

7
TWENTY-FIRST
ANNUAL REPORT

FEDERAL RESERVE BANK
OF CHICAGO

FOR THE YEAR ENDED DECEMBER 31, 1935



FEDERAL RESERVE AGENT
SEVENTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK
OF CHICAGO

Chicago, January 30, 1936.

Sir:

I have the honor to submit herewith, in accordance with the usual custom, the twenty-first annual report of the Federal Reserve Bank of Chicago, covering the year 1935.

Respectfully,

EUGENE M. STEVENS,
*Chairman of the Board and
Federal Reserve Agent.*

HON. MARRINER S. ECCLES,
*Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.*

FEDERAL RESERVE BANK OF CHICAGO

*Directors and Officers for 1936**

CLASS A—DIRECTORS

- JAMES R. LEAVELL, Lake Forest, Illinois
(1936)
President, Continental Illinois National Bank
and Trust Company of Chicago
- EDWARD R. ESTBERG, Waukesha, Wisconsin
(1937)
President, The Waukesha National Bank
- FRANK D. WILLIAMS, Iowa City, Iowa
(1938)
Vice-President and Cashier, The First Capital
National Bank of Iowa City

CLASS B—DIRECTORS

- MAX W. BABB, Milwaukee, Wisconsin
(1936)
President, Allis-Chalmers Manufacturing
Company
- STANFORD T. CRAPO, Detroit, Michigan
(1937)
Vice-President and Treasurer, Huron Port-
land Cement Company
- NICHOLAS H. NOYES, Indianapolis, Indiana
(1938)
Secretary and Treasurer, Eli Lilly and Com-
pany

CLASS C—DIRECTORS

- EUGENE M. STEVENS, Evanston, Illinois
(1936)
Chairman
- EDWARD E. BROWN, Chicago, Illinois,
Member Federal Advisory Council

OFFICERS

- EUGENE M. STEVENS, *Chairman of the
Board and Federal Reserve Agent*
- CLIFFORD S. YOUNG, *Assistant Federal
Reserve Agent*
- GEORGE A. PRUGH, *Assistant Federal Re-
serve Agent*
- HARRIS G. PETT, *Manager, Division of
Research and Statistics*
- WILLIAM H. SNYDER, *Controller*
- JOHN J. ENDRES, *General Auditor*

- GEORGE J. SCHALLER, *Governor*
- CHARLES R. MCKAY, *Deputy Governor*
- HOWARD P. PRESTON, *Deputy Governor*
- JAMES H. DILLARD, *Deputy Governor*

- WILLIAM C. BACHMAN, *Assistant Deputy
Governor*
- EUGENE A. DELANEY, *Assistant Deputy
Governor*
- OTTO J. NETTERSTROM, *Assistant Deputy
Governor*
- ARTHUR L. OLSON, *Assistant Deputy
Governor*
- ALFRED T. SIHLER, *Assistant Deputy
Governor*

- FRED BATEMAN, *Manager, Securities De-
partment*
- ALLAN M. BLACK, *Manager, Planning
Department*
- JOSEPH C. CALLAHAN, *Manager, Member
Bank Accounts Department*
- NEIL B. DAWES, *Manager, Investment
Department*
- ROBERT J. HARGREAVES, *Manager, Per-
sonnel Department*
- FRANK A. LINDSTEN, *Manager, Disburs-
ing Department*
- LOUIS G. MEYER, *Assistant Manager,
Fiscal Agency Department*
- FRANKLIN L. PURRINGTON, *Manager, Re-
construction Finance Corporation, Cust-
ody Division*
- JESSE G. ROBERTS, *Manager, Cash De-
partment*
- CARL M. SALTNES, *Manager, Check De-
partment*
- WILLIAM W. TURNER, *Manager, Loans*
- CHARLES B. DUNN, *General Counsel*

DETROIT BRANCH

Directors and Officers

- JAMES E. DAVIDSON, Bay City, Michigan
President, Peoples Commercial and Savings
Bank
- DAVID McMORRAN, Port Huron, Michigan
President, Heinr. Franck Sons, Inc.
- JAMES INGLIS, Detroit, Michigan
Chairman of Board, National Bank of Detroit
- ALFRED C. MARSHALL, Detroit, Michigan
Vice-President and General Manager, Detroit
Edison Company

- JOHN BALLANTYNE, Detroit, Michigan
President, The Manufacturers National Bank
of Detroit
- RALPH H. BUSS, *Managing Director*
- JOHN H. MARTIN, *Assistant Federal Re-
serve Agent*
- HARLAN J. CHALFONT, *Cashier*
- ARTHUR H. VOGT, *Assistant Cashier*
- HAROLD L. DIEHL, *Assistant Cashier*

* Because of changes in certain titles under the Banking Act of 1935, which become effective on March 1, 1936, the officers of the bank and its Detroit Branch as listed above, have been elected as such by the Board of Directors for the period ending February 29, 1936.

TWENTY-FIRST ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF CHICAGO

OF GREAT importance to banking was the passage of new Federal legislation known as the Banking Act of 1935, which became law on August 23, 1935. This act has the effect of a concentration of responsibility for national credit policy and gives to the Board of Governors of the Federal Reserve System enlarged authority. A Federal Open Market Committee consisting of seven members of the Board of Governors and five representatives of the Federal Reserve banks will, on March 1, 1936, be given mandatory authority over the open-market operations of the Federal Reserve banks. The Board of Governors is also given enhanced authority over other major instruments of credit and control, including changes in discount rates, member bank reserve requirements, and margins to be prescribed on loans on securities.

Another important change in the law broadens the loaning powers of the Federal Reserve banks. In addition to their previous powers, they may now make advances to their member banks on any sound assets at a rate of interest at least $\frac{1}{2}$ of 1 per cent per annum higher than the regular discount rate.

Under the new Act, the present Board of Governors of the Federal Reserve System, which consists of six appointive members together with the Secretary of the Treasury and the Comptroller of the Currency, goes out of office on February 1, 1936. In its stead, a new board, consisting of seven members (not including the Secretary of the Treasury and the Comptroller of the Currency), will be appointed by the President, subject to ratification by the Senate.

The Banking Act of 1935 also provides that the titles of Governor and Deputy Governors of the Federal Reserve banks shall be changed to President and Vice-Presidents. Under the previous law, there had been no expressed provision for the administrative officers of the several banks. The President and the First Vice-President of each bank shall be elected by the Board of Directors for terms of five years, subject to approval by the Board of Governors of the Federal Reserve System. This change is to take effect on March 1, 1936. The Act made no changes in the status or duties of the Board of Directors of the Reserve banks, the Chairman and Federal Reserve Agent, and the assistant Federal Reserve Agents.

Under the provisions of the new law which, as stated, constitutes the Federal Open Market Committee, consisting of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks, the Chicago and St. Louis banks jointly will be entitled to one representative on

this committee, and such representative will be elected by the Boards of Directors of the Chicago and St. Louis Federal Reserve banks to take office March 1, 1936.

In addition to these changes, the Banking Act of 1935 made a number of clarifying changes in technical provisions of the old law and also continued the deposit insurance plan under a permanent basis. The assessment rate for such insurance is fixed at 1/12 of 1 per cent per annum, based on the total deposits; whereas, under the temporary act, insured banks would have been subject to an unlimited assessment liability. The Act also simplified many provisions relating to directors' permits, holding company affiliates, and otherwise. It also gave the Board of Governors of the Federal Reserve System authority to define demand, time, and **savings deposits**.

Improved farm income in 1935, combined with accelerated activity in several of the district's major industries, notably automobile manufacturing and iron and steel, resulted in substantial improvement in economic conditions in the Seventh district in the year. The operations of the Federal Reserve Bank of Chicago in the main followed the lines laid down in 1934, with some departments experiencing a somewhat heavier volume of work, such as the Fiscal Agency, Cash, and Safekeeping, while others, such as Discount and Investment, performed operations little changed in volume from the prior year.

During 1935, as well as in the preceding year, considerable progress was made in the reduction of the bank's operating expenses. The inauguration in March 1934 of the Federal Reserve Retirement System, enabled many of the employes who had reached the retirement age in the bank's service, to take advantage of the benefits available under the plan and retire from active service. Coincident with this development, careful appraisal was made of all operating departments and through reassignment of the duties of many employes, combination and rearrangement of departmental functions, and otherwise, many operating economies have been effected, with no impairment of efficiency. As shown elsewhere in this report, the number of employes at the head office and Detroit branch combined, on December 31, 1935, showed a reduction of 119 from the number on December 31, 1934.

The extension of direct loans to industry continued in the past year, during which period applications with an aggregate of \$4,727,700 were approved. Details regarding these activities are given elsewhere in this report. The volume of commitments with respect to direct loans to industry was considerably heavier in 1935, and every effort has been made to bring about the widest possible use of the facilities available for this kind of loan to industry.

The work of the Federal Reserve Agent's Department for the

year 1935 has continued without diminution, although some of its activities vary somewhat from year to year in their relative importance. The Federal Reserve Agent's Department, as the direct representative of the Board of Governors of the Federal Reserve System in its particular functions, is charged with the duty of the administration of the Federal Reserve Act and the regulations issued thereunder with the member banks in this district, in cooperation with the office of the Comptroller of the Currency as to national banks. Through its own examiners, it makes periodic examinations of all State member banks, and for its confidential information it has access to the examination reports of the national banks.

In addition to certain definite responsibilities relating to the conduct of member banks, which are specifically delegated to it by the provisions of the Act, the Federal Reserve Agent's Department is directly concerned in its activities with the development of the broader and more general relationships of the member banks to the System, which are conducive to the best interests of the banking system and its relation to the public welfare. These duties have entailed extensive correspondence and many interviews with member banks relative to the Banking Acts of 1933 and 1935, and interpretations of the Federal Reserve Act and Regulations of the Board of Governors of the Federal Reserve System. They have also included large numbers of interviews and correspondence with member banks with relation to their individual problems, and many calls have been made on the banks at their own offices.

The enactment of the Banking Act of 1935 made it necessary to revise the regulations concerning the administration of the Act and the Board of Governors with the cooperation of the Federal Reserve Agents of the various banks, gave much time and consideration to such revisions. During the year, final drafts and issuance of regulations were made as follows:

- Regulation D, Reserves of Member Banks.
- Regulation H, Membership of State Banking Institutions in the Federal Reserve System.
- Regulation I, Increase or Decrease of Capital Stock of Federal Reserve Banks and Cancellation of Old and Issue of New Stock Certificates.
- Regulation O, Loans to Executive Officers of Member Banks.
- Regulation P, Holding Company Affiliates—Voting Permits.
- Regulation Q, Payment of Interest on Deposits.

Others have either been issued since the first of this year or are in process of revision at this time.

In addition to the administration of the law and the regulations with the member banks, as was noted in the annual report of this bank for 1934, this Department has the responsibility for the administration of the regulations of the Board of Governors under Sections 7 and 8(a) of the Securities Exchange Act of 1934, under which the Board of Governors is charged with the duty of regulating the amount of credit advanced by stock exchange brokers in connection with the purchase and carrying of securities. A special section of the Federal Reserve Agent's Department has been organized to carry on this phase of activity, and during the past year numerous special investigations have been made on behalf of the Board, and the collection and review of reports and specific data from brokers and dealers, and the supervision of their operations in their margin accounts have been continued.

The Division of Research and Statistics during the past year has made available to officers and directors of this bank as well as to member banks of the district, a considerably greater volume of economic and statistical information. Much of this material has been in the form of charts and special studies, including a compilation of earnings and expenses of all Iowa banks for 1934, the completion of which study provided a comparable series for that State extending back to 1924. The preparation of the bank's monthly review of business conditions, of which approximately 10,000 copies are mailed each month to banks, firms, and corporations throughout the country and abroad, is carried on in this division, as is the administration of the library. Some 8,000 books, pamphlets, and periodicals on economic and financial subjects comprise the library's collection, which thus furnishes this bank as well as member banks and the public with access to a wide range of information in the economic field.

The Bank Examination Division, during the calendar year 1935 conducted 193 regular examinations of State member banks, 17 examinations in connection with applications for membership, and 6 examinations of private banks which, under Section 21 of the Banking Act of 1933, submitted themselves to examination by this bank. With the amendment of Section 21 of the Banking Act of 1933, however, the Comptroller of the Currency and the Federal Reserve banks have been relieved of examining and obtaining reports of private banks. The Bank Examination Division also examined one holding company affiliate of a State member bank, bringing the total number of examinations made during the year to 217. In the annual report of 1934, considerable comment was made upon the activities of a Trust Examiner on the Federal Reserve Agent's staff. During 1935 the Trust Departments of all State member banks were examined, and in addition, investigations were made in connection with 14 applications of national banks for fiduciary powers.

FEDERAL RESERVE BANK OF CHICAGO

During the year, 20 investigations in connection with applications for permission to organize national banks were made in accordance with the request of the Comptroller of the Currency. Recommendations with respect to these applications were duly submitted.

Numerous applications of directors and officers of member banks were reviewed under Sections 8 and 8(a) of the Clayton Anti-Trust Act as amended and under Section 32 of the Banking Act of 1933, together with a number of applications of holding company affiliates for permission to vote the member bank stock which they own or control, as required under Section 5144 of the United States Revised Statutes as amended.

Rehabilitation of the capital structure of member banks, which was instituted in 1933 and discussed at considerable length in the annual report for 1934, was practically completed during the year just closed. This bank is informed, furthermore, by the various supervisory agencies of this district, that rehabilitation of non-member banks is practically complete. The banks of the district, therefore, are in excellent condition to meet any demands which may be made upon them with the recovery of general business and increased borrowing.

During the year 20 applications for membership were received, as compared with 51 in 1934. During the later months of 1935, representatives of the Agent's Department devoted a considerable portion of their time to visiting non-member banks with a view to interesting them in membership or answering specific inquiries. As shown elsewhere, the total number of member banks at the end of the year was 706 as compared with 691 at the end of 1934.

Banks in the Seventh district were in an unusually liquid condition during 1935, the result in large measure of the greatly increased volume of deposits coincident with continued small demand for loans. The deposits of the member banks of the Seventh Federal Reserve district on December 31, 1934, were \$4,169,762,000 and on December 31, 1935, were \$5,064,695,000, an increase of \$894,933,000. At the same time, investments in securities of the United States Government, as of the same date, both direct and guaranteed, were \$1,564,122,000 at the close of 1934, and \$2,054,093,000 at the close of 1935, an increase of \$489,971,000. Loans and discounts on December 31, 1934, were \$1,074,421,000 and on December 31, 1935, were \$1,027,937,000, a decrease of \$46,484,000. Due, therefore, to the relatively small amount of loans and discounts and to the low interest rates prevailing on Government bonds and otherwise, the earning capacity of the member banks continued at comparatively low levels. Notwithstanding that the banks are making earnest efforts to make sound loans, the demand for them has continued abnormally low, and the excess reserves of the member banks

in the Seventh Federal Reserve district with the Federal Reserve Bank of Chicago stood on December 31, 1935, at approximately \$411,000,000 as compared with about \$316,000,000 on December 31, 1934.

As an outgrowth of improved conditions with the accompanying advancement in the values of securities, the loan portfolios of banks showed a marked improvement in 1935. This factor is becoming increasingly important in strengthening the entire banking structure of the district. A number of banks, also, while as stated above the general level of earnings has remained low, have nevertheless been able to declare dividends for the first time in several years and in some cases have retired portions of the preferred stock and debentures sold the Reconstruction Finance Corporation during the rehabilitation program mentioned above. Furthermore, the banks have been able to continue in larger volume the paying-off of waived deposits, which was evident in smaller degree in 1934.

BANKING DEVELOPMENTS

Member bank reserve balances were 157 million dollars greater at the close of 1935 than a year previous, the result of a net inflow of funds to the district through inter-district commercial and financial transactions totaling over 406 millions. However, this gain in the supply of Seventh district banking reserves was offset to a great extent by net payments to the Treasury totaling almost 223 millions—due for the most part to retirement of national bank notes—and an increase of 25½ millions in demand for currency. On December 31, 1935, the total volume of credit extended by the Chicago Reserve bank amounted to \$358,982,000 as compared with \$429,339,000 on the corresponding date in 1934. The accompanying tabulation gives detailed changes in the uses and sources of Seventh district banking reserves during the year.

CHANGES BETWEEN DECEMBER 31, 1934 AND DECEMBER 31, 1935 IN FACTORS AFFECTING USE OF FEDERAL RESERVE BANK FUNDS SEVENTH DISTRICT

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts).....	+1,519
Commercial operations through inter-district settlements	+406,408
Treasury and National bank currency.....	-323,941
Total supply.....	+83,986
Demand for currency.....	+25,643
Member bank reserve balances.....	+156,951
Treasury cash and deposits at Federal Reserve Bank of Chicago	-101,171
Special and "all other" deposits.....	-341
Other Federal Reserve accounts.....	+2,904
Total demand.....	+83,986

During the year 1935, all of the banks closed in the Seventh district were non-member institutions, with the exception of one

FEDERAL RESERVE BANK OF CHICAGO

non-licensed State member bank which withdrew from the System prior to closing. In the accompanying tabulation it will be noted that only 8 licensed banks were suspended—all non-members—involving deposits of \$1,461,000 and including 5 insured institutions with deposits of \$1,211,000. Non-licensed banks placed in liquidation or receivership in the past year numbered 16 with deposits amounting to \$2,907,000. This latter group comprised 9 private banks and 7 State institutions which had failed to qualify for a license to reopen on an unrestricted basis since their enforced closing in the Moratorium of March 1933. Several of these closed banks were succeeded by new organizations. There were 12 reopenings of closed banks during 1935, of which 2 had been licensed subsequent to the Moratorium. Of the reopened banks, 11 were suspended during the four years prior to 1935.

BANKS SUSPENDED AND NON-LICENSED BANKS PLACED IN LIQUIDATION OR RECEIVERSHIP, JANUARY 1 TO DECEMBER 31, 1935
SEVENTH FEDERAL RESERVE DISTRICT

	Licensed banks suspended		Non-licensed banks placed in liquidation or receivership ¹	
	Number of banks	Deposits ² (in thousands of dollars)	Number of banks	Deposits ² (in thousands of dollars)
National banks.....	....	.....	....	.....
State bank members.....	....	.....	1 ³	222 ³
Non-member banks.....	8	1.461	15	2.685
Total.....	8	1.461	16	2.907

¹ Includes non-licensed banks absorbed or succeeded by other banks.

² Deposits are as of date of closing or of the nearest call date prior to closing.

³ Withdrew from the Federal Reserve System (March 24, 1933) before being placed in liquidation.

Mergers and absorptions in 1935 were considerably less than a year previous in both number and amount of funds represented, and thereby continued the declining trend in effect since 1931—the 12 banks thus eliminated in 1935 comparing with 38 in 1934, 30 in 1933, 60 in 1932, and 209 in 1931. Loans and investments involved in the consolidations during the past year aggregated 38 millions and capital totaled 5 millions, as compared with 160 and 15 millions, respectively, in the 1934 mergers.

INDUSTRIAL, AGRICULTURAL, AND TRADE CONDITIONS

Business activity in the Seventh Federal Reserve district showed continued recovery in 1935 from the low levels reached in 1932 and 1933. The volume of both production and trade with few exceptions—notably certain food-producing industries—rose over that of 1934, substantially so in manufacturing phases, and

industrial employment and payrolls were noticeably higher. The early months of 1935 recorded an expanding rate of activity, followed by some seasonal slackening, although the usual mid-summer dullness was not experienced by all industries, and business in the closing months of the year rose to well above the level of the same months a year previous. The 1935 production of most major crops in the district was above that of 1934, and many crops were heavier than the 1928-32 average; farm income expanded further in 1935.

Production of automobiles in 1935 totaled the heaviest of any year since 1929, which year, however, it failed to equal by 29 per cent. Passenger cars and taxicabs produced in 1935, numbering 3,285,836, exceeded those of 1934 by 51 per cent, were more than double the 1933 output, and almost triple that of 1932; truck production showed a similar trend as compared with 1933 and 1932, and totaled 26 per cent above that of 1934. Advanced showing of 1936 models was responsible for sharp acceleration in output during October and November of 1935, whereas curtailed schedules are usually in effect at that season. The steel industry of the Chicago district experienced a substantial gain in business during the year, to which the automotive industry contributed considerable, although miscellaneous users of steel also were active buyers. Steel ingot production was at its peak of the year toward the close of January when operations averaged 67 per cent of capacity as against a peak for 1934 of 69 per cent in June. However, the rate of operations was much steadier through 1935 than a year previous, at no time falling below 40 per cent and averaging above 60 per cent in the first half of December as compared with around 35 per cent at the same time in 1934. Pig iron production in the Illinois-Indiana district was the heaviest of any year since 1930 and more than 45 per cent above that of the preceding year. Shipments of steel castings by foundries in the Seventh district gained moderately in 1935 over 1934, the tonnage shipped increasing 11 per cent and the dollar value 18 per cent. Malleable casting shipments gained more substantially—close to 40 per cent in both tonnage and value. Output of stoves and furnaces by reporting firms was fully 40 per cent larger in 1935 than a year previous. Continued improvement took place in the building industry during the past year, total construction as reflected in contracts awarded expanding 30 per cent over 1934, while residential building gained 119 per cent. The most substantial gains in this industry were shown in the latter half of the year. Most building materials moved more rapidly in 1935 than a year earlier, although the movement of cement was little changed in volume. Furniture manufacturers shipped more goods in 1935 than during any of the previous four years, and at the end of the year shipments were close to average for the season. Seventh

district production of shoes was 10 per cent greater in 1935 than in 1934.

Production of packing-house commodities dropped considerably further—by 30 per cent—in 1935 from total production of the preceding year, and the sales tonnage decreased 19 per cent. Because of higher prices, however, the dollar value of sales recorded an increase of $22\frac{1}{2}$ per cent in 1935 over 1934. Production and volume sales of butter likewise declined in 1935 from a year earlier, by $7\frac{1}{2}$ and 10 per cent, respectively. On the other hand, the manufacture of American cheese in Wisconsin expanded 7 per cent during the year and its distribution gained $11\frac{1}{2}$ per cent, although the volume of this latter item was slightly smaller than that of the former.

Manufacturing industries contributed proportionately more than did the non-manufacturing groups to the average gains of 9 per cent in employment and 18 per cent in payrolls shown by all reporting groups in the Seventh district for the year 1935 over 1934. Increases in the former classification amounted to 10 and 20 per cent, respectively, in number employed and wage payments, while in the latter classification the corresponding gains were but 3 and 7 per cent. Metals other than vehicles recorded a rise of $14\frac{1}{2}$ per cent in employment and of 27 per cent in payrolls. The vehicles group alone raised its employment volume 21 per cent and payroll amounts 24 per cent. The only group in which both items showed a recession for the year was food products where the losses amounted to 7 and 4 per cent, respectively. The number of workers employed in all reporting industries at the close of 1935 was at a level approximately 13 per cent higher than at the end of 1934 and 30 per cent above the level two years previous. Wage payments advanced even more sharply, the increase over a year earlier totaling 27 per cent and over the close of 1933, 64 per cent.

The merchandising of commodities in this district expanded further in 1935, although the gains over the preceding year in general were lesser in extent than those recorded in 1934 over 1933. In wholesale trade electrical supply sales expanded 30 per cent, hardware sales 21 per cent, drug sales 10 per cent, and grocery sales only fractionally over the 1934 level. In most groups the largest gains took place in the latter part of the year. Seventh district department store trade increased 8 per cent in the aggregate over a year previous, as against an 18 per cent gain for 1934 over 1933. Detroit stores experienced the greatest expansion, sales in that city rising 12 per cent over a year earlier; gains amounted to 10 per cent in Indianapolis, 8 per cent in Milwaukee, 5 per cent in Chicago, and to 10 per cent in the total for stores in smaller cities. Sales of shoes by reporting dealers and department stores in the Seventh district were 9 per

cent larger in 1935 than in 1934. The dollar volume of furniture and house furnishings sold by dealers and department stores increased 18 per cent over the preceding year, with dealers showing a somewhat larger gain than did department stores, whereas in 1934 the opposite trend prevailed.

The production of most Seventh district crops increased sharply in 1935 over a year earlier. Noteworthy exceptions to this general improvement, however, were a marked decrease in potatoes, sugar beets, celery, cabbage, cowpeas, and a few of the less important truck crops; a small decline in buckwheat, onions, pears, and grapes; and a small gain in cucumbers and cherries. Output of corn, wheat, oats, barley, and flaxseed was under the 1928-32 average, but that of rye, buckwheat, soybeans, and hay was above this average as was that of most fruit with the exception of grapes. The major portion of garden truck production also exceeded this five-year average, although a decline was shown for onions, celery, cucumbers, and a few other lines of lesser importance. Reports from county agricultural agents to this bank indicate that the 1935 spring crop of pigs in the Seventh Federal Reserve district fell 12 to 17 per cent below that of a year earlier and that the fall crop increased at least 15 to 20 per cent over the autumn of 1934. Attractive prices of beef and an intensive campaign for eradication of Bang's disease reduced dairy herds of the Seventh district somewhat under the December 1, 1934 level, but culling was expected to be less extensive this winter than last. The Seventh district supply of hogs available on December 1, 1935, for winter and spring marketing, was reported to have declined 8 per cent from a year earlier and that of beef cattle to have increased 7 per cent. In common with most other parts of the United States, Seventh district agriculture experienced a further expansion in cash income during the year, the upturn for this industry being indicated as somewhat greater than that for Seventh district income from all sources.

DETAILS OF OPERATION OF THE FEDERAL RESERVE BANK OF CHICAGO IN 1935

Financial Results—Current net earnings of this bank in 1935, after deducting expenses, were \$2,480,075, to which sundry additions in the amount of \$951,304 were made. Deductions for depreciation, other charge-offs, and reserves totaled \$2,660,159, so that net earnings for the year aggregated \$771,220. Dividends in the amount of \$753,583 were paid and \$17,637 was disbursed to the United States Secretary of the Treasury under Section 13(b) of the Federal Reserve Act. Therefore, surplus (sec. 7) remained unchanged from a year earlier. Advances by the

FEDERAL RESERVE BANK OF CHICAGO

United States Treasury in the amount of \$684,667 increased surplus under Section 13(b) from \$706,713 at the close of 1934 to \$1,391,380 on December 31, 1935.

Loan and Discount Operations—Generally speaking, the member banks found themselves with excess reserves throughout the year 1935, with the result that borrowings from the Federal Reserve bank for either seasonal or temporary requirements were negligible. Forty-five applications involving an aggregate amount of \$11,753,405 were approved, and sixteen banks were accommodated. Such borrowings were for temporary periods.

The provisions of Section 13(b) of the Federal Reserve Act permit participation with local financing institutions in loans to established commercial and industrial enterprises for the purpose of supplying working capital, and in exceptional circumstances permit direct advances for such purposes when neither adequate credit nor participation is available from local financing institutions. Commitments with respect to such loans or advances are also authorized. During the year, 178 applications were received under this section in an aggregate amount of \$10,076,250. This number of applications, together with four applications amounting to \$63,200 received but not acted upon during the preceding year, were dealt with as follows:

Approved unconditionally—36.....	\$3,131,500
Approved conditionally —40.....	1,596,200
Disapproved —98.....	4,810,750
Under consideration — 8.....	601,000

The following tabulation indicates outstanding loans and commitments under Section 13b as of December 31, 1934, and the aggregate loans disbursed and commitments entered into during the year 1935, as well as liquidation in loans and expiration of commitments during that year:

	Loans	Commitments	Loans and Commitments
Outstanding as of December 31, 1934.....	\$ 921,223	\$ 30,000	\$ 951,223
During 1935	1,840,508	544,000	2,384,508
	\$ 2,761,731	\$ 574,000	\$ 3,335,731
Repayments of Loans and Expiration of Com- mitments during 1935.....	\$ 908,764	\$ 417,972	\$ 1,326,736
Outstanding as of December 31, 1935.....	\$ 1,852,967	\$ 156,028	\$ 2,008,995

Of the loans disbursed, nine were made in participation with other banks, the portion advanced by the Federal Reserve bank under such participations aggregating \$331,778, and sixteen were made direct without bank participation in an aggregate of \$1,508,730. In addition, two renewals aggregating \$186,466 were made. Commitments were entered into with six banks provid-

ing for the purchase by the Federal Reserve bank at any time within one year of notes aggregating \$544,000, exclusive of two renewal commitments of \$40,029.

Open-Market Operations—The volume of Government securities handled by the Investment Department during 1935, including participation in transactions for the System's Special Investment Account, showed a further reduction from the levels of 1934 and 1933, reflecting relative stability in this bank's investment account and a somewhat decreased volume of participation in the System's Special Investment Account. The volume of purchases and sales for the account of member banks decreased approximately 35 per cent from 1934, and the number of transactions handled for such accounts declined for the first time in recent years—about 10 per cent from 1934. Some increase was noted in the purchase and sale of securities other than Governments for the account of member banks.

The bankers' acceptance market in general was very quiet, this bank's buying rates being above the market during the entire year and transactions in 1935 being confined entirely to System participation in bills payable in foreign currency. Total holdings of this class of investments amounted to only \$577,442 on December 31, 1935.

Member Bank Reserves: Reserve Ratio—As had been the case in the preceding year, reserve balances of member banks in 1935 were greatly in excess of legal requirements. The volume of excess reserves ranged from a low of 97.04 per cent in March to a high of 168.71 per cent in June. In 1934 the low was recorded in February—101.39 per cent—and the high point of 141.49 per cent was shown in July. The ratio of this bank's total reserves to deposit and Federal Reserve note liabilities combined was at its lowest for the year—72.6 per cent—on January 30, and at its highest on December 18 when 81.9 per cent was recorded.

Membership, Fiduciary Powers, and Bank Relations—The following figures reflect changes during 1935 and the two preceding years in status of banks, affecting membership:

	1935	1934	1933
Total losses to membership through consolidations, conversions, liquidations, successions, suspensions, and voluntary withdrawals	13	147	172
Total additions to membership through admissions, conversions, primary organizations, reopenings, and successions	28	93	106
Net additions during the year	15	..	..
Net losses during the year .....	..	54	66
Total withdrawals pending at close of the year due to consolidations, suspensions, etc.	4	7	54

FEDERAL RESERVE BANK OF CHICAGO

The following banks were authorized and approved in 1935 to exercise fiduciary powers:

- Indiana:** Butler, The Knisely National Bank of Butler
Greensburg, Decatur County National Bank of
Greensburg
Lafayette, Lafayette National Bank
- Iowa:** *Keokuk, Keokuk National Bank
LeMars, First National Bank in LeMars
- Michigan:** Battle Creek, The Central National Bank at Battle
Creek
Battle Creek, Security National Bank of Battle
Creek
*Bay City, The National Bank of Bay City

* Specific trusts only.
All others limited powers.

Trust Powers Canceled

- Illinois:** Amboy, The First National Bank of Amboy

Visits to banks totaling 1,143 were made during 1935 by representatives of the Bank Relations Department, of which number 920 were to member banks and 223 to non-member banks. Addresses to the number of fifteen were made by officers of the bank during the year.

Fiscal Agency—The activities of the Fiscal Agency Department for the year 1935 show a 47.6 per cent increase in the number of pieces, and a decrease of 1.3 per cent in the dollar value of securities handled.

PIECES AND DOLLAR VALUE OF SECURITIES HANDLED

	1935	Per Cent Change from 1934
Dollar value.....	\$3,878,939,130	-1.3
Pieces handled.....	2,005,408	+47.6

SUBSCRIPTIONS FOR NEW ISSUES (INCLUDING TREASURY BILLS
AND CORPORATION BONDS)

Subscriptions received.....	\$2,482,328,125	-42.1
Number of subscriptions.....	51,480	+35.9
Subscriptions allotted.....	1,208,186,625	-13.0
Number of shipments.....	50,331	+26.1
Number of pieces shipped.....	345,073	+27.6
Dollar value of shipments.....	1,100,710,125	-19.0

The difference between dollar value of shipments and subscriptions allotted represents transfers of allotments to and from other Federal Reserve banks minus incomplete delivery of \$22,500 on 1943-45 additional bond issue.

T W E N T Y - F I R S T A N N U A L R E P O R T

P A Y M E N T F O R S E C U R I T I E S A L L O T T E D W A S M A D E A S F O L L O W S

	1935	Per Cent change from 1934
By surrender of other U. S. Government, Federal Land Bank, and Home Owners' Loan Corporation securities.....	\$ 733,770,925	+25.0
By credit in War Loan Deposit Account.....	133,103,000	-27.5
By cash.....	344,164,015	-44.5
By discount on Treasury bills, and miscellaneous corporation bonds.....	470,813	-4.4
	\$1,211,508,753	-12.9
Less premiums and accrued interest.....	3,322,128	+331.0
	\$1,208,186,625	-13.1

E X C H A N G E S (O T H E R T H A N F O R N E W I S S U E S)

Pieces received.....	790,276	+24.6
Amount received.....	\$1,364,273,850	-8.9
Pieces delivered.....	240,579	-30.7
Amount delivered.....	\$1,898,326,300	+12.8

R E C E I P T S A G A I N S T D E L I V E R I E S B Y O T H E R F E D E R A L R E S E R V E B A N K S
(I N C L U D E D I N E X C H A N G E S A B O V E)

Pieces received.....	44,892	-10.6
Amounts received.....	\$ 705,841,650	-25.7

D E L I V E R I E S A G A I N S T R E C E I P T S B Y O T H E R F E D E R A L R E S E R V E B A N K S
(I N C L U D E D I N E X C H A N G E S A B O V E)

Pieces delivered.....	28,526	-21.9
Amount delivered.....	\$1,248,206,000	+9.2

S E C U R I T I E S R E D E E M E D

Pieces.....	870,059	+91.5
Amount.....	\$1,413,955,155	+31.6

C O U P O N S R E D E E M E D

Pieces.....	4,433,920	+10.6
Amount.....	\$ 84,373,890	+4.2

During the year, this bank continued to perform Custodian and Fiscal Agency functions for the following:

Federal Emergency Administration of Public Works—
At the close of the year this bank was carrying \$13,442,200 in securities, representing various bond issues purchased and paid for by this bank during the year as Fiscal Agent for the PWA.

Home Owners' Loan Corporation
Farm Credit Administration
Federal Farm Mortgage Corporation

Activities in connection with these agencies included the issuance of new securities and the exchange of outstanding securities.

Custody Division—Reconstruction Finance Corporation—As custodian for the Reconstruction Finance Corporation, this bank performed a large volume of work in 1935. Collateral and securities aggregating \$481,699,396 represented by 436,531 pieces were received, and 420,432 pieces totaling \$591,222,776 were released. In addition to the foregoing, collateral coupons numbering 159,693 were detached and released. In this division (head office and Detroit branch, combined) there were also handled during the year 358 advances for the account of the Reconstruction Finance Corporation aggregating \$111,338,740, and repayments during the year amounted to \$103,292,112.

Gold Settlement Fund—A gain of \$10,020,000 accrued to this bank in 1935 in transactions in the Gold Settlement Fund between this and other Federal Reserve districts. In the year preceding, a gain of \$49,341,000 was recorded. Receipts from other districts totaled \$13,677,563,000 and payments \$13,667,543,000, representing gains over 1934 of about \$2,000,000,000 in both items. This bank's balance in the Gold Settlement Fund on December 31, 1935, was \$431,261,403, as against \$206,228,067 on the corresponding date in 1934.

Clearings and Collections—The total volume of checks handled during the year 1935 by the Head Office and the Detroit Branch combined was 9,499,647 items greater than in 1934, notwithstanding the fact that the number of Government checks handled decreased 5,797,240.

The total number of checks increased 8.1 per cent; those payable in Chicago and Detroit gained 13.5 per cent; those payable outside of these cities increased 15.6 per cent; while Government checks decreased 37.2 per cent. This decrease took place as the result of the discontinuance of the Civil Works program and despite the handling by the Emergency Relief Check Department of 1,562,730 items with a value of \$38,233,452, since its inception in August 1935.

The total number of items handled during the year by both offices was 126,604,084 (including duplications), amounting to \$26,815,028,000, of which number 84.5 per cent were drawn on banks in the Seventh district, 7.7 per cent on banks in other districts, and 7.8 per cent on the United States Treasurer.

On December 31, 1935, there were 515 banks using the Federal Reserve Check Collection facilities, as compared with 512 on December 31, 1934.

The total number of non-cash letters handled by the Federal Reserve Bank of Chicago and its Detroit branch during the year was 839,067, an increase of 3,189 over a year previous. The aggregate value of these non-cash collections was \$2,130,530,587 as compared with \$1,531,440,891 in 1934. Of the foregoing totals, Detroit handled 155,217 items valued at \$191,892,006, as against 157,658 items and \$138,778,643 a year earlier.

The amount of funds transferred by Chicago and Detroit for member banks increased in 1935, totaling \$15,451,111,626 as compared with only \$12,519,172,837 in 1934. Of the 1935 total, \$10,323,148,102 was transmitted over leased wires and \$1,805,714,820 over commercial wires. All other transfers comprised the remaining \$3,322,248,704.

Cash Department—The demand for paper currency during 1935 was greater than in the preceding year. Payments of paper currency aggregated \$1,905,402,000 as compared with \$1,827,906,000 in 1934. Currency received amounted to \$1,847,495,000

as compared with \$1,866,933,000 in 1934. Although the dollar amount was smaller, approximately 8,000,000 more pieces were received.

Federal Reserve note circulation of this bank increased \$97,410,350 from the 1935 low point of \$762,094,520 on January 29 to the high point of the year of \$859,504,870 on December 24.

Gold coin received amounted to \$274,000 as compared with \$5,043,000 in 1934. Gold certificates received amounted to \$4,410,000 as compared with \$16,717,000 during the preceding year. There was considerable demand for silver and minor coin, although total payments of \$22,348,000 were approximately \$3,000,000 less than in 1934. This decrease, however, was more than offset by a reduction in receipts. The entire reserve stock of circulated coin in all denominations was exhausted, making it necessary to secure \$3,240,000 in new coin from the mint.

The number of paper currency shipments to country banks was 34,736 as compared with 33,628 in 1934. The number of coin shipments to country banks was 9,711 in 1935 and 9,547 a year previous.

Collateral and Safekeeping Operations—The amount of securities and paper held by the bank as collateral for bills discounted in 1935 ranged from a maximum of \$272,151,664 on March 4, to a minimum of \$2,926,480 on July 30. On December 31, the volume amounted to \$3,175,105 as compared with \$214,256,293 at the close of 1934.

The safekeeping service rendered to member banks by this bank in 1935 showed a heavy increase over the preceding year. On December 31, there were 707 banks availing themselves of this service, with an aggregate of \$1,149,559,215 in securities held, representing a gain of 6 per cent in number of banks and of 78.5 per cent in the amount held over December 31, 1934. Tabulated below are comparative data on safekeeping operations in 1935 as compared with 1934:

	1935*	Per Cent change from 1934
Number of pieces received.....	314,607	+14.7
Number of pieces released.....	252,803	+24.9
Number of receipts issued.....	43,442	+22.2
Number of receipts released.....	34,442	+34.6
Amount received.....	\$1,864,314,848	+44.2
Amount released.....	\$1,348,642,998	+33.2

*Inclusive of activity on a limited scale for the Investment Department of the Federal Reserve Bank of Chicago.

Internal Organization—At the regular annual election, Frank D. Williams was re-elected a Class A director for the term expiring December 31, 1938, and Nicholas H. Noyes was re-elected a Class B director for the term expiring December 31, 1938.

The term of James Simpson, a Class C director, expired December 31, 1935.

FEDERAL RESERVE BANK OF CHICAGO

The directors and other officers are shown on page 2.

The Executive Committee for 1936 will consist of the following: Chairman, George J. Schaller, Governor; Eugene M. Stevens, Chairman of the Board and Federal Reserve Agent; Messrs. James R. Leavell, Edward R. Estberg, Frank D. Williams, Max W. Babb; alternate, Nicholas H. Noyes.

The Committee on Admission for 1936 will consist of the following: Eugene M. Stevens, Chairman of the Board and Federal Reserve Agent; George J. Schaller, Governor; Edward R. Estberg, Director; alternates, Clifford S. Young, Assistant Federal Reserve Agent, Howard P. Preston, Deputy Governor, and James R. Leavell, Director.

There was one appointment to the official staff during the year 1935: Carl M. Saltnes, Manager, Check Department, April 1, 1935.

There were two resignations from the official staff during the year 1935: Robert E. Coulter, Manager, Cash Custody Department, August 31, 1935; Louis G. Pavey, Manager, Collection Department, March 31, 1935; and one death, Irving Fischer, Manager, Check Department, died March 20, 1935.

There was one change of title in the official staff during the year 1935: John J. Endres from Assistant Auditor to General Auditor, January 11, 1935.

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

December 31, 1934.....	1,294
December 31, 1935.....	1,205
Decrease.....	89

In addition to the above, there were 5 temporary employes on December 31, 1934, and 3 on December 31, 1935.

John Ballantyne was re-appointed a Director of the Detroit Branch by the Federal Reserve Bank of Chicago for a term of three years, beginning January 1, 1936. James E. Davidson, President, Peoples Commercial and Savings Bank, Bay City, Michigan, was appointed a Director of the Detroit Branch to fill the unexpired term of George B. Morley who died December 20, 1935, which term expires December 31, 1936.

Ralph H. Buss was re-appointed Managing Director of the Detroit Branch.

There was one resignation from the official staff of the Detroit Branch during the year 1935: William A. Eubank, Assistant Auditor, resigned December 31, 1935.

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

December 31, 1934.....	278
December 31, 1935.....	250
Decrease.....	28

TWENTY-FIRST ANNUAL REPORT

Earnings and Expenses

EARNINGS	1935	1934	1933
Discounted bills.....	\$ 1,879	\$ 48,227	\$ 618,806
Purchased bills.....	4,240	17,069	234,060
Industrial advances.....	99,107	9,422	.....
United States Government securities.....	5,837,040	7,843,286	5,667,501
Commitments to make industrial advances.....	8,501	2	.....
Deficient reserve penalties.....	824	717	20,554
Miscellaneous.....	226,024	233,648	223,633
Total earnings.....	\$ 6,177,615	\$ 8,152,371	\$ 6,764,554
CURRENT EXPENSES	1935	1934	1933
Salaries:			
Officers.....	\$ 327,816	\$ 354,298	\$ 323,355
Clerical employes.....	1,326,400	1,440,274	1,437,279
Other employes.....	378,277	463,886	489,475
Contributions—Retirement System.....	475,400	170,660	.....
Governors' conferences.....	607	263	351
Federal Reserve agents' conferences.....	.....	370	252
Federal Advisory Council.....	1,135	924	1,281
Directors' meetings.....	8,113	9,212	13,098
Industrial Advisory Committee.....	820	976	.....
Traveling expenses.....	27,853	32,104	37,070
Assessments for expenses of Board of Governors of the Federal Reserve System.....	161,587	164,711	101,295
Legal fees.....	502	4,117	14,107
Insurance on currency and security shipments.....	28,612	34,256	51,191
Other insurance.....	20,800	27,317	39,673
Taxes on banking house.....	154,354	135,822	96,109
Light, heat, power, and water.....	40,107	44,543	48,568
Repairs and alterations, banking house.....	14,398	19,428	15,152
Rent.....	15,338	.....	1,079
Office and other supplies.....	27,539	34,837	47,488
Printing and stationery.....	38,316	43,960	71,535
Telephone.....	15,106	18,872	29,709
Telegraph.....	24,610	25,000	34,519
Postage.....	276,222	264,568	323,666
Expressage.....	60,439	54,029	64,448
Miscellaneous expenses.....	66,564	82,698	89,104
Total, exclusive of cost of currency.....	\$ 3,490,915	\$ 3,427,125	\$ 3,329,804
Federal Reserve currency:			
Original cost.....	184,192	72,310	397,865
Cost of redemption.....	22,433	23,949	30,185
Taxes on Federal Reserve bank note circulation.....	.....	28,454	96,155
Total current expenses.....	\$ 3,697,540	\$ 3,551,838	\$ 3,854,009
PROFIT AND LOSS ACCOUNT	1935	1934	1933
Earnings.....	\$ 6,177,615	\$ 8,152,371	\$ 6,764,554
Current expenses.....	3,697,540	3,551,838	3,854,009
Current net earnings.....	\$ 2,480,075	\$ 4,600,533	\$ 2,910,545
Additions to current net earnings:			
Profit on United States Government securities sold.....	\$ 901,875	\$ 1,498,266	\$ 140,466
All other.....	49,429	113,724	232,779
Total additions.....	\$ 951,304	\$ 1,611,990	\$ 373,245
Deductions from current net earnings:			
Bank premises—depreciation.....	\$ 140,624	\$ 2,434,800	\$ 233,940
Furniture and equipment.....	26,516	16,506	24,545
Reserve for losses.....	902,868	1,352,519	717,260
Reserve for self-insurance.....	.....	1,000,000	500,000
Assessment for building for Board of Governors.....	116,194	.....	.....
All other.....	1,473,957	4,207	17,552
Total deductions.....	\$ 2,660,159	\$ 4,808,032	\$ 1,493,297
Net deductions from current net earnings.....	\$ 1,708,855	\$ 3,196,042	\$ 1,120,052
Net earnings.....	\$ 771,220	\$ 1,404,491	\$ 1,790,493
Dividends paid.....	\$ 753,583	\$ 761,334	\$ 858,127
Transferred to surplus (sec. 7).....	669,479	669,479	932,366
Withdrawn from surplus (sec. 13b).....	.....	26,322	.....
Paid to United States Treasurer (sec. 13b).....	17,637	.....	.....

*Other than those connected with governors' and agents' conferences and meetings of directors, the Federal Advisory Council, and the Industrial Advisory Committee.

FEDERAL RESERVE BANK OF CHICAGO

Earnings and Expenses—Continued

SURPLUS ACCOUNT (SEC. 7)	1935	1934	1933
Surplus, beginning of year.....	\$ 21,350,361	\$ 40,429,399	\$ 39,497,033
Additions to surplus:			
Transferred from net earnings.....		669,479	932,366
Charges to surplus:			
Purchase of Federal Deposit Insurance Corporation Stock.....		19,748,517	
Surplus, end of year.....	\$ 21,350,361	\$ 21,350,361	\$ 40,429,399
SURPLUS ACCOUNT (SEC. 13b)	1935	1934	1933
Surplus, beginning of year.....	\$ 706,713		
Additions to surplus:			
Advances by United States Treasury.....	684,667	733,035	
Charges to surplus:			
United States Treasury portion of Industrial Loan Expense.....		26,322	
Surplus, end of year.....	\$ 1,391,380	\$ 706,713	

Comparative Volume of Operations in Principal Departments 1935, 1934 and 1933

Number of Pieces Handled	1935	1934	1933
Bills discounted:			
Applications.....	72*	225*	4,839**
Notes discounted.....	105*	543*	27,853**
Bills purchased in open market and from other Federal Reserve banks for own account.....		509	8,090
Currency received and counted.....	376,426,000	368,708,000	362,955,000
Coin received and counted.....	218,886,000	286,505,000	287,877,000
Checks handled.....	126,604,000	117,104,000	92,358,000
Collection items handled:			
United States Government coupons paid†.....	4,434,000	4,007,000	3,331,000
All other††.....	839,000	836,000	829,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department†.....	2,005,000	1,359,000	708,000
Transfers of funds.....	160,000	173,000	189,000
Envelopes received and dispatched.....	3,510,000	4,140,000	4,743,000
Amounts Handled	1935	1934	1933
Bills discounted.....	\$ 13,780,000*	\$ 15,307,000*	\$ 435,932,000**
Bills purchased in open market and from other Federal Reserve banks for own account.....	3,715,000	7,560,000	137,062,000
Currency received and counted.....	1,845,906,000	1,878,222,000	2,495,284,000
Coin received and counted.....	18,654,000	26,670,000	136,750,000
Checks handled.....	26,815,028,000	22,744,114,000	16,928,240,000
Collection items handled:			
United States Government coupons paid†.....	84,374,000	80,985,000	66,969,000
All other††.....	2,130,531,000	1,531,441,000	996,521,000
United States securities—issues, redemptions, and exchanges by Fiscal Agency department†.....	3,878,839,000	3,931,535,000	3,560,499,000
Transfers of funds.....	15,451,112,000	12,519,173,000	13,194,453,000

*Includes industrial advances covered by 27 applications and 40 notes, valued at \$2,026,974 in 1935; and by 19 applications and 20 notes, valued at \$924,400 in 1934; but excludes applications for industrial advances which were not disbursed.

**Includes 1 application and 6 notes covering \$150,000,000 rediscounted for other Federal Reserve banks.

†Includes obligations of United States Government agencies.

††Includes collection items handled for United States Government agencies.

Government Security Transactions 1935, 1934, and 1933 (Inclusive of transactions with member banks and with other Federal Reserve banks) (Amounts in Thousands of Dollars)

	1935		1934		1933	
	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
Certificates of Indebtedness, Treasury Notes, and U. S. Bonds:						
*Market Purchases.....	8,987	382,324	12,745	614,806	12,141	925,178
*Market Sales.....	24,765	450,874	24,646	558,110	20,741	714,323
#Bought with Agreement.....					3	505
#Sold under Agreement.....					2	505
Total.....	33,752	833,198	37,391	1,172,916	32,887	1,640,511

*These figures include special Certificates of Indebtedness to cover overdrafts amounting to none in 1935, none in 1934, and \$14,000,000 in 1933.

#Inclusive of Agreements purchased through other Federal Reserve banks.

TWENTY-FIRST ANNUAL REPORT

Comparative Statement of Condition
(In Thousands of Dollars)

ASSETS	Dec. 31 1935	Dec. 31 1934	Dec. 31 1933
Gold certificates on hand and due from United States Treasury	1,342,261	1,025,816	874,129*
Redemption fund—Federal Reserve notes	522	1,311	6,841
Other cash	30,342	33,384	33,316
Total reserves	1,373,125	1,060,511	914,286
Redemption fund—Federal Reserve bank notes	.....	.....	1,879
Bills discounted:			
Secured by United States Government obligations, direct and/or fully guaranteed	.....	.....	911
Other bills discounted	41	2	3,142
Total bills discounted	41	2	4,053
Bills bought in open market	577	707	14,091
Industrial advances	1,853	921	.....
United States Government securities:			
Bonds	25,623	62,144	76,950
Treasury notes	242,064	273,102	177,161
Certificates and bills	88,002	93,097	183,232
Total United States Government securities	355,689	428,343	437,343
Total bills and securities	358,160	429,973	455,487
Due from foreign banks	80	105	455
Federal Reserve notes of other banks	4,978	4,778	4,238
Uncollected items	80,345	58,140	54,510
Bank premises	4,826	4,955	7,375
All other assets	405	768	1,549
Total assets	1,821,919	1,559,228	1,439,779
LIABILITIES			
Federal Reserve notes in actual circulation	851,080	788,933	784,759
Federal Reserve bank note circulation—net	.....	.....	28,737
Deposits:			
Member bank—reserve account	790,266	633,316	494,813
United States Treasurer—general account	52,388	32,551	76
Foreign bank	3,376	2,417	541
Other deposits	2,340	2,685	18,243
Total deposits	848,370	670,969	513,673
Deferred availability items	79,603	58,879	55,689
Capital paid in	12,048	12,723	12,790
Surplus (sec. 7)	21,350	21,350	40,429
Surplus (sec. 13b)	1,391	707	.....
Reserve for contingencies	7,576	5,325	2,969
All other liabilities	501	342	733
Total liabilities	1,821,919	1,559,228	1,439,779
Ratio of total reserves to deposit and Federal Reserve note liabilities combined (per cent)	80.8	72.6	70.4
Contingent liability on bills purchased for foreign correspondents	.....	82	495
Commitments to make industrial advances	156	30	.....

*Inclusive of gold.

Member Banks—Seventh Federal Reserve District

	December 31, 1935			December 31, 1934			December 31, 1933		
	National	State	Total	National	State	Total	National	State	Total
Illinois	192	50	242	187	50	237	204	48	252
Indiana	85	8	93	85	6	91	91	6	97
Iowa	121	26	147	127	25	152	139	24	163
Michigan	56	84*	140	57	72	129	65	82	147
Wisconsin	71	13*	84	71	11	82	77	9	86
Total	525	181	706	527	164	691	576	169	745

*Inclusive of one bank admitted to membership on December 31, 1935 and licensed as of January 2, 1936.

MOVEMENT OF RESOURCES

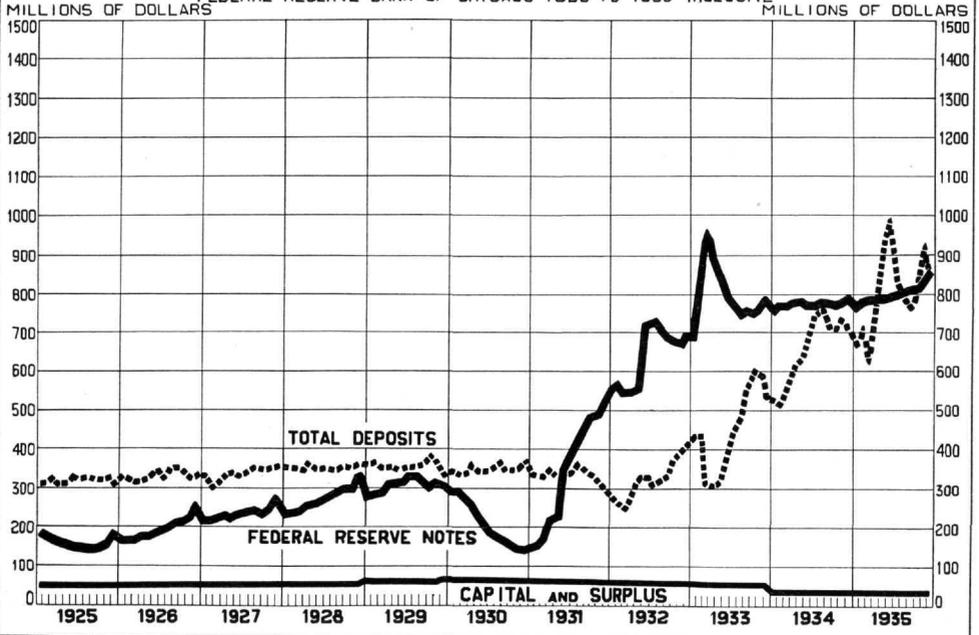
FEDERAL RESERVE BANK OF CHICAGO 1925 TO 1935 INCLUSIVE



DATA AS OF THE LAST REPORTING DATE IN EACH MONTH

MOVEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF CHICAGO 1925 TO 1935 INCLUSIVE

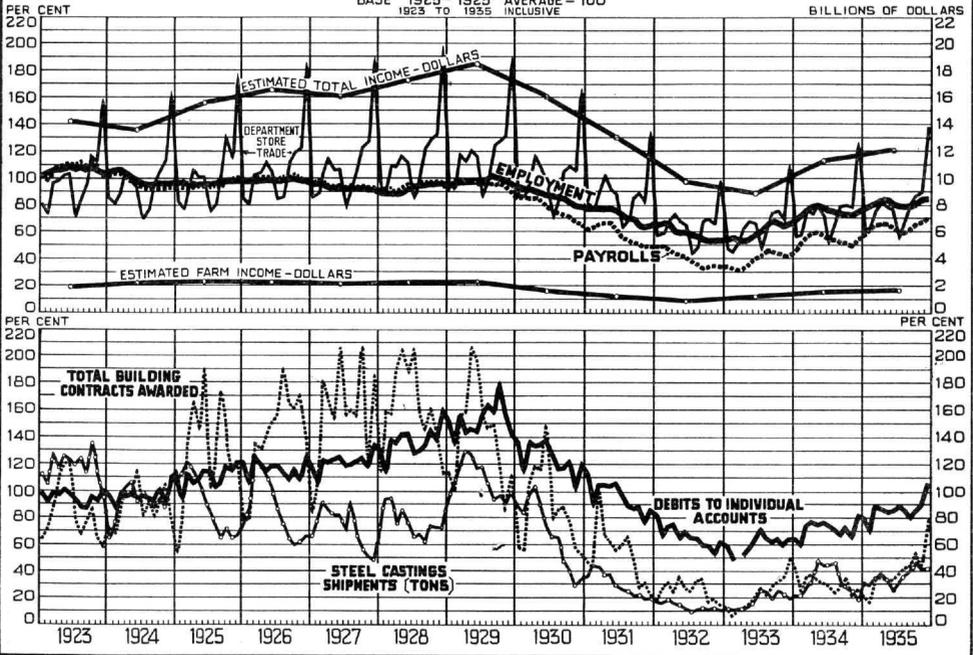


DATA AS OF THE LAST REPORTING DATE IN EACH MONTH

COMPARATIVE TREND OF TOTAL INCOME, FARM INCOME AND SIGNIFICANT BUSINESS INDICES

SEVENTH FEDERAL RESERVE DISTRICT

BASE 1923-1925 AVERAGE = 100
1923 TO 1935 INCLUSIVE



Data on income are in billions of dollars and all other series are index relatives to the 1923-1925 base.

GRAIN AND LIVESTOCK PRICES

1931 TO 1935 INCLUSIVE

