The Papers of Charles Hamlin (mss24661)

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 31, 1941

To The Files

Subject:

From Mr. Coe

MPC.

After correspondence with Mrs. Hamlin (see letters of May 25 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from Volume 199 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 199

Page 19 - Memo to Mr. Hamlin from Mr. McClelland re Eligibility of Paper for Rediscount at F.R. Banks.
Page 39 - Memo to Mr. Hamlin from Mr. Goldenweiser discussing the causes for recent stock market collapse.
Page 44 - Memo to Mr. Hamlin from Mr. Van Fossen re Total deposits and total resources of banks in the proposed territory for a Wichita branch.
Page 57 - Memo to Mr. Hamlin from Mr. Goldenweiser re Credit effect of direct action.
Page 61 - Memo to Mr. Hamlin from Mr. Vest re Cases construing the "Commodities' Clause" of the Hepburn Act.
Page 65 - Memo to Mr. Hamlin from Mr. Wyatt re Cancellation of agreement entered into with First National Corporation of Boston under Section 25.
Page 91 - Report to the Federal Reserve Board - January 7, 1930. (Report of committee of directors of F.R. Bank of Richmond on building.)
Page 119 - Record showing the extraordinary changes in credit and prices which occurred during Stock Market panic - prepared for directors of F.R. Bank of Richmond.
Page 121 - Memo to Board from Mr. Goldenweiser re member bank credit.
Page 123 - Memo to Board from Mr. Goldenweiser re effect of a policy of open market operations having for its objective the keeping of discounts down to $500,000,000.
Page 129 - Memo to Mr. Hamlin from Mr. McClelland attaching Business Indexes.
Page 151 - (X-6484) Open Market Procedure.
Page 156 - Borrowings and Reserve Balances of all Member Banks, of All Weekly Reporting Member Banks, and of Weekly Reporting Member Banks in New York City. (Typed tables - not marked for publication)

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date December 12, 1929

To Mr. Hamlin

Subject:

From Mr. McClelland.

P19

At the meeting of the Board on December 4, 1928, following consideration by the November 1928 Conferences of Governors and Agents of the question as to whether special effort should not be made (1) to impress upon member banks the desirability of maintaining an adequate portfolio of paper eligible for rediscount at Federal reserve banks and (2) to more fully acquaint them with the kind of paper eligible for rediscount, it was voted to instruct Mr. Smead and Dr. Goldenweiser to prepare and submit to the Board an article along the lines suggested, without stressing the importance of maintaining a portfolio of eligible paper.

This article has now been submitted and a copy is attached hereto. Governor Young has also referred the article to the Governors' and Agents' Conferences now in session for their comments and suggestions.

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PAGE 19

Dec 12.29

ELIGIBILITY OF PAPER FOR REDISCOUNT AT FEDERAL RESERVE BANKS

Eligible paper is a term applied to credit instruments that are eligible for discount at the Federal reserve banks under the terms of the Federal Reserve Act and the rulings of the Federal Reserve Board. The general principles of eligibility are clearly defined by the Act and the rulings, but their application in particular cases is not always a simple matter.

The Federal Reserve Board's rulings and regulations relating to eligibility have been published currently in the Federal Reserve Bulletin and have been brought together for ready reference, together with rulings and regulations on other subjects, in the so-called Digest of Rulings (*). The summary presented herewith undertakes to indicate in language as free as possible from technical terms, the characteristics which paper must possess in order to be eligible for rediscount. In the interests of simplicity the text of this summary in some cases does not follow the precise language of the underlying documents, but it should be definitely understood that such departures in language do not in any way qualify the rulings and regulations as officially promulgated.

<u>Tests of eligibility.</u> - In view of the purpose for which the Federal reserve system was established, namely, the creation of an agency from which member banks can obtain credit for seasonal or emergency needs, the Federal Reserve Act provides in a general way that so-called commercial paper be eligible for discount with the reserve banks. This is a class of paper that a typical member bank would acquire in considerable volume in the course of its ordinary operations, and at the same time, one that is so liquid that it can be safely

(*) Digest of Rulings of the Federal Reserve Board (1914-1927 inclusive) with appendices containing text of Federal Reserve Act, Regulations of Federal Reserve Board, National Bank Act, Instructions of Comptroller of the Currency, and related matters, 1928; price $2.00.

held by the banks of issue. Paper created in the process of financing the flow of commodities in production and trade arises out of loans that are ordinarily liquidated by the borrower with funds received in the natural course of events from the sale of goods underlying the transaction. In the majority of cases the rules and regulations relating to eligibility are consequently devoted to defining eligible paper by reference to the nature of the underlying transactions. The first question to ask, therefore, in the process of testing any piece of paper for eligibility, is: Did it arise from, or are the proceeds to be used for, the proper sort of transaction? Other questions, which are equally essential but comparatively easy to determine are as follows: Is the maturity within the law and regulations? Does the paper meet the physical formalities prescribed? Has the legal limit of the aggregate of paper rediscountable for the particular obligor been reached?

In order to be eligible paper must arise out of a transaction related to an agricultural, industrial, or commercial purpose; the paper must have been drawn or the proceeds used for producing, purchasing, carrying, or marketing goods. Paper is not eligible if the proceeds are used to finance fixed investments of any kind; or any investments of a purely speculative character; or carrying or trading in stocks and bonds except obligations of the United States; or to finance relending operations except relending by cooperative marketing associations and factors.

Because of the longer maturities for which agricultural paper may be rediscounted, it needs to be distinguished from other eligible paper. Agricultural paper arises out of activities of growers in connection with production, marketing, and carrying of agricultural products, including the breeding, raising, fattening, or marketing of livestock. In classifying paper, the purpose of original negotiation is determining throughout its life.

Some special points should be kept in mind with relation to bankers' acceptances. In respect to this type of paper the law and regulations are somewhat more specific as to the purpose of negotiation or nature of transaction (see p. 7). Purposes specifically enumerated are shipment of goods, including export and import, storage of readily marketable staples, and the creation of dollar exchange.

Eligibility vs. acceptability. - The Federal Reserve Act, the Regulations of the Federal Reserve Board, and the rulings of the board define the tests that paper must meet in order to be eligible for rediscount. The Federal reserve banks must observe these tests when taking paper, but to them is left the matter of passing on the desirability of paper from a credit standpoint. Paper may meet the technical tests of eligibility and yet fail to meet the credit requirements of any particular Federal reserve bank. Moreover, each Federal reserve bank is charged by the Act in rediscounting for any particular member bank to have "due regard for the claims and demands of other member banks."

Member bank collateral notes. - Member banks, in addition to raising funds from Federal reserve banks by rediscounting, may borrow for 15 days on their own notes secured by obligations of the United States or by paper eligible for rediscount. Indeed, more use has been made in recent years of this method of borrowing than of rediscounting.

Summary tabulation. - The following pages give a tabular array of the chief points that need to be taken into consideration in testing any particular piece of paper as to its eligibility for rediscount. There are also included by way of illustration digests of rulings in connection with the eligibility of paper arising out of specific transactions.

What nature of transactions give rise to notes, drafts, and bills of exchange eligible for rediscount at a Federal reserve bank?

Eligible paper arises if drawn for or proceeds used for:
- Producing, purchasing, carrying, marketing goods in agriculture, industry, or commerce (1)

Ineligible paper arises if drawn for or proceeds used for:
- Fixed investments or capital purposes of any kind (2)
- Relending (3) except for agricultural purposes by a cooperative association (4) or by a factor exclusively to producers of agricultural products in their raw state (5)
- Investments of a purely speculative character (6)
- Carrying or trading in stocks and bonds except obligations of the United States (7)

Specific transactions giving rise to eligible and ineligible paper according to published rulings of the Federal Reserve Board:

ELIGIBLE PAPER	INELIGIBLE PAPER
	Investment Paper
Given by owner to contractor in actual payment of material and services (8)	Made by owner--proceeds of which to be used by owner to pay for work of developing or building (8)
Given by motor transport corporation to the seller of trucks (9)	Made by motor transport corporation--proceeds to be used for purchase of trucks (9)
Given by farmer for tractor--agricultural paper on the ground that a tractor is used for a current agricultural purpose (10)	
Given by farmer--proceeds to be used for draining farm lands when drainage is incidental to cultivation (11)	Given by farmer for purchase of silo (12)
Given by water works company--the proceeds of which to be used for payroll, purchases of coal, etc., if statement of borrower shows excess of quick assets over current liabilities (13)	Given by public service corporation, if cannot be liquidated within a short time out of current earnings (14)
	Relending or Finance Paper
Drawn by factor the proceeds used for making advances exclusively to producers of staple agricultural products in their raw state (maturities up to 90 days) (15)	Drawn by a finance company to finance another (16)

For footnotes see p. 9

ELIGIBLE PAPER	INELIGIBLE PAPER
Given by agricultural cooperative marketing associations (with maturities up to 9 months), when the proceeds are to be advanced by the association to any of its members for an agricultural purpose (17)	Given by Federal land bank or joint stock land bank, secured by farm loan bonds--proceeds used for relending (18)
	Paper drawn for investments of a purely speculative character
Made by a manufacturer of pig iron secured by pig iron already manufactured, held waiting delivery under contract of sale. The sale has been made and the carrying of the material is not for speculative purposes (19)	Note, proceeds of which are used for holding grain for a higher price (20)

AGRICULTURAL OR COMMERCIAL PAPER

Agricultural or livestock and eligible	Commercial and eligible
Given by a farmer for purchase of agricultural implements (replacable in a comparatively short time) (21)	Given by a dealer for agricultural implements to resell to a farmer (22)
Drawn by a dealer on farmer in payment for agricultural implements (21)	Note given to a farmer in payment for agricultural products grown by him (23)
Given by farmer to an irrigation company for water used for crops (24)	Given by an irrigation company, in its business of furnishing water to farmers (24)
Given by a farmer to raise funds for fattening cattle (25)	Given by a packing company--the proceeds used to purchase livestock (26)
Made by farmer in payment for mules (27)	Made by mule and cattle dealer (27)
Made by agricultural cooperative marketing associations for the purpose of obtaining funds with which to make payments to members, or to finance marketing of agricultural products (28)	Covering such food products as butter, cheese, eggs, poultry, frozen fish in cold storage under negotiable warehouse receipts (29)

For footnotes see p. 9

What maturity may rediscountable paper have?

90 days in general, including factor's paper created to make advances to certain agricultural producers (30)

9 months in case of agricultural paper including livestock paper (31)

Indefinite maturities are ineligible except for sight bills which grow out of the domestic shipment or exportation of nonperishable, readily marketable agricultural or other staples and secured by shipping documents. Such bills may not be held for the account of a Federal reserve bank for more than 90 days (32)

How much paper of one borrower may be rediscounted by a member bank with a reserve bank?

An amount not in excess of 10 per cent of the capital and surplus of the member bank (33)

No limit on bills of exchange drawn in good faith against actually existing values (33)

In case of a state member bank, no paper of borrower may be rediscounted if that borrower is receiving more accommodation from state bank than he could receive from a like national bank (34)

What technical formalities must the paper meet?

Must be promissory note, draft, or bill of exchange, including bankers' and trade acceptances (35)

Negotiable (36)

Indorsed by a member bank (37)

The name of one of the parties to underlying transaction must appear upon it as maker, drawer, acceptor, or indorser (38)

May be secured by the pledge of goods or collateral of any nature, provided the paper is otherwise eligible (39)

What physical evidence of eligibility must be supplied by discounting member bank?

Application for discount must certify:

Member bank's belief in eligibility (40)

Paper, not acquired from nonmember bank, unless member has permission to rediscount for nonmember banks (40)

For footnotes see p. 9

If offering bank is a state bank, that borrower is not obligated for more than he could be to a similar national bank (41)

If paper is a promissory note, whether a financial statement of borrower is on file. Must be on file if the note was discounted for a nonmember bank or a nondepositor, and in all other cases unless:

Secured by warehouse receipt, prior lien on livestock, or obligations of the United States; or

The aggregate obligations of borrower offered for discount is less than 10 per cent of capital of bank and is less than $5,000 (42)

Drafts, bill of exchange, or acceptance should be drawn so as to evidence the character of the underlying transaction. A stamp or certificate may accomplish this (43)

BANKERS' ACCEPTANCES

(Certain respects in which the law and the regulations governing eligibility are more specific with reference to bankers' acceptances than with reference to other types of paper are detailed below.)

Nature of transactions giving rise to eligible acceptances:

Shipment of goods in foreign trade, including shipments between two foreign countries
Shipment of goods within the United States--shipping documents must be attached at time of acceptance
Storage in the United States or in any foreign country of readily marketable staples, must be secured at time of acceptance by warehouse receipt and acceptor must be secured through life of acceptance
Creation of dollar exchange (44)

Maturity of eligible acceptances:

90 days in general (45)
6 months, if drawn for agricultural purposes and if secured at time of acceptance by warehouse receipts covering readily marketable staples (45)
3 months, if arising from the creation of dollar exchange (46)

Aggregate of acceptances of one customer rediscountable for a particular member bank:

10 per cent of capital and surplus of accepting bank, unless acceptance is secured throughout life by documents growing out of same transaction (47)

For footnotes see p. 9

DEFINITIONS

Note--unconditional promise, in writing, signed by the maker, to pay in the United States, at a fixed or determinable future time, a sum certain in dollars to order or to bearer (48)

Draft or bill of exchange--unconditional order, in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay in the United States, at a fixed or determinable future time, a sum certain in dollars to the order of a specified person (49)

Trade acceptance--a draft or bill of exchange, drawn by the seller on the purchaser of goods sold, and accepted by such purchaser (49)

Banker's acceptance--a draft or bill of exchange, whether payable in the United States or abroad and whether payable in dollars or some other money, of which the acceptor is a bank or trust company, or a firm, person, company, or corporation engaged generally in the business of granting bankers' acceptance credits (50)

Agricultural paper--note, draft, or bill of exchange issued or drawn, or the proceeds of which have been or are to be used for agricultural purposes, including the production of agricultural products, the marketing of agricultural products by the growers thereof, or the carrying of agricultural products by the growers thereof pending orderly marketing, and the breeding, raising, fattening, or marketing of livestock (51)

Goods--include goods, wares, merchandise, or agricultural products, including livestock (52)

Readily marketable staple--an article of commerce, agriculture, or industry of such uses as to make it the subject of constant dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable and (b) the staple itself easy to realize upon by sale at any time (53)

Rulings have held these to be readily marketable staples: cotton yarns, flour, cotton, potatoes, cattle, sugar in bond, wool, coal, cotton seed. These have been held not to be such marketable staples: automobiles, automobile tires, whiskey or sacramental wine in bond (54)

For footnotes see p. 9

NOTES

The foregoing article is based on the Federal Reserve Act and on the rulings and regulations of the Federal Reserve Board as published from time to time in the Federal Reserve Bulletin and summarized in the so-called Digest of Rulings (described on p. 1). The numbered citations refer, except as indicated below, to pages of the Digest, with parenthetical reference to the Act (by sections), to the regulations (by letter and section), and to the rulings (by number, all numbers cited being those of rulings given in the Digest under the general heading XIII-C).

(1) P. 226 (Act, Sec. 13); p. 129 (Reg. A, Sec. I (b)); p. 130 (Reg. A, Sec. II (a)).
(2) P. 227 (Act, Sec. 13); p. 130 (Reg. A, Sec. II (c)).
(3) P. 130 (Reg. A, Sec. II (b)).
(4) P. 232 (Act, Sec. 13a); p. 133 (Reg. A, Sec. VI (b)).
(5) P. 226 (Act, Sec. 13); p. 129 (Reg. A, Sec. I (b)); p. 134 (Reg. A, Sec. VIII).
(6) P. 130 (Reg. A, Sec. II (d)).
(7) P. 227 (Act, Sec. 13)--see also Act of June 17, 1929; p. 129 (Reg. A, Sec. I (c)).
(8) P. 40 (Ruling No. 331).
(9) P. 44 (Ruling No. 501).
(10) P. 32 (Ruling No. 211).
(11) P. 33 (Ruling No. 214).
(12) P. 44 (Ruling No. 500).
(13) P. 37 (Ruling No. 314).
(14) P. 37 (Ruling No. 318).
(15) P. 226 (Act, Sec. 13); p. 129 (Reg. A, Sec. I (b)); p. 134 (Reg. A, Sec. VIII).
(16) P. 38 (Ruling No. 324).
(17) P. 232 (Act, Sec. 13a); p. 133 (Reg. A, Sec. VI (b)).
(18) P. 39 (Ruling No. 330).
(19) P. 35 (Ruling No. 302).
(20) P. 36 (Ruling No. 312).
(21) P. 31 (Ruling No. 204).
(22) P. 33 (Ruling No. 215).
(23) P. 27 (Ruling No. 100).
(24) P. 40 (Ruling No. 333).
(25) P. 32 (Ruling No. 208).
(26) P. 32 (Ruling No. 209).
(27) P. 31 (Ruling No. 203).
(28) P. 232 (Act, Sec. 13a); p. 133 (Reg. A, Sec. VI (b)).
(29) P. 38 (Ruling No. 321).
(30) P. 227 (Act, Sec. 13); p. 129 (Reg. A, Sec. I (a)).
(31) P. 231 (Act, Sec. 13a); p. 129 (Reg. A, Sec. I (a)).
(32) P. 227 (Act, Sec. 13); p. 129 (Reg. A, Sec. I (a)); p. 134 (Reg. A, Sec. VII); see also amendment of May 29, 1928.
(33) P. 227 (Act, Sec. 13); p. 129 (Reg. A, Sec. I (d)).
(34) P. 217 (Act, Sec. 9); p. 130 (Reg. A, Sec. I).
(35) P. 226 (Act, Sec. 13); p. 228 (Act, Sec. 13).
(36) P. 130 (Reg. A, Sec. II (a)).
(37) P. 226 (Act, Sec. 13); p. 231 (Act, Sec. 13a); p. 129 (Reg. A, Sec. I (e)).

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(38) P. 130 (Reg. A, Sec. II (a)).
(39) P. 130 (Reg. A, Sec. II (e)).
(40) P. 131 (Reg. A, Sec. III).
(41) P. 217 (Act, Sec. 9); p. 131 (Reg. A, Sec. III).
(42) P. 131 (Reg. A, Sec. IV (b)).
(43) P. 132 (Reg. A, Sec. V (b)); p. 137 (Reg. A, Sec. XIII).
(44) P. 135 (Reg. A, Sec. XI).
(45) P. 228 (Act, Sec. 13); p. 137 (Reg. A, Sec. XII).
(46) P. 230 (Act, Sec. 13); p. 137 (Reg. A, Sec. XI).
(47) P. 136 (Reg. A, Sec. XI).
(48) P. 131 (Reg. A, Sec. IV (a)).
(49) P. 132 (Reg. A, Sec. V (a)).
(50) P. 135 (Reg. A, Sec. X).
(51) P. 132 (Reg. A, Sec. VI (a)).
(52) P. 130 (Reg. A, Sec. II (a), footnote).
(53) P. 136 (Reg. A, Sec. XI, footnote).
(54) P. 74 (Ruling XIII-E, No. 460).

Division of Research and Statistics
Federal Reserve Board

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Sec B1

Date December 16, 1929

To Mr. Hamlin

Subject:

From Mr. Goldenweiser

ere 2—8495

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In accordance with your request of December 2 for a statement showing the causes which have been advanced for the recent stock market collapse, and which of them in my judgment are sound, I am transmitting a memorandum prepared by Mr. Blattner of this division, in which he gives a discussion of the causes that he has been able to find in print. In general, they may be summarized under the following headings:

1. Security prices were too high compared with earnings and dividends.
2. There was a recession in business.
3. Withdrawal of funds by foreigners caused in part by the Hatry failure.
4. Brokers' loans were too large.
5. Owners sold securities to buy new investment trust stocks.
6. Undigested securities due to excessive issues.
7. Denial by the Massachusetts Utility Commission of a split-up petition.
8. Liquidation of stale pools.
9. Hysteria and lack of experience of many speculators.
10. Tardiness of ticker.
11. Activities of bears, particularly in the final collapse of mid-November.
12. Federal reserve policy:
    - (a) Easy money in 1927
    - (b) Indecision in 1928
    - (c) Refusal of Board to approve rate advance early in 1929
    - (d) Direct action of 1929
    - (e) Hard money policy of 1928-1929

I am inclined to think that there is some truth in practically all of these reasons. The question is merely one of apportioning the responsibility. You note that the blame on the Federal reserve system is both for easy money and indecision, and hard money and too much decisiveness - you can take your choice. Personally, I am inclined to consider the whole incident as an aftermath of war: first, gold movements causing easy money, then reestablishment of the gold standard causing the Federal reserve system to cooperate; and in the

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domestic field, first, abnormally low security prices after the 1920 collapse, then a continuous rise with an ever-growing enthusiasm of speculators.

Whatever the mistakes of the Federal reserve system at different times may have been, its influence has in general been exerted in the right direction, and it emerges from the debacle with much enhanced prestige.

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date December 4, 1929

To Mr. Goldenweiser

Subject: Causes for Stock Market Collapse Cited by Authorities

From Mr. Blattner

2—8495

Following is the most inclusive statement we have seen and can be used as a basis for referring to other causes:

National City Bank Letter, November, 1929: "the market broke on account of internal conditions, and under the accumulating weight of the adverse factors which had been present since the Summer of 1928. As prices advanced, the yields on the basis of dividends and earnings declined, while rising interest rates increased the carrying charges. Not much thought was given to (1) costs so long as prices were rising, but the market became more selective, and an increasing number of stocks were showing no gains. By the middle of 1929 about one-half of the list was showing losses. Recovery from the March slump was slow and many did not recover at all. Brokers' loans did not get back to the high point of March until the middle of July. The unusual state of industrial activity in midsummer and the remarkable showing of corporation earnings in the first half year gave a new confidence, which was disturbed by (2) a rise of $1,000,000,000 in brokers loans from July 1st to the end of September. The increase in brokers' loans, however, from May to October was very largely due to new financing, mainly through stock issues. An important part of the offerings consisted of stocks of investment trusts and trading (3) companies, the latter a suggestive symptom of the time. In the first week of August the Federal Reserve Bank of New York raised its discount rate to 6 (4) per cent, which gave the market another shock, but the rate on acceptances was lowered at the same time, and with continuing gold imports the money situation worked easier, notwithstanding the flood of flotations.

"Throughout the Summer the credit strain in Europe was increasing, and the Bank of England was between the demands of the United States and the continent. From the middle of June to the last of September it lost about $165,000,000 of gold. In the latter part of September the firm of Hatry & (5) Company, a large British brokerage and underwriting house, with many important connections, failed in London. So wide were the ramifications of the failure that the British market was severely shaken and there were heavy withdrawals of funds from this market. Inasmuch as a large part of these funds had been invested in securities, the movement was accompanied by a substantial selling of stocks by British interests.

"On September 28 the Bank of England, which earlier in the year had raised the discount rate from 4 1/2 to 5 1/2, under pressure of the continued drain of gold, made the second advance to 6 1/2 per cent, a development likewise calculated to induce and increase a movement of funds from this market to London. By this time Argentina and Canada had imposed embargoes upon gold exports for the express purpose of stopping shipments to this country. All signs indicated that the drain of funds to this market had about reached the limit, as other countries were bound to stop it, one way or another. Undoubtedly these conditions were influencing sentiment here.

"The advance of the Bank of England rate was promptly effective, for the conditions were ripe for a movement of European funds from this market. Heavy selling from Europe occurred and the immediate rise of the foreign exchanges showed that funds were being transferred. The sales of course involved purchases here, and these were a factor in a further increase of brokers' loans.

"The market had been showing increasing vulnerability by its susceptibility to sudden scares and the frequency of reactions. Furthermore, at this time
(6) reports came out that business in certain important lines was receding, the worst kind of news for the market. Confidence was unsettled, and as the feeling of uncertainty spread throughout the country and abroad the flow of selling orders increased into a deluge, while buying fell off, except as induced by falling prices.

"It would be idle to say that anybody predicted the breakdown just as it occurred, but it is well known that many experienced observers have considered
(7) the situation dangerous for more than a year. Not because of a sweeping judgment upon stock values, but because there is inherent danger in a great body of speculative property-holdings only partially paid for and subject to the varying conditions of the money market and general business activity. The very readiness and convenience with which trading in stocks is conducted through the exchanges, while advantageous as a means of obtaining wide distribution, makes the prices subject not only to changing business conditions, but to the changing psychology of the public toward such investments. The purchasers who buy for investment, pay for the stocks and take them out of the market are a stable element, but the traders who buy for a quick turnover and seldom or never take stocks from the market are mercurial elements and in such a period as the last five years the latter is the dominating element. These individuals are scattered far and wide, have little contact with each other or original sources of information, and of necessity are guided largely by current information, news reports, rumors, etc. They act from day to day. If stocks seem likely to go up they want more, if they seem likely to go down the impulse is to get out. They are influenced very much by the trend of general opinion as reflected in current prices. Evidently such a situation has in it all the conditions for a first class cataclysm. A pronounced movement either up or down, but particularly down, quickly acquires tremendous momentum.

"A movement downward once started gains impetus from several sources. The favorite safety-device known as the "stop-loss" order, which is auto-
(8) matically effective a little below the market level and serves very well to limit an individual's losses in a normal market, is appallingly effective in helping a general slump to get under way. The trader who is operating on a margin is sensitive to alarms, and, finally, the lender closes out the account if the margin is exhausted -- all of these influences accelerating the downward movement. Even the strong holder may sell his stocks in a downward movement with the purpose of getting in again at a lower level. On the other hand, the market's support is from the buyers who come forward as the declining prices appeal to their judgment. In a disorderly decline buyers

are inclined to hold off to see how low prices will go.

"It is evident from a study of the stock prices that the outstanding declines were in the stocks which had been the chief subjects of speculation. The issues of old and prosperous companies in many instances suffered greater losses than companies of relatively inferior repute and earnings, due to the former having been popular with speculative buyers whose holdings came on the market faster than they could be absorbed. Price-making was not based upon merit and calculation, but controlled almost wholly by the abnormal relations between supply and demand.

(9) "The action of sellers is spontaneous, every one acting for himself and under the spur of an urgency which buyers do not feel. The would-be buyer is making money while he waits. Moreover, in the confusion of a panic-stricken market, when the tape is an hour behind the transactions, the would-be buyer does not even know the ruling prices. All of the conditions are conducive to a slaughter of values.

"These are the characteristics of all stock market crises as they have been known in the past, but many people had convinced themselves that the country had become so rich and that information about stocks and their values was so generally distributed, that no such crisis would every occur again. This one, however, has run true to form, on account of the vastly greater scale of operations, due to the very fact that so many more people were interested in the market than formerly, the volume of sales on the decline far exceeded anything ever known before.

"It is interesting to check up on a number of other new theories which were confidently advanced during the bull movement. One of them was that the investment trusts and trading companies which constitute a new factor in the situation, would be an important stabilizing factor in an emergency, but whether because they were loaded up before the mass-selling began, or like other thrifty buyers preferred to stand aside until the bottom was reached, their influence was not apparent. Moreover their total resources are insignificant in comparison with the aggregate sales of this movement."

According to our notion, the most fundamental cause given in the above paragraphs (indicated by (1) in the margin) is with respect to the relation of stock prices to earnings and dividends. Prices per share in the highly speculative issues had been built up to a point so many times earnings, and dividends on these stocks at these prices showed so low a yield as to indicate clearly a purely artificial level of prices as compared to values. Such artificial levels must be reckoned with. They can be repaired by stable prices and increasing earnings over a considerable period of time. However, the adjustment to a sounder level is usually forced by driving down prices by the weight of the speculative machinery that built them up. Speculators who have bought on the margin to sell again at a profit can only survive in a rising market. Their rout and its consequences on a declining market are well described in the paragraphs above opposite (7), (8), and (9), which also describe the contribution of panic and mob psychology when the movement was under way. The considerable lag of the tape was an important contributing cause at this point. Hysteria was undoubtedly increased by the very wide dispersion of speculation among those who had neither the training nor the financial strength to justify their participation.

The immediate causes that set and kept the market on the downward path toward a saner level of prices are many and difficult to classify. It is not clear at just what point the market began to take account of the likelihood that business would recede from the high levels of the first half of 1929. The above paragraphs mention this at (6). It was certainly an important element.

The continued rise ~~of~~ in brokers' loans (2), the Hatry failure and the liquidation of holdings from foreign quarters (5), the higher discount rate in August (4), -- all in our opinion assisted in unnerving the bull element and touching off the avalanche.

The Cleveland Trust Company (Col. Ayres) points to recent investment trust history as a major contribution to the debacle. "In the late summer and early autumn, while stock prices were reaching their highest levels, investment trusts floated new stock issues amounting to well over a billion dollars. Investors readily bought these new issues, and in very many instances sold stock of other sorts to get the funds with which to do it. This finally tended to soften prices in general and this selling was not offset by investment trust buying, for the managers of the trusts did not in the main use their newly secured funds to purchase securities because they realized that prevailing prices were too high." This angle of investment trusts in the picture has its significance as well as the contribution they made over a long period of months to the bidding up of stocks to a level that could not long escape correction.

Undigested securities overhanging the market have been called a major cause by Fred I. Kent of the Bankers' Trust and others. Al~~fred~~exander Dana Noyes points to the similiarity in this connection to the condition and liquidation of 1907.

The denial by the Massachusetts Utility Commission of a petition to split up the stock of a prominent utility had considerable bearish influence upon utility stocks, whose prices had been bid up as excessively as any part of the list. The influence of this decision persisted through the worst breaks. Gossip lays blame for the collapse to feuds in Wall Street but we do not credit these stories. It is also said that early in September some major bulls turned bears, betraying their followings. In the final breaks that came in mid-November which carried the market to the lowest point up to the present time much was heard about heavy short selling and bear operations. No authentic information is at hand on these matters. However, the liquidation of stale pools during the period of decline unquestionably accelerated the movement.

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Many of the critics of the Federal Reserve System have tried to make it a scapegoat for the debacle. Their reasonings are rather diverse and conflicting. Some say that Federal Reserve policy was to blame because in making money cheap in 1927 it invited a speculative orgy that could have only one end, -- debacle. Others say that the System was to blame for not taking strenuous enough action in the various stages of the speculative excitement, especially during recent months. Others say that the System was responsible because it deliberately set out to break the market and all of its policies were in that direction, culminating in the events of the past weeks. More specifically, some say that the high money policy of the System was responsible for starting recession in business which was reflected in the stock market break. We are not sympathetic with these arguments for the most part. The first named (in connection with the cheap money policy of 1927 giving encouragement to the speculative movement) cannot be wholly ignored, however.

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

See Bu. this sheet only

Date December 20, 1929

To Mr. Hamlin

From Mr. Van Fossen JVF

Subject: Total deposits and total resources of banks in the proposed territory for a Wichita branch.

2—8495

B44

In accordance with your request we are giving below figures on total deposits and total resources of all banks in the proposed territory for a Wichita branch together with similar figures for all banks in the Kansas City district:

	Total deposits	Total resources
Kansas City district	$2,135,000,000	$2,487,000,000
Proposed Wichita territory (86 counties)	304,000,000*	354,000,000# (14%)

*As given on page 11 of the petition and brief submitted to the Federal Reserve Board.
#Estimated.

Separate figures for member banks and nonmember banks in the proposed Wichita territory are not available and could only be compiled from figures for individual banks located in the proposed territory. The only figures for individual nonmember state banks available are those appearing in the Rand McNally Bankers Directory. Inasmuch as it is understood that the sponsors of the proposed Wichita branch expect to submit a banking area map which will differ somewhat from the map, covering 86 counties, submitted with their petition and which in the hearing before the Board was designated as a trade area map, it possibly would not be worthwhile to undertake the work of compiling separate figures for member and nonmember banks in the proposed Wichita territory at the present time. We have, however, compiled such figures from the Rand McNally Directory for banks in the 19 counties of the Panhandle section of Texas, which are, of course, located in the eleventh Federal reserve district. Total resources of banks in these 19 counties, as so compiled, amounted to $43,000,000 of which slightly over $29,000,000 were for member banks.

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Office Correspondence

FEDERAL RESERVE BOARD

Date December 5, 1929

To Mr. Hamlin

Subject: Credit effect of direct action

From Mr. Goldenweiser

P 57

It is difficult to isolate statistically the credit effects of direct action during the current year. The following tables, however, present several statistical comparisons, and the comments analyze the tables without attempting to reach final conclusions.

1) Comparison of conditions in January 1929 with conditions in January 1928

For the week ending January 5, 1929, reserve bank credit in use was materially larger in volume than during the week ending January 7, 1928. In the following table the factors which contributed to this increase are analyzed:

(In millions of dollars)

Factors making for increase in Federal Reserve Bank Credit:		
1. Loss of monetary gold	251	
2. Increase in unexpended capital of Federal Reserve Banks	51	
3. Increase in nonmember clearing balances	2	
Total making for increase		304
Factors making for decrease in Federal Reserve Bank Credit:		
1. Decrease in member bank reserve balances	37	
2. Decrease in money in circulation	19	
3. Increase in Treasury currency outstanding	9	
Total making for decrease		65
Net difference making for increase in reserve bank credit:		239
Actual increase in reserve bank credit		239

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This analysis shows clearing that so far as reserve bank credit was concerned, the increase during 1928 was entirely accounted for by gold withdrawals on the part of foreign countries. Indeed, had not member bank reserve balances and the volume of money in circulation been reduced, the increase in reserve bank credit during 1928 would have been larger.

Changes in discount rates during the year and in the composition of reserve bank credit show that member banks had a definite incentive to reduce their reserve balances as much as possible. While total reserve bank credit outstanding increased by $239,000,000 during the year, that portion of this credit which member banks obtained from borrowing at the reserve banks increased by $503,000,000. The reason for this increase, as is shown in the following table, was that sales of U. S. securities by the reserve banks were in larger volume than increased holdings of acceptances. For this larger volume of discounts, furthermore, member banks had to pay higher rates, discount rates having been increased from 3½ to 5 per cent at the eight eastern reserve banks and to 4½ per cent at the four remaining banks.

Composition of Reserve Bank Credit
(In millions of dollars)

	Week ending		Change
	Jan. 7, 1928	Jan. 5, 1929	
Discounts for member banks	545	1,048	+ 503
Acceptances	387	491	+ 104
U. S. securities	603	239	- 364
All other reserve bank credit	58	54	- 4
Total reserve bank credit	1,593	1,832	+ 239

The volume of credit used to finance the security market, however, continued to increase in 1928, as indicated by the fact that brokers' loans placed by reporting member banks in New York City increased from $3,810-000,000 on January 4, 1928, to $5,330,000,000 on January 2, 1929. This was an increase of $1,520,000,000, of which $1,238,000,000 was supplied by others than banks. At the same time, member banks in leading cities increased their loans and investments as follows:

Member Banks in Leading Cities
(In millions of dollars)

	Jan. 4, 1928	Jan. 2, 1929	Change
Total loans and investments	21,629	22,737	+1,108
Security loans	7,022	7,807	+ 785
All other loans	8,652	9,000	+ 348
Investments	5,955	5,931	- 24

The ability of member banks to expand their loans and investments to this extent and at the same time reduce their reserve balances was due (1) to the growth of time deposits during the year, while net demand deposits decreased, and (2) to the increase of the member banks' capital.

2) Comparison of week ending February 9, 1929, with week ending February 11, 1928

A comparison of the year between the first week in February 1928 and 1929 reveals much the same trends as the above comparison between the first week in January of the two years. Factors in changes in reserve bank credit for this period are as follows:

(In millions of dollars)

Factors making for increase in Federal Reserve Bank Credit:		
1. Loss of monetary gold	246	
2. Increase in unexpended capital of reserve banks	46	
3. Increase in nonmember clearing balances	4	
Total making for increase		296
Factors making for decrease in Federal Reserve Bank Credit:		
1. Decline in currency in circulation	33	
2. Decline in member bank reserve balances	12	
3. Increase in Treasury currency outstanding	6	
Total making for decrease		51
Net difference making for increase in reserve bank credit		245
Actual increase in reserve bank credit		245

In this comparison, the same factors as in the last account entirely for the increase in reserve bank credit and also the increase would have been larger had not member banks contracted their reserve balances. The distribution of this increase also shows that member banks were under pressure to reduce their credit because of a large increase in their indebtedness at the reserve banks.

Composition of Reserve Bank Credit
(In millions of dollars)

	Week ending		Change
	Feb. 11, 1928	Feb. 9, 1929	
Discounts for member banks	465	856	+ 391
Acceptances	370	412	+ 42
U. S. securities	405	197	- 208
All other reserve bank credit	27	47	+ 20
Total reserve bank credit	1,267	1,512	+ 245

During the year used in this comparison discount rates had been raised from a range of $3\frac{1}{2}$ - 4 per cent in February 1928 to $4\frac{1}{2}$ - 5 per cent in February 1929.

A comparison of credit in the market for these two dates again shows a large expansion of brokers' loans from $3,835,000,000 on February 8, 1928 to $5,669,000,000 on February 6, 1929. Of this increase of $1,834,000,000, loans for nonbanking lenders accounted for $1,511,000,000. Member banks in leading cities expanded their credit during the year as follows:

Member Banks in Leading Cities
(In millions of dollars)

	Feb. 8, 1928	Feb. 6, 1929	Change
Total loans and investments	21,333	22,295	+ 962
Security loans	6,634	7,558	+ 924
All other loans	8,614	8,696	+ 82
Investments	6,086	6,041	- 45

3)

Comparison of week ending February 9, 1929 with week ending June 8, 1929

This comparison covers the period of direct action when reserve bank credit outstanding declined by $193,000,000. As the following table shows $125,000,000 of this was due to the combined operation of various objective factors such as gold imports and currency demands, while $68,000,000 represented a further decline in the reserve balances of member banks.

(In millions of dollars)

Factors making for decrease in reserve bank credit:		
1. Gain in monetary gold	173	
2. Decline in member bank reserve balances	68	
3. Increase in Treasury currency	2	
Total making for decrease		243
Factors making for increase in reserve bank credit:		
1. Increase in currency in circulation	29	
2. Increase in unexpended capital of Federal reserve bank	19	
3. Increase in nonmember clearing balances	2	
Total making for increase		50
Net difference making for decrease in Federal reserve bank credit		193
Actual decrease in reserve bank credit		193

In addition to direct action there were seasonal influences tending to decrease member bank reserve balances during this period, and there were also discount rate advances in the western banks and sharp increases in the buying rates on acceptances at the Federal Reserve Bank of New York. These increases were reflected in a reduction in acceptance holdings of the system that was more than sufficient to offset the effect of gold imports, with the result that member bank borrowing increased during the period. It was a period, therefore, in which rate action was reinforced by direct action. Changes in the composition of reserve bank credit are shown in the following table:

Composition of Reserve Bank Credit
(In millions of dollars)

	Week ending Feb. 9, 1929	Week ending June 8, 1929	Change
Discounts for member banks	856	1,000	+ 144
Acceptances	412	112	- 300
U. S. securities	197	153	- 44
All other reserve bank credit	47	54	+ 7
Total reserve bank credit	1,512	1,319	- 193

A ~~slight~~ decline in total loans and investments of member banks in leading cities accompanied this decline in member bank reserve balances. Member banks continued to sell investments, to the extent of $262,000,000, and in addition reduced their loans on securities by $361,000,000. All other loans, on the other hand, increased by $444,000,000. There is some evidence that part of this increase represented interbank loans rather than commercial loans.

Member Banks in Leading Cities
(In millions of dollars)

	Feb. 6, 1929	June 5, 1929	Change
Total loans and investments	22,295	22,115	- 180
Security loans	7,558	7,197	- 361
All other loans	8,696	9,140	+ 444
Investments	6,041	5,779	- 262

4) Conditions in August following the suspension of direct action in June

Between the week ending June 8, and the week ending August 10, 1929, direct action was suspended and buying rates on acceptances were reduced from $5\frac{1}{2}$ to $5\frac{1}{4}$ per cent. Factors in the increase of reserve bank credit outstanding from $1,319,000,000 to $1,381,000,000 are shown in the following table:

(In millions of dollars)

Factors making for increase in reserve bank credit:		
1. Increase in money in circulation	65	
2. Increase in member bank reserve balances	31	
3. Increase in unexpended capital of reserve bank	6	
4. Decrease in Treasury currency	4	
Total making for increase		106
Factors making for decrease in reserve bank credit:		
1. Gain of monetary gold	42	
2. Decrease in nonmember clearing balances	2	
Total making for decrease		44
Net difference making for increase in reserve bank credit		62
Actual increase in reserve bank credit		62

Thus $31,000,000 of the increase represented a growth in the reserve balances of member banks. The following table showing changes in the composition of reserve bank credit during the period indicates that practically the entire growth was in discounts for member banks.

Composition of Reserve Bank Credit
(In millions of dollars)

	Week ending		Change
	June 8, 1929	Aug. 10, 1929	
Discounts for member banks	1,000	1,081	+ 81
Acceptances	112	88	- 24
U. S. securities	153	158	+ 5
All other reserve bank credit	54	54	--
Total reserve bank credit	1,319	1,381	+ 62

During the same period, as the following table shows, member bank credit increased, the increase being reflected both in security loans and in all other loans.

Member Banks in Leading Cities
(In millions of dollars)

	June 5, 1929	Aug. 7, 1929	Change
Total loans and investments	22,115	22,581	+ 466
Security loans	7,197	7,715	+ 518
All other loans	9,140	9,329	+ 189
Investments	5,779	5,537	- ~~1~~42 2

5) Conditions from first week in August to first week in October (period preceding market collapse.)

On August 8, the reserve system announced a new policy. The discount rate in New York was raised from 5 to 6 per cent and at the same time the buying rate on acceptances was reduced from 5¼ to 5 1/8 per cent. As the following table shows, this move was followed by an expansion of reserve bank credit of $41,000,000, of which $10,000,000 was to meet increased reserve requirements of member banks, that is, was caused by a growth in member bank credit.

(In millions of dollars

Factors making for increase in reserve bank credit:		
1. Increase in money in circulation	53	
2. Increase in unexpended capital	~~12~~ 11	
3. Increase in member bank reserve balances	10	
4. Increase in nonmember clearing balances	~~1~~ 2	
Total making for increase		76
Factors making for decrease in reserve bank credit:		
1. Gain of monetary gold	31	
2. Increase in Treasury currency	4	
Total making for decrease		35
Net difference making for increase in reserve bank credit		41
Actual increase in reserve bank credit		41

The increase in reserve bank credit was entirely in the form of increased holdings of acceptances. Under the stimulus of lower bill rates and a large volume of new acceptances, acceptance holdings of the reserve banks increased much more rapidly than the seasonal increase in the demand for reserve bank credit, and member banks, as shown in the following table, reduced their borrowings at the banks by a large amount.

Composition of Reserve Bank Credit
(In millions of dollars)

	Week ending		Change
	Aug. 10, 1929	Oct. 12, 1929	
Discounts for member banks	1,081	895	- 186
Acceptances	88	322	+ 234
U. S. securities	158	138	- 20
All other reserve bank credit	54	67	+ 13
Total reserve bank credit	1,381	1,422	+ 41

The decrease in discounts, furthermore, took place largely at the New York Federal Reserve Bank where the rate had been raised to 6 per cent. On August ~~7~~ 9, when the rate was raised, New York City member banks were borrowing $295,000,000, while by October 9 they had reduced their borrowing to $46,000,000, or by an amount slightly in excess of the increase in reserve bank purchases of acceptances. Borrowings outside New York City, on the other hand, increased slightly during the same period. It might be said, therefore, that as far as banking figures indicate the immediate effect of the policy adopted on August 8 was felt in New York City, and that outside New York City there was little change in the situation. In New York the increase in the discount rate furnished an incentive toward the reduction of borrowing at the same time that increased purchases of acceptances furnished the member banks with funds with which to pay off their indebtedness.

Changes in member bank credit during the period are shown in the following table:

Member Banks in Leading Cities
(In millions of dollars)

	Aug. 7, 1929	Oct. 9, 1929	Change
Total loans and investments	22,581	22,673	+92
Security loans	7,715	7,687	-28
All other loans	9,329	9,582	+ 253
Investments	5,537	5,403	- 134

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purchases of acceptances furnished the member banks with funds with which to pay off their indebtedness.

Changes in member bank credit during the period are shown in the following table:

Member Banks in Leading Cities
(In millions of dollars)

	Aug. 7, 1929	Oct. 9, 1929	Change
Total loans and investments	22,581	22,673	+ 92
Security loans	7,715	7,687	- 28
All other loans	9,329	9,582	+ 253
Investments	5,537	5,403	- 134

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date Dec. 17,1929

See Reg. 661

To Mr. Hamlin

Subject: Cases construing the "Commodities' Clause" of the Hepburn Act.

From Mr. Vest- Assistant Counsel.

2—8495

You have requested a statement as to the history of the interpretation by the Supreme Court of the United States of that provision of the Hepburn Act known as the "Commodities' Clause" which in substance prohibits a railroad from transporting commodities owned by it or in which it is interested, with certain stated exceptions.

The text of the so-called "Commodities' Clause", United States Code, Title 49, Section 1, paragraph 8, is as follows:

> "Transportation of commodity manufactured or produced by railroad forbidden. It shall be unlawful for any railroad company to transport from any State, Territory, or the District of Columbia, to any other State, Territory, or the District of Columbia, or to any foreign country, any article or commodity, other than timber and the manufactured products thereof, manufactured, mined, or produced by it, or under its authority, or which it may own in whole or in part, or in which it may have any interest, direct or indirect, except such articles or commodities as may be necessary and intended for its use in the conduct of its business as a common carrier."

There have been several United States Supreme Court cases interpreting this provision of law. The first, and probably the most important of these, is the case of United States v. Delaware and Hudson Company (1908) 213 U.S. 366. (The decision in this case covered a number of other similar cases including United States v. Lehigh Valley Railroad Company.) In this case the Supreme Court considered the proper construction to be given the statute and also whether it was constitutional. After a long and carefully considered opinion the court construed the statute as follows and as thus construed, held it constitutional:

> "We then construe the statute as prohibiting a railroad company engaged in interstate commerce from transporting in such commerce articles or commodities under the following circumstances and conditions: (a) When the article or commodity has been manufactured, mined or produced by a carrier or under its authority, and at the time of transportation the carrier has not in good faith before the act of transportation dissociated itself from such article or commodity; (b) When the carrier owns the article or commodity to be transported in whole or in part; (c) When the carrier at the time of transportation has an interest, direct or indirect, in a legal or equitable sense in the article or commodity, not including, therefore, articles or commodities manufactured, mined, produced or owned, etc., by a bona fide corporation in which the railroad company is a stockholder."

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With reference to the last point mentioned in the above quotation, the Government contended that the statute forbade a railroad company to transport commodities manufactured, mined or produced by a bona fide corporation in which the transporting carrier holds a stock interest, however small. The court said if the words "in which it is interested directly or indirectly" found in the statute are to be taken as embracing only a legal or equitable interest in the commodities to which they refer, they cannot be held to include commodities manufactured or owned by a distinct corporation merely because of a stock ownership of the carrier. As shown above, the court held that the words referred to did embrace only a legal or equitable interest in the commodities, and the court further said: "If it be that the mind of Congress was fixed on the transportation by the carrier of any commodity produced by a corporation in which the carrier held stock, then we think the failure to provide for such a contingency in express language gives rise to the implication it was not the purpose to include it." And also, "It cannot in reason be assumed that there is a duty to extend the meaning of a statute beyond its legal sense upon the theory that a provision which was expressly excluded was intended to be included".

In a brief dissenting opinion Mr. Justice Harlan said in part:

> "In my judgment the Act, reasonably and properly construed, according to its language, includes within its prohibitions a railroad company transporting coal, if, at the time, it is the owner, legally or equitably, of stock - certainly, if it owns a majority of all the stock - in the company which mined, manufactured or produced, and then owns, the coal which is being transported by such railroad company. Any other view of the act will enable the transporting railroad company, by one device or another, to defeat altogether the purpose which Congress had in view, which was to divorce, in a real, substantial sense, production and transportation, and thereby to prevent the transporting company from doing injustice to other owners of coal."

The next case was that of United States v. Lehigh Valley Railroad Company, 220 U.S. 257, decided in 1910. The case against the Lehigh Valley Railroad Company was one of those covered by the opinion of the court in United States v. Delaware and Hudson Company, discussed above. Under the ruling of the Supreme Court in that case subsequent proceedings were held in the lower court, where a petition by the Government for leave to file an amended bill was denied. The amended bill would have charged that the railroad company was using its stock ownership in a coal mining company to commingle the operating of the affairs of the two companies and to make it impossible to distinguish between them. The matter was appealed to the Supreme Court and the decision of the lower court as to filing the amended bill was reversed for certain technical reasons. In this connection, however, the Supreme Court said:

"* * * it must be held that while the right of a railroad company as a stockholder to use its stock ownership for the purpose of a bona fide separate administration of the affairs of a corporation in which it has a stock interest may not be denied, the use of such stock ownership in substance for the purpose of destroying the entity of a producing, etc., corporation and of commingling its affairs in administration with the affairs of the railroad company, so as to make the two corporations virtually one, brings the railroad company so voluntarily acting as to such producing, etc., a corporation within the prohibitions of the commodities clause."

In Delaware, Lackawanna and Western Railroad Company v. United States, 231 U.S. 363, decided in 1913, the Supreme Court held that the transportation of hay by the railroad company to Scranton for use at a coal mine owned by the railroad, most of the coal of which was intended to be sold for domestic purposes, was not necessary for the conduct of the railroad's business as a carrier and fell within the prohibition of the commodities clause.

The next case is that of United States v. Delaware, Lackawanna and Western Railroad Company, 238 U.S., 516, decided in 1914. The railroad company in order to meet the situation brought about by the enactment of the commodities clause organized a coal company having stockholders and officers in common with the railroad company. The two corporations then made a contract by which, after the coal mined by the railroad company was brought to the surface, title was lost by sale to the coal company but the railroad instantly regained possession as carrier. The railroad agreed to sell and the coal company agreed to buy all of the coal mined by the railroad, the amount to be at the absolute option of the railroad company. The price was fixed at 65% of the New York price. The coal company was not to buy from any other seller. The Court held that these and other provisions of the contract showed that the parties thereto were not dealing at arm's length, that the coal company was neither an independent buyer nor a free agent, and accordingly that the agreement violated the Sherman Anti-trust Act and the commodities clause of the Hepburn Act. The opinion of the Court recognized that mere stock ownership by a railroad in a corporation for which it was transporting coal would not come within the statute, but held that the railroad could not sell the coal to a mere agent at the time of beginning the transportation, nor could it call such agent a buyer while hampering and restricting such alleged buyer "as to make him a puppet subject to the control of the railroad company."

This question was further considered in the case of United States v. Reading Company, 253 U.S. 26 (1919) where the railroad company owned more than 11/12ths of the capital stock of the coal company and used it as a coal mining department of the railroad organization. The Court held that the coal being transported by the railroad company was produced "under its authority" and so prohibited by the statute. The Court took occasion to state the result of the decisions on this question as follows:

"* * It results that it may confidently be stated that the law upon this subject now is, that while the ownership by a railroad company of shares of capital stock of a mining company does not necessarily create an identity of corporate interest between the two such as to render it unlawful under the commodities clause for the railroad company to transport in interstate commerce the products of such mining company, yet where such ownership of stock is resorted to, not for the purpose of participating in the affairs of the corporation in which it is held in a manner normal and usual with stockholders, but for the purpose of making it a mere agent, or instrumentality or department of another company, the courts will look through the forms to the realities of the relation between the companies as if the corporate agency did not exist and will deal with them as the justice of the case may require."

In the case of United States v. Lehigh Valley Railroad Company, 254 U.S. 255 (1920) the Court had before it another contract which was in its essential aspects substantially the same as that involved in the case of United States v. Delaware, Lackawanna and Western Railroad Company, 238 U.S. 516. The Court applied the same reasoning as it did in the former case and held that the operations of the company under this contract were unlawful. This case is more concerned with violations of other anti-trust laws than with the commodities clause of the Hepburn Act.

In rendering the decisions which have been discussed above, the Supreme Court was actuated by the facts existing in each particular case and based its decisions in a large measure on the spirit of the statute and the policy of Congress in enacting it. Due to the fact that these decisions rest so largely on the policy of this particular statute, I do not think that they afford especially valuable assistance in determining the general question whether and under what circumstances the courts will disregard the corporate entity of a corporation and will consider it as an aggregation of persons.

Respectfully,

George B. Vest

George B. Vest
Assistant Counsel.

GBV-sad

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date Dec. 27,1929

To Mr. Hamlin

From Mr. Wyatt-General Counsel.

Subject: Cancellation of agreement entered into with First National Corporation of Boston under sec. 25.

ser Bd

2—8495

In my memorandum of November 8th on the above subject, I referred to the fact that the Executive Department of the Government has acquiesced in the practice of national banks having affiliated corporations to transact business which the national banks themselves cannot lawfully transact.

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That Congress also has acquiesced in this practice and has impliedly sanctioned it, is evidenced by the exception to the Clayton Act exempting from the provisions thereof a person serving as officer, director or employee of two banks, banking associations or trust companies where the entire capital stock of one is owned by stockholders in the other. As evidenced by the attached excerpt from a memorandum prepared by Mr. Wingfield under date of February 17, 1928, with reference to the Clayton Act application of Mr. Frank O. Wetmore, the legislative history of this provision shows that it was deliberately intended to take care of the situation where a national bank has affiliated with it a trust company organized for the purpose of transacting a trust business, which could not be transacted by a national bank prior to the enactment of the Federal Reserve Act, and which cannot now be transacted by a national bank without the permission of the Federal Reserve Board.

By making a special exception with respect to persons serving as director, officer or employee of a national bank and an affiliated trust company, Congress impliedly approved of the practice of national banks organizing trust companies to do business which they could not do under their own charters before the Federal Reserve Act and which they cannot do now without the permission of the Federal Reserve Board. If it is lawful for national banks to organize trust companies for the purpose of doing a trust business without the Board's permission, it would seem equally lawful for them to organize affiliated corporations for the purpose of engaging in foreign banking without the Board's permission. If it is lawful for them to organize affiliated corporations for these purposes it would also seem lawful for them to organize affiliated corporations for the purpose of transacting a security business.

In my opinion this is an added reason, and an exceedingly strong one, why the Courts probably would hold that such arrangements are not unlawful.

Respectfully,

Walter Wyatt

Walter Wyatt
General Counsel.

Excerpt attached.

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An exception to the Clayton Act provides that :

> " A director or other officer or employee of such bank, banking association, or trust company may be a director or other officer or employee of not more than one other bank or trust company organized under the laws of the United States or any State where the entire capital stock of one is owned by stockholders in the other."

The primary purpose of incorporating this exception into the Clayton Act, was to permit a director to serve a national bank and a trust company in those cases where the trust company was organized as an auxilliary of the national bank to exercise trust powers which powers up until the enactment of the Federal Reserve Act, a national bank was not permitted to exercise. This is shown plainly by reference in the debates on the floor of Congress to this exception.

When the Clayton Act was under consideration by Congress the question was asked as to what situation the above quoted exception was intended to cover and the meaning of this exception was described as follows:

> "Mr. CLINE. Do I understand from that section that a man could not be a director in a trust company and in a national bank and State bank ?
>
> "Mr. BYRNES of South Carolina. The provision specifically exempts a banking corporation the entire stock of which is owned by the stockholders of another bank. My construction of it is that under the provision of this section a trust company operated in connection with a national bank, where the entire stock of the trust company is owned by stockholders of the national bank, would not be affected by this law." (Volume 51 of the Congressional Record, page 9181)

Later on an amendment to the exception above quoted was offered which would have made the exception applicable where 75% of the stock of one bank or trust company was owned by the stockholders of the other. In connection with this proposed amendment the following statement was made:

> "Mr. CLINE. Mr. Chairman, it is well known to every man in the House who has had any connection with the banking business, and especially with national banks, that in the last five or six years there has been organized, in conjunction

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"with national banks, trust companies. The stock of the trust company has almost universally been owned by the bank of which the trust company was an auxiliary , but where a former stockholder happened to die and the stock has been distributed, it is sometimes impossible for the banking company to own the entire stock. I have one or two instances in mind where it would work a hardship to the bank that sought to control all the stock of the trust company which was organized for the purpose of carrying long-time loans or building loans for the benefit of the bank's customers.

"It would be impossible after the distribution of the stock of a deceased stockholder in some instances to get all of the stock. Of course, I understand it is the purpose of the law to make the bank and the auxiliary institution one banking institution, but I do not understand why they can not be protected just as easily with a control of three-fourths of the stock or more as with a control of the entire stock. It still would constitute one banking institution. Take the instance I have in mind. It is impossible for the bank to secure $200 of outstanding stock, and that under the bill would compel the bank that has the trust company in connection with it to close out the trust company business, to close out the long-time or building loans that it is accommodating its customers with, and I am at a loss to see what advantage it would be to compel the bank to have the entire stock when three-fourths of the stock is as effectual to prevent evil effects arising from interlocking directorates as all of it would be. It seems to me that the full purpose is accomplished by compelling the bank to have three-fourths of the stock and not to require the banks that fall under these conditions to close out their trust-company business. " (Volume 51 of the Congressional Record, page 9600.)

It seems clear from these debates that the Congressmen understood that the exception above quoted was to apply principally to those cases where a trust company had been formed to supplement the powers exercised by a national bank, that is, where the trust company was to exercise trust powers, which powers the national bank did not have the right to exercise.

See Bill

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REPORT TO THE FEDERAL RESERVE BOARD
January 7th, 1930.
****

At the May 9th, 1929 meeting of the Board of Directors of the Richmond Reserve Bank, there was a general discussion of the matter of the sale of our Annex property across the alley and west of our Bank building. In that discussion it was brought out that a sale or lease was rendered more difficult by reason of the fact that we could not yield possession of the building for a year or perhaps eighteen months after a purchaser was found because it would take that length of time to enlarge our present building to accommodate us. This led to a discussion of the Foster lot - just what sort of a building should be built upon it, and as a result a committee consisting of Messrs. Delano, Rieman and Graham was appointed to study the matter, and in connection therewith to consult Mr. Robert E. Lee Taylor who has served us very satisfactorily as Architect of our Baltimore Branch Bank Building.

The Committee has held several meetings during the summer, and has since then reported back to the Richmond Board which, at its December meeting, instructed us to submit to the Federal Reserve Board for its consideration the entire problem as it presents itself to the Richmond Board, and to ask for authority to proceed upon such one of the three proposed projects as meets your approval.

The basis of our Committee's Report rests upon the following statement of facts which are accepted without any contradiction, so far as we have heard:

(1) The main bank building of the Richmond Bank, built during war times (1916-'19), is 87 x 114 feet, outside dimensions, with a wide setback above the mezzanine floor on both the long sides of the building. On account of these

setbacks, although six stories in height, the available floor space is really small, and before it was more than half finished it was seen that it would be inadequate for the then rapidly growing needs. A second building, or annex, of cheaper construction and more modest plan, was therefore built across the alley to the rear. The dimensions of this annex are 36 x 120 feet, outside dimensions. This building also has six floors, and although covering much less ground, has more available floor space and desk room than the larger and costlier building.

(2) At the time this annex was built, an effort was made to buy Foster property adjacent to the main building on the north, but the owner would not sell at what was then considered to be a reasonable price, and a regrettable decision was made to buy the annex property in the rear. Within the last two years the Foster property has been bought, so that an area of 73 X 120 feet is now available to the north and adjacent, and this newly acquired land makes it possible to add to our present building, giving up the annex across the alley, and have a single unit with streets on two sides, and alleys on the other two sides, entirely isolated, guaranteed for all time as to light, and certainly more easily policed and protected.

(3) The substantial reasons favoring the sale or lease of the annex property, and adding to the present building by an extension on the Foster property, are the following:

A. That the present main building, while good architecturally, is faulty in several important particulars, which can be remedied in extending the building on the adjacent property. The defects of the present building may be enumerated as follows:

(a) The floor space is cut up into units which are really too small for effective use.

(b) The money departments are below the ground level, and therefore a considerable part of the clerical force (some 50 in all) works below the ground by artificial light, which is really inexcusable in a city where property values are not high.

(c) It is very desirable to provide for a better security in handling specie, currency and securities arriving and departing, - now necessarily handled in a public alley.

(d) The lobby entrance for employees in the rear of the building, and the elevator facilities for reaching the upper floors, are very inadequate now, and will certainly be increasingly inadequate as the business of the bank develops.

(e) It is a matter of great importance that the handling of currency from and to the Bank, arriving or departing by mail or express, should be better protected than it is at present. This can be effectively accomplished by any one of the proposed plans.

It may occur to you that this statement of facts indicates a grave lack of foresight on the part of those responsible for this building, but even if that were a fair conclusion, considering all the surrounding circumstances, it would not apply to either the present Richmond Board, (only one of whom then served as a Director) or to the Federal Reserve Board, only two of whom are now in office.

In any event, we are not meeting here to assess praise or blame on the dead, nor upon men who have retired from office. We do know that when the War came the Richmond Reserve Bank was most inadequately housed in several (6 at the time we moved) non-fireproof, dangerous and inadequate buildings. That, in the face of the demands upon the system, was certainly a serious if not truly hazardous situation; - but however that may have been, our function today, as we understand it, is to meet the situation as we find it, and do the best we can to serve present and future needs.

With this object in view, and in general accord with the policy of the Federal Government to promote building operations when many other lines of endeavor are slackening, we submit on behalf of the Richmond Federal Reserve Bank Board the following general recommendations:

(1) We believe that this is the time when we should make a plan showing the complete development to be arrived at by extending the main bank building along Ninth Street upon the Foster property. It is recognized that it is not necessary at this time to complete the entire project, but we should complete at least so much of it as will adequately cure the most serious defects referred to above.

(2) The Directors of the Bank believe that it would be wise to carry out this project in the near future because until we have actually built so much of the extension as is needed for the present, it will be very difficult to find a purchaser or tenant who will take over the annex property as it is.

(3) A further reason for carrying out this project now is that it would be well to do it before we are in desperate need of the better facilities, and when we have the means to do it. Having completed and paid for our new Baltimore Branch building (a very satisfactory structure), and sold the old building in Baltimore, we are now ready to tackle this problem, and we believe it should be done now.

In connection with the various properties bought, it may be interesting to the Board to know that the original purchase of the lot on the corner of Ninth and Franklin Streets was made in July, 1916, for $122,500.00, or approximately $11.60 per square foot.

The purchase of the Annex lot was made in May, 1919, for $80,000.00, or an approximate cost of $18.00 per square foot.

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The purchase of the Foster property was made in May, 1927, for $150,000.00, or an approximate cost of $15.60 per square foot.

In order to present this entire project adequately, the Committee has had a model made which shows three separate projects:

Plan A utilizes the Basement and ground floor of the Foster property and the air rights above only on the rear of the lot. The cost of this plan is estimated at $460,000, - and the floor area about equals that of the annex to be sold.

Plan B utilizes nearly the entire Foster property, but does not provide a continuous facade on Ninth Street. This plan is estimated to cost $630,000.

Plan C utilizes the entire Foster property, altering the facade on Ninth Street to provide a continuous colonnade. This plan is architecturally very dignified and gives large floor units and facility for circulation, which make for economical administration. This plan is estimated to cost $806,000.

For your further information we attach hereto a Table giving Floor Areas in each of the three plans, as compared with the Existing Plant of which we submit photographs. We have brought with us models showing the different proposals to which we would direct your attention.

Respectfully submitted,

FREDERIC A. DELANO)
CHARLES E. RIEMAN) COMMITTEE
E. C. GRAHAM)

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APPENDIX TO REPORT

AVAILABLE WORKING FLOOR SPACE

	At Present	Proposed Scheme "A" with North Wing set back, per model without nosepiece	Proposed Scheme "B" with broken colonnade on front, per model with nosepiece.	Proposed Completed Plan "C" with unbroken colonnade across entire front, per model.
Main Building, excluding basement and cafeteria floor	18,000 sq.ft.	18,000 sq.ft.	18,000 sq.ft.	18,000 sq. ft.
Basement floor Main Building, used at present, but not to be used in proposed plans	4,500	0	0	0
Cafeteria floor Main Building used at present in Scheme "A", but perhaps undesirable in Completed Plan or Scheme "C"	1,500	1,500	1,500	1,500
Annex Building to be sold	20,000	0	0	0
Proposed new North Wing, excluding unfinished basement	0	15,500	24,000	27,800
New Securities Court	0	1,700	1,700	1,700
TOTAL WORKING FLOOR SPACE	44,000 sq.ft.	36,700 sq.ft.	45,200 sq. ft.	49,000 sq.ft.
Unfinished Basement in New North Wing not to be used as Working space (but very useful for files and archives)	0	4,900 sq.ft.	4,900 sq.ft.	4,900 sq.ft.
ESTIMATED COST		$460,000	$630,000	$806,000

It will be seen from the above that the total working floor space in the "Completed Plan "C" (Column 4), not using the basement of the present Main Building, and providing an essential securities court, is not greatly in excess of the present available floor space (Column 1), in which we have no protective securities court and work about 50 employees below ground in the basement with artificial light and poor ventilation. The New North Wing will have a basement very suitable for storage of files and archives, and will be unfinished.

Scheme "B" (column 3) gives almost as much space, but does not provide continuous unbroken floor areas, for the most convenient and economical operation, on the floors above the first floor, as is provided in the "Completed Plan."

MEMORANDUM ACCOMPANYING

STATISTICAL RECORD OF THE ADJUSTMENT OF CREDIT RESULTING FROM THE STOCK MARKET PANIC IN OCTOBER AND NOVEMBER OF 1929

The climax of stock selling came in the weekly reporting period ending October 30, and the effect was centered upon the New York banks. In that week loans to brokers were called or reduced in the following manner and amounts:

Loans for Account of Out-of-town Banks were Reduced	....	$ 707,000,000
Loans for Account of Others " "	....	1,380,000,000
	Total	$2,087,000,000
Loans to Brokers by New York Banks Increased	....	992,000,000
	Net Reduction ..	$1,095,000,000

Within the same week demand deposits of New York City banks increased $1,553,000,000, evidently from funds derived, in great part, from the reduction of loans made by out-of-town banks and others to brokers; and the loans of New York City banks to all borrowers on securities increased $1,200,000,000, $992,-000,000 of this amount, as shown above, being loans made to brokers.

The loans and deposits of all other reporting member banks in the System (including Chicago) fluctuated in a minor degree in comparison with New York, the increase in loans on securities of all other reporting member banks being only $59,000,000, and the increase in demand deposits being only $243,000,000. Time deposits fluctuated but little in either case.

Both demand deposits and loans on securities of the New York City banks were therafter rapidly reduced, until on December 18 their loans on securities were only $17,000,000 more than they were on October 23, the beginning of the weekly period hereinbefore alluded to, while their demand deposits were $417,000,-000 greater. At the same time (December 18) the loans on securities of all other reporting members (including Chicago) were $41,000,000 less than on October 23, and demand deposits were $55,000,000 less.

To provide adequate reserves for an increase of $1,553,000,000 in demand deposits, the New York City banks were of course compelled to borrow from the Federal Reserve Bank of New York, and so increased the amount of their borrowing during that period from $41,000,000 to $170,000,000. They would have been compelled to borrow much more heavily had the New York Reserve Bank not put funds into the market by the purchase of bills and securities, amounting to an increase of $99,000,000 within that weekly period. This does not cover the maximum amount put into the market by the New York Reserve Bank during the whole of this disturbed period. From October 23 to November 20 the investments of the Federal Reserve Bank of New York alone increased $279,000,000, of which $182,-000,000 was in government securities. During the weekly period October 23-30, the total of funds put into the market by the Federal Reserve System was $312,-000,000, and the reserve deposits of member banks ran up $274,000,000 to $2,652,000,000, much the highest on record. It was clearly imperative that the New York City banks take over a large part of the loans called by out-of-town banks and others, and just as imperative that the Federal Reserve Bank of New York provide them with funds to maintain their reserves.

To measure the total amount of liquidation in loans on securities, the amount being loaned for the account of "others" must be added to the amount the banks were lending for their own account. While the reports of all weekly reporting member banks, as published, do not show separately the amount of their loans to brokers but include such loans in the item "Loans on securities," the report of the New York banks in the weekly report of brokers' loans does show separately loans on securities made to brokers for their own account and loans on securities to brokers made for out-of-town banks and, likewise, for others. Loans for "others" are therefore in addition to the loans made by the banks for their own account. The aggregate of loans to brokers made in this way was reduced in the weekly period October 23-30 in the net amount of $1,095,000,000, as shown above, and between October 23 and December 18 the aggregate reduction was $3,247,000,000. Taking these combined factors into account, the following statement will show the amount of the known reduction in the volume of loans on securities, in considering which it must be borne in mind that the weekly reporting member banks, about 600 in number, embrace only about 80% of the loans on securities made by all member banks:

(In Millions)

	October 23	October 30	November 20	December 18
Loans on Securities for Own Account	$ 7,920	$ 9,179	$ 7,991	$7,896
Loans on Securities for Others	3,823	2,443	2,031	1,804
	$11,743	$11,622	$10,022	$9,700

Thus it will be seen that in the critical period, October 23-30, there was a very small reduction in aggregate loans on securities, the result being practically only a shifting from one shoulder to the other; loans for "others" decreased $1,380,000,000, and loans for own account increased $1,219,000,000, a net reduction of only $121,000,000. But by November 20 the aggregate reduction had reached the huge sum of $1,721,000,000, being a further reduction of $412,000,-000 in loans for "others" and a liquidation of $1,188,000,000 of the loans taken over, chiefly by the New York banks, for own account. By December 18 the aggregate reduction was $2,043,000,000, practically all in loans for "others"; that item as shown in the statement reveals a reduction of $2,019,000,000 while loans for own account show a reduction of only $24,000,000 in comparison with figures given for October 23. Nevertheless, it is remarkable that this liquidation of loans for "others" was accomplished without adding to the burden of loans borne by the banks, except in the very temporary manner shown. At no time was the burden on the interior banks even temporarily increased appreciably; the brunt was borne by the New York banks, and that burden was relieved in a remarkably short time by liquidation.

The report of the New York Stock Exchange from its member brokers shows a reduction in their borrowings from all sources between September 30 and October 31 of $2,441,000,000, and an aggregate reduction from September 30 to November 30 of $4,533,000,000; but that item is not comparable with the item brokers' loans and loans on securities as reported by the Federal Reserve Board, since they mean different things. The enormous shrinkage in the market value of stocks listed on the New York Stock Exchange between October 1 and December 1, as shown by the report of that body, has a startling significance when considered in connection with the change in brokers' loans and aggregate loans on securities.

Reference has frequently been made to the adjustment of credits brought about by the decline in stocks as a transfer of the burden of loans to the interior banks. The burden of those banks was increased in weight but a mere trifle, since the aggregate of loans on securities of all reporting member banks, excluding New York and Chicago, increased in amount only $9,000,000 from October 23 to December 18. Reports of loans on securities of weekly reporting member banks embrace about 80% of such loans in all member banks, but like figures are not available for nonmember state banks. The analogy will probably hold good with them.

To what extent, if any, the integrity of such loans, in general, has been affected by the crash in prices is pure conjecture. There are few, if any, surface indications that the situation in that respect can be considered at all serious.

No attention has here been paid to changes in the investment account of the reporting member banks during this disturbed period; such changes were relatively small and have no special significance.

The aggregate of loans on securities by reporting members was on December 18 $908,000,000 greater than on the same day in 1928, but of this increase only $490,000,000 was carried by interior banks. On the other hand, the investments of the interior banks were $541,000,000 less than last year at the same time, and borrowing by interior reporting member banks from Federal Reserve Banks on December 18 was only $356,000,000 against $486,000,000 on the same date last year. Whatever may be the case with particular banking institutions, there is nothing in these figures in general to indicate any pressing necessity for liquidation of loans on securities by interior banks.

The year-end figures are purposely omitted from the foregoing because special influences are at work then which do not prevail at other times, and they would throw the picture somewhat out of focus. It is well, however, to compare the condition of Federal Reserve Banks at the end of the year with the condition at the beginning, as follows:

FEDERAL RESERVE SYSTEM

	January 2, 1929	December 31, 1929	
Total Reserves	$2,588,000,000	$2,857,000,000	+ 269,000,000
Bills Discounted	1,151,000,000	632,000,000	- 519,000,000
Bills Bought	392,000,000	300,000,000	- 92,000,000
Government Securities	244,000,000	510,000,000	+ 266,000,000
Total Bills and Securities	1,889,000,000	1,547,000,000	- 342,000,000
Reserve Ratio	61.9	69.6	+ 7.7

STATISTICAL RECORD OF THE ADJUSTMENT OF CREDIT RESULTING FROM THE STOCK MARKET PANIC IN OCTOBER AND NOVEMBER OF 1929

WEEKLY REPORTING MEMBER BANKS (601)

(In Millions)

	Oct. 2 1929	Oct. 9 1929	Oct. 16 1929	Oct. 23 1929	Oct. 30 1929	Nov. 6 1929	Nov. 13 1929	Nov. 20 1929	Nov. 27 1929	Dec. 4 1929	Dec. 11 1929	Dec. 18 1929	Dec.19 1928	Dec.21 1927*
Loans & Investments														
New York	$ 7,563	$ 7,464	$ 7,526	$ 7,619	$ 9,010	$ 8,658	$ 8,338	$ 8,215	$ 8,187	$ 8,035	$ 7,909	$ 7,929	$ 7,108	$ 6,939
Chicago	2,105	2,083	2,119	2,117	2,173	2,128	2,123	2,104	2,070	2,063	2,032	2,035	2,081	
Other Banks	13,161	13,126	13,149	13,159	13,248	13,287	13,255	13,193	13,096	13,044	12,981	12,969	13,044	14,448
Total..	22,829	22,673	22,794	22,895	24,431	24,073	23,716	23,512	23,353	23,142	22,922	22,933	22,233	21,387
Loans														
New York	5,876	5,756	5,817	5,899	7,191	6,733	6,403	6,215	6,169	6,047	5,967	5,927	5,296	5,141
Chicago	1,717	1,695	1,735	1,733	1,786	1,740	1,729	1,706	1,672	1,664	1,638	1,633	1,633	
Other Banks	9,835	9,818	9,845	9,868	9,957	10,016	9,983	9,940	9,857	9,827	9,770	9,787	9,319	10,267
Total..	17,428	17,269	17,397	17,500	18,934	18,489	18,115	17,861	17,698	17,538	17,375	17,347	16,248	15,408
Loans on Securities														
New York	2,947	2,836	2,964	3,005	4,205	3,751	3,427	3,105	3,077	3,073	3,023	3,022	2,671	2,642
Chicago	981	964	1,008	1,004	1,034	1,009	1,002	984	966	970	949	954	887	
Other Banks........	3,898	3,887	3,903	3,911	3,940	3,986	3,940	3,902	3,846	3,846	3,846	3,920	3,430	3,963
Total..	7,826	7,687	7,875	7,920	9,179	8,746	8,369	7,991	7,889	7,889	7,818	7,896	6,988	6,605
All Other Loans......	9,602	9,582	9,522	9,580	9,755	9,743	9,746	9,871	9,809	9,649	9,557	9,451	9,260	8,803
Investments														
New York, Government	921	932	940	947	990	1,064	1,077	1,129	1,163	1,127	1,105	1,112	1,096	994
Other	766	775	769	773	829	861	857	870	855	862	838	890	716	803
Chicago, Government	164	163	162	162	162	165	165	165	165	164	158	164	193	
Other	224	225	222	221	224	223	229	232	233	234	236	238	256	
Other Banks	3,326	3,308	3,304	3,292	3,291	3,271	3,273	3,254	3,239	3,217	3,210	3,183	3,724	4,182
Total..	5,401	5,403	5,397	5,395	5,496	5,584	5,601	5,650	5,655	5,604	5,547	5,587	5,985	5,979
Net Demand Deposits														
New York	5,279	5,106	5,270	5,298	6,851	6,588	6,369	6,183	5,970	5,783	5,773	5,715	5,247	5,578
Chicago	1,280	1,271	1,291	1,309	1,387	1,335	1,305	1,290	1,267	1,287	1,268	1,258	1,258	
Other Banks	6,736	6,663	6,845	6,707	6,872	6,842	6,896	6,754	6,653	6,644	6,735	6,703	6,817	8,231
Total..	13,295	13,040	13,406	13,314	15,110	14,765	14,570	14,227	13,890	13,714	13,776	13,676	13,322	13,809
Time Deposits														
New York	1,256	1,255	1,265	1,257	1,257	1,236	1,242	1,237	1,275	1,246	1,212	1,210	1,196	1,042
Chicago	648	646	645	683	681	678	630	624	616	620	627	625	690	
Other Banks	4,921	4,902	4,905	4,943	4,930	4,921	4,884	4,861	4,869	4,856	4,859	4,867	4,959	5,390
Total..	6,825	6,803	6,815	6,883	6,868	6,835	6,756	6,722	6,760	6,722	6,698	6,702	6,845	6,432
Borrowings from Federal Reserve Banks														
New York	63	30	49	41	170	135	40	33	33	34	66	88	139	140
Chicago	66	45	72	4	1	8	50	9	43	52	19	24	75	
Other Banks	543	537	492	509	558	590	598	555	527	494	408	356	486	292
Total..	672	612	613	554	729	733	688	597	603	580	493	468	700	432

*Revised figures for Chicago for 1927 not available.

BROKERS' LOANS

(In Millions)

	Oct. 2 1929	Oct. 9 1929	Oct. 16 1929	Oct. 23 1929	Oct. 30 1929	Nov. 6 1929	Nov. 13 1929	Nov. 20 1929	Nov. 27 1929	Dec. 4 1929	Dec. 11 1929	Dec. 18 1929	Dec.19 1928	Dec.21 1927*
Loans on Securities to Brokers & Dealers														
For Own Account....	$1,071	$ 973	$1,095	$1,077	$2,069	$1,520	$1,156	$ 853	$ 831	$ 792	$ 806	$ 832	$1,030	$1,302
For Account Out-of-town Banks.........	1,826	1,799	1,831	1,733	1,026	963	812	704	638	680	710	750	1,750	1,337
For Account Others	3,907	3,941	3,875	3,823	2,443	2,399	2,204	2,031	1,982	1,921	1,909	1,804	2,331	1,004
Total..	6,804	6,713	6,801	6,633	5,538	4,882	4,172	3,587	3,450	3,392	3,425	3,386	5,111	3,644

Stock Exchange Brokers' Loans .... August 31, $7,881 September 30, $8,549 October 31, $6,108 November 30, $4,016

FEDERAL RESERVE BANKS STATEMENT

(In Millions)

	Oct. 2 1929	Oct. 9 1929	Oct. 16 1929	Oct. 23 1929	Oct. 30 1929	Nov. 6 1929	Nov. 13 1929	Nov. 20 1929	Nov. 27 1929	Dec. 4 1929	Dec. 11 1929	Dec. 18 1929	Dec.19 1928	Dec.21 1927*
Bills Discounted	$ 931	$ 857	$ 849	$ 796	$ 991	$ 991	$ 971	$ 900	$ 912	$ 872	$ 769	$ 737	$ 947	$ 578
Bills Bought	323	333	360	379	340	330	300	284	257	257	322	309	453	366
U.S.Government Securities	146	141	138	136	293	293	313	327	326	355	387	533	291	588
Total Bills & Securities	1,414	1,346	1,370	1,337	1,649	1,638	1,606	1,530	1,514	1,503	1,491	1,589	1,701	1,533
Reserve Deposits.....	2,399	2,339	2,408	2,378	2,652	2,558	2,608	2,518	2,376	2,401	2,397	2,408	2,326	2,394
Reserve Ratio	72.7	74.4	73.1	74.5	69.4	69.8	69.5	71.2	71.8	71.5	71.6	69.3	64.5	67.2

SALES ON NEW YORK STOCK EXCHANGE

Monday,	October 28,	9,212,800	Shares
Tuesday,	October 29,	16,410,030	"
Wednesday,	October 30,	10,727,320	"

TOTAL MARKET VALUE
ALL STOCKS LISTED ON NEW YORK STOCK EXCHANGE

	Stock Exchange Figures	Average Price
October 1,	$87,073,630,423	83.06
November 1,	71,752,650,908	64.62
December 1,	63,589,338,823	56.92

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The period which ended in the Stock Market panic of October and November was the most remarkable in the annals of banking and economics in this country. The accompanying record was prepared for our directors, to show the extraordinary changes in credit and prices which occurred at that time.

GEO. J. SEAY,
GOVERNOR.

January 14, 1930.

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COPY

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To Federal Reserve Board January 10, 1930.

From Dr. Goldenweiser

In accordance with a request from Mr. Hamlin that I prepare a memorandum about the figures that I used in my talk the other day, I submit the following:

Member bank credit at the present time is about at the same level as it was before the collapse of the stock market, the increase which occurred during the first week having been liquidated since that time. Brokers loans by others than banks are about $3,000,000,000 lower than they were in October.

For the year 1929 as a whole there was an increase in loans and investments of reporting member banks of about $832,000,000; security loans went up $770,000,000 and other loans, $428,000,000, while investments went down $366,000,000. The growth in credit for the year was all at the banks in New York City, while the banks outside showed a small decrease for the year. At the banks in New York City security loans showed an increase for the year of $365,000,000; all other loans, of $317,000,000, and investments, of $169,000,000, while at the banks outside New York City security loans showed an increase of $405,000,000, all other loans of $111,000,000, while investments decreased by $535,000,000.

Free gold

The amount of free gold in the Federal Reserve System on December 31, 1929 was $694,000,000. This figure is arrived at by allowing 35 per cent

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against deposits and using the necessary amount of gold to bring the collateral against Federal Reserve notes to the 100 per cent prescribed by law. There has been a decrease of more than $400,000,000 in this amount since the early part of October, owing to the fact that discounts have gone down and their place has been taken by Government securities, which are not eligible as collateral for Federal Reserve notes. As a consequence, a larger amount of gold has become necessary for note coverage.

It was pointed out that gold exports, so long as they were met by discounts, would not make any change in the amount of free gold, because eligible paper would come into the system in equal amounts with the gold withdrawn. If, however, the gold exports were to be met by security purchases, that would make inroads into the free gold.

It was also pointed out that a return flow of currency from circulation would not change the free gold situation so long as it liquidated discounts or acceptances, because there would be a decrease in eligible collateral equivalent to the decrease in notes. If, however, the return flow was met by the sale of securities, there would be an increase in the free gold, because the collateral would not diminish, while notes outstanding would.

It was brought out that the decrease in free gold brings the question of reserves as the limiting factor to Federal Reserve operations closer than it has been for many years. A factor of safety, however, is in the $500,000,000 of notes outstanding that are held in the Federal Reserve banks. In case of real need, means can be found to reduce this amount considerably.

C O P Y

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January 11, 1930.

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Federal Reserve Board

Dr. Goldenweiser

In response to Dr. Miller's request that I give the Board a statement as to the effect of a policy of open market operations having for its objective the keeping of discounts of member banks down to $500,000,000, I submit the following:

Discounts for member banks on January 8 were $568,000,000 and they are likely to be below $500,000,000 before the end of this month. The question raised, therefore, is whether they should be kept at or near that level through the purchase of securities to offset gold exports, if any, or through the sale of securities in case there is a further downward movement in discounts caused by a return flow of currency, by a decline in member bank balances, or from some other cause.

I am not sure that I clearly understand the question. It would seem that the System's objective is not the maintenance of a given level of discounts, but the maintenance of conditions in the money market that appear desirable in view of the prevailing credit and business situation. In the long run a policy of not allowing discounts to rise above $500,000,000 would mean that increases in the demand for reserve bank credit arising from possible gold exports, from an increase in the demand for currency, or from an increase in member bank reserve requirements would all three be net entirely through the purchase of securities or acceptances by the Federal Reserve banks. If the demand for reserve bank credit were to come from the increase in reserve requirements of member banks, it is likely to indicate a rapid growth of bank credit and may mean that the Federal Reserve System would wish

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to have the member banks sufficiently in debt to restrain the growth. In that case maintaining discounts at a given level would not be consistent with the System's objective.

In the immediate future, however, the principal source of demand for additional reserve bank credit is likely to be caused by gold exports, and perhaps the Board's inquiry is primarily intended to throw light on the question of the effect of replacing such exports by the purchase of securities. Broadly speaking, the effect would be to counteract the tightening effect of the exports and, therefore, encourage their continuance and to accelerate the using up of the free gold available in this country. Whether it would mean also to encourage undue expansion of credit would depend on other elements in the situation. The effect of such a policy abroad would be to encourage further takings of gold from the United States and to enable foreign central banks to adopt easier money policies.

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

See BH

Date January 17, 1930

To Mr. Hamlin

Subject: P. 129

From Mr. McClelland

2—8495

The attached figures are those prepared for the information of the President and the Cabinet by the Interdepartmental Statistical Committee, of which Doctor Goldenweiser and Mr. Smead are members. I understand that charts based on these figures are also available and are being used by the President and the Cabinet.

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BUSINESS INDEXES

(1923-1925 = 100, with exceptions noted.)

January 15, 1930

	Industrial production 1/	Factory employment 1/	Freight car loadings: merchandise and miscellaneous 1/	Building contracts awarded (value)
Annual				
1922	85	90	88	81
1923	101	104	97	84
1924	95	96	98	95
1925	104	100	105	122
1926	108	101	108	130
1927	106	99	107	128
1928	110	97	108	135
1929	118p	100	110	117
Monthly				
1928				
July	110	97	109	142
August	112	99	109	126
September	114	98	111	143
October	114	99	111	145
November	112	98	107	115
December	113	99	108	105
1929				
January	117	99	109	100
February	117	100	109	88
March	119	100	111	118
April	122	102	114	156
May	123	102	114	143
June	126	102	112	133
July	124	102	112	159
August	123	102	113	119
September	121	101	113	108
October	117	100	111	109
November	106	98	103	95
December	101p	96	99	77
1930				
January				
Turning points				
Low 1922	73	84	82	48
High 1923	107	107	99	109
Low 1924	84	92	92	76
High 1926	112	[illegible]	110	148
Low 1927	99	[illegible]	100	94
High 1928	114	[illegible]	111	158
High 1929	126	102	114	159

1/ Adjusted to allow for usual seasonal variations. p - Preliminary.

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Sheet 2.

	Automobile output	Steel ingot output	Non-agricultural prices	Stock prices (1926=100)	Commercial paper rate - (Monthly average)
Annual					
1922	66	84	100	68	4.48
1923	102	105	103	69	5.01
1924	91	89	98	73	3.88
1925	107	107	99	90	4.03
1926	109	113	97	100	4.35
1927	86	105	90	118	4.11
1928	110	120	89	150	4.86
1929	135p	131	88p	190	5.85
Monthly					
1928					
July	121	114	89	144	5.13
August	131	116	90	148	5.38
September	137	124	90	157	5.50
October	113	129	90	159	5.50
November	79	123	90	171	5.38
December	74	121	90	171	5.50
1929					
January	118	125	89	185	5.38
February	154	135	89	187	5.50
March	177	146	90	189	5.88
April	184	143	90	187	6.00
May	178	147	89	188	6.00
June	172	147	89	191	6.00
July	148	140	88	207	6.00
August	144	137	88	218	6.13
September	134	135	87	225	6.25
October	108	125	87	202	6.25
November	69	101	86	151	5.75
December	36p	87	85p	154	5.00
1930					
January					
Turning points					
Low 1922	28	55	94	59	4.08
High 1923	117	119	110	76	5.38
Low 1924	61	54	96	68	3.13
High 1926	134	124	99	105	4.63
Low 1927	40	90	88	106	4.00
High 1928	137	129	90	171	5.50
High 1929	184	147	90	225	6.25

p - Preliminary.

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X-4586

RESOLUTIONS APPROVED BY FEDERAL RESERVE BOARD AT MEETING ON MARCH 22, 1923.

"Whereas the Federal Reserve Board, under the powers given it in Sections 13 and 14 of the Federal Reserve Act, has authority to limit and otherwise determine the securities and investments purchased by Federal reserve banks;

Whereas the Federal Reserve Board has never prescribed any limitation upon open market purchases by Federal reserve banks;

Whereas the amount, time, character, and manner of such purchases may exercise an important influence upon the money market;

Whereas an open market investment policy for the twelve banks composing the Federal reserve system is necessary in the interest of the maintenance of a good relationship between the discount and purchase operations of the Federal reserve banks and the general money market;

Whereas heavy investments in United States securities, particularly short-dated certificate issues, have occasioned embarrassment to the Treasury in ascertaining the true condition of the money and investment markets from time to time,

THEREFORE, Be It Resolved, That the Federal Reserve Board, in the exercise of its powers under the Federal Reserve Act, lay down and adopt the following principles with respect to open market investment operations of the Federal reserve banks, to-wit:

(1) That the time, manner, character, and volume of open market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.

(2) That in making the selection of open market purchases, careful regard be always given to the bearing of purchases of United States Government securities, especially the short-dated issues, upon the market for such securities, and that open market purchases be primarily commercial investments, except that Treasury certificates be dealt in, as at present, under so-called "Repurchase" agreement.

Be It Further Resolved, That on and after April 1, 1923, the present Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities be discontinued, and be superseded by a new committee known as the Open Market Investment Committee for the Federal Reserve System, said Committee to consist of five representatives from the reserve banks and to be under the general supervision of the Federal Reserve Board; and that it be the duty of this Committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6484

January 23, 1930.

SUBJECT: Open Market Procedure.

Dear Sir:

This letter invites the attention of your bank to changes which the Federal Reserve Board, after prolonged consideration of the matter, has concluded should be made in the existing procedure governing open market operations.

It may be recalled that it was in April, 1923, that the present procedure with regard to open market operations was adopted. In the preceding year many of the reserve banks, in order to maintain portfolios of earning assets, entered the market on their own separate accounts to purchase United States Government securities, without much regard to the effects of their operations on the market for Government securities or on credit conditions. It was found necessary, in consequence, to give to open market operations a status which recognized their credit effects and economic consequences and also their effects on the position of each Federal reserve bank.

A copy of the Board's resolution containing an outline of the procedure adopted in 1923 is herewith enclosed. Under this procedure the principle governing open market operations was defined and its application and practice left to a Committee consisting of five reserve banks acting under the general supervision of the Federal Reserve Board.

The principle was stated as follows:

> "That the time, manner, character and volume of open market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business, and to the effect of such purchases or sales on the general credit situation."

The five banks constituting the Open Market Investment Committee were the following:

Federal Reserve Bank of Boston
Federal Reserve Bank of New York
Federal Reserve Bank of Philadelphia
Federal Reserve Bank of Cleveland
Federal Reserve Bank of Chicago.

Although the necessity of giving to open market operations a System status was recognized in 1923, it was not then foreseen how much use would be made of the open market operation as an instrument of Federal reserve credit policy. As a matter of fact, frequent resort has been taken to open market operations - either by purchase or sale of United States Government securities - as a mode of policy in the five years following the 1923 arrangements.

The experience of this period shows that the open market operation, when involving other than trifling amounts, may be of first-rate importance in altering credit conditions even when viewed on a national scale.

It is not surprising, therefore, that suggestions should have been made that the System character of open market operations should be fully recognized by having all twelve Federal reserve banks, instead of five as at present, represented in the shaping of open market policy. Views to this effect have been expressed informally by reserve banks not included in the existing set-up, and formally by the Federal Advisory Council in the following recommendation adopted in September, 1928:

> "The Federal Advisory Council without any intention of criticising the present arrangements but in order that all governors of the Federal reserve banks may participate in the discussions leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal reserve banks with an executive committee composed of five members with full power to act."

For the reasons briefly set forth above, the Board has drawn up a revision of the 1923 open market procedure, which embodies a fuller recognition of the joint interest and responsibility of the Federal reserve banks and the Federal Reserve Board in the matter of open market policy. The elements of this procedure are contained in a memorandum adopted by the Federal Reserve Board reading as follows:

"(1) The Open Market Investment Committee, as at present constituted, to be discontinued and a new committee, to be known as the Open Market Policy Conference, to be set up in its place.

(2) Each Federal reserve bank to be represented on the Open Market Policy Conference.

(3) The Conference to meet with the Federal Reserve Board at such times as may be arranged by or with the Board.

(4) The function of the Open Market Policy Conference to be to consider, develop and recommend plans with regard to the purchase or sale of securities in the open market.

(5) The time, character and volume of such purchases and sales to be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference to be submitted to each of the Federal reserve banks and to the Federal Reserve Board for consideration and/or action.

(7) A committee to be known as the Open Market Executive Committee to be constituted for the purpose of executing such purchases and sales of securities as have been approved by Federal reserve banks and the Federal Reserve Board."

Such further working arrangements as may be found necessary to make the above outlined plan operative will, in the opinion of the Board, best be determined by the Conference itself when it is organized.

The Board believes that the above procedure contains the essentials of a workable plan designed to give expression to the common interest of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. After your bank has had time to consider the plan, the Board will welcome an expression of your views.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO CHAIRMEN OF ALL F. R. BANKS.

[illegible]

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Brokers loans
New Series

First weekly date in	Own acct.	For corresp. bks	Total bks	For others	Grand Total
1927	1037	1049	2086	732	2819
	37%	37%	74%	26%	100%
1929	1516	1648	3162	2166	5330
	+ 479	+ 599	+ 1078	[+1434]	2511
	18%	24%	42%	[58%]	100%

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(3) BORROWINGS AND RESERVE BALANCES OF ALL MEMBER BANKS, OF ALL WEEKLY REPORTING MEMBER BANKS, AND OF WEEKLY REPORTING MEMBER BANKS IN NEW YORK CITY

(Figures for all member banks are monthly averages of daily figures; those for weekly reporting banks are averages of weekly figures)

(In thousands of dollars)

Month	All member banks			All weekly reporting member banks			Weekly reporting member banks in New York City		
	Borrowings from Federal reserve bank	Reserve balances	Per cent of borrowings to reserve balances	Borrowings from Federal reserve bank	Reserve balances	Per cent of borrowings to reserve balances	Borrowings from Federal reserve bank	Reserve balances	Per cent of borrowings to reserve balances
1928									
January	465,275	2,426,360	19.2	314,208	1,799,458	17.5	93,888	781,364	12.0
February	470,680	2,368,092	19.9	337,900	1,758,215	19.2	77,783	753,996	10.3
March	513,233	2,365,030	21.7	361,937	1,726,338	21.0	74,672	737,912	10.1
April	660,927	2,396,460	27.6	487,946	1,782,935	27.4	145,120	776,708	18.7
May	835,502	2,387,642	35.0	643,657	1,770,996	36.3	222,008	766,710	29.0
June	1,018,735	2,354,547	43.3	796,223	1,740,061	45.8	271,147	749,001	36.2
July	1,089,579	2,323,506	46.9	853,800	1,722,670	49.6	273,501	729,696	37.5
August	1,060,811	2,273,919	46.7	806,093	1,672,180	48.2	222,695	705,229	31.6
September	1,064,302	2,314,257	46.0	822,443	1,699,326	48.4	265,994	715,633	37.2
October	975,204	2,332,177	41.8	736,270	1,706,996	43.1	202,111	719,884	28.1
November	897,309	2,352,294	38.1	681,018	1,713,960	39.7	156,722	721,393	21.7
December	1,013,003	2,366,808	42.8	799,132	1,747,518	45.7	220,862	751,825	29.4
1929									
January	859,223	2,386,746	36.0	663,321	1,776,861	37.3	190,169	770,053	24.7
February	889,207	2,357,297	37.7	659,194	1,746,491	37.7	131,168	755,772	17.4
March	968,565	2,336,507	41.5	740,379	1,715,471	43.2	166,168	736,074	22.6
April	1,004,440	2,307,945	43.5	724,649	1,672,003	43.3	162,025	714,539	22.7
May	956,274	2,296,409	41.6	661,224	1,666,236	39.7	144,867	713,817	20.3
June	978,009	2,314,338	42.3	670,064	1,671,898	40.1	164,586	720,004	22.9
July	1,095,623	2,333,545	47.0	800,933	1,703,309	47.0	319,054	740,052	43.1
August	1,043,467	2,322,411	44.9	717,039	1,665,305	43.1	195,600	701,890	27.9
September	969,000	2,334,541	41.5	705,854	1,702,555	41.5	166,345	735,616	22.6
October	884,501	2,385,644	37.1	634,398	1,774,947	35.7	73,840	791,499	9.3
November	952,640	2,521,324	37.8	654,531	1,868,826	35.0	60,075	888,904	6.8
December	803,350	2,395,025	33.5	489,823	1,743,072	28.1	80,300	776,873	10.3

DIVISION OF BANK OPERATIONS,
DECEMBER 27, 1929.

See B+

Reporting Membe r Banks.

Date	Security Loans	Per Cent	Comm. Loans	Per Cent	Invest-ments	Per Cent	Total.
Jan. 1, 1922	3,683	25	7,523	51	3565	24	14771
1923	4,215	26	7,404	45	4734	29	16353
1924	4,269	26	7,798	47	4555	27	16622
1925	4,901	26	8,205	44	5555	30	18661
1926	5,864	30	8,317	42	5444	28	19625
1927	6,086	30	8,664	44	5114	26	19865
1928	7,022	32	8,652	40	5955	28	21629
1929	7,818	34	8,985	40	5931	26	22735

Averages, on Months 1929.

								All member bank reserves
Jan. ~~1~~, 1929.	7,504	33.6	8,796	39.4	6,021	27.0	22,320	2,386.7
Feb. ~~1~~, 1929.	7,522	33.8	8,737	39.2	6,004	27.0	22,263	2,357.2
Mar. ~~1~~, 1929.	7,580	33.7	8,911	39.7	5,981	26.6	22,472	2,336.5
April ~~1~~, 1929.	7,392	33.0	9,073	40.5	5,924	26.5	22,388	2,307.8
May ~~1~~, 1929.	7,218	32.6	9,059	41.0	5,836	26.4	22,113	2,296.4
June ~~1~~, 1929.	7,332	33.0	9,149	41.1	5,751	25.9	22,231	2,314.3
July ~~1~~, 1929.	7,716	34.3	9,234	41.1	5,529	24.6	22,479	2,333.6
Aug. ~~1~~, 1929.	7,579	33.7	9,389	41.8	5,496	24.5	22,465	2,322.4
Sept. ~~1~~, 1929.	7,654	33.8	9,543	42.1	5,449	24.1	22,646	2,334.5
Oct. ~~1~~, 1929.	8,098	35.0	9,608	41.6	5,418	23.4	23,124	2,385.6
Nov. ~~1~~, 1929.	8,249	34.9	9,792	41.4	5,623	23.7	23,663	2,521.3
Dec. ~~1~~, 1929.	7,968	34.6	9,476	41.2	5,567	24.2	23,012	2,395.0
Jan	7,794	34.8	9027	40.4	5548	24.8	22,868	1,718.0