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S. RES. 302.

IN THE SENATE OF THE UNITED STATES,
April 20 (calendar day June 7), 1922.

Whereas it has been charged on the floor of the Senate that the Federal Reserve Board has a publicity fund of several thousand dollars which it uses from time to time to carry on a newspaper propaganda in support of the acts and policies of the Federal Reserve Board; and

Whereas it has been charged that a portion of said publicity fund has been used to induce certain newspapers to praise and defend the acts and policies of said Federal Reserve Board and to attack and condemn Senators who have criticized the policy of said board: Therefore be it

RESOLVED, That the Federal Reserve Board be, and it is hereby, requested to furnish to the Senate, at its earliest convenience, in writing, all the information in its possession touching the matters specifically set out in the following questions:

(1) Has the Federal Reserve Board a publicity fund? If so, how much or what amount is provided per annum and from what source is such fund derived?

(2) For what purpose is said fund now used and for what purpose has it been used since May 15, 1920, to June 1, 1922?

(3) To what person or persons and in what amounts and for what service performed has money been paid from said publicity fund since May 15, 1920, to June 1, 1922?

(4) How is such fund disbursed? Upon whose order is it paid out?

(5) What sum is expended annually for publishing the monthly bulletins of said board, including salaries and other expenses connected with the printing of said bulletins?

Attest:

(Signed) George A. Sanderson

Secretary.

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June 8, 1922.

SUBJECT: Response to S. Res. 302.

Sir:

The Federal Reserve Board has received, from the Secretary of the Senate, a resolution of the Senate (S. Res. 302), passed June 7th, 1922, reading as follows:

"Whereas it has been charged on the floor of the Senate that the Federal Reserve Board has a publicity fund of several thousand dollars which it uses, from time to time, to carry on a newspaper propaganda in support of the acts and policies of the Federal Reserve Board; and

"Whereas it has been charged that a portion of said publicity fund has been used to induce certain newspapers to praise and defend the acts and policies of said Federal Reserve Board, and to attack and condemn Senators who have criticized the policy of said board: Therefore be it

"Resolved, That the Federal Reserve Board be, and it is hereby requested to furnish to the Senate, at its earliest convenience, in writing, all the information in its possession touching the matters specifically set out in the following questions:

- (1) Has the Federal Reserve Board a publicity fund; if so, how much or what amount is provided per annum, and from what source is such a fund derived?
- (2) For what purpose is said fund now used, and for what purpose has it been used since May 15, 1920, to June 1, 1922?
- (3) To what person or persons and in what amounts and for what service performed has money been paid from said publicity fund since May 15, 1920, to June 1, 1922?
- (4) How is such fund disbursed - upon whose order is it paid out?
- (5) What sum is expended annually for publishing the monthly bulletins of said board, including salaries and other expenses connected with the printing of said bulletin?"

The Federal Reserve Board denies the charges referred to in the preamble of the resolution "that the Federal Reserve Board has a publicity fund of several thousand dollars which it uses from time to time to carry on a newspaper propaganda in support of the acts and policies of the Federal Reserve Board", and "that a portion of said publicity fund has been used to induce certain newspapers to praise and defend the acts and policies of the Federal Reserve Board and to attack and condemn Senators who have criticized the policy of said board".

In answer to the questions numbered 1, 2, 3, and 4 in the resolution, which are designed to elicit information regarding the source from which this alleged "publicity fund" is derived and the purposes for which and the methods by which expenditures are made therefrom, the Federal Reserve Board states that it has no "publicity fund" and has never had any such fund, and that it has never engaged in nor caused to be carried on any newspaper propaganda in support of its policies or for any other purpose, and has never used nor caused to be used any of its funds or other funds to induce newspapers or other agencies for the dissemination of news, to praise or defend the acts or policies of the Federal Reserve Board, or to attack or condemn Senators or other persons who have criticized the Board's policies.

The Federal Reserve Board maintains no publicity organization and has never even subscribed to a press clipping bureau.

The only fund upon which the Federal Reserve Board may draw for any purpose is the fund which is raised through its semi-annual assessments against the Federal Reserve banks made pursuant to the terms of Section 10 of the Federal Reserve Act, which provides as follows:

"The Federal Reserve Board shall have power to levy semi-annually upon the Federal Reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year."

Payments made by the Federal Reserve banks pursuant to the Board's semi-annual assessments, are covered into the General Fund of the Treasury of the United States to the credit of the Federal Reserve Board. Under the law the Federal Reserve Board is an independent establishment of the United States Government and the moneys in the fund thus raised to meet its expenses are public funds and can be disbursed only in accordance with the terms of the Federal Reserve Act, subject to the restrictions contained in that Act and subject also to all other relevant restrictions upon the expenditures of public moneys. The authority for, and the purpose of, all expenditures made from this fund are evidenced by the usual form of public voucher, and the accounts of the Federal Reserve Board are audited, just as are the accounts of other departments and establishments of the Government, by auditors of the General Accounting Office, acting under the supervision of the Comptroller General of the United States.

The 5th question of the resolution calls for information as to "What sum is expended annually for publishing the monthly bulletins of said board, including salaries and other expenses connected with the printing of said bulletins?" The monthly bulletin referred to is the "Federal Reserve Bulletin" which has been issued monthly by the Federal Reserve Board since May, 1915.

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In the following table is stated the cost of printing and distributing the Federal Reserve Bulletin:

	<u>1920</u>	<u>1921</u>	<u>Jan.1 to May 31 1922</u>
Amount paid to Government Printing Office for printing Federal Reserve Bulletin.	\$29,013.61	\$26,140.06	\$10,762.53
Cost of postage used in distribution of Federal Reserve Bulletin	<u>240.00*</u>	<u>225.00*</u>	<u>96.00</u>
Total	\$29,253.61	\$26,365.06	\$10,858.53
Less receipts for subscriptions and sales of miscellaneous issues	<u>5,461.03</u>	<u>9,233.94</u>	<u>3,211.50</u>
Net cost of publishing	\$23,792.58	\$17,131.12	\$ 7,647.03

*Estimated

No one is employed by the Federal Reserve Board to perform services solely in connection with the publication of the Federal Reserve Bulletin. The work of the Board is performed through appropriate divisions, in each of which there are a certain number of employees under the charge of a division chief. As a part of the work of some of these divisions, certain information is gathered and statistics are compiled for the use of the Federal Reserve Board in the performance of its duties, and this information and these statistics are in many instances published in the Federal Reserve Bulletin, but the principal work of these divisions is entirely independent of the publication of the Bulletin. It is impossible, therefore, to do more than estimate what part of the work done by the Board's regular staff and paid for in the Board's semi-monthly payroll is properly chargeable to the Federal Reserve Bulletin. A reasonable estimate would be that about \$3,000 represents the annual salaries paid by the Board on account of work done in connection with the publication of the Federal Reserve Bulletin.

The objects of the Board in issuing the Bulletin are stated in an announcement contained in the first issue of May 1, 1915, as follows:

"With this issue the Federal Reserve Board begins the publication of a Federal Reserve Bulletin. The Bulletin is intended to afford a general statement concerning business conditions and events in the Federal Reserve System that will be of interest to all member banks. It will include consolidated statements of bank condition and such abstracts of correspondence of the Federal Reserve Board, statements and facts relating to the national banks and Treasury Department, and actions taken by Federal and State Governments as have a direct relationship to banking problems. Brief comparative reports concerning the operations of the Federal Reserve System in the several districts will also be published from time to time.

"In the law department of the Bulletin will be included opinions of The Counsel of the Federal Reserve Board released for publication, such opinions

of counsel of the several banks as may be deemed of general interest, and reports of legislation, National and State, affecting the member banks.

"The Bulletin is intended as a means of communication between the Federal Reserve Board, the public, and the member banks. Its publication has been suggested from many quarters, and is expected to facilitate the work of the Federal Reserve banks by keeping them in touch with common problems and methods so as to avoid needless duplication in their several districts. The Bulletin is not intended as a vehicle for the expression of opinion, but as a means of distributing information. The cooperation of all member banks, and particularly of Federal Reserve banks, is requested in order that the publication may be made as complete as possible, and may contain as much information on subjects of general interest to members as is feasible.

"The Bulletin will be distributed free to Federal Reserve banks and to member banks. A subscription price for others will be determined later."

Annexed hereto, as Exhibits A, B and C respectively, are copies of the first and of recent issues of the Federal Reserve Bulletin, that is, the issues of May 1, 1915, May 1, 1922, and the short edition of June 1, 1922. An examination of these issues will disclose the character of the information contained in this publication.

The Federal Reserve Bulletin is printed at the Government Printing Office and for the further information of the Senate there is enclosed herewith, as Exhibit D, a copy of the Board's letter to Senator Reed Smoot, Chairman of the Joint Committee on Printing, under date of March 16, 1920, setting forth certain facts bearing upon the nature of the publication.

The original subscription price of the Federal Reserve Bulletin was \$2.00 per annum, but since July, 1920, the Board has published the Bulletin in two editions. The first or short edition, containing only the regular official announcements, a review of business conditions and other general matter, is distributed without charge to the member banks of the Federal Reserve System and at a charge of \$1.50 per annum to other subscribers. The final or complete edition, containing the detailed analysis of business conditions, special articles, review of foreign banks, and complete statistics showing the condition of Federal Reserve banks, is sold at the subscription price of \$4.00 per annum.

The amounts received from subscriptions and from sales of miscellaneous issues are covered into the General Fund of the Treasury to the credit of the Federal Reserve Board and can be disbursed only in the manner and for the purposes heretofore described.

Respectfully,

(Signed) W. P. G. Harding.

The President of the Senate.

G o v e r n o r .