THE NEW MONETARY SYSTEM OF THE UNITED STATES

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FOREWORD

BY proclamation on January 31, 1934, President Roosevelt established as the monetary unit of the United States a new gold dollar consisting of 15 and 5/21 grains of gold nine-tenths fine, or approximately 41% less in gold than the old gold dollar.

This action restored to the country a monetary system using gold formally as its base after eleven months of confusing monetary conditions during which gold payments were suspended.

The monetary system established by this action is avowedly novel. Based on the Gold Reserve Act of 1934, together with other monetary and banking legislation enacted since March 4, 1933, it involves changes in domestic monetary and banking arrangements that are unique and unprecedented in American monetary development. This legislation gives extraordinary discretionary control over the nation's supply of money and bank credit to the President and the Secretary of the Treasury.

The new monetary and banking system is based on gold but designed in theory to allow the free play of domestic and international financial forces to influence the supply of money and bank credit only to the extent that such freedom contributes to, and does not interfere with, the attainment of national economic objectives. These objectives, the President has stated, are the full employment of the country's productive resources at permanently higher and more stable price levels. Executive control over the supply of money and bank credit is intended to hasten and ensure their attainment.

This form of monetary system is extremely complex, with implications for the economic development of the country beyond any man's ability to perceive. Its ultimate significance and effectiveness will be disclosed only with the passage of time and events.

The present study is intended to contribute to a clearer understanding of the new monetary system. Its object is to explain and to bring into proper focus the basic monetary policies of the Roosevelt Administration upon which public discussion and controversy have largely centered during the past year. Chapter I is devoted to a cursory review of the development of gold-standard monetary systems. Chapter II contains a description of the new monetary system, as compared with the gold-standard system formerly maintained by the United States. Chapter III analyzes the new plan of monetary management. Chapter IV considers the implications of the new monetary program for national recovery and stability. Chapter V presents the summary and conclusions.

This publication was prepared by Dr. Ralph A. Young, of the Wharton School of Finance and Commerce of the University of Pennsylvania, who has been associated with the Research Staff of the Conference Board in connection with the studies made by the Board in the field of banking and finance in recent years.

In addition, the Board expresses its appreciation for the cooperation of Professor Benjamin H. Beckhardt, of Columbia University, Professors William J. Carson and F. Cyril James, of the University of Pennsylvania, Professor Walter E. Spahr, of New York University, and Professor Ray B. Westerfield, of Yale University, who have critically considered the manuscript in course of its preparation and offered helpful suggestions.

VIRGIL JORDAN
President

August, 1934

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TECHNICAL FRAMEWORK OF THE OLD GOLD

UNDER THE OLD GOLD STANDARD[1]

Definition of

The dollar of the United States was defined as a weight of 25.8 grains of gold nine-tenths fine.

Free and Unlimited

Standard or fine gold bullion or foreign gold coin offered by any person was freely convertible into gold coin or currency in unlimited quantities at any mint of the United States Treasury. Charges were made only for assaying the gold and for mint costs other than actual coinage.

Limitations on Gold Coin

The issuance of gold coin or currency was definitely limited to the quantity of standard gold offered to the mints for conversion into coin or currency at the standard weight for the gold dollar fixed by the Gold Standard Act of 1900.

[1] Based on the monetary and banking statutes of the United States in force prior to March 4, 1933.

APPENDIX A

STANDARD AND THE NEW MONETARY SYSTEM

Under the New Monetary System[3]

the Dollar

The dollar of the United States is defined as a weight of 15 5/21 grains of gold nine-tenths fine.

Coinage of Gold

All gold coin is withdrawn from circulation and melted into gold bars. No gold may be coined, but gold certificates may be freely issued against gold held in the Treasury.

Standard or fine gold bullion or foreign gold coin may be presented in unlimited quantities to the mints only for sale and not for coinage. Such gold may be presented, however, only by persons licensed by the Secretary of the Treasury, and may include only newly mined domestic gold, unmelted scrap gold, or foreign gold imported after January 30, 1934. The purchase of other gold by the mints must be specially authorized by the Secretary of the Treasury.

All mint charges are deductible from the price of any gold purchased by the mints, as well as a Treasury discount at ¼%. Payment by the Treasury may be made with any direct obligations, coin or currency of the United States, authorized by law, or with any unappropriated funds in the Treasury.

and Currency Issues

The Secretary of the Treasury is authorized, ***but not required***, to issue gold certificates against gold acquired and held by the Treasury under the terms of the Gold Reserve Act of 1934, up to the legal value of such gold. Thus, he is granted discretionary power over the monetization by the issue of gold certificates of: (1) the $2.8 billion of gold profits obtained from the revaluation of gold stocks in accordance with the new weight for the gold dollar and

[3] Based on the Gold Reserve and Silver Purchase Acts of 1934, accompanying orders and regulations, and the monetary and banking statutes of the United States as modified by legislation passed subsequent to March 4, 1933.

UNDER THE OLD GOLD STANDARD

Discretionary Powers of

No discretionary power over the standard weight for the gold dollar was vested in the Executive.

National Policy with

Under an Act of 1893, it was declared to be the policy of the United States to effect the joint monetary use of both gold and silver under a bimetallic system established through international agreement. Again, under an Act of 1897, the President was given authority to call an international conference with a view to securing international agreement on the use of silver. The Gold Standard Act of 1900, finally, declared that the provisions of the Act were not intended to preclude the accomplishment of international bimetallism whenever conditions might make it possible to secure concurrent action of leading foreign nations.

Discretionary Powers of the

No discretionary powers of any kind over the issue of silver currency were vested in the Executive, and silver currency issues were definitely limited by law.

(2) all gold purchased by the Treasury under authority of the Gold Reserve Act.

Notwithstanding this general discretionary power of the Secretary of the Treasury over the monetization of unpledged gold holdings, the Secretary of the Treasury is granted special authority over the monetization of $2 billion of the total gold profits set aside as a Stabilization Fund. He is authorized to monetize this Fund only for purposes of stabilizing the exchange value of the dollar and for supporting the market for United States Government securities. The life of the Fund is limited to two years from the passage of the Gold Reserve Act, unless extended for an additional year or terminated sooner by the President.

Executive over Gold Dollar

The President, at his discretion, may vary the standard weight for the gold dollar between 12.9 and 15.48 grains of gold nine-tenths fine, and thus increase or decrease the monetary gold supply of the Treasury. This power may be exercised if warranted by international conditions, by the necessity of maintaining the parity of domestic currency issues, or by emergency needs for an expansion of domestic credit. It expires within two years from the passage of the Gold Reserve Act of 1934, unless continued for an additional year or terminated sooner by the President.

Regard to Silver

Under the Silver Purchase Act, it is declared to be the policy of the United States "that the proportion of silver to gold in the monetary stocks of the United States should be increased, with the ultimate objective of having and maintaining one fourth of the monetary value of such stocks in silver." This policy, according to the President's message to the Congress on the subject of silver legislation, May 22, 1934, is intended to be pursued independently of any action on the part of other countries in providing for a larger monetary use of silver.

Executive over Silver and Other Currency

If warranted by international conditions, by the need for maintaining a parity of the currencies, or by emergency needs for credit expansion, the President may: (1) provide for the unlimited coin-

UNDER THE OLD GOLD STANDARD

Discretionary Powers of

The Executive had no discretionary powers over the issuance of other types of United States currency.

Legal Tender and

Gold coin and certificates representing gold were the principal legal tender or lawful money of the United States. Silver dollars and United States notes were also full legal tender or lawful money but were limited as to issue. Other coin and currency of the United States had limited legal tender powers and were not lawful money. Silver certificates, however, were not legal tender, but they were regarded as lawful money for banking purposes because

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age (or purchase) of silver at any fixed ratio with gold that he may determine; (2) reduce the weight of the standard silver dollar and subsidiary silver; or (3) authorize the issuance of silver certificates against silver bullion or coin in the Treasury, in excess of outstanding silver certificates. These powers expire two years after the passage of the Gold Reserve Act of 1934 unless extended for an additional year or terminated sooner by the President.

The Secretary of the Treasury is empowered and directed to issue silver certificates in any denomination secured by silver purchased in pursuit of national silver policy as laid down in the Silver Purchase Act of 1934. The face amount of such securities may not be less than the cost of all silver bought under the terms of the Silver Purchase Act, but may, at the discretion of the Secretary of the Treasury, aggregate the full lawful monetary value of silver purchases, or $1.29 per fine ounce. The Secretary of the Treasury may use his own judgment in purchasing silver to carry out the national silver policy until silver stocks are equal to one fourth total stocks of gold and silver, but the price paid may not exceed $1.29 per ounce, nor more than $.50 for silver situated in the United States on May 1, 1934. The issuance and placing in circulation of at least the minimum amount of silver certificates on the basis of silver purchases are mandatory.

Executive over Other Currency

If warranted by international conditions, by the need for maintaining a parity of the currencies, or by emergency needs for credit expansion, the President may authorize the Secretary of the Treasury to issue up to $3 billion of United States notes, "greenbacks," to retire the public debt. Such notes, if issued, must be retired at the rate of 4% per annum. No time limit is set in the law for the lapse of this Executive power, so that it may be adjudged continuing and permanent until repealed by the Congress.

Lawful Money

All coins and currencies issued by the United States, including bank notes of national and Federal Reserve Banks and Federal Reserve notes, have unlimited legal tender powers and hence are lawful money.

of their ready redeemability into silver dollars. Bank notes issued by national and Federal Reserve Banks and Federal Reserve notes were not legal tender but had limited circulation powers.

Parity of the

The Secretary of the Treasury was required to keep all currencies of the United States at a parity with one another and with the gold dollar. In practice, this requirement was literally adhered to. All United States currencies were freely exchangeable with one another at the Treasury, and they were freely redeemable in gold coin or bullion at parity.

Redemption Funds for

Special redemption funds against different currency issues, including bank notes, were maintained by law with the Treasury in gold or lawful money in order to facilitate the maintenance of parity between domestic currencies. For example, a fixed redemption fund of $150 million in gold was maintained against United States notes; a 5% redemption fund in lawful money was maintained against national and Federal Reserve Bank notes; and a 5% redemption fund in gold was held against Federal Reserve notes.

Federal Reserve

The Federal Reserve Banks were empowered to hold standard or fine gold bullion as well as gold coin or currency and Treasury deposits payable in gold in their 35% reserves required against deposits and 40% reserves required against Federal Reserve note issues. Other lawful money as well as gold coin or bullion and Treasury gold deposits could be held as required reserves against deposits.

Under the New Monetary System

Currencies

The Secretary of the Treasury is required to keep all currencies of the United States at a parity with one another and with the gold dollar. A literal adherence to this requirement is necessitated only in respect to various currencies circulating domestically and gold certificates. What constitutes an effective parity between domestic currencies and the gold dollar, regardless of the legal definition of the gold dollar, is a matter of discretion with the Secretary of the Treasury. He is only under obligation to redeem gold certificates when offered by Federal Reserve banks *if, in his judgment,* redemption is necessary to maintain the equal purchasing power of every kind of currency.

Treasury and Bank Currency Issues

Special redemption funds against different currency issues continue to be required by law with the Treasury in order to facilitate the maintenance of the parity between the currencies. The fixed redemption fund against United States notes and Treasury notes of 1890,[1] however, has been made merely a reserve fund. Gold certificates in place of gold are stipulated for the redemption fund against Federal Reserve notes.

Banks and Gold

The Federal Reserve Banks are empowered to hold only gold certificates and Treasury deposits payable in gold certificates in their 35% reserves required against deposits and 40% reserves required against Federal Reserve note issues. Other lawful money as well as gold certificates and Treasury gold deposits may be held as required against deposits.

[1] Treasury notes of 1890 may be considered as obsolete since only $1 million approximately remain in circulation.

Under the Old Gold Standard

Suspension of Gold

The Federal Reserve Board was permitted to suspend reserve requirements of Federal Reserve Banks for short periods and to renew such suspension, but was required to impose a graduated tax on the deficiency in reserves. Federal Reserve Banks in turn were required to pass this tax on to member banks in the form of higher discount charges.

Redemption of Federal Reserve

Federal Reserve Banks were obliged, by practical necessity, to redeem their deposits and, by law, their Federal Reserve notes in gold or lawful money. Since they were obliged to accept all forms of money offered by member banks in exchange for their own liabilities, they constituted agencies outside the Treasury where domestic money could be converted into gold in any form.

Federal Reserve

The Federal Reserve Banks were empowered to deal freely, at home or abroad, in gold coin or bullion. Such dealings contributed to the free convertibility of United States currency, bank notes, and bank deposits into gold coin and bullion.

Powers of Secretary of

The Secretary of the Treasury had no general discretionary powers to deal in gold at home or abroad, although the performance of its coinage redemption and conversion functions by the Treasury involved operations tantamount to obligatory dealings in gold. Notwithstanding, the Secretary of the Treasury was empowered to

Under the New Monetary System

Reserve Requirements

The Federal Reserve Board has the power to suspend reserve requirements of the Federal Reserve Banks for short periods, and to renew such suspensions. If, however, reserves have become deficient as a result of an emergency credit program, entered into under agreement with the Secretary of the Treasury acting at the direction of the President, no graduated tax on the deficiency in reserves is required, and hence, no automatic increase in discount rates.

Deposits and Note Issues

Federal Reserve Banks are obliged to redeem their deposits and Federal Reserve notes only in lawful money. They may apparently redeem them in gold for purposes of maintaining the parity of the currencies and, under present Treasury regulations, for settling international transactions, with the approval of the Secretary of the Treasury. But each "redemption" may be made only to persons licensed by the Secretary of the Treasury to acquire, hold, and ship such gold.

Dealing in Gold

All gold dealings of the Federal Reserve Banks are subject to regulation by the Secretary of the Treasury. Under existing Treasury regulations, issued January 31, 1934, the Federal Reserve Banks may acquire gold abroad by purchase, lawfully held gold domestically by purchase, and Treasury gold by redemption of gold certificates for purposes of maintaining the parity of the currencies and settling international balances. All gold acquisitions not used for these purposes within a period of six months must be paid into the Treasury in exchange for an equivalent amount of dollar credits payable in gold certificates.

Treasury to Deal in Gold

With the approval of the President, the Secretary of the Treasury is empowered to purchase gold in any amounts at home or abroad with any direct obligations, coin or currency authorized by law, or with any unappropriated funds of the Treasury. Such purchases may be made at such rates and on such terms or conditions

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borrow gold on the security of the United States bonds or notes bearing interest up to 3%, or to sell such bonds for the purpose of buying gold, if additional gold holdings were needed by the Treasury to maintain the parity of the currencies or to strengthen national gold reserves. In addition, he was required to acquire gold in this way to restore the fixed gold redemption fund against United States notes and Treasury notes of 1890 to $150 million in the event that it should fall below $100 million.

Powers of the Secretary of

The Secretary of the Treasury had no discretionary power to deal in silver at home or abroad.

Federal Reserve Dealings

The Federal Reserve Banks had the power to deal at home or abroad in foreign exchange (cable transfers and time bills of exdeemed most advantageous to the public interest. Moreover, they may be made regardless of any provision of the law requiring the maintenance of the parity of the currencies or limiting the purposes for which direct obligations or currency may be issued, or requiring any direct obligations to be issued as a popular loan or on a competitive basis.

The Secretary of the Treasury, in addition, has independent discretionary powers to sell gold in any amounts at home or abroad at such rates and on such terms or conditions as may be most advantageous to the public interest. Gold specifically held as currency reserves, however, may only be sold to the extent necessary to maintain the parity of the currency with the gold dollar.

During the life of the Stabilization Fund, finally, the Secretary of the Treasury has unrestricted power to deal in gold at home or abroad for the account of the Fund.

the Treasury to Deal in Silver

To give effect to national silver policy, the Secretary of the Treasury is authorized to buy silver at home or abroad at such rates and times and on such terms or conditions as he deems reasonable and most advantageous to the public interest. No purchases, however, may be made at a price in excess of the monetary value of silver of $1.29 per ounce, nor at a price in excess of $.50 per ounce in the case of silver situated in the United States on May 1, 1934. Moreover, silver may not be purchased when monetary silver stocks are equal to or greater than one fourth of the monetary value of total gold and silver stocks.

Whenever the market price of silver exceeds its monetary value or whenever silver stocks are in excess of one fourth of the monetary value of total gold and silver stocks, the Secretary of the Treasury, with the approval of the President, may sell silver at home or abroad at such rates and times and on such terms or conditions as he deems reasonable and most advantageous to the public interest.

in Foreign Exchange

The Federal Reserve Banks may continue to deal freely at home or abroad in foreign exchange, but so long as an emergency is held

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change) subject to regulations of the Federal Reserve Board. Such dealings, though never large in practice, contributed to the maintenance of the parity between the dollar and foreign gold currencies.

Powers of Secretary of Treasury

The Secretary of the Treasury had no power to deal actively at home or abroad in foreign exchange with the object of stabilizing the exchange value of the dollar.

Executive Control over Foreign

Except under emergency conditions no less serious than those accompanying war, the Executive had no clear legal powers to subject transactions in foreign exchange to any regulation or control.

Ordinary Discount Powers of

Subject to limitations, restrictions, and regulations of the Federal Reserve Board, the Federal Reserve Banks had the power to rediscount for member banks on their own endorsement: (1) bona fide commercial paper of not more than 90 days maturity; (2) agricultural and livestock paper of an original maturity of nine months but due in 90 days; and (3) sight or demand bills of exchange to finance shipments of non-perishable agricultural commodities, but not for longer than 90 days. In addition, the Federal Reserve

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to obtain by the President, only under license of the Secretary of the Treasury. In addition, such operations are subject to regulation by the Federal Reserve Board, and the Board has special supervision over all relationships and transactions between a Federal Reserve Bank and any foreign bank.

to Deal in Foreign Exchange

During the existence of the Stabilization Fund, the Secretary of the Treasury is empowered to deal actively at home or abroad in foreign exchange as well as gold for the account of the Fund with the object of stabilizing the exchange value of the dollar. The permanent and continuing powers of the Secretary of the Treasury to buy or sell gold abroad and to buy or, under special conditions, sell silver abroad, necessarily involve accompanying powers to deal in foreign exchange in order to effect such buying or selling transactions.

Exchange Transactions

During any national emergency as the President may declare, foreign exchange transactions and all international transfers of credit by banking institutions may be subject to Executive regulation and control. Under the regulations laid down for the present emergency, all foreign exchange transactions must be licensed by the Secretary of the Treasury unless they are for normal commercial or business requirements, reasonable travelling and personal purposes, or the fulfillment of obligations entered into before March 9, 1933.

the Federal Reserve Banks

Ordinary discount powers of the Federal Reserve Banks are broadened to permit advances to members on their promissory notes secured by eligible paper up to 90 days instead of only up to 15 days.

Such powers are also enlarged to permit Federal Reserve Banks to make direct advances, not exceeding 90 days, to individuals, partnerships and corporations on promissory notes secured by direct United States obligations.

UNDER THE OLD GOLD STANDARD

Banks had the power to make up to 15-day advances to member banks on their notes collateralled with eligible paper, with United States Government securities, or with obligations of the Federal Intermediate Credit Banks. As a matter of practice, uniform discount rates were maintained by the Federal Reserve Banks for all rediscounts and advances, though differences in rates obtained as between the different Federal Reserve Banks.

Emergency Discount Powers of

The Glass-Steagall and Emergency Relief Acts of 1932 granted Federal Reserve Banks three emergency powers applicable with special permission of the Federal Reserve Board: (1) to make advances on promissory notes secured by non-eligible assets to groups of not less than five member banks at discount rates at least 1% above prevailing rates; (2) to make similar advances to individual member banks having $5 million capital or less; and (3) to discount eligible commercial paper directly for individuals, partnerships and corporations unable to secure banking accommodation through ordinary channels. The first and third powers are continuing; the second was temporary, up to March 3, 1933.

Federal Reserve Deal-

The Federal Reserve Banks had the power to deal freely, at home or abroad, in United States Government securities, municipal

UNDER THE NEW MONETARY SYSTEM

The Federal Reserve Banks are also authorized to discount or purchase from any bank, trust company, mortgage company, credit corporation for industry, or other financial institution industrial and commercial obligations maturing within five years and entered upon for the purpose of obtaining working capital. Any such financing institution must obligate itself for at least 20% of any loss sustained, or advance 20% of the working capital for the borrowing firm without obligating itself on the amount advanced by the Federal Reserve Banks.

The aggregate amount of such Federal Reserve discounts or purchases, including emergency discounts or purchases as may be made directly, is limited to the combined surplus of the Federal Reserve Banks as of July 1, 1934, plus all amounts paid by the Secretary of the Treasury to the Federal Reserve Banks up to the par value of the Federal Deposit Insurance Corporation stock which they hold, or up to $139 million. All amounts so paid by the Secretary are to be made out of the gold profit fund.

Finally, the Reserve Banks are authorized to discount six-month notes to finance residential and farm building construction if such notes are accompanied by agreement with a responsible party to advance the amount of the loan on completion of the building.

the Federal Reserve Banks

The temporary power to make emergency advances to member banks of $5 million capital or less is extended to any member bank until March 5, 1935. Special approval of the Federal Reserve Board is not required.

Furthermore, the Federal Reserve Banks, under authority granted by the Federal Reserve Board, may make direct loans to, or purchase obligations of, established industrial or commercial businesses. Such loans or purchases of obligations may be made only if accommodation on a reasonable basis is otherwise unavailable, if they are for working capital purposes, and if they have a maturity not exceeding five years. Moreover, they can be made only out of resources of the Federal Reserve Banks allocated for discounts of medium-term industrial and commercial loans.

ings in Open Market

The open-market dealings of the Federal Reserve Banks are put under the guidance of a Federal Open Market Committee and state warrants, and banker's acceptances under the general regulation of the Federal Reserve Board. In dealing in acceptances, the Reserve Banks were passive, merely setting a rate at which they would buy. In dealing in government securities, they were active and co-operated as a system in accordance with policies decided formerly by an Open-Market Investment Committee consisting of representatives of the more important Federal Reserve Banks, and since 1930, by an Open-Market Investment Conference including representation from all Federal Reserve Banks.

Executive Influence in

The Executive had no power to influence in any way the open-market operations of the Federal Reserve Banks.

Open-Market Powers of the

The Secretary of the Treasury had no discretionary powers to deal with public funds, at home or abroad, in bills of exchange and securities.

with a member elected by each Reserve Bank and under *specific* regulation of the Federal Reserve Board. All open-market operations are to be definitely governed "with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country." If a Federal Reserve Bank shall decide not to participate in open-market operations recommended and approved, it must notify the Committee and the Board.

Open-Market Operations

If justified by international conditions, the necessity of regulating and maintaining the parity of the currencies, or emergency needs for an expansion of domestic credit, the President may direct the Secretary of the Treasury to enter into agreement with the Federal Reserve Banks and the Federal Reserve Board whereby the Federal Reserve System will undertake either open-market purchases of government and government-controlled corporation securities, or direct purchases of government securities from the Treasury, or both, to a total of $3 billion. If reserves should fall below the legal limits as a result of such operations, no graduated tax is required on the deficiency in reserves. Nor are higher discount rates automatically involved on this account. In case an undue expansion of credit should ensue from these operations, the Federal Reserve Board may take whatever steps seem necessary to control credit conditions, but only with the approval of the Secretary of the Treasury.

Secretary of the Treasury

The Secretary of the Treasury is empowered, during the life of the Stabilization Fund, to deal in any credit instruments or securities expedient for the account of the Fund, as well as in gold and foreign exchange. Moreover, the Secretary of the Treasury at his discretion, but with the approval of the President, may invest any portions of the Stabilization Fund, not needed for stabilizing the exchange value of the dollar, in any United States Government securities.

UNDER THE OLD GOLD STANDARD

Export and Im-

Gold coin or bullion could be exported and imported from the United States in unlimited quantity and without restriction or license by any person, association, or corporation.

Export and Im-

No restrictions of any kind were imposed on the export and import of silver.

Private Owner-

Any person, association, or corporation had the right to deal in, hold, or transport gold in any form for any purpose without restriction.

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As a permanent and continuing power to regulate the market value of United States Government securities, the Secretary of the Treasury may anticipate, from time to time, the payment of interest on the public debt by a period not exceeding one year, either with or without a rebate of interest upon the coupons.

port of Gold

Gold bullion and foreign coin can be exported and imported for private domestic and foreign account only under license and regulation of the Secretary of the Treasury.

The Secretary of the Treasury, however, may import and export gold freely, either with the approval of the President in connection with the general gold account of the Treasury or under his discretionary authority in connection with the operations of the Stabilization Fund.

Under Treasury regulations now in force, issued January 31, 1934, the Federal Reserve Banks may only import and export gold, as necessary in the judgment of the Secretary of the Treasury, for purposes of maintaining the parity of the currencies and settling international balances.

Other gold exports and imports are licensed for domestic account only when applied for by persons engaged in a gold-using industry, profession or art, or when undertaken for sale to the United States. This allows a considerable freedom in the import of gold, but disallows free exportation of gold on private account for financial and banking purposes.

port of Silver

Power is vested in the Secretary of the Treasury, with the approval of the President, to investigate, regulate, and prohibit, by license or otherwise, the exportation, importation, and transportation of silver and to require reports on the facts involved. Under existing regulations, issued June 28, 1934, silver may be freely imported, but it may be exported only under license for legitimate business purposes.

ship of Gold

Title to the entire monetary gold stock of the United States is vested in the United States Government. Only persons, associations, or corporations licensed by the Secretary of the Treasury,

UNDER THE OLD GOLD STANDARD

Private Owner-

Any person, association, or corporation had the right to deal in, hold, or transport silver in any form without restriction.

and abiding by regulations issued by him may hold, transport or deal in gold in unfabricated form. Such licenses are issued under Treasury regulations of January 31, 1934, only to persons engaged in industry, professions or the arts, requiring gold for customary use. Unsmelted and unrefined gold, newly mined, may be acquired and held without license, however. So also may gold for industrial, professional or art use in amounts of twenty-five ounces of fine gold or less. Unmelted scrap gold in amounts of five ounces of fine gold or less, in addition, may be held, but not acquired, without license.

Whenever the Secretary of the Treasury deems action necessary to protect the currency system of the United States, he is empowered to require all private individuals, associations, or corporations to deliver all gold coin, bullion, or certificates to the Treasury and to provide compensation for such delivery in an equivalent of other forms of coin or currency, together with payment for all costs of transportation.

ship of Silver

All profits arising from transfers of any interest in silver bullion, if a party to the transfer is a resident American citizen or if the silver bullion is situated in the United States, are subject to a 50% tax.

In addition, the Secretary of the Treasury has the power, with the approval of the President, to regulate or prohibit the acquisition, importation, exportation, or transportation of silver, by licenses or otherwise, and to require reports as to the facts involved.

Finally, whenever action is required to regulate the value of the money of the United States, the President may require delivery to the United States mints of any or all domestic silver, regardless of its situation or ownership. Payment for such deliveries may be made in standard silver dollars or any other coin or currency on the basis of the monetary value of silver less deductions for brassage or seigniorage, and costs. In no case, however, may the compensation payment be less than the fair value of the silver delivered as determined by the market price for a reasonable period of time just prior to the Executive order requiring the delivery of silver. All reasonable costs of delivery must be paid by the Treasury.

UNDER THE OLD GOLD STANDARD

Free Gold

Monetary and banking law, Treasury practices, and the operations of the Federal Reserve together provided the United States with a free gold market. The Treasury and the Federal Reserve Banks constituted the heart of the gold market.

Free Silver

A free silver market, based on private transactions of both domestic and international origin, and intimately connected with world silver markets, prevailed in the United States.

Domestic Price

A fixed and invariable domestic market price for gold of $20.67 per fine ounce and $18.60 per standard ounce obtained in the United States. This was due to the following conditions: (a) the legal definition of the dollar as a weight of fine gold of 23.22 grains, giving an ounce of fine gold the monetary value of $20.67; (b) the legal obligation of Treasury mints to convert fine or standard gold bullion or foreign gold coin into United States gold coin freely and without coinage charge, or to issue an equivalent amount of gold certificates for gold bullion or coin deposited with the mints; (c) the free and unlimited convertibility of all non-gold coin and currency into gold coin, bullion, or currency; and (d) the legal obligations and operations of the Federal Reserve Banks with reference to gold.

UNDER THE NEW MONETARY SYSTEM

The Executive Order of August 9, 1934, requires all domestic silver bullion, privately held *on the date of the order*, of more than 0.8 fineness, to be delivered to the Treasury within 90 days. Individual silver holdings for industrial, professional and art uses in excess of 500 fine ounces are excepted. The order authorizes the Secretary of the Treasury to pay 50 cents a fine ounce for all silver surrendered under its terms, plus reimbursement for costs of delivery to the nearest Treasury mint. Subsequent to the final date of surrender, only private persons, associations, and corporations licensed by the Secretary of the Treasury may withhold silver bullion covered by the Order.

Market

A rigidly controlled gold market, dominated and regulated by the Executive, notably the Secretary of the Treasury, now obtains in the United States.

Market

A governmentally controlled silver market, under Executive regulation, notably by the Secretary of the Treasury, and dominated by the silver purchase policy of the Treasury, now obtains in the United States.

for Gold

A fixed monetary value for gold of $35 per fine ounce is temporarily fixed by the Executive, subject to change for a period of two years within the limits of $34.52 and $41.34. Under existing Treasury regulations, issued January 31, 1934, the Treasury will only buy gold at $35 per fine ounce less ¼% and only sell gold for $35 per fine ounce plus ¼%. These buying and selling prices, in addition, are subject to change by the Secretary of the Treasury without notice. So long as the buying and selling prices cited above are not changed, the market price for gold bullion for private industrial, professional and art use may vary within the limits of $34.91 and $35.08 per fine ounce.

Under the Old Gold Standard

The Domestic

A variable domestic price for silver formerly obtained, determined by the free competitive play of domestic and international supply and demand forces. The domestic price maintained a close parallel with the price of silver on foreign markets by virtue of continuous international transactions and arbitrage in silver and of the unrestricted import and export of silver.

Under the New Monetary System

Price for Silver

Three prices for silver temporarily prevail domestically: (1) the open-market price which applies to silver bullion not covered by the silver nationalization action; that is, to silver bullion not situated in the United States on August 9, 1934; (2) the Treasury price for silver nationalized by the Executive Order of August 9, 1934, amounting to 50 cents per fine ounce; and (3) the Treasury price for newly mined domestic silver purchased from producers under the Executive Order of December 22, 1933, amounting to $0.645 per fine ounce.

The open-market price no longer parallels closely the world price because of a transfer tax, effective May 15, 1934, on all profits gained from silver transfers. The tax restricts transactions on the domestic silver market and renders the connection between domestic and foreign silver prices less intimate. This connection may also be disturbed by the Executive Order of August 9, 1934, which has temporarily terminated all trading in silver contracts on the New York Commodity Exchange.

At any time, the Secretary of the Treasury, subject to the approval of the President, may convert the domestic market silver price into a rigidly controlled price by the exercise of his powers to regulate or prohibit the private acquisition, exportation, importation and transportation of silver. Such action might or might not be accompanied by further nationalization of silver.

Strictly speaking, the Treasury has no formal price for silver. The Executive Order of December 22, 1933, nevertheless, authorizing the Secretary of the Treasury to *receive* newly mined domestic silver *for coinage* at a price of $1.29 per fine ounce, less 50% for seigniorage and services, established such a price in effect. This Order gave effect to the International Silver Agreement of 1933, under which the United States committed itself for four years from January 1, 1934, to absorb 24.4 million ounces of newly produced domestic silver for coinage or currency reserves, while governments of other producing areas agreed to absorb 10.6 million ounces, and other governments with large monetary stocks, i.e., the governments of India and Spain, agreed to restrict their sales of silver to 40 million ounces annually. The Executive Order of August 9, 1934, does not establish a formal price for silver.

Under the Old Gold Standard

The Export and Im-

Unrestricted international gold shipments operated to limit narrowly and automatically the fluctuations of the dollar from its parity with foreign gold currencies in the exchange markets. Such shipments took place largely whenever the exchange rates for foreign currencies exceeded the costs of acquiring and shipping gold or the so-called export and import points for gold. Because of the maintenance of a free gold market and an unvarying market and mint price domestically, only handling, insurance, interest, and freight charges entered into the costs of exporting and importing gold so far as American markets were concerned.

Convertibility of

Deposit currency (deposits subject to check) issued by commercial banks was in practice convertible into any other coin or currency on demand and was legally convertible into lawful money. The free exchangeability of other coins and currencies into gold meant that, for all practical purposes, bank deposit currency was directly or indirectly convertible without restriction into gold coin or bullion on demand.

Fractional Reserves

Commercial banks were required to maintain fractional reserves against deposits, and these percentage reserves were definitely

UNDER THE NEW MONETARY SYSTEM

port Points for Gold

International gold shipments continue to limit the fluctuations of the dollar from its parity with foreign gold currencies. Such gold shipments, however, do not take place automatically when exchange rates render them profitable, but only if permitted by license and regulation of the Secretary of the Treasury. When permitted on private account, domestic or foreign, the export and import points for gold shipments are affected by the Treasury's buying and selling price for gold, as well as by actual transport, interest and insurance costs. On the other hand, when permitted for the account of, or under the direction of, the Federal Reserve Banks, the export points at least may be lower, since, under prevailing Treasury regulations, the Federal Reserve Banks may redeem gold certificates for settling international balances. The fact that the Secretary of the Treasury maintains strict control over exports and imports for gold and the fact that the Treasury's buying and selling prices for gold may be changed without notice, make the gold export and import points of exchange rates uncertain.

The limits to the dollar's fluctuations against foreign gold currencies in the international exchange markets, therefore, are not so precise as formerly except for short periods of time when Treasury gold policies are considered certain. In so many words, indeed, the effective parity between the dollar and foreign gold currencies is a matter of judgment of the Secretary of the Treasury.

Deposit Currency

Deposit currency issued by commercial banks is convertible without restriction into lawful coin or currency on demand, but no mandatory, direct or indirect, convertibility into gold in any form on demand obtains. Convertibility of deposit currency into gold bullion may be permitted indirectly at the discretion of the Secretary of the Treasury by the purchase of gold from the Treasury under regulation and license.

for Deposit Currency

The fractional reserves of member banks, whose deposit currency issues now constitute more than four fifths of the total for

UNDER THE OLD GOLD STANDARD

fixed by federal or state banking law. In the case of member banks, whose deposit currency issues were three fourths of the total for the country, reserves of from 7% to 13%, against demand deposits, depending on the location of the bank, had to be maintained in the form of balances with Federal Reserve Banks. In the case of nonmember banks, reserves could be maintained as cash or balances with other banks.

Control over the Issue

By lending and investing reserves in excess of those required, commercial banks freely created deposit currency. Loans and investments, however, were subject to some limitation and regulation by law. In addition, banks were subject to periodical examination by public supervisory authorities for purposes of appraising their assets and adjudging their solvency.

Total Reserves for

The total amount of deposit currency that commercial banks could issue depended on the volume of reserves. In turn, the volume of reserves depended generally on the following main factors:

(a) The monetary gold stock of the country as affected by do-the country, are subject to change under emergency conditions by order of the Federal Reserve Board, with the approval of the President.

of Deposit Currency

Commercial banks may freely create deposits on the basis of excess reserves, but their loans and investments are subject to a more strict regulation and supervisory control.

Member banks, for example, may only purchase investment securities under limitations and restrictions prescribed in regulations of the Comptroller of the Currency, excepting United States securities and those of the Federal Home Loan banks, the Home Owner's Loan Corporation, and securities issued under the Farm Loan Act. Moreover, their investments in any investment issue, except small issues, may not exceed 10% of the amount outstanding or 15% of their capital and 25% of their surplus.

The Federal Reserve Board, in addition, has the power: (a) to fix the percentage of member bank loans and investments that may be represented by collateral (stock and bond) loans; (b) to remove officers of member banks who persist in unsound banking and credit practices; (c) to suspend a member bank from the use of Federal Reserve credit facilities for undue use of bank credit.

Under the Securities Exchange Act of 1934, the Federal Reserve Board has the power to impose the same margin requirements for member and non-member loans, extended for the purchase or carrying of listed equity securities, as are imposed for loans made by brokers dealers and others to whom Federal Reserve margin requirements may apply.

Deposit Currency

New factors are introduced affecting the total volume of commercial bank reserves available as the basis of bank currency issues. They include:

(a) The issue of gold currency resulting from the Treasury's

UNDER THE OLD GOLD STANDARD

mestic gold production and consumption, and unrestricted international shipments of gold;

(b) The limited coin and currency issues of the Treasury and the bank note issues of national and Federal Reserve Banks, including Federal Reserve notes;

(c) The supply of credit furnished by the Federal Reserve Banks in the form of deposit balances and Federal Reserve notes as determined by the volume of rediscounts or advances to member banks and by open-market purchases in excess of sales of Government securities;

(d) The proportion of the total coin and currency supply required by the public for circulating media, for a store of current value, and for hoarding;

(e) The proportion of the total cash resources of banks required by law to be earmarked as reserves against time and savings deposits.

Insurance of

Ownership of deposit currency and savings deposits was wholly at the risk of the depositor.

expenditure of unappropriated profits obtained from the revaluation of gold reserves;

(b) The issue of gold currency resulting from the Treasury's employment of the $2 billion Stabilization Fund to stabilize the exchange value of the dollar and to support the Government security market;

(c) The issue of gold currency resulting from the Treasury's expenditure of stabilization balances after the expiration of the Stabilization Fund in two or three years after the passage of the Gold Reserve Act;

(d) The issue of gold currency as affected by Treasury purchases and sales of gold, at home and abroad, from the general funds or gold reserves of the Treasury;

(e) The issue of gold currency as affected by Treasury restrictions and controls over the domestic consumption of gold and over the export and import of gold;

(f) The issue of gold currency as affected by the Treasury's expenditure of profits, or recovery of losses, incurred in connection with any subsequent revaluation of gold reserves permissible under the law as a result of dollar revaluation;

(g) The issue of silver currency in consequence of Treasury purchases of silver under national silver policy, at least up to the cost value of new silver bought and possibly up to its full monetary value;

(h) Federal Reserve credit made available by extraordinary and emergency open-market operations undertaken at the request of the Executive;

(i) Additional coin and currency issued by the Treasury by authorization of the President under his discretionary monetary powers.

Deposit Currency

In order to reduce the risks of ownership of deposit currency and savings deposits, the Federal Deposit Insurance Corporation, owned partly by the Federal Government, partly by the Federal Reserve Banks, and partly by insured banks, is established. A Temporary Insurance Fund introduced by the Corporation January 1, 1934, covers deposits of all insured banks up to $2,500 until

UNDER THE OLD GOLD STANDARD

Management of the

Centralized management of the total supply of currency was provided mainly by the operations of the Federal Reserve Banks, under general supervision of the Federal Reserve Board. It was effected primarily by the exercise of discount powers, by open-market operations in bankers' acceptances and government securities, and by the issue of Federal Reserve note and deposit currency. Operating on a fractional reserve basis, Federal Reserve Banks could employ excess reserves to protect the reserves of member banks, and indirectly of non-member banks, from undue contraction by public withdrawals of cash and gold exports. They could also operate to temper or prevent undue expansion of commercial bank reserves due to larger public deposits of cash and gold imports. Thus, centralized management by the Federal Reserve System tended to make for a more regular growth of bank reserves and to maintain the entire currency supply in line with the expanding currency needs of production and trade. While Federal Reserve policy was not infrequently conditioned by the requirements of Treasury finance and hence was subject to Treasury influence, the Federal Reserve System had a large measure of independence in pursuing its currency management policies.

July 1, 1934, and until July 1, 1935, deposits of insured mutual savings banks up to $2,500 and of other insured banks up to $5,000. Under the Permanent Insurance Fund, effective July 1, 1935, deposits of insured banks up to $10,000 are fully covered; deposits from $10,000 to $50,000 are 75% covered; and deposits in excess of $50,000 are 50% covered. Non-member state banks are eligible for participation in the Deposit Insurance Corporation only until July 1, 1936.

Total Supply of Currency

Centralized management of the total supply of currency is primarily attained: (a) by open-market operations of the Stabilization Fund under control of the Secretary of the Treasury; (b) by the Secretary of the Treasury's regulation of gold domestically and purchases and sales of gold at home or abroad for the general account of the Treasury; (c) by the Secretary of the Treasury's regulation of silver domestically and purchases of silver at home or abroad; (d) by the exercise of the President's discretionary powers to issue United States notes, influence Federal Reserve open-market operations, revalue the gold dollar, establish bimetallism, and revalue the standard silver dollar and other silver coin; (e) by ordinary and emergency discount operations of the Federal Reserve Banks; and (f) by direct supervision of the Federal Reserve Banks over the loan and investment activities of member banks. The liberally endowed currency-issuing capacity of the Treasury, supplemented by Federal Reserve credit and currency issuing operations, may be employed to provide whatever volume of banking reserves is deemed desirable and to sustain the expansion of such reserves in the future in order to influence the supply of bank deposits. Centralized currency management is thus placed in the hands of the Treasury, with the Federal Reserve System functioning in a subsidiary management rôle in accordance with Treasury policies.

APPENDIX B

Kinds of Money of the United States under the Old

I. Under the Old Gold Stand-

Kind of Money	Denominations Authorized	Backing	Redemption Provisions
Treasury Currency:			
Gold coin......	\$2.50–\$20.00 (Issuance of \$2.50 gold coin discontinued).	Value of metal.	......
Gold certificates.	\$10.00–\$10,000	Value of metal held as reserve.	In gold at Treasury.
Silver dollars....	\$1.00	Value of metal and credit of the Government.	Not redeemable by law.
Silver certificates	\$1.00–\$100.00 (10% of issue may be higher than \$10.00).	Value of silver dollars backed by metal. Hence, silver dollars held as reserve and credit of the Government.	In silver dollars at Treasury.
United States notes........	\$1.00–\$10,000	\$150 million gold reserve fund and credit of the Government.	In gold at Treasury.
Subsidiary silver	\$.10, \$.25 and \$.50.	Value of metal and credit of the Government.	In lawful money at Treasury in sums of \$20.00.
Minor coins.....	\$.01, \$.05.	Credit of the Government.	In lawful money at Treasury in sums of \$20.00.
Bank Currency:			
National bank notes........	\$1.00–\$1,000.00 (Issued mainly in denominations of from \$5.00–\$100.00).	Government bonds with note issue privilege and 5% redemption fund in lawful money.	In lawful money at Treasury and national bank of issue.
Federal Reserve Bank notes...	\$1.00–\$1,000.00 (Issued only in denominations of from \$1.00 to \$50.00).	Government bonds with note issue privilege and 5% redemption fund in lawful money.	In lawful money at Treasury and Federal Reserve bank of issue.

APPENDIX B

Gold Standard and under the New Monetary System

ard (Prior to March 4, 1933)

Legal Tender Power	Limitations as to Issue
Unlimited.	Unlimited.
Unlimited.	Unlimited against deposits of gold coin or bullion with the Treasury.
Unlimited.	Limited in accordance with special silver coinage authorizations made from time to time by Congress.
Not legal tender, but receivable for public dues.	Limited to deposits of silver dollars with the Treasury. Also issued on retirement of Treasury Notes of 1880 secured by silver dollars coined from Treasury bullion stocks. Treasury Notes of 1890 are now practically retired.
Unlimited, except for interest on public debt and import duties.	Limited to $346 million.
Up to $10.00. A few special $.50 issues are full legal tender.	Limited in accordance with subsidiary silver authorization by Congress.
Up to $.25.	Limited in accordance with minor coinage authorization by Congress.
Not legal tender, but receivable for public dues other than import duties. Receivable at par by national banks.	Limited to paid-in capital of issuing bank and to amount of bonds outstanding bearing circulation privilege. Prior to July, 1932, only $675 million of 2% bonds had this privilege. From July 22, 1932, for a period of 3 years, $3,085 million of bonds bearing interest up to 3⅜% were granted circulation privilege under the Federal Home Loan Bank Act. The paid-in capital of all national banks at end of 1932 was $1,631 million.
Not legal tender, but receivable for public dues other than import duties. Receivable at par by national banks.	Issued at request of Federal Reserve Board to replace national bank notes when national banks desire to retire their note issues.

KINDS OF MONEY OF THE UNITED STATES UNDER THE OLD

I. Under the Old Gold Standard

Kind of Money	Denominations Authorized	Backing	Redemption Provisions
Federal Reserve notes........	$5.00–$10,000.00.	At least 40% in gold and balance in commercial paper or Government bonds to March 3, 1934, under the Glass-Steagall Act.	In gold at Treasury; in gold or lawful money at any Federal Reserve bank.

II. Under the New

Treasury Currency:			
Gold certificates	(Any denomination may be authorized by Secretary of the Treasury).	Value of metal held as reserve.	Redeemable only by Federal Reserve banks at discretion of Secretary of Treasury.
Silver dollars....	$1.00.	Value of metal and credit of the Government.	Not redeemable by law.
Silver certificates	$1.00–$100.00 (10% of issue may be higher than $10.00 on outstanding issues. Any denomination may be prescribed by Secretary of Treasury for new issues under authority of the Silver Purchase Act of 1934.)	Silver dollars or bullion of a monetary value equal to face of certificates. Hence backed by value of metal held as reserve and credit of the Government.	In silver dollars at Treasury. (Silver certificates issued under the Agricultural Adjustment Act as amended by the Gold Reserve Act of 1934, may be redeemed in subsidiary currency.)

GOLD STANDARD AND UNDER THE NEW MONETARY SYSTEM

(Prior to March 4, 1933) (*Continued*)

Legal Tender Power	Limitations as to Issue
Not legal tender, but receivable for public dues. Receivable at par by all member banks and Federal Reserve banks.	Limited only by gold and collateral available as reserves and security.

Monetary System

Unlimited.	Unlimited against gold held by Treasury.
Unlimited.	Under the Agricultural Adjustment Act as amended by the Gold Standard Act of 1934, the President has the power to: (1) provide for unlimited coinage of silver at any ratio with gold; (2) devalue the silver dollar in the same ratio as the gold dollar; (3) authorize the employment of silver in Treasury not needed for redemption as backing for new silver certificate issues. These powers expire in from 2 to 3 years. Under the first power, the President has authorized the Secretary of the Treasury, in accordance with the International Silver Agreement of June 20, 1933, to receive for coinage *at least* 24.4 million ounces of domestic silver annually for 4 years at the statutory price of $1.29 per fine ounce. One half amount so received is charged as seigniorage, the other half is coined. Under the Silver Purchase Act of 1934, the Secretary of the Treasury is authorized to coin silver dollars in such amounts as are needed for the redemption of silver certificates issued under the Act.
Unlimited.	Under the Agricultural Adjustment Act as amended by the Gold Standard Act of 1934, the President has the power to: (1) authorize the issue of silver certificates against the deposit of silver bullion; and (2) authorize the issue of silver certificates against uncoined silver bullion in the Treasury. These powers expire in from 2 to 3 years. Under the Silver Purchase Act of 1934, the Secretary of the Treasury is authorized and directed to issue silver certificates secured by silver purchased in accordance with national silver policy, in a face amount not less than cost of the silver bought. He may issue certificates up to the full lawful monetary value of silver purchases, or up to $1.29 per fine ounce. Silver certificates issued are collateralled only by an equal number of standard silver dollars or an equivalent in lawful value of bullion.

KINDS OF MONEY OF THE UNITED STATES UNDER THE OLD

II. Under the New

Kind of Money	Denominations Authorized	Backing	Redemption Provisions
United States notes........	$1.00–$10,000.	$150 million gold reserve fund and credit of the Government.	In gold certificates or lawful money (?) at Treasury.
Subsidiary silver	$.10, $.25 and $.50.	Value of metal and credit of the Government.	In lawful money at Treasury in sums of $20.00.
Minor coins....	$.01, $.05.	Credit of the Government.	In lawful money at Treasury in sums of $20.00.
Bank Currency:			
National bank notes........	$1.00–$1,000.00 (Issued mainly in denominations of from $5.00 to $100.-00).	Government bonds with note issue privilege and 5% redemption fund in lawful money.	In lawful money at Treasury and national bank of issue.
Federal Reserve Bank notes...	$1.00–$1,000.00 (Issued only in denominations of from $1.00 to $50.00).	Government bonds with note issue privilege and 5% redemption fund in lawful money. During period of emergency, declared by President, March 6, 1933, backing may include any direct obligations of United States or any eligible commercial paper up to 90% of its value.	In lawful money at Treasury and Federal Reserve Bank of issue.
Federal Reserve notes........	$5.00–$10,000.	At least 40% in gold certificates and balance in commercial paper or government securities to March 3, 1935, under Glass-Steagall Act as amended March 5, 1934. The President may extend this privilege 2 additional years.	In lawful money at Treasury or at any Federal Reserve Bank.

GOLD STANDARD AND UNDER THE NEW MONETARY SYSTEM

Monetary System (*Continued*)

Legal Tender Power	Limitations as to Issue
Unlimited.	Limited to $346 million. Under the Agricultural Adjustment Act, the President has the power to authorize the issue of $3 billion United States notes to retire the public debt. If issued, the Secretary of Treasury is required to retire and cancel 4% of amount outstanding annually. These are non-redeemable notes.
Unlimited.	Under the Agricultural Adjustment Act as amended by the Gold Reserve Act of 1934, the President has the power to (1) authorize subsidiary coinage of silver in Treasury not needed for redemption as backing for new silver certificate issues; and (2) reduce the weight of subsidiary silver in case the weight of the silver dollar is reduced. These powers expire in from 2 to 3 years.
Unlimited.	Limited to minor coinage authorizations by Congress.
Unlimited.	Limited to paid-in capital of issuing national banks and to amount of bonds outstanding bearing circulation privilege. The paid-in capital of all national banks at the end of October, 1933, was $1,564 million. Under the Federal Home Loan Bank Act, bonds bearing interest up to 3⅛%, as well as 2% bonds, carry the circulation privilege. The amount of 2% bonds outstanding on January 31, 1934, was $674 million and of other eligible bonds, $3,918 million. No provision is made for the compulsory retirement of emergency issues.
Unlimited.	Unlimited except as to collateral available for backing until banking emergency, declared on March 6, 1933, is terminated by President. Issues thereafter limited to bonds bearing circulation privilege. The Secretary of the Treasury is authorized to provide for retirement of emergency issues.
Unlimited.	Limited only by gold certificates and collateral available as reserves and security.

APPENDIX C

TABULAR VIEW OF THE CURRENCY SUPPLY OF THE UNITED STATES APPROXIMATELY AS OF THE END OF OCTOBER, 1933[1]

All amounts in million dollars

Elements of Treasury Currency Supply

Treasury Currency Issued

Gold	$4,323		
Silver	540		
Subsidiary silver and minor coin	426		
United States notes	347		$5,636
(Federal Reserve notes, Federal Reserve Bank notes and national bank notes are treated separately at a later point)			
Stated in Form of Treasury Circulation Statement			
In Treasury		$2,069	
Property of Federal Reserve Banks	1,836		
Held for Federal Reserve Banks and Agents	1,787		
Redemption Fund Federal Reserve notes	37		
Redemption Fund Federal Reserve Bank notes	12		
Property of U. S. Treasury	233		
Money outside Treasury		3,567	
In Federal Reserve Banks	1,954		
Money in circulation	1,613		5,636
Otherwise Stated			
In Treasury and Federal Reserve Banks		4,023	
Property of U. S. Treasury	233		
Property of Federal Reserve Banks in Treasury	1,836		
Property of Federal Reserve Banks not in Treasury	1,954		
Money in circulation, i.e. outside of Treasury and Federal Reserve Banks, forming part of formal currency supply		1,613	5,636

Federal Reserve Bank Reserves and Cash

From Federal Reserve Bulletin		
Total gold reserves and cash[2]	3,816	
Redemption Fund—F. R. Bank notes[2]	12	3,829
From Circulation Statement		
Gold reserves and Treasury currency[3]	3,790	
National bank note holdings[3]	38	3,828

[1] The figures here given are copied from or computed from official sources which do not, however, have identical dates. The Circulation Statement is of October 31, 1933, the data regarding member banks of October 25, 1933, while data computed by non-member banks is of June 30, 1933. While it is believed that individual figures are correct totals are necessarily only approximations.

[2] October 25, 1933.

[3] October 31, 1933.

Elements of Formal Currency Supply

Total Formal Currency Supply		
Treasury currency as above calculated	$1,613	
Federal Reserve notes, net[1]	2,930	
Federal Reserve bank notes, net[1]	189	
National bank notes, net[1]	903	$5,635
Use of Formal Currency Supply		
Cash reserve and till money of member banks[2]	447	
Cash reserve and till money of non-member banks[3]	193	
In hands of public[3]	4,995	5,635

Elements of Effective Currency Supply

Total Effective Currency Supply Held by Public and United States Government			
Federal Reserve Bank deposit currency			
Held by U. S. Government and authorized depositors[4]		200	
Member bank deposit currency			
Total[5]	15,307		
Less non-member reserve balances	434	14,873	
Non-member bank deposit currency[6]		952	
Formal currency in hands of public		4,995	$21,020

[1] Less Treasury and Reserve Bank holdings.

[2] October 25, 1933.

[3] June 30, 1933.

[4] Includes deposits of foreign central banks, special deposits of member and non-member banks operating on a restricted basis, clearings balances of non-member banks, and miscellaneous items. Strictly, only U. S. Government and foreign central bank deposits, totalling $43 million, should be included in this item. The difficulty of showing the other deposits in Chart 3 furnishes excuse for lumping them here.

[5] Net demand deposits subject to check plus U. S. Government deposits.

[6] Reckoned as nearly as possible from available data on the same basis as member bank deposit currency.