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# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-3724

May 29, 1923.

SUBJECT: Functional Expenses,  
First Quarter, 1923.

Dear Sir:

The Board's Committee on Economy and Efficiency has studied the comparative exhibit of functional expenses for the first quarter of 1923, copies of which were sent to your bank on May 12. This study indicates to the Committee, as it has no doubt also indicated to you, that the wide variations in expenses shown by this exhibit cannot be accounted for by differences in the actual costs of the several banks, nor by degrees of efficiency in performing the work. As an illustration, reference is made to the figures reported for the "Country Checks" unit which show a range in unit costs from .298 to .557. The banks at the two extremes in this particular unit are handling practically the same total volume of work, and it is at once apparent that such a variation cannot reflect the exact results obtained in the two banks.

In order to determine the cause of these variations and at the same time to secure information which it is hoped will result in bringing the unit costs within a closer range, the Committee has decided to bring to the particular attention of each bank a few of the instances where its figures are considerably higher than the average for the system, or in the case of expenses for which unit costs are not available, instances where the expense appears to be otherwise out of line. The items thus called to your attention are referred to on a separate sheet enclosed herewith.

The Committee realizes fully that because of differences in the organization of the banks and in the allocation of various operations within the bank, local conditions and other factors, it will not be possible to secure absolutely comparable figures as to the cost of the operation of each unit provided for in Schedule E. It does believe, nevertheless, that with the instructions which have been prepared for the preparation of this schedule, it should be possible for all banks to report figures substantially correct and that when such figures are received a comparison of the costs of the several banks will be of real value to the system.

You are asked, therefore, to carefully investigate the

items referred to with a view to determining the cause for the wide variation in the figures, and to advise the Committee fully, as promptly as possible, with reference thereto.

Very truly yours,

A. C. Miller, Chairman,  
Committee on Economy and Efficiency.

(Enclosure)

TO ALL GOVERNORS, COPIES TO CHAIRMEN OF PROCEDURE COMMITTEES.