THE CHASE MANHATTAN BANK,
New York, N.Y., March 5, 1969.

Hon. WRIGHT PATMAN,
Chairman, House Banking and Currency Committee, Rayburn House Office Building, Washington, D.C.

DEAR MR. PATMAN: Paul A. Volcker, Under Secretary of the Treasury for Monetary Affairs, has informed us that at the Joint Economic Committee Hearings on February 19, 1969 you asked whether this Bank is a contributor to the American Bankers Association fund and how much this Bank contributed to the Bankers Association fund in the two years of 1967 and 1968. Since Mr. Volcker did not have the information requested, he has asked that we reply to you directly.

In each of the years this Bank paid membership dues to the American Bankers Association of $18,500, an amount calculated on the basis of assets. In each of the same years, this Bank contributed to the Foundation for Education in Economics $1,850, an amount computed in relation to the membership dues.

Yours very truly,

MICHAEL E. CARLSON,
Vice President and Secretary.

Chairman PATMAN. Now, then, Dr. Walker, do you have the information as to how much the bank distributed to the American Bankers Association fund during these 2 years?

Mr. WALKER. What years?

Chairman PATMAN. The calendar years of 1967 and 1968.

Mr. WALKER. Roughly, $8 million. The annual dues income at the time averaged around $4 million. So, it was roughly $8 million. Contributions by banks were matched by an equal amount that the American Bankers Association obtained primarily through its widespread educational programs, such as the American Institute of Banking.

Chairman PATMAN. How do you justify asking the Federal Reserve to contribute public money?

Mr. WALKER. Are you talking to me now as Under Secretary of the Treasury?

Chairman PATMAN. I am talking to you as a former representative of the American Bankers Association's lobby here on Capitol Hill—that you expended 600 percent during the time you were in there. In other words, you started out with one lobbyist and wound up with six.

Mr. WALKER. That is quite an expansion. I never thought of it in those terms.

First of all, I ought to say that I am not sure it is quite proper for an Under Secretary of the Treasury to comment upon the activities of a private trade association. I do know the answer that has been given to that question in the past is that the Federal Reserve banks had a reduced scale of dues vis-a-vis the commercial banks, and they had the privilege of participating in the educational programs of the American Bankers Association. They viewed this as particularly valuable in the training of their examiners and sending them to the bankers' graduate school at Rutgers. This participation helped toward giving their young people a college education. This was the major justification, as I recall, that the Federal Reserve banks made for participation in the ABA.

Chairman PATMAN. But they made direct donations over $1,000 a year, money that would have gone right straight into the Treasury and saved the taxpayers that much, but they elected to make a contribution to the people that they are supervising. So they were actually carrying members of the Federal Reserve System.