The Papers of Charles Hamlin (mss24661)

368_09_001-	Hamlin, Charles S., Scrap Book – Volume 251, FRBoard Members

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FRBoard Members

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Form F. R. 131

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 12, 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 251 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 251

Page 77
Memorandum on the Gold Bullion Standard.

Page 115
Earnings and Expenses of Federal Reserve Banks, February 1934.

Page 133
Letter to employees of Board on Retirement System.

Page 135
U.S. Securities Pledged with Agents and Related Items, Wednesday, March 14, 1934. (Marked Confidential)

Sec Bu

By J.W.Beyen. N.Y. Dec 6.34

MEMORANDUM ON THE GOLD BULLION STANDARD.

On January 31, by Presidential Proclamation, the weight of the gold dollar was fixed at 15 5/21 grains nine-tenths fine, and simultaneously the Secretary of the Treasury announced that, beginning February 1, he would buy all gold offered in this country (except illegally hoarded gold) at the rate of $35 per fine troy ounce, less the usual mint charges and less 1/4 of 1 per cent handling charges. It was announced at the same time that he would sell gold in certain circumstances at the rate of $35 per fine troy ounce plus 1/4 of 1 per cent handling charges.

The immediate effect of these acts, with the coincident provisions that monetary gold would be limited to bar gold and would be used "for the purpose of settling international balances," was to place this country upon a form of gold bullion standard. The type of standard we now have, however, differs in several important respects from the gold bullion standard as heretofore known. First, the official buying price of gold is legally independent of the declared gold content of the dollar. Second, both the buying price for gold and the gold content of the dollar are subject to change, the latter within fixed limits, by executive proclamation. Third, the unlimited purchase or sale of gold by the Treasury to prevent an appreciation of the dollar above its theoretical gold import point or depreciation below its theoretical gold export point is not mandatory. Finally, the gold bullion standard hitherto was designed to make inconvenient the private holding of monetary gold; the United States form imposes a definite prohibition

P77

VOLUME 251
PAGE 77

on such holdings.

The special characteristic of the gold bullion standard heretofore has been that the notes of the bank of issue, on that standard, are convertible only in minimum amounts sufficient to pay for an export bar containing roughly 400 fine ounces of gold, such bars being freely delivered by the central bank. French monetary law, although allowing for the eventual use of gold coin in circulation, establishes the gold bullion standard, in fact, by providing that the Bank of France shall convert its notes in minimum amounts of 215,000 francs, this being the approximate value of a 400-ounce bar.* Since last March the Bank of France has been the only central bank in the world which has delivered gold bars to all comers. Of the other central banks, in countries still thought of as remaining on the gold standard, only the Netherlands Bank will deliver gold to private parties, and there such delivery is subject to the requirement that the gold be taken for export to a country whose central bank itself delivers gold and, moreover, that it be sold to that central bank and not to private parties in the country of destination. The other central banks in so-called gold-bloc countries are, like the Swiss National Bank, on the gold exchange standard, i.e., conversion of their notes into gold or foreign exchange is optional with the central bank and the central bank effects redemption only in foreign exchange, shipping gold on special occasions exclusively for its own account. Thus, in effect, the Bank of France and the London gold market, where newly-mined and other gold is brought for sale, have in the past year been the two great centers of immediate gold supply.

The London market price for gold, which is fixed by public bidding, could not go below the Bank of France buying price during this period since the bank stood ready to buy all gold offered to it at that price. Omitting transportation and incidental charges, and leaving out of account the special demand created by hoarders, the London price could not exceed the Bank of France selling price either, since that bank stood ready to convert into gold, at a fixed rate, all francs offered to it. Therefore, until February 1, the London market price for gold was based on the statutory French price, divided by the ruling rate of French franc exchange in London, and adjusted for incidental charges and the premium created in London by the special demand from hoarders. The United States buying price, as established at different times during the past six months by the Reconstruction Finance Corporation and later by the Treasury, remained without appreciable effect upon the world price so long as our authorities were not prepared to buy all gold offered them from outside the United States at the price fixed. When we agreed, however, to pay approximately $35 a fine ounce for practically all gold delivered to our Mints and Assay Offices, that figure became effective as a determinant of the world price.

Accompanying the offer to purchase imported gold freely, the fixing of the new weight of the gold dollar automatically established a new parity between the dollar and the French franc, this parity being 6.6335 cents = 1 franc. It became possible to calculate that approximately 6.59 cents represented the theoretical gold import point from Paris to New York, i.e., the point at or below which it is more advantageous to ship gold than to buy dollars in the foreign exchange market for the settlement of balances outstanding in favor of this country. A shipment of gold has of course a firming effect upon the exchange of the gold-exporting country since it reduces the offer of that country's own currency in the foreign exchange market and, at the same time, reduces the market demand for the currency of the country to which the gold is shipped. Thus, whereas on February 5, before the present gold movement got well under way, the dollar premium on the French franc was 7.25 per cent (the exchange rate being then 6.18½ cents) the dollar premium at the moment of writing is down to 1.35 per cent and the rate is 6.54½ cents. From the point of view of France, the gold has tended to flow where it would exchange for the greatest number of francs, and the effect of the gold flow on the foreign exchange market has been to tend to equalize the number of francs obtainable here (in equivalent dollars) and in Paris for the same quantity of gold. When franc exchange moves above 6.59 cents, that result will have been achieved, and in normal circumstances the outflow of gold from France would slow up and stop. For the time being, it is the relations between the dollar and the franc which indicate whether or not our form of gold bullion standard is effectively at work.

Federal Reserve Bank of New York,
February 15, 1934.

*This is the approximate weight prescribed or implied in British, French, and other monetary legislation, but smaller quantities are allowed for in some gold-bullion countries.

Sec B11

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Not for publication

B-811

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, FEBRUARY 1934

Federal Reserve Bank	Month of February 1934									January - February 1934		
	Earnings from -					Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	U.S.Govt. securi-ties	Other sources	Total	Exclusive of cost of F.R. currency	Total	Total	Ratio to paid-in capital	Total	Ratio to paid-in cap-ital	Less accrued dividends and net charges (current) to profit and loss
									Per cent		Per cent	
Boston	$3,344	$8,284	$225,252	$858	$237,738	$160,449	$173,730	$64,008	7.8	$154,083	9.0	$47,059
New York	58,816	2,805	1,240,408	30,107	1,332,136	553,130	595,856	736,280	16.4	1,631,950	17.2	1,053,472
Philadelphia	50,219	1,865	244,586	652	297,322	186,885	202,584	94,738	7.9	237,380	9.3	73,016
Cleveland	10,432	3,588	303,401	6,791	324,212	226,926	239,289	84,923	8.8	216,971	10.7	76,268
Richmond	6,645	1,050	125,556	4,336	137,587	126,679	130,592	6,995	1.8	9,887	1.2	-44,513
Atlanta	13,653	1,264	102,041	3,874	120,832	107,448	114,285	6,547	1.9	21,091	2.9	-29,884
Chicago	3,088	4,323	580,872	19,395	607,678	294,271	314,647	293,031	29.8	637,956	30.7	505,974
St. Louis	2,692	1,292	133,648	6,032	143,664	106,155	113,007	30,657	10.2	66,277	10.4	24,775
Minneapolis	3,566	835	103,546	2,068	110,015	91,526	96,838	13,177	6.0	36,389	7.8	5,684
Kansas City	5,290	1,152	120,648	17,110	144,200	135,424	140,988	3,212	1.0	4,512	.7	-37,571
Dallas	338	4,583	104,376	935	110,232	92,837	96,586	13,646	4.6	48,191	7.8	8,283
San Francisco	6,130	4,029	236,899	7,033	254,091	198,998	207,162	46,929	5.7	113,790	6.6	1,702
TOTAL												
Feb. 1934	164,213	35,070	3,521,233	99,191	3,819,707	2,280,728	2,425,564	1,394,143	12.5			
Jan. 1934	266,685	49,106	3,859,307	104,582	4,279,680	2,328,210	2,495,346	1,784,334	14.5			
Feb. 1933	763,683	137,256	2,216,995	137,989	3,255,923	2,047,466	2,234,170	1,021,753	8.8			
Jan. -Feb. 1934	430,898	84,176	7,380,540	203,773	8,099,387	4,608,938	4,920,910	3,178,477	13.5	3,178,477	13.5	1,684,265
1933	1,486,857	255,996	4,567,479	260,670	6,571,002	4,126,869	4,406,231	2,164,771	8.9	2,164,771	8.9	664,703

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
MARCH 13, 1934.

B115

VOLUME 251
PAGE 115

Mr Hamlin

Secretary

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 8, 1934.

To the Employees of the Federal Reserve Board:

The Federal Reserve Banks have established, effective March 1, 1934, a retirement system, the benefits of which are available also to all Federal Reserve Board employees, except that no one may be a member of the Civil Service Retirement and Disability Fund and of this system at the same time. The inclosed pamphlet describes the plan, which includes service retirement allowances, retirement allowances in the event of disability, and death benefits. These allowances are to be supported by the joint contributions of the member employees and the Federal Reserve Board.

You will receive herewith in duplicate an enrollment blank on which you may enter the necessary information concerning yourself and the beneficiary or beneficiaries whom you may desire to designate. One completed copy should be returned to the person from whom the blanks were received by you and the other should be kept as your copy. Every employee, who is not a member of the Civil Service Retirement and Disability Fund, automatically becomes a member of the new system unless he files a waiver of benefits, and if you desire to do this you should secure a form for the purpose from the Secretary's office.

In addition to other benefits the plan provides, for any employees who do not now contemplate long employment, an automatic savings fund and

VOLUME 251
PAGE 133

P133

death and disability benefits during the period of employment. It is important to note that under this plan every member employee will receive the full benefit of his own contributions, and in addition will receive valuable benefits from the contributions of the Board. If the employee leaves the service of the Board before retirement, all his contributions will be returned with interest.

While membership in this plan will be required of all future employees, unless they are members of the Civil Service Retirement and Disability Fund, it is optional with those now in the service. Contributions will begin as of March 1 and it is important that your enrollment blank be completed and filed promptly.

Under the rules and regulations governing the operation of the retirement system, member employees of the Federal Reserve Board are entitled to elect a member of the Board of Trustees of the retirement system. The first meeting of the Board of Trustees has been called for March 14 at Chicago and accordingly, in order that the trustee to be elected by the Board's employees may be chosen in time to attend this meeting, there is also inclosed a ballot for your use in indicating your choice of a person to serve in this capacity. It is requested that you return this ballot with the completed copy of your enrollment blank. All ballots thus returned by 10 A. M., Monday, March 12, will be counted at that time and if any person has received a majority of the ballots so cast such person will be deemed to be the choice of the member employees. If the first ballot does not result in a choice the employees will be advised of that fact and will be furnished new ballots with the request that they vote for one of the three persons, named in the ballot, who received the highest number of votes on the first ballot. All such ballots received up to 5 P. M., Monday, March 12, will be counted at that time and the person receiving the largest number of votes will be declared elected.

Very truly yours,

E. R. Black

E. R. Black,
Governor.

Inclosures

Election by Employees of a Member of Board of Trustees

of the Retirement System of the Federal Reserve Banks.

A. INSTRUCTIONS TO EMPLOYEES

1. Indicate on ballot inclosed with copy of Governor Black's letter your choice of a person to serve as a member of the board of trustees.

2. Insert ballot in a plain envelope and seal it.

3. Insert sealed envelope in a second envelope. Seal and place your name thereon.

4. Deliver envelope with your completed enrollment blank to the person from whom the enrollment blank was received. (To be counted ballots should be returned not later than 10 A. M., Monday, March 12).

5. If advised that the first ballot did not result in the choice of a trustee, fill out the second ballot to be furnished you for the purpose in the same manner as described above. (You are requested to vote for one of the three persons receiving the highest number of votes on the first ballot, the names of whom will appear on the ballot furnished you. This ballot should be returned not later than 5 P. M., Monday, March 12).

B. INSTRUCTIONS TO THOSE HANDLING EMPLOYEES' BALLOTS

1. All ballots received up to 10 A. M., Monday, March 12, should be delivered to the Secretary's office to be counted.

2. On delivery at the Secretary's office the signed envelopes must be compared with the list of employees who have filed completed enrollment applications.

3. Remove the outer envelope deposited by each employee entitled to a vote by reason of having filed a complete enrollment application in the presence of three persons.

4. Deposit the inclosed unmarked envelopes (containing the ballots) in a suitable container in such a way that the identity of the person by whom each was submitted will be lost.

5. Open the unmarked envelopes and count the ballots.

6. If any person has received a majority of the votes cast such person shall be declared elected as a member of the board of trustees.

7. If no person shall have received a majority of the votes cast furnish each employee with a new ballot bearing the names in alphabetical order of the three persons receiving the largest number of votes on the first ballot.

8. All ballots received up to 5 P. M., Monday, March 12, should be delivered to the Secretary's office to be counted.

9. Follow the procedure in opening and counting ballots prescribed under paragraphs two and five inclusive. (The person receiving the largest number of votes on this ballot will be declared elected as a member of the board of trustees).

Mr Hamlin

Sec'ta

UNITED STATES SECURITIES PLEDGED WITH AGENTS AND RELATED ITEMS

WEDNESDAY, MARCH 14, 1934

(In thousands of dollars)

Federal Reserve Bank	U. S. securities pledged with agents	Operating margin*		Own F. R. notes held by banks	Excess reserves
		Margin fixed by Board	Actual		
Boston	--	37,500	39,849	14,346	165,252
New York	--	150,000	227,776	73,542	577,060
Philadelphia	15,000	37,500	28,160	13,992	147,269
Cleveland	55,000	52,500	43,126	17,744	159,930
Richmond	32,000	22,500	15,558	8,157	70,013
Atlanta	45,000	45,000	34,781	19,894	63,729
Chicago	82,000	97,500	83,545	41,765	460,297
St. Louis	11,000	22,500	18,062	4,860	87,486
Minneapolis	16,400	15,000	13,193	4,957	53,310
Kansas City	5,000	30,000	27,145	6,652	86,308
Dallas	--	15,000	34,790	5,056	50,179
San Francisco	65,000	75,000	73,240	44,263	122,392
TOTAL	326,400	600,000	639,225	255,228	2,043,225

*The margin covers: (a) Federal Reserve notes held by banks; (b) deposit reserves above 35%; (c) excess collateral with agents; (d) gold redemption fund. See Board's letter of May 2, 1932.

DIVISION OF BANK OPERATIONS
MARCH 15, 1934.

P135

CONFIDENTIAL MEMORANDA

I. ADVANCES* TO MEMBER BANKS UNDER SECTION 10 (b) OF THE F. R. ACT

Federal Reserve Bank	Advanced Feb. 27, 1932 to Mar. 14, 1934	Outstanding on Mar. 14, 1934	Week ending Mar. 14, 1934	
			Advanced during week	Paid during week
Boston	$4,062,000	--	--	--
New York	46,231,000	$8,841,000	$675,000	$380,000
Philadelphia	13,786,000	1,537,000	--	127,000
Cleveland	37,104,000	1,029,000	--	69,000
Richmond	4,938,000	247,000	--	43,000
Atlanta	22,938,000	631,000	--	--
Chicago	13,334,000	781,000	--	--
St. Louis	1,458,000	9,000	--	1,000
Minneapolis	544,000	2,000	--	--
Kansas City	9,143,000	--	--	--
Dallas	1,003,000	--	--	--
San Francisco	146,369,000	--	--	--
Total	300,910,000	13,077,000	675,000	620,000

II. ADVANCES* TO NONMEMBER BANKS UNDER SECTION 404 OF ACT OF MARCH 24, 1933

Federal Reserve Bank	Advanced March 24, 1933 to March 14, 1934 — Secured by -			Outstanding on Mar. 14 1934	Week ending March 14, 1934	
	Eligible collateral		Ineligible collateral		Advanced during week	Paid during week
	U. S. Govt. obligations	All other				
New York	$200,000	--	$300,000	--	--	--
Chicago	--	--	10,000	--	--	--
Minneapolis	--	--	50,000	--	--	--
Total	200,000	--	360,000	--	--	--

III. BILLS DISCOUNTED* BY F. R. BANKS FOR INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS

Federal Reserve Bank	Advanced July 21, 1932 to Mar. 14, 1934		Outstanding Mar. 14, 1934		Week ending Mar. 14, 1934	
	Secured by U.S. Govt. obligations	All other	Secured by U.S. Govt. obligations	All other	Discounted during week	Paid during week
Boston	--	$25,000	--	--	--	--
New York	$1,000,000	807,000	--	$339,000	--	--
Philadelphia	95,000	108,000	--	--	--	--
Cleveland	158,000	--	--	--	--	--
Richmond	41,000	--	$22,000	--	--	--
Atlanta	440,000	118,000	--	--	--	--
Chicago	278,000	--	--	--	--	--
St. Louis	76,000	--	9,000	--	--	--
Minneapolis	38,000	113,000	--	--	--	--
Kansas City	--	200,000	--	--	--	--
Dallas	--	--	--	--	--	--
San Francisco	1,215,000	--	22,000	--	--	--
Total	#3,341,000	1,371,000	53,000	339,000	--	--

DIVISION OF BANK OPERATIONS
MARCH 16, 1934

*Exclusive of renewals.
#Includes $57,550 to building and loan associations $300,000 to a Federal land bank and $2,319,210 to nonmember banks (including $1,000,000 to a Mutual Savings bank).