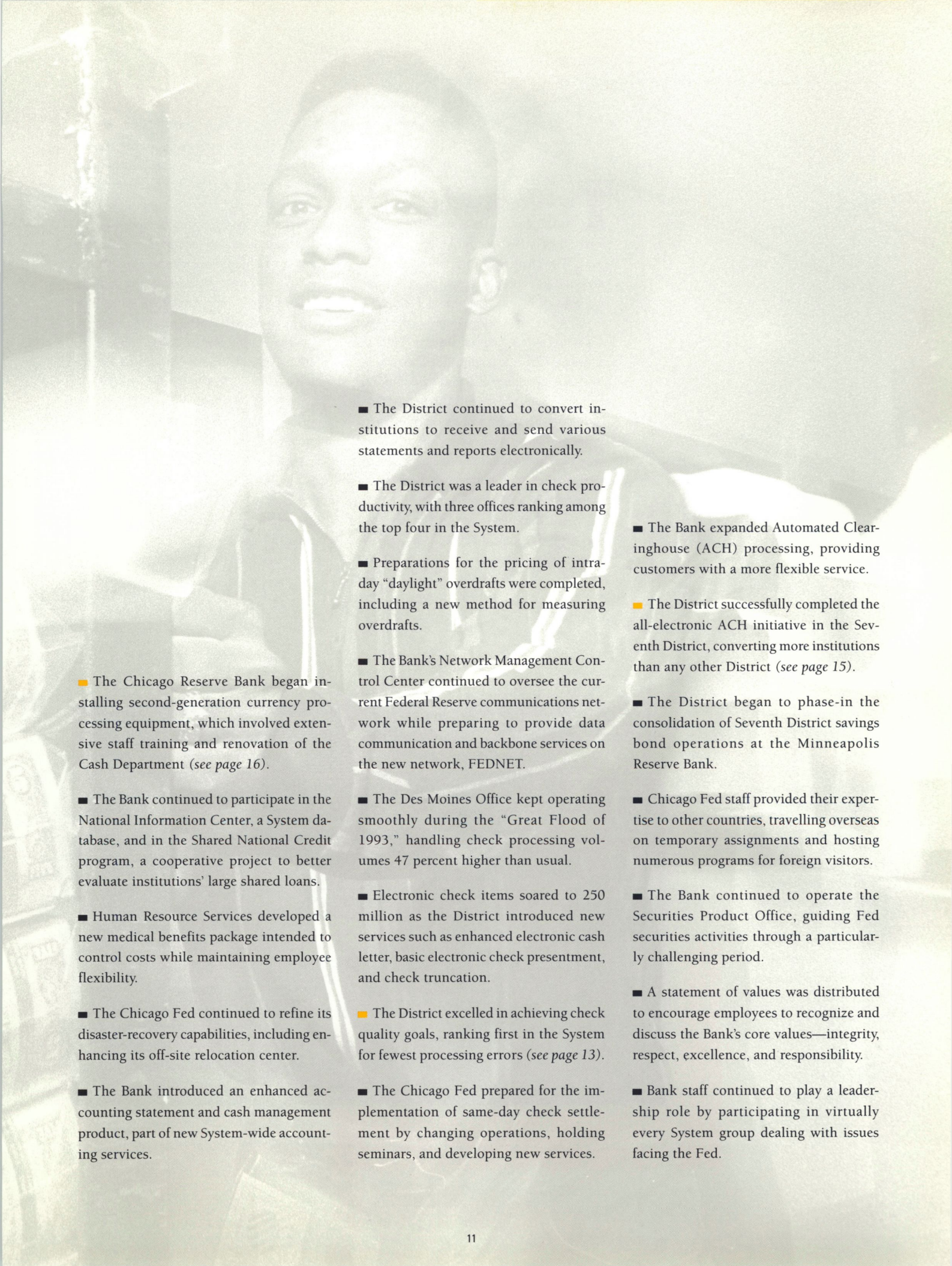
■ The Chicago Fed played a significant role in developing a high school teaching package for nationwide use featuring four videos on the Federal Reserve.

■ Training was emphasized to keep examiners abreast of developments in the banking industry (*see page 12*).

■ Bank staff conducted 906 examinations, inspections, and special reviews, and processed 526 applications, among the top workloads in the System.

■ Automation Services supported the Bank's transition in the consolidation of the Federal Reserve's mainframe data-processing from 12 sites to three.

■ The Bank hosted a public hearing on CRA moderated by Fed Governor Lawrence Lindsey and other regulators.



- The Chicago Reserve Bank began installing second-generation currency processing equipment, which involved extensive staff training and renovation of the Cash Department (*see page 16*).
- The Bank continued to participate in the National Information Center, a System database, and in the Shared National Credit program, a cooperative project to better evaluate institutions' large shared loans.
- Human Resource Services developed a new medical benefits package intended to control costs while maintaining employee flexibility.
- The Chicago Fed continued to refine its disaster-recovery capabilities, including enhancing its off-site relocation center.
- The Bank introduced an enhanced accounting statement and cash management product, part of new System-wide accounting services.
- The District continued to convert institutions to receive and send various statements and reports electronically.
- The District was a leader in check productivity, with three offices ranking among the top four in the System.
- Preparations for the pricing of intraday "daylight" overdrafts were completed, including a new method for measuring overdrafts.
- The Bank's Network Management Control Center continued to oversee the current Federal Reserve communications network while preparing to provide data communication and backbone services on the new network, FEDNET.
- The Des Moines Office kept operating smoothly during the "Great Flood of 1993," handling check processing volumes 47 percent higher than usual.
- Electronic check items soared to 250 million as the District introduced new services such as enhanced electronic cash letter, basic electronic check presentment, and check truncation.
- The District excelled in achieving check quality goals, ranking first in the System for fewest processing errors (*see page 13*).
- The Chicago Fed prepared for the implementation of same-day check settlement by changing operations, holding seminars, and developing new services.
- The Bank expanded Automated Clearinghouse (ACH) processing, providing customers with a more flexible service.
- The District successfully completed the all-electronic ACH initiative in the Seventh District, converting more institutions than any other District (*see page 15*).
- The District began to phase-in the consolidation of Seventh District savings bond operations at the Minneapolis Reserve Bank.
- Chicago Fed staff provided their expertise to other countries, travelling overseas on temporary assignments and hosting numerous programs for foreign visitors.
- The Bank continued to operate the Securities Product Office, guiding Fed securities activities through a particularly challenging period.
- A statement of values was distributed to encourage employees to recognize and discuss the Bank's core values—integrity, respect, excellence, and responsibility.
- Bank staff continued to play a leadership role by participating in virtually every System group dealing with issues facing the Fed.

## Examiner Training Intensifies

**T**he accelerating pace of change in the banking industry is challenging, not only for practitioners but for examiners as well. The challenges multiply when Congress passes a comprehensive piece of banking legislation such as the Federal Deposit Insurance Corporation Improvement Act (FDICIA). The Federal Reserve Bank of Chicago, which is responsible for examining state member banks and bank holding companies in the Seventh District, has traditionally provided extensive training to examiners. In recent years, efforts in this area have intensified to enable examiners to stay abreast of the many changes taking place in the banking industry.

Training examiners on the numerous provisions of FDICIA was a significant challenge for Chicago Reserve Bank

staff in 1993. Because FDICIA is such a complex and wide-ranging piece of legislation, employees were required to develop comprehensive and in-depth programs. A complicating factor was the ongoing nature of the project as Bank staff needed to develop new programs as each section of the legislation was implemented into regulation.

While forces outside the banking system often initiate change, the Bank must also respond to changes resulting from innovation within the banking industry. In 1993, Federal Reserve Bank of Chicago employees were System leaders in developing training programs on one of these important developments—the sale of mutual funds by banks. The Bank's programs on mutual funds included classes providing general background as well as more specific training on examination guidelines. These training programs proved to be so successful that they were adopted and applied elsewhere in the Fed System.

*Bank staff enhanced training programs in 1993 to help examiners keep pace with changes in the banking industry*

Working with employees throughout the Supervision and Regulation Department, D'Le Borg (pictured at right) teamed with Betty Starsiak and Marion Vicek to develop and coordinate training programs on new legislation such as FDICIA and industry innovations such as mutual fund sales. These training programs helped examiners keep pace with developments in the rapidly changing banking industry.



## Check Quality Goals Achieved



Improving quality was a District-wide effort. Among those contributing at the Chicago Office were (from left to right) Lynda Hatten, Gloria Jackson, Dovin Salmorin, Mike Gordon and Marsha Coleman. Jackson and Gordon work in check processing; Hatten and Salmorin work in the check adjustment function. Coleman, check processing manager, served on the check quality task force.

*Seventh District employees achieved top ratings in the quality of check services*

Every year, the Federal Reserve Banks are engaged in a horse race of sorts. Each Federal Reserve office measures its performance in providing financial services, tracking its progress in meeting System goals and comparing its results to the other Fed offices. Measuring its performance in this way helps the Fed to continually improve its service to customers.

Staff at the Federal Reserve Bank of Chicago and its offices focused, more than ever, on improving the quality of check services in 1993. The efforts paid off: Seventh District employees ranked first in the System for making the fewest processing errors.

Bank staff improved quality in a number of ways. To generate ideas, the Bank established a District-wide task force so that staff could meet periodically to discuss check quality efforts. One important initiative was developing a closer relationship with the company that services the Bank's check processing equipment. By working more closely with the servicing company on an ongoing basis, employees were able to remedy problems more quickly or prevent them from happening in the first place. Staff also worked with fellow employees and customers submitting work to let them know if an error occurred and to help them prevent future problems.

The result was a significant improvement in the quality of check services, not only providing better service for customers but helping to improve the efficiency of the payments system.

## Briefing Process Enhanced

**T**he process begins every six to eight weeks. Economic Research staff begin to prepare for the next meeting of the Federal Open Market Committee (FOMC), the Fed's most important policy making body. Bank employees work with information—collecting, updating, analyzing, discussing, sometimes arguing. This effort is all part of the briefing process, which provides President Silas Keehn with the information he needs to take part in FOMC deliberations.

Determining monetary policy was especially difficult in 1993 because of the structural changes taking place in the economy. In response, Bank staff focused their research studies on the effects and tradeoffs of monetary policy and worked to improve the quantity and quality of information available for the briefing process. This effort included reformatting the "briefing book" to allow for more continuity in the analysis of current conditions and to highlight in-depth studies on special issues.

Research staff enhanced their expertise on the regional economy by expanding the use of "Economic Roundtables," featuring economists and business leaders familiar with emerging local developments. Staff also continued to study important regional developments that may affect the overall economy such as the "Great Flood of 1993." The expertise of Research staff in this area proved to be useful, not only to those determining monetary policy, but also to a number of national and state government officials.



Among the employees involved in preparing for FOMC meetings are (from left to right) Paula Worthington, Mike Singer, Anthony Suh, Rick Mattoon, and Argia Sbordone. Singer and Mattoon studied regional developments such as the effects of the "Great Flood of 1993." Worthington and Sbordone provided expertise on issues such as balance sheet restructuring and productivity trends. Suh worked on further automating the flow of information used for the briefing process.

*Economic Research staff worked to enhance the briefing process during a particularly complex year for determining monetary policy*



## All-electronic ACH Project Completed

**F**or many years Automated Clearing-house (ACH) was an electronic service that was not entirely electronic. In fact, most depository institutions received ACH transactions on tapes or diskettes delivered via courier or mail. To encourage a more efficient and reliable ACH, the Federal Reserve announced in 1991 that it would accept and deliver only electronic transmissions of ACH transactions, effective July 1, 1993.

Chicago Fed employees faced a major challenge. As one of the most active participants in ACH, the Seventh District had the most non-electronic ACH receivers in the Fed System. Converting District institutions to an electronic alternative required a massive educational, marketing,

operational, and technical support effort. First, Bank staff worked with depository institutions to explain the alternatives for setting up an electronic connection. For most institutions the best option was Fedline, the Federal Reserve's software package for electronic access. Once an institution signed up for an electronic connection, employees at the Chicago Reserve Bank and Detroit Branch conducted hands-on training sessions. In 1993 alone, 700 institutions attended training classes. To provide support for so many new users, Bank and Branch staff set up hotlines for Fedline questions, which handled some 20,000 customer inquiries in 1993.

District employees completed this ambitious project on schedule in 1993, converting a total of 1,456 institutions to an electronic status. The result is an improved ACH service for depository institutions and, on a much larger scale, a more efficient and reliable payments mechanism.

### *Bank staff completed the ambitious all-electronic ACH project on schedule in 1993*



**The all-electronic ACH initiative was a broad-based effort, including staff from all five District offices. Among the key participants (from left to right) were Charles Textor, Automation Support; Ken Zvihra, Electronic Services, Detroit Branch; Lysette Bailey, Electronic Access; Eve Boboch, Automated Payments; and Ron Bogner, Banking Services. Other key participants not pictured here include Richard Jung, Des Moines Office; Fred Chafin, Indianapolis Office; and Pete Retsinas, Milwaukee Office.**

## New Currency Machines Installed



The team that received special training and subsequently operated the first ISS3000 currency processor in Chicago consisted of (from left to right) Mary Lehnerer, Robbie Alleyne, Dianne Gray, Maria Pyzalski, Cristelle Wertelka, Dorothy Johnson (hidden), and Irena Lasota. Dianne Gray is one of two "District trainers" who work with employees making the transition to the new equipment.

### *Bank employees began installing a new generation of cash-processing machines in 1993 following extensive preparations*

**A**mong its many other functions, the Federal Reserve Bank of Chicago is a money factory of sorts, constantly receiving and shipping out large quantities of currency. Bank staff processed some \$29 billion in 1993 using sophisticated high-speed equipment, which counts and sorts, detects potential counterfeits, shreds worn-out money, and bundles notes to be recirculated.

In 1993, Bank employees installed two new ISS3000 currency processors, beginning the transition to a new generation of high-tech equipment. The new processors, which will be used throughout the Fed System, are more efficient, provide a higher quality of notes for recirculation, and have improved counterfeit detection capabilities.

Installing the machines has been a broad-based effort involving staff in Cash, Protection, Facilities Planning, and Human Resources. Because the new processors have more sophisticated capabilities that place added demands on operators, the Bank has provided extensive training. Before the machines were introduced in Chicago, eight Bank employees travelled to another Fed District to work with the new equipment. Two of these employees became "District trainers" who helped train other staff in Chicago. Another effort related to the installation of the machines was the renovation of the Bank's second and third basements. Employees in Facilities Planning and Cash worked closely to coordinate the renovation, which will provide for a more efficient and secure work area.

Staff at the Chicago Office and Detroit Branch will implement nine more machines over the next two years. The enhanced capabilities of the ISS3000 machines will enable Bank employees to efficiently meet the public's currency needs for years to come.

## Operations Volumes

	<i>dollar amount</i>		<i>number of items</i>	
	<b>1993</b>	<b>1992</b>	<b>1993</b>	<b>1992</b>
<b>Check &amp; Electronic Payments</b>				
Checks, NOWs, & share drafts processed	1.3 trillion	1.2 trillion	1.9 billion	1.9 billion
Fine sort & packaged checks handled	261.7 billion	261.6 billion	614.6 million	620.7 million
U.S. government checks processed	48.9 billion	50.8 billion	51.4 million	52.8 million
Automated Clearinghouse (ACH) items processed	2.3 trillion	1.9 trillion <sup>r</sup>	482.0 million	419.7 million <sup>r</sup>
Transfers of funds	31.4 trillion	32.8 trillion	13.5 million	13.0 million
<b>Cash Operations</b>				
Currency received & counted	28.9 billion	27.9 billion	2.2 billion	2.2 billion
Unfit currency destroyed	6.5 billion	7.5 billion	720.6 million	733.9 million
Coin received & counted	700.2 million	691.9 million	6.3 billion	5.9 billion
<b>Securities Services for Depository Institutions</b>				
Safekeeping balance December 31:				
<i>Definitive securities</i>	7.5 billion	6.3 billion	53.6 thousand	145.4 thousand
<i>Book-entry securities</i>	437.3 billion	360.0 billion	—	—
Purchase & sale	2.5 billion	3.1 billion	8.3 thousand	11.8 thousand
Collection of securities & other noncash items	500.0 million	700.0 million	91.0 thousand	119.8 thousand
<b>Loans to Depository Institutions</b>				
Total loans made during year	1.6 billion	1.7 billion	763	870
<b>Services to U.S. Treasury and Government Agencies</b>				
Issues, redemptions & exchanges:				
<i>U.S. savings bonds</i>	3.0 billion	3.8 billion	8.0 million	8.5 million
<i>Definitive government securities</i>	900.0 million	400.0 million	12.3 thousand	9.2 thousand
<i>Book-entry government securities</i>	4.8 trillion	3.3 trillion <sup>r</sup>	1.1 million	1.1 million
Government coupons paid	93.5 million	91.0 million	40.7 thousand	59.3 thousand
Federal tax deposits processed	142.6 billion	142.7 billion	858.1 thousand	884.4 thousand
Food stamps redeemed	2.5 billion	2.4 billion	477.9 million	473.0 million

<sup>r</sup> = Revised

## Statement of Condition

Year-to-year changes in Reserve Bank assets and liabilities largely reflect general economic developments and System monetary policy actions. By purchasing securities in the open market and making loans to depository institutions, the Federal Reserve increases reserves, providing a base for monetary expansion in accord with the national economy's growth needs. The Bank's total assets rose in 1993, providing the basis for an increase in currency outstanding and deposits of District institutions. The overall increase in the Bank's assets and currency outstanding was also in part attributable to day-to-day interdistrict fluctuations.

	<b>12/31/93</b>	<b>12/31/92</b>
<b>Assets</b>		
Gold certificate account	\$ 1,186,000,000	\$ 1,270,000,000
Interdistrict settlement account	1,743,124,989	(3,443,626,096)
Special drawing rights certificate account	1,036,000,000	1,036,000,000
Coin	32,338,258	29,757,418
<i>Loans and securities:</i>		
Loans	500,000	1,950,000
Federal agency securities	539,045,358	670,355,724
U.S. government securities	38,584,498,535	36,537,178,964
<i>Total loans and securities</i>	39,124,043,893	37,209,484,688
Items in process of collection	674,167,146	922,908,474
Bank premises	113,379,859	112,034,234
Other assets	3,490,675,049	3,380,201,671
<b>Total assets</b>	<b>\$ 47,399,729,194</b>	<b>\$ 40,516,760,389</b>
<b>Liabilities</b>		
Federal Reserve notes	\$ 41,540,669,371	\$ 35,484,730,443
<i>Deposits:</i>		
Depository institutions	4,021,546,173	3,422,357,347
U.S. Treasury—general account	0	0
Foreign, official accounts	15,748,700	16,819,000
Other	80,694,358	49,357,129
<i>Total deposits</i>	4,117,989,231	3,488,533,476
Deferred credit items	679,010,501	620,709,248
Other liabilities	282,329,891	230,600,822
<i>Total liabilities</i>	\$ 46,619,998,994	\$ 39,824,573,989
<b>Capital Accounts</b>		
Capital paid in	\$ 389,865,100	\$ 346,093,200
Surplus	389,865,100	346,093,200
<i>Total capital</i>	\$ 779,730,200	\$ 692,186,400
<b>Total liabilities and capital</b>	<b>\$ 47,399,729,194</b>	<b>\$ 40,516,760,389</b>

## Statement of Income

	1993	1992
<b>Current Income</b>		
Interest on loans	\$ 351,679	\$ 403,053
Interest on government securities	1,988,279,841	2,145,434,724
Interest on investments of foreign currencies	142,291,217	257,123,513
Service fees	101,646,876	99,463,226
All other	790,056	952,994
<i>Total current income</i>	<u>\$ 2,233,359,669</u>	<u>\$ 2,503,377,510</u>
<b>Current Expenses</b>		
Operating expenses	\$ 198,076,414	\$ 176,999,479
Other current expenses	32,414,846	28,964,791
Total current expenses	<u>\$ 230,491,260</u>	<u>205,964,270</u>
Less reimbursement for certain fiscal agency and other expenses	19,478,772	19,557,478
<i>Current net expenses</i>	<u>\$ 211,012,488</u>	<u>\$ 186,406,792</u>
<i>Current net income</i>	<u>\$ 2,022,347,181</u>	<u>\$ 2,316,970,718</u>
<b>Additions to (or Deductions from) Current Net Income</b>		
Net profit (or loss) on sales of securities	\$ 4,626,090	\$ 15,087,036
Net profit (or loss) on foreign exchange transactions	30,081,072	(130,523,858)
Assessment for Board of Governors expenditures	(15,939,100)	(15,443,600)
Cost of Federal Reserve currency	(37,898,065)	(33,248,750)
All other—net	(58,169,054)	(3,272,441)
<i>Net additions (or deductions)</i>	<u>\$ (77,299,057)</u>	<u>\$ (167,401,613)</u>
<b>Net income available for distribution</b>	<b>\$ 1,945,048,124</b>	<b>\$ 2,149,569,105</b>
<b>Distribution of Net Income</b>		
Dividends paid	\$ 22,248,839	\$ 19,888,623
Payments to U.S. Treasury (as interest on Federal Reserve notes)	1,879,027,385	2,104,451,832
Transferred to surplus	43,771,900	25,228,650
<b>Total income distributed</b>	<b>\$ 1,945,048,124</b>	<b>\$ 2,149,569,105</b>

A Reserve Bank's income is largely a by-product of monetary policy rather than the pursuit of profit. Most of the Bank's income is interest on its share of the System's Open Market Account portfolio of securities, and, appropriately, the vast majority of this income is turned over to the U.S. Treasury each year. Current income declined compared to 1992, primarily due to lower market interest rates. Operating expenses rose, largely reflecting the continued cost of responding to increased supervisory responsibilities mandated by legislation. Expenses also increased because of the costs associated with the implementation of Financial Accounting Standard (FAS) 106, which required changes in the accounting for post-employment benefits.

## Directors and Advisory Councils

**1993 Board of Directors, Federal Reserve Bank of Chicago, from left to right: Robert Healey, Richard Cline, Stefan Anderson, Charlene Sullivan, Arnold Schultz, David Fox, Donald Schneider, Thomas Dorr, and Duane Burnham.**



Reserve Bank directors have a general governance responsibility for the management of operations, approving budgets, expenditures, and official appointments. In addition, directors provide advice and counsel to the Reserve Bank president on the state of the economy and financial system. Reserve Bank directors also determine, subject to review by the Board of Governors, the Bank's discount rate. The Chicago Reserve Bank and Detroit Branch directors are selected to represent a variety of interests and activities within the District and bring to their diverse duties as directors a broad range of expertise and experience.

The Federal Advisory Council, consisting of one representative from each District, meets quarterly with the Board of Governors to discuss economic conditions. The Chicago Reserve Bank's advisory councils on small business and agriculture provide a vital communication link between the Bank and these important economic sectors.

### **Board of Directors Federal Reserve Bank of Chicago**

#### **Chairman**

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

#### **Deputy Chairman**

**Robert M. Healey**  
President  
Chicago Federation of Labor  
and Industrial Union Council,  
AFL-CIO  
Chicago, Illinois

**Stefan S. Anderson**  
Chairman, President,  
and Chief Executive Officer  
First Merchants Corporation  
Muncie, Indiana

**Duane L. Burnham**  
Chairman and  
Chief Executive Officer  
Abbott Laboratories  
Abbott Park, Illinois

**Thomas C. Dorr**  
President and  
Chief Executive Officer  
Dorr's Pine Grove  
Farm Company  
Marcus, Iowa

**David W. Fox**  
Chairman and  
Chief Executive Officer  
The Northern Trust Corporation  
Chicago, Illinois

**Donald J. Schneider**  
President  
Schneider National, Inc.  
Green Bay, Wisconsin

**Arnold C. Schultz**  
Chairman and President  
GNB Bancorporation  
Grundy Center, Iowa

**A. Charlene Sullivan**  
Associate Professor  
of Management  
Krannert Graduate School  
of Management  
Purdue University  
West Lafayette, Indiana



**1993 Board of Directors, Detroit Branch, from left to right: Norman Rodgers, Daniel Smith, William Odom, John Forsyth, Beverly Beltaire, Charles Allen, and J. Michael Moore.**

**Board of Directors  
Detroit Branch**

**Chairman**

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

**Charles E. Allen**  
President and  
Chief Executive Officer  
Graimark Realty Advisors, Inc.  
Detroit, Michigan

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

**John D. Forsyth**  
Executive Director  
University of Michigan Hospitals  
Ann Arbor, Michigan

**William E. Odom**  
Chairman  
Ford Motor Credit Company  
and Group Vice President  
Ford Motor Company  
Dearborn, Michigan

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

**Daniel R. Smith**  
Chairman and  
Chief Executive Officer  
First of America Bank  
Corporation  
Kalamazoo, Michigan  
*(director to August 1993)*

**Federal Advisory  
Council Representative**

**Eugene A. Miller**  
Chairman and  
Chief Executive Officer  
Comerica, Incorporated  
Detroit, Michigan

**Advisory Council  
on Agriculture**

**Glen Balbach**  
Warren, Illinois  
Wisconsin Milk  
Marketing Board

**Leland E. Behnken**  
Altona, Illinois  
Illinois Corn Growers  
Association

**Marion L. Butler**  
Blandinsville, Illinois  
Illinois Beef Association

**Jon D. Caspers**  
Swaledale, Iowa  
Iowa Pork Producers  
Association

**Richard E. Leach**  
Saginaw, Michigan  
Michigan Farm Bureau

**Barry A. Mumby**  
Fulton, Michigan  
Michigan Soybean  
Association

**Merlin D. Plagge**  
West Des Moines, Iowa  
Iowa Farm Bureau

**Kenneth G. Stremelau**  
Mendota, Illinois  
National Farmers  
Organization

**Scott E. VanderVeen**  
Clinton, Wisconsin  
Wisconsin Pork Producers

**Jerry L. Vandever**  
Frankenmuth, Michigan  
Michigan Agri-Business  
Association

**Donald B. Villwock**  
Edwardsport, Indiana  
Member-at-Large

**Peter J. Wenstrand**  
Essex, Iowa  
Iowa Corn Growers  
Association

**Advisory Council  
on Small Business**

**Phyllis L. Apelbaum**  
Chicago, Illinois  
National Association of  
Women Business Owners-  
Chicago Chapter

**Fernando Chavarria**  
Rolling Meadows, Illinois  
U.S. Hispanic Chamber  
of Commerce

**Noelle A. Clark**  
Lansing, Michigan  
National Federation of  
Independent Business-  
Michigan

**Susan E. Funk**  
Detroit, Michigan  
National Association of  
Women Business Owners-  
Michigan Chapter

**J. Paul Jordan**  
Milwaukee, Wisconsin  
Milwaukee Minority  
Chamber of Commerce

**Susan M. Larson**  
Chicago, Illinois  
National Association of  
Women Business Owners-  
Illinois Chapter

**Eleanore A. Levy**  
West Des Moines, Iowa  
National Association of  
Women Business Owners-  
Iowa Chapter

**D. Larry Sherman**  
Birmingham, Michigan  
Michigan Retailers Association

**Toby B. Shine**  
Spencer, Iowa  
Iowa Association of Business  
and Industry

**Robert J. Stevens**  
Columbus, Indiana  
Member-at-Large

**Jude M. Werra**  
Brookfield, Wisconsin  
Wisconsin Manufacturers  
and Commerce

## Officers

Appointments to and promotions within the Federal Reserve Bank's official staff are made by the Bank's board of directors. The board appoints the Bank's president (chief executive officer) and first vice president (chief operating officer) to five-year terms, subject to approval by the Board of Governors.

The primary activities of the Chicago Reserve Bank are divided into eight functional areas, overseen by senior vice presidents who report to the Bank's president and first vice president. An additional function, the Auditing Department, reports directly to the board of directors' Audit Committee. The Bank's senior officers together form the Management Committee and determine the Chicago Reserve Bank's strategic direction.

**Silas Keehn**  
President

**William C. Conrad**  
First Vice President

### 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

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

**Douglas D. Evanoff**  
Senior Research Economist and Research Officer

**Charles L. Evans**  
Senior Research Economist and Research Officer

**Kenneth N. Kuttner**  
Senior Research Economist and Research Officer

**Robert H. Schnorbus**  
Senior Business Economist and Research Officer

**Daniel G. Sullivan**  
Senior Research 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

**Barbara D. Benson**  
Vice President

**James A. Bluemle**  
Vice President

**David S. Epstein**  
Vice President

**Roderick L. Housenga**  
Vice President



Federal Reserve Bank of Chicago Management Committee, from left to right: Silas Keehn, Richard Anstee, William Conrad, Karl Scheld, William Gram, George Coe, Charles Furbee, Jerome John, Roby Sloan, Franklin Dreyer, Carl Vander Wilt.



**Geoffrey C. Rosean**

Vice President

**A. Raymond Bacon**

Assistant Vice President

**William A. Barouski**

Assistant Vice President

**Robert A. Bechaz**

Assistant Vice President

**John L. Bergstrom**

Assistant Vice President

**George M. Gregorash**

Assistant Vice President

**Douglas J. Kasl**

Assistant Vice President

**Barbara T. Kavanagh**

Assistant Vice President

**William H. Lossie, Jr.**

Assistant Vice President

**James A. Nelson**

Assistant Vice President

**Patrick J. Tracy**

Assistant Vice President

**Barbara A. Van Den Bossche**

Assistant Vice President

**Daniel L. Westrope**

Assistant Vice President

**Gay Whiting**

Assistant Vice President

**Alicia Williams**

Assistant Vice President

**Kathleen E. Benson**

Examining Officer

**Betty P. Chow**

Staff Development Officer

**Maureen A. Cummings**

Information Processing Officer

**Michael R. Jarrell**

Examining Officer

**John M. Montgomery**

Examining Officer

**John A. Valenti**

Information Support Officer

**Loans and Reserves****Gerard J. Nick**

Vice President

**William J. O'Connor**

Assistant Vice President

**Services to Depository Institutions****Operations and Check Services****Charles W. Furbee**

Senior Vice President

**Cash and Fiscal Agency****William A. Bonifield**

Vice President

**Jerome D. Nicolas**

Assistant Vice President

**Lawrence J. Powaga**

Assistant Vice President

**Guadalupe Garcia**

Operations Officer

**Check Services****Diane S. Noble**

Assistant Vice President

**Operations Administration****Angelina S. Chin**

Assistant Vice President

**Erich R. Mueller**

Operations Officer

**Regional Offices****David R. Starin**

Vice President

**Des Moines****L. Edward Ketchmark**

Assistant Vice President

**Indianapolis****Donna M. Yates**

Assistant Vice President

**Milwaukee****Anthony J. Tempelman**

Assistant Vice President

**Detroit Branch and Electronic Services****Roby L. Sloan**

Senior Vice President and Branch Manager

**Detroit Branch****Yvonne H. Montgomery**

Vice President

**Patrick A. Garrean**

Assistant Vice President

**Joseph R. O'Connor**

Assistant Vice President

**Richard L. Simms, Jr.**

Assistant Vice President

**F. Alan Wells**

Assistant Vice President

**Brian D. Egan**

Operations Officer

**Robert M. Marable**

Operations Officer

**Electronic Services****Wayne R. Baxter**

Vice President

**Stephen M. Pill**

Vice President and Data Security Officer

**James M. Rudny**

Assistant Vice President

**Valerie J. Van Meter**

Assistant Vice President

**Kathleen H. Williams**

Assistant Vice President

**Support Functions****Automation and Communications Services****George E. Coe**

Senior Vice President

**Automation Support****R. Steve Crain**

Assistant Vice President

**Brenda D. Ladipo**

Assistant Vice President

**Frank S. McKenna**

Assistant Vice President

**Karen L. Rosenberg**

Assistant Vice President

**Network Management Control Center****Thomas M. Matsumoto**

Assistant Vice President

**David E. Ritter**

Assistant Vice President

**Robert J. Sandusky**

Systems Officer

**Financial and Management Services****Carl E. Vander Wilt**

Senior Vice President and Chief Financial Officer

**Accounting Services****Richard P. Bush**

Vice President

**Maria Semedallas**

Accounting Officer

**Banking Services****Glen Brooks**

Vice President

**Theodore E. Downing, Jr.**

Assistant Vice President

**Management Services****Glenn C. Hansen**

Vice President

**Margaret A. Koenigs**

Assistant Vice President

**Jeffrey B. Marcus**

Assistant Vice President

**Federal Reserve System Securities Product Office****Dara L. Hunt**

Assistant Vice President and Securities Product Manager

**Office of the General Auditor****Jerome F. John**

General Auditor

**Robert M. Casey**

Assistant General Auditor

**Office of the General Counsel****William H. Gram**

Senior Vice President, General Counsel, and Secretary

**Legal Services****Elizabeth A. Knospe**

Assistant Vice President and Assistant General Counsel

**Yurii Skorin**

Assistant Vice President and Assistant General Counsel

**Anna M. Voytovich**

Assistant Vice President and Assistant General 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**

Assistant Vice President

**Tyler K. Smith**

Operations Officer

**Check Adjustment****Richard F. Opalinski**

Assistant Vice President

**Human Resource Services****Thomas G. Ciesielski**

Vice President

**Sheryn E. Bormann**

Assistant Vice President

**Angela D. Robinson**

Personnel Officer

## Executive Changes

### Directors

Members of the Federal Reserve Bank of Chicago's board of directors are selected to represent a cross section of the Seventh District economy including consumers, industry, agriculture, services, labor, and varying sizes of commercial banks. The nine-member board includes three bankers and three nonbankers elected by member banks. Three additional nonbankers are appointed by the Board of Governors, which also designates the Reserve Bank chairman and deputy chairman from among its three appointees.

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, with a two-term maximum.

Director appointments and elections at the Chicago Reserve Bank and its Detroit Branch effective in 1993 were:

- Richard G. Cline redesignated Chairman and appointed to a second three-year term as a director.
- Robert M. Healey redesignated Deputy Chairman.
- Donald J. Schneider and Arnold C. Schultz elected directors.
- J. Michael Moore redesignated Branch Chairman and appointed to a second three-year term as a Branch director.
- Norman F. Rodgers appointed to a second three-year term as a Branch director.

At year-end 1993, the following appointments and elections to terms beginning in 1994 were announced:

- Richard G. Cline redesignated Chairman.
- Robert M. Healey redesignated Deputy Chairman and appointed to a second three-year term as a director.

- David W. Fox and A. Charlene Sullivan elected to second three-year terms as directors.
- J. Michael Moore redesignated Branch Chairman.
- Florine Mark (President and Chief Executive Officer, The WW Group in Farmington Hills) and Charles W. Weeks (President and Chief Executive Officer of Citizens Banking Corporation in Flint) appointed directors, replacing Beverly Beltaire and Daniel R. Smith.
- Charles E. Allen and William E. Odom appointed to second three-year terms as Branch directors.

### Advisory Councils

The Federal Advisory Council, which meets quarterly to discuss business and financial conditions with the Board of Governors in Washington, D.C., 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. Eugene A. Miller, who served as the Seventh District's representative in 1992 and 1993, was reappointed by the Chicago board for 1994.

Members of the Bank's two advisory councils, who are selected from nominations by Seventh District small business and agriculture organizations, served the third year of their terms in 1993. The councils provide a vital communication link between the Bank and these important sectors.

### Officers

The Bank's board of directors acted on the following promotions within the official staff during 1993:

- Yvonne H. Montgomery to Vice President, Detroit Branch.
- Barbara T. Kavanagh to Assistant Vice President, Supervision and Regulation.

- James A. Nelson to Assistant Vice President, Supervision and Regulation.
- Anna M. Voytovich to Assistant Vice President and Assistant General Counsel.
- Daniel L. Westrope to Assistant Vice President, Supervision and Regulation.

New officers appointed by the board in 1993 were:

- Valerie J. Van Meter to Assistant Vice President, Electronic Services.
- Brian D. Egan to Operations Officer, Detroit Branch.
- Douglas D. Evanoff to Senior Research Economist and Research Officer, Economic Research.
- Charles L. Evans to Senior Research Economist and Research Officer, Economic Research.
- Kenneth N. Kuttner to Senior Research Economist and Research Officer, Economic Research.
- Robert M. Marable to Operations Officer, Detroit Branch.
- Daniel G. Sullivan to Senior Research Economist and Research Officer, Economic Research.

Frederick S. Dominick, Vice President and Assistant Branch Manager, Detroit Branch, retired in 1993 after 41 years of service to the Bank.

***From Rust to Robust:  
The Midwest Responds***  
**Data Sources—Graphs 1-5**

U.S. Industrial Production Index, Federal Reserve Board; Midwest Manufacturing Index, Federal Reserve Bank of Chicago; U.S. and foreign employment, U.S. Department of Labor, Bureau of Labor Statistics; capital expenditures, U.S. Department of Commerce, Bureau of the Census, *Survey of Manufacturers* and *Census of Manufacturers*, various issues; estimated efficiency gains, Federal Reserve Bank of Chicago.

**Head Office**

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Chicago, Illinois 60690-0834

**Detroit Branch**

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

**Des Moines Office**

616 Tenth Street  
P.O. Box 1903  
Des Moines, Iowa 50306-1903

**Indianapolis Office**

8311 North Perimeter Road  
P.O. Box 2020 B  
Indianapolis, Indiana 46206-2020

**Milwaukee Office**

304 East State Street  
P.O. Box 361  
Milwaukee, Wisconsin 53201-0361

FEDERAL RESERVE BANK  
OF CHICAGO

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