

The Papers of Charles Hamlin (mss24661)

369_03_001-

Hamlin, Charles S., Scrap Book – Volume 254, FRBoard Members

TRANSFER

205.001 - Hamlin Charles S
Scrap Book - Volume 254
FRBoard Members

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CONFIDENTIAL (F.R.)

TRANSFER

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CONFIDENTIAL (F.R.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 12, 1941To The Files

Subject: _____

From Mr. Coe

MPC.

After correspondence with Mrs. Hamlin (see letters of May 24 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from volume 254 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 254Page 16

(X-7923) Applications for membership of trust companies doing substantially no banking business.

Page 35

Memo to Mr. Hamlin from Mr. Smead re expenses and profits of the Cuban Agency.

Page 63

Memo to Mr. Hamlin from Mr. Goldenweiser re changes in cost of living in France and the United States during the depression.

Page 82

Memo to Mr. Hamlin from Mr. Smead re report of Bureau of Agricultural Economics on World Wheat Prospects.

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(B-995) Working Capital for Industry.

Page 153

Earnings and Expenses of F.R. Banks, June 1934.

See No

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7923

June 20, 1934.

SUBJECT: Applications for Membership of
Trust Companies Doing Substantially
No Banking Business.

Dear Sir:

During the past several years the Board has taken the position that it would not admit to membership in the Federal Reserve System trust companies which do substantially no commercial banking business, but recently it reviewed the question and decided that it should give consideration to applications for membership from trust companies of this type.

If there is any trust company in your district that has been advised that it would not be admitted to membership because it was doing substantially no commercial banking business, the Board desires that you inform it that the Board will give consideration to its application for membership if it desires to file one.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

JW

TO ALL FEDERAL RESERVE AGENTS.


Office Correspondence

FEDERAL RESERVE
BOARDDate June 7, 1934 *See No.*To Mr. Hamlin

Subject: _____

From Mr. Smead

16-852



In response to your telephone inquiry as to how much gold the United States has given Cuba in exchange for Federal Reserve notes and the expenses and profits of the Cuban Agency since it was established, as you know Federal Reserve notes are paid out in Cuba as a result of transfers to Cuba purchased in the United States, and the Havana Agency receives currency in Cuba in exchange for cable transfers sold by the Agency. No gold shipments to and from Cuba are, therefore, involved in the currency operations in Cuba of the Havana Agency of the Federal Reserve Bank of Atlanta. Most of these cable transfers are effected, however, through the Federal Reserve Bank of New York and, as a result, Atlanta gets gold from New York in payment for Atlanta Federal Reserve notes and other currency paid out in Cuba and, likewise, the Atlanta Federal Reserve bank gives the Federal Reserve Bank of New York gold when currency is deposited in the Cuban Agency and transfers on the United States are sold in payment therefor. To the extent that currency turned in to the Havana Agency consists of currency other than notes of the Atlanta bank the Federal Reserve Bank of Atlanta obtains gold for it when it is sent to the Treasury or to the issuing Federal Reserve banks for redemption.

From the attached statement showing gold imports from and exports to Cuba, from January 1923 to December 1933, you will note that imports of gold from Cuba are reported as \$10,043,623 and exports of gold to Cuba as only \$1,220, indicating a net gold movement from Cuba to the

United States of something over \$10,000,000 during the period. From January 1, 1914, or just prior to the establishment of the System, to the end of 1922 gold exports to Cuba exceeded gold imports from Cuba by approximately \$29,000,000.

With regard to the earnings and expenses of the Havana Agency, the attached statement shows that since the Havana Agency of the Atlanta Bank was established its earnings have been \$345,355.93, or approximately \$134,000 less than operating expenses and the cost of furniture and equipment (including vault), which aggregated \$479,159.95. However, from 1923 to 1927 the Agency had no income, all earnings on cable transfers during that period going to the Agency then maintained in Cuba by the Federal Reserve Bank of Boston. During the three years and four months in which the Boston Federal Reserve bank maintained an agency in Cuba its operating expenses as shown by the attached statement amounted to \$52,021.58, and its earnings to \$229,759.78, or approximately \$177,000 in excess of operating expenses. Since the System established agencies in Cuba, therefore, the earnings of the agencies have amounted to approximately \$43,000 in excess of their operating expenses and the cost of furniture and equipment.

There is attached a table showing the amount of cable transfers bought and sold by the Havana, Cuba agencies since they were established in 1923. It is noted from this statement that cash paid out in Cuba on transfers purchased amounted to the end of 1933 to \$215,774,098, and that cash received by the agencies for which transfers were sold on the United States amounted to \$346,113,135, indicating that currency receipts by the agency exceed currency payments by approximately \$130,000,000. This is due in large part to the fact that tourists going to Cuba carry currency into the island.

Mr. Hamlin - #3

In this connection, you may be interested in an article appearing in the New York Times for Tuesday, June 5, 1934, in which it is stated that "According to recent statistics the total money circulation in Cuba does not amount to more than \$50,000,000, of which half is Cuban silver and gold. While the original issue of gold was \$20,000,000 it is believed not more than \$6,000,000 in gold remains, the balance having been melted and paid on foreign obligations by former governments and clandestinely taken out of the country." This article would indicate that not more than \$25,000,000 of paper currency is in circulation in Cuba. This, I believe, is a considerable under estimate.

In addition to currency in circulation in Cuba, the Cuban Agency on May 31 held \$10,494,000 of notes of the Atlanta Federal Reserve bank and \$303,855.95 of other cash. The other cash is made up as follows:

Gold certificates	\$3,000.00
Legal tender notes	4,000.00
Silver certificates	255,000.00
National bank notes	1,500.00
Federal Reserve notes of other	
Federal Reserve banks	40,000.00
Subsidiary silver - nickels	
and cents	355.95

CABLE TRANSFERS BOUGHT AND SOLD BY HAVANA, CUBA, AGENCY
OF THE FEDERAL RESERVE BANK OF ATLANTA**

	Transfers sold (Cash received by Agency including commission)	Transfers purchased (Cash paid out by Agency)
1923*	\$17,286,270	\$7,200,000
1924	25,933,408	21,682,675
1925	26,979,953	16,778,000
1926	66,536,070	47,500,000
1927	41,928,766	22,534,800
1928	26,475,449	13,738,000
1929	28,243,215	21,595,000
1930	47,678,631	27,139,000
1931	22,865,843	8,010,000
1932	17,886,869	3,550,000
1933	24,298,661	26,046,623
Total	346,113,135	215,774,098

*Beginning September 1, when the agencies were established.

**Prior to 1927 the cable transfers were purchased and sold
by the Havana Agency of the Federal Reserve Bank of Boston.

EXPENSES AND EARNINGS OF THE HAVANA, CUBA, AGENCIES

HAVANA AGENCY OF THE FEDERAL RESERVE BANK OF ATLANTA

	<u>Current expenses</u>	<u>Earnings</u>
1923*	\$11,264.07	--
1924	34,995.86	--
1925	21,914.13	--
1926	25,716.87	--
1927	33,452.67	\$67,434.68
1928	40,680.44	43,382.40
1929	50,238.94	54,571.84
1930	48,475.65	79,212.28
1931	48,742.50	33,891.00
1932	40,473.16	21,614.90
1933	38,678.56	45,248.83
Total	394,632.85	345,355.93

Furniture and equipment	13,274.10
Vault	71,253.00

HAVANA AGENCY OF THE FEDERAL RESERVE BANK OF BOSTON**

1923*	8,796.40	24,469.00
1924	13,648.23	47,590.18
1925	13,366.43	43,731.00
1926	16,210.52	113,969.60
Total	52,021.58	229,759.78

*Beginning September 1, when the Agency opened for business.

**Discontinued at the end of 1926.

GOLD MOVEMENTS BETWEEN THE UNITED STATES AND CUBA FROM
JANUARY 1923 TO DECEMBER 1933.

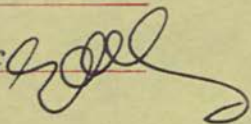
	<u>Imports from Cuba</u>	<u>Exports to Cuba</u>
1923	\$53,837	\$15
1924	40,396	--
1925	50,673	--
1926	88,130	49
1927	61,533	--
1928	97,516	825
1929	74,160	--
1930	1,933,765	--
1931	5,889,186	35
1932	1,499,086	296
1933	255,341	--
	<hr/>	<hr/>
Total	10,043,623	1,220

635

Office Correspondence

FEDERAL RESERVE
BOARDSee AshDate June 15, 1934To Mr. Hamlin

Subject: _____

From Mr. Goldenweiser 

GPO

2-8495

I transmit herewith a memorandum on changes in cost of living in France and the United States during the depression, prepared by Mr. Gardner.

VOLUME 254

PAGE 63

Office Correspondence

FEDERAL RESERVE
BOARD

Date June 14, 1934

To Dr. Goldenweiser

From Mr. Gardner

Subject: Changes in cost of living in
France and the United States during
the depression.

16-852

During the depression, French retail prices have fallen comparatively little, while prices in the United States have declined sharply even taking into account the rise since the winter of 1933. Chart 1 compares changes in the cost of living of a French workingman in the period 1927-1934 with changes in the cost of living of an American workingman. In terms of francs the Frenchman had higher living expenses in the early years of the depression than in 1927-1929, and the moderate decline that has since occurred has served to bring his costs back only to the pre-depression level. In terms of dollars his costs have not only failed to decline but have risen considerably; for 100 francs, which were formerly equivalent to \$3.92, are now equivalent to \$6.63. The movement of French prices on a dollar basis is shown by a dotted line on the chart for the period in which there has been substantial increase in the dollar-franc rate.

The main constituent of the cost of living is food prices. Retail prices for food in France and the United States are shown on Chart 2 with the dotted line again representing French prices converted to a dollar basis. Prices for a number of individual commodities represented in this index are given in the attached table.

The commodities in the table have been selected as those most nearly comparable in the two indexes. There is hardly one in which the French product is exactly like that consumed in the United States; but the group will serve to give a rough indication of comparative prices. The period before our departure from the gold standard was marked by a moderate decline in price of most of the French commodities and sharp declines in the United States. During

Qb3

June 14, 1934

the period of dollar depreciation, prices rose in the United States; but dollar prices in France rose much more sharply. Not too much significance, however, should be attached to this second period in which price increases in France represented largely the altered rate for converting francs into dollars.

The table raises a number of questions, some of which are difficult to answer. The price of a pound of wheat flour in France has consistently been higher than that of a pound of bread, which is presumably made from the same flour. The explanation appears to be that the flour employed in the bread is purchased wholesale at very much lower prices than retail flour, comparatively little of which is purchased in France. The price of wheat has been sustained in France considerably above the world level by restrictions on the foreign product; but the cost of turning wheat into bread and selling it is far less in France; and even today, with allowance for the depreciated dollar, a pound of bread costs the Frenchman less than it does the American. This is also true of fresh milk, which by its nature cannot be shipped internationally and is governed largely by local conditions.

The other commodities on the list were cheaper in the United States even in February 1933, and the subsequent depreciation of the dollar has widened the gap. Indeed the gap has become so wide that several of the commodities are selling in France for more than twice their price in the United States. Such price differentials are possible only because of measures that severely restrict the sale of foreign goods in France. On lard, for instance, there is a heavy tariff, a quota tax, and subsequently a turnover tax. Although lard in Paris has been selling recently for nearly two and a half times its

Dr. Goldenweiser

Page 3

June 14, 1934

price in the United States, the combined duties and taxes quite eliminate any profit in the shipment of American lard to France. Had there been a profit, the quota would still have operated as an absolute limit. The same factors in varying combinations remove any possible profit in the shipment of American rice to France or of Cuban sugar to France rather than to the United States. Beans, coffee, and butter are also subject to substantial tariffs as well as quota restrictions; but in these cases there is some question as to the comparability of the commodities. The French consume sweet butter, for instance, in contrast to the salted butter of the Americans. Potatoes, too, are difficult to standardize and to ship in good condition across the ocean. Fresh eggs are definitely a local product.

Discussion of these individual commodity prices directs attention to the somewhat artificial character of a number of the comparisons, particularly those influenced by the depreciated dollar. The Frenchman earning his wages and spending them in francs is not concerned with a computed increase in the dollar value of the things he buys. It is their franc prices which concern him, and these have not risen. On the other hand they have fallen little--undoubtedly far less than his income has fallen if unemployment be taken into account. The much greater decline in cost of living abroad contrasts with the pre-depression level maintained in his own country. And furthermore the depreciation of foreign currencies as exemplified in the dollar is significant where international trade is involved. The French exporter paying wages in francs that must bear some relation to the cost of living finds it extremely difficult to sell abroad in competition with foreign producers whose costs

Dr. Goldenweiser

Page 4

June 14, 1934

are in depreciated currencies. To maintain his competitive position at the existing exchange rates the French exporter must reduce his costs in France. The sustained level of the cost of living impedes this process. It is the exporting and financial interests in France, dependent as they are upon the flow of international transactions, who are probably most affected by the relatively high French prices.

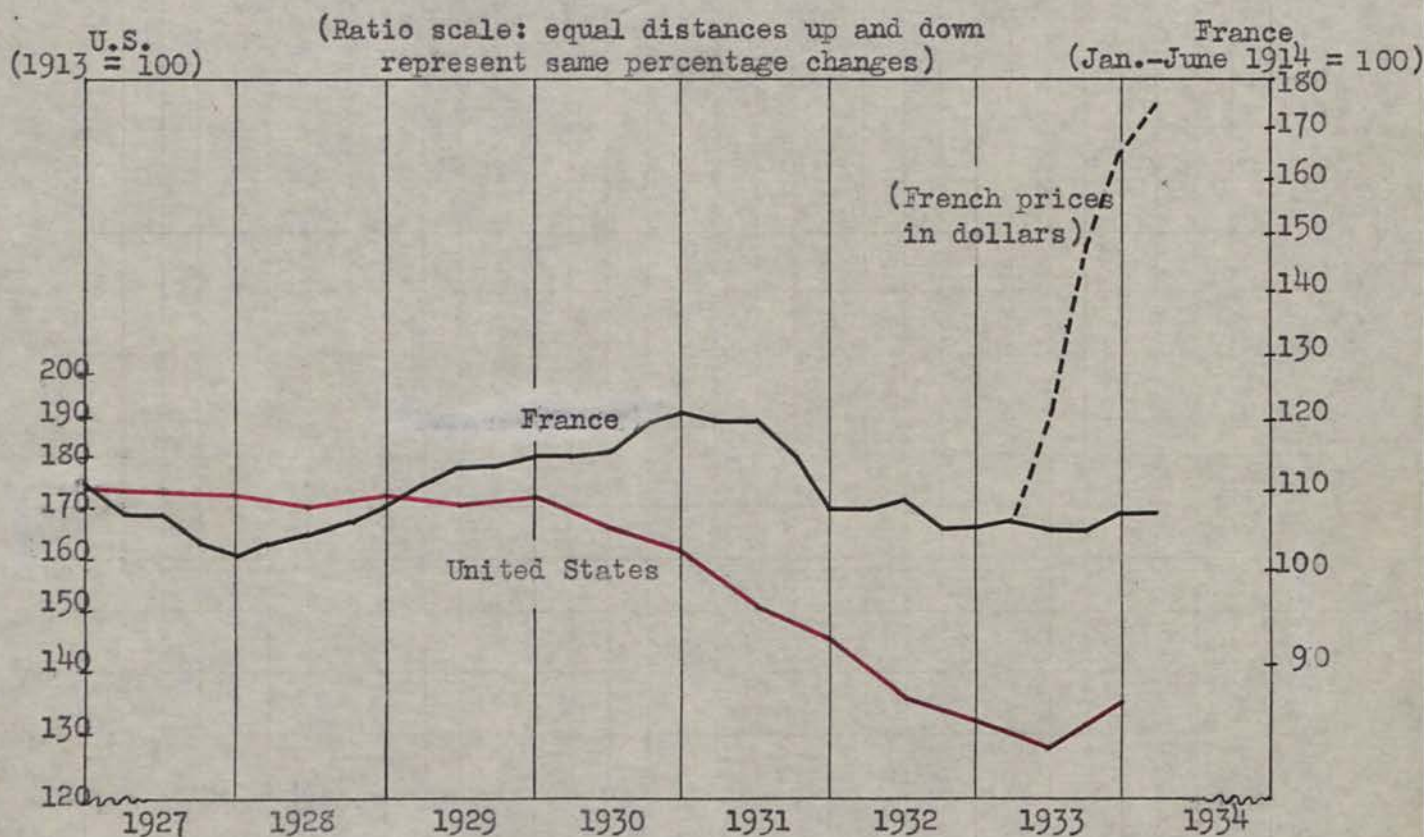
RETAIL PRICES OF CERTAIN FOODS IN FRANCE AND UNITED STATES

(In United States cents)

Commodity	Unit	1929		February 1933		April 1934	
		France	U.S.	France	U.S.	France	U.S.
Wheat flour	lb.	5.8	5.1	4.8	2.9	8.6	4.8
Bread	lb.	3.7	9.0	3.1	6.4	6.0	8.0
Lard	lb.	24.7	18.3	20.5	7.7	24.9	10.3
Butter	lb.	40.4	55.1	39.9	24.8	67.0	29.3
Eggs	doz.	46.6	49.0	41.3	21.4	44.9	24.0
Milk	qt.	6.3	14.0	5.9	10.3	8.4	11.1
Rice	lb.	8.1	9.7	5.9	5.8	9.6	7.9
Beans, white	lb.	15.3	14.0	6.5	4.1	14.1	5.8
Sugar	lb.	7.8	6.6	6.9	5.0	12.0	5.5
Coffee	lb.	48.1	49.1	36.4	27.8	58.3	27.5
Potatoes	lb.	2.4	3.2	1.4	1.5	3.5	2.7

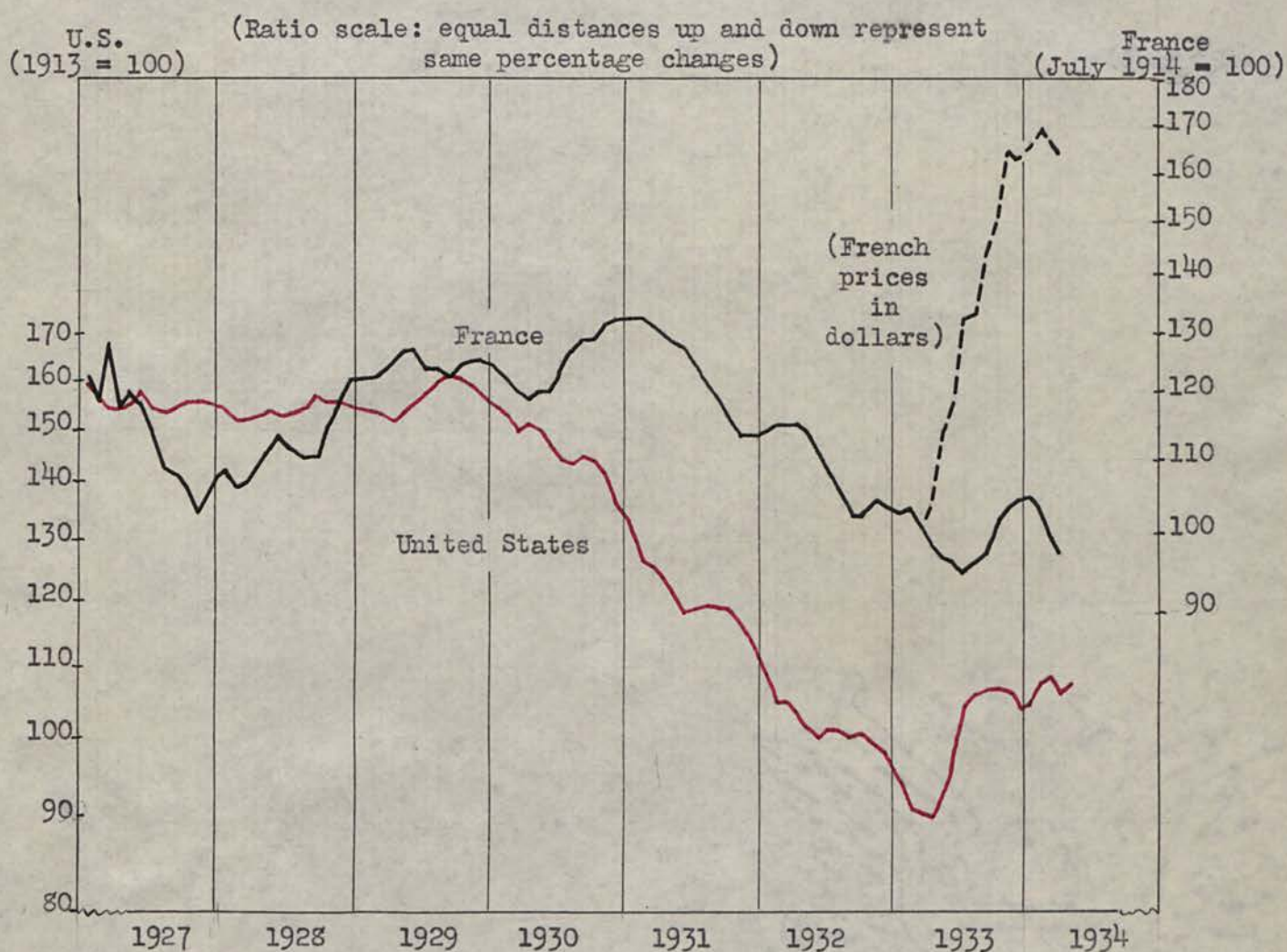
Note: French prices are for Paris alone; United States prices are averages for 51 cities.

COST OF LIVING IN FRANCE AND UNITED STATES, 1927-1934



NOTE: Index for France, representing prices in Paris, compiled on quarterly basis by Commission d'étude relatives au coût de la vie à Paris; that for United States, representing prices in 51 cities for food and in 32 cities for other items, compiled on semi-annual basis by Bureau of Labor Statistics.

RETAIL FOOD PRICES IN FRANCE AND UNITED STATES BY MONTHS, 1927-1934



NOTE: Index for France compiled by the Statistique Générale de la France covering 13 commodities in Paris; that for the United States compiled by the Bureau of Labor Statistics covering 78 commodities in 51 cities.

Office Correspondence

FEDERAL RESERVE
BOARD

Date July 9, 1934

To Mr. Hamlin

Subject:

From Mr. Smead

16-852

With further reference to our conversation and the memorandum I gave you on July 7, you will note from tables 1 and 2 on pages 3 and 5 of the attached summary report of the Bureau of Agricultural Economics on World Wheat Prospects that the production of wheat in Argentina is substantially less than in France. For the years 1931 to 1934 inclusive the figures are as follows:

	<u>France</u> ¹	<u>Argentina</u>
	(In millions of bushels)	
1931-32	264	220
1932-33	334	235
1933-34	362	283*
1934-35	276*	235*

1 Figures for France as shown in the attached summary are for the "Harvest Year".

* Estimated.

Mr. Hamilton *See Bk*
FEDERAL RESERVE BOARD

WASHINGTON

July 5, 1934.
B-995.

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Working Capital for Industry.

Dear Sir:

Section 13b, added to the Federal Reserve Act by the Act approved on June 19, 1934, provides in subsection (e) that in order to enable the Federal Reserve banks to make the loans, discounts, advances, and purchases provided for in such section, the Secretary of the Treasury is authorized to pay to each Federal Reserve bank not to exceed such portion of the sum of \$139,299,557 as may be represented by the par value of the holdings of each Federal Reserve bank of Federal Deposit Insurance Corporation stock, and it is understood that the Secretary of the Treasury will make such payments to the Federal Reserve banks from time to time as they make the loans, discounts, advances and purchases authorized by Section 13b. It is also provided that, within the meaning of such section, the sum so paid to each bank by the Secretary of the Treasury shall become a part of the surplus fund of the Federal Reserve bank.

In the weekly condition statement, however, the amount of surplus derived from net earnings of the Federal Reserve banks will be shown against the caption "Surplus (Section 7)", and the amount of surplus resulting from payments by the Secretary of the Treasury against the caption "Surplus (Section 13b)". The amount of loans, discounts, advances and purchases under Section 13b of the Federal Reserve Act will be shown in the weekly condition statements of

Pay

the Federal Reserve banks against the caption "Industrial advances", immediately following the item "Bills bought in open market".

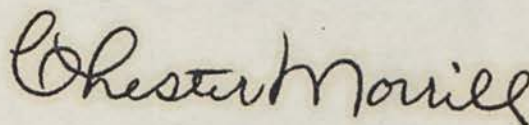
Inasmuch as Section 12B of the Federal Reserve Act provides that Class B stock in the Federal Deposit Insurance Corporation held by the Federal Reserve banks shall not be entitled to payment of dividends, and as payments received from the Secretary of the Treasury to enable the Federal Reserve banks to make industrial advances will be included in the Federal Reserve banks' surplus accounts, the Board feels that, beginning with July 1, 1934, the reserves set up at the time the Federal Reserve banks made their final payment on the subscription to the stock of the Federal Deposit Insurance Corporation should be considered as valuation reserves and deducted from the book value of the stock in itself. Accordingly, the item "Fed.Dep.Ins. Corp. stock" will be eliminated from the weekly condition statement of the Federal Reserve banks, the amount of reserves set up on such stock will be eliminated from the item "Reserves (F. D. I. C. stock, self insurance, etc.)", and the latter caption will be changed to read "Reserves for contingencies".

You will note from subsection (e) of Section 13b that before payments are made to the Federal Reserve banks they must execute agreements to hold the stock of the Federal Deposit Insurance Corporation unencumbered and to pay to the United States all dividends, all payments on liquidation, and all other proceeds of such stock, for which dividends, payments and proceeds the United States shall be secured by such stock itself up to the total amount paid to each Federal Reserve bank by the Secretary of the Treasury under such section, and, that each Federal Reserve bank, in addition, shall agree that in the event such dividends, payments and other proceeds in any calendar year do not aggregate two per centum of the total payments made by the

Secretary of the Treasury under such section, it will pay to the United States in such year such further amount, if any, up to two per centum of the said total payment as shall be covered by the net earnings of the bank for that year derived from the use of the sum so paid by the Secretary of the Treasury. It will be necessary, therefore, for the Federal Reserve banks to keep all income received from the use of the sum so paid by the Secretary of the Treasury, and all expenses and losses incurred in connection therewith, under Section 13b of the Federal Reserve Act, separate and distinct from the other earnings, expenses and losses of the bank, in order to determine what, if any, payments shall be made to the Secretary of the Treasury in the event the dividends, payments and other proceeds of the Federal Deposit Insurance Corporation stock do not aggregate in any calendar year two per centum of the total payments made by the Secretary of the Treasury under Section 13b. You will be advised at a later date in regard to the manner in which the net earnings of the Federal Reserve banks, derived from operations under Section 13b, are to be compiled and reported to the Federal Reserve Board and to the Secretary of the Treasury.

On Form 34 please report "Industrial advances", code TURK, following item Federal Land Bank bonds; item "Surplus (Section 13b)", code TALC, following the item Surplus (Section 7); and "Industrial commitments", code MENT, on the reverse side of the form.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE CHAIRMEN*

CONFIDENTIAL
Not for publication

B-811

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, JUNE 1934

Federal Reserve Bank	Month of June 1934						January - June 1934					
	Earnings from					Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	U.S.Govt. 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	Less accrued dividends and net charges (current) to profit and loss
								Per cent			Per cent	
Boston	\$1,391	\$92	\$240,691	\$2,329	\$244,503	\$165,488	\$166,696	\$77,807	8.8	\$503,276	9.5	\$227,145
New York	28,174	618	1,256,863	5,180	1,290,840	588,093	610,712	680,128	13.8	4,620,571	15.7	3,250,332
Philadelphia	15,928	132	258,273	17,042	291,375	192,790	198,913	92,462	7.3	765,022	9.9	355,943
Cleveland	2,551	121	324,221	7,507	334,400	245,626	252,112	82,288	7.9	618,903	9.9	272,771
Richmond	6,637	47	157,519	2,631	166,834	137,877	139,001	27,833	6.8	126,985	5.1	-11,673
Atlanta	5,233	43	135,944	9,366	150,586	104,581	106,210	44,376	12.3	183,245	8.4	65,603
Chicago	31,501	161	653,843	17,055	702,560	282,325	287,651	414,909	40.1	2,196,210	34.9	2,183,831
St. Louis	339	12	142,865	4,409	147,625	110,768	111,897	35,728	10.8	198,224	10.1	90,379
Minneapolis	1,532	8	110,557	5,619	117,716	96,536	96,925	20,791	8.3	127,879	8.8	52,644
Kansas City	2,615	34	139,979	14,672	157,300	152,815	153,540	3,760	1.1	92,501	4.5	-16,466
Dallas	1,227	34	120,475	1,495	123,231	96,166	97,179	26,052	8.0	162,614	8.4	106,848
San Francisco	678	87	253,155	12,517	266,437	210,551	212,007	54,430	6.2	360,835	6.8	76,441
TOTAL												
June 1934	97,806	1,339	3,794,390	99,822	3,993,407	2,383,616	2,432,843	1,560,564	12.9			
May 1934	180,677	1,768	3,939,187	71,336	4,192,968	2,419,120	2,474,834	1,718,134	13.8			
June 1933	618,321	29,689	3,277,821	160,430	4,086,261	2,171,168	2,315,431	1,770,830	14.5			
Jan.-June 1934	966,211	120,703	23,078,671	610,619	24,776,204	14,258,674	14,819,939	9,956,265	13.8	9,956,265	13.8	6,653,798
1933	6,842,801	1,097,263	16,871,477	829,598	25,641,139	13,447,465	14,988,462	10,652,677	14.3	10,652,677	14.3	6,035,204

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
JULY 12, 1934

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