

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

July 29, 1924.
St. 4170.

SUBJECT: Committee on Salaries,
Expenditures and Efficiency.

Dear Sir:

This letter is to advise you of a change in the organization of the Board's committees whereby the Committee on Economy and Efficiency and the Committee on Salaries and Expenditures have been consolidated into one committee to be known as the Committee on Salaries, Expenditures and Efficiency. This committee will hereafter deal with all matters formerly handled by the two committees. The new committee is composed of two members, Mr. Geo. R. James, and Mr. E. H. Cunningham. Mr. E. L. Smead of the Board's staff has been designated as secretary of the committee.

In furthering its work the committee will in general be guided by the following:

1 - The individual boards of directors of the several banks are responsible for the proper, economical, efficient and safe operation of their respective banks. It is not the purpose of the Board or its committee to in any sense direct the operation of any bank, but rather to look directly to the directors of the banks for satisfactory results and you are, therefore, requested to read this communication, and all others that may be subsequently forwarded on the same subject, to the directors of your bank.

2 - It is the purpose of the Board, working through its committee, to keep itself informed so far as possible as to the comparative efficiency of operation of the banks and to make available to the banks such information as it has which will be helpful to them in this regard. While it is appreciated that the quarterly exhibits of operating expenses do not in many cases afford a true basis of comparison between the banks and that, therefore, the differences in the cost figures as indicated by these exhibits do not necessarily indicate the comparative efficiency of operations, the Board nevertheless believes that further effort should be made to reconcile these figures.

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3 - The Board is intending to ask the next Governors' Conference to give serious consideration to the matter of operating expenses and to request that the governors adopt at that conference some plan for definitely dealing with the subject of expenses with a view to securing the greatest possible efficiency in the operation of all banks. Any such plan should, of course, make it possible for the banks to benefit from the experience of each other, and for this reason it might well include the carrying on of some portion of this work through a committee of operating officers to be named by the governors.

4 - While in the opinion of the Board the economical operation of the banks is essentially an individual bank problem, the Board is nevertheless charged by law with certain duties of supervision and regulation, and it believes it to be its duty to see that every bank is run in the most economical manner possible and that the operations of the several banks are reasonably comparable.

This letter is sent you at this time in order that you may, between now and the next Governors' Conference, be giving the matter consideration so that the conference may be able to formulate definite plans for a constructive program of greater economy and efficiency in the operation of the banks.

Yours very truly,

Geo. R. James, Chairman,
Committee on Salaries,
Expenditures and Efficiency.

LETTER TO GOVERNOR OF EACH FEDERAL RESERVE BANK.