

The Papers of Charles Hamlin (mss24661)

363_10_001-

Hamlin, Charles S., Scrap Book – Volume 208, FRBoard Members

205.001 - Hamlin Charles S
Scrap Book - Volume 208
FRBoard Members

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 1, 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 208 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 208

Page 3

Memo to Mr. Smead from Mr. James re Functional expenses of Federal Reserve Banks since 1925.

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Memo to Mr. Hamlin from Mr. Goldenweiser re total security loans of all member banks.

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Confidential memo - The World Gold Situation by Mr. Goldenweiser.

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Memo to Mr. Hamlin from Mr. Smead re Federal Reserve borrowings and brokers' loans of the National City Bank.

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Memo to Mr. Hamlin from Mr. Smead re Changes in New York Federal Reserve Bank discount rate - 1924-1930.

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(X-6151) Letter to F.R. Banks on reasons for changes in discount rates.

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Excerpt from letter of Mr. McGarrah on reply to X-6151.

Mr. Hamlin

See Mr

From: Mr. Smead

SUBJECT: Functional expenses of
Federal reserve banks
since 1925.

To: Mr. James, Chairman,
Committee on Salaries
& Expenditures, F. R. Banks.

Attached hereto is a statement which shows the operating expenses of the Federal Reserve System for each year since 1925, by functions and expense units. The statement also shows the average number of officers and of employees assigned to each unit, and for certain units the number of items handled. This statement was compiled from the functional expense exhibits which are prepared each six months by the Division of Bank Operations from detailed reports (Form E) received from each Federal reserve bank and branch.

The functional expense reports are a part of the functional expense accounting system which has been in operation in the Federal reserve banks since July 1, 1922, and which was devised by the Federal Reserve Board's Committee on Economy and Efficiency (now - "Salaries and Expenditures" of the Federal reserve banks) for the purpose of establishing a basis upon which equitable comparisons might be made of the cost of performing like operations in the several Federal reserve banks and branches.

The operations of the reserve banks are classed according to functions which are in turn divided into groups of related operations called expense units. For example, the Check Collection function is divided into City Checks (Clearings), Country Checks - Outgoing, etc.

It will be noted from this statement that expenses exclusive of the cost of Federal reserve currency have not changed materially since 1925. In twelve of the expense units, which include the operations of the Check and Currency Departments, where over 40 per cent of the personnel is employed, we have a measurement of the volume of work and of the unit cost of handling items. In order to bring out to what extent the efficiency of the Federal reserve banks has increased during the four years covered by the attached report, we have applied the unit costs of handling items in the principal expense units in the banks in 1925 to the considerably larger volume of operations handled in 1929 and find that if unit costs had been the same in 1929 as in 1925 the 1929 expenses of the reserve banks would have been about \$1,400,000 larger than they were. The principal savings would have been in the Check and Currency Functions where they would have amounted to \$772,083 and \$433,145 respectively.

That this saving is a gradual one continuing from year to year is evidenced by the fact that had the 1925 unit cost of handling items prevailed each year since that time the 1926 expenses would have been larger by \$499,000, the 1927 by \$743,000, the 1928 by \$1,110,000 and the 1929 by \$1,400,000 as stated above. These very substantial savings have been made possible by the constant effort on the part of the Federal reserve banks to increase the efficiency of their operating departments by the adoption, where practicable of more economical ways of handling given operations including the discontinuance of certain steps not justified by their costs. Considerable saving has also been effected throughout the banks as a result of the adoption of a budget control of expenses. These budget systems were adopted by most banks in 1925 and a number of the banks at least have found them very effective in controlling expenses.

You will recall that a report made by Mr. Rounds and myself under date of November 5, 1928 recommended that consideration be given to the advisability of designating someone of the Board's Examining force to study the operating methods followed by the several Federal reserve banks and to make constructive suggestions from time to time to those banks whose operating costs appeared to be out of line. Both the Governors' Conference and the Federal Reserve Board approved this recommendation and since the spring of 1929 Mr. Myrick of this division and Mr. Wilkes of the Examining Staff have been devoting considerable time during each examination to the study of operating methods. They have made suggestions for changes from time to time which I believe have been very cordially received by the Federal reserve banks.

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
ALL FUNCTIONS (Less rent received):						
Expense		\$27,303,150	\$26,950,504	\$27,268,489	\$26,612,946	\$29,003,333
Expense - Exclusive of cost of F. R. Currency		25,500,232	25,236,084	25,423,647	25,807,043	25,903,930
Officers	No.	283.74	267.09	262.37	264.18	265.36
Employees	"	10,098.82	9,919.09	9,870.11	9,826.43	9,728.48
GENERAL OVERHEAD CONTROLLABLE FUNCTION						
Expense		\$1,725,376	\$1,805,704	\$1,822,500	\$1,937,191	\$1,960,969
Officers	No.	83.54	83.44	83.82	86.49	86.15
Employees	"	82.81	79.46	77.70	77.31	76.20
GENERAL OVERHEAD NONCONTROLLABLE FUNCTION						
Expense		\$4,172,356	\$4,213,512	\$4,436,442	\$3,326,842	\$5,845,466
Cost of F. R. Currency		1,802,918	1,714,420	1,844,842	805,903	3,099,403
Cost of currency shipments to and from banks		1,513,476	1,622,254	1,664,728	1,672,688	1,805,523
Cost of currency shipments - all other		30,405	44,876	35,347	33,717	48,404
Assessment for F. R. Board expenses		709,500	721,725	779,116	697,679	781,644
Shipping charges on securities		96,235	88,979	91,449	92,850	87,504
Other noncontrollable expenses		19,822	21,258	20,960	24,005	22,988
PROVISION OF SPACE FUNCTION						
Total Expense		\$3,545,390	\$3,564,193	\$3,610,352	\$3,773,078	\$3,851,233
Income received from space leased to tenants		<u>610,271</u>	<u>614,045</u>	<u>691,887</u>	<u>740,591</u>	<u>894,574</u>
Net expense		2,935,119	2,950,148	2,918,465	3,032,487	2,956,659
Officers	No.	2.94	2.81	3.04	3.67	3.56
Employees	"	860.14	871.10	885.83	921.96	962.26
Administration unit:						
Expense		\$77,702	\$85,209	\$87,514	\$95,587	\$96,813
Officers	No.	2.94	2.81	3.04	3.67	3.56
Employees	"	17.36	19.77	20.59	22.12	21.63
(St. 6762)						

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd.)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
PROVISION OF SPACE FUNCTION (Cont'd)						
Banking House unit:						
Total Expense		\$3,102,439	\$3,200,498	\$3,245,220	\$3,375,164	\$3,492,633
Employees	No.	800.14	821.14	838.12	872.78	916.42
Power plant, including salaries		\$538,564	\$532,789	\$521,764	\$531,203	\$552,261
Taxes		1,305,408	1,368,061	1,403,887	1,429,929	1,472,917
Repairs and alterations, excluding power plant		125,732	191,081	166,626	194,300	201,602
Cleaners' salaries and supplies and cleaning service		579,690	605,089	606,017	639,728	669,039
Elevator operators' salaries and elevator supplies		139,349	142,141	148,320	154,649	158,673
Other salaries including laundry salaries		217,938	210,620	239,259	259,715	271,641
All other expenses		195,758	150,717	159,347	165,640	166,500
Rented Property unit:						
Expense		\$365,249	\$278,486	\$277,618	\$302,327	\$261,787
Employees	No.	42.64	30.19	27.12	27.06	24.21
Rent, including heat, light, power, repairs and alterations		\$300,356	\$231,367	\$231,379	\$257,300	\$224,000
PROVISION OF PERSONNEL FUNCTION						
Expense		\$535,145	\$613,566	\$558,924	\$577,321	\$603,605
Officers	No.	8.01	6.76	6.95	7.34	7.47
Employees	"	352.88	391.17	323.74	332.99	347.90
Administration unit:						
Expense		\$55,594	\$57,071	\$65,963	\$64,241	\$61,282
Officers	No.	7.92	6.76	6.95	7.34	7.47
Employees	"	4.43	6.03	9.05	6.34	4.09
Hiring Employees and Employees' Records unit:						
Expense		\$142,875	\$135,326	\$118,220	\$119,408	\$128,620
Employees	No.	69.31	62.97	55.16	56.82	57.45

(St. 6762)

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
PROVISION OF PERSONNEL FUNCTION (Cont'd)						
Educational and Training unit:						
Expense		\$87,397	\$91,272	\$81,894	\$81,501	\$86,960
Employees	No.	40.75	41.70	17.53	16.88	25.72
Welfare and Medical unit:						
Expense		\$130,928	\$127,824	\$128,013	\$129,329	\$132,999
Employees	No.	48.20	52.24	52.56	51.20	52.20
Cafeteria unit:						
Total Expense		\$469,703	\$548,979	\$527,125	\$574,247	\$589,115
Receipts		<u>385,529</u>	<u>407,051</u>	<u>380,337</u>	<u>410,152</u>	<u>413,371</u>
Net expense		84,174	141,928	146,788	164,095	175,744
Employees	No.	174.96	189.57	176.63	192.19	199.50
Float Force unit:						
Expense (salaries not distributed)		\$34,177	\$60,145	\$18,046	\$18,747	\$18,000
Officers (net, not distributed)	No.	.09				
Employees " " "	"	15.23	38.66	12.81	9.56	8.94
GENERAL SERVICE FUNCTION						
Expense		\$2,460,379	\$2,499,680	\$2,550,326	\$2,654,283	\$2,730,632
Officers	No.	11.80	11.70	11.55	12.58	12.83
Employees	"	1,734.86	1,699.73	1,725.58	1,759.94	1,792.60
Administration unit:						
Expense		\$78,377	\$85,787	\$87,224	\$93,431	\$97,817
Officers	No.	11.71	11.61	11.47	12.53	12.78
Employees	"	6.92	8.02	7.08	7.17	7.66
Purchasing and Stock Room unit:						
Expense		\$162,128	\$145,687	\$143,195	\$136,685	\$136,551
Officers	No.	-	-	.03	.05	.05
Employees	"	89.88	81.11	77.21	73.94	73.54

(St. 6662)

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
GENERAL SERVICE FUNCTION (Cont'd)						
Telephone unit:						
Total expense		\$280,283	\$280,169	\$292,920	\$299,373	\$305,553
Amount distributed (tolls)		<u>55,916</u>	<u>54,638</u>	<u>57,573</u>	<u>57,579</u>	<u>59,444</u>
Net expense		224,367	225,531	235,347	241,794	246,109
Employees	No.	68.44	68.01	67.41	68.68	69.98
Telegraph unit:						
Total expense		\$751,478	\$745,669	\$721,026	\$737,782	\$767,001
Above expense completely distributed except:		-8	3	-2	-	1
Employees	No.	97.89	94.99	96.98	98.10	100.79
Commercial messages		\$186,135	\$169,733	\$143,113	\$147,592	\$154,598
Number of words		33,590,000	34,349,000	36,578,000	39,024,000	40,665,000
Coding unit:						
Expense		\$79,025	\$80,611	\$88,470	\$94,735	\$110,801
Employees	No.	50.47	50.20	53.26	55.77	63.82
Mail unit:						
Expense		\$310,574	\$306,123	\$313,378	\$319,518	\$318,576
Employees	No.	251.24	247.30	245.66	246.88	243.64
Registered Mail and Express unit:						
Expense		\$127,019	\$126,876	\$134,539	\$148,436	\$165,586
Employees	No.	69.31	70.09	74.15	80.21	86.65
Filing and Old Records unit:						
Expense		\$239,525	\$223,486	\$213,447	\$218,020	\$215,062
Employees	No.	171.63	157.23	149.78	150.84	146.27
Stenographic unit:						
Expense		\$123,343	\$100,523	\$108,714	\$103,208	\$111,314
Above expense completely distributed except:		11	865	2,944	3,007	2,376
Employees	No.	82.16	67.50	72.84	70.76	70.26

(St. 6762)

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
GENERAL SERVICE FUNCTION (Cont'd)						
Duplicating unit:						
Total Expense		\$139,123	\$125,148	\$143,924	\$143,537	\$137,321
Amount distributed		<u>66,727</u>	<u>53,459</u>	<u>76,515</u>	<u>79,300</u>	<u>75,206</u>
Net expense		72,396	71,689	67,409	64,237	62,115
Employees	No.	86.24	79.94	83.69	82.04	79.66
Protection unit:						
Expense		\$739,709	\$777,179	\$822,779	\$874,451	\$901,842
Employees	No.	465.80	482.82	504.42	528.84	542.80
Office Boys and Pages unit:						
Expense		\$117,262	\$115,827	\$116,985	\$124,504	\$135,702
Employees	No.	178.77	177.50	174.49	177.34	186.78
Automobile unit:						
Total Expense		\$75,956	\$74,149	\$62,742	\$63,922	\$62,456
Amount distributed		<u>28,535</u>	<u>24,364</u>	<u>19,650</u>	<u>17,532</u>	<u>16,078</u>
Net expense		47,421	49,785	43,092	46,390	46,378
Employees - (net, not distributed)	No.	21.47	22.56	21.95	21.25	20.52
Equipment Repairs unit:						
Expense		\$147,206	\$168,656	\$150,710	\$158,521	\$159,959
Employees	No.	37.50	34.39	34.62	36.70	37.42
Vault Maintenance unit:						
Expense		\$115,367	\$121,575	\$130,809	\$130,554	\$131,757
Officers	No.	.09	.09	.05		
Employees	"	57.14	58.07	62.04	61.42	62.81
POSTAGE FUNCTION						
Expense		\$933,149	\$914,334	\$950,782	\$982,829	\$993,555
INSURANCE FUNCTION						
Expense		\$373,443	\$344,886	\$344,429	\$357,046	\$369,263
Officers	No.	.25	.20	.20	.20	.20
Employees	"	1.31	1.58	1.39	1.65	1.66

(St. 6762)

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
FAILED BANKS FUNCTION						
Expense		\$509,430	\$376,667	\$324,035	\$220,645	\$173,701
Officers	No.	7.27	6.14	5.98	4.19	3.35
Employees	"	116.38	91.90	73.27	46.70	36.24
LOANS, REDISCOUNTS AND ACCEPTANCES FUNCTION						
Expense		\$879,567	\$835,956	\$847,869	\$878,355	\$925,830
Officers	No.	21.06	18.33	18.68	19.59	20.09
Employees	"	345.94	335.30	336.57	335.28	343.94
Administration unit:						
Expense		\$186,611	\$166,990	\$171,638	\$186,221	\$194,045
Officers	No.	21.06	18.33	18.63	19.49	19.81
Employees	"	17.13	14.63	12.94	13.22	12.50
Maintaining Credit Information unit:						
Expense		\$209,744	\$204,215	\$213,266	\$218,478	\$235,702
Officers	No.	-	-	.05	.10	.14
Employees	"	94.63	94.81	99.12	100.26	103.25
Commercial agency credit reports		15,836	12,950	14,839	15,422	21,290
Discounts and Records unit:						
Expense		\$483,212	\$464,751	\$462,965	\$473,656	\$496,083
Officers	No.					.14
Employees	"	234.18	225.86	224.51	221.80	228.19
Total number of pieces of paper handled		1,147,147	1,349,219	1,186,379	1,359,742	1,493,582
Units handled per employee per day		16	20	17	20	22
Cost per unit (cents)		42.1	34.4	39.0	34.8	33.2

(St. 6762)

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
LOANS, REDISCOUNTS AND ACCEPTANCES FUNCTION (Cont'd)						
Volume of work handled in Discounts and						
Records unit - Number of Pieces						
Notes rediscounted		405,545	430,382	306,771	355,204	421,622
Collateral notes discounted		68,970	75,951	64,271	88,019	104,578
Notes received as collateral to -						
Bills payable		161,063	252,497	219,643	308,199	370,983
General line		36,982	40,812	28,310	23,129	25,011
Notes rebated		178,267	205,143	176,097	173,102	194,855
Paper purchased for own account -						
In open market		200,525	231,680	253,920	251,035	195,564
From other F. R. banks		3,884	17,807	6,195	9,046	575
Paper purchased for other than own account		91,911	94,947	131,172	152,008	180,394
Rediscount applications		47,468	46,912	33,293	35,844	41,089
Collateral note applications		68,224	75,791	63,736	87,164	103,535
SECURITIES FUNCTION						
Expense		\$436,020	\$441,744	\$462,154	\$509,775	\$509,156
Officers	No.	8.75	8.04	8.11	8.09	8.57
Employees	"	175.28	177.40	184.78	201.91	195.33
Administration unit:						
Expense		\$61,242	\$62,995	\$61,644	\$66,836	\$68,591
Officers	No.	8.75	8.04	8.11	8.09	8.57
Employees	"	3.31	3.56	3.01	3.74	3.52
Operations and Records unit:						
Expense		\$129,830	\$113,029	\$127,353	\$140,845	\$147,866
Employees	No.	59.15	49.18	57.01	62.96	63.57
Vault Custody unit:						
Expense		\$244,948	\$265,720	\$273,157	\$302,094	\$292,699
Employees	No.	112.82	124.66	124.76	135.21	128.24
Number of pieces rec'd and delivered		5,363,726	4,731,456	6,777,412	6,342,752	5,387,184
Number of coupons cut		2,923,325	3,037,398	3,274,643	3,377,726	3,330,921

(St. 6762)

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
CURRENCY AND COIN FUNCTION						
Expense		\$2,335,050	\$2,345,750	\$2,263,336	\$2,258,772	\$2,473,514
Officers	No.	24.99	24.61	25.08	24.26	25.07
Employees	"	1,319.10	1,293.03	1,231.99	1,186.41	1,276.14
Administration unit:						
Expense		\$159,013	\$164,917	\$163,474	\$161,483	\$183,388
Officers	No.	24.99	24.61	25.08	24.26	25.07
Employees	"	9.92	9.19	9.08	9.79	10.81
Currency - Receiving and Sorting unit:						
Expense		\$1,341,884	\$1,334,424	\$1,237,703	\$1,203,822	\$1,318,447
Employees	No.	943.08	920.88	844.82	791.45	860.60
No. of bills rec'd and counted (thousands)		1,947,419	2,099,605	2,194,608	2,270,555	2,427,330
Units handled per employee per day		6,815	7,550	8,573	9,499	9,339
Cost per 1000 units (cents)		69	64	56	53	54
No. of bills rehandled (thousands)		132,545	110,926	96,778	94,334	136,898
No. of bills counted the second time -						
Verification count (thousands)		1,118,070	1,075,786	807,728	610,519	619,690
Currency - All other unit:						
Expense		\$529,772	\$542,457	\$556,689	\$577,249	\$627,251
Employees	No.	228.51	224.02	234.84	241.52	253.71
Coin unit:						
Expense		\$304,381	\$303,952	\$305,470	\$316,218	\$344,428
Employees	No.	137.59	138.94	143.25	143.65	151.02
No. of coins rec'd and counted (thousands)		2,329,014	2,590,057	2,691,184	2,929,091	3,239,709
Units handled per employee per day		55,865	61,727	62,001	67,518	71,034
Cost per 1000 units (cents)		13	12	11	11	11
CHECK COLLECTION FUNCTION						
Expense		\$4,174,170	\$4,156,235	\$4,172,032	\$4,130,068	\$4,053,068
Officers	No.	20.53	20.30	20.04	19.53	20.05
Employees	"	2,845.92	2,887.16	2,906.41	2,798.51	2,675.40

(St. 6762)

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
CHECK COLLECTION FUNCTION (Cont'd)						
Administration unit:						
Expense		\$157,954	\$156,379	\$160,976	\$166,888	\$169,907
Officers	No.	20.53	20.30	20.04	19.53	20.05
Employees	"	22.05	18.78	19.36	21.11	20.69
City Checks (Clearings) unit:						
Expense		\$493,231	\$492,769	\$525,445	\$522,045	\$513,335
Employees	No.	314.32	321.46	344.61	328.51	322.94
Clearing house dues and fines		\$32,162	\$20,722	\$21,371	\$21,651	\$23,547
Number of items received		135,896,000	143,054,000	151,174,000	160,158,000	178,442,000
Units handled per employee per day		1,427	1,474	1,448	1,614	1,830
Cost per 1000 units (After deducting dues and fines)		\$3.39	\$3.30	\$3.33	\$3.12	\$2.74
City Checks (Other than Clearings) unit:						
Expense		\$210,282	\$214,329	\$213,877	\$218,857	\$231,308
Employees	No.	154.41	160.18	154.46	158.42	156.79
Number of items received		29,643,000	31,296,000	30,838,000	33,225,000	32,088,000
Units handled per employee per day		634	647	659	694	678
Cost per 1000 units		\$7.09	\$6.85	\$6.84	\$6.59	\$7.21
Government Checks unit:						
Expense		\$136,735	\$126,352	\$130,056	\$130,999	\$132,935
Employees	No.	99.43	92.54	91.79	90.51	86.37
Number of checks paid		27,846,000	29,213,000	30,777,000	31,339,000	31,672,000
Units handled per employee per day		924	1,045	1,107	1,147	1,214
Cost per 1000 units		\$4.91	\$4.32	\$4.23	\$4.18	\$4.20
Country Checks - Outgoing unit:						
Expense		\$2,406,853	\$2,414,297	\$2,458,350	\$2,412,156	\$2,282,344
Employees	No.	1,923.20	1,963.26	1,980.23	1,896.90	1,769.50
Number of items received		583,527,000	617,501,000	647,558,000	661,378,000	680,408,000
Units handled per employee per day		1,001	1,041	1,079	1,155	1,273
Cost per 1000 units		\$4.12	\$3.91	\$3.80	\$3.65	\$3.35

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OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
CHECK COLLECTION FUNCTION (Cont'd)					
Country Checks - Remittances unit:					
Expense	\$472,495	\$470,216	\$429,684	\$427,797	\$467,062
Employees	No. 181.00	174.66	157.92	152.38	170.00
Average number of cash letters forwarded daily	26,782	25,294	25,917	25,982	24,522
Return Items unit:					
Expense	\$296,620	\$281,893	\$253,644	\$251,326	\$256,177
Employees	No. 151.51	156.28	158.04	150.68	149.11
Number of items handled	12,172,000	13,284,000	13,957,000	14,675,000	15,323,000
Units handled per employee per day	265	281	291	322	340
Cost per 1000 units	\$24.37	\$21.22	\$18.17	\$17.13	\$16.72
NON-CASH COLLECTION FUNCTION					
Expense	\$905,888	\$871,124	\$878,382	\$884,355	\$876,393
Officers	No. 9.14	8.56	8.43	8.85	9.31
Employees	" 538.51	526.57	529.77	522.74	507.00
Administration unit:					
Expense	\$67,668	\$66,751	\$65,219	\$66,215	\$72,246
Officers	No. 9.14	8.56	8.43	8.85	9.31
Employees	5.77	5.50	5.26	5.38	5.90
City Collections unit:					
Expense	\$199,537	\$205,692	\$216,090	\$216,393	\$210,769
Employees	No. 135.72	142.60	147.88	143.10	137.27
Number of items received	1,114,287	1,121,298	1,153,164	1,221,006	1,161,700
Units handled per employee per day	27	26	26	28	28
Cost per unit (cents)	17.9	18.3	18.7	17.7	18.1

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OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
NON-CASH COLLECTION FUNCTION (Cont'd)						
Country Collections unit:						
Expense		\$392,307	\$374,081	\$364,265	\$362,587	\$357,922
Employees	No.	244.81	239.29	233.43	229.63	223.14
Total number of items handled		2,848,768	2,949,185	3,007,331	3,071,601	2,999,342
Units handled per employee per day		38	41	42	44	45
Cost per unit (cents)		13.8	12.7	12.1	11.8	11.9
Number of items sent direct by members (Included in total)		Not Reported	481,547	545,381	696,946	691,438
Coupon Collections (except Govt.) unit:						
Expense		\$122,657	\$114,844	\$126,505	\$145,700	\$154,625
Employees	No.	71.30	65.14	75.56	85.16	90.13
Total number of collections handled		1,502,454	1,526,390	1,749,308	2,167,639	2,342,593
Units handled per employee per day		70	78	76	84	86
Cost per unit (cents)		8.2	7.5	7.2	6.7	6.6
Number of collections sent direct by members (Included in total)		Not Reported	33,019	44,022	5,263	7,030
Government Coupons unit:						
Expense		\$123,719	\$109,756	\$106,303	\$93,460	\$80,831
Employees	No.	80.91	74.04	67.64	59.47	50.56
Number of coupons paid		44,174,000	39,678,000	37,045,000	28,765,000	20,935,000
Units handled per employee per day		1,802	1,774	1,808	1,602	1,371
Cost per 1000 units		\$2.80	\$2.77	\$2.87	\$3.25	\$3.86
ACCOUNTING FUNCTION						
Expense		\$1,916,407	\$1,908,466	\$1,881,733	\$1,895,830	\$1,916,177
Officers	No.	19.10	18.47	17.22	16.32	16.21
Employees	"	774.14	756.07	752.61	755.36	748.44
Administration unit:						
Expense		\$149,057	\$149,373	\$150,023	\$129,156	\$131,144
Officers	No.	19.00	18.32	17.12	16.22	16.11
Employees	"	14.74	13.65	13.21	11.89	12.88

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OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
ACCOUNTING FUNCTION (Cont'd)						
General Books unit:						
Expense		\$270,646	\$263,685	\$260,248	\$256,411	\$251,556
Officers	No.	.10	.10	.10	.10	.10
Employees	"	93.55	87.95	87.59	85.77	84.00
Member Bank Accounts unit:						
Expense		\$543,886	\$537,402	\$525,829	\$534,442	\$528,738
Employees	No.	310.60	308.14	300.71	301.25	296.23
F. R. Bank Accounts unit:						
Expense		\$325,425	\$332,949	\$333,051	\$343,376	\$349,276
Employees	No.	146.97	149.96	152.62	155.24	154.16
Transfer of Funds unit:						
Expense		\$386,537	\$412,192	\$408,118	\$429,155	\$459,043
Employees	No.	99.34	99.04	104.80	110.73	114.88
Number of Transfers		1,567,701	1,707,970	1,829,093	2,009,335	2,138,508
Expenditures unit:						
Expense		\$162,172	\$155,108	\$152,871	\$152,545	\$141,335
Employees	No.	79.94	75.81	74.52	71.47	66.25
Planning unit:						
Expense		\$78,684	\$57,757	\$51,593	\$50,745	\$55,085
Officers	No.		.05			
Employees	"	29.00	21.52	19.16	19.01	20.04
FISCAL AGENCY FUNCTION						
Expense		\$870,815	\$678,465	\$897,930	\$922,210	\$615,402
Amount reimbursable		167,363	124,427	355,808	371,335	150,674
Officers	No.	10.69	7.58	6.89	7.72	7.84
Employees	"	388.23	290.01	328.57	371.61	253.24

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OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
FISCAL AGENCY FUNCTION (Cont'd)						
Administration unit:						
Expense		\$110,580	\$103,243	\$76,227	\$76,422	\$77,288
Officers	No.	10.69	7.58	6.89	7.72	7.84
Employees	"	12.55	10.22	11.33	9.81	9.68
Government Issues unit:						
Expense		\$569,547	\$446,158	\$709,867	\$734,381	\$433,041
Employees	No.	282.92	219.82	266.80	312.13	198.08
Volume of work handled in Fiscal Agency Function - Number of Pieces						
New Issues -						
Pieces delivered allotment account		216,813	111,448	596,047	543,725	203,935
Redemptions -						
Pieces received -						
Coupon form		380,407	261,782	2,796,721	3,741,847	676,384
Registered form		8,983	5,430	420,580	648,899	23,865
Farm loan bonds redeemed		11,300	11,693	98,731	7,445	10,475
Treasury savings certificates and war savings stamps		<u>3,391,249</u>	<u>1,534,321</u>	<u>406,646</u>	<u>232,734</u>	<u>45,961</u>
Total redemptions		3,791,939	1,813,226	3,722,678	4,630,925	756,685
Exchanges -						
Pieces received -						
Coupon form		2,766,842	2,459,877	2,508,376	1,246,706	745,974
Registered form		<u>342,110</u>	<u>304,855</u>	<u>372,773</u>	<u>261,499</u>	<u>126,966</u>
Total exchanges		3,108,952	2,764,732	2,881,149	1,508,205	872,940
Total New Issues, Redemptions and Exchanges		7,117,704	4,689,406	7,199,874	6,682,855	1,833,560
Accounting unit:						
Expense		\$90,395	\$74,328	\$64,625	\$63,533	\$58,428
Employees	No.	44.34	36.18	31.45	30.52	26.90

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OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
FISCAL AGENCY FUNCTION (Cont'd)						
War Finance Corporation unit:						
Expense		\$31,381	\$6,186	\$2,347	\$1,728	\$169
Employees	No.	17.15	2.54	.60	.32	-
Federal Farm Board unit:						
Expense						\$946
Employees	No.					.37
Custody of Securities unit:						
Expense		\$68,912	\$48,550	\$44,864	\$46,146	\$45,530
Employees	No.	31.27	21.25	18.39	18.83	18.21
LEGAL FUNCTION						
Expense		\$159,610	\$192,115	\$126,105	\$155,621	\$132,414
Officers	No.	9.17	8.07	6.30	5.17	4.38
Employees	"	12.87	10.95	7.77	6.69	5.53
AUDITING FUNCTION						
Expense		\$663,490	\$604,905	\$597,671	\$603,645	\$619,921
Officers	No.	21.28	18.93	18.06	17.79	17.49
Employees	"	231.58	205.66	192.41	192.16	194.38
BANK RELATIONS FUNCTION						
Expense		\$256,832	\$205,788	\$179,882	\$193,282	\$199,094
Officers	No.	6.62	5.42	5.37	4.55	4.47
Field men	"	31.93	26.10	21.90	21.85	22.85
Other employees	"	9.97	10.52	9.43	9.56	9.95
FOREIGN FUNCTION (NEW YORK)						
Expense		\$33,108	\$40,655	\$51,874	\$70,414	\$79,759
Officers	No.	1.00	1.00	.88	1.75	1.75
Employees	"	12.42	11.32	17.40	22.42	24.53

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OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

		1925	1926	1927	1928	1929
BANK EXAMINATION FUNCTION						
Expense		\$534,540	\$485,686	\$539,159	\$550,581	\$493,913
Amount charged against banks examined		<u>12,899</u>	<u>14,805</u>	<u>18,716</u>	<u>20,158</u>	<u>25,779</u>
Net expense of function		521,641	470,881	520,443	530,423	468,134
Officers	No.	7.68	7.17	7.46	7.79	8.06
Employees	"	91.62	91.73	101.67	101.66	92.49
Nat. and State bank examiners' reports		\$153,964	\$51,494	\$105,792	\$100,448	\$92,001
FEDERAL RESERVE NOTE ISSUE FUNCTION						
Expense		\$37,748	\$37,246	\$39,286	\$41,481	\$45,155
Officers	No.	.95	1.93	1.27	.90	1.21
Employees	"	13.18	12.14	12.35	13.41	14.00
STATISTICAL AND ANALYTICAL FUNCTION						
Expense		\$468,407	\$442,677	\$443,889	\$450,071	\$455,466
Officers	No.	8.97	7.63	7.04	7.40	7.30
Employees	"	159.75	150.19	148.97	146.31	148.40
Administration unit:						
Expense		\$70,674	\$67,028	\$66,657	\$77,027	\$75,973
Officers	No.	8.97	7.63	7.04	7.40	7.30
Employees	"	6.02	5.80	5.48	5.70	5.69
Statistical unit:						
Expense		\$267,346	\$264,096	\$267,222	\$260,530	\$267,241
Employees	No.	120.61	116.65	117.25	112.53	115.97
Monthly Letter unit:						
Expense (Printing, stationery & postage)		\$56,993	\$49,981	\$49,028	\$48,224	\$47,460
Receipts from sales		3,241	4,864	3,637	3,576	3,633
Library unit:						
Expense					\$64,890	\$64,792
Employees					26.74	26.74

OPERATING EXPENSES OF FEDERAL RESERVE BANKS AND BRANCHES SINCE 1925, BY FUNCTIONS AND EXPENSE UNITS (Cont'd)

MEMORANDUM

Stock of Supplies

Cost of supplies purchased

Cost of items withdrawn from stock
and charged to other units

Net debit (+) or credit (-)

	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>
Cost of supplies purchased	\$1,022,820	\$955,956	\$967,140	\$969,203	\$968,931
Cost of items withdrawn from stock and charged to other units	<u>1,054,236</u>	<u>965,081</u>	<u>960,450</u>	<u>967,219</u>	<u>959,573</u>
Net debit (+) or credit (-)	-31,416	-9,125	+6,690	+1,984	+9,358

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No.

41,111
33.12

\$61,512
27.74

\$60,712
26.24

\$6
20.08

Office Correspondence

FEDERAL RESERVE
BOARDDate November 20, 1930To Mr. Hamlin

Subject: _____

From Mr. Goldenweiser*E. G.*

2-8405

Total security loans of all member banks increased by \$197,000,000 between October 4, 1929 and September 24, 1930. This increase is the net result of an increase of \$607,000,000 in the security loans of New York City banks and a decrease of \$410,000,000 in the security loans of banks outside of New York City.

Another classification of the same figures is that there was an increase of \$587,000,000 in member bank loans to brokers in New York City and a decrease of \$390,000,000 in other security loans of member banks.

Bar

November 17, 1930

See App

THE WORLD GOLD SITUATIONRemarks to the Federal Advisory CouncilByE. A. GOLDENWEISERMystical significance of gold

There has been a great deal of talk about gold in connection with this depression. The statement that the world is suffering from a shortage of gold and that this has caused a decline in prices and a general business depression is so simple and so plausible that it has a carrying power quite independent of whatever element of truth it may contain. In popular imagination gold is not merely a precious metal, but a symbol of plenty, of confidence, and of stability. It is surprising to what extent a mystical interpretation of the power of gold over human destiny influences the thinking, not only of the man in the street, but also of the economist, the banker, and the statesman.

Long-time trends

There are two distinct phases in the gold situation, the one dealing with long-time trends and the other with current short-time developments. The long-time problem is not so immediate in its importance to banking authorities as the short-time problem. The Gold Committee of the League of Nations has recently made a report in which it predicts a gold shortage as soon as, or shortly after, business activity revives, unless measures to counteract it are adopted. Recommended measures are continued withholding of gold from circulation; withdrawal of gold certificates, and further concentration of gold in central banks; revision of required re-exchange reserve ratios; extension of the gold standard, and the greater use of checks.

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The fact is that there is no clear evidence on which to determine whether a gold shortage is imminent. There is conflict of opinion between authorities, and the best known authority, Mr. Joseph Kitchin, has had to revise his estimates whenever they were put to the test of actual experience. He will probably have to do so again as time proceeds. It is not proved that gold production in South Africa is going to diminish after a few years, nor that other sources of gold will not be developed. The one thing that is beyond question is that if a shortage should develop it will be the responsibility of financial authorities to prevent it from becoming a handicap to trade and industry.

Gold reserve standard

The old-fashioned semi-automatic gold standard was abandoned during the war and has not come back. The world is now on a gold reserve standard, under which gold serves chiefly as a reserve, the principal function of which is to maintain public confidence. It is the duty of financial authorities to find means of keeping public confidence, while at the same time developing methods of banking that will make the available supply of gold sufficient to meet the needs of trade and industry. It should not be a case of cutting the financial garment of the world according to the available reserve material, but of making such use of existing reserves as will provide the necessary support to the world's trade.

Is gold shortage retarding business recovery?

Distinct from this briefly stated long-time view of the gold situation is the question to what extent gold is a factor in the present depression. The answer is that, in any direct sense, it is not a factor at all. All the leading countries of the world at the present time have relatively low money

rates (although rates in Germany have recently advanced) and that means that there is no shortage of gold, for gold can affect business and prices only by making bank credit scarce or dear. The mechanism of the relationship between gold and credit is simple. When a central bank finds itself confronted with a loss of gold that threatens to deplete its reserve to the point where the public will lose confidence in the currency, that central bank raises its rate and thereby tightens the money situation, arrests the outflow of gold and attempts to bring about a return movement. Business is affected by this course of action through the higher cost or the lesser availability of money or credit, or through both, but in no other way. With all the commercial countries of the world having low money rates and adequate reserves to maintain these rates, at least during the early stages of a business recovery, the conclusion is inescapable that gold is not a factor maintaining this depression, and that there is no shortage of gold that is retarding recovery.

Condition of outlying countries

It is true that some of the outlying countries, such as Argentina, Brazil, Australia, and Japan, have lost large amounts of gold during the past year, but these losses have been due chiefly to the decline in the value of their exports, and it is this decline rather than the loss of gold that is causing difficulties to these countries. Recent gold exports from these countries have been in accordance with policies adopted by central authorities, and have not resulted in tight credit being an important influence against business recovery. The recovery of these countries must come from a rise in the prices of their products and in the world demand for these products, and that depends on business recovery in Europe and America. Moreover, to the extent that the loss of gold by these countries

has strengthened the gold position of the great commercial countries, it has tended to facilitate business recovery of these countries, which would through the increase in purchases of raw materials bring about the recovery of the exporting countries as well.

Did gold cause the depression?

Gold, therefore, is not at present a factor delaying business recovery. But the question can also be raised whether it was not a factor in bringing about the depression. Nineteen hundred and twenty-eight and twenty-nine were years of high money rates, and these high rates undoubtedly were an influence in causing business progress to be arrested. But these high money rates in 1928 and 1929 were caused primarily, not by gold shortage, but by speculation in America. The insatiable demand for credit by the stock market raised rates on call money to fanciful heights and the competition of this high money on the stock market resulted in advances in all other rates. Speculation, furthermore, is contagious and not only did the high rates prevailing in this country draw funds from abroad, but speculation in itself attracted foreign money in quest of quick returns, so that the flow of money to the dearest market was swelled by funds seeking profits from speculation. Furthermore, the prevalence of high rates and the all-absorbing interest of investors in American common stocks dried up the channels leading to the bond market. The flow of short-time money to the United States from abroad was, therefore, not offset by an adequate amount of long-time lending by American investors, with the consequence that gold flowed to America. Loss of gold caused by these withdrawals was, in turn, the immediate cause of rate advances in many European countries, notably England and Germany.

The question may be raised whether, if these countries had had larger reserves, they could have withstood the attraction exerted by the American stock market without being obliged to raise their rates in order to protect reserves. There is no doubt that, had they had more gold, they could have delayed the raising of their rates. The consequence, however, would probably have been a further delay in the collapse of our stock market and, therefore, a still more radical collapse when it finally arrived. More gold in the hands of England or Germany last year, therefore, would probably have aggravated rather than improved the present situation.

Too much gold in the United States a factor

If gold has been a factor in bringing about the present depression, it has been in an indirect way, and it was not the shortage of gold in the world, but the over-abundance in America, that has been a factor. Large surplus reserves in the United States continuing for many years and the inflow of gold from abroad between 1920 and 1927 were big factors in the rapid growth of credit, and particularly of security loans, in the United States. This rapid growth of credit was, in turn, a factor in the stock market boom and, therefore, in its ultimate collapse, and the boom and collapse in the security market have been an influence in bringing about the present depression.

Causes of the depression

Speculation, however, was only one of many factors. There were many others not closely related to credit and some not related to credit at all. There was over-expansion of plant, which placed manufacturing industry in the position of producing more goods than under existing conditions could well be consumed at prevailing prices, and particularly more goods of certain kinds. This led to more rapid growth of production than of consump-

tion, notwithstanding an unprecedented rise in the standard of living. The volume of production has, furthermore, been increased by the introduction of an increasing amount of more efficient machinery, so that output per man has rapidly advanced. This advance in the technique of production has not been accompanied by a comparable growth in the efficiency of distribution, and it is probable that the maintenance of high costs of distribution, which have prevented the decline in costs to consumers from being comparable with the decline in wholesale prices, has been a factor in bringing about the depression.

Price decline

A rapid drop in commodity prices has characterized the depression and has been both an effect and a cause of its severity and duration. The level of prices is an integral part of the present situation, but the gold problem and the price problem are not coextensive. Forces have influenced commodity prices during recent years that had no relation to the supply of gold. Prices of raw materials declined chiefly on account of over-production aggravated in many cases by attempts at stabilization through the building up of pools that exerted a constant depressing influence on the market. Prices of manufactured commodities responded to the decline in costs brought about by declining prices of raw materials and by increasing efficiency and productivity.

Other factors

There are many other factors that play a part in this depression, some of which are of a more local character in different parts of the world. Disturbances in India and China have dealt a heavy blow to export industries. High costs of production based on antiquated plant and costly social legislation have handicapped England in her export trade, and

stabilization of the pound at the pre-war level has increased the burden of debt and of taxation to be borne by British industry. Depression in England in turn has diminished the British demand for goods from other countries. Even outside of these determinable economic factors there are many less tangible psychological factors. The contagious exuberance of a boom and the insidious infection of depression have played their part. With all the study that has been bestowed on business cycles, there still remains much that is inexplicable and mystifying in their nature.

Basis of present distribution of gold

Another phase of the gold problem is the distribution of gold among the principal countries of the world. It is well known that France and the United States have relatively too much gold, and that England and Germany have relatively not enough. This maladjustment is a cause of many disturbances and may contribute to business instability. The question is why have we too much gold and why is France constantly acquiring more, while England and Germany are hardly able to keep the necessary amount? Stated briefly, in England it is the decline of foreign trade caused by forces already mentioned. In Germany it is the difficulty of restoring its capital structure and at the same time paying heavy tribute abroad through reparations. France has been drawing gold primarily because she is a self-sufficient country with a favorable balance of payments, whose people prior to the war had invested their annual savings abroad, but have not done so in recent years. France has large foreign balances built up during the flight from the franc at the time of the inflation and taken over in large part by the Bank of France when stabilization restored confidence. The maintenance of these balances during the past two years in addition to gold imports

indicates that France continues to have a favorable balance of payments; that the balance of her commodity trade, together with her invisible receipts through tourist traffic and reparation payments, results in net gains, which in the absence of foreign lending, are sufficient to permit her to balance her books, without drawing on her foreign holdings, and in addition to import gold from abroad.

Our gold position

Our own situation is well known. We draw gold from abroad because we have a favorable balance of payments, and we have that favorable balance partly because we have a high tariff and partly because we have claims on foreign countries for debts incurred during and after the war. The question whether we have too much gold is not in itself a clear-cut one. On the basis of our deposits and currency, our ratio is somewhat lower than that of most countries. This, however, is an indication of the greater efficiency of our financial machinery rather than of the absence of surplus gold. It is also pointed out that we have \$3,000,000,000 of short-time foreign funds in this country subject to withdrawal on demand by foreigners. These heavy demand liabilities on our market, it is argued, make it necessary for the banking authorities to keep a larger amount of gold than would be necessary to support the domestic credit structure alone. There is truth in this contention, but it can be over-emphasized. We have balances abroad that offset a part of the balances held here, even though the ownership of the balances held here is more concentrated, and larger withdrawals may, therefore, conceivably occur. But a large part of the balances here, after all, are in connection with necessary commercial operations, and that part is not likely to be withdrawn in alarming amounts. Reserves, however, should be held with a view to emergencies and somewhat higher reserves should be held

because of these foreign balances than would otherwise be necessary. The extent of the reserve that should be kept for that purpose is not easy to determine. The chief purpose of a reserve is to meet sudden demands, prior to the time when the tightening of money caused by gold exports will have brought these exports to an end, and perhaps attracted gold from other sources. Our reserves, therefore, should be large enough (1) to enable the Federal reserve system to offset even considerable gold exports through open-market operations, in case a tightening of rates should appear not to be in the public interest; or (2) to allow the gold exports to continue long enough to set in motion counteracting forces in the domestic market, such as the rise of money rates, which would tend to stop the gold exports or to attract gold imports from other countries.

There are means by which we can improve our ability to handle sudden large gold exports, such as the substitution of Federal reserve notes for gold in circulation coupled with a revision of collateral requirements against Federal reserve notes.

Can the situation be improved?

The question arises: What can be done about it? In this country we have taken the position that we are not interested in drawing more gold nor even in maintaining the existing level. In 1924 and again in 1927 the Federal reserve authorities adopted drastic measures to expel some of the gold. In both cases large exports of gold followed, but in time the gold came back and we have now nearly as much as ever. Temporary relief can be afforded through artificial credit ease that for a time causes gold to move up-stream, but this does not last, and the consequences of the excessive ease may be more serious than the occasion for the policy. The cure may be worse than the disease. This does not mean that nothing can be done. We

can, for instance, undertake to buy foreign exchange in the autumn, when the demand for dollars is at its height, and to sell the exchange in the spring when foreign exchanges are strong. This reverses the process by which in pre-war days we borrowed on finance bills in the spring and retired the debt out of the proceeds of our exports in the autumn. There are other methods by which cooperation between central banks, through the Bank for International Settlements or otherwise, may alleviate many of the more acute phases of the present maldistribution of gold.

In the final analysis, however, there is no escape from the fact that the international rate structure will have to adjust itself to underlying economic conditions. Countries that are short of capital will have to maintain higher money rates than countries that have an abundance of capital. Each country in order to survive will ultimately have to work out a method of keeping its international payments in balance. Temporary assistance during acute stages of readjustment can and must be extended, seasonal operations may be undertaken, but it cannot be expected that such temporary measures will take the place of permanent adjustments in international economy.

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Office Correspondence

FEDERAL RESERVE
BOARD

Date November 29, 1930

To Mr. Hamlin

Subject: Federal reserve borrowings and

From Mr. Smead

brokers' loans of the National City Bank

2-8495

In response to your telephone call yesterday afternoon I have examined the Federal reserve borrowings and brokers' loans of the National City Bank for the period from Wednesday, March 20, to Saturday, March 30, 1929, and am of the opinion that the borrowings of the bank during this period were to take care of the bank's requirements as a whole and were influenced to only a minor extent by its loans to brokers and dealers in securities.

On Wednesday, March 20, the National City Bank was borrowing \$25,000,000 from the Federal reserve bank and had call loans of \$138,000,000. On the following Tuesday, during the afternoon of which Mr. Mitchell gave out his statement regarding the bank's attitude toward the market, the bank's brokers' loans had increased to \$150,000,000 (the maximum reached by its brokers' loans during this period) and its borrowings from the Federal reserve bank amounted to \$24,000,000. During this period the bank was out of debt for two days, as will be noted from the figures shown below.

On the following day, Wednesday, March 27, the bank's brokers' loans were down to \$141,000,000, while its borrowings from the Federal reserve bank increased to \$35,000,000. On Thursday the bank's brokers' loans were down to \$135,000,000 and its borrowings from the Federal reserve bank were entirely paid off.

BORROWINGS OF NATIONAL CITY BANK AT FEDERAL RESERVE BANK AND CALL LOANS FOR OWN ACCOUNT AS AT THE CLOSE OF BUSINESS DAILY MARCH 19 to 30, 1929.

	<u>Indebtedness</u>	<u>Call Loans</u>
Tuesday 3-19	\$14,000,000	\$139,000,000
Wednesday 3-20	25,000,000	138,000,000
Thursday 3-21	-	139,000,000
Friday 3-22	14,000,000	137,000,000
Saturday 3-23	-	138,000,000
Monday 3-25	25,000,000	144,000,000
Tuesday 3-26	24,000,000	150,000,000
Wednesday 3-27	35,000,000	141,000,000
Thursday 3-28	-	135,000,000
Friday 3-29	-	135,000,000
Saturday 3-30	-	135,000,000

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Office Correspondence

FEDERAL RESERVE
BOARD

Date December 4, 1930

To Mr. Hamlin

Subject: Changes in New York Federal Reserve

From Mr. Smead

Bank discount rate, 1924 - 1930

In response to your memorandum of December 1, we have prepared and are handing you herewith a table showing changes in the discount rate of the Federal Reserve Bank of New York from October 31, 1923 to date, also rates on call loans and rates on customers' paper in New York City prevailing at the time that the changes in the Federal Reserve Bank discount rate took place.

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Feb. 3, 1928	$3\frac{1}{2}$ to 4	3.70	4.55	4.40	$4\frac{1}{4}$
May 18, 1928	4 to $4\frac{1}{2}$	5.60	5.60	6.00	$4\frac{1}{4}$ - 5
July 13, 1928	$4\frac{1}{2}$ to 5	6.75	6.40	5.80	5 - $5\frac{1}{2}$
Aug. 9, 1929	5 to 6	9.80	9.60	7.40	6
Nov. 1, 1929	6 to 5	6.00	5.80	6.00	$5\frac{1}{2}$ - 6
Nov. 15, 1929	5 to $4\frac{1}{2}$	6.00	5.90	5.00	$5\frac{1}{2}$ - 6
Feb. 7, 1930	$4\frac{1}{2}$ to 4	4.40	4.40	4.00	5 - $5\frac{1}{4}$
Mar. 14, 1930	4 to $3\frac{1}{2}$	4.00	3.90	3.00	$4\frac{3}{4}$ - 5
May 2, 1930	$3\frac{1}{2}$ to 3	4.00	3.90	3.20	$4\frac{1}{4}$ - $4\frac{1}{2}$
June 20, 1930	3 to $2\frac{1}{2}$	2.90	2.50	2.20	4 - $4\frac{1}{2}$

*First change in discount rate of Federal Reserve Bank of New York since February 23, 1923.

**During the week ending on the 15th of the month.

DIVISION OF BANK OPERATIONS
DECEMBER 4, 1930

CHANGES IN DISCOUNT RATE OF FEDERAL RESERVE BANK OF NEW YORK SINCE
OCTOBER 31, 1923, ALSO PREVAILING RATES ON CALL LOANS AND ON CUSTOMERS'
PAPER IN NEW YORK CITY

	Changes in Federal Reserve Bank of New York discount rate	Average call loan renewal rate-New York Stock Market			Prevailing rates on customers' paper in New York City**
		Pre- ceding week	Week reserve bank rate was changed	Follow- ing week	
May 1, 1924*	$4\frac{1}{2}$ to 4	3.95	3.90	3.50	$4\frac{3}{4}$ - $5\frac{1}{4}$
June 12, 1924	4 to $3\frac{1}{2}$	2.95	2.10	2.00	$4\frac{1}{2}$ - 5
Aug. 8, 1924	$3\frac{1}{2}$ to 3	2.00	2.00	2.00	4 - $4\frac{1}{4}$
Feb. 27, 1925	3 to $3\frac{1}{2}$	3.50	4.06	4.10	4 - 5
Jan. 8, 1926	$3\frac{1}{2}$ to 4	6.00	4.70	4.40	$4\frac{1}{2}$ - $4\frac{3}{4}$
Apr. 23, 1926	4 to $3\frac{1}{2}$	4.40	3.85	3.60	$4\frac{1}{2}$ - 5
Aug. 13, 1926	$3\frac{1}{2}$ to 4	4.30	4.40	4.50	$4\frac{1}{4}$ - $4\frac{3}{4}$
Aug. 5, 1927	4 to $3\frac{1}{2}$	3.85	3.95	3.75	$4\frac{1}{4}$ - $4\frac{1}{2}$
Feb. 3, 1928	$3\frac{1}{2}$ to 4	3.70	4.55	4.40	$4\frac{1}{4}$ - 5
May 18, 1928	4 to $4\frac{1}{2}$	5.60	5.60	6.00	$4\frac{1}{4}$ - 5
July 13, 1928	$4\frac{1}{2}$ to 5	6.75	6.40	5.80	5 - $5\frac{1}{2}$
Aug. 9, 1929	5 to 6	9.80	9.60	7.40	6
Nov. 1, 1929	6 to 5	6.00	5.80	6.00	$5\frac{1}{2}$ - 6
Nov. 15, 1929	5 to $4\frac{1}{2}$	6.00	5.90	5.00	$5\frac{1}{2}$ - 6
Feb. 7, 1930	$4\frac{1}{2}$ to 4	4.40	4.40	4.00	5 - $5\frac{1}{4}$
Mar. 14, 1930	4 to $3\frac{1}{2}$	4.00	3.90	3.00	$4\frac{3}{4}$ - 5
May 2, 1930	$3\frac{1}{2}$ to 3	4.00	3.90	3.20	$4\frac{1}{4}$ - $4\frac{1}{2}$
June 20, 1930	3 to $2\frac{1}{2}$	2.90	2.50	2.20	4 - $4\frac{1}{2}$

*First change in discount rate of Federal Reserve Bank of New York
since February 23, 1923.

**During the week ending on the 15th of the month.

DIVISION OF BANK OPERATIONS
DECEMBER 4, 1930

2128

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FEDERAL RESERVE BOARD

WASHINGTON

X-6151

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

October 5, 1928.

Dear Sir:

Prior to the last several months the Federal Reserve Board in the exercise of its function of "review and determination" over rates of discount established by the directors of the Federal reserve banks has been obliged to rely upon data as to conditions in the respective districts furnished by its own research department and scattered information received from the Federal reserve banks. More recently, it adopted the informal procedure, upon receiving advice that the directors of any Federal reserve bank had voted to change the rate in effect, of wiring the officers of the bank to furnish it with a statement of the reasons for the change in rate. Responses received to these inquiries have proven to be of value to the Board in acting upon suggested rate changes.

The Board feels that it would be of very great assistance to it, if at the time the directors of the Federal reserve bank vote to make a change in the rediscount rate they would authorize the Chairman in advising the Board of their action to inform it also of the reasons which actuated them in making the change.

The Board, therefore, has formally requested me to have you state to your Board of Directors that if the suggested procedure is followed by them, it will be of great benefit to the Board.

Yours very truly,

R. A. Young,
Governor.

TO CHAIRMEN OF ALL F. R. BANKS.

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Am. Bankers

Sum

Oct 26, 28

In reply to the Board's communication of October 5, 1928, Mr. McGarrah in letter of October 26th, stated that the bank would "be glad to furnish the Board with the main facts which are presented to the directors at the time of a change in our rediscount rate. Beyond that, our directors feel that it would be impracticable for us to go, owing to the difficulties of attempting to express the reasons which have actuated the different directors in voting to change the rate."

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