

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON.



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

Dear Sir:

There is inclosed a confirmation of the telegram sent you today in which it was stated that the Treasury Department was being advised that the Board and the Federal Reserve banks will continue until December 31, 1936, to absorb the cost of sending over the main lines of the leased wire system telegrams chargeable to the Treasury appropriation for miscellaneous and contingent expenses.

For your further information in connection with this matter, there are inclosed a copy of the Board's letter of July 16, 1936, to the Secretary of the Treasury, a copy of the letter received by Chairman Eccles under date of July 29, 1936, from the Administrative Assistant to the Secretary, and a copy of the Board's reply of this date.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,  
Secretary.

Inclosures.

TO PRESIDENTS OF ALL F. R. BANKS

X-9665-a

TELEGRAM

Board of Governors  
of the  
Federal Reserve System  
Washington

July 31, 1936.

Young - Boston  
Harrison - New York  
Sinclair - Philadelphia  
Fleming - Cleveland  
Leach - Richmond  
Newton - Atlanta

Schaller - Chicago  
Martin - St. Louis  
Peyton - Minneapolis  
Hamilton - Kansas City  
McKinney - Dallas  
Day - San Francisco

TRANS NO. 2422

Referring Board's letters November 29, 1935, X-9378, and March 26, 1936, X-9534, expenses of leased wire system, Board is advising Treasury today that Board and Federal reserve banks will continue until December 31, 1936, to absorb expense of sending over main line leased wires telegrams chargeable to Treasury appropriation for miscellaneous and contingent expenses. Letter follows.

(Signed) Chester Morrill

MORRILL

July 16, 1936.

The Honorable,  
The Secretary of the Treasury,  
Washington, D. C.

My dear Mr. Secretary:

Reference is made to my letter to you under date of July 31, 1935, with respect to the absorption by the Federal reserve banks of the cost of sending over the Federal reserve leased wires telegrams chargeable to the Treasury appropriation for miscellaneous and contingent expenses, and to my letter of November 21, 1935, to Mr. McReynolds in which I advised that, in view of assurances that there had been included in the Treasury estimates of expenses for the fiscal year 1937 an amount sufficient to permit of reimbursement for the telegrams in question and that the Treasury Department would do all that it could to have the item included in its appropriations, the Board would continue to handle such telegrams without reimbursement during the remainder of the fiscal year 1936 with the understanding that if funds were not obtained the Treasury Department would make some other arrangement under which the Federal reserve banks would be relieved of this expense. In a letter dated November 25, 1935, Mr. McReynolds stated that he would be glad to advise the Board of the action taken by Congress on the requested appropriation.

Upon approval on June 23, 1936, of the Treasury Department Appropriation Act, 1937, the matter was taken up again with the Treasury and a letter was received by the Board on June 30 from Mr. McReynolds in which he stated that no amount had been included in the appropriation for contingent expenses to enable the Department to make reimbursement for the telegraph service in question and that it would be thoroughly appreciated if the Board would find it possible to continue the telegraph service without reimbursement.

The appropriation for miscellaneous and contingent expenses which, among other things, contains express authority for the payment of telegraph and telephone expenses, is in the sum of \$155,000, and provides, in addition to this amount, that "the appropriations for the Public Debt Service, Internal Revenue Service, Federal Alcohol Administration, and Division of Disbursement for the fiscal year 1937 are hereby made available for the payment of items otherwise properly chargeable to this appropriation". Therefore, it appears to the Board that there is ample legal authority for the payment of the cost of the telegrams designated by the Treasury as chargeable to this appropriation.

Accordingly, in view of the long time this matter has been pending,

-2-

X-9665-b

the fact that the total amount of the Treasury expense absorbed by the Federal reserve banks in this connection has exceeded \$45,000 to April 1, 1936, and the further fact that if the messages were handled commercially the Treasury Department would be faced with the necessity of paying therefor, the Board has requested me to advise that it does not feel justified in continuing the present arrangement after this month, and if the Treasury Department is not in a position to pay for the telegrams, some arrangement should be made under which the Board and the Federal reserve banks will be relieved of the further absorption of this expense.

It will be appreciated if you will advise me at your early convenience as to the action which will be taken.

Respectfully,

(Signed) Marriner S. Eccles

M. S. Eccles,  
Chairman.

X-9665-c

July 29, 1936.

## TREASURY DEPARTMENT

Washington

My dear Mr. Chairman:

The Secretary received your letter of July 16, 1936, with reference to reimbursement to the Federal Reserve System for Treasury telegrams sent over the leased wire system, and I assure you that it is our desire to arrange the matter in a manner entirely satisfactory to your Board.

There has been no question as to the legal authority for this reimbursement, the question being one solely of the availability of funds. Under the authorization in the Contingent Expense appropriation for the use of certain other appropriations indicated for contingent expenditures, we are limited in the use of such funds to expenditures made solely for the services named, and no funds are available from that source for the Federal Reserve reimbursement in question. Of the direct appropriation of \$155,000 for Contingent Expenses, \$140,000 is required for fixed charges, leaving but \$15,000 available for contingencies and the purchase of new typewriters, labor-saving machines, file cases, etc. The Department has several hundred thousand dollars worth of labor-saving equipment, which on a replacement basis of only five per cent per annum would absorb this whole balance of \$15,000. For the past fiscal year \$22,000 was available above fixed charges for Treasury Contingent Expenses and we were able to operate on this small amount only through the exercise of the strictest economy, the disapproval of many requisitions and the carrying over into the present fiscal year of a number of unfilled requisitions for imperative items. With only \$15,000 available during the current fiscal year for similar purposes, you can appreciate the restricted situation with which we are faced in operating under this contingent appropriation.

Nevertheless, I appreciate that this question of reimbursement has been pending for a number of years and that, as you suggest, some arrangement should be made by which the Board and the Federal Reserve Banks will be relieved of this expense. I should like to submit, therefore, for your consideration the proposal that your Board carry these charges through December 31, 1936, on the definite understanding that the Treasury will make full reimbursement for such costs from and after January 1, 1937.

-2-

When Congress convenes in January, we will submit a deficiency estimate to meet our contingent requirements for the remainder of the current fiscal year and in our regular budget estimates for 1938 we will include funds for these leased wire charges. Should Congress fail to provide the additional funds requested, the Treasury nevertheless will assume these reimbursement costs, notwithstanding that funds for the purpose will have to be obtained through the withholding of approval of requisitions for contingent expense items even to a larger extent than has been necessary heretofore.

I hope that this proposal may meet with the approval of your Board and your cooperation in the matter is much appreciated.

Very truly yours,

(Signed) Wm. H. McReynolds

Wm. H. McReynolds,  
Administrative Assistant  
to the Secretary.

Hon. M. S. Eccles,  
Chairman, Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

X-9665-d

July 31, 1936.

Mr. Wm. H. McReynolds,  
Administrative Assistant  
to the Secretary,  
Treasury Department,  
Washington, D. C.

Dear Mr. McReynolds:

I have your letter of July 29 in regard to reimbursement for certain Treasury telegrams sent over the leased wires of the Federal reserve banks.

As you may know, the Federal reserve banks are confronted with the likelihood of continuing deficits, and the Board and the banks for some time past have been endeavoring to reduce expenses as well as increase the efficiency of their organizations. Naturally, therefore, we are disappointed to learn that the Treasury feels that it does not have the funds available for beginning the payment of the expense of these telegrams promptly.

However, in view of the assurances contained in your letter, the Board and the Federal reserve banks will continue to absorb this expense until the end of December, 1936, with the definite understanding as stated in your letter that the Treasury will make reimbursement for such costs beginning January 1, 1937.

Very truly yours,

(Signed) Marriner S. Eccles

M. S. Eccles,  
Chairman