

**OPERATION OF
FEDERAL
RESERVE BANK
OF CHICAGO**

1926

**SEVENTH FEDERAL RESERVE
DISTRICT**



**TWELFTH ANNUAL
REPORT TO
THE FEDERAL RESERVE
BOARD**

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DISTRICT



TWELFTH ANNUAL
REPORT TO
THE FEDERAL RESERVE
BOARD

FEDERAL RESERVE BANK OF CHICAGO

DIRECTORS AND OFFICERS FOR 1927

CLASS A—DIRECTORS

George M. Reynolds, Chicago, Illinois
 Chairman of Board, Continental and Commercial National Bank

Charles H. McNider, Mason City, Iowa
 President, First National Bank

Elbert L. Johnson, Waterloo, Iowa
 President, First National Bank, Waverly

CLASS B—DIRECTORS

August H. Vogel, Milwaukee, Wisconsin
 Vice-President, Pfister and Vogel Leather Co.

Stanford T. Crapo, Detroit, Michigan
 Secretary and Treasurer, Huron Portland Cement Company

Robert Mueller, Decatur, Illinois
 Secretary, Mueller Company

CLASS C—DIRECTORS

William A. Heath, Evanston, Illinois
 Federal Reserve Agent

Frank C. Ball, Muncie, Indiana
 President, Ball Bros. Company

James Simpson, Chicago, Illinois
 President, Marshall Field & Company

OFFICERS

William A. Heath, Chairman

James Simpson, Deputy Chairman

William H. White, Assistant Federal Reserve Agent

Frank M. Huston, Manager, Division of Research and Statistics

Francis R. Burgess, Auditor

Walter A. Hopkins, Assistant Auditor

Charles L. Powell, Counsel

Frank O. Wetmore, Chicago, Illinois, Member Federal Advisory Council

OFFICERS—(CONTINUED)

James B. McDougal, Governor
 John H. Blair, Deputy Governor
 Charles R. McKay, Deputy Governor

LOANS AND CREDITS

Kent C. Childs, Controller of Loans and Credits

Allen R. LeRoy, Manager Loans

Eugene A. Delaney, Manager, Credit Department

Joseph C. Callahan, Manager, Member Bank Accounts Department

INVESTMENTS

Alba W. Dazey, Manager, Investment Department

CASH AND CUSTODIES

Otto J. Netterstrom, Controller of Cash and Custodies

Jesse G. Roberts, Manager, Cash Department

Robert E. Coulter, Manager, Cash Custody Department

Fred Bateman, Manager, Securities Department

COLLECTIONS

William C. Bachman, Controller of Collections

Irving Fischer, Manager, Check Department

Louis G. Pavey, Manager, Collection Department

ADMINISTRATION

James H. Dillard, Controller of Administration

Robert J. Hargreaves, Manager, Personnel Department

Louis G. Meyer, Manager, Service Department

Frank A. Lindsten, Manager, Disbursing Department

FISCAL AGENCY

Don A. Jones, Controller of Fiscal Agency Functions

DETROIT BRANCH

(128 Congress Street, West)

DIRECTORS AND OFFICERS

George B. Morley, Saginaw, Michigan
 President, Second National Bank

David McMorrان, Port Huron, Michigan
 Treasurer and Manager, McMorrان Milling Co.

William J. Gray, Detroit, Michigan
 President, First National Bank

James Inglis, Detroit, Michigan
 President, American Blower Company

N. P. Hull, Lansing, Michigan
 President, Grange Life Insurance Co.

John W. Staley, Detroit, Michigan
 President, Peoples State Bank

William R. Cation, Managing Director

John C. Baskin, Assistant Federal Reserve Agent

*John B. Dew, Cashier

Harlan J. Chalfont, Assistant Cashier

George T. Jarvis, Assistant Cashier

Floyd L. Bowen, Assistant Auditor

Henry M. Butzel, Assistant Counsel

*Resigned effective February 14, 1927.

FEDERAL RESERVE BANK
OF CHICAGO

Chicago, January 15, 1927.

SIR:

I have the honor to submit herewith, in accordance with the letter transmitted to me by Mr. Walter L. Eddy, Secretary of the Board, the twelfth annual report of the Federal Reserve Bank of Chicago, covering the year 1926.

Respectfully,

W. A. HEATH,

Federal Reserve Agent.

HON. D. R. CRISSINGER,

Governor, Federal Reserve Board,

Washington, D. C.

FEDERAL RESERVE BANK OF CHICAGO

Comparative Statement of Condition

(IN THOUSANDS OF DOLLARS)

RESOURCES	Dec. 31, 1926	Dec. 31, 1925	Dec. 31, 1924
Gold with Federal reserve agent.....	163,424	114,683	165,909
Gold redemption fund with United States Treasury.....	8,668	5,612	2,498
Gold held exclusively against Federal reserve notes.....	172,092	120,295	168,407
Gold settlement fund with Federal Reserve Board.....	131,482	128,969	110,989
Gold and gold certificates held by bank.....	64,587	69,067	87,980
Total gold reserves.....	368,161	318,331	367,376
Reserves other than gold.....	21,856	17,494	15,576
Total reserves.....	390,017	335,825	382,952
Non-reserve cash.....	10,958	9,568	9,266
Bills discounted:			
Secured by United States Government obligations.....	58,929	55,505	19,379
Other bills discounted.....	38,902	32,455	18,445
Total bills discounted.....	97,831	87,960	37,824
Bills bought in open market.....	50,116	27,711	33,882
United States Government securities:			
Bonds.....	20,516	20,190	19,494
Treasury notes.....	5,491	18,955	46,556
Certificates of indebtedness.....	22,751	13,657	14,320
Total United States Government securities.....	48,758	52,802	80,370
Foreign loans on gold.....	0	1,077	894
Total bills and securities.....	196,705	169,550	152,970
Uncollected items.....	89,874	97,279	81,588
Bank premises.....	7,770	7,933	8,099
All other resources.....	2,591	1,928	1,556
Total resources.....	697,915	622,083	636,431
LIABILITIES			
Federal reserve notes in actual circulation.....	249,693	180,118	196,529
Deposits:			
Member bank—reserve account.....	311,664	306,521	312,395
Government.....	2,582	434	6,173
Foreign bank.....	3,857	1,139	275
Other deposits.....	943	888	1,340
Total deposits.....	319,046	308,982	320,183
Deferred availability items.....	78,595	85,020	72,786
Capital paid in.....	16,716	15,731	15,172
Surplus.....	31,881	30,613	30,426
All other liabilities.....	1,984	1,619	1,335
Total liabilities.....	697,915	622,083	636,431
Ratio of total reserves to deposit and Federal reserve note liabilities combined..... per cent	68.6	68.7	74.1
Contingent liability on bills purchased for foreign correspondents.....	7,734	9,706	6,360

OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1926

The year 1926 is the fourth during which the Federal Reserve System has been operating under reasonably normal economic conditions following the difficult period of post-war readjustment. In so far as the Federal Reserve Bank of Chicago is concerned, the twelve-month period with which this report deals, has been characterized by a large volume of operations, increasing in most departments and in others changing but little from the heavy volume of the preceding year.

Economically, the turn of the year finds the Seventh Federal Reserve district in basically healthy condition, with the exception of agriculture. Industrial operations during 1926 have been carried on in greater volume than in 1925. Output of motor cars exceeded the figure of the preceding year, despite a distinctly downward trend in production schedules of some manufacturers during the closing months of the current year. Shipments of finished and semi-finished steel from mills in the district through 1926 were heavier than in 1925. Production of bituminous coal in Illinois exceeded that of the preceding year, though prices for the most part averaged under those of 1925. The packing industry, of great importance in the district, enjoyed a more prosperous period, the total value of packing-house products billed in 1926 exceeding 1925 by approximately two per cent.

The heavy volume of industrial operations and investment activity during the greater part of the year has kept the money markets of the Seventh Federal Reserve district, especially Chicago where is done much of the financing for the entire Middle West, actively engaged in supplying credit needs. Loans and discounts of reporting member banks in the Seventh district have remained at consistently higher levels during most of 1926 than in 1925, and since mid-summer have shown higher weekly totals than at any period since 1921 when compilation of comparable data was begun. Loans on stocks and bonds, as well as for commercial purposes, show increases over a year ago, gains in the totals for Chicago and Detroit member banks for both classes of loans being especially marked.

The volume of reserve bank credit in use in the district in 1926 was somewhat in excess of 1925, reflecting the greater activity of business and industry during the year just closing. Total bills and securities of this bank were at their lowest aggregate for the year on March 17 with \$125,699,000, and on December 29 showed the high point for 1926 with \$234,868,000, the latter figure constituting the greatest amount of reserve bank credit employed in the Seventh district since October 19, 1921, when \$239,074,000 was reported. In the preceding year the largest volume of reserve

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Earnings and Expenses

EARNINGS	1926	1925	1924
Discounted bills	\$3,015,981	\$2,121,979	\$2,044,407
Purchased bills	1,230,850	1,055,291	705,723
U. S. securities.....	1,929,874	1,834,450	2,121,708
Foreign loans on gold.....	25,450
Deficient reserve penalties.....	50,427	43,069	39,910
Miscellaneous	314,461	369,874	290,421
Total earnings	\$6,567,043	\$5,424,663	\$5,202,169
CURRENT EXPENSES			
Salaries:			
Bank officers	\$ 299,523	\$ 321,901	\$ 347,478
Clerical staff	1,685,405	1,663,194	1,818,716
Special officers and watchmen.....	97,675	95,633	102,906
All other	287,790	282,265	271,471
Governors' conferences	420	360	383
Federal reserve agents' conferences.....	230	346	302
Federal Advisory Council.....	1,193	992	914
Directors' meetings	10,210	8,147	8,441
# Traveling expenses	24,630	25,879	26,222
Assessments for Federal Reserve Board expenses.....	99,230	97,955	91,183
Legal fees	8,513	2,000	4,711
Insurance (other than on currency and security ship- ments)	42,082	46,069	39,714
Taxes on banking house.....	278,458	242,374	230,166
Light, heat, and power.....	27,477	33,906	41,240
Repairs and alterations, banking house.....	769	34,353	17,941
Rent	38,231	38,364	48,142
Telephone	20,698	21,878	26,675
Telegraph	46,182	49,570	59,305
Postage	239,748	237,061	213,546
Expressage	51,446	51,588	50,584
Insurance on currency and security shipments.....	66,838	64,870	58,859
Printing and stationery.....	76,641	71,329	81,128
Office and other supplies.....	61,721	66,379	76,924
Miscellaneous expenses	69,726	77,862	66,944
Federal reserve currency (including shipping charges):			
Original cost	275,997	189,089	225,985
Cost of redemption.....	13,604	20,675	36,556
Total current expenses.....	\$3,824,437	\$3,744,039	\$3,946,436
PROFIT AND LOSS ACCOUNT			
	1926	1925	1924
Earnings	\$6,567,043	\$5,424,663	\$5,202,169
Current expenses	3,824,437	3,744,039	3,946,436
Current net earnings.....	\$2,742,606	\$1,680,624	\$1,255,733
Additions to current net earnings:			
Withdrawn from reserve for—			
Depreciation on United States bonds.....	21,370
All other	13,098	12,646	6,487
Total additions	\$ 13,098	\$ 12,646	\$ 27,857
Deductions from current net earnings:			
Depreciation allowances on bank premises.....	\$ 165,197	\$ 165,197	\$ 165,197
Reserve for probable losses.....	241,032	323,097	181,674
Furniture and equipment.....	83,039	32,718	11,818
All other	12,513	50,985	15,778
Total deductions	\$ 501,781	\$ 571,997	\$ 374,467
Net deductions from current net earnings.....	\$ 488,683	\$ 559,351	\$ 346,610
Net earnings available for dividends, surplus, and fran- chise tax	\$2,253,923	\$1,121,273	\$ 909,123
Dividends paid	\$ 985,959	\$ 934,016	\$ 909,123
Transferred to surplus account.....	1,267,964	187,257
Franchise tax paid United States Government.....

Other than those connected with governors' and agents' conferences and meetings of directors and of the advisory council.

FEDERAL RESERVE BANK OF CHICAGO

bank credit was on December 30, the last weekly reporting date of the year, \$201,680,000, and the low of \$107,072,000 appeared August 12.

The agricultural industry has been handicapped throughout the season by weather unfavorable to plant growth and harvesting. Spring work was delayed by wet weather; protracted low temperatures early in the growing season were followed by excessive heat and drought in many sections; and unusual rains throughout the harvest period resulted in some deterioration in the quality of corn, potatoes, beans, and unthreshed grain. With the exception of hogs, many of the principal items constituting sources of farm income in the Seventh district showed distinct price declines from 1925, notably, wheat, corn, oats, barley, potatoes, and apples. Farm income in this district, consequently, is foreshadowed as slightly under 1925, probably not more than one-half of one per cent, according to the best estimates now available. The crop of corn, oats, dry beans and peas, and broom corn in the district fell short of 1925 production, but wheat, barley, hay, rye, buckwheat, potatoes, fruit, and others of less importance, showed increases over a year ago. Owing to early marketing because of the outbreak of cholera in various parts of the district, and also as the result of a reduction in the spring crop of pigs, the number of marketable hogs on farms December 1 was smaller than on the corresponding date in 1925, a condition further accentuated by a fall pig crop considerably below autumn farrowing a year ago.

Some sections of the district, in the main essentially agricultural in character, have suffered the added handicap of uncertain banking conditions reflected this year in the closing of a total of 182 banks within the district limits, this total including thirty-six national and sixteen state member banks, of which six national and two state member banks have since been reopened. With these figures, the total number of closed banks in the district since 1920 numbers 522, including sixty-six national banks and forty-two state member banks.

During 1926 there were eighteen national and the two state member banks and twenty-three non-member state banks which suspended activities for from a few hours to a week for the special purpose of effecting composition with depositors whereby time certificates covering various periods from three months up to four years were agreed upon in place of short time and demand deposits. A majority of these banks avoided actual closing on a business day by effecting this procedure over the week-end, or without interruption of regular operation. Three national and two state member banks, however, actually closed their doors for this purpose, hence are included in official figures of suspensions and reopenings, in the preceding paragraph.

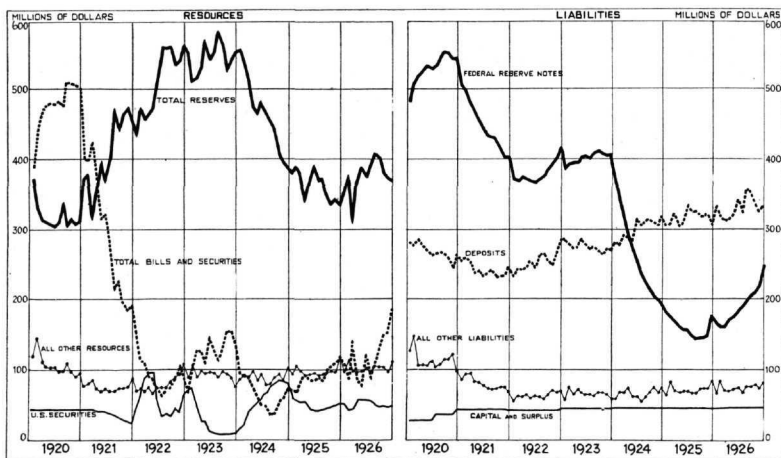
In some instances, this composition agreement with depositors provided, in addition to the above, an absolute waiver on the part of depositors to a large percentage of total deposits which in some cases were scaled from 30 to 40 per cent, unsatisfactory paper and doubtful securities to be withdrawn from the banks' assets and trusted for the benefit of those who consented to the scaling of their deposits. Actual setting aside of

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COMPARATIVE VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS 1926, 1925, and 1924

NUMBER OF PIECES HANDLED	1926	1925	1924
Bills discounted:			
Applications	16,831	16,509	19,391
Notes discounted	81,998	79,204	92,140
Bills purchased in open market for own account.....			
	21,579	17,316	10,135
Currency received and counted.....	328,450,000	303,159,000	282,779,000
Coin received and counted.....	246,233,000	207,945,000	208,091,000
Checks handled	111,890,000	104,023,000	97,084,000
Collection items handled:			
United States Government			
coupons paid	6,547,000	7,158,000	8,063,000
All other	556,000	507,000	489,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....			
	858,000	1,178,000	2,634,000
Transfers of funds.....	297,000	271,000	263,000
Envelopes received and dispatched..	4,757,000	4,810,000	5,279,000
AMOUNTS HANDLED			
Bills discounted	\$ 2,972,108,000	\$ 2,075,378,000	\$ 1,035,261,000
Bills purchased in open market for own account.....	301,759,000	247,786,000	164,045,000
Currency received and counted.....	1,872,170,000	1,669,703,000	1,564,021,000
Coin received and counted.....	34,794,000	31,540,000	29,234,000
Checks handled	27,294,595,000	25,356,469,000	23,280,863,000
Collection items handled:			
United States Government			
coupons paid	76,554,000	80,233,000	82,348,000
All other	922,542,000	832,836,000	618,147,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....			
	639,421,000	699,530,000	831,013,000
Transfers of funds.....	23,012,766,000	20,537,448,000	18,833,433,000

MOVEMENT OF RESOURCES AND LIABILITIES FEDERAL RESERVE BANK OF CHICAGO—1920 TO 1926, INCLUSIVE



FEDERAL RESERVE BANK OF CHICAGO

these securities, however, has been prohibited pending an examination of the banks.

This shifting of deposits from a demand to a time basis served not only the purpose of giving the banks a longer time in which to liquidate their assets but also to reduce reserve requirements from 7 per cent to 3 per cent upon deposits converted from demand to time.

Financial Results of Operation—For the calendar year 1926, net earnings of the Federal Reserve Bank of Chicago were \$2,253,923, compared with \$1,121,273 in 1925 and \$909,123 in 1924. Out of 1926 net earnings were paid dividends of \$985,959, and \$1,267,964 was transferred to surplus. No franchise tax was paid the United States Government, the last such tax being that paid in 1923, amounting to \$246,586. Total current expenses in 1926 were \$3,824,437, a gain of \$80,398 over the \$3,744,039 in 1925, the increase resulting from heavier expenses in connection with Federal Reserve currency, original cost of which in the year just closed was \$86,908 above the corresponding figure in 1925, but the cost of redemption was approximately \$7,000 less than in that year, resulting in a net increase in this item of \$79,837. Exclusive of currency, expenses for 1926 exceeded the figure for 1925 by slightly over \$500.

Discount Operations in 1926—The loan and discount operations of the Federal Reserve Bank of Chicago in 1926 were marked by the usual seasonal fluctuations and a substantial increase over loans for the year 1925. The customary liquidation the fore part of the year was shown by a decline in loans from \$115,682,000 on January 6, the first weekly reporting date of the year, to \$54,831,000 on February 24. From that date there was the usual swell in March to \$111,731,000 on the thirty-first, followed by a decline to the low point of the year (\$43,556,000) on June 16. The customary autumn demand was reflected in an increase of loans of this bank from \$69,993,000 on September 1 to the high point of the year, December 29, of \$136,631,000.

On the basis of the loans of the Federal Reserve Bank of Chicago to member banks in the state of Iowa, agricultural demand followed the usual seasonal developments, the liquidating period in the first three months of the year bringing these loans down from \$10,197,000 on January 2 to \$6,864,000 March 31, the \$6,535,000 on June 30 marking the low point of the year. Summer and autumn requirements increased loans to Iowa members gradually to a high of \$11,977,000 December 6, from which point they were reduced to \$7,669,000 on December 31. Reflecting a considerable volume of demand in manufacturing areas, loans to member banks by the Detroit branch were heavier than last year, the low point in 1926 appearing June 21 (\$6,553,000), and the high point on December 24 with \$56,607,000.

During the year 1926 this bank extended credit accommodation to 814 member banks, represented by 16,831 applications and 81,998 notes discounted, having a face value of \$2,972,107,982. In dollar amounts this involves an increase of nearly 45 per cent, the volume in 1925 being \$2,075,378,000.

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Rediscounted paper to the amount of \$4,232,440 was taken from rediscounts during 1926 and placed in the Failed Banks Account, because of the failure of forty-seven member banks indebted to us at the time of closing. There remained unpaid at the close of the year claims aggregating \$2,059,472. Against this and other contingencies there has been set aside as a special reserve \$1,250,000.

The aggregate average reserve balances maintained by all member banks in the Seventh district exceeded the total legal requirements throughout the year, the excess ranging from a high monthly average of 2.72 per cent during August to a low of 2.05 in December.

Collateral and Safekeeping Operations—The volume of securities held as collateral in 1926 exceeded that of the preceding year; the high point of the year, \$150,311,000, was shown on November 27 and the low (\$86,535,000) on March 18, whereas in 1925 the high point—reported December 31—was \$126,632,000, and the low (March 16) amounted to \$60,664,000. On January 2, 1926, securities held as collateral aggregated \$140,942,000, and on December 31 of the year just closed, \$136,483,000 was shown.

The safekeeping services of this bank and its branch at Detroit on December 31, 1926, were being utilized by 687 banks, representing a gain of 52 institutions availing themselves of this service during the year. On that date the total amount held by the head office and branch was \$162,522,321, or 9.1 per cent in excess of the corresponding figure in 1925. In 1926, a total of 94,612 pieces representing \$177,039,000 was received for safekeeping, the number of pieces decreasing 1.9 per cent from the 1925 aggregate. Pieces to the number of 81,748 (\$154,906,000) were released during the year just closed, decreasing 1.5 per cent from 1925 in point of number. Receipts numbering 12,238 were issued during 1926 as compared with 11,170 the preceding year, and 9,385 receipts were released as against 7,982 in 1925, gains of 9.6 per cent and 17.6 per cent being shown by the respective items.

Investments—The Investment Department activities of 1926, as compared with 1925, show a considerable increase in volume in bankers' acceptances. Holdings were at a low point on May 19, amounting to less than \$21,000,000, and increased moderately almost continuously, reaching a maximum of \$51,000,000 on December 15. At the close of business December 31, our holdings aggregated \$50,116,000. Total purchases during the year amounted to about \$318,000,000, compared with \$248,000,000 last year and \$164,000,000 in 1924. These figures include the purchases made under sales contract which totaled over \$80,000,000, compared with \$48,000,000 last year and \$27,000,000 the year before. Purchases of bankers' acceptances for the account of member banks amounted to \$700,000, compared with \$650,000 in 1925.

Buying and selling of United States securities for the year reflect an increase in the totals as compared with last year, with the exception of the transactions for the account of member banks, which show a decline in purchases from \$41,000,000 in 1925 to \$24,000,000 in 1926, and in sales

FEDERAL RESERVE BANK OF CHICAGO

from \$50,000,000 in 1925 to \$35,000,000 in 1926. Holdings of United States securities were at a low point of \$41,000,000 on March 17. The largest amount held at any one time was \$67,483,000 on June 16. The balance at the close of business December 31, amounted to about \$49,000,000. Purchases for the account of the Treasury Department in the open market amounted to approximately \$50,000,000, compared with \$40,000,000 last year.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS 1926,
1925, AND 1924—AMOUNTS IN THOUSANDS OF DOLLARS

	1926		1925		1924	
	Number of Trans- actions	Amount	Number of Trans- actions	Amount	Number of Trans- actions	Amount
Certificates of Indebtedness, Treasury Notes, and U. S. Bonds:						
Market Purchases	5,040	\$294,870	4,423	\$230,748	3,253	\$234,630
Market Sales	8,931	249,608	9,833	215,295	12,160	130,154
Bought with Agreement	508	141,049	581	92,574	410	52,293
Sold under Agreement	554	137,273	519	90,771	401	56,292
Totals	15,033	822,800	15,356	629,388	16,224	473,369

Deposit and Federal Reserve Note Liabilities; Reserve Position—The volume of Federal Reserve note circulation in 1926 ranged from a low point of \$161,362,000 on February 17 to a high of \$253,754,000 on December 22. On the first reporting date of the year, January 6, an aggregate of \$177,383,000 was reported, followed by a downward movement the first three months of the year, lessening in extent in March. In April began a steady rise in volume, which continued during the remainder of the year, subject to minor declines, however, on one or more successive reporting dates. On December 29, the last weekly reporting date, \$250,556,000 was given, a drop of approximately \$3,200,000 from the high point of the year shown the preceding week. Weekly changes in Federal Reserve note circulation are given in the Annual Report of the Federal Reserve Board, and the chart on page 8 indicates the trend from 1920 through the current year. Member bank deposits have been on a generally higher level in 1926 than in 1925; the high point of the year in this item was shown on September 15, when \$356,136,000 was given, as compared with \$332,531,000 January 6 and \$328,171,000 December 29; the smallest aggregate on any reporting date appeared March 31 with \$304,347,000. Total cash reserves moved sharply upward the early part of the year, dropping on March 31 to \$310,019,000, the lowest point since April 1, 1921 (\$296,468,000). Total cash reserves on January 6 were \$326,702,000, and on December 29 aggregated \$367,141,000. The reserve ratio of this bank during 1926 has been lower than in 1925, the highest point being 77.5 per cent on May 26, compared with 81.7 per cent on August 12, 1925. On January 6 the ratio was 63.3 per cent, and on December 29 amounted to 62.7 per cent.

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Membership—One state bank in the Seventh district was admitted to the System in 1926, the Wilmette State Bank, Wilmette, Illinois. Twenty-six state banks withdrew, resulting in a reduction in the number of state members in this district from 349 shown at the end of 1925 to 324 on December 31, 1926. Of the twenty-six state institutions which withdrew, thirteen did so on six months' notice, one was absorbed by a non-member bank, and twelve were closed—ten during 1926, and the accounts of two which suspended late in 1925 were not terminated until this year. Applications for withdrawal of seven state member banks are pending.

Sixteen national banks in this district were added to the System in 1926, and the memberships of forty-eight were terminated, resulting in a net change from 1065 national bank members at the end of 1925 to 1,033 at the close of 1926. Nine of the national banks added to the System were new institutions, one was a conversion from a non-member bank, and the remaining six were successors to other national banks, memberships of two of which were terminated during the year and the closing of the accounts of four is pending. Twenty-four of the forty-eight national banks lost to the System went into the hands of receivers, six during the preceding year and eighteen in 1926; six liquidated voluntarily, one in 1925 and the other five in 1926. Of the remaining eighteen national banks whose membership was terminated in 1926, two were consolidated with other national banks, and sixteen were absorbed, six of them by national banks, two by state member banks, and eight by non-member banks. The withdrawals of seventeen national banks are now pending. Total membership showed a reduction of fifty-seven from the figures of December 31, 1925.

MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

	December 31, 1926			December 31, 1925			December 31, 1924		
	Nat'l	State	Total	Nat'l	State	Total	Nat'l	State	Total
Illinois	328	69	397	333	70	403	331	67	398
Indiana	184	15	199	189	17	206	189	18	207
Iowa	314	74	388	341	90	431	346	100	446
Michigan	96	148	244	90	152	242	83	154	237
Wisconsin	111	18	129	112	20	132	110	21	131
Totals	1,033	324	1,357	1,065	349	1,414	1,059	360	1,419

Thirty-six national banks were authorized and approved by the Federal Reserve Board to exercise fiduciary powers. Of this number, nine, as indicated by an asterisk in the list below, were granted supplementary, or limited, powers, all others receiving full powers.

ILLINOIS: Blue Island, First National Bank.
 Chicago, Jefferson Park National Bank.
 Chicago, Mutual National Bank.
 Chicago Heights, First National Bank.
 Havana, Havana National Bank.
 Libertyville, First National Bank.
 Libertyville, Lake County National Bank.
 *Mattoon, National Bank of Mattoon.
 Taylorville, First National Bank.

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- INDIANA: Clinton, First National Bank.
*Goodland, First National Bank.
Greensburg, Third National Bank.
Hammond, Citizens National Bank.
Hartford City, First National Bank.
Knightstown, Citizens National Bank.
Michigan City, First National Bank.
- IOWA: Akron, First National Bank.
*Boone, First National Bank.
Independence, Peoples National Bank.
Cresco, First National Bank.
Knoxville, Knoxville National Bank and Trust Company.
Orange City, Orange City National Bank.
*Stanton, First National Bank.
*Story City, First National Bank.
- MICHIGAN: *Bay City, First National.
Coldwater, Coldwater National Bank.
Coldwater, Southern Michigan National Bank.
*Grand Rapids, Old National Bank.
*Lapeer, First National Bank.
- WISCONSIN: *Brillion, First National Bank.
Chilton, Chilton National Bank.
Lake Geneva, First National Bank.
Marshfield, American National Bank.
Neilsville, First National Bank.
Oconomowoc, First National Bank.
Plattsville, First National Bank.

During 1926 a total of 1,629 calls was made by representatives of the Bank Relations Department, of which number 1,064 were on member banks, and 565 on non-member.

Addresses to the number of 42 were delivered by officers and other representatives of the Federal Reserve Bank of Chicago in 1926. As in the previous year, the audiences included trade bodies of various kinds, schools and universities, community gatherings, and hearers interested in receiving accurate information on the working of the Federal Reserve System in its relation to American banking.

Division of Research and Statistics—The volume of statistical data prepared during 1926 by the Division of Research and Statistics for the Federal Reserve Board, officials of this bank, member banks, and a constantly increasing number of outside sources, has been heavier than in any previous year, though carried with no increase in personnel. In order to make even more representative and accurate the monthly Business Conditions report, now sent to a list of about 12,000, the reporting lines in merchandising and the major industries have been expanded in several instances, and another service added—retail furniture trade; the monthly business indices have been extended to cover automobile distribution. Several special studies have been completed during the

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year, including a comprehensive study and summary of the principal banking systems of the world (with special emphasis on central banks).

Constant and increasing use has been made of the reference library, administered as a part of this Division, and during the past year about 700 new books and pamphlets have been added to the collection, making a total of 6,500 volumes now on the shelves.

Fiscal Agency Functions—The Fiscal Agency Department work during the past year continued of the same routine character as in 1925. This bank, as in other years, took an active part in Government financing and distributed \$100,897,700 of new issues of Government securities.

In the performance of other fiscal agency functions, there were surrendered to the Federal Reserve Bank of Chicago for exchange, redemption, etc., Government securities amounting to \$538,522,829, represented by 842,887 pieces, and against these surrenders, this bank delivered 147,586 pieces aggregating \$290,118,250.

Banks and brokers dealing in United States Treasury Certificates of Indebtedness and notes continued to take advantage of the privilege of making telegraphic transfer of these securities, and in 1926 this bank accepted for transfer to other Federal Reserve banks \$182,978,800, and delivered for account of other Federal Reserve banks \$130,319,800.

On March 1, 1926, the Treasury Department offered to purchase for account of the Cumulative Sinking Fund \$100,000,000 or thereabouts of Third Liberty Loan bonds at the lowest prices offered. In response to this proposal there were tendered through this bank \$26,028,250 of Third Loan bonds at prices ranging from par to 106. The Treasury accepted all bonds offered at 100-10/32 or less, and this bank accepted delivery of and paid for \$23,709,700 of bonds which had been offered at these prices.

Gold Settlement Fund—The volume of balances settled through the Gold Settlement Fund in 1926 continued the rising trend shown in previous years, receipts from other Federal Reserve banks aggregating \$16,384,351,000 as against \$15,400,734,000 in 1925, while payments to other Federal Reserve banks totaled \$16,361,139,000 compared with \$15,444,254,000 the preceding year. These transactions between the Seventh and other Federal Reserve districts, consequently, resulted in a net gain of \$23,212,000, whereas in 1925 a net loss of \$43,520,000 had resulted. The weekly figures of Gold Settlement Fund transactions are contained in the Annual Report of the Federal Reserve Board. As a result of these transactions and a considerable volume of deposits, the Gold Settlement Fund on December 31, 1926, amounted to \$131,481,442 compared with \$128,968,702 at the end of the preceding year.

Clearings and Collections—During the year 1926, there were handled through the head office and Detroit Branch 111,800,000 checks amounting to \$27,294,595,000, an increase of 7,777,000 items and of \$1,938,126,000 over the volume handled in 1925. The number of checks payable in Chicago and Detroit increased 8.7 per cent, checks payable outside of these centers gained 7.2 per cent, and Government checks showed an increase

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of 5.5 per cent, the net result being a rise of 7.4 per cent in the total number of items handled. The largest daily average number of checks since the inauguration of the check collection system, were handled during the month of November, with a daily average of 416,032 items amounting to \$98,072,000. On October 13, 1926, there passed through the check department the largest volume of checks in the bank's history, consisting of 607,042 items aggregating \$127,007,000, compared with the previous record of 565,447 items amounting to \$122,088,000 on November 12, 1925.

The past year has shown little tendency on the part of banks in the Seventh district to withdraw from the par list in order to resume charging exchange. During the last weeks of 1926 a considerable number of banks expressed their desire to be reinstated on the par list and will again be included; this is indicative of a distinct trend in that direction.

A total of 556,433 non-cash collection items, with an aggregate value of \$922,542,280 was handled by the Federal Reserve Bank of Chicago and the Detroit Branch in 1926, as against 507,411 items totaling \$832,836,405 the preceding year. This represents an increase of 9.7 per cent in number of items. Of this volume, 466,273 items, with a total value of \$782,042,649, were handled by the head office, and 90,160 items (\$140,499,631 in amount) by the Detroit Branch.

An aggregate of \$23,012,766,000 was transferred by wire during 1926, compared with \$20,537,448,000 in 1925; of the 1926 total \$14,621,903,000 was transferred over leased wires as against \$13,457,299,000 in the preceding year, and \$2,956,703,000 over commercial wires compared with \$2,642,276,000 in 1925, all other transfers in 1926 amounting to \$5,434,160,000 as against \$4,437,873,000 in 1925. Transactions numbered 296,979 compared with 270,868 the preceding year.

Cash and Currency Operations—The amount of currency and coin received and paid out at the Federal Reserve Bank of Chicago in 1926 was larger than in any previous year. Currency received amounted to \$1,913,410,000, as compared with \$1,672,620,000 in 1925. Payments aggregated \$1,883,179,000 as compared with \$1,692,976,000 for the previous year. During 1926 Federal Reserve notes in circulation increased from \$180,246,000 January 2 to \$249,693,000 December 31. This gain was due in part to the fact that fewer gold certificates were available for payment. Gold certificates paid out amounted to \$696,000,000 as compared with \$890,000,000 in 1925.

Internal Organization, Buildings, and Property—Elbert L. Johnson, Class A Director, and Robert Mueller, Class B Director, whose terms expired at the end of 1926, were re-elected. James Simpson, Class C Director, whose term also expired at the end of 1926, was reappointed by the Federal Reserve Board. The Directors for the year 1927 will consist of the following:

CLASS A—Elbert L. Johnson, Waterloo, Iowa; Charles H. McNider, Mason City, Iowa; George M. Reynolds, Chicago, Illinois.

CLASS B—Stanford T. Crapo, Detroit, Michigan; Robert Mueller, Decatur, Illinois; August H. Vogel, Milwaukee, Wisconsin.

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CLASS C—Frank C. Ball, Muncie, Indiana; James Simpson, Chicago, Illinois; William A. Heath, Evanston, Illinois.

The Federal Reserve Board again designated William A. Heath as Chairman of the Board of Directors and Federal Reserve Agent for 1927, and James Simpson as Deputy Chairman.

The Executive Committee for 1926 consisted of Governor McDougal, Mr. Heath, Federal Reserve Agent, and the following directors: Messrs. McNider, Reynolds, Simpson, and Vogel. The Membership Committee was composed of Mr. Heath, Federal Reserve Agent, Governor McDougal, and Mr. Vogel. These committees will serve the Board of Directors in 1927 as constituted during the past year.

There were two resignations in the official staff at the head office during 1926: Ralph H. Buss, Manager of Loans, as of January 31, and Richard C. Huelsman, Manager of Planning Department, effective October 31. No appointments were made to fill these vacancies.

Following is a comparison of the total number of employes, exclusive of officers, at the head office:

December 31, 1925.....	1,209
December 31, 1926.....	<u>1,265</u>
Increase	56

The Detroit Branch Board of Directors for the year 1927 will be composed of: N. P. Hull, Lansing, Michigan; James Inglis, Detroit, Michigan; William J. Gray, Detroit, Michigan; John W. Staley, Detroit, Michigan; William R. Cation, Detroit, Michigan; David McMorrان, Port Huron, Michigan; and George B. Morley, Saginaw, Michigan. David McMorrان was appointed to fill the vacancy caused by the death of Harry H. Bassett, of Flint, Michigan.

There was one addition to the official staff at Detroit: Floyd L. Bowen was appointed July 1, 1926, as Assistant Auditor to fill the vacancy caused by the transfer of George T. Jarvis from the position of Assistant Auditor to that of Assistant Cashier on June 1.

The following is a comparison of the total number of employes, exclusive of officers, at the Detroit Branch:

December 31, 1925.....	165
December 31, 1926.....	<u>173</u>
Increase	8

The Detroit Branch, since its organization, has been located in rented quarters which have been too small to meet the requirements of the branch. As a result it has been necessary to secure additional space located in other buildings. Plans and specifications have been prepared and approved, and contracts let for the erection of a four-story and basement building to house the Detroit Branch, on a lot situated at the corner of Fort and Selby Streets, Detroit, purchased at a net cost of \$650,000. Work was commenced on December 13, 1926, and it is expected that the structure will be completed by December 31, 1927.