The Papers of Charles Hamlin (mss24661)

369_07_001-	Hamlin, Charles S., Scrap Book – Volume 258, 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 258 of Mr. Hamlin's scrap book and placed in the Board's files:

<u>VOLUME 258</u>

<u>Page 8</u>
Memo to Mr. Hamlin from Mr. Goldenweiser re incorrect statement concerning Federal Reserve in Current History magazine.

<u>Page 25</u>
Memo to Mr. Hamlin from Mr. Goldenweiser re correctness of figures given in Senator Thomas' open letter.

<u>Page 41</u>
Memo to Mr. Hamlin from Mr. Goldenweiser re bank failures since 1929.

<u>Page 43</u>
Memo to Mr. Hamlin from Mr. Wingfield re Additional duties of Federal Reserve Agents by reason of changes in the law.

<u>Page 72</u>
Memo to Mr. Hamlin from Mr. Goldenweiser re loans for stock exchange speculation.

<u>Page 88</u>
Copy of recommendation for increase in salary for Mr. Chase.

<u>Page 104</u>
Earnings and Expenses of Federal Reserve Banks, December 1934.

<u>Page 106</u>
Memo to Mr. Goldenweiser from Mr. Thorne re Foreign dollar bonds now being serviced on gold basis.

<u>Page 107</u>
Memo to Messrs. Hamlin, Miller and James from J. M. Daiger from Commander Kenworthy on Professor Sprague.

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Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date December 10, 1934

To Mr. Hamlin

Subject:

From Mr. Goldenweiser

16-852

Reference is made to your inquiry on the telephone about the article entitled "The Bankers Sign a Truce" which appeared in the December, 1934 issue of Current History.

You asked me to find out whether the following statement is accurate: "The Federal Reserve bank did not have enough currency on hand to keep open; for lack of sufficient Federal Reserve notes it had .... actually paid out gold certificates where ordinary currency was demanded."

This statement is clearly incorrect. On March 3, 1934, the day before the banks closed, the Federal Reserve Bank of New York had on hand $94,000,000 of Federal Reserve notes and the Federal Reserve agent had $334,000,000. There was also a considerable supply of gold certificates, silver certificates, and other forms of currency. Analysis of these figures by denomination does not reveal that there was any shortage in any denomination.

It is true that during the month of March the bank paid out some gold certificates, but this was not because of a shortage of Federal Reserve notes but rather because of a demand for gold certificates. It may also be that the bank paid out some gold certificates in order to impress the public with its strength, but I think that the principal reason for paying out gold certificates was that they were demanded.

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Federal Reserve Bank of St. Louis

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Se Bk

Date December 13, 1934

To Mr. Hamlin

Subject: Letter from Senator Thomas

From Mr. Goldenweiser EAG

gpo 16—852

We have checked the figures given in Senator Thomas' open letter and have found that with one exception they are all substantially correct. In a few cases one might have selected slightly different figures, but in practically no case would the variation have been sufficient to affect the reasoning, assuming the logic to be correct.

The only figure which cannot be checked is that for the total annual tax burden of the country which is given as $15,000,000,000. The National Industrial Conference Board, which makes a careful compilation of tax burden every year, reports figures for the years 1926-1932 varying from $8,000,000,000 to slightly over $10,000,000,000. The Twentieth Century Fund study of internal debts of the United States also gives a compilation which shows the annual tax burden of the country to be around $10,000,000,000.

One may question the logic of using the wholesale price index as a measure of the purchasing power of the dollar in reference to debt and tax burdens but on the basis of his assumptions the figures given by Senator Thomas for the purchasing power of the dollar in terms of 1926 are correct.

Using a retail price index as a measure of the purchasing power of the dollar the figures obtained would have been 87 per cent for 1920 instead of 64 per cent, 144 per cent for February 1933 instead of 167 per cent, and 128 per cent for November 1934 instead of 130 per cent.

Also, one may question the use of a debt figure which includes short-term as well as long-term debts. The figure, however, of $250,000,000,000

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appears to be a reasonable estimate although it should be considered that the debt burden was probably somewhat above the figure in 1929 and is now somewhat below the figure. The figure for the current Federal public debt should be $27,300,000,000 instead of $28,500,000,000.

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WO Goldenweiser

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United States Senate

COMMITTEE ON APPROPRIATIONS

December 5, 1934

Mr. Charles S. Hamlin,
C/o Federal Reserve Board,
Washington, D. C.

My dear Mr. Hamlin:

The enclosed copy of "open letter" is self-explanatory.

Your reaction and comments will be appreciated.

Respectfully submitted,

Elmer Thomas

ET:DG U.S.S. Oklahoma
Enc.

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United States Senate
COMMITTEE ON APPROPRIATIONS

December 5, 1934

OPEN LETTER
TO
SENATORS, CONGRESSMEN, GOVERNORS,
BANKERS, ECONOMISTS, EDITORS,
EDUCATORS, MINISTERS AND LEADERS OF
PUBLIC THOUGHT AND ACTION.

- 0 -

The Constitution confers upon the Congress the power

"To Coin Money" and to "regulate the value thereof--".

Because of the importance of the proper regulation of the value of the dollar; as a justification of what has already been done, and as reasons for the further adjustment of the value of the dollar, I am presuming to invite your attention to the following facts, estimates and conclusions:

1. The standard of our money is the gold dollar, formerly containing 25-8/10 grains of gold, nine-tenths fine, but now containing 15-5/21 grains of gold, nine-tenths fine.

2. We have in our Treasury, as of date, December 1, 1934, the sum of $8,112,000,000 in gold.

3. We have in the Treasury and in circulation approximately 1,000,000,000 ounces of silver, which, at monetary value, is equivalent to some $1,290,000,000.

4. Our total monetary gold and silver metal is valued at some $9,400,000,000.

5. The total money in circulation, as of December 1, 1934, was $5,516,000,000.

   (Note: We have enough gold and silver metal to redeem all money in circulation and yet have a balance of some $3,884,000,000 of surplus monetary metal.)

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6. In 1930, we had 24,079 banks with total assets of $74,000,000,000.

7. In 1933, we had only 14,624 banks with assets of $51,000,000,000.

8. In 1930, the total deposits in all banks amounted to $59,847,195,000.

9. In 1933, the total deposits in all banks were $41,533,470,000.

10. Our national wealth in 1929 was estimated at $360,000,000,000.

11. Our total massed debts, public and private, long and short term, are estimated to be $250,000,000,000.

12. Our total annual tax bill, Federal, State, County, City, Township and School District, is estimated to be $15,000,000,000.

13. Our total public interest bill is estimated to be $10,000,000,000.

14. In 1929, our total annual national income was estimated to be $85,000,000,000.

15. In 1933, such income was some $41,000,000,000.

65

16. The value of the dollar in 1920 was 64 cents.

17. The value of the dollar in February, 1933, was 167 cents.

18. The value of the present dollar, which means value or purchasing power of 15-5/21 grains of gold, nine-tenths fin on December 1, 1934, was 130 cents.

 (Note: The value or the purchasing power of the dollar is based upon the average price of 784 commodities as compiled by the Federal Bureau of Labor Statistics. All leading nations have a similar yardstick for measurement of value.)

19. At this time, the estimated number of unemployed is 10,000,000.

20. The estimated number of persons on the relief rolls is estimated to be 18,000,000, or nearly one-sixth of our total population.

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21. The national debt has increased from some $16,000,000,000 in 1929 to some $28,500,000,000 on December 1, 1934.

22. Debts of State, County, City and smaller units of government have increased during this depression.

The United States must face the foregoing facts.

I respectfully assert that our trouble is, in the main, monetary.

The following facts justify my statement:

In February, 1933, our total tax bill in the sum of $15,000,000,000 had to be paid with 167 cent dollars, and to get dollars taxpayers had to surrender value in the sum of 167 cents each; hence, in terms of value, the consolidated tax bill of all the people amounted to over $25,000,000,000 instead of the nominal sum of $15,000,000,000.

At the same time, and for the same reason, the total annual interest bill, in the sum of $10,000,000,000 cost the debtor class over $16,000,000,000 in value instead of the nominal sum of $10,000,000,000.

On the same basis, the value of the massed debts, public and private, was swollen to over $417,000,000,000 instead of the estimated nominal value of $250,000,000,000.

The increase in the value of the dollar likewise decreased the value of commodities and all property; hence, measured by the same yardstick the value of our national wealth decreased from $360,000,000,000 in 1929 to some $216,000,000,000 in 1933.

On January 31, 1934, President Roosevelt issued a Proclamation reducing the weight of the standard gold dollar from 25-8/10 grains of gold, nine-tenths fine, to 15-5/21 grains of gold, nine-tenths fine.

To December 1, 1934, the value of the new dollar, as

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measured by the Bureau of Labor Statistics, had fallen from 167 cents to 130 cents.

Applying the new valued dollar to our taxes, interest, debts and national wealth, as of today, we find the following:

Taxes can now be paid with $19,000,000,000 of value instead of $25,000,000,000 as in March, 1933, permitting a saving of some $6,000,000,000.

Interest can now be paid with $13,000,000,000 of value instead of $16,000,000,000 as on March 1, 1933, permitting a saving of some $3,000,000,000.

Our massed debts could now be paid with $325,000,000,000 of value instead of $417,000,000,000 as on March 1, 1933, permitting a saving of some $92,000,000,000.

Applying such yardstick to the national wealth, we may assume that such wealth has increased from some $216,000,000,000 in February, 1933, to some $277,000,000,000 on December 1, 1934, thus showing an increase of some $61,000,000,000.

The reduction of the value of the dollar to date has caused a shifting of values to the benefit of the taxpayers and public generally in the total sum of $162,000,000,000.

The dollar still has a value of 130 cents or an excess value of 30 cents, and such excess is a penalty on the producing and debtor classes and a Congressional or Governmental subsidy to the tax consumer, bond-holder, and creditor classes.

The value of the dollar should be reduced to 100 cents.

If and when the dollar is reduced to 100 cents, the taxpayers can then pay their $15,000,000,000 of taxes with $15,000,000,000 of value

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instead of $25,000,000,000 of value as was necessary in March, 1933.

The interest payers can then pay their $10,000,000,000 of interest with $10,000,000,000 of value, and then debtors can pay their massed debts with $250,000,000,000 of value instead of $416,000,000,000 as would have been required in March, 1933.

With a 100 cent valued dollar, our national wealth will be estimated again at some $360,000,000,000 instead of at the low valuation of 1933.

With the return of the 100 cent dollar, we will find that the following changes in valuations will have taken place:

a. We will have reduced our taxes, annually, in value some $10,000,000,000.

b. We will have reduced our annual interest bill in value some $6,000,000,000.
(Note: In ten years time, the total saving in taxes and interest will amount to some $160,000,000,000.)

c. We will have reduced our total massed debts in value some $167,000,000,000.

d. We will have increased our national wealth, in value, some $144,000,000,000.
(Note: In ten years time, values in the total sum of $471,000,000,000 will have been shifted to the benefit of the masses of the people of the United States.)

Based upon the foregoing facts, estimates and conclusions, I submit that public policy demands that the value of the dollar be reduced to at least 100 cents.

Holding an unshaken conviction on this question, and acting because of a sense of public duty, I submit these data to you and most respectfully solicit your reaction thereto.

Most cordially,

Elmer Thomas

Elmer Thomas,
United States Senator, Oklahoma.

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Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Sec Bd

Date November 5, 1934

To Mr. Hamlin

Subject:

From Mr. Goldenweiser EAG

16—852

Reference is made to your memorandum of October 29 in which you ask whether it is a fair statement to say that probably a large majority of the bank failures since 1929 have been caused more by the precipitous decline in value of investments than by bad banking loans.

This question, which on the face of it seems to be very simple, is in reality very difficult to answer. Bank failures in most cases come after a loss of deposits which cannot be met by conversion of assets. The loss of deposits may sometimes be associated with rumors of large losses or of unsatisfactory assets, with shifts of funds, or with the more rapid decline in the prices of goods produced in a community as compared with the prices of goods purchased by a community. When a bank has been closed as a result of deposit withdrawals and of inability to convert assets, the question of relative losses on loans as compared with investments is difficult to determine.

Many banks in agricultural communities which failed in 1929 and 1930 as well as in earlier years had relatively few investments. Beginning with 1931, however, there were many failures of banks in communities where investment portfolios are customarily heavy. The cases of banks in such communities which were insolvent because of the decline in the value of their investment portfolios are known to have been extremely numerous.

To what extent the losses in closed banks were due to depreciation of investments and to what extent to bad loans cannot be determined until

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after the banks have all been liquidated. It is, therefore, impossible to make a categorical answer to your question, and I suggest that the statement in your memorandum is not at the present time susceptible of proof or of disproof. A review of the portfolio experience in liquidation of a sufficient sample of banks which failed in the years of this depression might be revealing, but it would comprehend a major research project.

Although I do not have at my command the statistics to prove the contention, I would hazard the guess that the most important single factor causing bank failures from the point of view of the banks' investment and lending policy has been the placing of funds represented by deposits payable on demand in assets that represented long-time uses. Long-time uses of funds in some parts of the country have been largely in the form of bonds or loans on securities, while in other parts of the country they were in the form of real estate mortgages or other loans that were ultimately dependent for their value on the value of land.

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Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date November 10, 1934

To Mr. Hamlin

From Mr. Wingfield, Assistant Counsel

Subject: Additional duties of Federal Reserve Agents by reason of changes in the law.

gpo 16—852

Pursuant to your request, there will be concisely set out below changes made in the law by the Banking Act of 1933 which may cause additional duties for the offices of the Federal Reserve Agents. Of course, most of these changes have already resulted in the performance of additional duties by the Agents' offices.

1. Under the Banking Act of 1933 holding company affiliates of member banks are required to obtain voting permits covering stock in member banks, and applications for such permits are submitted to the Board through the offices of the respective Federal Reserve Agents. The Agents must conduct examinations of holding company affiliates and their subsidiaries to form a basis for the Board's decision as to whether or not the permit applied for should be granted and must review each case and make a recommendation to the Board thereon.

2. Under the Banking Act of 1933 the scope of the Clayton Antitrust Act was materially broadened and applications for permission to serve on interlocking directorates are submitted through the Federal Reserve Agents. In each case the Agent's office must review examination reports and other data before making their recommendation to the Board. In this connection, it may be noted that the Board has considered approximately 2,000 Clayton Act applications since January 1, 1934.

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3. Under the provisions of section 32 of the Banking Act of 1933 applications for permission to serve on interlocking directorates between member banks and securities companies are submitted to the Board through the offices of the various Federal Reserve Agents. Under this section 32 also the permission of the Board must be obtained for "correspondent" relationships between member banks and securities companies. In all of these cases the Agent's office must review information submitted with the application and make a recommendation to the Board.

4. Under the provisions of the Banking Act of 1933 all State banks whose deposits are insured must be admitted to membership in the Federal Reserve System prior to July 1, 1937. Applications for admission to membership by State institutions, of course, are submitted through the offices of the Federal Reserve Agents and, before submitting such applications to the Board with a recommendation, the Agent's office must examine each applicant bank and review the information contained in connection with the application through such examination or otherwise.

5. Under the provisions of section 4 of the Federal Reserve Act as amended by the Banking Act of 1933, each Federal reserve bank is required to keep itself informed of the general character and amount of loans and investments of its member banks with a view to determining whether undue use is being made of bank credit for any purpose inconsistent with the maintenance of sound credit conditions. The Chairman of theFederal reserve bank is required to report to the Board any such undue use of bank credit together with his recommendation.

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6. Under the provisions of section 30 of the Banking Act of 1933 the Federal Reserve Agent is required, whenever in his opinion a director or officer of a State member bank has continued to violate the law relating to such bank or has continued unsafe or unsound practices, to certify the facts to the Board for action. A review of any case of this kind, of course, would involve considerable work in the office of a Federal Reserve Agent before submission to the Board.

7. Under the provisions of section 12B added to the Federal Reserve Act by the Banking Act of 1933, the Federal Reserve Board is required, in the case of each State member bank, to certify to the Federal Deposit Insurance Corporation on the basis of a thorough examination whether or not the assets of each State member bank are adequate to enable it to meet all of its liabilities to depositors and other creditors. Under the provisions of section 12B as originally enacted such certification would have been made prior to July 1, 1934, and examinations to form the basis of such certification were conducted prior to that date. In June 1934, however, the law was amended so as to provide that such certification should be made prior to July 1, 1935, and additional current examinations will therefore be necessary to form the basis for such certification. All of these examinations, of course, are conducted through the offices of the respective Federal Reserve Agents and must be reviewed by such Agents as a basis for their recommendations to the Board.

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8. Under the provisions of section 9 of the Banking Act of 1933 State member banks desiring to establish branches outside of the city of the parent bank must obtain the approval of the Comptroller of the Currency. Applications for permission to establish such branches are submitted through the offices of the various Federal Reserve Agents and information submitted therewith must be reviewed by the Federal Reserve Agents as a basis for their recommendations as to whether or not the establishment of branches should be approved.

9. Under the provisions of section 21 of the Banking Act of 1933 institutions receiving deposits other than institutions subject to examination and regulation under State or Federal law are required to submit to examination by the Comptroller of the Currency or by the Federal reserve bank of the district in which the particular institution is situated. Such examinations conducted by the Federal reserve banks are handled by the offices of the various Federal Reserve Agents.

10. Under the provisions of the Banking Act of 1933 member banks are required to sever their connection with securities company affiliates and, with certain exceptions, eliminate any arrangements whereby stock of a member bank represents stock of any other corporation. Questions arising in connection with these requirements are handled through the Federal Reserve Agent and require some review and recommendation by his office.

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11. Attention is also called to the Securities Exchange Act of 1934. Questions arising under the provisions of that Act subject to administration by the Federal Reserve Board are handled through the offices of the various Federal Reserve Agents.

In addition to the above changes in the law resulting in additional duties to be performed by the offices of the various Federal Reserve Agents, it may be noted that the disturbed banking conditions have resulted in numerous reorganizations, including the organization of new banks to take over the assets of the old banks, and in reductions of capital stock. Applications for approval of reduction of capital stock are handled through the offices of the various Federal Reserve Agents. In cases of member State banks, these reorganizations are reviewed by the offices of the Federal Reserve Agents. The Agent's advice is also obtained as to the organization of new national banks. Also in the case of new national banks organized to take over the assets of former institutions, it is frequently necessary for the new national bank to obtain trust powers in order to carry on the trust business of the old institution. Applications for trust powers, of course, are handled through the offices of the various Federal Reserve Agents and such Agents must review information submitted therewith as a basis for their recommendations to the Federal Reserve Board.

Respectfully,

B Magruder Wingfield

B. Magruder Wingfield,
Assistant Counsel.

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November 27, 1934.

See Bu

1. Voting permits. Affiliates.

2. Clayton Act applications.

   Have examined 2000 this year.

3. Federal Deposit Insurance Corporation.

   Examination and certification.
   Prior to July 31, 1935.

   Admission of state banks as condition of retaining deposit insurance.
   Prior to July 1, 1937.

4. Credit operations of member banks.

5. Removal of directors.

6. Branch banks.

7. Divorce of member banks and security corporations.

8. Reorganization of member banks.

9. Stock Exchange bill.

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Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Ser Br

Date January 12, 1935

To Mr. Hamlin

Subject:

From Mr. Goldenweiser EAG

2—8495

Referring to your memorandum about Miss Whitney's book, what I think about the matter is that you cannot prove the policy either successful or unsuccessful by taking figures for any particular dates. There were so many different developments going on at the same time that the comparison would have to lie between what actually happened and what would have happened if another policy was pursued, and since we do not know what would have happened, the argument will always remain inconclusive. It is true, however, that "all other loans" did increase at that time and that we believed that that was due to the fact that since security loans were under a cloud many persons tried to borrow without security for the purpose of stock exchange speculation. There were even banks which would suggest to a good customer that he borrow the money without collateral because if he gave collateral the bank might be criticized for engaging in speculative activity.

I have only had a chance to glance over Miss Whitney's book rather casually, but I have a definite impression that it is a rehash of Willis' opinions without even as much understanding of the problem as Willis has. I call your particular attention to the summary on page 69.

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Sec BK

Jan. 21, 1935

Mr. G. Howland Chase, Assistant Counsel.

I respectfully recommend that Mr. Chase's salary be increased from \$5,500 to \$6,000 per annum in recognition of the faithful service he has rendered during the two and a half trying years that he has been with the Board without any increase in salary. He has had the initial responsibility for preparing the regulations, setting up the machinery and working out the basic policies and precedents for the administration of Sections 32 and 33 of the Banking Act of 1933, which are two of the most abstruse sections of that Act. Although he has displayed considerable initiative at times and occasionally an encouraging flash of genius, I regret to say that he has never developed the ability to prepare opinions and letters in a manner satisfactory to this office; and we cannot depend upon him to do important work without supervision. Nevertheless, his intelligence, training, experience and personal qualities of loyalty, willingness and industry are such that I would like to give him a further opportunity to develop; and I believe that the encouragement resulting from the small increase proposed may help him to succeed. Among other things, I propose to utilize his services in handling the legal work in connection with the Board's new building, which is a type of work in which he has had considerable experience during his six or eight years of general practice. This will relieve Mr. Vest of a large amount of detailed work.

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EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, DECEMBER 1934
(PRELIMINARY)

Federal Reserve Bank	Month of December 1934									January - December 1934		
	Earnings from -					Current expenses		Current net earnings		Current net earnings		
	Discounted bills	Purchased bills	U. S. Govt. securities	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	$2,440	$142	$239,060	$9,647	$251,289	$113,993	$121,031	$130,258	14.1	$1,022,216	9.5	$941,580
New York	11,328	374	1,243,637	13,421	1,268,760	461,598	502,167	766,593	15.1	8,745,945	14.7	7,845,182
Philadelphia	2,276	204	255,632	41,502	299,614	190,378	193,723	105,891	8.2	1,346,054	8.7	1,019,722
Cleveland	866	182	321,976	5,704	328,728	239,553	243,058	85,670	7.7	1,190,987	9.3	1,140,850
Richmond	315	72	156,640	35,669	192,696	132,175	133,513	59,183	14.0	353,832	7.1	382,704
Atlanta	296	114	142,492	16,690	159,592	79,204	81,517	78,075	21.0	512,067	11.6	548,300
Chicago	305	247	639,955	31,223	671,730	232,055	240,593	431,137	39.9	4,600,533	36.3	5,432,995
St. Louis	412	20	141,946	5,441	147,819	92,163	94,409	53,410	15.4	368,919	9.2	441,067
Minneapolis	44	12	110,182	6,733	116,971	92,413	93,690	23,281	8.8	209,767	6.9	287,291
Kansas City	406	53	139,038	16,152	155,649	113,859	115,474	40,175	11.7	238,158	5.8	306,028
Dallas	18	53	121,129	6,581	127,781	71,738	72,499	55,282	16.1	360,860	9.1	397,849
San Francisco	429	133	251,402	11,637	263,601	152,501	154,101	109,500	12.0	712,079	6.6	652,102
TOTAL												
December 1934	19,135	1,606	3,763,089	200,400	3,984,230	1,971,630	2,045,775	1,938,455	15.5			
November 1934	23,749	1,668	3,733,043	144,078	3,902,538	2,412,880	2,490,193	1,412,345	11.7			
December 1933	511,168	42,515	3,746,821	184,424	4,484,928	2,206,940	2,372,637	2,112,291	17.1			
Jan.-Dec. 1934	1,231,367	141,225	46,130,941	1,399,709	48,903,242	28,216,104	29,241,825	19,661,417	13.4	19,661,417	13.4	19,395,670
1933	9,137,038	1,238,068	37,529,872	1,582,340	49,487,318	26,718,007	29,222,837	20,264,481	13.7	20,264,481	13.7	12,789,330

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
JANUARY 28, 1935

*Exclusive of profits of $7,387,666 on sales of United States Government securities held in Special [illegible]tment Account.

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Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Ser Bu

Date January 28, 1935

To Mr. Goldenweiser

Subject: Foreign dollar bonds now being serviced on gold basis

From Mr. Thorne W.E.T.

W.R.G.

gpo 16—852

Among foreign dollar bonds only French issues are now being serviced on the gold basis. These are listed in the following table :

Name of Issue	Approximate amount outstanding (in millions of dollars)	Interest rate (percent)	Term
Republic of France	2	5 1/2	1917-1937
Republic of France	49	7 1/2	1921-1941
Republic of France	67	7	1924-1949
City of Soissons	6	6	1921-1936
Paris-Orleans Railroad Co.	11	5 1/2	1928-1968
Nord Railroad Co.	14	6 1/2	1924-1950

In the period following abandonment of the gold standard by the United States, several other foreign dollar bonds have been serviced on a gold basis. Among these were three issues of the Dutch East Indies government, one of the Swiss government, and one for each of the French cities Bordeaux, Lyons, and Marseilles. These have all now been retired.

Note - I believe Mr. Hamlin is also interested in whether the British government still has a dollar issue outstanding. There is such an issue : the 5 1/2 percent bond of 1917/1937. In July, 1933, the British government offered to exchange these bonds for sterling obligations, and it is estimated that all but about $20,000,000 were converted. The dollar bonds call for payment in gold coin of the old weight and fineness, but payment is being made in current legal tender.

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Office Correspondence

FEDERAL RESERVE BOARD

Date January 29, 1935

To Mr. Hamlin, Dr. Miller, Mr. James

Subject: Commander Kenworthy on Professor Sprague

From J. M. Daiger

16—852

C O P Y

You may recall that a couple of years ago I wrote an article for CURRENT HISTORY on the political charges directed against the Federal Reserve Board by Walter Lippmann, Dr. Lichtenstein and Commander Kenworthy. Last evening I came across an excerpt from what I take to be a new book by Commander Kenworthy, "Sailors, Statesmen and Others," in which Commander Kenworthy gives Professor Sprague as the source of his information on Federal Reserve policy in 1927-28. The excerpt, published in the January 17th issue of the NEW ENGLISH WEEKLY, is as follows:

> The general attitude of these two all-powerful gentlemen (Mr. Montagu Norman, Governor of the Bank of England, and Professor Sprague, one time adviser to the bank and also to President Roosevelt), was that this was a sad world. The fall of prices, and unemployment, and bad trade were a just punishment for the foolishness and wickedness of mankind, other than the central bankers.
>
> Sprague told us that the Federal Reserve Board had desired to break the American boom in 1927, but that the wicked politicians had brought pressure to bear against this plan, because of the forthcoming presidential election campaign of Mr. Hoover. The wicked politicians of the Republican party desired a prosperous community which would vote for Hoover.
>
> I suggested that, if only the Constitution of the United States of America could have been altered to compel a presidential election every year, the prosperity cycle would have been allowed to continue indefinitely. Sprague allowed that this would be so; but that at the end a deeper depression would have followed.
>
> Why? we asked. Sprague replied that a slump always followed a boom, and he could give us no further explanation.

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