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THE FEDERAL RESERVE SYSTEM

by

Dr. E. A. Goldenweiser, Economist
Director of Research and Statistics
Federal Reserve System

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It has been a practice for several years for me to come here in the autumn and speak to this class on the Federal Reserve System. I have not yet found exactly what I want to say because the subject is large and it is always a question of choosing what one can say in one hour or less that will be of the most significance to you. I assume that what you want to know is the place that the Federal Reserve System is supposed to fill in our economic life and some of the major activities and policies that it is supposed to carry on and for what purpose. If I can cover that much ground in very rough outline, I should think it would be all that I could accomplish in a morning's talk.

The Federal Reserve System was organized in 1913. That is, the law was passed in 1913 - it got actually into operation toward the end of 1914. The reason for organizing the Federal Reserve System was that we had an awkward banking system that had grown up under rapidly changing conditions and that no longer fitted the conditions as they had developed. We had a system under which the seasonal strains that come on the banks for credit and currency could not be comfortably met, a system which built up a very large amount of reserves in the money centers, particularly in New York, and when those reserves were needed by the public, say in the autumn, the strain would become very great on New York and if it happened to be a year when the strain was greater than usual because of an over extension or because of an unusually large amount of demand the consequences were sometimes panic. The last panic was in 1907, when specie payments had to be suspended for a while and cash was at a premium. That was a pretty severe national contortion.

It was as a result of that that a committee was appointed to study the banking and currency system and to recommend a new one. This committee made a report (that was under a Republican regime) signed by Senator Aldrich, creating what would be a central bank controlled largely by bankers. Then in 1912 the party changed and the original report was modified to make the management of the Federal Reserve System considerably more democratic; it took control more fully out of the hands of the bankers. So what we have is a development that came out of the needs of the country on the basis of a study all over the world and of local conditions which, through its various political trials, finally resulted in a system which seems to us to be very well adapted to the character of American institutions. It preserves a certain amount of autonomy in local matters and to an increasing extent it concentrates national powers, powers that affect the nation as a whole.

I might go into a little more detail on the organization of the System. The Federal Reserve banks are twelve in number and they have about twenty-five branches. The country, for the purposes of the Federal Reserve administration, is divided into twelve districts. These districts were determined by a committee appointed by the President and are supposed to be, as nearly as feasible trade units, more or less uniform districts with convenient mail facilities. And, the banks themselves are so located as to make it possible for the banks in every part of the territory to clear their checks in one day - all that sort of thing. They took into consideration a variety of things, some of them purely merit, some of them connected with political considerations, which usually enter into such things. On the whole, the twelve Federal Reserve districts, I think, are pretty well organized and the locations of the Reserve cities are pretty good in relation to the facilities.

I do not know that I need to stop to enumerate the districts; however, on the eastern border they are: Boston, which includes almost all of New England; New York, which comprises largely the state of New York and some parts of New Jersey and Connecticut; Philadelphia, which has part of Pennsylvania and part of New Jersey and all of Delaware; and Richmond, which includes a good deal of the southeastern part of the country. We here in Washington belong in the Richmond district. The Washington banks deal through the Richmond Federal Reserve Bank. Washington is the National Capital and it is the capital of the Federal Reserve System in the sense that the Board which has supervisory powers is in Washington, but the Washington territory is served by the Richmond Federal Reserve Bank.

Now within each district the organization of the Federal Reserve System is that all banks that have charters from the National Government must belong; they must contribute to the capital of the Federal Reserve banks; they must subscribe six per cent of their own capital and surplus. Of this six per cent three per cent has actually been called, the balance has not been called. They must belong; they must supply that capital; they must abide by the rules and regulations of the Board, and observe requirements in other matters. State banks are not obliged to belong, they may belong or they may not, as they see fit. If they choose to belong they must have certain minimum capital requirements determined by the law, and they must be declared by the Board to have the character of business that would make them appropriate for Federal Reserve member-ship.

There are about six thousand member banks and perhaps nine thousand non-member banks, so you see that the banks that belong are in the minority. The member banks do, however, hold about eighty per cent of the deposits and of the earning assets of the commercial banks, so while we have a minority of the banks in number we have in the System a considerable majority of the banking resources of the country.

What the Federal Reserve banks, owned by the member banks, do locally is perhaps what I want to tell you first. The member banks, in addition to having to subscribe to the capital of the Reserve banks, are obliged to hold reserves with the Federal Reserve bank. There is a law by which the member banks must have a certain amount of reserves against each kind of deposit. They have to have a three per cent reserve (there have been changes in that) on time deposits - that means deposits that are payable in more than thirty days - and they must have reserves of seven, ten, or thirteen per cent on demand deposits, depending on whether or not they are central reserve city banks (which are New York and Chicago), or a reserve city bank, and there are about sixty reserve cities, or the others which are technically known as "country" banks (some are in cities) that can get by with seven per cent reserves.

Now it is the reserves that the member banks hold with the Federal Reserve banks that are the big item in the liabilities of the Federal Reserve banks and the big item in the credit system. The whole capital that the Federal Reserve banks have, which the member banks have contributed, is only a matter of one hundred thirty million dollars. That is a substantial figure but it is not large in a set of banks whose total resources are thirteen billions. The deposits that the member banks hold with the Federal Reserve banks are the big thing - those deposits amount to about seven billion dollars.

I said that the requirements are three, seven, ten, and thirteen per cent of deposits. Those are the requirements in the law as it stands, but under recent legislation the Federal Reserve Board has authority to raise those, not to exceed twice that amount, and in the course of last year it did just that, it doubled the reserve requirements. So now instead of what they were they are six, fourteen, twenty, and twenty-six per cent. The reason they doubled the reserve requirements was because in the previous three years we got from abroad more than four billion dollars of gold, which increased the reserve position of the member banks and if the banks continued to have that much reserve the Federal Reserve would not be in a position to exercise any influence on the credit conditions of the country and would not be able to discharge the responsibility placed upon it by Congress; therefore, it had to absorb that gold and make it inactive. We did at that time figure out that on the basis of the reserves as they were and on the basis of the percentages as they then prevailed we could have had a credit expansion of about sixty billion dollars; that would have doubled the existing amount of bank money and would unquestionably have led to a considerable amount of inflation, which was dangerous to the welfare of the country. To avoid that danger, the Federal Reserve raised the reserve requirements and absorbed three billions of that gold in additional required reserves, so the required reserves instead of being about three billion got to be about six billion, and that presumably puts us in a better position to handle a credit situation.

Of course there remains the question as to how much more gold is going to come in from abroad. It has kept on coming in - two billion of gold has come in since a year ago this last July, and recently that gold (to divert a little but on a subject that is related) has not been allowed to influence the situation because the Treasury has sterilized it. The Treasury has taken that gold, instead of allowing it to go to the Reserve member banks, and issued securities against it, and by doing that they have kept the gold from swelling our reserves so that there would be further danger of inflation. That gold is essentially out of the picture as a menace so long as those measures that are adopted by the Treasury and the measures which have been adopted by the Board continue in operation. However, it does raise a lot of questions because the Treasury has to pay interest on the securities that it issues against the gold. This costs the country some money, a very small amount because the securities are on a very low interest rate, but it does cost something to get the gold from abroad and bury it in the mountains of Kentucky. However, it is very cheap insurance against inflation. It does not matter if it costs the country what on a national scale is the small amount of ten or fifteen millions a year, it is much cheaper than to have the country flooded with undesirable credit and currency that might make all prices go up very rapidly. It is a good deal cheaper to pay a few cents in taxes apiece to prevent that rather than have one's income lose a great deal of its buying power, but one of the difficulties of the Federal Reserve System, the one it has to encounter all the time, is that much of the judgment about it is based on popular ideas without real understanding of how it works; consequently, the Board finds it a real effort, requiring a great deal of courage, to take action because practically every action it takes is misunderstood. The reason it is misunderstood is not because of the special viciousness or ignorance of its critics but because it is a subject on which few people have done much straight thinking. I think one of the tasks that we have got to undertake now (we should have undertaken it long ago but have not done much with it) is to get the public educated to an understanding of the fundamentals so that if the Federal Reserve banks are criticised they will be criticised on grounds on which there is reason for difference of opinion. The judgment always will be a matter of individuals and if one decides one way somebody else might decide the other way. Criticism is welcome and is a necessary corrective for public action, but the trouble with the criticism against the Federal Reserve is that most of it is based on complete misunderstanding of its functions; therefore, it is not a criticism that one can meet, it is a criticism that misses the point; however, it does have a great deal of popular support at times. We get it on the radio - the accusation that the Federal Reserve is controlled by Wall Street and run for the profit of inside bankers, and all that sort of thing.

I should like, before I proceed to the discussion of some of the credit policies, to spend a few minutes on this question of the profits of the Federal Reserve System: who they are for and who benefits from them in a financial way. I told you that the Federal Reserve banks have about one hundred thirty million dollars of capital and that the capital is owned by the six thousand member banks in proportion to their own capital and surplus. The System has earned since its organization enough to pay the six per cent dividend that is required by law to be paid on that capital - some eight million dollars per year are paid in dividends to the stockholders. I should say that in view of the present level of money rates that that is too high. It would be perfectly satisfactory to me (I am always very frank) if that rate of dividend were reduced to four or three per cent. It would be more in accord with the present status of money rates. However, of course we have no choice in that matter, that is something that has been determined by the law. If the law should ever be amended to reduce it I would welcome it. The point is, however, that after the member banks once get the six per cent on their stock that is absolutely all they can ever get out of the Federal Reserve banks. They do not participate in any of the profit above that amount and they are not, therefore, interested in increasing the earnings of the Federal Reserve banks because the increase does not go to them. For many years everything, above a reasonable amount that went into surplus, went to the Government. In 1933 that was abolished and it now goes into the surplus of the Reserve banks to do a greater service to the public, and in case of liquidation it reverts to the Government. There is no private interest in the earnings of the Federal Reserve banks above six per cent on the capital, and that is a minor amount. In very rough figures all of the Reserve banks in the Federal System have earned about a billion dollars in twenty-two or twenty-three years (since the organization of the Federal Reserve System). That is quite a lot of money. That was earned by getting interest on the holdings of securities and interest on the loans they made to the member banks. Now of that billion dollars about half went to cover the expenses of the Federal Reserve System. We have twelve big banks, twenty-five branches, and a Board here in Washington to support and naturally it costs money, it costs around thirty million dollars a year. A large part of those expenses are public service expenses: the printing and supplying of currency which has to be done for the country as a whole, and you can see that that is a fairly expensive process; the printing of notes, taking them in when they are worn out and issuing new ones; and seeing that all the banks always have a supply of currency in the denominations in which they want it. It is a pretty big and a pretty expensive undertaking, and a good part of the income of the Federal Reserve banks goes for that purpose. I do not remember which is the bigger of the two but the two big items of expense are currency and check clearing. I mean the fact that you can put your check in your own bank and a check against that can be sent to any part of the United States and be cashed at par, in most cases, due to the fact that the check can be cleared through the Federal Reserve banks. There is a good mechanism here by which banks first clear their checks through the Reserve banks and then the Reserve banks clear them with each other. A gold settlement fund here in the Board eliminates the necessity of shipping currency to clear those balances - they merely entail a book entry. This has speeded up and reduced the cost of business settlements very materially. It has also done away with premiums and discounts on checks on different cities, which prevailed very widely before the Federal Reserve System was organized. Those are the two big expenses of the Federal Reserve banks and they are both public service expenses - in addition, of course, to the expenses of performing all the other functions: paying the personnel, paying the cost of equipment, etc. Half of the money the Federal Reserve banks have earned since their establishment has gone into meeting those expenses. Of the other half about one-fourth is now in the surplus that has been added to the resources of the Reserve banks to be available for future use, and one-fourth has been contributed by Act of Congress to the capital of the Federal Deposit Insurance Corporation. Of the billion dollars earned by the Federal Reserve System seven-eighths have been spent in one way or another for direct public service and one-eighth has gone to the proprietors. That I think puts the subject of the Federal Reserve banks being operated for profit in a much more correct perspective. The owners get one-eighth of the earnings, and I want to stress the point that what they get is fixed. I mention this again because it is awfully important - it means that they have no interest, even if they had the power, in influencing policies for the purpose of increasing the earnings of the System because their own returns would not increase. I think there is a pretty good safeguard there. I think it is absurd to state that the Federal Reserve System is conducted for profit because its policies and principles, both stated in the law and used constantly as guides in formulating national policies, are always on the grounds of doing the things that would best serve the national interest rather than for purposes of earnings, which are definitely a minor consideration. They are a consideration only to the extent that if there were no earnings at all, and that has never come up, the Federal Reserve System would have to live on its surplus. That is one reason it is a good thing that it has a surplus - there may be times when it would have no earnings or very small earnings. However, after the surplus was gone of course they would have to go to Congress for appropriations and in that case it would be very much more difficult to do the things that the Board ought to do because the things it has to do are almost inevitably and by nature unpopular, and to do unpopular things and get appropriations is a task which you can conceive as being very difficult. For that reason it is very important that the Federal Reserve System be independent in the sense of having control of its own resources.

I am not criticising any one, although I do not hesitate to criticise when I have criticisms to offer, but I think it is quite natural that these money matters are understood by a relatively small number of people. It is very easy to get up enthusiasm in attacking the money power because that is naturally the butt. Therefore, to pursue such policies as we have to pursue, for example such as this policy of absorbing three billions of reserves which a great many inflationists think would otherwise have been a chicken in the pot, requires being able to do it and not having to ask for popular approval at the moment it is done. We might get popular approval in the course of years when they find what it has accomplished, but it is almost impossible to get it currently; therefore, it is very important for the System to have independent funds.

I should like now to say something about the more definite central banking functions, aside from the functions I mentioned in connection with the expenses, namely supplying of currency and clearing of checks. These functions are more nearly centered in national bodies and not left so much to the discretion of the directors of the banks. The directors of the banks themselves are elected by the stockholders to the extent of six. In each Federal Reserve bank there are nine directors, six of whom are elected by the member banks; three must be bankers and three must not be bankers. So there are the so-called Class "A" directors, or bankers; Class "B" directors, who are local business men; and Class "C" directors, who are appointed by the Board. There are three directors in each bank that definitely represent the public. Of the six that are elected by the banks, two are elected by small banks; two by medium-sized banks, and two by large banks. The idea was to give it broad representation and not allow it to be run by any one small clique of banks. These directors have the general management of the twelve Federal Reserve banks in the sense of deciding on personnel matters, on relationships with individual member banks, and all that sort of thing. They are, however, subject to supervision by the Board, which must approve all the salaries, which has the power to remove a director, and which has many other powers, some of which I shall mention shortly.

While the general management is in the hands of the directors, they are subject to very decided supervision by the Board, the Board in the end having practically all the powers that are necessary to enforce any decisions that it wishes to make.

The local banks, aside from the mechanical functions of currency and check clearing, are in a position to lend individual member banks additional money when those banks find, for seasonal or emergency reasons, that they haven't enough to meet the requirements of the neighborhood. If a bank finds that it hasn't enough in the autumn to meet the demands of all its customers and it has a legitimate demand, it can take the notes of its customers and go over to the Federal Reserve bank, use those, or other things, as collateral, make a note of its own, and borrow from the Federal Reserve bank. The fundamental function of the Federal Reserve banks is to supply the local banks with sufficient money to be able to accommodate commerce and business at all times, as the law says, at reasonable rates, and if one bank gets short it can get help by dipping into this reservoir of community funds. The bank can be helped out of a fund belonging to the entire community. Even if one Federal Reserve bank is at the end of its own resources in meeting the needs of the community, it can get help from another Reserve bank; so in the end all the resources in the whole country can be brought to bear on any situation that is particularly tight. We have not had occasion to do that now for many years because there has been an over-abundance of funds, but in the period after the war when things were quite tight the Reserve banks did help each other to the extent, I think, at one time of three hundred fifty million dollars - showing that it is in the end a national system even for those needs.

In lending to member banks the Federal Reserve banks can decide as to whether or not the bank is a good credit risk; whether or not the bank has been so managed as to make it desirable to give it accommodation; whether or not it would be in the public interest to keep that bank going or to permit it to expand; and they can decide other matters in connection with their relations to the individual banks. They can not, however, decide by themselves what rate of interest they can charge the member banks because the law provides that that rate has to be approved by the Board. The Board here in Washington can not only approve or disapprove a rate but it can establish a rate in case the rate the local directors want to establish is not a satisfactory one. The discount rate is originally suggested or established, the law says, by the local bank, by the local director, but it is subject again, to use the language of the law, to review and determination (not only to review but also to determination) by the Federal Reserve Board. That is the first big national thing and the control over it is with the Federal Reserve Board.

The second thing that the Federal Reserve banks can do in the way of putting more or less funds at the disposal of the member banks is to engage in what we call "open market" operations. That means when the Federal Reserve Board finds that the banks haven't enough reserve money (rates may be getting tight and this may be pinching business and the result is that business goes down) it decides the thing to do is to put a little more money into the market. Now the way to put money that the Federal Reserve banks have into the market is to buy securities that the law permits, usually Government securities. Why does that put money in the market? The reason it puts money into the market is that the Federal Reserve bank gives to the men from whom it buys the security, usually a discount house, broker, or bank, a check on itself. When that check is deposited at the member bank and later is deposited at the Federal Reserve bank it becomes a credit to some member bank, and that means that the member bank will have that much more money to spend - it is reserve money which it can expand in a multiple way. So by buying Government securities the Federal Reserve banks increase the supply of funds at the disposal of member banks. On the other hand, the reverse process is that if they sell Government securities and get a check from the purchaser and charge it to his account in the Reserve bank, that diminishes the funds. They have that method of increasing or decreasing the amount of reserves available to the member banks by what we call "open market" operations.

The other method that we have of affecting the reserves of the member banks is raising or reducing the requirement, as I mentioned a while ago. That is a recent power. We can increase the amount that they must hold with us and therefore decrease the amount that they can use, or we can decrease the amount that they must hold with us and therefore increase the amount that they can use. It is another power for controlling the flow of money.

Also, we have the power now to fix the maximum rate on time deposits, which has an effect on the whole money structure. We have the power, under the Securities and Exchange Law, to fix the margins that brokers and banks must require when they make loans on securities. The Federal Reserve System has a very considerable volume of what might be called "monetary controls", although I always insist on saying that control is too strong a word. It is a matter of influence rather than of control - sometimes a sizeable influence and sometimes a minor one. If it is an influence that is used promptly and vigorously at the right time and if nonmonetary elements are not so powerful as to make it impossible, it can be at times a very important influence on the situation. I do not know whether or not I have made that at all clear to those of you who have not had occasion to study the matter before, but I am going to stop in a little while and give you a chance to ask questions.

I want now to say a few words about what it is that the Federal Reserve System aims to achieve. What does it use those powers for? What are its objectives? There are a great many people (and it comes up in Congress from time to time) that think that the object of the Federal Reserve should be the maintenance of a steady level of prices, wholesale and retail, sometimes specified and sometimes not specified. We have given a great deal of thought to that and we have reached the conclusion that prices alone are not an adequate objective. In the first place, there are limits to the extent to which we can influence prices. Price average is only an average of commodities, and commodities, many of them, are influenced by so many circumstances, such as weather in the case of crops, broad demand in the case of munitions - things that are beyond our control - therefore, we can not really be sure that we can influence prices very effectively. Besides that, it is the view of the Board, and my view too, that prices are not really the objective that we are aiming at because a certain amount of fluctuation in prices, not violent fluctuation but mild fluctuation, may at times be a desirable thing in the interest of the economy. A rise in prices does attract business in certain fields and a decline in prices does drive people out of those fields. It tends to regulate somewhat the course of business. In other words, a certain flexibility in prices in industry is, in my opinion, a stabilizing influence in business and a complete elimination of it would be undesirable. I think some of the advocates of the price objective would agree to that and say: "We ought to have certain fluctuations within certain limits."

But there is a more fundamental thing about prices. Prices represent things that have already happened; the production has already taken place; the buying power in the hands of the public has already been created. Prices indicate a resultant of those two things, and it is too late frequently to influence a situation after it is reflected in prices. The time to contract is before those things have developed and prices have gone up, and the time to expand is frequently before prices have really fallen. In other words, prices are a reflection of past developments and we should base our actions, as nearly as we can, on the forecast of the future. That is one reason, and the more we have thought about it the more we have reached in general the conclusion, that the objective of the Federal Reserve policies should be to keep the resources of the country as fully employed as can be continuously sustained and to minimize fluctuations in business, in the volume of output and the volume of employment.

That is the broad objective which the Federal Reserve considers it has to cope with. It does understand very thoroughly that it hasn't powers enough to bring about that objective, that it can only contribute to it, and that it is necessary that it should be the objective of the Government and business as a whole, to which each department of the Government should contribute to the best of its ability and to which the Federal Reserve can contribute in the monetary field. It is not quite alone in that either because there are a great many powers that the Treasury has and a great many things that the Treasury does that have an influence on conditions; therefore, we have to have cooperation. In so far as we define our monetary objectives, and the Board recently has made a public statement of them in reply to an inquiry by Senator Thomas, they are to maintain economic stability, and we feel that in that field we ought to have the cooperation of other agencies of the Government so we can all work in the same direction. Of course this cooperation is always very good although it may not always be complete. I think we do somewhat lack complete coordination and complete realization of the influence of various kinds of things that do not have anything to do with monetary matters but do, as a matter of fact, have a close connection with it.

I talk without notes and without preparation, which may account for the somewhat rambling nature of my remarks. At the same time, not only do I not have time to prepare a speech but I feel that it is more alive and more spontaneous if it is not too well prepared. So perhaps if I can speak with more interest and make the subject more alive that may make up for the fact that it is not well organized.

I did skip over involuntarily the agencies that make the decisions in the matter. I told you that the relations with individual member banks are handled largely by the boards of directors in the offices of the individual Reserve banks. Although the Board has the right and the duty to interpret the law as to what kind of loans in general can be made and what kind can not be made, the actual decision as to whether or not to make a specific loan is made by the local directors. The discount rates are decided by the banks, with review and determination by the Board, and the Board has full say over it. The Board has complete authority over raising or lowering reserve requirements, with the banks not participating in the decision. That is an important national power. The Board has complete authority over determining the maximum rate that can be paid on time deposits, and it has complete authority over margin requirements and open market operations, which I described to you. There has been an evolution - originally they were handled by the Reserve banks with the Board having no particular concern over them. It gradually developed that those open market operations are a very powerful influence. That is something we learned by experience. However, we had learned it as early as 1922, when we began to organize and to act nationally. We found that if one bank tried to ease and another tried to tighten it did not work and that the money markets were too fluid and too interrelated to make it feasible. We also found that the banks could not buy Government securities for the purpose of increasing their earnings without diminishing the amount that the member banks were borrowing from them, with the result that the earnings did not increase and the situation became less satisfactory rather than otherwise. So it was early recognized that the Federal Reserve banks can not individually engage in open market operation; that that should be under the control of some national body. First, however, we established a local voluntary committee that handled it, subject to approval by the Board. Later, in 1933, that was incorporated in the law. The decisions were made by an open market committee consisting of the twelve Federal Reserve bank presidents or "Governors" as they were known at that time, and the Board had only negative power - it did not have any power of initiative, could only approve or disapprove - and the individual Reserve banks had the privilege of participating or not, even though the decision of the committee was one way or the other. But thatway was unsatisfactory. The open market operations having become the most important single instrument of credit control, to leave the situation where the twelve Reserve bank presidents could start it, the Board could approve of it or disapprove of it, and each individual Reserve bank could refuse or not refuse to go along, made the possibilities of deadlock and disagreement and no action entirely too numerous. It was necessary to concentrate the power, so under the Banking Act of 1935, after a very vigorous battle in which one part wanted the power to be vested entirely in the Board and one part wanted to retain it entirely in the banks, a compromise was struck by which the open market committee, which has full say in this matter, now consists of the seven members of the Board in Washington and five Federal Reserve bank presidents elected regionally by the other banks. The Federal Reserve banks, twelve in number, have a representation of five and the Board has a representation of seven. The Board has a majority in that committee but the others are fully represented. Of course that does not necessarily mean that it is always a vote of Board against banks because each individual acts as an individual. Some Board member may agree with the banks; the banks may agree with the Board; they may have unanimous opinion. At any rate, the power rests with the committee consisting of seven representatives of the Government and five representatives of the banks. The representatives of the banks are presidents who are appointed by their boards of directors for five years and are approved by this Board, so they must in the end pass muster by the Government before they get into their positions as presidents and before they get into the open market committee. The Federal Open Market Committee is a committee that has in recent years been the most important single agency in easing or tightening credit conditions, and that agency is controlled by Government representatives and is a national body with direct national responsibility.

I thought that the combination of the instruments which we have, the control, and the objectives, would be the main things in the outline that I ought to give you in this brief talk, and now if it is agreeable, I shall be very glad to answer such questions as you may ask. I did not refer to any of the charts because it happens that they did not fit in particularly with anything that I was saying. The charts are largely historical, a question of events, and since I talked about organization and principles and policies I have not had occasion to refer to them. However, it is possible that some of the questions may bring out matters of fact in which I may want to refer to the charts.