

FEDERAL RESERVE BOARD

WASHINGTON

X - 3351

March 9, 1922.

SUBJECT: Printing of Federal Reserve Notes.

Dear Sir:

Your attention is invited to the enclosed copy of a letter received from the Assistant Secretary of the Treasury, regarding the printing of Federal Reserve notes. You are requested to give the matter careful consideration and to advise the Board just how far your bank can go in carrying out the suggestions of the Assistant Secretary.

Very truly yours,

G O V E R N O R

Enclosure.

Chairmen of all F. R. Banks
Copies to Governors.

T R E A S U R Y D E P A R T M E N T

Washington

Dear Governor Harding:

Under date of August 31, 1921, I addressed a letter to you advising as to the number of employees in the Bureau of Engraving and Printing engaged in making Federal Reserve Notes, and stated that in planning a reduction in the Bureau force it would be helpful to secure from you some general estimate as to the probable deliveries of Federal Reserve Notes which would be required by the Federal Reserve Board within the period of the next six months. A schedule showing production, delivery from the vault and average daily delivery from the vault, of Federal Reserve Notes during the months of July and August, 1921, and the deliveries for the fiscal years 1919, 1920, and 1921 were also submitted.

On September 27, 1921, you replied that shipments of Federal Reserve Notes to the banks averaged 131,505 sheets and that in your opinion it was unlikely there would be any decrease in these figures during the remaining months of the year. You stated that during the months of January and February, it might be possible that the shipments would decline to about 100,000 or 125,000 sheets daily. Your estimate as to deliveries to be required from the Bureau for six months from the date of your letter was 225,000 sheets of Federal Reserve Notes daily, part of which would be used in building up a reserve stock.

On February 1, 1922, you advised that there had been built up a sufficient stock of Federal Reserve Notes and that

the printing orders hereafter placed by the Board for account of the banks will be to replace week by week notes withdrawn from the reserve stock for shipment to the banks. You estimated that during the next five months, the average daily delivery of Federal Reserve Notes would be 125,000 sheets, and further stated that it was impossible to estimate the average deliveries during the period July 1 to December 31, 1922. You expressed the belief, however, that the average daily delivery during the latter part of this year would not exceed 150,000 sheets daily.

The demand for Federal Reserve Bank Notes has been steadily decreasing for some time past and under date of February 7, the Assistant Secretary of the Federal Reserve Board advised that the Board deemed it desirable to reduce the stock of Federal Reserve Bank Notes on hand, and, therefore, requests the discontinuance of the delivery of all Federal Reserve Bank Notes until further notice.

In accordance with your letter of February 1, as recited above, and the discontinuance of production of Federal Reserve Bank Notes, the Bureau has adjusted its force to meet the required production. This involved furloughing for one day in seven slightly over 4,000 employees, which plan is in operation at the present moment.

It should be understood that the reduction in working hours which was made to apply to 4,000 employees covers all employees engaged in the production of currency. The requirements for other forms of currency, such as National Bank Notes, Silver Certificates, etc., have only been slightly reduced. The services of certain employees which had been entirely devoted to the production of Federal Reserve Notes and Bank Notes were not dispensed with but were utilized in the production of other forms of currency. This plan seemed more advisable

- 3 -

than breaking up the organization and discharging a number of employees, under existing business conditions.

I understand that it is now proposed to discontinue for the time being the printing of notes for the New York and Chicago Federal Reserve Banks. The present daily printings for the New York Federal Reserve Bank are 78,500 sheets and for the Chicago Bank are 8,750 sheets, a total of 87,250 sheets. If this action should be taken and the schedule for the other banks maintained, it will leave the Bureau of Engraving and Printing with only 37,750 sheets to print daily.

This further drastic reduction in the requirements for Federal Reserve Notes, amounting to 87,250 sheets, will mean a further readjustment in the organization and personnel of the Bureau of Engraving and Printing. I fear that such a radical cut in the work will have a far-reaching effect and will cause serious complaint. The employees have accepted the necessity of being laid off one day in seven in good spirit. If it should be necessary to make this reduction two days or more in seven, the loss in earning power would constitute a serious hardship.

I, therefore, beg to inquire if it is possible at this time to look forward for the balance of the calendar year and estimate the need for Federal Reserve Notes and Federal Reserve Bank Notes during that period. With such figures in hand, the Bureau could adjust its organization and personnel to approximately the monthly average production required. I make this suggestion with the understanding that the New York and Chicago Federal Reserve banks could probably not go through the balance of this year without calling for any new printing of Federal Reserve Notes and that other Federal Reserve Banks may be receiving month by month more than their

average requirements for the balance of the year and so might later ask for a reduction or discontinuance of new printings.

This is purely an operating problem of the Bureau of Engraving and Printing and I trust that we may have the co-operation of the Federal Reserve Board and banks in meeting a situation which at best will prove embarrassing to a large number of employees.

Sincerely yours,

(Signed) Eliot Wadsworth

Assistant Secretary.

Honorable W. P. G. Harding,
Governor, Federal Reserve Board,
Treasury Department.