

7
OPERATION
OF
FEDERAL RESERVE BANK
OF CHICAGO
1931

SEVENTH FEDERAL RESERVE
DISTRICT



SEVENTEENTH ANNUAL REPORT
TO
THE FEDERAL RESERVE BOARD

OPERATION
OF
FEDERAL RESERVE BANK
OF CHICAGO

1931

SEVENTH FEDERAL RESERVE
DISTRICT

SEVENTEENTH ANNUAL REPORT
TO
THE FEDERAL RESERVE BOARD

FEDERAL RESERVE BANK OF CHICAGO

Directors and Officers for 1932

CLASS A—DIRECTORS

GEORGE J. SCHALLER, Storm Lake, Iowa
(1932)

President, Citizens First National Bank

GEORGE M. REYNOLDS, Chicago, Illinois
(1933)

Chairman, Executive Committee, Continental
Illinois Bank and Trust Company

EDWARD R. ESTBERG, Waukesha, Wisconsin
(1934)

President, Waukesha National Bank

CLASS B—DIRECTORS

ROBERT M. FEUSTEL, Fort Wayne, Indiana
(1932)

President, Public Service Company of Indiana

MAX W. BABB, Milwaukee, Wisconsin
(1933)

Vice-President, Allis-Chalmers Manufacturing
Company

STANFORD T. CRAPO, Detroit, Michigan
(1934)

Secretary and Treasurer, Huron Portland Cement
Company

CLASS C—DIRECTORS

JAMES SIMPSON, Chicago, Illinois (1932)

Chairman of Board, Marshall Field and Company

EUGENE M. STEVENS, Evanston, Illinois
(1933)

Federal Reserve Agent

FRANK C. BALL, Muncie, Indiana (1934)

President, Ball Brothers Company

MELVIN A. TRAYLOR, Chicago, Illinois,
Member Federal Advisory Council

OFFICERS

EUGENE M. STEVENS, *Chairman*

JAMES SIMPSON, *Deputy Chairman*

CLIFFORD S. YOUNG, *Assistant Federal
Reserve Agent*

GEORGE A. PRUGH, *Assistant Federal Re-
serve Agent*

HARRIS G. PETT, *Manager, Division of
Research and Statistics*

FRANCIS R. BURGESS, *Auditor*

WALTER A. HOPKINS, *Assistant Auditor*

JAMES B. McDOUGAL, *Governor*

JOHN H. BLAIR, *Deputy Governor*

CHARLES R. MCKAY, *Deputy Governor*

JAMES H. DILLARD, *Deputy Governor*

WILLIAM C. BACHMAN, *Assistant Dep-
uty Governor*

EUGENE A. DELANEY, *Assistant Deputy
Governor*

DON A. JONES, *Assistant Deputy Gov-
ernor*

OTTO J. NETTERSTROM, *Assistant Deputy
Governor*

FRED BATEMAN, *Manager, Securities De-
partment*

JOSEPH C. CALLAHAN, *Manager, Member
Bank Accounts Department*

ROBERT E. COULTER, *Manager, Cash Cust-
ody Department*

ALBA W. DAZEY, *Manager, Investment
Department*

IRVING FISCHER, *Manager, Check Depart-
ment*

ROBERT J. HARGREAVES, *Manager, Per-
sonnel Department*

FRANK A. LINDSTEN, *Manager, Disburs-
ing Department*

LOUIS G. MEYER, *Manager, Service De-
partment*

ARTHUR L. OLSON, *Manager, Loan Divi-
sion*

LOUIS G. PAVEY, *Manager, Collection
Department*

FRANKLIN L. PURRINGTON, *Manager, Dis-
count Department*

JESSE G. ROBERTS, *Manager, Cash De-
partment*

WILLIAM W. TURNER, *Manager, Loan
Division*

CARL MEYER, *Counsel*

DETROIT BRANCH

Directors and Officers

GEORGE B. MORLEY, Saginaw, Michigan
Chairman of Board, Second National Bank and
Trust Company

DAVID McMORRAN, Port Huron, Mich-
igan

Treasurer and Manager, McMorrان Milling Com-
pany

WILLIAM J. GRAY, Detroit, Michigan
Counsel, First Wayne National Bank

JAMES INGLIS, Detroit, Michigan

President, American Blower Corporation

N. P. HULL, Lansing, Michigan

President, Michigan Milk Producers Association

JOHN BALLANTYNE, Detroit, Michigan
Chairman, Governing Committee, First Wayne
National Bank

WILLIAM R. CATION, *Managing Director*

HARLAN J. CHALFONT, *Cashier*

GEORGE T. JARVIS, *Assistant Cashier*

JOHN G. BASKIN, *Assistant Cashier*

FLOYD L. BOWEN, *Assistant Auditor*

ISADORE LEVIN, *Assistant Counsel*

FEDERAL RESERVE BANK
OF CHICAGO

Chicago, January 19, 1932.

Sir:

I have the honor to submit herewith, in accordance with the usual custom, the seventeenth annual report of the Federal Reserve Bank of Chicago, covering the year 1931.

Respectfully,

EUGENE M. STEVENS,
Federal Reserve Agent.

HON. EUGENE MEYER,
*Governor, Federal Reserve Board,
Washington, D. C.*

FEDERAL RESERVE BANK OF CHICAGO

Comparative Statement of Condition

(In Thousands of Dollars)

RESOURCES	Dec. 31 1931	Dec. 31 1930	Dec. 31 1929
Gold with Federal reserve agent.....	483,620	173,000	269,564
Gold redemption fund with United States Treasury.....	9,627	1,097	11,420
Gold held exclusively against Federal reserve notes.....	493,247	174,097	280,984
Gold settlement fund with Federal Reserve Board.....	50,484	49,659	86,463
Gold and gold certificates held by bank.....	52,862	130,114	73,601
Total gold reserves.....	596,593	353,870	441,048
Reserves other than gold.....	29,277	21,592	12,652
Total reserves.....	625,870	375,462	453,700
Non-reserve cash.....	10,859	11,382	12,405
Bills discounted:			
Secured by United States Government obligations.....	50,272	10,891	75,121
Other bills discounted.....	24,224	11,913	37,547
Total bills discounted.....	74,496	22,804	112,668
Bills bought in open market.....	42,052	52,370	37,561
United States Government securities:			
Bonds.....	53,354	30,905	25,439
Treasury notes.....	2,901	22,538	12,208
Certificates of indebtedness.....	36,881	32,547	22,953
Treasury bills.....	12,395	3,613	8,247
Total United States Government securities.....	105,531	89,603	68,847
Federal Land Bank bonds.....			1,500
Federal Intermediate Credit Bank debentures.....	3,490	1,000	
Total bills and securities.....	225,569	165,777	220,576
Due from foreign banks.....	1,232	94	99
Uncollected items.....	53,531	68,621	80,605
Federal reserve notes of other banks.....	3,105	2,333	3,429
Bank premises.....	7,827	8,061	8,295
All other resources.....	1,297	1,127	558
Total resources.....	929,290	632,857	779,667
LIABILITIES			
Federal reserve notes in actual circulation.....	519,471	139,163	304,538
Deposits:			
Member bank—reserve account.....	283,976	360,832	331,302
Government.....	3,291	2,590	2,930
Foreign bank.....	10,376	770	768
Other deposits.....	691	960	1,484
Total deposits.....	298,334	365,152	336,484
Deferred availability items.....	51,885	66,523	76,345
Capital paid in.....	18,011	20,145	20,013
Surplus.....	38,411	39,936	40,094
All other liabilities.....	3,178	1,938	2,193
Total liabilities.....	929,290	632,857	779,667
Ratio of total reserves to deposits and Federal reserve note liabilities combined..... per cent	76.5	74.4	70.7
Contingent liability on bills purchased for foreign correspondents	33,551	58,223	74,895

OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1931

1933 General

GENERAL SUMMARY

IN 1931, as in the preceding year, the Seventh district shared in the world-wide decline in industrial and business activity. The downward movement of prices for agricultural products and the unusual number of bank suspensions gave added severity to depressed conditions in the district. These bank suspensions, a great majority of which were non-member state institutions, in most cases followed upon heavy and persistent withdrawals of funds by depositors. Similar demands upon many other banks impaired their ability to respond to normal demands for credit. A large part of the currency paid out in this district in the course of the year found its way into private hoards. The reserve funds required in obtaining cash with which to meet these withdrawals were acquired by member banks through increasing somewhat their borrowings at the Reserve bank and through the use of an excess of Treasury expenditures in this district over Treasury receipts. With the opening of the new year, there is evidence of greater public confidence, in some degree attributable to definitely constructive measures of national scope either contemplated or in actual process of formation.

BANKING DEVELOPMENTS

Borrowing by member banks at the Reserve bank, which had been at a low level during the first eight months of the year, increased during the remainder of 1931, and on December 31, member banks were borrowing approximately 52 million dollars more than a year ago. An analysis of the factors involved in this increase is given below:

FACTORS IN MEMBER BANK BORROWING AT THE FEDERAL RESERVE BANK OF CHICAGO

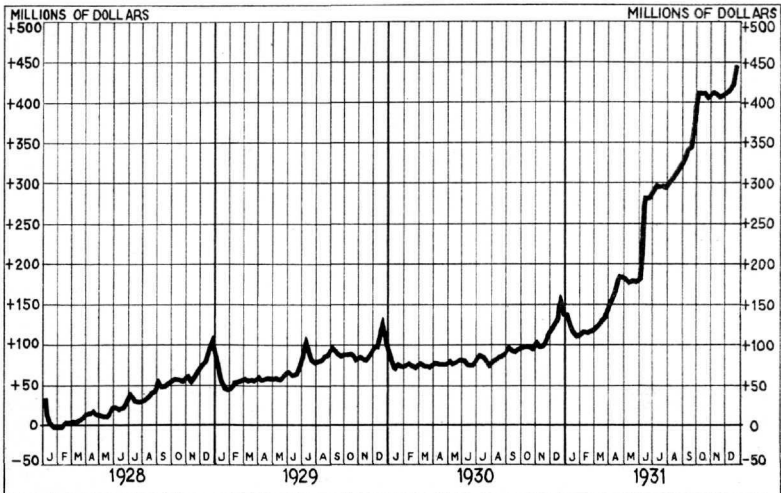
Changes between December 31, 1930 and December 31, 1931
(In millions of dollars)

Changes making for increase in member bank borrowing:		
1. Increase in demand for currency.....	295.40	
2. Net decline in balances through inter-district settlements for commercial and financial transactions.....	108.64	
3. Decrease in holdings of acceptances (local transactions).....	17.26	
4. Decrease in holdings of U. S. securities (local transactions).....	5.33	
5. Sales of gold to industry.....	0.85	
6. Decrease in reserve bank float.....	0.45	
Total.....		427.93
Changes making for decrease in member bank borrowing:		
1. Excess of local Treasury expenditures over receipts.....	294.26	
2. Decrease in member bank reserve balances.....	76.86	
3. Increase in holdings of other securities.....	2.49	
4. Decrease in unexpended capital funds.....	2.36	
5. Decrease in non-member clearing balances.....	0.27	
Total.....		376.24
Excess of changes making for increase in member bank borrowing.....		51.69
Absorption of this excess: Increase in member bank borrowings (discounts for member banks).....		51.69

SEVENTEENTH ANNUAL REPORT

The principal developments making for increased borrowing, as above set forth, other than an increase in currency demand of almost 300 million dollars, included more than 108 million dollars in funds taken out of the district through inter-district settlements for commercial and financial transactions and a decrease in holdings of acceptances and United States securities (both local transactions) of 17 and 5 million dollars, respectively. Minor changes contributing to this increase were the sales of gold to industry and a decrease in reserve bank float. Among factors making for lowered borrowing, the outstanding changes were an excess of local Treasury expenditures over receipts amounting to more than 294 million dollars, a large part of which was due to soldiers' bonus payments, and a decrease in member bank reserve balances of approximately 77 millions, which, combined with a small increase in holdings of other securities and decreases in unexpended capital funds and non-member clearing balances, partially offset those items contributing to the increase. The expansion in currency demand—largely a reflection of banking disturbances in the district—was effected through a 380 million dollar increase in Federal Reserve notes in circulation plus a 290 million dollar credit balance in transactions through the Treasurer's account affecting cash holdings, which items were to a degree offset by an increase in reserve and non-reserve cash of 250 millions and a decline in Gold Settlement Fund "transit clearings" of 129 million dollars. Weekly changes in currency demand since 1928 are shown in the accompanying chart.

CURRENCY DEMAND CHICAGO DISTRICT
CHANGES BY WEEKS



FEDERAL RESERVE BANK OF CHICAGO

The discount rate of the Federal Reserve Bank of Chicago on January 10 was reduced to 3 per cent, from the 3½ per cent in effect since June 21, 1930, and on May 9 a further reduction to 2½ per cent was made, followed on October 17 by an increase to 3½ per cent, which rate was in effect at the close of the year.

In the year just closed a total of 631 banks suspended in the district, of which 529 were non-member banks. The aggregate deposits of suspended banks were \$425,041,000. Thirty-seven of these institutions reopened. The accompanying table gives data on bank suspensions in the district since 1921.

During the year, a total of 208 Seventh district banks was eliminated through mergers which effected a net decline of 25 per cent in capitalization of the banks involved, amounting in dollars to approximately 42 millions; this compares with a similar percentage decline amounting in dollars to 21 millions, resulting from mergers in 1930 when 142 banks were thus eliminated. Banks involved in this year's mergers numbered 395, with capital aggregating 169 millions and loans and investments 2,220 millions; of these, 152 were member banks which accounted for 130 millions of the total capital and 1,819 millions of the loans and investments involved. The 187 continuing institutions were capitalized at 127 millions and showed loans and investments amounting to 2,110 millions. The great majority of mergers involved banks of moderate size, many of which were merely taken over for liquidation. Outstanding among the absorptions were the taking-over of the Foreman-State National Bank of Chicago by the First National Bank, and the absorption of the American State Bank in Detroit by the Peoples Wayne County Bank. Three consolidations of note which were effected were: the merging of the National Bank of the Republic of Chicago and its affiliate, the Chicago Trust Company, with the Central Trust Company of Illinois under the title,

BANK SUSPENSIONS—1921-1931—SEVENTH FEDERAL RESERVE DISTRICT
(Deposit Figures in Thousands of Dollars)

Year	Total all Banks		Member Banks						Non-Member Banks	
			Total		National		State Member			
	No.	Deposits	No.	Deposits	No.	Deposits	No.	Deposits	No.	Deposits
1921	46	18,336	5	1,934	4	1,295	1	639	41	16,402
1922	25	7,033	3	3,658	2	695	1	2,963	22	3,375
1923	53	16,577	8	2,530	2	293	6	2,237	45	14,047
1924	108	36,950	16	8,232	6	4,868	10	3,364	92	28,718
1925	109	34,126	24	12,402	16	7,658	8	4,744	85	21,724
1926	182	60,526	52	28,457	36	15,756	16	12,701	130	32,069
1927	124	44,380	34	15,787	25	10,463	9	5,324	90	28,593
1928	87	21,746	21	7,495	13	5,033	8	2,462	66	14,251
1929	93	35,579	18	8,253	13	5,607	5	2,646	75	27,326
1930	266	111,279	32	26,666	28	21,241	4	5,425	234	84,613
1931	631	425,041	102	174,836	70	77,166	32	97,670	529	250,205
Total.....	1,724	811,573	315	290,250	215	150,075	100	140,175	1,409	521,323

Central Republic Bank and Trust Company; the merging of the Peoples Wayne County Bank in Detroit with the First National Bank as the First Wayne National Bank; and the consolidation of the Guardian Detroit Bank and the National Bank of Commerce as the Guardian National Bank of Commerce.

Several chains of banks were dissolved, owing in some cases to suspension of constituent banks, as in the case of the Bain banks in Chicago, and in others the elimination of the leading bank, *e. g.*, the Foreman Chain and the American State Bank Chain. In one instance in Indiana a bank withdrew from the chain banking field when it converted six affiliated institutions into branches, permitted under an amendment to the branch banking law of Indiana, enacted in March 1931. A new act in Iowa permitting banks to establish offices in towns without banks was taken advantage of by some forty institutions, so that more than sixty towns were thus provided during the year with banking facilities. In Michigan, very few branches were established, but several were closed incident to suspensions of parent institutions. A few of the branches of the American State Bank in Detroit were taken over by the Peoples Wayne County Bank, but most of them were discontinued.

INDUSTRIAL AND TRADE CONDITIONS

Production of automobiles, which is largely concentrated in this district, amounted to approximately 2,390,000 passenger cars, trucks, and taxicabs in 1931, or about 30 per cent less than in 1930 and to under half that of the peak year 1929. Operations of Chicago district steel mills at no time during the year averaged more than about 60 per cent of capacity, and pig iron output was correspondingly light, while activity at steel casting foundries averaged only 45 per cent of the 1930 level and that at malleable casting foundries 55 per cent. Production and sales in the agricultural machinery and equipment industry were reported at a low level throughout the year. Building construction during 1931 in the Seventh Federal Reserve district, according to total contracts awarded, was the lowest of any year on our records (1919), declining 40 per cent from a year ago, which recession in the aggregate was approximately the same as that shown in the 1930-1929 comparison. Residential construction likewise declined to a low point, totaling almost 46 per cent less than in 1930. Building materials distribution declined more than 25 per cent in volume from 1930, and was accompanied by steadily falling prices. Furniture manufacturers shipped little more than three-fifths the dollar volume of 1930; the annual index, based on shipments for the years 1923-24-25, was only 43 for 1931, as compared with 66 for the year 1930. Meat production registered a slight gain during the past year, but the total value of sales billed to domestic and foreign customers fell

off 27 per cent from a year ago, largely a reflection of the decline in prices and in export volume, the latter showing a recession of 19 per cent; year-end inventories were less than at the close of 1930. Butter production and sales in the Seventh district expanded slightly during 1931, although stocks declined and prices were much lower; output of American cheese from Wisconsin factories declined 3 per cent from 1930.

Industrial payrolls for 1931 totaled approximately one-fourth less than in the preceding year, while the number employed declined 17 per cent, with the average earnings per man much smaller. Factory employment, influenced largely by the automobile and metal industries, receded more sharply than non-manufacturing lines in which the utilities, road building, and other special construction projects offered greater resistance to the general curtailment.

In distribution phases, department store trade fell 14 per cent below a year previous; as in 1930, Chicago and Detroit stores showed the heaviest declines of the larger cities in the district, sales in these cities totaling 14 and 16 per cent smaller, respectively, in 1931 than in 1930. Declines in reporting lines of wholesale trade ranged from 14 per cent in groceries and in drugs to 35 per cent in electrical supplies, the dry goods trade recording a recession of 25 per cent, shoes 25 per cent, and hardware one of 28 per cent. Mid-west distribution of automobiles likewise was restricted during the year, sales by wholesale distributors averaging 26 per cent smaller than a year ago and those of reporting retail dealers being about 28 per cent less.

Agricultural income in this district is estimated as 24 per cent lower for the crop year July 1931 to June 1932, inclusive, than for the corresponding period of 1930-1931. Cash return from the 1931 crop is expected to aggregate 27 per cent smaller than for the preceding year, while that from live stock and live-stock products is estimated as 22 per cent less. The production of most Seventh district crops, except oats, barley, hay, tobacco, and garden truck, was greater in 1931 than in 1930. Deterioration during the summer months was less severe than in the preceding year, and rains in early October proved beneficial. Corn yielded 140 million bushels more than in 1930, while increases in the wheat and potato crops totaled 15 and 14 million bushels, respectively. Oat production, however, decreased 86 million bushels, and the barley crop was less by 8 million bushels. The district crop of spring pigs was slightly larger than a year previous, but the autumn crop failed to show the large expansion that was expected. The lamb crop in 1931 was larger by 1½ per cent than in 1930. As a consequence of the early marketing of hogs in larger volume than usual during the autumn and of an apparent reduction from a year ago in the number of beef cattle on feed, farm holdings of live

SEVENTEENTH ANNUAL REPORT

Earnings and Expenses

EARNINGS			
	1931	1930	1929
Discounted bills.....	\$ 939,567	\$ 1,222,081	\$ 6,777,014
Purchased bills.....	764,793	629,854	1,285,493
U. S. securities.....	1,937,290	2,503,592	1,269,968
Federal Intermediate Credit Bank debentures.....	26,699	1,215	5,903
Federal Land Bank bonds.....	32,290	9,805	16,638
Deficient reserve penalties.....	443,052	35,290	76,425
Miscellaneous.....		432,316	458,010
Total earnings.....	\$ 4,143,601	\$ 4,834,153	\$ 9,889,451
CURRENT EXPENSES			
Salaries:			
Bank officers.....	\$ 325,015	\$ 320,490	\$ 311,591
Clerical staff.....	1,533,928	1,634,841	1,677,987
All other.....	414,510	406,045	411,842
Governors' conferences.....	250	89	232
Federal reserve agents' conferences.....		115	128
Federal Advisory Council.....	1,035	1,228	1,360
Directors' meetings.....	12,229	11,637	11,540
†Traveling expenses.....	17,990	18,666	20,033
Assessments for Federal Reserve Board expenses.....	97,092	108,972	106,654
Legal fees.....	11,769	15,220	9,697
Insurance (other than on currency and security shipments).....	44,642	44,663	44,620
Taxes on banking house.....	290,102	166,941	291,366
Light, heat, and power.....	31,227	31,944	32,037
Repairs and alterations, banking house.....	7,680	12,059	21,947
Telephone.....	22,872	20,013	19,879
Telegraph.....	38,656	41,049	43,281
Postage.....	217,127	231,868	265,294
Expressage.....	52,743	58,546	62,745
Insurance on currency and security shipments.....	61,130	64,654	73,332
Printing and stationery.....	61,727	67,093	74,581
Office and other supplies.....	40,289	45,228	55,890
Miscellaneous expenses.....	95,858	83,541	81,381
Federal reserve currency (including shipping charges):			
Original cost.....	135,718	404,177	450,979
Cost of redemption.....	10,812	16,038	23,973
Total current expenses.....	\$ 3,524,401	\$ 3,805,117	\$ 4,092,369
PROFIT AND LOSS ACCOUNT			
Earnings.....	\$ 4,143,601	\$ 4,834,153	\$ 9,889,451
Current expenses.....	3,524,401	3,805,117	4,092,369
Current net earnings.....	\$ 619,200	\$ 1,029,036	\$ 5,797,082
Additions to current net earnings.....	\$ 263,967	\$ 298,510	\$ 8,050
Deductions from current net earnings:			
Depreciation allowances on bank premises.....	\$ 233,682	\$ 233,681	\$ 233,682
Reserve for probable losses.....			31,500
Furniture and equipment.....	8,883	38,980	59,750
All other.....	30,707	557	55,535
Total deductions.....	\$ 273,272	\$ 273,218	\$ 380,467
Net deductions from current net earnings.....	\$ 9,305		\$ 372,417
Net additions to current net earnings.....		\$ 25,292	
Net earnings available for dividends, surplus, and franchise tax.....	\$ 609,895	\$ 1,054,328	\$ 5,424,665
Dividends paid.....	\$ 1,170,633	\$ 1,211,418	\$ 1,170,363
Transferred to surplus account.....			3,651,464
Withdrawn from surplus account.....	560,738	157,090	
Franchise tax paid United States Government.....			602,838

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

FEDERAL RESERVE BANK OF CHICAGO

Earnings and Expenses—Continued

SURPLUS ACCOUNT

	1931	1930	1929
Surplus, beginning of year.....	\$ 39,936,492	\$ 40,093,582	\$ 36,442,118
Additions to surplus:			
Excess of earnings over dividends and expenses.....			3,651,464
Charges to surplus:			
Excess of expenses and dividends over earnings.....	560,738	157,090	
Reserve for depreciation on United States bonds.....	964,743		
Surplus, end of year.....	\$ 38,411,011	\$ 39,936,492	\$ 40,093,582

stock were less on December 1 than for the corresponding date of 1930; hog supplies totaled 5½ per cent less, and there was a decline of 9 per cent in the number of beef cattle on farms; lamb holdings, however, showed a small increase, and a slight expansion took place in the number of dairy cattle.

FINANCIAL RESULTS OF OPERATION

Net earnings of the Federal Reserve Bank of Chicago for the calendar year 1931 were \$609,895, as against \$1,054,328 in 1930 and \$5,424,665 in 1929. Dividends to the amount of \$1,170,633 were paid, and a reserve fund of \$964,743 established. Surplus on December 31, 1931 aggregated \$38,411,011 compared with \$39,936,492 on December 31, 1930.

DISCOUNT OPERATIONS IN 1931

A review of the loan and discount operations in the Federal Reserve Bank of Chicago for the year 1931 shows that the trend of loans was consistently downward from January to August, from which time there was an increase until the end of the year. The high point was reached on December 23—\$98,676,000—which, as compared with the high point of 1930 of \$129,093,000, shows a decrease of \$30,417,000. Loans declined to a low point of \$9,273,000 on June 30, a decrease of \$1,703,000 from 1930, when the low was \$10,976,000.

The high point of member banks' borrowings in the City of Chicago was \$20,875,000 on December 23 and the low point \$489,000 on March 26. Member banks' borrowings in the City of Detroit reached their high point on December 30—\$49,544,000; while during portions of the year no Detroit banks were borrowing, in the aggregate the loans extended by the Detroit Branch to member banks in the Branch territory exceeded those of the head office by more than 16 million dollars.

In the State of Iowa, the principal agricultural area in this district, the trend of loans reflected to some extent seasonal demands. Loans to banks in that state decreased from \$4,947,000

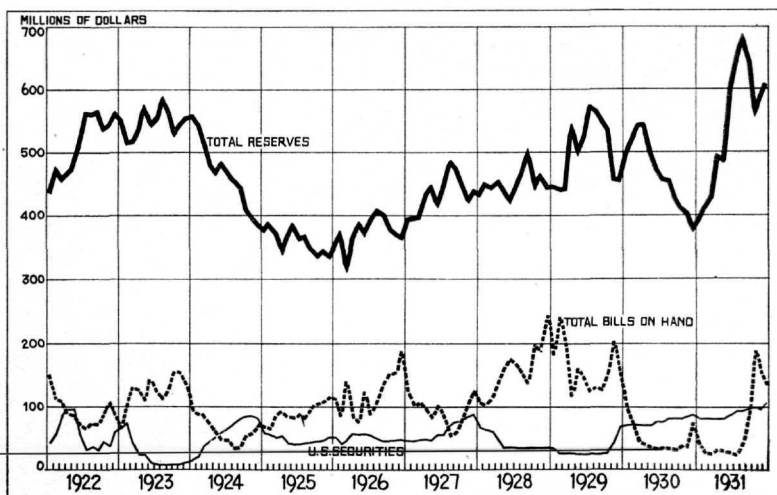
SEVENTEENTH ANNUAL REPORT

Comparative Volume of Operations in Principal Departments 1931, 1930, and 1929

Number of Pieces Handled	1931	1930	1929
Bills discounted:			
Applications.....	9,826	8,796	13,554
Notes discounted.....	61,060	38,847	54,860
Bills purchased in open market and from other F. R. banks for own account.....			
	16,522	17,728	14,029
Currency received and counted.....	398,698,000	409,291,000	410,223,000
Coin received and counted.....	328,241,000	323,631,000	231,019,000
Checks handled.....	121,752,000	128,039,000	129,661,000
Collection items handled:			
United States Government coupons paid.....	3,003,000	3,299,000	3,548,000
All other.....	780,000	753,000	743,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....	437,000	318,000	374,000
Transfers of funds.....	276,000	328,000	355,000
Envelopes received and dispatched.....	4,889,000	4,826,000	4,901,000
Amounts Handled			
Bills discounted.....	\$ 1,009,299,000	\$ 1,171,330,000	\$ 5,187,455,000
Bills purchased in open market and from other F. R. banks for own account.....	347,353,000	359,330,000	262,259,000
Currency received and counted.....	2,245,632,000	2,262,720,000	2,266,698,000
Coin received and counted.....	30,547,000	35,497,000	34,327,000
Checks handled.....	23,367,737,000	30,271,276,000	35,219,944,000
Collection items handled:			
United States Government coupons paid.....	56,620,000	60,367,000	64,084,000
All other.....	1,168,078,000	1,183,646,000	996,964,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....	2,174,263,000	1,025,083,000	1,189,208,000
Transfers of funds.....	27,928,297,000	35,038,613,000	31,088,981,000

MOVEMENT OF RESOURCES

FEDERAL RESERVE BANK OF CHICAGO 1922 TO 1931 INCLUSIVE



DATA AS OF THE LAST REPORTING DATE IN EACH MONTH

FEDERAL RESERVE BANK OF CHICAGO

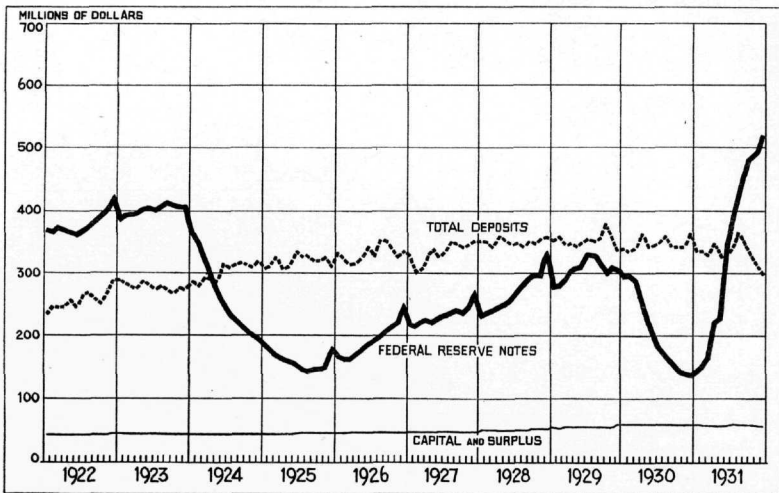
on January 6 to \$1,129,000 on May 4. During May a slight increase in demand was noticed, but was followed by a steady decline to \$837,000 on July 1. Subsequent to this, the upward trend was practically uninterrupted until the end of the year, loans reaching the high point of \$7,770,000 on November 4.

Credit accommodation was extended to 695 member banks during the year, represented by 9,818 applications and 60,447 notes rediscounted, having a face value of \$1,009,033,128. In dollars this represents a decrease of \$162,297,327 from the year 1930. In addition to loans to member banks, 613 notes amounting to \$266,072, secured by Adjusted Service Certificates, were rediscounted to cover eight applications of four nonmember banks.

Of the 103 member banks which suspended in this district in 1931, 76 were indebted to the Federal Reserve Bank of Chicago at time of suspension, and rediscounted paper in the amount of \$7,016,026 was taken from rediscounts and placed in Failed Banks Account. This, compared with \$1,582,457 during the year 1930, represents an increase of \$5,433,569. At the end of 1930, this bank was carrying unpaid balances from 13 closed banks amounting to \$680,312. During the year there was collected from closed bank accounts \$6,833,389. This included payment in full of the accounts of 64 of such banks and left at the end of 1931 accounts of 25 owing \$862,949, all of which institutions closed in 1931, and all but three of which closed in the last four months of the year.

The aggregate average reserve balances maintained by member banks in the Seventh district exceeded the total legal requirements

MOVEMENT OF LIABILITIES FEDERAL RESERVE BANK OF CHICAGO 1922 TO 1931 INCLUSIVE



DATA AS OF THE LAST REPORTING DATE IN EACH MONTH.

throughout the year, the excess attaining a peak of 8.32 per cent in September and registering a low of 2.04 per cent in February. In 1930, the excess reached a high point of 2.90 per cent in September and a low of 2.04 per cent in January.

COLLATERAL AND SAFEKEEPING OPERATIONS

Securities held as collateral by this bank reached their high point in 1931 on December 19, amounting to \$240,838,349, whereas the 1930 maximum of only \$196,381,000 was recorded on January 24 of that year. The low point in 1931 registered on February 13 and amounting to \$113,387,640, was slightly above the \$108,301,000 on September 26, 1930, which marked the low point in the preceding year.

On December 31 a total of 721 banks was making use of the safekeeping facilities afforded by the Reserve bank, as against 786 on the corresponding date of 1930. Pieces to the number of 147,231 valued at \$416,300,896 were received during the year, a considerable decline from the 168,261 received in 1930, but exceeding by a wide margin the value in that year, which was \$293,255,180. Receipts numbering 22,505 were issued, compared with 25,786 in the preceding year. The number of receipts released was 29,966 in 1931, representing securities to the value of \$473,585,548 and 189,879 in number of pieces, showing marked increases over 1930. These figures reflect an increase in turnover of incoming and released bonds for the entire year of approximately 60 per cent in aggregate value over the preceding year, due to irregularity in the bond market and the necessity for many banks to sell their securities to meet the demands of their depositors for funds.

INVESTMENTS

Considerably greater activity in the purchases and sales of United States securities for the account of member banks and others characterized the operations of the Investment Department during 1931 as compared with previous years. The volume of purchases, made largely for the account of customers of member banks, was very heavy during the last few months of the year, and particularly heavy in December.

This bank's holdings of United States securities, which include purchases made for the account of the Federal Reserve System as a whole, were at their highest point for 1931 on December 16, totaling \$139,477,100. Year-end holdings amounted to \$105,531,100, compared with \$89,603,000 on December 31, 1930.

The Federal Reserve Bank of Chicago was holding on the last day of the year \$3,490,000 par value of Federal Intermediate Credit Bank debentures bought for the most part directly from the banks serving this district.

FEDERAL RESERVE BANK OF CHICAGO

The bank's total holdings of bankers' acceptances reached a new high point since the organization of the System, on October 23, 1931, with \$128,592,221, rising steadily to that figure from a low point for the year reached on August 10 (\$7,149,389). Total holdings of bankers' acceptances at the end of the year were \$42,052,291. This bank's minimum buying rate for bankers' acceptances was established at one per cent on May 13, 1931, and remained unchanged until September 25, when the purchase rate was raised to $1\frac{1}{4}$ per cent; it was again changed on October 14 to $2\frac{1}{8}$ per cent, and two days later to $3\frac{1}{8}$ per cent. The last change for the year was made on November 20, when the rate was lowered to 3 per cent.

The supply of bills available in the local acceptance market during most of the year was rather light, inasmuch as the large accepting banks preferred to hold their own bills for investment rather than dispose of them in the open market. However, the holdings of these local banks were greatly reduced in September through the sale of an exceptionally large volume of acceptances directly to the Federal Reserve Bank of Chicago.

The bank participated with other Federal Reserve banks in the investment of bills made through foreign correspondents, and its share of these investments at the end of the year totaled approximately \$4,500,000.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS 1931, 1930, AND 1929—AMOUNTS IN THOUSANDS OF DOLLARS

	1931		1930		1929	
	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
Certificates of Indebtedness, Treasury Notes, and U. S. Bonds:						
*Market Purchases.....	11,189	\$463,074	5,895	\$348,388	8,818	\$274,609
*Market Sales.....	9,595	450,785	7,361	413,264	5,461	195,443
Bought with Agreement.....	5	705	220	68,532	371	169,021
Sold under Agreement.....	6	7,705	199	61,978	430	171,290
Totals.....	20,795	922,269	13,675	892,162	15,080	810,363

*These figures include special Certificates of Indebtedness to cover overdrafts amounting to \$160,000,000 in 1931, \$95,000,000 in 1930, and \$116,500,000 in 1929.

MEMBER BANK RESERVE DEPOSITS;
RESERVE POSITION

In conformity with the declining volume of deposits of member banks in the district during the year, the reserve deposits of member banks at the Reserve bank were in considerably reduced volume. The maximum shown for any weekly reporting date was \$349,626,000 on September 2, compared with a high point in 1930 of \$367,823,000 shown July 9. The 1931 low point was recorded on December 23, and amounted to \$269,740,000, whereas in the preceding year the low point was \$323,692,000 shown early in the

SEVENTEENTH ANNUAL REPORT

year—February 19. The weekly average of reserve deposits during the year was \$322,009,000, compared with \$345,000,000 in 1930 and \$347,536,000 in 1929. Total cash reserves were at their low point of the year on January 7, 1931, rising to a high point of \$691,774,000 on September 2, and on the last reporting date, December 30, were \$607,782,000. The bank's ratio of total reserves to deposit and Federal Reserve note liabilities combined ranged from a low point of 68.5 per cent on October 21, to a maximum of 89.9 on June 17.

MEMBERSHIP

Changes in Status of Banks, Affecting Membership

	1931	1930
Losses to Membership:		
Voluntary withdrawal of state bank.....	5	18
Consolidation of state member bank with national bank.....	2	3
Consolidation of state member bank with state member bank.....	5	3
Consolidation of state member bank with non-member bank.....	3	3
State member bank succeeded by state member bank.....	3	0
Refund of deposit to state bank closed in preceding year.....	0	1
Suspensions and insolvencies of state member banks.....	23	4
Consolidation of national bank with national bank.....	27	18
Consolidation of national bank with state non-member bank.....	26	20
Consolidation of national bank with state member bank.....	7	1
Conversion of national bank to state non-member bank.....	2	4
National bank succeeded by national bank.....	7	4
National bank voluntarily liquidated.....	0	2
Refund of deposit to national bank closed in preceding year.....	13	1
Suspension and insolvencies of national banks.....	60	15
Total losses.....	183	97
Additions to Membership:		
National bank succeeded by national bank.....	5	7
Primary organization of national bank.....	3	2
Admission of state bank.....	1	1
State member bank succeeded by state member bank.....	3	0
Primary organization of state bank.....	1	0
Total additions.....	13	10
Net losses.....	170	87
Withdrawals pending at close of year:		
Consolidation of national bank with national bank.....	9	10
National bank succeeded by national bank.....	2	4
Consolidation of national bank with state non-member bank.....	10	4
Suspensions and insolvencies of national banks.....	11	13
Conversion of national bank to state non-member bank.....	0	1
Consolidation of national bank with state member bank.....	0	1
Consolidation of state member bank with national bank.....	2	0
Voluntary withdrawal of state bank.....	1	2
Consolidation of state member bank with state non-member bank.....	0	1
Suspension and insolvencies of state member banks.....	9	0
Total withdrawals pending.....	44	36

MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

	December 31, 1931			December 31, 1930			December 31, 1929		
	Nat'l	State	Total	Nat'l	State	Total	Nat'l	State	Total
Illinois.....	263	34	297	312	38	350	321	48	369
Indiana.....	128	9	137	153	12	165	168	14	182
Iowa.....	197	24	221	236	31	267	260	41	301
Michigan.....	71	108	179	87	130	217	91	137	228
Wisconsin.....	101	11	112	106	11	117	110	13	123
Total.....	760	186	946	894	222	1,116	950	253	1,203

FEDERAL RESERVE BANK OF CHICAGO

Representatives of the Bank Relations Department made 1,120 calls on member banks and 360 calls on nonmember banks during 1931, representing an aggregate of 1,480 visits. Officers and other representatives of the bank delivered 21 addresses during the course of the year. A large number of visitors were received at the head office and branch in 1931, totaling 3,326, as compared with approximately 2,700 in the preceding year. At the head office alone visitors numbered 2,838 in 1931, of which more than 1,200 were bankers, about 1,000 were students shown through the building by guides provided for the purpose, and more than 500 were callers of various classifications.

Fiduciary powers were granted to ten national banks in the course of 1931, seven of these receiving full powers, one supplementary, one partial, and one limited powers. In five cases of national banks, confirmation of trust powers previously granted due to consolidations having full powers, were accorded.

MEMBER BANKS AUTHORIZED AND APPROVED IN 1931 TO EXERCISE FIDUCIARY POWERS

<i>Illinois:</i>	Aurora, First National Bank in Aurora †Belvidere, Second National Bank Paris, Citizens National Bank Paris, Edgar County National Bank
<i>Indiana:</i>	*Albion, Albion National Bank Bloomington, Bloomington National Bank East Chicago, First National Bank in East Chicago East Chicago, Union Nat'l Bank of Indiana Harbor South Bend, Citizens National Bank
<i>Iowa:</i>	**Sioux City, First National Bank in Sioux City

*Partial

**Limited

†Supplementary

All others full powers

CONFIRMATIONS OF TRUST POWERS PREVIOUSLY GRANTED DUE TO CONSOLIDATIONS HAVING FULL POWERS

<i>Illinois:</i>	Berwyn, First American National Bank & Trust Co. Chicago, Inland Irving National Bank Morris, Grundy County National Bank
<i>Indiana:</i>	Bluffton, Old First National Bank Fort Wayne, Old First National Bank & Trust Co.

BANK EXAMINATION

The Division of Bank Examination has been operating with a reduced force, and the field work for the year has been confined

SEVENTEENTH ANNUAL REPORT

largely to examinations made in conjunction with the supervising authorities, and a limited number of examinations of state banks applying for membership. The volume of office work, including the analyses of 2,000 reports of examination, shows little change. Friendly relations with and the cooperation of the Chief National Bank Examiner's office under the Comptroller of the Currency and the five State Banking Departments continue very satisfactory.

FISCAL AGENCY FUNCTIONS

The Fiscal Agency Department was more active in 1931 than in 1930. The number of transactions increased more than 25 per cent, while the dollar value of securities handled was more than twice the amount of 1930.

During the year, this bank received 4,093 subscriptions for new issues of Government securities (including Treasury bills), totaling \$2,103,025,000. On this amount, there was allotted \$697,496,100. Deliveries represented 2,831 shipments, containing 54,753 pieces amounting to \$707,203,600. The difference between this figure and allotments represents transfers on allotment to and from other Federal Reserve banks.

Payment for securities allotted was made as follows:

By surrender of Government securities..	\$283,844,350
By credit in War Loan Deposit Account.	247,007,650
By cash	166,369,948
By discount on Treasury bills.....	274,152

\$697,496,100

There were surrendered to us for exchange, transfer, etc., Government securities amounting to \$847,681,650, represented by 318,829 pieces, while 286,723 pieces were delivered, totaling \$1,007,185,150. These figures include United States Treasury certificates of indebtedness, Treasury notes, and Treasury bills amounting to \$282,955,100 (17,113 pieces), accepted for telegraphic transfer to other Federal Reserve banks, and like securities totaling \$449,215,800 (12,277 pieces) were delivered for account of other Federal Reserve banks. Securities redeemed totaled \$619,377,403, represented by 63,687 pieces. In addition, 3,003,345 coupons amounting to \$56,619,854 were cashed.

GOLD SETTLEMENT FUND

Gold Settlement Fund transactions between the Seventh and other Federal Reserve districts recorded a net gain of \$176,324,000 in 1931, a considerable increase over the net gain of \$60,433,000 shown in 1930, and compared with a net loss of \$142,637,000 in 1929. Receipts from the other Federal Reserve banks totaled \$17,413,303,000, as against \$21,165,756,000 in the preceding year.

FEDERAL RESERVE BANK OF CHICAGO

and total payments to other Federal Reserve banks of \$17,236,979,000 in 1931 showed a considerable decrease from the \$21,105,323,000 of such payments in 1930. On December 31, 1931, the Gold Settlement Fund of this bank was \$50,484,327.

CLEARINGS AND COLLECTIONS

The number of checks handled during the year 1931 by the head office and the Detroit branch combined, was somewhat less than the 1930 volume. The total number of checks decreased 4.9 per cent; those payable in Chicago and Detroit increased 2.7 per cent; those payable outside of these cities decreased 7.8 per cent; and Government checks increased 11.9 per cent. The total number of items handled during the year by both offices was 121,751,853 (including duplications), amounting to \$23,367,737,000, of which number 90.6 per cent were drawn on banks in the Seventh district, 5.0 per cent on banks in other districts, and 4.4 per cent on the United States Treasurer. There was further development in the efficiency of the Check Department staff during the past year which, together with improved operating methods, established a new low handling cost per unit.

The number of non-cash collection letters handled by the head office and Detroit branch in 1931 increased, amounting to 780,215 compared with 753,268 in the preceding year; in aggregate value the 1931 volume was \$1,168,077,892, a slight reduction from the \$1,183,646,111 in 1930. Of the foregoing 1931 totals, the Detroit branch handled 131,883 items, representing \$128,297,527, as against 132,758 items involving \$138,021,544 the preceding year.

The volume of funds transferred for member banks in 1931 declined, the aggregate being \$27,928,297,109, whereas \$35,038,612,775 had been transferred in 1930. Of the 1931 total, \$20,175,023,605 was transferred over leased wires and \$2,580,369,639 over commercial wires. All other transfers totaled \$5,172,903,865 in 1931 and \$6,645,767,650 in 1930. The total number of transactions was 276,128 as against 327,688 during the preceding year.

CASH DEPARTMENT OPERATIONS

Reflecting the greatly increased demand for currency in 1931, there was considerably greater activity in this department than in the preceding year. Payments of paper currency aggregated \$2,518,902,000 as compared with \$2,210,678,000 in 1930, with the result that Federal Reserve note circulation of this bank increased \$378,234,000 over the period—from \$141,237,000 on January 2 to \$519,471,000 on December 31. Gold coin payments in 1931 were \$8,168,000 as against \$3,466,000 in 1930. Gold certificates to the amount of \$445,431,000 were paid out, as compared with \$1,041,849,000 the preceding year. The number of paper currency ship-

SEVENTEENTH ANNUAL REPORT

ments to country banks in 1931 was 38,473 as compared with 40,561 in 1930. The number of coin shipments to country banks changed little from 1930, amounting to 8,924 as compared with 8,946 the preceding year.

INTERNAL ORGANIZATION

Edward R. Estberg was re-elected a Class A director for the term expiring 1934. Stanford T. Crapo was re-elected a Class B director for the term expiring 1934. Frank C. Ball was re-appointed a Class C director for the term expiring 1934. Eugene M. Stevens was designated as Chairman of the Board and Federal Reserve Agent. James Simpson was designated as Deputy Chairman of the Board. The directors for the year 1932 are shown on page 2.

The Executive Committee for the year 1932 will consist of the following: Chairman, Governor McDougal; Eugene M. Stevens, Chairman of the Board and Federal Reserve Agent; Messrs. George M. Reynolds, James Simpson, Edward R. Estberg, and George J. Schaller, Directors.

The Committee on Admission for the year 1932 will consist of the following: Chairman of the Board and Federal Reserve Agent, Eugene M. Stevens; Governor McDougal and Director Estberg.

William H. White, Assistant Federal Reserve Agent, died March 7, 1931.

There was one appointment to the official staff of Chicago during the year 1931. William W. Turner was appointed Manager, Loan Division, effective June 1, 1931.

George A. Prugh, Manager, Loan Division, was appointed Assistant Federal Reserve Agent effective May 14, 1931.

The following is a comparison of the total number of employees, exclusive of officials, at the Chicago office:

December 31, 1930.....	1,084
December 31, 1931.....	1,045
Decrease.....	39

John Ballantyne, Chairman, Governing Committee of the First Wayne National Bank of Detroit, Michigan, was appointed a director of the Detroit Branch on May 8, 1931, to fill the unexpired term of Julius H. Haass who died April 17, 1931. Mr. Haass was a director of the Detroit Branch from January 1, 1918 to December 31, 1925, and from March 23, 1928 until his death.

The following is a comparison of the total number of employees, exclusive of officials, at the Detroit Branch:

December 31, 1930.....	218
December 31, 1931.....	207
Decrease.....	11