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ESTIMATED ANNUAL SAVINGS THAT WOULD RESULT FROM DISCONTINUING THE OFFICE OF THE FEDERAL RESERVE AGENT AND FROM ELIMINATING THE PROHIBITION AGAINST THE PAYING OUT OF NOTES OF ONE FEDERAL RESERVE BANK BY ANOTHER FEDERAL RESERVE BANK

Section 201 of H.R.7617 introduced in the Senate on May 10 provides that the office of Chairman of the Board of Federal Reserve banks shall be combined with that of the Governor and eliminates the existing requirement for the appointment of Federal Reserve agents.

The duties of the Federal Reserve agents are of an administrative character, and if the office were discontinued such duties could be assumed by the Governor and Vice Governor provided for in H.R.7617. The salaries of the Chairmen and Federal Reserve agents at all twelve Federal Reserve banks amount to $299,000 per annum, salaries of their secretaries to about $30,000, and miscellaneous costs, including fidelity bonds and normal contributions to the Retirement Fund on behalf of the agents and their secretaries, would amount to approximately $10,000 additional, making a total saving in this respect of approximately $339,000. In addition, if the office of Federal Reserve agent were discontinued there would be a saving of approximately $40,000 in the cost of issuing and retiring Federal Reserve notes. This would make the total saving resulting from the elimination of the office of Federal Reserve agent approximately $380,000.

The present Federal Reserve Act prohibits the paying out of notes of one Federal Reserve bank by another Federal Reserve bank under penalty of a tax of 10 percent. This necessitates the return to the bank of issue of all Federal Reserve notes fit for further circulation which are received by other Federal Reserve banks. This provision was designed to bring about a prompt redemption of Federal Reserve notes as soon as they

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had served the purpose for which they were issued. In actual fact, this has not affected the amount of such notes in circulation, since to the extent that a Federal Reserve bank would pay out Federal Reserve notes of another Federal Reserve bank the need for, and the possibility of paying out, its own Federal Reserve notes would be correspondingly reduced. If this provision were eliminated from the Act the cost of sorting such notes according to banks of issue and the postage and insurance on returning such notes to the issuing banks, amounting in the aggregate to about $90,000 annually, would be saved.