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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 12, 1941

To The Files

Subject:

From Mr. Coe

MRC.

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

VOLUME 264

Page 47
"Senator Glass - Inconsistencies" -- data re.

Page 49
Memo to Board from Mr. Wyatt re Service of Governor of Federal Reserve Bank of New York as Director of Bank for International Settlements.

Page 63
Earnings and Expenses of F.R. Banks, August 1935.

Page 65
Industrial Advances by F.R. Banks, September 11, 1935.

Page 75
Industrial Advances by F.R. Banks - September 18, 1935.

Page 129
Earnings and Expenses of F.R. Banks, September 1935.

August 1, 1935.

Sec Ba

SENATOR GLASS - INCONSISTENCIES.

1. Power of the Federal Reserve Board to Initiate Discount Rates.

On page 953 of the testimony of C.S.H. before the Senate Sub-Committee on June 3, 1935, Senator Glass stated:

> "I always opposed the proposition, whether the Attorney General rendered an opinion or not. I do not recall ever having asked the Attorney General for such an opinion."

Comment:

1919, Dec. 4:
Secretary Glass wrote the Attorney General asking him for an opinion as to whether, under the Federal Reserve Act, the Federal Reserve Board had the power to initiate discount rates. Among other things, Secretary Glass stated:

"My recollection is especially clear in regard to all of the circumstances connected with this feature of the Federal Reserve Act and there can be no question of the intention of Congress to give the Federal Reserve Board complete power in the matter of fixing the rate of rediscount."

1919, Dec. 9:
In reply to the above letter, the Acting Attorney General advised Secretary Glass that the Federal Reserve Act gave power to the Federal Reserve Board to initiate discount rates.

1920, Jan. 21:
The Federal Reserve Board initiated a rate of 6% at the Federal Reserve Bank of New York, over the protest of its directors.

Secretary Glass was present. The first vote was a tie - 3 to 3 - Secretary Glass not voting.

Volume 264
Page 47

Comment (Cont'd.)

Secretary Glass was then asked to vote as a member of the Board, and he voted Aye.

Thus it was through his vote, therefore, that the Board initiated this rate.

In this connection, it is interesting to note that Dr. H. P. Willis, in his book entitled "The Federal Reserve System" published in 1923, said (page 892) among other things:

"Thus the Board practically took to itself a substantially larger power than it had originally been granted by the framers of the act, and yet in so doing the action of the Board was probably not only wise but necessary.

As stated above, however, the Attorney General, at the earnest request of Secretary Glass, ruled that this power to initiate rates was given to the Federal Reserve Board under the original Federal Reserve Act.

2. Domination of the Board by the Treasury.

1935, July 24:
Senator Glass stated, in his address in the Senate, that he, as Secretary of the Treasury, exercised undue influence over the Board, and that he treated it rather as a bureau of the Treasury instead of as a Board independent of the Government. (Congressional Record, p. 12251.)

Comment:
In 1920, Governor Harding in an address at Boston, stated that the Treasury was ready to have the Federal Reserve Board resume its statutory powers to regulate discount rates.

1920, January 10:
Secretary Glass wrote to Governor Harding utterly denying any domination of the Board by the Treasury.

This letter was written a few weeks before his resignation as Secretary of the Treasury in February, 1920.

Secretary Glass said in this letter:

"The Board did exercise its statutory powers to regulate discount rates from time to time from the beginning of the war.

"It exercised those powers after conference with the Governors of the Federal reserve banks and with the Treasury, and, very properly, took into account the effect of the Board's action upon the Government's own financial problems.

Secretary Glass added:

"There is all the difference in the world between the exercise of the powers of the Board with reference to all the factors in the situation, including the Government's financial requirements, and the abdication of its powers which your statement seems to imply.

"There was in fact no such abdication and I should be sorry to see the Board put itself in a position which would seem to me to be utterly indefensible.

"I cannot think that the Board will ever be subject to legitimate criticism for having taken into account in the determination of rates the Government's war necessities.

"Had the Board failed to regard this factor, it is my judgment that its members would have been utterly without defense before the country.

"On the other hand, had the Board done what your statement implies and abdicated its statutory powers to regulate discount rates during the war period, it would, in my opinion, have been proceeding along an equally indefensible line. I hope you will not think I am unduly captious in calling this, which is merely a matter of expression, to your attention. I am, as you know, very proud of the Federal Reserve System and very jealous of its good name. That must be my excuse if I seem to you hypercritical."

3. Board Conflict with the Open Market Committee.

<u>1935, July 24:</u>

In his address to the Senate (Congressional Record, p.12253) Senator Glass stated:

"I make the statement, verified completely by the record, that there has never been any trouble between the open-market committee, constituted years ago as a voluntary

committee, and the Federal Reserve Board or
the Treasury."

Comment:

This statement completely ignores the testimony of C.S.H. given to the Senate Sub-Committee on June 3, 1935, to the effect that in 1931 a major policy of the Board involving a purchase of 300 millions of Government securities, was voted down by the Open Market Committee, reducing the purchases to about 100 millions by a vote of 11 to 1.

Further testimony was given by C.S.H. that in 1933 the Federal Reserve Bank of New York wished to purchase for the System Government securities, but that the Boston and Chicago banks had passed resolutions absolutely refusing to participate in any more open-market purchases of Government securities unless in time of a panic.

(See testimony of C.S.H. before Senate Sub-Committee, page 945)

4. Action of Board in Crisis of 1929.

1935, July 24:

In his address to the Senate, Senator Glass criticized the Board for not having agreed to the request of the Federal Reserve Bank of New York to increase discount rates in the spring of 1929 from 5 to 6%.

Among other things, Senator Glass said: (Cong. Record p.12253)

"It has been said that the Federal reserve banks failed in a great emergency to put a stop to wild speculation, but as a matter of fact, it was the Federal reserve Board that failed.

"For seven successive weeks the New York bank proposed a raise in its discount rate, which the Federal Reserve Board declined to sanction.

"The purpose of raising the rate was largely psychological, but it was to put speculators and gamblers on the stock market upon notice that money was no longer to be "easy" and that if the first raise of the discount rate did not put a stop to insane speculation there would be successive raises of the discount rate, in order that these gamblers might not have easy access to the facilities of the reserve banks and of the member banks of the country.

"Yet it was proposed to entrust to the Federal Reserve Board, which failed utterly, the very power that it is complained that the Federal Reserve Board did not exercise.

"They did not exercise it as they should have exercised it. They should have done it in 1927, when they might have put an end to the orgy of wild speculation then going on.

"They should have done it in 1928.

"They did exercise it in 1929, and even at that late date the Federal Reserve Board did not sanction their action, but let them go on upon a "cheap money" basis until the crash came.

"I agree measurably with the defense which the Federal Reserve Board makes of itself to the effect that in 1929 discount rates did not count; that when a man was gambling and expected to make 50% or 150% or 200%, he was not to be deterred by a raise of 1, 2, or 3% in the discount rate; but at any rate, it seems to me literally absurd to be empowering the offending Board to do what it utterly failed to do in any measure in 1927, 1928, and 1929."

Comment: This reveals a remarkable change of opinion by Senator Glass.

In the New York Times of March 29, 1929, Senator Glass stated:

"The whole country has been aghast for months and months at the menacing spectacle of excessive stock gambling, and when the Federal Reserve Board mildly seeks to abate the danger by an administrative policy, fully sanctioned by law, rather than by a prohibitive advance in rediscount rates, which might penalize the legitimate business of the entire country, an officer of the System issues a defiance and engages in an attempt to vitiate the policy of the Federal Reserve Board."

On June 4, 1929, (Congressional Record p.2326), Senator Glass stated:

"I say that the Federal Reserve Board, since the 14th of last February, has been pounded every week by the directors of the New York Federal Reserve Bank to permit that bank to penalize legitimate commercial transactions in this country by raising its rediscount rate. With perhaps a single exception, there has not been a meeting of the board of directors of the New York Federal Reserve Bank in that period which has not raised its rediscount rate, subject to sanction by the Federal Reserve Board; and there has not been a week that the Federal Reserve Board has not refused to sanction the raise."

Mr. Couzens: Why?

Mr. Glass: "By every influence, legitimate and illegitimate, by threats and otherwise, that New York crowd has been trying to compel the Federal Reserve Board to raise its commercial rediscount rate; and it has refused by a very narrow margin within the Board."

On January 20, 1931, in the hearings before the Senate Sub-Committee, page 57, Senator Glass said:

"I have never been able to see, and I did not see in 1920, either the fairness or the effectiveness of increasing the discount rate and thereby imposing a penalty upon the ordinary business of the country commercial or industrial, in order to control the activities of the stock market.

"It was not effective then and a great many experienced bankers did not think it would be or was effective more recently. When people are betting on margin - or putting it in a less offensive way - when people are operating on marginal transactions in which they usually hope to make large profits, they do not pause to consider the change of one-half or one-quarter of 1 per cent in the discount rate, do they?"

5.

Senator Glass, as quoted above, makes a statement to the effect that the Federal Reserve System did nothing in 1927 or 1928 to stem the tide of speculation. What is the record?

1927.

In late 1927 there was an industrial depression over the United States. Production had declined rapidly; unemployment had greatly increased; wholesale prices were the lowest for five years.

To meet this condition, the Board reduced discount rates and sold Government securities.

As a result, production increased, prices of farm and related products showed marked increases, and the general level of wholesale prices maintained relative stability through the year 1928.

It is a fact that accompanying this general improvement in industrial and agricultural conditions, a period of security speculation ensued.
(Article by Dr. Miller, June 24, 1933)

At that time, the System did not have the power now given it by the Banking Act of 1933, to close the discount window to banks making an undue extension of speculative credits.

The System, however, promptly reversed its easing policy, and early in 1928 a firming policy was inaugurated.

1928.

What did the Federal Reserve System do in 1928?

Between January 1 and August 8, 1928, the discount rate was increased three times, namely -

On February 3rd from 3½ to 4%, on May 18 from 4 to 4½%, and on July 13 from 4½ to 5%.

The acceptance rates were also increased, - on Feb. 3rd from 3-3/8 to 3½%, on March 30 from 3½ to 3-5/8%, on April 13 from 3-5/8 to 3-3/4%, on May 18 from 3-3/4% to 4%, on July 13 from 4 to 4¼%, on July 26 from 4¼ to 4½%.

In addition, during this period, bills bought decreased 225 millions; United States Government securities either ran off or were sold to the amount of 419 millions of dollars, and our monetary gold stock declined 265 millions.

The resultant pressure was so great that the banks were compelled to increase their discounts by 540 millions, while total Federal reserve credit in this period decreased 151 millions.

What the Federal Reserve Board did during the latter part of 1928 and early 1929 has already been covered in the article by Dr. Miller.

I think the above is satisfactory evidence that the Federal Reserve System did use its influence strongly to stop the speculative activity.

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August 23, 1935.

Federal Reserve Board

Mr. Wyatt, General Counsel

Service Of Governor Of Federal Reserve Bank Of New York as Director of Bank for International Settlements.

In the memorandum dated August 21, 1935 which I prepared on the above subject, the words "Hague Convention" appear twice on page 12 and once on page 13. These words refer to the "convention respecting the Bank for International Settlements" which was adopted at the Hague on January 20, 1930 by representatives of Germany, Belgium, France, Great Britain, Italy and Japan of the one part and the Government of the Swiss Confederation of the other part. The United States was not a party to it. The full name of the convention and the above facts regarding the parties to it were stated on page 10 of my memorandum of August 21, 1935, and I did not think it necessary to refer to the convention each time by the full name. Accordingly, I used the shorter term "Hague Convention" three times thereafter in such memorandum.

However, my attention has been called to the fact that the words "Hague Convention" may possibly be confused with The Hague Convention which was adopted at The Hague Conference in 1899 and which established the Permanent Court of Arbitration at The Hague. The United States was a party to The Hague Convention of 1899 and to the revision thereof in 1907, and is still a member of such Convention.

Although I feel that the context clearly shows that the words "Hague Convention" used on pages 12 and 13 of my memorandum of August 21, 1935 refer to the "convention respecting the Bank for

Volume 264
Page 49

P49

920

Federal Reserve Board -- 2

International Settlements" adopted at the Hague on January 20, 1930, I have prepared this memorandum in order to remove any possible ambiguity regarding the matter.

Respectfully,

Walter Wyatt,
General Counsel.

JTO:am

August 21, 1935

Mr. Wyatt, General Counsel.

Service of Governor of Federal Reserve Bank of New York as Director of Bank for International Settlements.

When I rendered my opinion of November 7, 1933 on the above subject, we were working under great pressure in order to dispose of a large volume of business arising under the Banking Act of 1933, and I was unable to take the time to prepare an elaborate statement of the reasons for the views expressed therein. [illegible] the question has arisen again, I feel that I should supplement somewhat the views expressed in that opinion, although it is again necessary to treat the matter hurriedly and it will be impossible to prepare in the short time available a complete and thorough discussion of the subject.

Section 14(g) of the Federal Reserve Act reads as follows:

> "(g) The Federal Reserve Board shall exercise special supervision over all relationships and transactions of any kind entered into by any Federal reserve bank with any foreign bank or banker, or with any group of foreign banks or bankers, and all such relationships and transactions shall be subject to such regulations, conditions, and limitations as the Board may prescribe. No officer or other representative of any Federal reserve bank shall conduct negotiations of any kind with the officers or representatives of any foreign bank or banker without first obtaining the permission of the Federal Reserve Board. The Federal Reserve Board shall have the right, in its discretion, to be represented in any conference or negotiations by such representative or representatives as the Board may designate. A full report of all conferences or negotiations, and all understandings or agreements arrived at or transactions agreed upon, and all other material facts appertaining to such conferences or negotiations, shall be filed with the Federal Reserve Board in writing by a duly authorized officer of each Federal reserve bank which shall have participated in such conferences or negotiations."

920

August 21, 1935

Federal Reserve Board

Mr. Wyatt, General Counsel.

Service of Governor of Federal Reserve Bank of New York as Director of Bank for International Settlements.

When I rendered my opinion of November 7, 1933 on the above subject, we were working under great pressure in order to dispose of a large volume of business arising under the Banking Act of 1933, and I was unable to take the time to prepare an elaborate statement of the reasons for the views expressed therein. Now that the question has arisen again, I feel that I should supplement somewhat the views expressed in that opinion, although it is again necessary to treat the matter hurriedly and it will be impossible to prepare in the short time available a complete and thorough discussion of the subject.

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The language of this section would seem too clear to require analysis; but its significance becomes more apparent when it is recalled that it was added to the Federal Reserve Act by the Banking Act of 1933 as a result of growing resentment in Congress and in the public mind against the extent to which the Federal Reserve Bank of New York had interested itself in the problems of foreign central banks, the extent to which the Federal Reserve Board had been ignored in connection with such matters and the unfortunate consequences which it was felt that the entanglement of the Federal Reserve System in foreign affairs had brought upon this country. Congress intended to prevent a repetition of any such occurrences by laying upon the Federal Reserve Board an unmistakable mandate to "exercise special supervision over all relations and transactions of any kind entered into by any Federal Reserve bank with any foreign bank or banker, or with any group of foreign banks or bankers." Moreover, Congress gave the Federal Reserve Board ample authority to control such relations, and the Board clearly has no right to surrender such powers or to take any action which would make it impossible or even difficult for the Board effectively to comply with that mandate.

With this situation in mind, let us consider the "Statutes of the Bank for International Settlements", which would govern the services of the Governor of the Federal Reserve Bank of New York as a director for the Bank for International Settlements and the relations between the Federal Reserve Bank of New York and the Bank for International Settlements growing out of his acceptance of that position.

Article 3 of the statutes of the Bank for International Settlement provides that

> "The objects of the bank are: To promote the cooperation of central banks and to provide additional facilities for international financial operations; and to act as trustee or agent in regard to international financial settlements intrusted to it under agreements with the parties concerned."

Since one of its primary objects is to promote the cooperation of central banks, it is obvious that the Bank for International Settlements is expected to have an important bearing upon dealings between central banks. Inasmuch as Article 58 defines the term "central bank" in such a way that the Federal Reserve Bank of New York must be considered the central bank of the United States within the meaning of these "Statutes", it is obvious that the operations of the Bank for International Settlements were expected to have an important effect upon the relations between the Federal Reserve Bank of New York and the various central banks of other countries. It is also obvious that, without retaining effective control over the relations between the Federal Reserve Bank of New York and the Bank for International Settlements, the Federal Reserve Board cannot comply with the mandate imposed upon it by Congress by section 14(g) of the Federal Reserve Act.

Article 20 of the Statutes of the Bank for International Settlements reads as follows:

> "The operations of the bank shall be in conformity with the monetary policy of the central banks of the countries concerned.
>
> "Before any financial operation is carried out by or on behalf of the bank on a given market or in a given currency the board shall afford to the central bank or central banks directly concerned an opportunity to dissent. In the event of disapproval being expressed within such reasonable time as the Board shall specify, the proposed operation shall not take place. A central bank may make its concurrence subject to conditions and may

limit its assent to a specific operation, or enter into a general arrangement permitting the bank to carry on its operations within such limits as to time, character, and amount as may be specified. This article shall not be read as requiring the assent of any central bank to the withdrawal from its market of funds to the introduction of which no objection had been raised by it, in the absence of stipulations to the contrary by the central bank concerned at the time the original operation was carried out.

"Any governor of a central bank or his alternate or any other director specially authorized by the central bank of the country of which he is a national to act on its behalf in this matter shall, if he is present at the meeting of the board and does not vote against any such proposed operation, be deemed to have given the valid assent of the central bank in question.

"If the representative of the central bank in question is absent or if a central bank is not directly represented on the board, steps shall be taken to afford the central bank or banks concerned an opportunity to express dissent."

It is important to note from the first paragraph of this article that, with respect to the United States, the operations of the Bank for International Settlements are required to be in conformity with the monetary policy of the Federal Reserve Bank of New York - not the monetary policy of the United States Government, the Federal Reserve Board, the twelve Federal Reserve banks or the Federal Open Market Committee.

It is also important to observe from the second paragraph that, if the Bank for International Settlements decides to carry out financial operations in the United States or in the Currency of the United States by making purchases in the open market or otherwise, it must give the Federal Reserve Bank of New York an opportunity to dissent, but it can completely ignore the Treasury of the United States, the Federal Reserve Board or the Federal Open Market Committee. Furthermore, if it decides to invest funds in this market and the Federal Reserve Bank of New York does not express any dissent or make any reservations, the Bank for International Settlements can withdraw the funds invested in this market at any time it chooses to do so. Although such operations may have an important effect upon open market money conditions in the United States and upon the stability of the dollar in the foreign exchange market, the Bank for International Settlements is not expected to consider the wishes of anyone in this country except the Federal Reserve Bank of New York.

If the Bank for International Settlements and the Federal Reserve Bank of New York are permitted to operate in accordance with the statutes of the Bank for International Settlements, the Bank for International Settlements, with the consent or acquiescence of the Federal Reserve Bank of New York, might be in position to impede or possibly nullify any open market policy undertaken by the Federal Reserve System as a whole or any efforts of the Treasury through the Stabilization Fund to stabilize the dollar in relation to the currencies of other countries.

It will be noted from the third paragraph of Article 20 that, if the Federal Reserve Bank of New York should be represented on the directorate of the Bank for International Settlements by its governor or his alternate or any other director specially authorized by the Federal Reserve Bank of New York to act on its behalf in this matter, and such representative should be present at a meeting of the Board of Directors of the Bank for International Settlements and refrain from voting against any operation proposed to be undertaken by the Bank for

International Settlements, the Federal Reserve Bank of New York would be deemed to have given its valid assent to such operations. In the light of this provision, it is difficult to perceive how the Federal Reserve Board could effectively exercise special supervision and control over relations between the Federal Reserve Bank of New York and the Bank for International Settlements which it is required to exercise by section 14 (g) of the Federal Reserve Act, if the governor of the Federal Reserve Bank of New York or any other representative of that bank should be a member of the Board of Directors of the Bank for International Settlements. While attending a meeting of the Board of Directors, a matter might come up which he believed to be desirable and against which he could not conscientiously vote and, if he refrained from voting against it, the Federal Reserve Bank of New York would be deemed to have assented to such action. When the Treasury Department, the Federal Reserve Board and the Federal Open Market Committee found out about it later it would be entirely too late to do anything about it.

Article 28 of the Statutes of the Bank for International Settlements is too long to quote in this memorandum; but it contemplates that Belgium, France, Germany, Great Britain, Italy, Japan and the United States are each entitled to two representatives on the Board of Directors, preferably the governor of the central bank of each such country and one other person selected by him to represent finance, industry or commerce. However, Article 28 contains the following provision on this subject:

> "If for any reason the governor of any of the seven institutions above mentioned is unable or unwilling to serve as director, or to appoint a substitute nominee under subclause (1), or to make an appointment under subclause (2), the governors of

> the other institutions referred to or a majority of them may invite to become members of the board two nationals of the country of the governor in question, not objected to by the central bank of that country."

This provides a means by which the United States could be represented by two directors on the board of the Bank for International Settlements without the Federal Reserve Bank of New York being committed in any way by the actions of such directors or their failure to vote against any propositions coming before the Board of Directors of the Bank for International Settlements for action. With a little diplomacy, it should be easy to secure the appointment to the Board of Directors of the Bank for International Settlements of two persons not connected with the Federal Reserve System in any way who would be entirely competent to keep the Federal Reserve Bank of New York, the Federal Reserve Board, and the Treasury Department fully informed as to matters being considered at meetings of the Board of Directors of the Bank for International Settlements.

Articles 30 and 32 of the Statutes of the Bank for International Settlements read as follows:

"ARTICLE 30

> "Directors must be ordinarily resident in Europe or in a position to attend regularly at meetings of the board."

"ARTICLE 32

> "Meetings of the board shall be held not less than 10 times a year. At least four of these shall be held at the registered office of the bank."

In view of these provisions it is difficult to understand how the Governor of the Federal Reserve Bank of New York could give proper attention to his duties as the chief executive officer of that bank and at the same time properly attend to his duties as a director of the Bank for International Settlements.

Article 56 of the Statutes of the Bank for International Settlements reads as follows:

"ARTICLE 56

"(1) If any dispute shall arise between the bank, on the one side, and any central bank, financial institution, or other bank referred to in the present statutes, on the other side, or between the bank and its shareholders, with regard to the interpretation or application of the statutes of the bank, the same shall be referred for final decision to the tribunal provided for by The Hague agreement of January, 1930.

"(2) In the absence of agreement as to the terms of submission either party to a dispute under this article may refer the same to the tribunal, which shall have power to decide all questions (including the question of its own jurisdiction) even in default of appearance by the other party.

"(3) Before giving a final decision and without prejudice to the questions at issue, the president of the tribunal, or, if he is unable to act in any case, a member of the tribunal to be designated by him forthwith, may, on the request of the first party applying therefor, order any appropriate provisional measures in order to safeguard the respective rights of the parties.

"(4) The provisions of this article shall not prejudice the right of the parties to a dispute to refer the same by common consent to the president or a member of the tribunal as sole arbitrator."

If, therefore, the Federal Reserve Bank of New York should become a shareholder or otherwise agree to be bound by the Statutues of the Bank for International Settlements and any dispute should arise between the Federal Reserve Bank of New York and the Bank for International Settlements or any other central bank or financial institution which has agreed to be bound by the Statutes of the Bank for International Settlements, the matter would have to be referred <u>for final decision</u> to the tribunal provided for by The Hague agreement of January 1930 and the Federal Reserve Board, the State Department, the Treasury Department or any other representative of the Government of the United States would have nothing to say about the matter.

In the light of the strong public sentiment against this country becoming entangled in the affairs of Europe and especially the sentiment in Congress against adherence by this country to the World Court, it would seem extremely inadvisable from a political standpoint for the Federal Reserve Bank of New York to become bound in any way by the Statutes of the Bank for International Settlements, even if there were no conflict between such provisions and the provisions of the Federal Reserve Act.

Let us consider how the Bank for International Settlements was created and what its "Statutes" really are.

Representatives of Germany, Belgium, France, Great Britain, Italy and Japan, met at Geneva, Switzerland, on August 6, 1929, for the purpose of reaching a general settlement of the question of reparation and of other financial claims arising out of the war. The United States was represented at this conference by an observer only. The first session lasted till August 31, 1929, and resulted in the adoption of reports of experts on the questions involved. During the second session of the conference from January 3 to January 20, 1930, certain instruments were drawn up and adopted by the representatives present. Among these instruments was a "convention respecting the Bank for International Settlements" which was adopted January 20, 1930.

This convention constituted an agreement between the representatives of Germany, Belgium, France, Great Britain, Italy and Japan of the one part, and the Government of the Swiss Confederation of the other part. The United States was not a party to it. Under this convention, Switzerland agreed immediately to grant to the Bank for International Settlements a constituent charter "having the force of law". This charter contemplated the founding of an international bank by central banks of Belgium, France, Germany, Great Britain, Italy and Japan, and "by a financial institution of the United States of America". The charter provided, among other things, that the constitution, operations, and activities of the international bank should be defined and governed by "the annexed statutes which are hereby sanctioned." These statutes constituted an annex to the above described convention and became effective as between the signatory Governments upon the ratification of this convention by those Governments.

The "Statutesof the Bank for International Settlements", therefore, would appear to be an international agreement to which the United States is not a party and to which it could not become a party except through the negotiation of a treaty by the President of the United States and the ratification of the same by the Senate in accordance with the Constitution.

However, the Federal Reserve Bank of New York, as a corporation, might become bound by contract to comply with the terms of the Statutes of the Bank for International Settlements. It would seem that any such possibility should be carefully avoided, lest this Government, through one of its instrumentalities, the Federal Reserve Bank of New York, become involved in, or have its interests affected by, the terms of that International agreement by some "back door", irregular or unconstitutional method.

One of the serious complications which would be caused by the Governor of a Federal Reserve bank becoming a director of the Bank for International Settlements would be the divided allegiance of the person holding the two positions. The Governor of a Federal Reserve bank is the chief executive officer of an instrumentality of the United States to which important governmental powers have been delegated. In this respect, a Federal Reserve bank is in quite a different category from the ordinary institution operated for profit.

Furthermore, it should be observed that the Bank for International Settlements is not the usual type of institution operated for profit but instead is primarily a political instrumentality of the nations responsible for its organization. This is clearly demonstrated by the fact that the bank was organized by means of an international convention and for the purpose of facilitating the settlement of international claims for reparations.

It may be contended that the Governor of a Federal Reserve bank serving as a director of the Bank for International Settlements would be subject to no more conflict in his allegiance than would the governor of the central bank of any of the other six powers who assisted in the organization of the bank. But it must be remembered that the other nations by becoming parties to the Hague Convention have authorized the heads of their central banks to accept positions as directors of the Bank and thus have sanctioned the creation of a situation in which international duties of the governors may conflict with their national duties. This is precisely the situation of the nations which have become signatories of the Hague Convention just as it is the situation of the nations which have signed the League of Nations Covenant.

The position of a Governor of a Federal Reserve bank would be quite different. The United States has delegated certain governmental powers to the Federal Reserve bank but has not by executing any international agreement authorized the creation of a situation in which international duties as director of an international bank might conflict with national duties. Until the United States sees fit to become a signatory to the Hague Convention it is submitted that it would be improper for the Governor of a Federal Reserve bank to become a director of the Bank for International Settlements.

Respectfully,

Walter Wyatt,
General Counsel.

August 22, 1935.

BANK OF INTERNATIONAL SETTLEMENTS

1. Article 3 of the statutes of the Bank is as follows:

> "The objects of the bank are:
>
> To promote the cooperation of central banks and to provide additional facilities for international financial operations; and to act as trustee or agent in regard to international financial settlements intrusted to it under agreements with the parties concerned."

2. I can find nothing in the Federal Reserve Act either permitting or prohibiting the Governor of a Federal Reserve Bank from becoming a director of a foreign bank.

   So far as the Federal Reserve System is concerned, I can see nothing in the Act looking toward such a relationship.

3. In my opinion, Section 14 (g) of the Federal Reserve Act relates to agreements, etc. entered into between a representative of the Federal Reserve System on the one hand, as opposed to the Bank of International Settlements on the other.

4. The Governors of the Federal Reserve Banks, however, are fiscal agents of the Treasury, and the Board has no jurisdiction over such agency.

5. Whether the Treasury has power to request the Governor of the Federal reserve bank, as fiscal agent, to accept the position of director of the B.I.S., and whether the Governor can legally accept this office, in my opinion, is one for the Treasury to determine under the scope of its fiscal agency powers.

6. Whether the System could spare Governor Harrison so that he could undertake this work as fiscal agent of the Treasury is a question for the Board to determine.

7. If the Board permits him to accept this office, careful regulations should be laid down providing that no vote, or failure to vote, shall in any way bind the Federal Reserve Bank of New York, or the

Federal Reserve System, unless and until specifically approved by the Federal Reserve Board.

8. Proper regulations also should be drawn providing that Governor Harrison in considering anything as director of the B.I.S. other than purely banking matters, - e.g. stabilization, etc. - shall be subject to instructions from the Secretary of the Treasury.

Total volume
of acceptances
following the
authority given
Aug 15. 1928

Say from Aug 15 '28
to Jan 1, '29

Glass

D

attacks Bd & Bks for doing nothing in 1928

See Glass excerpts:

1. From Jan 1. 28 – Aug 1 28
   Sold Govts
2. Raised disct rates 3 times
3. Increased accept rates
4. — millions of gold exports
5. Slump in credits declared

About [illegible] in incr. of discts Jan 1 – Aug 1 of — millions

The Treasury caused so great trouble early in Aug. Even [illegible] rebates damage of loans to credit [illegible] etc in Dec.

Bd gave credit to [illegible]

~~[illegible]~~

(Items from speeches, etc. available in [illegible] Glass excerpt,)

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date August 5, 1935

To Mr. Hamlin

Subject:

From Mr. Smead

GPO 16—852

In accordance with your request we have prepared the attached tables showing changes in Reserve bank credit and related items during the following three periods:

August 3, 1927 to January 4, 1928
January 4, 1928 to August 8, 1928
August 8, 1928 to January 2, 1929

As you know, there is a gradual increase in money in circulation in the latter part of the year, culminating with Christmas, and for the four or five weeks following Christmas there is a very substantial decline in money in circulation. Naturally these changes in the volume of money in circulation are reflected in the volume of Reserve bank credit in use. No attempt in these tables has been made to show changes in Reserve bank credit and related items during the period immediately following Christmas. The tables do show, however, the changes which took place during the period when the Federal Reserve System was increasing and decreasing its holdings of Government securities and acceptances.

CHANGES IN RESERVE BANK CREDIT AND RELATED ITEMS

August 1927 to January 1928

(In millions of dollars)

Reserve bank credit:	Aug. 3, 1927	Jan. 4, 1928	Increase	Decrease
Bills discounted	445	521	76	
Bills bought	178	387	209	
U. S. Gov't securities	407	627	220	
Other Reserve bank credit	95	69		26
Total	1125	1604	479 (net)	

			Changes that increased the demand for Reserve bank credit	Changes that reduced the demand for Reserve bank credit
Related items:				
Money in circulation	4524	4652	128	
Member bank reserves	2350	2486	136	
Treasury cash and deposits with F. R. banks	220	228	8	
Nonmember deposits	30	35	5	
Other Federal Reserve accounts	296	302	6	
Gold stock	4292	4092	200	
Treasury and national bank currency	2004	2006		2
Net change			481	

CHANGES IN RESERVE BANK CREDIT AND RELATED ITEMS

January 1928 to August 1928

(In millions of dollars)

	Jan. 4, 1928	Aug. 8, 1928	Increase	Decrease
Reserve bank credit:				
Bills discounted	521	1,061	540	
Bills bought	387	162		225
U. S. Gov't securities	627	208		419
Other Reserve bank credit	69	22		47
Total	1,604	1,453		151 (Net)
			Changes that increased the demand for Reserve bank credit	Changes that reduced the demand for Reserve bank credit
Related items:				
Money in circulation	4,652	4,418		234
Member bank reserves	2,486	2,266		220
Treasury cash and deposits with Federal Reserve banks	228	247	19	
Nonmember deposits	35	27		8
Other Federal Reserve accounts	302	330	28	
Gold stock	4,092	3,827	265	
Treasury and national bank currency	2,006	2,007		1
Net change				151

7

CHANGES IN RESERVE BANK CREDIT AND RELATED ITEMS

August 1928 to January 1929

(In millions of dollars)

	Aug. 8, 1928	Jan. 2, 1929	Increase	Decrease
Reserve bank credit:				
Bills discounted	1,061	1,151	90	
Bills bought	162	484	322	
U. S. Gov't securities	208	244	36	
Other Reserve bank credit	22	31	9	
Total	1,453	1,910	457	

	Aug. 8, 1928	Jan. 2, 1929	Changes that increased the demand for Reserve bank credit	Changes that reduced the demand for Reserve bank credit
Related items:				
Money in circulation	4,418	4,646	228	
Member bank reserves	2,266	2,494	228	
Treasury cash and deposits with Federal Reserve banks	247	235		12
Nonmember deposits	27	39	12	
Other Federal Reserve accounts	330	348	18	
Gold stock	3,827	3,840		13
Treasury and national bank currency	2,007	2,013		6
Net change			455	

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date July 26, 1935

To Mr. Hamlin

Subject: Federal Reserve Board action in 1929 to stop speculation.

From Mr. Smead

ere 16—852

As requested in your memorandum of July 25, we have checked your comments on Senator Glass' statement that the Federal Reserve Board failed to put a stop to the wild speculation of 1929, and have supplied the desired additional data. The comments as revised are as follows:

In 1928 the Board approved an increase from 3 1/2 percent to 4 percent in the discount rate of the Federal Reserve Bank of New York on February 3, to 4 1/2 percent on May 18, and to 5 percent on July 13.

It approved increases in buying rates of the Federal Reserve Bank of New York on 90 day bankers acceptances in 1928 from 3 3/8 percent to 3 1/2 percent on February 3, to 3 5/8 on March 30, to 3 3/4 on April 13, to 4 on May 18, to 4 1/4 on July 13, and to 4 1/2 on July 26; and in 1929 to 4 3/4 on January 4, to 5 on January 21, to 5 1/8 on February 15, to 5 3/8 on March 21, and to 5 1/2 on March 25.

Between the first week in August, 1927, when the 3 1/2 percent discount rate was established, and the first week in January, 1928, the Federal Reserve System bought $220,000,000 of Government securities; between January 4, 1928 and June 6, 1928, the System sold $418,000,000 of such securities; and between June, 1928, and January, 1929, the Reserve System's holdings of Government securities fluctuated within narrow limits. There was, therefore, a net decrease of about $200,000,000 in the System's holdings of Government securities between August, 1927, when the 3 1/2 percent discount rate was established, and January, 1929.

The net decrease of $200,000,000 in Government securities was, however, offset by a net increase during the same period of $258,000,000 in acceptance holdings, which increased from $178,000,000 on August 3, 1927 to $387,000,000 on January 4, 1928, declined to a low point of $162,000,000 on August 8, 1928, increased to a high point of $494,000,000 on December 12, 1928, and stood at $436,000,000 on January 30, 1929.

There was a net increase of $376,000,000 in holdings of bills discounted between August 3, 1927 and January 30, 1929, not much different from the net increase of $360,000,000 in total Reserve bank credit during the same period.

During the same period, from August, 1927, to January, 1929, the country's gold stock declined about $450,000,000 as a result of gold exports.

During the period from August 3, 1927 to January 30, 1929, money in circulation declined $181,000,000.

It should be noted that while the Board did not approve an increase from 5 percent to 6 percent in New York's discount rate until August 9, 1929, the Board very definitely inaugurated a policy of "direct action" early in the year for the purpose of checking the then existing speculative activity. Considerable doubt existed, however, as to whether the Board had the right under the law to deny credit to member banks. If the Board had then had the authority it now has its measures would have had a much more pronounced effect than they did. The policy that the Board pursued, however, forced member banks to increase their borrowings from around $400,000,000 in the early part of 1928 to about $1,000,000,000 in the middle of 1928, at which level they were kept until after the break in the stock market in 1929.

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date August 7, 1935

To Mr. Hamlin

Subject:

From Mr. Smead

16—852

CNZ

I am returning herewith the memoranda you handed to me this morning. In the first part of 1928 the Board took drastic action to check speculation whereas in the fall it adopted an easy money policy by purchasing a substantial volume of bankers' acceptances, thus enabling member banks to finance their seasonal requirements without recourse to the Federal Reserve banks. In fact, member banks reduced their borrowings at the Federal Reserve banks during the fall months.

It seems to me, therefore, that your statement which is intended to show what the Board did to check speculation should deal only with the first part of the year when such action was taken by the Board.

P47

Sec Bd

CONFIDENTIAL
Not for publication

B-811

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, AUGUST 1935

Federal Reserve Bank	Month of August 1935: Earnings from - Discounted bills	Purchased bills	Industrial advances	U. S. Govt. securities	Commitments to make industrial advances	Other sources	Total	Current expenses: Exclusive of cost of F. R. currency	Current expenses: Total	Current net earnings: Total	Current net earnings: Rate on paid-in capital	January - August 1935: Current net earnings: Total	Rate on paid-in capital	Less accrued dividends and net charges (current) to profit and loss*
											Per cent		Per cent	
Boston	$1,438	$72	$11,837	$211,919	$2,200	$296	$227,762	$159,804	$170,668	$57,094	6.3	$460,526	6.4	$48,720
New York	6,660	393	31,781	1,039,016	8,836	5,348	1,092,034	600,745	636,671	455,363	9.	3,879,245	9.8	1,691,615
Philadelphia	1,062	100	18,562	239,947	264	10,635	270,570	186,858	196,972	73,598	5.7	482,467	4.8	-129,306
Cleveland	3,690	91	8,179	291,813	1,618	5,879	311,270	217,379	226,499	84,771	7.6	628,100	7.2	82,394
Richmond	254	35	23,316	156,163	-286	2,016	181,498	133,881	141,597	39,901	9.3	326,865	9.8	124,277
Atlanta	192	35	5,426	126,145	255	2,044	134,097	113,717	120,988	13,109	3.5	264,893	9.	78,058
Chicago	79	117	9,095	448,831	795	18,943	477,860	264,454	281,364	196,496	18.1	2,017,606	23.7	1,666,455
St. Louis	108	3	2,153	144,835	1,665	17,237	166,001	114,150	123,179	42,822	12.7	304,691	11.4	153,368
Minneapolis	156	2	10,633	111,716	126	7,474	130,107	95,651	99,377	30,730	11.5	155,021	7.4	55,916
Kansas City	235	26	4,416	143,251	11,107	14,366	173,401	140,968	144,894	28,507	8.3	202,200	7.5	50,059
Dallas	1,046	25	8,909	122,271	383	1,028	133,662	94,728	97,387	36,275	10.7	243,766	9.1	110,224
San Francisco	475	67	4,155	266,791	4,066	4,746	280,300	206,646	218,926	61,374	6.7	424,226	5.9	55,077
TOTAL														
August 1935	15,395	966	138,462	3,302,698	31,029	90,012	3,578,562	2,328,981	2,458,522	1,120,040	9.			
July 1935	11,878	#935	133,719	3,264,660	19,638	77,691	#3,500,521	2,337,228	2,444,899	#1,063,622	#8.5			
August 1934	57,779	1,291	836	3,930,605	537	93,150	4,084,198	2,430,860	2,496,816	1,587,382	12.8			
Jan. to Aug. 1935	107,611	20,652	890,241	27,352,883	143,880	662,945	29,178,212	18,865,837	19,788,606	9,389,606	9.6	9,389,606	9.6	3,986,857
" 1934	1081,773	123,351	836	30,967,173	537	837,237	33,010,907	19,077,535	19,747,198	13,263,709	13.6	13,263,709	13.6	8,465,661

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM
DIVISION OF BANK OPERATIONS
SEPTEMBER 17, 1935.

*Exclusive of profits of $2,742,713 on sales of United States Government securities held in Special Investment Account.
#Revised.

63

INDUSTRIAL ADVANCES BY FEDERAL RESERVE BANKS — SUMMARY OF APPLICATIONS, APPROVALS, REJECTIONS AND COMMITMENTS, TO SEPTEMBER 11, 1935

(Not for publication) (Amounts in thousands of dollars) B-816

Federal Reserve Bank	Applications received - net: By Industrial Advisory Committee		By F. R. Bank from Industrial Adv. Committee*		Applications recommended for approval (with and without conditions) by Ind. Advisory Com.		Applications approved by Federal Reserve bank: Total		Finally approved		Conditionally approved		Rejections of applications: Recommended by Industrial Advisory Committee		By Federal Reserve bank	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Boston	397	21,696	369	20,658	133	9,693	92	7,805	90	7,805	2	40	260	11,768	273	12,383
New York	881	63,221	845	56,845	313	26,717	330	28,869	285	24,210	45	4,659	542	35,296	506	27,099
Philadelphia	474	34,328	459	32,835	157	21,552	120	16,039	95	14,674	25	1,365	311	12,476	333	10,559
Cleveland	539	16,516	529	16,413	157	7,109	136	6,210	89	4,942	47	1,268	373	9,293	393	10,204
Richmond	487	19,634	476	19,045	156	9,656	147	9,293	128	7,959	19	1,334	320	9,581	329	9,752
Atlanta	462	11,537	454	10,993	153	4,030	144	3,704	104	2,195	40	1,509	303	7,366	305	7,246
Chicago	908	42,612	878	38,078	134	10,160	106	6,641	72	4,726	34	1,915	755	29,030	768	30,657
St. Louis	318	11,119	310	10,728	109	5,249	107	5,247	88	3,837	19	1,410	201	5,589	203	5,481
Minneapolis	930	17,148	910	16,714	265	6,249	230	5,016	144	3,473	86	1,543	654	10,765	677	11,555
Kansas City	340	11,486	328	10,555	75	5,678	69	5,389	58	4,943	11	446	259	5,167	259	5,167
Dallas	418	10,679	410	10,475	99	4,124	94	3,921	84	3,032	10	889	313	6,451	314	6,479
San Francisco	941	26,772	899	26,008	236	9,306	226	9,652	195	8,041	31	1,611	663	16,213	653	15,847
Total	7,095	286,748	6,867	269,347	1,987	119,523	1,801	107,826	1,432	89,837	369	17,989	4,954	158,995	5,013	152,429

Federal Reserve Bank	Applications under consideration: By Industrial Advisory Committee		By Federal Reserve bank		Distribution of amounts finally approved by Federal Reserve bank: Total	Federal Reserve bank participations: Outstanding		Advances re-paid	In process of completion		Withdrawn, reduced, or expired (unused)	Financing institution participations	Financing institution guarantees
	Number	Amount	Number	Amount		Advances	Commitments		Advances	Commitments			
Boston	4	235	4	430	7,805	2,888	3,463	402	--	--	902	150	1,000
New York	26	1,209	9	877	24,210	7,016	9,701	521	178	590	4,467	1,737	5,233
Philadelphia	6	300	6	6,238	14,674	3,897	905	1,724	4,584	60	581	2,923	68
Cleveland	9	114	--	--	4,942	1,745	1,793	264	40	--	337	763	--
Richmond	11	398	--	--	7,959	4,563	1,805	364	200	14	418	595	104
Atlanta	6	140	5	43	2,195	1,044	600	380	--	--	125	46	159
Chicago	19	3,423	4	780	4,726	1,998	520	553	172	--	938	545	--
St. Louis	8	281	--	--	3,837	455	1,927	268	--	--	912	275	701
Minneapolis	11	135	3	143	3,473	2,172	150	556	194	11	29	361	--
Kansas City	6	642	--	--	4,943	1,135	1,174	255	18	146	503	1,712	6
Dallas	6	103	2	75	3,032	1,827	428	156	2	170	74	375	--
San Francisco	42	1,253	20	509	8,041	810	4,072	55	255	1,471	845	533	1,673
Total	154	8,233	53	9,095	89,837	29,550	26,538	5,498	5,643	2,462	10,131	10,015	8,944

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM
DIVISION OF BANK OPERATIONS
SEPTEMBER 17, 1935.

*Applications acted on by Industrial Advisory Committee adjusted for changes in amount applied for and for withdrawals before approval or rejection by F. R. bank.

VOLUME 264
PAGE 65

665

CLASSIFICATION OF APPLICATIONS FOR INDUSTRIAL LOANS REJECTED BY FEDERAL RESERVE BANKS, TO SEPTEMBER 11, 1935

(Amounts in thousands of dollars)

(B-816a)

(Not for publication)

Federal Reserve Bank	Total applications rejected		Reasons for rejections: Ineligible: Not established industrial or commercial enterprises		Ineligible: Not for working capital		Ineligible: Otherwise ineligible		Unsatisfactory financial condition		Unsatisfactory business prospects		Unsatisfactory management		Insufficient security		Rejected for other reasons		Total, including duplications	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Boston	273	12,383	3	30	40	5,030	1	15	213	6,078	33	5,314	9	312	238	8,545	15	726	552	26,050
New York	506	27,099	47	2,516	25	1,124	---	---	495	21,587	368	15,422	286	11,088	472	18,263	---	---	1,693	70,000
Philadelphia	333	10,559	11	486	21	1,014	2	53	74	2,651	153	5,173	8	176	169	3,860	24	882	462	14,295
Cleveland	393	10,204	24	512	68	2,901	3	448	172	3,686	177	6,086	27	1,441	287	6,335	43	548	801	21,957
Richmond	329	9,752	20	672	50	2,025	6	34	164	4,464	108	4,586	4	625	263	7,389	2	7	617	19,802
Atlanta	305	7,246	6	180	62	1,976	9	78	26	1,130	35	1,052	58	1,776	259	5,808	129	3,243	584	15,243
Chicago	768	30,657	87	2,611	157	8,512	2	300	376	10,392	19	763	21	2,340	417	14,745	77	4,373	1,156	44,036
St. Louis	203	5,481	17	548	30	1,373	---	---	125	1,906	44	1,796	7	240	115	1,940	69	1,323	407	9,126
Minneapolis	677	11,555	35	1,308	113	2,711	5	112	53	895	151	2,565	32	741	320	3,506	13	510	722	12,348
Kansas City	259	5,167	13	917	171	4,175	---	---	82	1,041	115	2,065	6	129	101	944	138	3,048	626	12,319
Dallas	314	6,479	9	224	71	2,196	3	133	193	3,923	45	2,200	5	355	256	4,227	1	1	583	13,259
San Francisco	653	15,847	43	2,598	50	1,969	3	38	323	7,167	6	238	4	513	591	13,186	559	12,442	1,579	38,151
Total, all Districts	5,013	152,429	315	12,602	858	35,006	34	1,211	2,296	64,920	1,254	47,260	467	19,736	3,488	88,748	1,070	27,103	9,782	296,586

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM
DIVISION OF BANK OPERATIONS
SEPTEMBER 17, 1935

P65

Sec Bd

INDUSTRIAL ADVANCES BY FEDERAL RESERVE BANKS — SUMMARY OF APPLICATIONS, APPROVALS, REJECTIONS AND COMMITMENTS, TO SEPTEMBER 18, 1935

(Not for publication) (Amounts in thousands of dollars) B-816

Federal Reserve Bank	Applications received - net: By Industrial Advisory Committee		Applications received - net: By F.R. Bank from Industrial Adv. Committee*		Applications recommended for approval (with and without conditions) by Ind. Advisory Com.		Applications approved by Federal Reserve bank: Total		Finally approved		Conditionally approved		Rejections of applications: Recommended by Industrial Advisory Committee		By Federal Reserve bank	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Boston	399	21,726	369	20,658	133	9,693	92	7,845	90	7,805	2	40	260	11,768	273	12,383
New York	887	63,438	849	56,892	314	26,739	332	28,932	288	24,572	44	4,360	545	35,321	510	27,874
Philadelphia	477	34,383	459	32,810	157	21,552	123	22,127	95	14,675	28	7,452	311	12,476	335	10,634
Cleveland	542	16,748	529	16,413	157	7,109	136	6,210	90	4,957	46	1,253	373	9,293	393	10,204
Richmond	490	19,799	483	19,306	157	9,856	148	9,493	129	8,034	19	1,459	326	9,642	335	9,813
Atlanta	466	11,679	457	11,059	154	4,041	147	3,757	104	2,195	43	1,562	305	7,421	307	7,222
Chicago	915	42,818	878	38,078	134	10,160	109	6,971	72	4,726	37	2,245	755	29,030	768	30,907
St. Louis	323	11,191	315	10,953	112	5,409	110	5,407	89	3,842	21	1,565	203	5,654	205	5,546
Minneapolis	936	17,23[illegible]	920	16,857	271	6,375	230	5,016	144	3,473	86	1,543	658	10,781	677	11,555
Kansas City	341	11,511	328	10,555	75	5,678	69	5,389	58	4,943	11	446	259	5,167	259	5,167
Dallas	419	10,779	412	10,490	102	4,204	94	3,921	84	3,032	10	889	312	6,386	314	6,479
San Francisco	947	26,935	899	26,008	236	9,306	227	9,667	196	8,101	31	1,566	663	16,213	672	16,340
Total	7,142	288,244	6,898	270,079	2,002	120,122	1,817	114,735	1,439	90,355	378	24,380	4,970	159,152	5,048	154,124

Federal Reserve Bank	Applications under consideration: By Industrial Advisory Committee		By Federal Reserve bank		Distribution of amounts finally approved by Federal Reserve bank: Total	Federal Reserve bank participations: Outstanding		Advances re-paid	In process of completion		Withdrawn, reduced, or expired (unused)	Financing institution participations	Financing institution guarantees
	Number	Amount	Number	Amount		Advances	Commitments		Advances	Commitments			
Boston	6	265	4	430	7,805	2,855	3,421	436	--	--	943	150	1,000
New York	28	1,379	7	86	24,572	7,310	9,899	527	228	223	4,649	1,736	5,186
Philadelphia	9	355	1	50	14,675	4,301	994	1,733	4,130	60	534	2,923	68
Cleveland	12	347	--	--	4,957	1,769	1,764	275	40	--	343	766	--
Richmond	7	302	--	--	8,034	4,579	1,851	370	178	14	422	620	104
Atlanta	7	217	3	80	2,195	1,041	600	383	--	--	126	45	159
Chicago	26	3,628	1	200	4,726	1,998	520	553	172	--	938	545	--
St. Louis	8	128	--	--	3,842	455	1,906	271	--	--	933	277	701
Minneapolis	7	81	13	286	3,473	2,158	149	577	132	10	85	362	--
Kansas City	7	667	--	--	4,943	1,132	1,174	258	18	146	503	1,712	6
Dallas	5	188	4	90	3,032	1,822	428	162	2	170	73	375	--
San Francisco	48	1,416	--	--	8,101	810	4,134	55	255	1,426	869	552	1,713
Total	170	8,973	33	1,222	90,355	30,230	26,840	5,600	5,155	2,049	10,418	10,063	8,937

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM
DIVISION OF BANK OPERATIONS
SEPTEMBER 24, 1935.

*Applications acted on by Industrial Advisory Committee adjusted for changes in amount applied for and for withdrawals before approval or rejection by F. R. bank.

015

CLASSIFICATION OF APPLICATIONS FOR INDUSTRIAL LOANS REJECTED BY FEDERAL RESERVE BANKS, TO SEPTEMBER 18, 1935

(Amounts in thousands of dollars)

(B-816a)

(Not for publication)

Federal Reserve Bank	Total applications rejected		Reasons for rejections: Ineligible: Not established industrial or commercial enterprises		Not for working capital		Otherwise ineligible		Unsatisfactory financial condition		Unsatisfactory business prospects		Unsatisfactory management		Insufficient security		Rejected for other reasons		Total, including duplications	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Boston	273	12,383	3	30	40	5,030	1	15	213	6,079	33	5,314	9	312	238	8,544	15	726	552	26,050
New York	510	27,874	48	3,116	25	1,124	--	--	499	22,362	372	16,197	288	11,788	476	19,038	--	--	1,708	73,625
Philadelphia	335	10,634	11	486	22	1,064	2	53	75	2,676	153	5,173	8	176	169	3,860	24	882	464	14,370
Cleveland	393	10,204	24	512	68	2,901	3	448	172	3,686	177	6,086	27	1,441	287	6,335	43	548	801	21,957
Richmond	335	9,813	20	672	51	2,040	6	34	166	4,499	114	4,647	4	625	268	7,435	2	7	631	19,959
Atlanta	307	7,222	6	180	63	1,976	9	78	27	1,134	36	1,058	59	1,781	260	5,779	131	3,218	591	15,204
Chicago	768	30,907	87	2,611	157	8,512	2	300	376	10,392	19	763	21	2,340	418	14,995	77	4,373	1,157	44,286
St. Louis	205	5,546	17	548	30	1,373	--	--	127	2,006	44	1,796	7	240	117	2,005	71	1,388	413	9,356
Minneapolis	677	11,555	35	1,308	113	2,711	5	112	53	895	151	2,565	32	741	320	3,506	13	510	722	12,348
Kansas City	259	5,167	13	917	171	4,175	--	--	82	1,041	115	2,065	6	129	101	944	138	3,048	626	12,319
Dallas	314	6,479	9	224	71	2,196	3	133	193	3,923	45	2,200	5	355	256	4,226	1	1	583	13,258
San Francisco	672	16,340	46	2,632	53	2,012	5	238	330	7,277	6	238	4	513	607	13,609	573	12,884	1,624	39,403
Total, all Districts	5,048	154,124	319	13,236	864	35,114	36	1,411	2,313	65,970	1,265	48,102	470	20,441	3,517	90,276	1,088	27,585	9,872	302,135

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM
DIVISION OF BANK OPERATIONS
SEPTEMBER 24, 1935

875

CONFIDENTIAL
Not for publication

B-811

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, SEPTEMBER, 1935

Federal Reserve Bank	Month of September 1935											January - September 1935		
	Earnings from -							Current expenses		Current net earnings		Current net earnings		
	Discounted bills	Purchased bills	Industrial advances	U. S. Govt. securities	Commitments to make industrial advances	Other sources	Total	Exclusive of cost of F. R. currency	Total	Total	Rate on paid-in capital	Total	Rate on paid-in capital	Less accrued dividends and net charges (current) to profit and loss*
											Percent		Percent	
Boston	$1,901	$71	$11,513	$202,846	$2,369	$174	$218,874	$163,259	$175,407	$43,467	5.4	$503,993	6.3	$42,934
New York	9,285	382	31,821	989,640	8,926	17,871	1,057,925	592,936	631,888	426,037	9.8	4,305,282	9.8	1,905,794
Philadelphia	996	98	19,120	228,904	360	1,345	250,823	187,949	199,294	51,529	4.7	533,996	4.8	-141,430
Cleveland	208	90	8,344	279,296	1,514	5,751	295,203	217,661	227,760	67,443	6.6	695,543	7.1	86,419
Richmond	494	35	22,499	149,661	937	5,979	179,605	145,808	151,555	28,050	7.2	354,915	9.5	128,620
Atlanta	173	34	5,147	120,716	247	12,145	138,462	109,592	118,746	19,716	5.6	284,609	8.6	160,914
Chicago	13	115	8,994	432,293	833	19,380	461,628	261,933	274,978	186,650	18.3	2,204,256	23.1	1,790,617
St. Louis	233	3	1,963	138,634	1,708	5,355	147,896	114,715	124,034	23,862	7.6	328,553	11.	157,455
Minneapolis	104	2	10,590	110,259	127	182	121,264	96,404	100,481	20,783	8.3	175,804	7.5	64,304
Kansas City	371	26	4,183	137,113	415	16,111	158,219	135,707	139,858	18,361	5.6	220,561	7.3	46,385
Dallas	1,068	25	8,812	113,013	381	1,018	124,317	90,274	93,474	30,843	9.4	274,608	9.1	122,166
San Francisco	273	66	4,048	255,347	4,183	10,126	274,043	205,368	222,744	51,299	5.9	475,526	5.9	52,980
TOTAL														
September 1935	15,119	947	137,034	3,157,722	22,000	95,437	3,428,259	2,321,606	2,460,219	968,040	8.7			
August 1935	15,395	966	138,462	3,302,698	31,029	90,012	3,578,562	2,328,981	2,458,522	1,120,040	9.			
September 1934	51,159	1,361	5,770	3,778,852	1,217	90,150	3,928,509	2,391,217	2,457,272	1,471,237	12.2			
Jan. to Sept. 1935	122,730	21,599	1,027,275	30,510,605	165,880	758,382	32,606,471	21,187,443	22,248,825	10,357,646	9.5	10,357,646	9.5	4,417,158
" 1934	1,132,932	124,712	6,607	34,746,025	1,754	927,386	36,939,416	21,468,752	22,204,470	14,734,946	13.5	14,734,946	13.5	9,194,657

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM
OCTOBER 12, 1935

*Exclusive of profits of $4,014,025 on sales of United States Government securities held in Special Investment Account.

P. 129

VOLUME 264
PAGE 129