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OPERATION  
OF  
FEDERAL RESERVE BANK  
OF CHICAGO

*1930*

SEVENTH FEDERAL RESERVE  
DISTRICT



SIXTEENTH ANNUAL REPORT  
TO  
THE FEDERAL RESERVE BOARD

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# FEDERAL RESERVE BANK OF CHICAGO

## *Directors and Officers for 1931*

### CLASS A—DIRECTORS

EDWARD R. ESTBERG, Waukesha, Wisconsin (1931)  
President, Waukesha National Bank  
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

### CLASS B—DIRECTORS

STANFORD T. CRAPO, Detroit, Michigan (1931)  
Secretary and Treasurer, Huron Portland Cement Company  
ROBERT M. FEUSTEL, Fort Wayne, Indiana (1932)  
President, Indiana Service Corporation  
MAX W. BABB, Milwaukee, Wisconsin (1933)  
Vice-President, Allis-Chalmers Manufacturing Company

### CLASS C—DIRECTORS

FRANK C. BALL, Muncie, Indiana (1931)  
President, Ball Bros. Company  
JAMES SIMPSON, Chicago, Illinois (1932)  
Chairman of Board, Marshall Field and Company  
EUGENE M. STEVENS, Evanston, Illinois (1933) *Federal Reserve Agent*  
MELVIN A. TRAYLOR, Chicago, Illinois, *Member Federal Advisory Council*

### OFFICERS

EUGENE M. STEVENS, *Chairman*  
JAMES SIMPSON, *Deputy Chairman*  
\*WILLIAM H. WHITE, *Assistant Federal Reserve Agent*  
CLIFFORD S. YOUNG, *Assistant Federal Reserve Agent*  
HARRIS G. PETT, *Manager, Division of Research and Statistics*  
FRANCIS R. BURGESS, *Auditor*  
WALTER A. HOPKINS, *Assistant Auditor*

\*Died March 7, 1931

JAMES B. McDOUGAL, *Governor*  
JOHN H. BLAIR, *Deputy Governor*  
CHARLES R. MCKAY, *Deputy Governor*  
JAMES H. DILLARD, *Deputy Governor*

WILLIAM C. BACHMAN, *Assistant Deputy Governor*  
EUGENE A. DELANEY, *Assistant Deputy Governor*  
DON A. JONES, *Assistant Deputy Governor*  
OTTO J. NETTERSTROM, *Assistant Deputy Governor*

FRED BATEMAN, *Manager, Securities Department*  
JOSEPH C. CALLAHAN, *Manager, Member Bank Accounts Department*  
ROBERT E. COULTER, *Manager, Cash Custody Department*  
ALBA W. DAZEY, *Manager, Investment Department*  
IRVING FISCHER, *Manager, Check Department*  
ROBERT J. HARGREAVES, *Manager, Personnel Department*  
FRANK A. LINDSTEN, *Manager, Disbursing Department*  
LOUIS G. MEYER, *Manager, Service Department*  
ARTHUR L. OLSON, *Manager, Loan Division*  
LOUIS G. PAVEY, *Manager, Collection Department*  
GEORGE A. PRUGH, *Manager, Loan Division*  
FRANKLIN L. PURRINGTON, *Manager, Discount Department*  
JESSE G. ROBERTS, *Manager, Cash Department*

CARL MEYER, *Counsel*

## DETROIT BRANCH

### *Directors and Officers*

GEORGE B. MORLEY, Saginaw, Michigan  
Chairman of Board, Second National Bank  
DAVID McMORRAN, Port Huron, Michigan  
Treasurer and Manager, McMorran Milling Company  
WILLIAM J. GRAY, Detroit, Michigan  
Vice-Chairman of Board, First National Bank  
JAMES INGLIS, Detroit, Michigan  
President, American Blower Corporation  
N. P. HULL, Lansing, Michigan.  
President, Grange Life Insurance Company

JULIUS H. HAASS, Detroit, Michigan  
President, Detroit Bankers Company  
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 17, 1931.

Sir:

I have the honor to submit herewith, in accordance with the usual custom, the sixteenth annual report of the Federal Reserve Bank of Chicago, covering the year 1930.

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 1930	Dec. 31 1929	Dec. 31 1928
Gold with Federal reserve agent.....	173,000	269,564	213,217
Gold redemption fund with United States Treasury.....	1,097	11,420	9,843
Gold held exclusively against Federal reserve notes.....	174,097	280,984	223,060
Gold settlement fund with Federal Reserve Board.....	49,659	86,463	180,100
Gold and gold certificates held by bank.....	130,114	73,601	60,751
Total gold reserves.....	353,870	441,048	463,911
Reserves other than gold.....	21,592	12,652	11,764
Total reserves.....	375,462	453,700	475,675
Non-reserve cash.....	11,382	12,405	10,781
Bills discounted:			
Secured by United States Government obligations.....	10,891	75,121	80,872
Other bills discounted.....	11,913	37,547	65,647
Total bills discounted.....	22,804	112,668	146,519
Bills bought in open market.....	52,370	37,561	39,078
United States Government securities:			
Bonds.....	30,905	25,439	19,937
Treasury notes.....	22,538	12,208	6,184
Certificates of indebtedness.....	32,547	22,953	9,729
Treasury bills.....	3,613	8,247	.....
Total United States Government securities.....	89,603	68,847	35,850
Federal Land Bank bonds.....	.....	1,500	.....
Federal Intermediate Credit Bank debentures.....	1,000	.....	.....
Total bills and securities.....	165,777	220,576	221,447
Uncollected items.....	70,954	84,034	89,931
Bank premises.....	8,061	8,295	8,527
All other resources.....	1,221	657	849
Total resources.....	632,857	779,667	807,210
LIABILITIES			
Federal reserve notes in actual circulation.....	139,163	304,538	323,590
Deposits:			
Member bank—reserve account.....	360,832	331,302	343,099
Government.....	2,590	2,930	1,068
Foreign bank.....	770	768	904
Other deposits.....	960	1,484	2,101
Total deposits.....	365,152	336,484	347,172
Deferred availability items.....	66,523	76,345	79,336
Capital paid in.....	20,145	20,013	18,478
Surplus.....	39,936	40,094	36,442
All other liabilities.....	1,938	2,193	2,192
Total liabilities.....	632,857	779,667	807,210
Ratio of total reserves to deposit and Federal reserve note liabilities combined.....per cent	74.4	70.7	70.9
Contingent liability on bills purchased for foreign correspondents.....	58,223	74,895	44,901

# OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1930

THE world-wide recession in trade and production, ushered in with the closing months of 1929, and which found its full counterpart in the Seventh district, was intensified during 1930, in so far as this district was concerned, by the effect upon agriculture—one of the most important elements of the economic life of this area—of the drought and the continuous decline in prices of farm products. While most phases of industry and trade showed declines in activity of from 5 to 40 per cent in yearly totals from those of 1929, the year 1930 nevertheless has been one of some measure of accomplishment in the correction of the conditions which gave rise to and underlie this period of business and industrial recession.

Automobile production for 1930 aggregated almost 40 per cent under a year previous and was the lowest since 1922. In the earlier months of the year, steel mills of the Chicago district operated at a high rate, but production gradually declined until the end of the year when operations reached a low level; shipments from steel casting foundries totaled about 35 per cent less and from malleable foundries approximately 40 per cent smaller than in 1929. The agricultural machinery industry is indicated as having operated at a much lower level than in 1929, with a corresponding decline in sales. Building construction, as reflected in contracts awarded in the Seventh district, declined almost 40 per cent in the aggregate from a year ago, while residential building fell off 60 per cent; total construction was the lowest since 1924. Building materials, as might be expected, moved at a slow rate during the period. Furniture manufacturers shipped less than two-thirds the dollar volume of 1929, and shoe and leather production was small. Meat production declined about 5 per cent from the preceding year, while sales receded 14 per cent, reflecting not only lessened income on the part of the consuming public and lower prices, but also a smaller supply of products and a low level of export trade. Butter production in the district declined somewhat from the 1929 aggregate, with sales slightly less, while cheese production and distribution from Wisconsin factories showed little change. Industrial employment during 1930 in the Seventh district averaged almost 15 per cent under that of 1929, and payrolls totaled nearly 25 per cent less; in non-manufacturing lines, considerable reduction also took place, though to a lesser degree than in factory employment.

Merchandising statistics indicate that the dollar volume of department store trade in the district totaled about 13 per cent less in 1930 than in 1929, with Detroit and Chicago stores showing the

heaviest aggregate declines of the larger cities. Reporting wholesale lines, including groceries, hardware, drugs, dry goods, shoes, and electrical supplies, experienced recessions ranging from only 4 per cent in groceries to 33 per cent in shoes. Lower prices for most commodities were to some extent responsible for the declines shown in both retail and wholesale lines.

Farm income in the Seventh Federal Reserve district is estimated as 17.4 per cent less for the crop year July 1, 1930 to June 10, 1931, than for the corresponding period of 1929-30, according to the most recent information available. The figures indicate a decline of 28½ per cent in the amount of money received from the 1930 crops as compared with the preceding year, and also a reduction of 13.6 per cent in the income derived from live-stock operations. Dry weather during the early months of the year resulted in a small crop of hay, and fruit suffered severe injury from spring frosts; conditions, however, were favorable for small grain so that larger crops of wheat, oats, barley, and rye were produced than in 1929. Farm work had progressed unusually well during the spring months, and May 1 prospects appeared excellent for the late crops. From early July until late autumn, however, the greater portion of the Seventh district experienced the most severe drought in recent history; prospects for corn declined from 956,156,000 bushels on July 1 to only 730,306,000 bushels by the beginning of December, and corresponding reductions were shown in the production estimates for other autumn crops. Approximately the same number of pigs was raised during the spring of 1930 as in the corresponding period of 1929, while an increase of 2½ per cent was recorded in the lamb crop; the autumn crop of pigs aggregated 4 per cent less than in the preceding year. December 1 reports from county agents in the Seventh district show a reduction of 4½ per cent in the number of hogs available for winter and spring marketing, of 11½ per cent in the number of beef cattle, and of 7½ per cent in size of lamb flocks from last December; dairy herds totaled 1½ per cent less. These declines reflect the hesitancy on the part of farmers to maintain feeding operations at the usual level, owing to the scarcity of feed and to unsettled price outlook.

The tabulation following shows the changes in the factors affecting member bank borrowing at the Reserve bank between the end of 1929 and the close of 1930:

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

Changes between December 31, 1929 and December 31, 1930  
(In millions of dollars)

Changes making for decrease in member bank borrowing:	
1. Excess of local Treasury expenditures over receipts.....	117.16
2. Funds gained through inter-district settlements for commercial and financial transactions.....	23.46
3. Increase in holdings of acceptances (local transactions).....	9.07
4. Increase in holdings of U. S. securities (local transactions).....	6.56
5. Decrease in unexpended capital funds.....	0.61
6. Decrease in non-member clearing balances.....	0.52
Total.....	157.38

FEDERAL RESERVE BANK OF CHICAGO

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Changes making for increase in member bank borrowing:	
1. Increase in demand for currency.....	34.04
2. Increase in member bank reserve balances.....	29.53
3. Decrease in reserve bank float.....	2.17
4. Sales of gold to industry.....	1.28
5. Decrease in holdings of other securities.....	0.50
Total.....	67.52
Excess of changes making for decrease in member bank borrowing..... 89.86	
Absorption of this excess: Decrease in member bank borrowings (discounts for member banks) 89.86	

It will be noted that the borrowings of member banks on December 31, 1930, were approximately 90 million dollars less than a year before. Principal changes in factors making for lessened borrowing were: local Treasury expenditures exceeded receipts by almost 120 million dollars, some 23 million dollars of funds were gained through inter-district settlements for commercial and financial transactions, and holdings of acceptances and of United States securities (local transactions) by the Reserve bank increased moderately; minor decreases were shown in unexpended capital funds—an approximate measure of the extent to which the paying in of capital to the Reserve bank and its subsequent earnings have taken funds out of the money market—and in non-member clearing balances. The outstanding changes in factors which tend to increase member bank borrowings were a gain of nearly 30 millions in member bank reserve balances—reflecting increased deposit liabilities of member banks in the district—and an increase in demand for currency of about 35 millions, the latter altogether in consequence of a substantial growth in the late months of the year, which reflected bank failures in the district. In connection with currency demand, it should be stated that while the volume of Federal Reserve notes of this bank in actual circulation decreased materially as between December 31, 1929 and the corresponding date in 1930, this decrease was more than counter-balanced by the paying out of gold notes and by changes in other items attributable to demand for currency, notably transactions through the Treasurer's account affecting cash holdings of this bank and an increase of more than 6½ million dollars in new national bank notes issued, resulting in a net gain in currency demand as shown.

The year 1930 was one of marked ease in money, reflected in a downward trend in rates; the prevailing rate on customers' prime commercial loans charged by banks in Chicago declined from a range of 5½ to 6 per cent in January to one of 4 to 4½ per cent in December. The rediscount rate of the Federal Reserve Bank of Chicago underwent two changes during the year, a reduction to 4 per cent on February 8 from the 4½ per cent rate obtaining since November 23, 1929, and a further reduction to 3½ per cent on June 21.

During 1930 there were 264 bank suspensions in this district, the largest number on our records (since 1921), and comparing with 93 suspensions in 1929. Of the banks closed during the past year, 28 were national, 4 state member, and 232 non-member, of which last

# SIXTEENTH ANNUAL REPORT

## Earnings and Expenses

EARNINGS	1930	1929	1928
Discounted bills.....	\$1,222,081	\$6,777,014	\$5,427,825
Purchased bills.....	629,854	1,285,493	1,301,910
U. S. securities.....	2,503,592	1,269,968	1,722,821
Federal Intermediate Credit Bank debentures.....	1,215	5,903	.....
Federal Land Bank bonds.....	9,805	16,638	.....
Deficient reserve penalties.....	35,290	76,425	44,287
Miscellaneous.....	432,316	458,010	439,575
<b>Total earnings.....</b>	<b>\$4,834,153</b>	<b>\$9,889,451</b>	<b>\$8,936,418</b>
CURRENT EXPENSES			
Salaries:			
Bank officers.....	\$ 320,490	\$ 311,591	\$ 307,420
Clerical staff.....	1,634,841	1,677,987	1,712,899
Special officers and watchmen.....	132,699	128,016	129,351
All other.....	273,346	283,826	275,378
Governors' conferences.....	89	232	344
Federal reserve agents' conferences.....	115	128	269
Federal Advisory Council.....	1,228	1,360	1,054
Directors' meetings.....	11,637	11,540	9,797
†Traveling expenses.....	18,666	20,033	23,687
Assessments for Federal Reserve Board expenses.....	108,972	106,654	95,764
Legal fees.....	15,220	9,697	3,444
Insurance (other than on currency and security shipments).....	44,663	44,620	31,603
Taxes on banking house.....	166,941	291,366	281,601
Light, heat, and power.....	31,944	32,037	35,136
Repairs and alterations, banking house.....	12,059	21,947	21,373
Rent.....	.....	.....	5,134
Telephone.....	20,013	19,879	20,638
Telegraph.....	41,049	43,281	41,758
Postage.....	231,868	265,294	243,679
Expressage.....	58,546	62,745	55,671
Insurance on currency and security shipments.....	64,654	73,332	67,496
Printing and stationery.....	67,093	74,581	76,749
Office and other supplies.....	45,228	55,890	61,235
Miscellaneous expenses.....	83,541	81,381	82,894
Federal reserve currency (including shipping charges):			
Original cost.....	404,177	450,979	90,615
Cost of redemption.....	16,038	23,973	21,690
<b>Total current expenses.....</b>	<b>\$3,805,117</b>	<b>\$4,092,369</b>	<b>\$3,696,679</b>
PROFIT AND LOSS ACCOUNT	1930	1929	1928
Earnings.....	\$4,834,153	\$9,889,451	\$8,936,418
Current expenses.....	3,805,117	4,092,369	3,696,679
<b>Current net earnings.....</b>	<b>\$1,029,036</b>	<b>\$5,797,082</b>	<b>\$5,239,739</b>
Additions to current net earnings.....	\$ 298,510	\$ 8,050	\$ 11,833
Deductions from current net earnings:			
Depreciation allowances on bank premises.....	\$ 233,681	\$ 233,682	\$ 192,809
Reserve for probable losses.....	.....	31,500	23,659
Furniture and equipment.....	38,980	59,750	68,872
All other.....	557	55,535	202,803
<b>Total deductions.....</b>	<b>\$ 273,218</b>	<b>\$ 380,467</b>	<b>\$ 488,143</b>
Net deductions from current net earnings.....	.....	\$ 372,417	\$ 476,310
<b>Net additions to current net earnings.....</b>	<b>\$ 25,292</b>	.....	.....
<b>Net earnings available for dividends, surplus, and franchise tax.....</b>	<b>\$1,054,328</b>	<b>\$5,424,665</b>	<b>\$4,763,429</b>
Dividends paid.....	\$1,211,418	\$1,170,363	\$1,099,761
Transferred to surplus account.....	.....	3,651,464	3,663,668
Withdrawn from surplus account.....	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

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39 were private institutions. Aggregate capital involved amounted to \$15,038,000 and deposits to \$111,018,000, as against \$4,993,000 and \$35,450,000, respectively, in 1929. Member bank suspensions in 1930 accounted for \$3,270,000 of the total capital involved and \$26,666,000 of the deposits.

Banks in the Seventh district involved in consolidations during 1930 numbered 275, with capital and loans and investments aggregating \$90,205,000 and \$1,086,447,000, respectively; 108 of these were member banks with capital of \$59,976,000 and loans and investments of \$836,943,000. This represented an increase in number of mergers of more than 50 per cent over 1929. The continuing institutions numbered 133, with capital and loans and investments of \$69,557,000 and \$1,076,737,000, respectively. The aggregate capitalization of the continuing institutions in 1930 was 25 per cent less than that of the banks involved in the mergers, whereas in 1929 the resulting institutions were capitalized in the aggregate at a figure almost 25 per cent greater than that of the consolidating banks. This reversal in trend was an outgrowth in large measure of the fact that fully 60 per cent of the 1930 mergers involved absorptions, one bank often purchasing the assets of another for liquidation. Mergers in 1930 involved for the most part banks of moderate size, only two cases in Detroit offering exceptions, that of the Bank of Michigan, Peninsular State Bank, and Peoples Wayne County Bank into the Peoples Wayne County Bank, and of the Bank of Detroit and Guardian Detroit Bank into the Guardian Detroit Bank.

In group and chain banking there was little development during the year, the formal organization in January of the National Republic Bancorporation with 10 banks and 3 investment companies, and that of the Wisconsin Bancorporation, also in January, being alone outstanding. The Wisconsin Bancorporation, however, continued to expand until it now controls 46 banks and 7 investment companies, most of which are in the Seventh district. Nor did branch banking develop to any extent during the year, the only notable changes being effected through consolidations. The Peoples Wayne County Bank increased its branch holdings considerably when it took over the Peninsular State Bank and the Bank of Michigan, so that it now has 137 branches, and the Guardian Detroit Bank entered the branch banking field when it acquired all but one of the branches of the National Bank of Commerce and the Bank of Detroit at the time of its merger with the latter institution.

### FINANCIAL RESULTS OF OPERATION

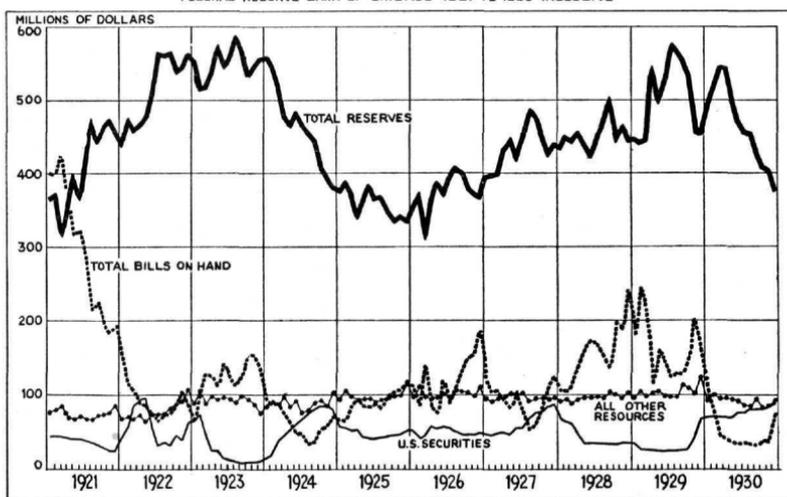
Net earnings of the Federal Reserve Bank of Chicago for the calendar year 1930 were \$1,054,328, as compared with \$5,424,665 the preceding year and \$4,763,429 in 1928. The sum of \$157,090 was withdrawn from surplus account, and dividends of \$1,211,418 were paid. No franchise tax was paid to the United States Government

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## *Comparative Volume of Operations in Principal Departments 1930, 1929, and 1928*

Number of Pieces Handled	1930	1929	1928
<b>Bills discounted:</b>			
Applications.....	8,796	13,554	13,056
Notes discounted.....	38,847	54,860	48,885
<b>Bills purchased in open market for own account.....</b>			
	17,728	14,029	22,062
Currency received and counted.....	409,291,000	410,223,000	376,595,000
Coin received and counted.....	323,631,000	231,019,000	279,743,000
Checks handled.....	128,039,000	129,661,000	123,365,000
<b>Collection items handled:</b>			
United States Government coupons paid	3,299,000	3,548,000	4,743,000
All other.....	753,000	743,000	702,000
<b>United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....</b>			
	318,000	374,000	1,377,000
Transfers of funds.....	328,000	355,000	337,000
Envelopes received and dispatched.....	4,826,000	4,901,000	5,085,000
<b>Amounts Handled</b>			
Bills discounted.....	\$ 1,171,330,000	\$ 5,187,455,000	\$ 5,928,134,000
Bills purchased in open market for own account.....	359,330,000	262,259,000	324,613,000
Currency received and counted.....	2,262,720,000	2,266,698,000	2,103,652,000
Coin received and counted.....	35,497,000	34,327,000	38,253,000
Checks handled.....	30,271,276,000	35,219,944,000	29,077,223,000
<b>Collection items handled:</b>			
United States Government coupons paid	60,367,000	64,084,000	63,567,000
All other.....	1,183,646,000	996,964,000	1,004,814,000
<b>United States securities—issues, redemptions, and exchanges by Fiscal Agency department.....</b>			
	1,025,083,000	1,189,208,000	1,506,837,000
Transfers of funds.....	35,038,613,000	31,088,981,000	27,047,795,000

**MOVEMENT OF RESOURCES**  
FEDERAL RESERVE BANK OF CHICAGO 1921 TO 1930 INCLUSIVE



FEDERAL RESERVE BANK OF CHICAGO

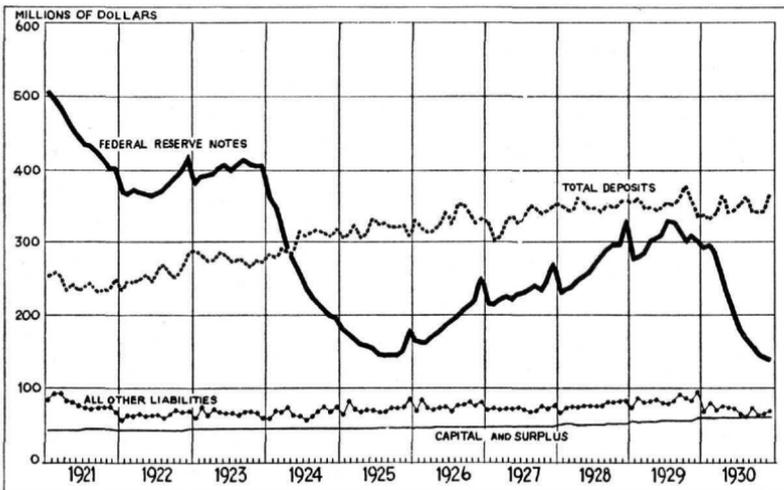
in 1930. Since its organization the bank has paid a total of \$24,-222,013 as franchise tax, in the years and in the amounts shown below :

1917 .....	\$ 215,799
1920 .....	10,394,480
1921 .....	11,576,009
1922 .....	1,186,301
1923 .....	246,586
1929 .....	602,838
	\$24,222,013

DISCOUNT OPERATIONS IN 1930

Perhaps the most significant feature in the loan and discount operations of the Federal Reserve Bank of Chicago during the year 1930 was the material decrease in volume as compared with the year 1929. This decline has been general at all Federal Reserve banks and has reflected security purchases by the System, as well as a smaller demand for credit accompanying reduced volume of business. The high point of loans for the year was reached on January 2, \$129,093,000, which compared with the 1929 high of \$237,173,000, thus showing a decrease of \$108,080,000. Loans declined to a low point of \$10,976,000 on September 18, a decrease of \$71,571,000 from 1929 when the low was \$82,547,000. The greater part of this fluctuation occurred in the borrowings of the larger city banks. The country bank borrowings, while at a somewhat lower level than in the preceding year, followed the usual seasonal demand.

MOVEMENT OF LIABILITIES  
FEDERAL RESERVE BANK OF CHICAGO 1921 TO 1930 INCLUSIVE



DATA AS OF THE LAST REPORTING DATE IN EACH MONTH

## SIXTEENTH ANNUAL REPORT

The high point of member bank borrowings in the city of Chicago was \$37,763,000 on January 2 and the low point \$70,000 on June 11. Member bank borrowings in Detroit also reached their high point on January 2, when they totaled \$45,472,000; during portions of the year no Detroit banks were borrowing.

In the State of Iowa, which is more nearly an agricultural area than any other state of this district, the banks were borrowing \$7,681,000 on January 6, the high point for the year. The usual seasonal fluctuation followed, bringing loans down to \$2,429,000 on February 21, after which the planting season brought them back to \$5,298,000 on June 6. There was a steady decline in this item during the summer months, a low point of \$1,103,000 being reached on October 2. The fall demand brought the total amount up to a high of \$4,395,000 on November 26, after which they declined to \$2,138,000 on December 31.

This bank extended credit accommodation during the year to 657 banks (inclusive of the rediscounting of adjusted service certificates for one non-member bank), represented by 8,796 applications and 38,847 notes rediscounted, having a face value of \$1,171,330,456. In dollars, this represents a decrease of \$4,016,124,918 from the year 1929.

During the year \$1,582,457 of rediscounted paper was taken from rediscounts and placed in Failed Banks Account because of the failure of twenty-four member banks indebted to us at the time of closing. This, compared with \$372,296 during the year 1929, represents an increase of \$1,210,161.

The aggregate average reserve balances maintained by member banks in the Seventh district exceeded the total legal requirements throughout the year, the excess attaining a peak of 2.90 per cent in September and registering a low of 2.04 per cent in January. In 1929, the excess reached a high point of 2.09 in March and a low of 1.14 in September.

### COLLATERAL AND SAFEKEEPING OPERATIONS

Reflecting a lessened volume of borrowing by member banks during 1930, securities held as collateral reached a high point of only \$196,381,000 on January 24, as compared with one of \$236,142,000 in the preceding year. Whereas in 1929 the low point had been \$151,002,000, the minimum recorded in 1930 was \$108,301,000 on September 26.

A greater number of banks took advantage of Reserve bank safekeeping facilities in 1930 than in the preceding year. During the year, a total of 168,261 pieces with an aggregate value of \$293,255,180 was received for safekeeping, an increase of nearly 50 per cent over 1929, the result largely of the number of robberies taking place in the district. Receipts to the number of 25,786 were issued, as against 17,682 the preceding year. Receipts totaling 21,533 in number, in-

FEDERAL RESERVE BANK OF CHICAGO

volving 132,716 pieces valued at \$259,742,751, were released from safekeeping during the year, a marked gain over the 1929 volume. Considerable activity occurred the latter part of 1930, owing to the declining bond market and general banking disturbances in various parts of the district. An aggregate of 786 banks had \$321,339,962 of securities in safekeeping at the Reserve bank on December 31, 1930. In addition, there was \$1,139,132 in securities representing applications for safekeeping which had not been acted upon.

There were detached from bonds in the Safekeeping and Collateral divisions, a total of 487,024 interest coupons, aggregating \$21,214,090 in value.

INVESTMENTS

The activities of the Investment Department during 1930, as compared with 1929, reflect a somewhat smaller number of U. S. securities purchased, and an increased total in both the volume and amount of U. S. securities sold.

This bank accumulated for its own holdings through purchases made by the System about \$15,000,000 of U. S. Treasury certificates and notes, part of which were purchased locally, but as in previous years, most of these purchases for the System Account were made through the Federal Reserve Bank of New York.

This bank has had an increase in sales of securities other than Government, the majority of which transactions were made for the account of receivers of failed banks.

District purchases of bankers' acceptances by this bank were in smaller volume during 1930 than in the preceding year, because of the fact that the larger member banks were buyers of bills during most of the year and had very little need for recourse to the Federal Reserve System in the sale of acceptances. Total purchases, however, exceeded those of 1929.

COMPARATIVE TABLE OF GOVERNMENT SECURITY TRANSACTIONS 1930, 1929, AND 1928—AMOUNTS IN THOUSANDS OF DOLLARS

	1930		1929		1928	
	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
Certificates of Indebtedness, Treasury Notes, and U. S. Bonds:						
*Market Purchases.....	5,895	\$348,388	8,818	\$274,609	6,897	\$367,656
*Market Sales.....	7,361	413,264	5,461	195,443	8,967	365,414
Bought with Agreement	220	68,532	371	169,021	334	189,530
Sold under Agreement.	199	61,978	430	171,290	508	191,670
Totals.....	13,675	892,162	15,080	810,363	16,706	1,114,270

\*These figures include special Certificates of Indebtedness to cover overdrafts amounting to \$95,000,000 in 1930, \$116,500,000 in 1929, and \$131,000,000 in 1928.

FEDERAL RESERVE NOTE AND DEPOSIT LIABILITIES;  
RESERVE POSITION

The volume of Federal Reserve notes of this bank in circulation showed a considerable reduction in 1930 from the preceding year, in large part the result of the generally lower level of business and industrial activity. A low point of \$139,163,000 was recorded on December 31, whereas in 1929 a low of \$274,126,000 was reported on February 6. The peak of the 1930 circulation in this district appeared on March 5, with \$305,700,000, as against \$349,600,000 on July 10, 1929, the high point of that year. Member bank reserve deposits ranged from a low of \$323,692,000 on February 19 to a high of \$367,823,000 July 9, the weekly average amounting to \$345,000,000 compared with \$347,536,000 in 1929; for that year the low point was shown on May 22 with \$330,831,000 and a peak of \$372,160,000 October 30. Total cash reserves were at their lowest point in 1930 on December 24—\$370,420,000—and the \$551,926,000 on April 2 represented the peak. On the closing day of 1930, the Reserve bank's ratio was 74.4, and on the first reporting date, January 8, stood at 73.7 per cent; this item ranged from a high of 88.4 on May 14 to the low recorded January 8.

MEMBERSHIP

Changes in Status of Banks, Affecting Membership in 1930

<b>Losses to Membership:</b>	
Voluntary withdrawal of state bank.....	18
Consolidation of state member bank with national bank.....	3
Consolidation of state member bank with state member bank.....	3
Consolidation of state member bank with non-member bank.....	3
Refund of deposit to state bank closed in 1929.....	1
Suspensions and insolvencies of state banks.....	4
Consolidation of national bank with national bank.....	18
National bank succeeded by national bank.....	4
Consolidation of national bank with state non-member bank.....	20
Conversion of national bank to state non-member bank.....	4
National bank, voluntarily liquidated.....	2
Consolidation of national bank with state member bank.....	1
Refund of deposit of national bank closed in 1929.....	1
Suspensions and insolvencies of national banks.....	15
Total losses.....	97
<b>Additions to Membership:</b>	
National bank succeeded by national bank.....	7
Primary organization of national bank.....	2
Admission of state bank.....	1
Total additions.....	10
Net loss.....	87
<b>Withdrawals pending at close of 1930:</b>	
Consolidation of national bank with national bank.....	10
National bank succeeded by national bank.....	4
Consolidation of national bank with state non-member bank.....	4
Suspensions and insolvencies of national banks.....	13
Conversion of national bank to state non-member bank.....	1
Consolidation of national bank with state member bank.....	1
Voluntary withdrawal of state bank.....	2
Consolidation of state member bank with state non-member bank.....	1
Total withdrawals pending.....	36

# FEDERAL RESERVE BANK OF CHICAGO

## MEMBER BANKS—SEVENTH FEDERAL RESERVE DISTRICT

	December 31, 1930			December 31, 1929			December 31, 1928		
	Nat'l	State	Total	Nat'l	State	Total	Nat'l	State	Total
Illinois.....	312	38	350	321	48	369	323	60	383
Indiana.....	153	12	165	168	14	182	170	14	184
Iowa.....	236	31	267	260*	41	301*	272	55	327
Michigan.....	87	130	217	91	137	228	95	147	242
Wisconsin.....	106	11	117	110	13	123	110	15	125
<b>Total.....</b>	<b>894</b>	<b>222</b>	<b>1,116</b>	<b>950*</b>	<b>253</b>	<b>1,203*</b>	<b>970</b>	<b>291</b>	<b>1,261</b>

\*Revised.

Calls were made by representatives of the Bank Relations Department on 984 member and 432 non-member banks during 1930, and nine addresses were made by officers and other representatives of the Federal Reserve Bank of Chicago and the Detroit Branch. In addition, more than 2,700 visitors were received at the head office or the branch during 1930.

Fiduciary powers were granted to twenty-one national banks by the Federal Reserve Board during the year, fourteen receiving full powers, one supplemental powers, and six partial powers. Full trust powers, previously granted, due to consolidations, were confirmed in the case of eleven banks, and partial powers were confirmed in the case of one.

### MEMBER BANKS AUTHORIZED AND APPROVED IN 1930 TO EXERCISE FIDUCIARY POWERS

<i>Illinois:</i>	Bloomington, First National Bank & Trust Company Chicago, Terminal National Bank Morris, Grundy County National Bank Streator, Union National Bank
<i>Indiana:</i>	Aurora, First National Bank Greenwood, First National Bank Indianapolis, Merchants National Bank Kendallville, Citizens National Bank
<i>Iowa:</i>	*Belle Plaine, Citizens National Bank *Chariton, National Bank & Trust Company Grinnell, Poweshiek County National Bank Kingsley, Farmers National Bank Spencer, Clay County National Bank
<i>Michigan:</i>	*Adrian, National Bank of Commerce †Grand Rapids, American National Bank *Hillsdale, First National Bank
<i>Wisconsin:</i>	Beloit, Second National Bank *Menasha, First National Bank Ripon, First National Bank Waupun, National Bank of Waupun

\* Partial

† Partial then supplemental

All others full powers

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

<i>Illinois:</i>	Aurora, First National Bank Elmhurst, First National Bank Peoria, Commercial Merchants National Bank & Trust Company
<i>Indiana:</i>	Greensburg, Citizens Third National Bank & Trust Company
<i>Iowa:</i>	Muscatine, First National Bank
<i>Michigan:</i>	Flint, First National Bank Jackson, Union & Peoples National Bank Port Huron, First National Trust & Savings Bank
<i>Wisconsin:</i>	Baraboo, First National Bank & Trust Company *Clintonville, First National Bank Milwaukee, Marine National Exchange Bank Milwaukee, National Bank of Commerce

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\* Partial

### DIVISION OF RESEARCH AND STATISTICS

Marked expansion took place during 1930 in the work of the Division, largely an outgrowth of a number of special studies undertaken at the request of the Federal Reserve Board. In addition, the earnings and expenses of all Iowa banks in 1929 were compiled for the Iowa Bankers Association, with the co-operation of the Iowa State Banking Department, and those of all national banks in Illinois for the Illinois Bankers Association. Comparable records were completed showing resource and liability items of all banks in the Seventh district and in the five states comprising it, in so far as data were available from June 30, 1919 to date.

The reference library collections, administered as a part of this division, have undergone a thorough overhauling during the past year, so that while 535 pieces have been catalogued and added to the shelves, 875 have been withdrawn, leaving a total book collection of about 7,500 volumes. The same procedure has been applied to the files, with the result that all library collections show little increase in quantity, but are better organized and in more active condition. A very large amount of both printed and typewritten matter has been handled by the staff during the year. Most of the material withdrawn has been distributed to other reference libraries of this vicinity. Reference and other library work has been carried on as usual.

### FISCAL AGENCY FUNCTIONS

The work in the Fiscal Agency Department showed a marked decrease in 1930; however, during the year this bank received 806 subscriptions for new issues of Government securities totaling \$734,-

## FEDERAL RESERVE BANK OF CHICAGO

417,000. On these, there was allotted \$243,282,000, delivery of which was made by 689 shipments containing 11,449 pieces amounting to \$244,195,000; the difference of \$913,000 between allotments and deliveries was represented by a net difference in transfers of certificates of indebtedness on allotment to and from other Federal Reserve banks.

Payment for certificates and bills allotted was made as follows:

By surrender of other Government securities.....	\$ 51,011,500
By credit in War Loan Deposit Account.....	118,088,500
By cash .....	73,980,578
By discount on Treasury Bills.....	201,422

\$243,282,000

In connection with the figures given above, it is interesting to note that while this bank received but 806 subscriptions during 1930 for a total of \$734,417,000, in 1929 there were received 2,323 subscriptions for a total of only \$350,287,000. The Treasury offered eight series of Treasury bills during 1930 on which the bank received 165 tenders aggregating \$137,951,000; twenty-six of these tenders were accepted for a total of \$43,077,000.

There were surrendered to this bank for exchange, transfer, etc., Government securities amounting to \$467,207,850, represented by 258,183 pieces, against which were delivered 132,118 pieces totaling \$432,272,900. These figures include United States Treasury Certificates of Indebtedness and Treasury Notes totaling \$274,208,400 (39,293 pieces) accepted for telegraphic transfer to other Federal Reserve banks, and like securities totaling \$241,692,000 (11,436 pieces) delivered for account of other Federal Reserve banks. Securities redeemed totaled \$313,679,902, represented by 47,964 pieces. In addition, 3,298,541 coupons amounting to \$60,367,418 were cashed.

### GOLD SETTLEMENT FUND

A net gain of \$60,433,000 was shown in Gold Settlement Fund transactions between the Seventh and other Federal Reserve districts in 1930, as compared with a net loss of \$142,637,000 in 1929 and of \$39,772,000 in 1928. Receipts from other Federal Reserve banks amounted to \$21,165,756,000, a gain of \$735,093,000 over the preceding year, and total payments in 1930, of \$21,105,323,000 as against \$20,573,300,000 in 1929, increased \$532,023,000. The Gold Settlement Fund of this bank as of December 31, 1930, amounted to \$49,660,000.

### CLEARINGS AND COLLECTIONS

Checks handled during the year 1930 by the head office and the Detroit branch combined, showed a slightly decreased volume from 1929. Total number decreased 1.3 per cent; those payable in Chicago

and Detroit were less by 1.1 per cent than in the preceding year and those payable outside of these cities by 1.3 per cent, while Government checks fell 1.6 per cent short of the 1929 aggregate. The total number of items handled during the year by both offices was \$128,038,838 (including duplications), representing \$30,271,-276,000. Of these, 91.2 per cent were drawn on banks in this district, 5.1 per cent on banks in other districts, and 3.7 per cent on the United States Treasurer. During the year under consideration the personnel of the Check Department at the head office reached its highest state of efficiency, and the items were handled at the lowest average cost per unit of any year since the department was established. Each year, without exception, the average handling cost per unit has been reduced from that of the year preceding.

Non-cash collection letters to the number of 753,268 with an aggregate value of \$1,183,646,111 were handled by the bank and the Detroit branch in 1930, as compared with 742,574 letters with a value of \$996,963,989 in 1929, or a gain of 1.4 per cent in number. Of this aggregate number, 620,510, totaling in value \$1,045,624,567, were handled by the head office, and 132,758 with an aggregate value of \$138,021,544 by the Detroit branch.

Funds to the amount of \$35,038,612,775 were transferred for member banks during 1930, compared with \$31,088,980,668 in the preceding year. Of the foregoing total, \$24,987,044,860 was transferred over leased wires and \$3,405,800,265 over commercial wires. In 1929, transfers over leased wires amounted to \$20,892,261,121 and over commercial wires to \$3,631,323,551. All other transfers totaled \$6,645,767,650 in 1930 and \$6,565,395,996 in the prior year. The total number of transactions was 327,688 in 1930, as against 355,462 in 1929.

## CASH AND CURRENCY OPERATIONS

Currency operations of the Federal Reserve Bank of Chicago during 1930 changed little in volume from 1929. Currency received and counted totaled \$2,262,720,000, as against \$2,266,698,000 in the preceding year. Payments in 1930 aggregated \$2,210,678,000, compared with \$2,214,910,000 in 1929. Gold certificates to the amount of \$1,041,849,000 were paid out; in 1929 this item had aggregated \$473,881,500. The number of currency shipments to country banks in 1930 decreased to 40,561 from 46,429 in 1929.

## INTERNAL ORGANIZATION

Max W. Babb, Vice-President of the Allis-Chalmers Manufacturing Company, Milwaukee, Wisconsin, was elected a Class B director, at a special election April 15, 1930, to fill the unexpired term of August H. Vogel, who died February 18, 1930. Mr. Vogel had been a director of the Federal Reserve Bank since its beginning.

## FEDERAL RESERVE BANK OF CHICAGO

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George M. Reynolds was re-elected a Class A director for the term expiring 1933, and Max W. Babb was re-elected a Class B director for the term expiring 1933. Eugene M. Stevens was appointed a Class C director for the term expiring 1933, and was designated as Chairman of the Board and Federal Reserve Agent, and James Simpson was designated as Deputy Chairman of the Board.

The directors for the year 1931 will consist of the following:

CLASS A—Edward R. Estberg, Waukesha, Wisconsin; George J. Schaller, Storm Lake, Iowa; George M. Reynolds, Chicago, Illinois.

CLASS B—Stanford T. Crapo, Detroit, Michigan; Robert M. Feustel, Fort Wayne, Indiana; Max W. Babb, Milwaukee, Wisconsin.

CLASS C—Frank C. Ball, Muncie, Indiana; James Simpson, Chicago, Illinois; Eugene M. Stevens, Evanston, Illinois.

The Executive Committee for the year 1931 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, George J. Schaller, Directors.

The Committee on Admission for the year 1931 will consist of the following: Chairman of the Board and Federal Reserve Agent, Eugene M. Stevens; Governor McDougal, and Director Estberg.

Effective October 1, 1930, the title Controller was superseded by Assistant Deputy Governor, and that of Assistant Controller by Manager, Loan Division.

There were two resignations in the official staff at the Chicago office during the year 1930:

William A. Heath, Chairman of the Board, resigned as of December 31, 1930. Mr. Heath had been a Class C director, Chairman of the Board of Directors, and Federal Reserve Agent since January 1, 1917.

Kent C. Childs, Controller of Loans and Credits, resigned October 1, 1930.

There was one appointment in the official staff at the Chicago office during the year 1930. George A. Prugh was appointed Manager, Loan Division, effective October 1, 1930.

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

December 31, 1929.....	1,186
December 31, 1930.....	1,084
Decrease .....	<u>102</u>

The Detroit Branch Board of Directors for the year 1931 will be composed of James Inglis, Detroit, Michigan; N. P. Hull, Lansing, Michigan; David McMorran, Port Huron, Michigan; William J. Gray, Detroit, Michigan; Julius H. Haass, Detroit, Michigan; George B. Morley, Saginaw, Michigan; William R. Cation, Detroit, Michigan.

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

December 31, 1929.....	231
December 31, 1930.....	218
Decrease .....	<u>13</u>