

## The Papers of Charles Hamlin (mss24661)

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Hamlin, Charles S., Scrap Book – Volume 237, FRBoard Members

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date August 11, 1941

To The Files

Subject: \_\_\_\_\_

From Mr. Coe

*M.P.C.*

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 237 of Mr. Hamlin's scrap book and placed in the Board's files:

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Page 18

Preliminary Figures of Gross and Net Earnings and Dividend Payments of Each F.R.Bk. for 1932, Franchise Tax Payments and Amounts Transferred to Surplus.

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(X-7329) Discounts for Individuals, Partnerships and Corporations.

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Memorandum in re salary reductions of F.R. Banks.

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Letter to Senator Glass from Mr. Hamlin re Vacancies on F.R. Board.

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Report on First Federal Reserve District by Carl P. Dennett.

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Gov. Harrison on January 27, 1933, wrote a letter to Gov. of each F.R. Bank, which discusses credit situation.

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Earnings and Expenses of F.R. Banks, December 1932.

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(X-7337) Re banks qualifying for membership in System.

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Earnings and Expenses of F.R. Banks, January 1933.

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Memo to Mr. Mitchell from Mr. Wyatt re meaning of phrase "tested banking experience" as used in section 4 of the F.R. Act.

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PRELIMINARY FIGURES OF GROSS AND NET EARNINGS AND DIVIDEND PAYMENTS OF EACH FEDERAL RESERVE BANK FOR 1932, FRANCHISE TAX PAYMENTS AND AMOUNTS TRANSFERRED TO SURPLUS

Federal Reserve Bank	Gross earnings	Net earnings	Dividends paid	Franchise tax	Transferred to surplus account
Boston	\$2,774,000	\$687,000	\$676,000	--	\$11,000
New York	15,949,000	10,405,000	3,562,000	--	6,843,000
Philadelphia	5,001,000	3,271,000	973,000	--	2,297,000
Cleveland	5,129,000	1,871,000	858,000	\$833,000	180,000
Richmond	1,871,000	314,000	314,000	--	--
Atlanta	2,003,000	293,000	293,000	--	--
Chicago	5,614,000	2,243,000	1,030,000	1,092,000	121,000
St. Louis	1,625,000	243,000	269,000	--	-25,000
Minneapolis	1,435,000	272,000	175,000	87,000	10,000
Kansas City	2,021,000	245,000	245,000	--	--
Dallas	1,307,000	164,000	238,000	--	-74,000
San Francisco	5,289,000	2,306,000	649,000	--	1,658,000
<hr/>					
Total: 1932	50,019,000	22,314,000	9,282,000	2,011,000	11,021,000*
1931	29,701,000	2,972,000	10,030,000	--	-7,058,000*
1930	36,424,000	7,988,000	10,269,000	17,000	-2,298,000
1929	70,955,000	36,403,000	9,584,000	4,283,000	22,536,000
1928	64,053,000	32,122,000	8,458,000	2,585,000	21,079,000
1927	43,024,000	13,048,000	7,755,000	250,000	5,044,000
1926	47,600,000	16,612,000	7,329,000	818,000	8,464,000

DIVISION OF BANK OPERATIONS  
FEDERAL RESERVE BOARD  
JANUARY 4, 1933

\*Exclusive of \$8,158,268.14 set aside at the end of 1931 out of surplus to cover depreciation in United States bonds - returned to surplus before the closing of the books at the end of 1932.

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-7329

January 23, 1933.

SUBJECT: Discounts for Individuals, Partnerships and  
Corporations.

Dear Sir:

The authority granted by the Federal Reserve Board to all Federal reserve banks in its circular of July 26, 1932, (X-7251a) to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and that circular, will expire at the close of business on January 31, 1933, and the Board has decided to extend such authorization for an additional six months. Section II of the Board's circular of July 26, 1932, on the subject of "Discounts for Individuals, Partnerships and Corporations" has been amended, therefore, to read as follows:

"AUTHORIZATION BY THE FEDERAL RESERVE BOARD.

"The Federal Reserve Board, pursuant to the power conferred upon it by the amendment hereinbefore quoted, hereby authorizes all Federal reserve banks, for a period ending at the close of business on July 31, 1933, to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and this circular."

Very truly yours,

Chester Morrill  
Secretary

TO ALL CHAIRMEN AND GOVERNORS.  
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January 17, 1933.

Memorandum in re salary reductions of Federal reserve banks:

The undersigned has checked the attached memorandum submitted to him, but on the understanding that it applies solely to reductions in salaries of officers of Federal reserve banks, and does not apply to reductions in the salaries of employes.

The within file shows salary reductions of ten Federal reserve banks. One of these banks (Boston) has recommended the reduction of salaries of all officers receiving \$6000 and over.

Four Federal reserve banks (Richmond, Atlanta, Chicago, and Kansas City) have recommended reductions in salaries of both officers and employes.

The reductions proposed in the case of the above five banks result in corresponding reductions in purchasing power of the banks' personnel, with a consequent gain in the net earnings of the banks.

Five banks (New York, Philadelphia, Cleveland, Dallas, and San Francisco) recommended the adoption of a share-the-work plan, not intended to increase net earnings; but these banks place the entire burden of taking on new employes upon the existing employes, by salary reductions, notwithstanding the fact that each of these banks has not only earned its dividends for the year, but has added materially to its surplus fund.

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See Ben

January 25, 1933.

Dear Senator Glass:

I am directed by the Federal Reserve Board to communicate with you regarding a situation, with which you are already familiar, affecting the membership of the Federal Reserve Board, resulting from the fact that the term of one of its members expired yesterday. With one vacancy previously existing in the appointive membership of the Board, and a vacancy in the office of the Comptroller of the Currency, there are now only five members of the Federal Reserve Board, including the Secretary of the Treasury. The illness of one member, therefore, would leave the Board with only four members, whereas the affirmative action of five members is required in connection with the performance of certain important functions.

As you know, the provisions of the Glass-Steagall Act which authorize the Federal reserve banks in exceptional and exigent circumstances to make advances to member banks on the security of assets which are not eligible under other provisions of the Federal Reserve Act, expressly requires "affirmative action by not less than five members of the Federal Reserve Board"; and there are also various other important powers of the Board which can be exercised only on the affirmative vote of five members, such as the power conferred by Section 11 (b) to

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require a Federal reserve bank to rediscount the discounted paper of another Federal reserve bank.

The situation confronting the Board in these circumstances is of such importance that the Board feels the matter should be called specifically to your attention at once.

Respectfully,

Hon. Carter Glass,  
United States Senate,  
Washington, D. C.

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Carl P. Dennett, Chairman,  
Banking and Industrial Committee,  
First Federal Reserve District.

Report dated January 11. 1932<sup>7</sup>

States that the credit situation is well in hand. Every complaint has been followed through. We know of no case where sound credit was requested and deserved that has not been taken care of. Requests which we could not comply with were for capital and not for credit. Business in New England is satisfied that all sound credit requirements are being met.

Discusses home mortgage situation.

Discusses farm situation in Aroostook County, Maine. Establishment of a branch of the agricultural credit bank in Bangor had an immediate beneficial effect. Potatoes were selling at 45¢ a barrel but when this branch was announced, they moved to 60¢, and when the branch was established they went to 95¢ a barrel. This would have enabled the farmers to liquidate a large amount of their loans, but most of them held on for the last 5¢ to get \$1.00 a barrel. The result was that potatoes have since sagged off to from 75 to 85¢ a barrel.

The banking situation in this District has shown a good deal of improvement.

We are still having opportunities from time to time to arrange loans for business purposes. One of the woolen mills in Maine required money to buy wool to take care of orders that they could secure, and I was able to arrange this loan directly with the First National Bank of Boston. This particular mill is working day and night and is making money at the present time.

Such cases are coming along from day to day, but we are able to take care of all of them where the credit is warranted, without recourse to direct borrowing from the Federal Reserve Bank.

I have found an extremely helpful attitude on the part of the national banks here in taking care of these situations.

No outstanding case at the present time is before me of any bank refusing to take a loan, which in my judgment, was a sound loan.

When our questionnaire first went out throughout the District, we had a number of cases of complaint, but they were all satisfactorily disposed of.

February 1, 1933.

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Governor Harrison, on January 27, 1933, wrote a letter to the Governor of each Federal Reserve Bank, which, in substance, is as follows:

Governor Harrison writes a long letter analyzing German conditions, and pointing out a great improvement in Germany.

Speaking of our own conditions, he points out the extraordinary fact that in the 39 months since October, 1929, the New York market has repaid 2078 millions of short term debt to foreign countries, and despite this our country has gained in the same period approximately 170 millions net of gold.

He states that in his letter of December 23rd, he brought out that the peak of our gold loss for last year was reached on June 14 at 547 millions, but that the monetary gold stock of the country has increased since that time by 647 millions, including both imports and domestic production, with relatively small change in the foreign short term liabilities of New York.

He points out that New York repaid foreign short term liabilities of 1,222 millions between September 1931 and June 1932, and that the balance of such liabilities outstanding on June 15 last was only 723 millions.

He states that under ordinary circumstances, we should continue to gain gold from France, both on account of the balance of payments and because of the steady if still unspectacular flight from the franc, but that all our computations may be rapidly distorted if there is a rise in inflationary propaganda in this country, and especially in Congress.

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*See Bm*

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, DECEMBER 1932

Federal Reserve Bank	Month of					December 1932				Jan. - Dec. 1932		Net earnings after payments of dividends
	Earnings from -					Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	U. S. secur-ities	Other sources	Total	Exclusive of cost of F.R. currency	Total	Total	Ratio to paid-in capital	Total	Ratio to paid-in capital	
									Per cent		Per cent	
Boston	\$41,747	\$10,025	\$120,877	\$7,267	\$179,916	\$160,098	\$173,780	\$6,136	.7	\$894,120	7.9	\$11,128
New York	142,330	27,300	953,037	60,608	1,183,275	532,435	522,994	660,281	13.3	9,572,214	16.1	6,842,520
Philadelphia	151,676	13,728	174,824	11,529	351,817	158,137	170,401	181,416	13.3	3,007,068	18.5	2,297,442
Cleveland	86,835	13,250	221,408	8,609	330,102	207,263	246,952	83,150	6.9	2,544,650	17.8	1,012,829
Richmond	50,524	6,118	58,485	4,761	119,888	118,689	121,280	-1,392	--	465,002	8.9	--
Atlanta	67,350	7,160	58,008	6,347	138,865	102,309	104,891	33,974	8.6	785,419	16.1	--
Chicago	38,146	16,537	272,580	24,268	351,531	296,229	301,766	49,765	3.6	2,180,978	12.7	1,212,792
St. Louis	22,567	4,553	83,251	5,700	116,071	100,401	105,667	10,404	2.8	264,822	5.9	-25,020
Minneapolis	34,730	2,813	81,365	3,005	121,913	81,458	83,316	38,597	15.8	508,425	17.4	96,843
Kansas City	38,539	3,805	71,100	19,868	133,312	133,367	135,041	-1,729	--	408,754	10.0	--
Illas	17,541	3,573	69,965	2,845	93,924	94,914	95,112	-1,188	--	165,262	4.2	-74,055
San Francisco	110,102	10,796	153,077	6,994	280,969	190,156	201,392	79,577	9.0	2,930,722	27.1	1,657,521
TOTAL												
Dec. 1932	802,087	119,658	2,318,037	161,801	3,401,583	2,175,456	2,262,592	1,138,991	8.9			
Nov. 1932	862,529	122,511	2,428,386	129,091	3,542,517	2,074,908	2,156,178	1,386,339	11.1			
Dec. 1931	2,291,667	689,379	1,288,076	482,501	4,751,623	2,205,379	2,288,411	2,463,212	18.0			
Jan.-Dec. 1932	17,881,057	2,785,213	26,923,570	2,428,977	50,018,817	25,185,565	26,291,381	23,727,436	15.3	23,727,436	15.3	13,032,000
1931	9,820,546	5,009,541	12,428,297	2,442,895	29,701,279	25,561,518	27,040,664	2,660,615	1.6	2,660,615	1.6	-7,057,694

FEDERAL RESERVE BOARD  
DIVISION OF BANK OPERATIONS  
FEBRUARY 1, 1933.

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*Smith*

FEDERAL RESERVE BOARD

WASHINGTON

X-7337

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

January 31, 1933.

Dear Sir:

From the minutes of the Federal Reserve Agents' Conference held on November 15 and 16, 1932, the Federal Reserve Board notes that during the discussion of the general subject of membership in the Federal Reserve System and what can be done to bring in more eligible nonmember banks, attention was called to the Federal Reserve Board's letter of June 19, 1931 (X-6914), which required that at the time of admission of a State bank or trust company it should be free from all known losses or depreciation, so that its statement would reflect as nearly as possible the value of its assets. It appears that several of the Federal reserve agents stated that on account of bond depreciation and other unsatisfactory conditions very few non-member banks could qualify for membership at the present time.

In this connection the Board desires to call the attention of the Federal reserve agents to its letter of March 9, 1932 (X-7113), transmitting for their information and guidance a copy of a letter to the Federal Reserve Agent at the Federal Reserve Bank of Richmond with regard to the treatment of depreciation in the investment accounts of State banks and trust companies applying for membership in the System. In the letter to Mr. Hoxton it was pointed out that in some recent

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cases the Board had not insisted upon strict observance of the policy outlined in its letter of June 19, 1931, and had approved applications for membership in the System made by banks whose managements were competent and whose affairs otherwise were generally satisfactory, upon condition that they should, prior to admission to the System, charge off all known losses and depreciation on bonds other than those classified in the four highest grades by a recognized investment service organization regularly engaged in the business of rating or grading bonds.

As a number of the Federal reserve agents no doubt are aware, the Board has taken similar action with respect to bond depreciation in acting upon applications for membership which, since the date of the letter to Mr. Hoxton, have been submitted with the favorable recommendations of the directors of the Federal reserve banks of the districts concerned.

Very truly yours,

Chester Morrill,  
Secretary.

TO ALL F. R. AGENTS.

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CONFIDENTIAL

Not for publication

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, JANUARY 1933

*Sum*

Federal Reserve Bank	Month of January 1933									
	Earnings from -					Current expenses		Current net earnings		
	Dis-counted bills	Pur-chased bills	U. S. securities	Other sources	Total	Exclusive of cost of F. R. currency	Total	Total	Ratio to paid-in capital	Less accrued dividends and net charges (current) to profit and loss
									Per cent	
Boston	\$36,482	\$8,504	\$121,799	\$4,478	\$171,263	\$147,740	\$157,905	\$13,358	1.5	-\$41,247
New York	131,116	38,165	969,032	22,541	1,160,854	514,207	526,336	634,518	12.7	348,599
Philadelphia	140,784	12,402	176,523	13,446	343,155	167,272	178,509	164,646	12.1	83,967
Cleveland	73,062	11,450	224,208	8,608	317,328	200,349	214,784	102,544	8.5	17,274
Richmond	48,235	5,099	59,023	4,888	117,245	111,096	113,312	3,933	.9	-22,520
Atlanta	53,796	5,782	58,674	3,852	122,104	90,993	93,553	28,551	7.1	4,116
Chicago	33,931	16,095	276,492	23,732	350,250	257,415	261,905	88,345	6.4	7,387
St. Louis	23,247	3,904	84,048	6,631	117,830	107,803	126,999	-9,169	--	-31,817
Minneapolis	29,933	2,580	82,058	2,307	116,878	78,540	79,978	36,900	15.1	22,431
Kansas City	34,907	3,332	71,879	22,471	132,589	121,662	125,435	7,154	2.1	-13,239
Dallas	13,192	3,295	72,184	2,780	91,451	93,265	93,464	-2,013	--	-21,652
San Francisco	104,488	8,133	154,566	6,945	274,132	189,242	200,062	74,070	8.4	17,098
TOTAL										
January 1933	723,173	118,741	2,350,486	122,679	3,315,079	2,079,584	2,172,242	1,142,837	8.9	370,397
December 1932	802,087	119,658	2,318,037	161,801	3,401,583	2,175,456	2,262,592	1,138,991	8.9	
January 1932	2,468,404	674,046	1,379,126	346,087	4,867,663	2,124,185	2,236,307	2,631,356	19.4	1,820,634

FEDERAL RESERVE BOARD  
 DIVISION OF BANK OPERATIONS  
 FEBRUARY 13, 1932

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See Nn

Mr. Mitchell

October 30, 1922.

Mr. Wyatt - General Counsel

Meaning of phrase "tested banking experience as used in Section 4 of the Federal Reserve Act.

Section 4 of the Federal Reserve Act requires that each Federal Reserve Agent and each Assistant Federal Reserve Agent shall be a person of "tested banking experience", and you have requested me to advise you as to the meaning of the expression "tested banking experience."

So far as I can find, the term "tested banking experience" has never been defined either by the lexicographers or by the courts. The word "tested" seems never to have been defined by the courts. The word "banking" has been defined frequently by the courts, but the definition given by Webster, which is quoted below, is substantially the same as those given by the courts, and the meaning of the term is so well understood that it is not believed necessary to quote here the definitions given by the courts. While there have been a few definitions of the word "experience", the subject matter and context has been such that those definitions would be of little or no value in this connection. It is necessary, therefore, to rely upon the definitions of these words given by the dictionary.

Webster's unabridged dictionary defines the verb "test" as follows:

"To put to the test or truth; to try the truth, genuineness, or quality of by experiment, or by some other principle or standard; as, to test the soundness of a principle, the validity of an argument, the strength of a material."

It also defines the noun "test" as follows:

"Examination or trial by the cupel; hence, any critical examination or decisive trial; as to put a man to a test. Hence (a) Means of trial; discriminative characteristic of fact; specif. subjection to conditions that show the real character of a person or thing in a certain particular; as absence is a test of love. (b) That with which anything is compared for proof of genuineness; touchstone; standard."

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It defines the word "banking" as follows:

"The business of a bank or of a banker. The business of banking originally was that of money changing; at present banking, in general, consists in taking money on deposit subject to check or draft, loaning money, as by discounting notes and bills, issuing drafts, and any other associated form of general dealing in money or credit. One or more of the operations if carried on with the public in general may be construed as banking."

It defines the word "experience" as follows:

"1. Trial or test; either a tentative trial or experiment, or a crucial test, or demonstration.

"2. The actual living through an event or events; participation in anything through sensation or feeling; the real life as contrasted with the ideal or imaginary; personal acquaintance with reality; actual enjoyment or suffering; hence, the effect upon the judgment or feelings produced by persons and direct impression as contrasted with description or fancies; as, to know by experience."

\* \* \* \* \*

"4. Knowledge, skill or technique resulting from experience; experimental or inductive knowledge; hence skill facility, or practical wisdom gained by personal knowledge, feeling or action.

\* \* \* \* \*

"7. Philosophy. The sum total of the conscious events which compose an individual life; also the ultimate, non-analyzed data of all happenings that may be apprehended; the summum genus of all knowable reality."

Experience, therefore, is the actual living through an event or events or the participation in anything through sensation or feeling. In another sense, it is the knowledge, skill or technique resulting from such living through an event or events or from such participation in anything. Banking experience, then, must be knowledge, skill or technique resulting from actual participation in the business of banking. If we accept this as a definition of banking experience, it only remains to ascertain what added significance is given by the use of the word "tested". From the definition quoted above, it appears that the noun "test" means "subjection to conditions that show the real character of a person or



thing in a certain particular", and the verb "test" means "to put to the test". It is reasonable to assume, therefore, that the word "tested" was used in this connection to require that the person selected should be a person who has been subjected to such conditions as to show the real character of his banking experience - i.e., the real character of his knowledge, skill or technique resulting from actual participation in the business of banking.

Reading these words together in the light of the above definitions, therefore, I should say that a person of "tested banking experience" is a person who has knowledge, skill, or technique resulting from actual participation in the business of banking, and who has been subjected to such conditions as to demonstrate his ability as a banker. To state it more freely, one might say that a person of "tested banking experience" within the meaning of Section 4 is a person who has proven his ability as a banker through actual participation in the business of banking.

I realize that this is not a very precise definition, but I believe that it is not practicable to frame one which is more precise. In the last analysis, the question whether a particular person is a person of tested banking experience is a question of fact to be decided in the light of all the attendant circumstances; and no definition can be framed which will be properly applicable to all circumstances which might arise.

Respectfully,

General Counsel.

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