BANKERS JUSTIFY FAITH OF PEOPLE

Keep Confidence of Public Throughout Period of High Tension

JAN 1 19

New Homes Are Planned for Financial Institutions Here.

In the annals of the United States 1914 will be memorable for its test of the attitude of the citizens of the country toward their financial institutions. Never before in modern times have come to sudden and so complete a trial of confidence. In the test the strength of the banking situation was made manifest; the banks kept faith with the people.

War was declared. Throughout the world there was clamoring for gold. Nineteen countries legalized delay in debt payment. Foreign governments found it advisable to lend their credit and cash to their banks. The crisis began with the first shock at the beginning of August.

At that time the American banking situation made mild response to the world furore in a tightening of the whole money market. The American stringency continued for about three months, being accentuated by the fact that many millions owed our exporters and bankers by Europeans were temporarily uncollectable because of moratoria. Notwithstanding the postponement of settlement of obligations to us, we paid our debts to foreigners as they fell due.

This was a herculean task, done through massing of gold by the banks. They financed New York city's $80,000,000 notes maturing abroad, and in payment of other debit balances shipped millions of gold to Ottawa, there to be made available for the Bank of England. In addition they furnished what was needed to conserve the wealth of the cotton interests of the south and stand ready to make the cotton loan aggregate $135,000,000.

By the beginning of November the American money situation had relaxed, and the process has continued ever since. Throughout it all the attitude of this country has been one of caution and waiting, not of hysteria. There has been no banking mortality of importance, and little even of minor significance. We shipped in the year $225,000,000 gold abroad. As a supreme trial of the situation, we put into effect a new banking system. The transition was smooth, and from the beginning of November on the process has been one of upbuilding in the entire financial and business structure of the nation.

At all times since the foreign conflict began the American bankers neither asked nor needed government support. The total of emergency measures adopted here consisted of the issue of additional currency, which always is needed in times of prosperity and depression—the closing of the stock exchange after the rest of the world had made this the one selling market—the exercise of extreme conservatism in making loans for other than necessary business uses—and the application of the sixty-day rule as to savings deposits for precaution sake, but for rigid enforcement only against prospective speculators.

These expedients are now all matters of the past; that part of the Aldrich-Vreeland currency outstanding is being retired week by week; the stock exchanges are open and the New York exchange alone presents a problem for the future in the maintenance of market value of investment holdings, and of invested surpluses.

Cleveland savings banks have gained in the year more than $6,000,000 in deposits. On Oct. 21, 1913, their deposits totaled $229,875,000. On Oct. 31, 1914, the nearest date as of which comparison can be made, the sum was $236,563,000. The gain is due to increases in all deposits—those subject to check rose $2,836,800.

Savings and trust deposits gained $3,688,300. In these two figures are reflected more directly than in any other the affairs of the people of moderate means. When the state bank superintendent shortly calls for statements of condition again there will be minor changes in these figures, but the economy generally practiced and the industrial uptrend produced by good crops, familiarity with war effects, commodity exports and the freight rate decision make it certain that the figures will be stationary or will show further increase.

DOCUMENTS SHOW GROWTH.

	1914 to Dec. 28.	Full year, 1913.
Deeds	26,409	23,947
Mortgages	21,291	20,124
Chattel mortgages	34,211	35,647
Cancellations	17,877	17,373
Leases	1,745	1,038
Liens	833	781
Power of attorneys	141	137
Releases	3,656	3,547
Insurance papers	4,448	4,467
Maps	162	91
Certified copies	222	130
Miscellaneous papers	2,382	1,405
Total	225,658	113,396

National bank deposits on Oct. 21 1913, were $84,893,500 and on Oct. 31, 1914, $76,625,500, a decrease of $8,268,000. Of this $1,650,000 is due to transfer of reserves of out-of-town national banks from Cleveland national banks to the federal reserve system as provided by law, and $3,513,700 represents decrease in the amount due state banks, which is again increasing.

It is thus the national banks which have been bearing the brunt of the burden, but it is these banks too which are now afforded under the new banking system facilities for obtaining currency on short order and which, on the strength of merchant paper in their portfolios, can draw on the massed gold of the entire federal reserve system and, if need be, of the government.

These, in brief, are the reasons for the present improvement in financial conditions—the trust of the people, the wisdom of the bankers as portrayed in the late summer and autumn, and the massing and general availability as never before of the nation's money resources.

Developments of the year in Cleveland included the establishment here of the Federal Reserve Bank of Cleveland, with the likelihood that notwithstanding Pittsburg's excusable attempt to take it away, it will remain where it is.

Announcement will be made early in the year that a number of downtown trust companies have joined the Cleveland clearing house and will make use of its check interchange and settlement machinery direct instead of through the nationals as at present.

A new state bank was established here in 1914, the Detroit Avenue Savings & Banking Co. Opened in August its deposits are already well on the way to $200,000 and West Side thrift keeps them moving.

In the year also the Guardian Savings & Trust Co. completed negotiations for much needed larger space in the New England building and early next year will begin remodeling there in preparation for occupancy. The Union National bank has plans completed for its skyscraper to stand on its present Euclid-av site.

In the course of 1915 the Garfield Savings bank will complete another East End branch building to be erected exclusively for its use. In the coming year also the State Banking & Trust Co. will remodel its Euclid-av home into a seven-story modern structure.

200 MEN ENJOY ANNUAL FROLIC AT CHAMBER

A bell tolled the first stroke of twelve. The light died, leaving the figures in the huge "1914" blazing over the rostrum. The 4 faded. With the dying sound of midnight 5 burned in its place. There was a shouted greeting; a call of "Happy New Year!"

It was the climax of New Year festivities at the "annual frolic" of the Chamber of Commerce. Two hundred members joined hands at the signal and sang "Auld Lang Syne!"

The feature of the big annual entertainment this year was the musical comedy number, when members tripped the "Thistledown" in imitation of Pavlowa and Adeline Genee, and sang near-Scotch selections a la Harry Lauder.

Another stunt was the presentation of a Reserve Bank to Cleveland Uncle Sam. F. J. Sawyer simulated Uncle Sam; W. W. Smith, a Scovill avenue conductor, said to look like Mayor Baker, representing Cleveland; E. S. Barkwill, representing Pittsburg, and Gilbert Norwalk, representing Cincinnati.

An informal buffet luncheon was served, with punch taking the place of the usual wine toasts to the New Year.

The entertainment committee was Henry R. Cool, chairman; George A. Schneider, Arthur Bradley, P. B. Burrows, Jr., Sam C. Cutler, R. C. Enwright, A. H. Fiebach, R. G. Floyd, W. I. Knight, Herbert Mathews, D. W. Byers, W. G. Rose, Franklin Schneider and H. L. Wilson.

FEDERAL BANKS MAKE FIRST INVESTMENTS

WASHINGTON, January 2.—Summing up the week's showing of the federal reserve banks, the federal reserve board made the following comment:

"The statement indicate a loss of $2,700,000 in total cash resources and of $3,500,000 in gold as compared with the previous week's figures. The loss of cash in the hands of the banks is more than offset by an increase of $3,700,000 of gold in the hands of the federal reserve agents.

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"Loans and discounts show an increase of over $2,000,000, Richmond, Minneapolis, Philadelphia and Dallas showing the largest gains in discount operations during the week. Chicago and New York for the first time report investments in public securities. The gain of $6,500,000 in all other resources is due chiefly to the increase in the amounts of national bank notes and federal reserve notes in the hands of the banks

"Deposits show an increase of $6,200,000, mainly at those banks which report a gain in discount operations. Federal reserve agents report additional issues to the banks of $3,600,000 of federal reserve notes, but because of the still larger amounts of gold and lawful money in their hands and of federal reserve notes in the hands of the banks themselves, the net liability of the banks upon their outstanding circulation was at the end of the year only slightly above $3,750,000."

No statements were made as to what the "investments" refered to included, but it is surmised that they represent purchases of United States government bonds

U. S. RESERVE BANK MUST WIDEN FIELD

JAN 3 1915

—H. M. GEIGER.

Canton Investment Dealer Says Federal System Must Extend Facilities.

Believes It Must Loan Capital as Well as Seasonal Funds.

BY H. M. GEIGER,
Of Geiger, Jones & Co., Canton.

There are several phases of the new federal reserve banking system that have not yet received adequate attention at the hands of those who have been speaking and writing on the subject.

To my mind, one fact about the new banks stands out above all others. It is that, after thirty days of actual operation, during a period of tight money, the new banks had made practically no loans, issued practically no currency and had found it necessary to make special concessions in the rate of discount, in order to bring out strictly commercial paper that would be paid within thirty days after the discounting transaction.

In other words, though American business needs money, the reported facts about the operation of the reserve banks would seem to indicate that what business needed was not commercial funds, but more or less permanent capital.

The daily practice of business constitutes sufficient proof in itself that the combined total of all "investment funds" as represented by the resources of savings, trust and insurance companies, private investors and investment banks, are not sufficient to meet the demands created by our industrial expansion.

Stated bluntly, a majority of the resources of national banks are tied up with loans of a more or less permanent character. Truly, the notes are usually made for periods of four or six months, but it is the understanding between the banker and the borrower in many instances that these notes shall be renewed indefinitely, provided certain periodical reductions are made and the interest discounted in advance. Moreover, the country is filled with manufacturers who expect bankers not only to finance their temporary needs, but who have also built their plants on capital borrowed and reborrowed, again and again, from banks.

This practice has been one of the most prolific causes of industrial failures in the United States. Dun's and Bradstreet's reports for many years show that 90 per cent. of all failures are due to lack of capital. In very many instances, excellent enterprises were undertaken at periods when it was easy to secure loans from banks, only to fail in the midst of their development because some contingency forced the bank to withdraw its support and demand the payment of its loans.

That the new banking system will tend to correct these admitted evils is generally conceded. But it seems fair to conclude that no great progress will be made until a proper manipulation of the discount rate has demonstrated some fairly exact figure that can be taken to represent the highest and lowest point in the annual demand for commercial funds. When this figure has been ascertained, it will be fairly safe to conclude that the remaining funds in the custody of the federal reserve and national banks are available for permanent investment.

To coax out commercial paper for rediscount, the federal banks will be forced to discount it for rates low enough to make the transaction profitable for the member banks. On the other hand, to prevent banks from trying to make similar profits on paper of an investment character, the banks will have to charge high discount rates for paper

...ities. By the time this discrimination is transmitted to the borrower through the medium of the banks, it will be magnified to an extent which will produce an era of very low money rates for strictly commercial loans, coupled with an era of very high rates for investment loans.

In simple terms this means that the few advantages which used to lead manufacturers to take a chance and borrow their permanent capital from banks will be withdrawn. It will cost just as much to get permanent loans from banks as it would cost to sell permanent securities to permanent investors.

Simple, economic considerations, therefore, will drive every class of industry into the investment market.

Naturally, it will be impossible suddenly to reverse our existing practice in this re-

necessary for gr[illegible] institutions to borrow from banks, and for banks, in a sense, to enter business as silent partners of good enterprises—but from this time on it should become increasingly easy to put the permanent financing of business on a sound basis, independent of temporary bank [illegible]

BANK STATEMENTS

RESERVE BANK CLEVELAND.
RESOURCES.

Gold and gold certificates	$17,674,000
Legals, other notes and coin	1,017,000
Rediscounts and loans	506,000
All other resources	319,000
Total resources	$19,516,000

LIABILITIES.

Capital paid in	$2,031,000
Net deposits	17,345,000
Federal reserve notes in circulation	140,000
Total liabilities	$19,516,000

Gold reserve against all liabilities, 101.07 per cent; cash reserve against all liabilities, 106.90 per cent; cash reserve against all liabilities after setting aside 40 per cent gold reserve against federal reserve notes in circulation, 107.42 per cent.

ALL RESERVE BANKS.
RESOURCES.

	Dec. 31, 1914
Gold coin and certificates	$229,069,000
Legals, other notes and coin	26,578,000
Total	255,647,000
Maturities within 30 days	4,632,000
Maturities within 60 days	4,215,000
Other maturities	1,746,000
Total discounts	10,593,000
Investments	255,000
All other resources	11,349,000
Total resources	277,844,000

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LIABILITIES.

Capital paid in	$18,051,000
Reserve deposits	256,018,000
Federal reserve notes	3,775,000
Total liabilities	277,844,000

Gold reserve against all liabilities, 88.2 per cent; cash reserve against all liabilities 98.4 per cent.

NEW YORK CLEARING HOUSE BANKS.

		Increase.
Loans, etc.	$2,191,508,000	$12,411,000
Reserve in own vaults	330,177,000	1,761,000
Reserve in federal reserve bank	100,297,000	1,798,000
Reserve in other depositaries	31,390,000	518,000
Net demand deposits	2,022,165,000	41,986,000
Net time deposits	91,936,000	*1,544,000
Circulation	48,569,000	*4,007,000
Aggregate reserve	462,464,000	....
Excess reserve	114,084,920	*3,036,280

OTHER NEW YORK BANKS.

Loans, etc.	$561,931,500	$44,400
Specie	43,263,200	574,900
Legal tenders	12,595,100	327,800
Total deposits	645,579,200	825,300
Banks' cash reserve in vault	11,605,800	....
Trust companies' cash reserve in value	44,252,500	....

*Decrease.

CLEVELAND CLEARING HOUSE BANKS.

Loans decrease	$260,971
Deposits increase	2,263,537
Cash and due from res. ags., inc.	1,291,428

BANK ON THREE FLOORS

Reserve Institution Must Separate Its Departments Temporarily.

The officers of the Federal Reserve Bank of Cleveland will be settled tomorrow in their new quarters, 226-231 Williamson building. The bank will vacate the first floor of the building temporarily to make way for the Union National, which will occupy these quarters while its structure is going up; the Union will move into its temporary home about Jan. 15.

The regional bank's transit department will be on the fourth floor of the Williamson building and its money department in the basement. The temporary inconvenience of having its departments separated must be undergone by the reserve bank in accordance with its agreement when it moved into the building.

JAN 6 1915

CHICAGO STOCKS CLOSE.

Reported by Burke, Hord & Curtiss.

Stock.	Bid.	Asked.
American Can	25½	26½
do pref.	89	90
American Shipbuilding	..	29¼
do pref.	..	77
Biscuit	120	125
do pref.	120	125
Chicago Railways 1sts	..	88
do 2ds	27	28
do 3ds	4¾	6¼
do 4s	1¾	2¼
Commonwealth Edison	136	136½
Diamond Match	92	93
Hart, Shaffner & Mark pref.	105⅜	106
National Carbon	118	122
do pref.	120	122
People's Gas	117	117½
Pneumatic Tool	50⅝	52
Quaker Oats	220	230
do pref.	..	103½
Sears-Roebuck Co.	184	184½
do pref.	121	121¼
Swift & Co.	[illegible]	105¼
Union Carbide	[illegible]43	[illegible]

MONEY TRUST CHARGE FAILS TO EXCITE HERE

CLEVELAND

Officials of the Cleveland federal reserve bank refused Thursday to get excited over the political fight being waged in Chicago where it is charged the government institution is being dominated by two prominent bankers, James B. Forgan and George M. Reynolds.

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Governor E. R. Fancher would not discuss the matter beyond saying that the Chicago situation could in no way be connected with that here. If the affairs of the Chicago federal bank are investigated by congress the probe will include the Cleveland institution as a matter of form.

The charge being made in Chicago is that Reynolds and Forgan, whose banks control 25 per cent of the capital stock, and 40 per cent of the deposits of the government bank, and who are directors of it, have held the discount rates of the government institution above those charged by their own banks. To do otherwise, under present banking conditions, Cleveland bankers say, would be to oppose the underlying principles of the new currency law.

Charges that the "money trust" is in control of the federal reserve banks, and that just now it is serving the purpose of the "trust" to keep the rediscount rate high, are contained in resolutions by Representative Lindbergh of Minnesota, which were before the rules committee of the house in Washington Thursday.

The resolutions ask for an investigation by a special committee.

LAYS DOWN RULES FOR CITY FINANCING

JAN 6 1915

Federal Board Gives Law on Regional Bank Purchase of Municipal Securities.

London Exchange Has More Active Session—Day's Notes.

CLEVELAND PLAIN DEALER

The federal reserve board yesterday in Washington made public tentative regulations to govern the purchase by regional banks of municipal warrants issued in anticipation of collection of taxes. The regulations are broad enough to make it possible for the regional banks to buy such securities directly or indirectly from any city of standing, large or small, in the United States. This will give the banks opportunity to make more use of the reserve funds on deposit with them by member banks.

Defining acceptable warrants, the board says that obligations payable from "local benefit" and "special assessments" taxes shall not be taken unless the municipality at large is directly or ultimately liable. Warrants must be those of municipalities in existence for ten years, and municipalities which for a ten-year period previous to purchase have not defaulted for more than fifteen days in the payment of any part either of principal or interest of any funded debt. Warrants of a municipality with net funded indebtedness exceeding 10 per cent. of the valuation of its taxable property will not be taken.

No reserve bank is permitted to invest in warrants to exceed 10 per cent. of the deposits of its member banks, except with the reserve board's approval, and other restrictions are placed upon the amounts to be invested. Special approval must be received to authorize purchase of warrants of municipalities of 10,000 population or less.

London More Active.

LONDON, Jan. 5.—The stock market experienced a more active session today. Dealers were able to negotiate the complicated forms necessary to record deals better and the tone generally was steady.

Business was brisker in the American section, especially in United States Steel shares which changed hands between 51⅛ and 51¾. Canadian Pacific sold from 160½ down to 159¾, but rallied and closed at 160¼.

The gilt edged section was the most active. A large business was done in war loans and consols while the official board recorded several markings in colonial stocks, home rails and some American rails and bonds. Among the miscellaneous securities oils, Marconi and Brazilian tractions changed hands frequently at hardening prices.

Bank Calls Issue.

The controller of the currency and the state bank superintendent have issued calls for statement of condition of banks as of Dec. 31. Private banks must respond to this call.

Union Savings & Loan.

The extra 3 per cent. dividend on Union Savings & Loan is payable Jan. 15 to holders of record Jan. 4.

FEDERAL BANK MOVES INTO NEW QUARTERS

The Federal Reserve Bank of Cleveland vacated its offices on the first floor of the Williamson building with the close of business yesterday afternoon, and hereafter will be found spread over three separate floors of the same building.

Executive offices, including the loan teller's office, have been provided for on the second floor in a suite occupying the former location of the Cleveland Stock Exchange. The tellers' cages have been moved to the basement, which has been fitted up with a commodious lobby, extending under the Euclid avenue pavement. New vaults have also been installed, capable of storing some $74,000,000 in federal reserve money in such proportion as the denominations usually run.

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The new vaults include a series of steel safes, each with its own combination, providing separate accommodation for the federal notes under control of Federal Agent D. C. Wills, and others for the banking department, containing the general resources paid in by the member banks and the federal notes released for circulation purposes.

On the fourth floor of the building offices are being provided for the transit department of the bank.

The Union National, which will move into the first floor offices shortly, will use the vaults formerly owned by the Cleveland Trust Company and which were utilized by the Federal Bank prior to the receipt of its own new vault equipment.

CLEVELAND PLAIN DEALER, JAN 7 1915

Washington

Richard H. Aishton, a Chicago railroad official, was nominated today by President Wilson to succeed Frederic A. Delano as a member of the industrial relations commission. Mr. Delano was appointed to the federal reserve board.

ODD SHAPED GOLD COINS AWAITED AS SOUVENIRS

Octagonal $50 Panama Exposition Pieces Will Not Have General Circulation.

CLEVELAND PLAIN DEALER

A measure which has passed both houses of congress provides for a special issue of gold and silver coins to commemorate the Panama-Pacific exposition. The measure, if approved by the president, will authorize coinage of appropriately designed $50, $2.50 and $1 gold pieces and 50-cent silver pieces. The $1 gold piece is scarce, none having been coined for a number of years.

Among the $50 gold pieces is to be an issue of octagonal coins, similar to those issued in California in 1851.

"There doubtless will be few of these octagonal coins," said a Cleveland banker yesterday. "Because of their shape, they will require special means of packing. They probably will not circulate like other coins, as most of those the banks do not keep in their vaults will find their way into strong boxes and memento cabinets to remain as souvenirs. Round Christmas time they'll be in demand."

JAN 8 1915

The Federal Reserve Bank of Cleveland has its departments in its new home in the Williamson building today. The officers have moved to the second floor, the transit department to the fourth floor and the money department is established in the basement. This temporary separation is necessary to make way for the Union National, which Jan. 15 takes temporary quarters on the first floor, to remain while its new home is being erected.

The new safes of the regional bank have been installed. Floodproof, burglar proof, fireproof, they will hold without crowding more than $50,000,000. Eight in number, they stand in two tiers.

Three men must be present before any of the safes can be opened.

FROM PILLAR TO POST.

WHEN it was decided that the United States reserve bank of the Fourth district should be located in Cleveland there was at least some talk of the propriety of city action toward providing the institution with suitable permanent quarters.

On its establishment the bank occupied temporary accommodations in the Williamson building. That was only a few weeks ago, but already the government's bankers have had to make way for a new tenant by shifting their offices to the second floor of the same building, with detached departments on other floors where space is available. This somewhat inconvenient arrangement is to continue indefinitely.

The general government will, of course, house its regional reserve banks very sumptuously. That is its custom as to its other bureaus and its obvious duty to its banks. The Fourth district institution will no doubt be provided with impressive quarters in Cleveland or elsewhere in due time. But governmental building operations take a lot of time. Meanwhile Cleveland's satisfaction in being awarded the bank is purely spiritual. Its source cannot be pointed out with pride to visitors. And Pittsburg is still trying to get the decision reversed.

JAN 8 1915

It would be pleasant, and surprising, if public spirit on the part of individual Clevelanders were to prompt the presentation of a suitable site for the permanent bank. In real estate dealings with the government the custom is rather to ask and exact a good round price. That the institution should be firmly anchored in Cleveland by such an act on the part of the municipality would be entirely fitting, and perhaps highly desirable, but altogether out of the question by reason of the city government's financial exhaustion.

So far from doing anything to mend matters, Cleveland must see the very welcome new institution unhandily and unworthily housed; or even removed to another city. Inability to afford the doing of an act of generous hospitality in the premises is only one more consequence of spendthrift municipal finance — and that by no means the most hurtful one.

FINANCING ON BIG SCALE IS THE ORDER OF THE DAY

Pennsylvania Railroad to Put $100,000,000 Bond Issues Up to Shareholders, St. Paul Will Offer Debentures, Bank of France Borrows.

JAN 7 1915

Regional Bank of New York Takes $5,000,000 Municipal Securities—Railroad Buying On in Earnest—Sterling at Gold Point.

BY H. S. ROSENTHAL.

Financing is the order of the day. The Pennsylvania railroad prepares a $100,000,000 bond issue. The St. Paul will offer its shareholders $29,000,000 convertible debentures. The Bank of France has $2,000,000 in gold bars set to its credit in the east. The Federal Reserve Bank of New York invests $5,000,000 in municipal securities.

Such a mass of projects recalls days before the war, and long before the war at that. The two railroads seize the opportunity, while the public evinces some new interest in securities, to cater to that sentiment. Domestic railroads have as much right to the common American money fund as have foreigners, and the railroads want to be early on the ground. In two weeks Montreal raises $6,900,000 in the east, Argentina garners $15,000,000 and the French bank $2,000,000. Before the calls become too numerous on the capital of investors, private and institutional, the roads are getting in.

The Pennsylvania's bonds cannot be emitted before the middle of March at the earliest, as shareholders will vote on the proposition at the annual meeting, March 9. The bonds will be based on the new general mortgage approved last year, and proceeds will go for refunding of bonds and payment of car trust and other obligations maturing in 1915. The St. Paul debentures will be 5s and will be offered shareholders at par to the extent of 12 1-2 per cent. of their holdings.

Gold Bar Mystery Cleared.

The French bank's loan clears up the gold bar mystery which has stirred Wall Street all week. An international banking house had the bars set aside for it in the assay office and yesterday deposited them with a New York bank. Credit foreign merchandise sales with this amount. Beneath the loans one reads that sterling exchange will go materially lower than the normal gold import point, at which it closed yesterday (sight drafts 4.84 1-2) before Europe will ship us metal.

The fourth money event of the day was of wholly different nature from the rest, but ranks with them in significance. The New York regional bank with its [illegible]000,000 taking [illegible] New York city w[illegible]ants goes into the investment market for the first time on a big scale. The reserve bank will not wait for rediscounts to wa[illegible]der in, nor will they slash rates [illegible] persuade them in—they will, howeve[r], buy municipal securities having no more than six months to run an[d] government bonds. Up to yesterda[y] $225,000 had been investe[d] in thes[e] channels; the amount in a[ll] proba[bility] will grow by leaps from now on for more than $255,000,000 cash lie[s] in the system's vaults. Incidentally the government bonds bought bear the circulation privilege and can be used by the regional banks as security for note issues; the present use of course is as income producers.

So money promises soon to move in volume, responding to urgent demand in some quarters and what may be termed urgent supply in another.

In the steel trade signs of activity multiply. The Pennsylvania has asked bids on 150,000 tons of rails. It will buy 170,000 tons this year, comparing with only 132,432 tons in 1914.

From the B. & O. some prompt delivery contracts for 2,000 freight cars involving an expenditure of about $1,750,000; the system has taken an option on 2,000 cars additional and is inquiring for 25,000 tons of rails. The Pere Marquette has placed 5,500 tons in Canada, just across the border. These show the way the wind blows in the steel industry; all departments feel the stir. Foreign demand again pulls on copper quotations.

Wheat Closes Under Top.

Wheat made more high marks, but closed well below the top. The decline was attributed to high ocean freight rates and lack of bottoms, but it was due as much to profit taking. The same applies to the break in cotton, which occurred in the face of the news that the season's first cargo of American cotton had landed safely in Germany and another shortly would arrive. The steady export movement continues; yesterday all ports sent out 53,303 bales.

Prices went in two directions on the New York stock exchange. They can be expected to receive support till the most urgent of the current financing is out of the way, but in these times support will content itself with moderation—would manifestly defeat its own end if it attracted stocks from oversea. European selling was blamed for the ease of United States Steel, whose high for the day was a half point under Bethlehem's newly attained altitude. Interborough issues responded to the subway disaster.

Banks in this territory now find the money trend in the right direction. Country banks are paying off, individual deposits are gaining, collections have moderately improved and in the home area tax money is flowing in.

CLEVELAND BANK STARTS ACCEPTING

Union National Begins Operation Under New Power Granted by Reserve Act.

Facilities Afforded by Law Further Foreign Trade—Financial Notes.

The federal reserve act is so framed as to enlarge facilities of national banks to accommodate foreign trade. Acting on this, the Union National is the first Cleveland bank to "accept" drafts executed in the course of foreign trade. In its statement of condition as of Dec. 31, issued on the controller's call, the Union lists among its resources "acceptances, $1,350."

This is the history of the deal: The bank issued a commercial letter of credit to a customer, a Clevelander who buys raw material in South America. Armed with the letter he went to South America, bought his goods, and had the seller draw a ninety days' sight draft on the Union. The seller had the draft discounted at his South American bank. That bank, through its correspondent in this country, had the draft presented to the Union, which "accepted" it, payable ninety days after sight of the instrument. With the Union's signature this draft is now circulating in the east as a prime investment. There is a triple potential liability—the South American, his bank and the Union are all behind the paper.

The power of accepting paper based on foreign trade, first granted by the reserve act, permits a member bank belonging to the reserve system to accept drafts growing out of the importation or exportation of goods having not more than six months sight to run, to amount in the aggregate not to exceed half of its capital and surplus. The bank is thus permitted to project its name into the investment market for the facilitation of foreign trade. The bill of lading, insurance policy and other shipping documents accompany the draft until it reaches the accepting bank which removes them upon acceptance of the draft and thus has control of the goods until it sees fit to release them to its client.

The National City bank of New York is engaged in these operations on a substantial scale. The paper appeals as investments to private individuals and to banks.

Day in Iron and Steel.

The Daily Iron Trade says Baltimore & Ohio railroad has placed 2,000 cars with Cambria Steel & Mount Vernon Car companies, while Illinois Central orders fifty locomotives from Baldwin and Lima locomotive companies. All mills hold firmly to $1.10 on finished steel lines and one independent advanced hoops $1 ton. No ferromanganese shipments from England are probable in January. Connellsville coke market reflects softness in prompt fuel quotations, but shipments are maintained.

The Day in Dry Goods.

NEW YORK, Jan. 8.—Wool markets were strong today. Fine wools were rising here. Cotton goods were steady and moderately active. Yarns were quiet.

OPERATIONS OF THE FEDERAL BANKS.

Unusual interest centers in the probable operations of the reserve banks. In banking quarters it has been persistently reported that the federal institutions proposed entering the open market for paper, owing to the fact that member banks are showing no desire to rediscount. From the best of information available no such move is really contemplated. The government's attitude is that it has no desire that reserve banks compete with the member banks, either by lowering discount rate or by favoring the entry of the reserve banks into open market operations.

The first move made will probably be the entry of the reserve banks into the market for short time municipal investments. The New York institution this week purchased $50,000 of municipal warrants. The supply of this class of paper, however, is extremely limited. One way out of the difficulty may be had in the form of a ruling from the federal reserve board that will enable the reserve banks to buy long term municipal bonds that are nearing redemption, bringing them within six months' maturity class. Provided these are not to be refunded, but have funds provided from revenues, sinking funds or otherwise, making their payment at maturity absolute, they would constitute good material for the federal banks.

Most investors holding such issues would be willing to part with them ahead of maturity for the advantage given them in making reinvestments at their leisure instead of on a fixed date. Bond houses would eagerly assist in furnishing the supply for the opportunity of getting to the investor first in replacing the funds released.

If the reserve banks enter the open market at all, it is likely that it will be in the form of purchases of bankers acceptances of bills of foreign exchange. No definite action in this regard has been taken.

WHEAT SOARS TO HIGHEST PRICE IN FIFTEEN YEARS

May Goes to $1.38⅝ as Italy and Roumania Hover on Brink of War—Reaches Record Altitude Since Leiter Attempted World Corner.

Drop in Sterling Proves This Country's Quarter Billion Dollar Debt to Europe Erased—Reserve System Tempest—Stocks Strong.

BY H. S. ROSENTHAL.

In the markets of the world the day's outstanding feature was the rise of wheat in Chicago to the highest point in fifteen years.

May wheat at $1.38⅝ is the altitude record unless one goes back to 1898, when Joseph Leiter attempted a world wide corner and drove the cereal to $1.85. Two million bushels were bought for export in the twenty-four hours ended last evening. At this rate our exportable surplus will be exhausted in six weeks. After that we will be digging into wheat that this country needs for bread.

The day's extreme net rise was 2⅜ cents. France bought, so did Italy and Roumania, hovering on the brink of war declarations. Argentina is short of ships. Manitoba is sold out and Canada's supply is running down and the fury of the buying centers here. Domestic millers were so eager for the cash article that the Rockefeller Foundation, working for Belgian relief, could not get satisfactory terms and betook itself into the May, there making sure of a supply.

The $1.99 1-2 paid for durum was a special transaction in which the price included cost of delivery to Italy; the United States supply of this hard variety which produces macaroni is virtually exhausted.

Prospect of two more nations' entry on behalf of the allies would ordinarily have been taken to indicate earlier peace, but the grain market is dealing in day-to-day necessities.

Corn and oats strengthened with the chief cereal. In the cotton market it was realized that extension of the war area would mean more shutdowns and more watchers on the seas, and in the face of the second largest day's exports of the season, 84,457 bales, prices went down.

Oversee Debt Paid Off.

Sight drafts on London were offered in the east at 4.84, the lowest quotation for demand since 1907, and a rate that would inevitably bring gold in ordinary times. London can stand the expense of refraining from metal shipment beyond the present point: it is now uneconomical for her to pay in exchange, but not yet burdensome.

The prime feature of the sterling movement is that it proves the virtual erasure of this country's debt to Europe, which stood at $250,000,000 in August and which brought Sir George Paish over to see whether we wouldn't ship gold. We shipped gold, as much as was requisite, and merchandise has been doing the rest.

A few more months of stupendous export excesses like that of $110,000,000 for December and we will have established balances that will take care of any selling of foreign-held American securities short of a deluge.

New York stocks were strong and bonds irregular. Some high yields are now afforded by good bonds, though it is easily possible that competitive bidding for capital will furnish yields on new issues so high as to militate against the progress of the old.

Steel common gained more than a point to 51 1-2, while Bethlehem common, which has never paid dividends, rose to 52 3-8 and closed at 52. Missouri Pacific declined to the new low of 6 5-8; this makes interesting comparison with what it brought in other years—47 3-4 in 1912, 63 in 1911 and 125 1-2, top, in 1902. American Can had a good advance. St. Paul took its coming debenture issue with a half point gain. In these days when there is financing to do, the stock market will best serve the street with a happy medium of strength.

London for the first time since reopening registered a few gains. Loans of the Bank of England increased $13,000,000 in the latest week and gold decreased $3,000,000; the reserve ratio went down 1.69 per cent. to 32.71 per cent.

Reserve System Tempest.

The tempest stirred up over the federal reserve system is pretty much local to Chicago. It is charged two national bank directors dominate the Chicago regional bank's board, give friends positions and keep interest rates above the open market figures, thus keeping rediscount operations in the hands of banks other than the regional institution.

The banks of which J. B. Forgan and George M. Reynolds are directors own 25 per cent. of the stock of the Chicago reserve institution and have in it 40 per cent. of its total deposits. As directors of the regional bank, Messrs. Forgan and Reynolds admit the domination so far as their long experience leads other directors to heed their suggestions. They deny dictating the conduct of the institution and filling its jobs with their followers. The rediscount policy is fixed by the federal reserve board in Washington, which has openly stated that it does not purpose at this time to cut rates and compete with member banks.

The regional institutions are emergency reservoirs, not rivers from which the country can scoop up credit and currency to the point of inflation. In this experimental stage of the system the policy will be to rediscount when more accommodation is needed, not to produce cheaper money in easy times.

The investigation will disclose a weakness in the system in the dual trusteeship imposed on regional bank directors who are on the boards of member institutions. The financial world knows that it will reveal no detrimental activities on the part of the men named.

Capital or Seasonal Funds?

The times are easy for short term loans, but not for those running say a year, with indefinite renewal possibilities.

"Why does not the reserve system step in and looosen up the long term market?" is a question often asked. The system may furnish capital loans as time goes on; it loans only for seasonal needs now because that is the purpose with which it was started —to prevent the periodical tightening due to crop moving, depression and prosperity. If state and national banks are not loaning capital, they are acting properly. If they are refusing to invest adequately in bonds and mortgages, the reserve system will not take the burden off their shoulders. The institutional or private investor must be persuaded.

...BANK TAKES BIG ISSUE.

This is the first important operation of any of the regional banks. It will create just $5,000,000 more room for the general financial and business community, and must be a factor in the easing of money rates.

Other important Canadian loans are said to be in progress of negotiation in New York to relieve the tension existing across the northern border.

The federal reserve board yesterday approved a lowering of the discount rate of the San Francisco reserve bank to 4 per cent for maturities up to thirty days. This is the lowest rate yet named by any of the regional banks. Minneapolis has been granted a 4½ per cent rate up to thirty days.

Governor Hamlin's comments this week upon the weakness of sterling and the evident passing of all apprehensions relative to our recent foreign obligations are finding expression in lower rediscount rates for the reserve banks. The board manifestly now sees no reason why domestic conditions should not dictate the making of rediscount rates, particularly with the interior institutions.

The cotton loan committee announced its first loan yesterday. It was made th- ... e Alabama subcommittee, but the amount was not stated.

JAN 9 1915

Finance Cleveland, O. 1-9-1915.

Report Of Res... ...nks

Reserve deposits in the twelve federal reserve banks showed an increase of more than $6,000,000 at the close of business December 31, according to the weekly condition statement, which follows:

RESOURCES.	
Gold coin and certificates	$229,069,0..
Legal tender notes, silver certificates and subsidiary coin	26,578,000
Total	$255,647,000
Bills discounted and loans—	
Maturities within 30 days	$ 4,632,000
Maturities within 60 days	4,215,000
Other	1,746,000
Total	$ 10,593,000
Investments	255,000
All other resources	11,349,000
Total resources	$277,844,000
LIABILITIES.	
Capital paid in	$ 18,051,000
Reserve deposits	256,018,000
Federal reserve notes in circulation (net amount)	3,775,000
Total liabilities	$277,844,000
Gold reserve against all liabilities..88.2 per cent	
Cash reserve against all liabilities..98.4 per cent	

Summing up the week's showing the board said:

"The statement indicates a loss of 2.7 million dollars in total cash resources and 3.5 million dollars in gold, as compared with the previous week's figures. The loss of cash in the hands of the banks is more than offset by an increase of 3.7 million dollars of gold, in the hands of the federal reserve agents.

"Loans and discounts," continues the summary, "show an increase of over $2,000,000, Richmond, Minneapolis, Philadelphia and Dallas showing the largest gains in discount operations during the week. Chicago and New York for the first time report investments in public securities. The gain of 6.5 million dollars in all other resources is due chiefly to the increase in the amounts of national bank notes and federal reserve notes in the hands of the banks.

"Deposits show an increase of 6.2 million dollars, mainly at those banks which report a gain in discount operations. Federal reserve agents report additional issues to the banks of 3.6 million dollars of federal reserve notes, but because of the still larger amounts of gold and lawful money in their hands and of federal reserve notes in the hands of the banks themselves the net liability of the banks upon their outstanding circulation was at the end of the year only slightly above 3.75 million dollars."

Finance. Cleveland, Ohio. Jan. 9, 1915.

...ays Down Rules For Purchase Of City Warrants

The Federal Reserve Board Tuesday in Wash...ton made public tentative regulations to govern the purchase by regional banks of municipal warrants issued in anticipation of collection of taxes. The regulations are broad enough to make possible for the regional banks to buy such securities directly or indirectly from any city o... tanding, large or small, in the United States. This will give the banks opportunity to make more use of the reserve funds on deposit with them by member banks.

Defining acceptable warrants, the board say that obligations payable from "local benefit" an... special assessments" taxes shall not be taken un...ess the municipality at large is directly or ult...nately liable. Warrants must be those of muni...palities in existence for ten years, and muni...palities which for a ten-year period previous ...

Finance Jan 9, 1915 Cleveland O

Permanent Capital Not Commercial Loans Needed

The federal reserve banking system as a means of securing a return of prosperity to this country has been very greatly over-estimated. The primary object of the establishment of these twelve banks is to secure to the country, an elastic currency system and to make impossible money panics in this country, similar to the money panic which came upon us in 1907.

The old banking system answered very well most of the time and only was found wanting when too much prosperity together with a sudden wave of fear sent money scurrying to hiding places; then the system was utterly inadequate. So far as the ability of our great merchants and commercial houses to obtain money to carry on business, the old system was not found wanting, except for a few weeks during each fall during the crop moving period. Merchants with proper credit had no difficulty in getting what money was needed.

The federal reserve banking system as presently organized, is organized primarily for putting out more money when business is prosperous, and retiring money when business lets up, assuring the borrower that so long as his credit is good, he will be able to obtain reasonable loans and assuring the banks and the people that there is no occasion for the hiding of money even if there is a big bank failure or a big mercantile failure.

The new federal reserve bank system has nothing to do with the return of prosperity to this country. What this country needs at the present time, is not the means for obtaining more commercial loans, but means of securing more permanent capital for the great industries of the country. The steam railroads, the interurban railroads and many of our large industrial plants need additional permanent capital and not commercial loans or even short term obligations. The investment of funds in long term obligations has practically stopped in this country; railroads for several years past have been unable to fund their floating obligations or provide new funds with long term bonds, but have been compelled to resort to the short term note plan. As these notes fall due they are replaced with other issues in the fond expectation that some day we will have a good railroad bond market, and these short term obligations may be put into permanent form.

The financial need of this country, therefore, if we are to return to the prosperous days of old, is a good market for bonds and preferred stocks, and before we can have this we must have a return of confidence in the railroads and in the big industries which desire to sell bonds and preferred stocks.

This country has never needed much improvement on its methods of supplying merchants and dealers with money to carry over their season's business. Practically everybody that has needed credit and has been entitled to it in the past has been able to get credit, and those who want credit and are entitled to it now are able to get it.

and yet the federal reserve banks have practically done nothing in extending credit to the business world. They have done nothing, not because they have not wanted to do anything, but because there has been no demand that they do anything. The federal reserve system comes into play when an emergency exists.

The campaign of abuse which has been carried on against the big corporations of this country, against the railroads, against the public utility companies and against all kinds of big business, thereby disturbing the confidence of the people and the investors in these institutions has done more to injure the country and delay a return of prosperous conditions, than the federal reserve banking system can make up in a hundred years. The great paramount need of this country today is more permanent capital. Our people deposit their money in the savings banks and the savings banks loan it out to people upon good collateral.

This is all right so far as it goes, but it does not increase the investment of the people in the country's industries, thereby increasing our permanent capital.

Our people should be educated to buy good bonds, first-class investments, and in making these investments they should look to their banker for advice.

Finance
Cleveland, Ohio.
January 9, 1915.

Directors' Liability On Reserve Bank Paper

The question of the personal liability of directors of national banks in case paper offered to a federal reserve bank for rediscount and certified as eligible for rediscount, would prove in fact not to be so eligible has been raised by bank directors. Bank attorneys have the matter under consideration.

The question arises out of the fact that circular No. 13 of the Federal Reserve Board, governing conditions of the rediscounting of paper with the reserve institutions, provides that the affixing of the stamp of the member bank to the paper so offered stating that the bill is eligible for rediscount "will be considered a solemn and binding declaration by the member bank" that the financial statement of the party liable on such bill has been examined and that the paper complies with all the requirements of the board.

Louis F. Doyle, legal authority on banking laws, said that in his opinion, no personal liability would be imposed upon a director of a member bank in consequence of an erroneous certification. The act of certifying a bill under circular No. 13 and the act of offering a bill so certified for rediscount, he said, are corporate acts of the member bank. The directors of a corporation are not personally liable for corporate acts, added Mr. Doyle, except when made so liable by some specific provision of statutory law, and no such provision, which could apply to the case of certifying a bill for rediscount under the terms of circular No. 13 is contained in the federal reserve act, the national bank act, or any other statute of the United States.

It is impossible to say that no suit might be brought against a director on these grounds, said Mr. Doyle, but in his judgment the bringing of such suit would be extremely unlikely. The liability of the member bank for erroneous certification, in Mr. Doyle's opinion, is not more than that assumed by its endorsement of the paper and a possible requirement to surrender its federal reserve bank stock.

The provision of the reserve act that in case of non-compliance or violation of its provisions every director who participated in his personal or individual capacity shall be held liable for all damages suffered by the bank or its shareholders it is held, does not apply directly in the case of the rediscounting of paper, where, in most cases the directors do not personally participate and where there is no intention of violation.—*The Financier.*

The Bank [illegible]

Governors of seven [illegible] in a statement that may [illegible] be taken to reflect the opinion of financial America upon present conditions in the business world and the outlook for the new year.

"The present business condition is much improved over the last three or four months," declares the governor of the Atlanta bank.

"The outlook for business for the ensuing year is unusually good, aside from uncertainties caused by the European wars," says the governor of the Kansas City bank.

"In my opinion, the improvement in financial conditions may be expected to continue throughout 1915," the governor of the Richmond bank believes.

The governor of the Boston bank is looking forward to "great commercial activity."

"In view of all the conditions prevailing throughout the world, business is good," is the way the governor of the Minneapolis bank puts it.

"As to the future, we can look forward with confidence, generally speaking," is the conservative way the governor of the San Francisco bank expresses it.

The governor of the Dallas bank corrects the "exaggerated conception of conditions obtaining in the south," which he finds not essentially different from those elsewhere. His message, too, is one of hopefulness.

From New England to Texas and the Pacific coast the survey extends. The observation varies only as to terms.

CLEVELAND PLAIN DEALER.
JAN [illegible] 1915

Discount Rate to 4 Per Cent.

The San Francisco regional bank, beginning today, makes the lowest rate of any of the twelve—4 per cent. on paper not exceeding thirty days. Nine of the institutions now have 4 1-2 per cent. figures, Cleveland, Dallas and Kansas City still maintaining the minimum at 5.

In the Cleveland district a lower rate would not appreciably increase the volume of rediscounting. If business improvement continues in January rediscounts will grow. After Feb. 1 they will increase if the minimum rate is lowered to 4 1-2 per cent., as the tax on emergency currency goes up to 5 per cent. Feb. 1, making retirement and rediscount of the paper security attractive.

DISCOUNT RATE CUT; SHOWS MONEY EASIER

Directors of the Cleveland federal reserve bank Wednesday ordered a sweeping reduction in discount rates.

The rate on 30-day paper was reduced from 5 to 4 1-2 per cent; 60 days, 5 1-2 to 5 per cent; 90 days, 6 to 5 per cent. The rediscount rate on all paper of more than 90 days' maturity remains unchanged at 6 per cent.

The reduction suggests the great ease of money. Because of the lack of requirements for legitimate enterprise, loanable funds are in abundance all over the country. The federal banks, consequently, have not yet done much rediscounting.

REDISCOUNT LESS, INVESTMENTS GROW

Reserve System's Total Accommodation to Members Declines in Week.

JAN 10 191[illegible]

Bond and Municipal Warrant Purchases; Dawes Urges Amendment.

Investments of the federal reserve system increased $6,212,000 from $255,000 in the latest week. This is due to purchase of $5,000,000 New York city revenue warrants by the regional bank of that city, and purchase of government bonds by several of the reserve institutions. How much this extension of income producing facilities is desirable is indicated by the week's decline of $717,000 in rediscounts, which are now $9,876,000. Gold in the vaults increased by about $3,500,000.

The San Francisco bank now has a rate of 4 per cent for thirty-day paper, and eight of the twelve have minimum 4 1-2 per cent rates. Spring mercantile business, calling as it does for purely seasonal funds, and the retirement of emergency currency whose tax becomes 5 per cent Feb. 1, should boost the volume of regional bank accommodations.

Charles G. Dawes, former controller of the currency, yesterday made a plea for amendment of the system to lodge less power in the secretary of the treasury, at a special meeting of Chicago bankers and business men. The secretary of the treasury can deposit the general fund of the treasury and in general to make the regional banks fiscal agents of the government in his discretion, and is ex-officio chairman of the federal reserve board. The speaker said that the utility of the reserve bank system in an emergency rested ultimately with the secretary of the treasury alone.

"The federal reserve banks," said Mr. Dawes, "are great credit-creating devices using as a foundation money belonging to other banks and already in use by them as a foundation for existing credits. They have not as yet to any extent expanded their credits, but if they did and then for some reason were compelled suddenly to contract them, business disaster must ensue. Liquidation of the second bank of the United States, which resulted in the panic of 1837 is a historical illustration of this fact.

"The federal reserve law as it stands contains such provisions as are certain to involve it in political attack similar to that waged by Andrew Jackson against the second bank of the United States. Now is the time, before the reserve banks have issued large credits upon whose existence the prosperity of the country will become dependent, to criticize and amend the law."

The system's statement as of Jan. [illegible] follows:

RESOURCES.

[illegible] coin and certificates	$232,553,000
[illegible] tender notes, silver certificates and subsidiary coin	17,997,000
Total	$250,550,000
Bills discounted and loans:	
[illegible] within 30 days	4,410,000
[illegible] within 60 days	3,686,000
[illegible]	1,780,000
[illegible]	[illegible]
[illegible]	[illegible]

Due from Federal Reserve banks:

Items in transit	6,249,000
All other resources	14,159,000
Total resources	$287,301,000

LIABILITIES.

Capital paid in	$ 18,058,000
Reserve deposits	267,389,000
Federal reserve notes in circulation (net amount)	1,854,000
Total liabilities	$287,301,000

Gold reserve against net liabilities 88.5 per cent.

Cash reserve against net liabilities, 95.3 per cent.

Federal Reserve Bank of Cleveland

The federal reserve bank of Cleveland this week reports a decrease of $51,000 in rediscounts and an apparent decrease of $1,383,000 in holdings of gold and gold certificates. The latter change is due to the *fact that $1,383,000* gold certificates is in transit in the process of being exchanged for metal at the United States treasury.

RESOURCES.

	[illegible] 8, '15.	Dec. 31, '14
Gold and gold certificates	$16,291,000	$17,674,000
Legal tender notes, silver certificates and subsidiary coin	1,093,000	1,017,000
Rediscounts and loans	455,000	506,000
All other resources	1,728,000	319,000
Total resources	$19,567,000	$19,516,000

LIABILITIES.

Capital paid in	$ 2,031,000	$ 2,031,000
Net deposits	17,394,000	17,345,000
Federal reserve notes in circulation	142,000	140,000
Total liabilities	$19,567,000	$19,516,000
Gold reserve against all liabilities	92.91%	101.07%
Cash reserve against all liabilities	99.14%	106.90%

New York Clearing House.

NEW YORK, Jan. 9.—The statement of the actual conditions of clearing house banks and trust companies for the week shows that they hold $120,579,810 reserve in excess of legal requirements. This is an increase of $6,494,890 over last week. The statement *follows:*

ACTUAL CONDITION.

		Increase.
Loans, etc.	$2,188,899,000	*$2,609,000
†Reserve in own vaults	337,582,000	7,405,000
Reserve in federal reserve bank	100,738,000	441,000
Reserve in other depositaries	32,234,000	244,000
Net demand deposits	2,031,280,000	9,115,000
Net time deposits	89,654,00	*2,282,000
Circulation	46,216,000	*2,353,000
Aggregate reserve	470,554,000	
Excess reserve	120,579,810	6,494,890

†Of which $264,032,000 is specie.

Other New York Banks.

Loans, etc.	$561,408,300	*$523,200
Specie	43,602,000	33[illegible],800
Legal tenders	12,220,000	*3[illegible]5,100
Total deposits	645,095,400	*[illegible]83,900
Banks' cash reserve in vault	11,553,800	
Trust companies' cash reserve in vault	44,268,200	

*Decrease.

Local National Banks.

Cleveland national banks report for the week ended with the close of business Friday last increase in loans of $875,675, increase in deposits [illegible], and [illegible] in cash and due from reserve agents of $660,140.

Cleveland Clearings.

Jan. 8	$ 3,881,488
Day last year	4,420,644
Last week	28,798,440
Week last year	29,00[illegible]

TOO MUCH POWER TO ONE MAN, SAYS DAWES

CLEVELAND LEADER.

Former Comptroller Says Danger Lurks in New Federal Banking System.

JAN 10 1915

CHICAGO, January 9.—That the federal reserve bank law invests too vast a power in the hands of one man, the Secretary of the Treasury, and thus presents an element of danger which should be dealt with by Congress, was the assertion made here today by Charles G. Dawes, former comptroller of the currency, at a special meeting of Chicago financiers and business men.

The speaker said that the utility of the reserve bank system in an emergency rested ultimately with the Secretary of the Treasury alone.

"The federal reserve banks," said Dawes, "are great credit-creating devices, using as a foundation money belonging to other banks and already in use by them as a foundation for existing credits. They have not as yet to any extent expanded their credits, but if they did and then for some reason were compelled suddenly to contract them, business disaster must ensue. The liquidation of the second Bank of the United States, which resulted in the panic of 1837, is a historical illustration of this fact.

"The federal reserve law, as it stands at present, contains such provisions as are certain to involve it in political attack similar to that waged by Andrew Jackson against the second Bank of the United States. Now is the time, before the reserve banks have issued large credits, upon whose existence the prosperity of the country will become dependent, to criticize and amend the law."

The speaker declared that developments might arise by which "an Andrew Jackson will again lay prostrate the commercial edifice of a great nation."

GO TO RETAIN U. S. BANK

Cleveland Bankers Will Fight Pittsburg Protest.

A group of Clevelanders left last evening for Washington to present to the federal reserve board Cleveland's reasons why the regional bank should remain here. In the party are Mayor Newton D. Baker, Attorneys S. H. Tolles and M. B. Johnson, and the following bankers: Col. J. J. Sullivan of the Central National and the Superior, T. H. Wilson of the First National, F. W. Wardwell of the Cleveland National and president of the clearing house, A. G. Tame, vice president of the Cleveland Trust; L. A. Murfey of the National Commercial, George S. Russell of the Bank of Commerce, W. E. Reed of the Union National, C. A. Paine of the National City, George F. H[illegible] of the Guardian and A. Corcoran of the Superior.

JAN 13 1915

At 11 this morning in the board room of the treasury department the Clevelanders will tell why Pittsburg's protest at being in this district and her plea for the institution should be overruled.

W. W. Smith will be spokesman for the Pittsburg division. Each side will have one hour to present oral argument and written briefs will be filed. The Clevelanders will return tomorrow morning.

The fact that so many representatives of state banks accompany the party is due not only to the interest in the city's general welfare, but to the interest state banks are displaying toward entry into the fede[illegible]

FEDERAL BANK TO BID FOR DEFICIENCY NOTES

Finance Director Coughlin said Wednesday the city would not object to selling the $1,055,000 deficiency notes, to be issued about May 1 to meet the city's 1915 operating deficit, to the new federal reserve bank provided the lowest interest rate was offered.

D. C. Willis, chairman of the federal bank board, Wednesday was figuring on entering a bid. New York city last week disposed of $5,000,000 revenue warrants to the New York federal bank.

JAN 13 1915

CITY MAY BORROW FROM U. S. BANK

Officials Will Confer With Regional Institution on Warrant Sale.

Reserve System Could Take Whole $1,055,000 Issue.

JAN 15 1915

City officials had word yesterday that officers of the Federal Reserve Bank of Cleveland would confer with them shortly regarding the $1,055,000 revenue warrants the city is empowered to issue for 1915 expenditures. The federal reserve banks have permission under the reserve act to purchase municipal warrants issued in anticipation of taxes, having not more than six months to run and complying with certain other conditions which will be met by the city of Cleveland warrants. The New York regional bank two weeks ago bought $5,000,000 New York city warrants of this sort. Bond houses and banks are eager bidders for material of this kind, and the entry of the regional banks into the ring will permit the cities to finance short term needs on extremely favorable bases.

One reserve bank cannot take more than 25 per cent. of an issue, but there is nothing to prevent the eleven other institutions or any of them from absorbing any portion or all of an issue.

Cuyahoga Savings & Loan.

Stockholders of the Cuyahoga Savings & Loan Co. at their annual meeting held yesterday re-elected for three years the four directors whose terms expired—Davis Hawley, president; George H. Ganson, vice president; J. C. Murphy and L. J. Cameron treasurer.

FEDERAL BANKS TO TAKE CITY REVENUE WARRANTS

Short Term Loans Eligible for Reserve Institutions Under New Bank Act—Stock Market Uplift Comes to a Halt.

1 3 1915

BY F. F. DUNCAN,

Financial Editor of The Leader.

Federal reserve banks will probably be active bidders for the revenue notes to be issued by the city of Cleveland about May 1. D. C. Wills chairman of the board of the Cleveland federal bank, will confer with city officials on the matter today.

If the notes come within the limitations of eligibility for federal bank investments—it is the general opinion that they will—they will be regarded as a choice form short time paper for those institutions.

New York city last week placed $5,000,000 of its revenue warrants with the federal bank of that city. The sale of revenue warrants is a new thing in Cleveland, although a popular form of short time financing in other large cities.

According to the new banking act the regional banks may purchase such municipal paper of maturity date not exceeding six months and issued in anticipation of collection of taxes or the receipt of assured revenues.

It is believed that the new city loans will come within the scope of the banking act in this respect. City Auditor Coughlin stated last night that the loans placed in May will be paid with the taxes coming in during July and that later in the year, probably in October and November, the city will again be a borrower against the taxes to be collected in January.

The maturities will run only from two to four months and in that respect are well within the requirements for federal bank investments.

BANKERS LEAVE FOR BATTLE TO KEEP RESERVE

Thirteen Financiers and Business Men Go to Washington to Combat Pittsburg's Plea for Federal Institution.

JAN 1 3 1915

A party of thirteen bankers and business men left for Washington at 6:15 o'clock last evening to attend the hearing before the federal reserve board on Pittsburg's plea for the removal of the federal reserve bank of the Fourth district to that city.

In the party were Mayor Newton D. Baker, Colonel J. J. Sullivan, F. W. Wardwell, A. G. Tame, A. M. Corcoran, Thomas H. Wilson, L. A. Murfey, F. H. Tolles, W. E. Ward, M. E. Johnson, George S. Russell, Charles E. Paine and George F. Hart.

Hot Fight Expected.

The Cleveland brief against the Pittsburg move will be submitted by Colonel J. J. Sullivan with S. H. Tolles as counsel.

The fight for the federal bank is expected to develop the hottest contest of any of the movements set afoot by dissatisfied cities over the selection of the federal reserve cities. Pittsburg bankers have obtained signatures to their appeal embracing nearly every bank in western Pennsylvania. They will base their appeal on figures showing that about half of the stock of the Federal Reserve Bank of Cleveland is paid in by western Pennsylvania bankers.

Cleveland's Claims.

The presentation of Cleveland's side of the case will stand largely on the original argument that brought the bank to Cleveland—its more ready accessibility to the territory embraced in the Fourth district, the high standard of banking maintained in this city, its larger population and the husky growth that has marked Cleveland as the future city of destiny and left all other interior competitors with exception of Chicago far behind.

The Cleveland argument, too, according to bankers, will include some new and important phases not heretofore presented that may come as a surprise to Pittsburg. Bankers also expressed the opinion last night that possession will prove the usual nine points in determining the issue.

13 FROM HERE FIGHT TO KEEP RESERVE BANK

Thirteen Cleveland bankers and business men Wednesday were in Washington before the federal reserve board to present briefs and arguments to prevent the removal of the Fourth district reserve bank from Cleveland to Pittsburg.

A fight to have the bank moved to Pittsburg was begun by Pittsburg bankers immediately following the announcement that the reserve bank would be located here.

RESERVE BANK TO STAY HERE

The federal reserve bank for the fourth district will remain in Cleveland, despite the petition of Pittsburg bankers to have the bank shifted there. JAN 14 1915

Although formal action has not been taken by the reserve board in Washington, it is known that arguments presented by Pittsburg failed to win a majority of the board to Pittsburg's views.

Members of the board believe it would be disastrous to the reserve system to begin to shift banks from places already chosen.

RESERVE SAVED, BANKERS BELIEVE

Clevelanders Present Arguments Against Claim of Pittsburg.

BY ROBERT F. WILSON.
Leader Bureau, 302 Riggs Building.

WASHINGTON, January 13.—The struggle of Pittsburg to wrest the federal reserve bank of the fourth district from Cleveland is all over but for the decision of the federal reserve board.

After months of agitation, the Pittsburg bankers submitted their case to the board today. Their argument was answered by Mayor Newton D. Baker and Attorney S. H. Tolles so ably and completely as to leave little doubt in the minds of disinterested listeners that the effort of the Pittsburgers has been in vain.

In fact, members of the large Pittsburg delegation in attendance at the hearing, after listening to the arguments, conceded that there is little chance that the board will upset the work of the organization committee, which placed the bank in Cleveland. The board announced that it would take the case under advisement and render its opinion in due time.

The Pittsburgers, through Attorney W. W. Smith, attempted to make the point that their appearance today was in furtherance of what in a court would correspond to a motion for a new trial, arguing that in the hurry of organizing the bank, the organization committee did not have sufficient time to take all the facts into consideration.

The Cleveland response was that the proceedings today were rather an action after judgment had been rendered.

"The bank is actually in Cleveland doing business," said Tolles, in his reply to Smith. "It is established, and, unless there is a showing of fraud, of a mistake, or if experience has shown that the location is prejudicial to the best interests of the banking interest, then the decision of the organization committee should not be disturbed. There has been no such showing."

"Would Shake Confidence."

In a short speech, in which he wound up the Cleveland side, Mayor Baker contended that to move the bank now would be to shake public confidence in the stability of the new banking system.

"It would defer the hope of the public that this institution will remedy some of the financial limitations under which this country has labored," he said.

A large delegation came from Cleveland to the hearing. It was headed by Baker, Tolles, Colonel J. J. Sullivan and M. B. Johnson, and it included also F. W. Wardwell, president of the Cleveland Clearing House Association; Thomas H. Wilson, George C. Russell, W. E. Ward, A. G. Tame, C. A. Paine, George F. Hart and A. M. Corcoran.

Mayor Baker and most of the party returned to Cleveland tonight. The mayor escorted the delegation to the White House after the hearing, but a few minutes too late to see the President. They also called on Senator Pomerene in the afternoon.

Attorney Smith succeeded, over the protest of Attorney Tolles, in getting before the board petitions from 476 out of the 766 member banks of the Fourth district asking that the bank be transferred to Pittsburg. In his comment on these petitions Tolles said:

"You ought to consider how these petitions were obtained before giving weight to them. Cleveland has not thought it becoming to canvass this district or solicit votes for the retention of the bank in Cleveland. We have thought to rely upon the merit of the decision awarding the bank to Cleveland, rather than upon any drumming of the district. How these petitions were obtained, by what drumming or solicitation, I have no means of knowing."

Compares Two Cities.

"In the matter of financial supremacy, industrial and commercial supremacy, and convenience of access Cleveland is completely outshadowed by Pittsburg in every particular," said Smith. He then went on to give statistics bearing out his statement.

"The capital and surplus of the national banks of the six largest cities in Ohio fall $2,000,000 short of the aggregate capital and surplus of Pittsburg banks," said Smith. "Of the seven cities with bank capital of over $25,000,000, Pittsburg was the only one in which a reserve bank was not located."

"We have heard no reasons given for locating the bank at Pittsburg," was the way Tolles began his argument. "Nothing, except that supremacy, which any Pittsgurger is ready to admit at any hearing."

He denied Smith's assertion that Cleveland business is localized, while Pittsburg's market is world-wide. "No American city has a trade wider spread than Cleveland's," he said.

Cleveland's Atmosphere Better.

"Before this banking law was proposed, the feeling had come to be that the flow of money did not follow natural courses—it had been made to flow uphill by special inducements, because the control of money had fallen into very few hands. This fact, no doubt, was in the mind of the organization committee, when it made its decision."

Tolles declared that the "atmosphere" of Cleveland is better for the regional bank than that of Pittsburg.

"There is natu- l feeling against Pittsburg for the reason that her political and banking history in the public records does not create the atmosphere in which one would place a bank of this importance. This is Pittsburg's misfortune rather than her fault. Cleveland's growth and conservatism of banking has been absolutely free from the slightest scandal or failure, and these were factors in influencing the committee."

MAY LOSE BATTLE FOR RESERVE BANK

Pittsburg Fails to Impress Federal Board by Its Array of Figures.

Mayor Baker Pleases by Using New Civic Angle in Argument.

Plain Deal- Bureau,
38 Pos- -
WASHINGT-

Contrasts between the civic consciousness of Cleveland and Pittsburg and references to the wide difference in the political atmosphere of the two municipalities played a large part in the hearing today before the federal reserve board on the protest of Pittsburg bankers against the selection of Cleveland as the regional bank center for the fourth reserve district.

The representatives of Pittsburg, asking that the regional bank be transferred from Cleveland to Pittsburg, were armed with a long line of statistics covering manufactures, miles of trunk line railway, tonnage in various commodities, bank clearances and rates of interest.

The representatives of Cleveland had statistics, too, but with these figures they presented reasons why the metropolis of Ohio, morally as well as for the general public interest should retain the central bank in the fourth reserve district.

Breaks Routine Monotony.

It was something new—this linking of the question of civic atmosphere into an otherwise necessarily dull rehearsal of figures pertaining to the movement of trade. And it was not alone interesting but refreshing to the members of the reserve board. They themselves said so in congratulating Mayor Newton D. Baker, who led in this line of argument and who told the board Pittsburg was suffering with "statistical imagination."

It was contended that Cleveland from the start enthusiastically joined

—Continued on 6th Page, 4th Column.

in the movement w- - -- attitude of Pittsburg if not openly h- -e was indifferent. The national bank failures of each city also were mentioned.

The hearing today was oral to supplement the written briefs filed with the federal reserve board on behalf of the two cities. At the conclusion of the argument announcement was decision would be reserved. All surface indications point that the federal reserve board will sustain the action of the organization committee in selecting Cleveland and will not disturb the new banking system in operation but a little more than two months.

The representatives of Pittsburg themselves admitted after the hearing they saw little or no chance for a change in the attitude of the board. Irrespective of the arguments the attitude of the board seems to be that if there are any defects experience will demonstrate them and the only logical course to pursue is to observe the workings of the system as organized.

Arguments for Cleveland were presented by Attorney S. H. Tolles and Mayor Baker. In addition to the two spokesmen Cleveland was represented at the hearing by J. J. Sullivan, E. W. Wardwell, Thomas H. Wilson, George S. Russell, C. A. Paine, L. A. Murfey, M. B. Johnson, George F. Hart, A. G. Tame, W. E. Ward, A. M. Corcoran.

Argument for Pittsburg was presented by Attorney William Smith. Other representatives of Pittsburg at the hearing were T. Hart Given, president of the Farmers Deposit National bank; R. B. Mellen, president of the Mellen National bank, and John R. McCune, financier and representative of the Pittsburg chamber of commerce.

Attorney Smith vigorously denied there was any criticism of the federal reserve board. He declared the mapping out of the new system by the board to be a "wonderful piece of constructive work," and then insisted that in the case of the fourth district a mistake had been made. He summed up with the statement the capital and surplus of the six largest cities of Ohio, Cleveland included, was [illegible]e $2,000,000 short of that in Pittsburg alone.

Attorney Tolles characterized some of the statements of Attorney Smith as ridiculous, as, for instance, the Pittsburg man's assertion the Cleveland market is localized.

"With the possible exception of New York and Chicago the Cleveland market is the most diversified in the United States, reaching nearly every point on the globe," said Mr. Tolles.

Mr. Tolles discussed the purposes of the new banking act to provide a more equitable distribution of the banking resources of the country and contended that by this test Cleveland was in every way to be preferred over Pittsburg.

An Acceptance Problem.

In preparing rules governing acceptances available for rediscount, the federal reserve board is being confronted with certain difficulties. The federal reserve act limits the acceptances rediscountable to those based on import or export trade, and the question arises how acceptances may be marked so as to make it certain to holders in the course of circulation that the paper is based on foreign trade. Before the war an American shipper of commodities drew on a London bank, no matter what or to what country he shipped. Under the new plan he frequently draws on credits set up by the foreign purchaser in an American bank. Under the old plan the nature of acceptance, being drawn on London, was indicated on the face. Under the new plan this is not the case, and an acceptance in the course of transfer from hand to hand when used as an investment will have nothing on its face to tell a purchaser that the legal requirements for rediscountability have been met. The shipping documents that went with the paper were detached by the accepting bank for security when it accepted.

CLEVELAND PLAIN DEALER

JAN 17 1915

Some institutions have refused to buy bills bearing marks for fear that the marks made the draft less negotiable and conditional. If notations are to be permitted stating the draft was drawn in payment of exported or imported merchandise, they must be so made as not to base the draft on the goods in such manner as to make the paper conditional or less negotiable. Regulations will be issued in the near future.

POTENTIAL FACTORS NOT EXHAUSTED.

But the markets are not yet in full possession either of the accruing benefits from easing money, nor the orders that hinged on the rate decision. The average interior bank is just now commencing to feel the effects of a lessening demand for money and a growing deposit account. Interior banks are only now commencing to reduce their bills payable and retire their emergency currency in a comprehensive way. It is also patent that the investment markets did not begin to contribute to the general unbuckling of a taut situation until the first week in January.

Trading in the New York bond list continued on a liberal scale with prices firm. The local investment demand was stronger than on Tuesday and the total turnover on the exchange up to the best since the first of the year.

Governors of the New York exchange approved plans for the restoration of arbitrage dealings with European markets under restrictions to be defined later.

JAN 14 1915

The federal reserve bank of Cleveland reduced its rate of discount for thirty-day paper to 4½ per cent in accordance with last week's expectations. The rate for sixty days was reduced to 5 per cent and ninety days to 5 per cent. A 6 per cent rate prevails for longer periods.

RESERVE SYSTEM'S OPERATIONS GROW

Investments Increase $2,706,000 and Rediscounts Nearly Same Amount.

JAN 17 1915

Merchant Paper Held is Half Thirty-Day Variety—Directors' Fees.

CLEVELAND PLAIN DEALER

In the week just ended the federal reserve system increased its investments $2,706,000, and rediscounts and loans $2,566,000. In other words the system materially enlarged its commitments and is rapidly taking on new dignity as a factor in the country's day-to-day financial operations.

The total of $9,173,000 investments includes municipal warrants and government bonds, chiefly warrants. The total of rediscounts, $12,442,000, is about 50 per cent. in paper of maturity not exceeding thirty days, and about 33 1-3 per cent. in maturities not exceeding sixty days, making clear the system's liquid position.

Federal reserve notes in circulation decreased $16,000. The outstanding $1,838,000 is net after deduction of the notes in the hands of regional banks, and the gold and lawful money put into the hands of federal reserve agents to cancel liability of the banks. At the year end the net circulation was only about $3,750,000 and decrease has occurred ever since.

The letter of Henry B. Joy, director of the federal reserve bank of Chicago, to Gov. Hamlin protesting against muckraking as to that institution has aroused wide interest.

In the course of his letter Mr. Joy stated that he considered the time and effort spent on the bank's affairs by the directors compensated in ridiculously inadequate fashion. He favored $100 a meeting as a fee to each director and $100 a month for incidental expenses, correspondence and time devoted to keep educated on the current affairs of the institution.

The directors of the federal reserve bank of Cleveland receive a fee of $20 each for each meeting, held once a month. Five of the directors make up the executive committee, which meets once a week and each member of the committee receives a fee of $10 a meeting, there being no duplication. Directors are paid expenses in addition to fees. A number of them live at such distances, in Cincinnati, West Virginia and Kentucky, that the journey to and from Cleveland and the meeting require a full day from their other affairs. These fees have been set by the federal reserve board.

Minimum rediscount rates are now 4 1-2 per cent. in all cities but two in the south. The system's statement as of the close of business Jan. 15 follows:

RESOURCES.

Gold coin and certificates		$236,516,000
Legal tender notes, silver certificates and subsidiary coin		16,228,000
Total		$252,744,000
Bills discounted and loans:		
Maturities within 30 days	$	6,049,000
Maturities within 60 days		4,344,000
Other		2,049,000
Total	$	12,442,000
Investments	$	9,173,000
Due from F. R. banks: items in transit		7,595,000
All other resources		15,144,000
Total resources		$297,098,000

LIABILITIES.

Capital paid in	$ 18,075,000
Reserve deposits	277,185,000
Federal reserve notes in circulation (net)	1,838,000
Total liabilities	$297,098,000

Gold reserve against net liabilities 87.1 per cent.

Cash reserve against net liabilities 98.1 per cent.

Federal Reserve Bank of Cleveland

RESOURCES.

	Jan. 15.	Jan. 8.
Gold and gold certificates	$17,005,000	$16,291,000
Legal tender notes, silver certificates and subsidiary coin	916,000	1,093,000
Rediscounts and loans	414,000	455,000
All other resources	742,000	1,728,000
Total	$19,077,000	$19,567,000

LIABILITIES.

	Jan. 15.	Jan. 8.
Capital paid in	$ 2,034,000	$ 2,031,000
Net deposits	16,901,000	17,394,000
Federal reserve notes in circulation	142,000	142,000
Total	$19,077,000	$19,567,000
Gold reserve against all liabilities, per cent.	99.7	92.91
Cash reserve against all liabilities, per cent.	105.2	99.14

Local National Banks.

Cleveland national banks report for the week ended with the close of business Friday last decrease in loans of $429,211; nominal increase in deposits of $83; and decrease in cash and due from reserve agents of $253,995.

CLEVELAND CLEARINGS.

Last week	26,377,919
Week last year	28,649,505

UNCLE SAM: I'm quite sure I decided this question once.

JAN 14 1919

Wills, D.C.

NEW CASHIER OF DIAMOND NATIONAL BANK

Walter O. Phillips.

Mr. Phillips, who was former assistant cashier of the Diamond National Bank, was named cashier Wednesday to succeed D. C. Wills, who is now reserve agent of the Federal Reserve Bank in Cleveland, O.

Pittsburgh Gaz. Times

January 14, 1915

Situation Unchanged in Cleveland.

D. C. Wills, Federal Reserve Agent, Cleveland, reports that "changes respecting business and agricultural conditions are few compared with thirty day ago. The financial situation and money rates are unchanged. A large volume of business is being handled by the banks. In one or two centres of the district there has been a rather brisk demand for funds. As a rule, however, money is reported easy all over the district. Dealers in securities report no let up in the market, but observe a strong tendency toward the higher grade investments. The greatest problem of all the manufacturers in the district is the labor problem. Some are experimenting with negro laborers who are being brought here in considerable numbers from the South."

New York Times

September 1916

BANK STATEMENTS

The statements of the federal banks and of the Cleveland and New York banks follow:

CLEVELAND FEDERAL BANK.

Resources.

Gold and gold certificates	$17,005,000 00
Legal tender notes, silver certificates and subsidiary coin	916,000 00
Rediscounts and loans	414,000 00
All other resources	742,000 00
Total resources	$19,077,000 00

Liabilities.

Capital paid in	$2,034,000 00
Net deposits	16,901,000 00
Federal reserve notes in circulation	142,000 00
Total liabilities	$19,077,000 00

Gold reserve against all liabilities, 99.7 per cent. Cash reserve against all liabilities, 105.2 per cent. Cash reserve against all liabilities after setting aside 40 per cent gold reserve against Federal reserve notes in circulation, 105.7 per cent.

ALL FEDERAL BANKS.

Resources.

Gold coin and certificates	$236,516,000 00
Legal tender notes, silver certificates and subsidiary coin	16,288,000 00
Total	[illegible]52,744,000 00
Bills discounted and loans:	
Maturities within 30 days	$ 6,049,000 00
Maturities within 60 days	4,344,000 00
Other	2,049,000 00
Total	$ 12,442,000 00
Investments	$ 9,173,000 00
Due from F. R. banks:	
Items in transit	$ 7,595,000 00
All other resources	15,144,000 00
Total resources	$297,098,000 00

Liabilities.

Capital paid in	$ 18,075,000 00
Reserve deposits	277,185,000 00
Federal reserve notes in circulation (net amount)	1,838,000 00
Total liabilities	$297,098,000 00

Gold reserve against net liabilities, 87.1 per cent. Cash reserve against net liabilities, 93.1 per cent. Cash reserve against liabilities after setting aside 40 per cent gold reserve against net amount of Federal Reserve notes in circulation, 93.5 per cent.

NEW YORK CLEARING HOUSE BANKS.

		Increase
Loans, etc	$2,197,408,000	$8,509,000 00
Reserve in own vaults (B)	351,592,000	14,010,000 00
Reserve in federal reserve bank	108,103,000	7,365,000 00
Reserve in other depositaries	31,697,000	*537,000 00
Net demand deposits	2,059,263,000	27,983,000 00
Net time deposits	89,858,000	199,000 00
Circulation	42,946,000	*3,270,000 00
(B)—Of which $273,698,000 is specie.		
Aggregate reserve	$491,392,000	
Excess reserve	135,971,010	15,391,200 00

OTHER NEW YORK BANKS.

Loans, etc.	$555,130,900	*$6,277,400 00
Specie	43,218,900	*383,100 00
Legal tenders	11,241,400	*978,600 00
Total deposits	644,302,700	*792,700 00
Banks cash reserve in vault	11,149,300	
Trust companies' cash reserve in vault	48,311,000	

CLEVELAND CLEARING HOUSE BANKS.

Loans decrease	$429,211 00
Deposits increase	83 00
Cash and due from res. agts. dec.	253,995 00

*Decrease.

CLEVELAND PLAIN DEALER.
JAN 20 1915

U. S. IN A NEW ROLE AS WORLD CREDIT DISPENSER

In Transition Stage From Debtor to Creditor Class—Uses Two Billion-Dollar Trade Credit to Good Advantage With Federal Banks Helping.

N 17 1915 BY F. F. DUNCAN,
Financial Editor of The Leader.

It is now time to recall the interview printed in The Leader at the outbreak of the European war, in which a Cleveland financier, E. G. Tillotson predicted world-wide supremacy for the United States as one of the ultimate effects of the cataclysm involving the old world.

This passing week has seen tangible evidences that the prophecy is about to be made good. Here are some of the wonderful happenings that the new year, now only two weeks along, has brought forth.

Exports exceeding imports by the huge total of $5,000,000 a day, sustained for a full week, or at the rate, if sustained, of $1,825,000,000 a year.

Japan and China sending gold to the United States in payment for supplies purchased.

Canada returning gold to the United States in payments against an excess of purchases over shipments which has not even been fully covered by Canadian borrowings in this country totalling many millions of dollars.

New York banks furnishing the Russian government with a $25,000,000 credit to be drawn against for goods to be shipped, the payments to take the form of "acceptances" given by the Russian government to the New York banks and hence available for rediscount by the federal reserve banks in this country.

It was officially announced yesterday afternoon that the details of this transaction had been concluded. The acceptances are to run for ninety days. They are renewable after that time for another ninety days and will draw interest at the rate of 5 per cent, plus a bankers' commission of half of 1 per cent for each period.

TRANSITION OF DEBTOR TO CREDITOR NATION.

Here then is a situation full of wonderful possibilities. This country is getting some gold on the direct movement, although yesterday's New York bank statement clearly shows that the gold is not at all needed. For the balance, this country is dispensing three and six months credits in $25,000,000 blocks on the security of the name of one of the strongest of European powers. There is no occasion to question Russia's ability to finance its obligations on long term loans at the end of that period when this country will again be in command of the exchange to the full amount of the maturity then due.

It is possible that if Russia has difficulty in placing its permanent loan part of it may come to this country. The ultimate financing may take the form of an advance to Russia from England with some displacement of American securities held there. But whatever form it takes, one cannot evade the conviction that the ultimate effect at the worst view of it possible is the cancellation of a debt by this country in the form of the home-coming of securities, to be paid for in American goods.

This country realized its weakness and Great Britain its strength when in the crisis of the outbreak of war London attempted to liquidate a huge part of the $6,000,000,000 of American securities held there. Today the United States is either reducing that economic weakness or offsetting it by placing credits broadcast throughout the world on a purely commercial basis.

Reserve System Stock Payment.

Abandonment of the $100,000,000 gold pool is the latest tribute to the righting of the foreign exchange situation, and return of the funds will ease conditions at interior points. Members of the federal reserve banks will owe another 1 per cent. of their capital stock and surplus on subscription to the regional banks' capital Feb. 2. This will bring another $2,000,000 gold and gold certificates to the local institution and $18,000,000 to the system. While the influx will add in a degree to the investment problem, the problem is not bothering the boards as much as might be guessed. The federal reserve system is being conducted with the idea of furnishing a bulwark of strength for the banking community and profit is a secondary consideration.

The Grafton bank of Grafton, W. Va., which failed to open yesterday, was a comparatively small state institution with deposits of $500,000 and capital stock of $100,000.

Reserve Act and Acceptances.

As the federal reserve board shortly will lay down rules governing member banks dealing in acceptances, there is new interest in the provisions of the reserve act relating thereto. Member banks may accept, and reserve banks discount, bills of exchange arising out of import or export transactions.

PLAIN DEALER

Why are acceptances based on domestic trade not likewise favored, is a question many are asking. The reason in all likelihood is this. Paper based on foreign trade is founded on actual commercial transactions. Much of the paper current in domestic affairs is accommodation paper. When a member bank exercises its privilege to accept, it signs its name draft, making itself as well drawer and previous indorser, if any, liable—the bank's name thereafter circulates on the draft which may be used for investment, or may pass through forty hands before it matures.

JAN 19 1915

The framers of the reserve act, desiring to be as conservative as feasible in the matter of permitting banks to increase liabilities, confined the new acceptance power to import and export paper which is based on actual commercial transactions and is self-liquidating. When the time comes that domestic paper shall be based on actual merchant deals to greater extent than is now the case, the act can be amended to broaden the acceptance privilege. Good bank acceptances are in brisk demand; they circulate in the east at the lowest commercial paper rate, if not lower. Under the new Van Tuyl law New York state banks can accept domestic as well as foreign paper.

FEDERAL RESERVE BANK BUYS $500,000 NOTES

New York City Warrants Constitute First Purchase—Markets Again Strong With Big Volume of Business in Bonds.

BY F. F. DUNCAN, JAN 21 1915
Financial Editor of The Leader.

The Federal Reserve Bank, of Cleveland, has made its first important investment purchase. It has taken on $500,000 New York city warrants maturing next June. Other important municipal purchases are understood to be pending. It is probable that the larger of these originating in the fourth district will be negotiated by the local federal bank and participated in by other eastern regional banks who will in turn give the Cleveland institution participations in the offerings of short time municipal paper originating in their districts. Cleveland and other of the larger cities in the fourth district are expected to furnish the credits.

The call has been issued for the payment by member banks of the second installment of their pro rata of capital stock of the federal institution. Payments are due February 1. This will double the present capital of $2,034,000, making it $4,068,000 or an amount closely approximating that figure. The payments will increase the total resources of the reserve bank in excess of $21,000,000.

The feature of the day's financial happenings in the east came after the close of the New York stock market in the form of more specific information concerning plans for Missouri Pacific. It became known that interests representing the Guaranty Trust Co., Bankers Trust, Central Trust, Kuhn, Loeb & Co., and Kidder, Peabody & Co., had sent letters to shareholders of the leading Gould property asking for proxies and stating their willingness to act as a proxy committee at the annual meeting to be held March 9.

CLEVELAND RESERVE BANK MAKES MUNICIPAL LOANS

CLEVELAND PLAIN DEALER

Regional Institution Enters Investment Field, Purchases $820,000 New York City and Troy (N. Y.) Notes—New Facilities Afforded Cities.

JAN 21 1915

Orders to Build Ten Steamers Placed With Atlantic Coast Yards, Ten More Pending—American Merchant Marine Takes On New Dignity.

BY H. S. ROSENTHAL.

The Federal Reserve Bank of Cleveland has purchased $820,000 municipal warrants. The local institution thus launches its investment activities, as distinguished from discounting for member banks, and materially swells the system's takings of public loans, which stood at $9,173,000 in the latest weekly statement made Saturday.

The Cleveland bank has bought $800,000 New York city and $20,000 Troy (N. Y.) warrants for varying maturities not exceeding six months. While the rates of interest are not given out, it is known that the borrowing is done at less cost to the cities than if open bank loans were carried. The warrants furnish, of course, a higher yield than would United States bonds.

Entry of the system into the municipal field provides a competitor for other bidders desirous of furnishing short time municipal funds, and the result will be cheaper borrowing for cities. Municipalities in high credit standing can borrow today by this method at a rate on a level with the best merchant paper.

The assistance that can be furnished cities by the reserve system is limited by the fact that only paper emitted in anticipation of collection of taxes or other assured revenue can be bought, and this practice of raising funds for current public needs is not universal. The term "municipal" is here used in its broad sense as applying to paper of city, state, county, and the other political subdivisions.

...strict requirements should prevent public debt inflation and only a moderate fraction of the reserve system's cash, now about $295,000,000, will at any time be concentrated in the one line.

CLEVELAND PLAIN DEALER
JAN 23 1915
1-23-15

Why do not the federal reserve banks prevent the failures is being asked. The reserve system is not designed to patch up bad spots, but to prevent them. The kind of help which it chiefly affords is not that of bolstering up lame projects, but of helping bolt upright enterprises to make progress. The paper which it rediscounts is not accommodation paper but paper based on actual commercial transactions.

Member banks throughout the country will be adding to their ... piles this week and next preparatory to paying the second installment of the subscription on reserve system stock.

BANK STATEMENTS

Cleveland Federal Bank.

RESOURCES.

Gold and gold certificates	$17,258,000 00
Legals, other notes and coin	968,000 00
Rediscounts and loans	515,000 00
Investments	820,000 00
All other resources	247,000 00
Total resources	$19,808,000 00

CLEVELAND LEADER

Capital paid in	$2,144,000 00
Net deposits	17,520,000 00
Federal reserve notes in circulation	144,000 00
Total liabilities	$19,808,000 00

Gold reserve against all liabilities, 97.8 per cent; cash reserve against all liabilities, 103.3 per cent; cash reserve against all liabilities after setting aside 40 per cent gold reserve against federal reserve notes in circulation, 103.7 per cent.

All Federal Banks.

RESOURCES.

Gold coin and certificates	$239,662,000
Legals, other notes and coin	18,747,000
Total cash	258,409,000
Bills discounted and loans:	
Maturities within 30 days	6,833,000
Maturities within 60 days	4,089,000
Other	2,140,000
Total discounts and loans	13,062,000
Investments	10,434,000
Due from F. R. banks:	
Items in transit	9,142,000
All other resources	13,491,000
Total resources	$304,538,000

JAN 24 1915

LIABILITIES.

Capital paid in	$18,432,000
Reserve deposits	284,193,000
Federal reserve notes	1,923,000
Total liabilities	$304,538,000

Gold reserve against net liabilities, 86.5 per cent; cash reserve against net liabilities, 93.3 per cent; cash reserve against liabilities after setting aside 40 per cent gold reserve against net amount of federal reserve notes in circulation, 93.4 per cent.

New York Banks.

CLEARING HOUSE ACTUAL.

		Increase.
Loans, etc.	$2,212,213,000	$15,805,000
Reserve in own vaults	360,636,000	9,034,000
Reserve in fed res. bank	113,039,000	4,936,000
Reserve in other depositories	31,073,000	6,000
Net demand deposits	2,098,038,000	38,775,000
Net time deposits	88,926,000	*927,000
Circulation	42,524,000	*404,000
Aggregate reserve	505,368,000	
Excess reserve	143,022,790	7,051,780

OTHER NEW YORK BANKS.

Loans, etc.	$555,101,200	*$28,000
Specie	43,342,700	123,800
Legal tenders	10,891,800	349,600
Total deposits	650,162,900	5,860,200

*Decrease.

Cleveland Clearing House Banks.

Loans, decrease	$308,964
Deposits, increase	1,927,068
Cash and due from res. agents, inc.	550,798

PREDICTS BETTER DISCOUNT MARKET.

The official comment from the federal reserve board at Washington yesterday made this significant statement: JAN 24 1915

"It is expected that as a result of the lower discount rates authorized for Atlanta, Chicago and San Francisco reserve banks, particularly in the Southern district, discount operations will assume larger proportions."

This means that the South will find it advantageous to retire its emergency currency on which the tax will be raised to 5 per cent in February and utilize the lower cost reserve bank discounting facilities instead.

Financial London last week displayed no apprehension over the sinking of a merchantman in the North Sea by a German submarine, nor over the air raids on the coast, but some worriment appears to have been aroused in that quarter over the varied differences with this country in the matter of the difficult questions associated with contraband of war and American registry of vessels purchased from former German owners.

INVESTMENTS GROW AS CASH PILES UP

Reserve System Puts $1,881,000 More Into Rediscounts and Public Loans.

CLEVELAND PLAIN DEALER

New York Clearing House Bank Deposits Up Nearly $38,000,000.

Deposits of the federal reserve system increased $7,008,000 in the week and $14,804,000 in the last two weeks the gain being due in great part to increase in deposits of member banks requiring that larger reserves be kept with their regional institutions.

Investments of the system went up $1,261,000 in the latest week, the Cleveland bank furnishing 2-3 of the increase. The system's rediscounts and loans increased $620,000 in the week.

That the ease of money is now more than surface ease is definitely shown by the $7,000,000 increase in surplus reserves of the New York clearing house banks and the reserve system's report. With thousands of member banks as with the reserve system the problem now is to find good loans and to get good yield short term investments.

The federal reserve board yesterday approved the following rediscount rates for the Chicago reserve bank: Four per cent. on maturities up to sixty days; 4 1-2 per cent. on maturities sixty to ninety days and 5 per cent. for longer maturities.

Reserve System Statement.

RESOURCES. JAN 24 1915

Gold coin and certificates	$239,662,000	
Legal tender notes, silver certificates and subsidiary coin	18,747,000—	$258,409,000
Bills discounted and loans:		
Maturities within 30 days	6,833,000	
Maturities within 60 days	4,089,000	
Other	2,140,000—	13,062,000
Investments		10,434,000
Due from federal re[illegible]		
Items in transit		9,142,000
All other resources		13,491,000
Total resources		$304,538,000
LIABI[illegible]		
Capital paid in		18,432,000
Reserve deposits		[illegible]84,193,000
Federal reserve notes in circulation (net amount)		1,923,000
Total liabilities		[illegible],538,000
Gold reserve against net liabilities		[illegible]
Cash reserve against net liabilities		[illegible]

BANKS RETIRE $500,000 MORE EMERGENCY NOTES

Total in Cleveland District Down to $1,500,000—Payments on Federal Bank Stock Already Coming in—Markets Are Dull.

CLEVELAND LEADER

BY F. F. DUNCAN, JAN 26 1915
Financial Editor of The Leader.

The committee of the National Currency Association of Cleveland retired $500,000 of emergency currency yesterday, leaving approximately $1,000,000 still outstanding in this district. There was no further retirements by local banks. These still have $270,000 emergency money outstanding. It is probable, however, that the bulk of it will be retired next Monday as in February the tax on this kind of circulation is stepped up to 5 per cent and at that expense there is no longer profit in it to the banks.

The Federal Reserve Bank of Cleveland yesterday received payments of $140,000 in response to the second call for subscriptions to the capital stock of the bank, although the subscriptions are not due until February . This prompt response by member banks is another indication of growing ease of funds.

The best news of the day was contained in dispatches from Chicago stating that steel mills at Gary would speed up their operating schedules on February 8, and that the Illinois Steel Company will increase its active capacity materially on February 1.

From the East more activity was reported in ship building circles and there were additional inquiries in the market for steel for another boat to be built at coast shipyards. Anyone in the steel trade, however, will tell you that it is a "Long, Long Way to Tipperary" via the steamship route, for the reason that it takes a long time to build them and that the total of steel consumed in that way, even in the most active shipbuilding years, is but small picking in the general crucible of steel affairs.

FEDERAL RESERVE BOARD ANNUAL.

The matter of chief interest in the re[illegible] as the discussion of the extent to which the new federal banks sh[illegible] enter actively into the banking affairs of the nation and to what extent they should pursue a cautious course in order to preserve the reserves of banks against seasonal demands and those periods of greater urgency that always come along once in a while. From the tenor of the report it is evident that the board considers a middle course the better.

The report gives for the first time from an official source the total estimated debt of this country to Europe during the period of the war crisis prior to the forming of the gold pool. The figure is put at $500,000,000, but this evidently includes maturities extending several months ahead and which it is now apparent will not have to be met in cash at maturity. JAN 28 1915

The board summarizes its view of its sphere of usefulness as follows:

"The ready availability of its resources is of supreme importance in the conduct of a reserve bank. Only then will it constantly carry the promise of being able to protect business against the harmful stimulus and consequences of ill-advised expansions of credit on the one hand or against the menace of unnatural restrictions and unnecessary contractions on the other, with exorbitant rates of interest and artificial stringencies. It should at all times be a steadying influence, leading when and where leadership is requisite but never allowing itself to become an instrument for the promotion of the selfish interests of any private or sectional group, be their aims and methods open or disguised.

10

BANKS' EXCESS OF CASH IS LARGEST IN HISTORY

~~CLEVELAND PLAIN DEALER~~

Total Surplus Reserve of New York Clearing House Institutions is $143,000,000, Despite Increase of Loans—Rise in Stocks Made Clear.

JAN 24 1915

East's Abundance Now Duplicates Interior Conditions in All Sections but South—Good Borrowers Welcome.

BY. H. S. ROSENTHAL.

Increase in surplus reserve of the New York clearing house banks to the largest it has ever been, increase in deposits of the federal reserve system and such indications as come from the grain regions and direct from interior banks dispel all doubt as to the real ease of money. Two months ago bankers were cutting down loans—today they are hunting loans of the right sort. They are speedily retiring emergency currency and are taking merchant paper and short term notes at low yield. Their problem is to keep the money working.

Huge reserves augur well for the oiling of business machinery when it begins to need it. They tell why we welcome foreign borrowers. They make clear why the New York stock market has withstood the week's foreign selling, for there has been a good deal of such selling.

Even the long term bond market got up steam, developed a $20,000,000 trade, par value, and at that furnished but a fraction of the real business which was over the counter.

Barring surprises, new securities will be coming out in the very near future. Establishment of distributing quarters in various cities by the bond department of one of the country's leading banks denotes the longer expectations along this line.

Loans Near High Mark.

The surplus reserves of the New York clearing house banks, as of Friday evening, aggregated $143,000,000, showing increase of $7,000,000 in the week and exceeding the previous high record, made in the week ended Nov. 21, 1914, by $5,200,000. Such lavish abundance of cash made it easy for the trader, and for the business concern wanting to lay up material, to borrow. Loans increased $14,800,000 in the week to $2,212,200,000, with two exceptions the highest in history. The exceptions were for the weeks ended Sept. 19 and 26, 1914, the total in the former period, $2,230,000,000, making the record.

Plethora in the east duplicates the conditions in the interior, except the south. The federal reserve system has not prevented interior national and state banks from devoting idle funds to eastern balance boosting. General business has not progressed far enough to need the money.

$16,000 FOR HEAD OF RESERVE BANK

~~CLEVELAND LEADER.~~

Report Shows Salaries of Officials of New Federal Institutions.

JAN 28 1915

D. R. Fancher, governor of the Federal Reserve Bank of Cleveland gets a salary of $16,000 annually and David C. Wills, federal reserve agent, $10,000.

These figures were given out in an appendix to the annual report of the federal reserve board submitted to Congress yesterday.

The governor of the New York federal bank gets $30,000; those of Philadelphia, Chicago and St. Louis $20,000. Cleveland comes next at $16,000, followed by Boston, Minneapolis and San Francisco $15,000 each. Dallas, $12,000, Richmond, $10,000, Atlanta, $9,000, and Kansas City, $7,500.

The federal reserve agent at New York gets $16,000, at San Francisco $12,000, at Cleveland, Boston, Philadelphia, Richmond, Chicago and St. Louis $10,000; Atlanta and Dallas $6,000; Minneapolis and Kansas City $7,500 each.

The federal reserve board has also ruled that directors of the regional banks shall get a fee of $20 for attending board meetings and $10 for those attending executive committee meetings. Directors living more than fifty miles from reserve banks are allowed an additional per diem fee of $10 plus actual necessary traveling expenses.

Banks in Tyler and Wetzel counties, West Virginia, appeared before the federal reserve board at Washington yesterday and asked to be removed from the Richmond to the Cleveland district.

PITTSBURG LOSES U. S. BANK FIGHT

City, However, Will be Given One of Branch Institutions Under System.

~~CLEVELAND PLAIN DEALER.~~

Secondary Headquarters Will Serve Near-by Commercial Zones.

JAN 26 1915

BY BEN F. ALLEN.

Plain Dealer Bureau,
38 Post Bldg.,
WASHINGTON, Jan. 25.

Pittsburg in the near future is to be given the first or second branch bank to be created under the federal reserve system. If Pittsburg gets the first branch bank Baltimore will get the second, or vice versa.

Pittsburg, however, has lost all chance to get the central reserve bank for the fourth district, located in Cleveland, and Baltimore will not get the central reserve bank for the fifth district, located in Richmond, Va.

Although no formal official announcement has been made with respect to these matters it can be stated upon the highest authority that such action will be taken.

The Pittsburg and Baltimore protests with the evidence taken at the hearings before the federal reserve board, coupled with the board's decision, are in the hands of Chairman Hamlin True, whose public announcement of the decision is to be made.

According to information obtained today board members do not look with favor upon either the Pittsburg or Baltimore protest, whichwould necessitate a general change in the alignment in the federal reserve districts in which the two cities are located.

The advisability of establishing a branch bank in Pittsburg was considered by the board some time ago, but action was postponed until the formal protest of Pittsburg against the location of the main bank at Cleveland had been disposed of.

Creation of branch banks in any city where such a course is considered necessary or advisable is provided for in the federal reserve act, such branch banks to serve the immediate territory or commercial center in which they are located. Whether this would permit all Pennsylvania banks included in the fourth district to operate with the Pittsburg branch has not been determined.

It is probable, however, that the activities of the branch bank will be confined to Pittsburg and its environs.

The law provides that in the creation of branch banks four of the total of seven directors shall be chosen by the district bank and three by the federal reserve board. The branch bank conducts all of its functions through the district bank.

The federal reserve board has been slow to take up the question of establishment of branch banks until the reserve system was in full swing, fearing an avalanche of requests from the big cities that felt slighted when the twelve reserve cities were selected

Cleveland Plain Dealer 1-28-15

NEW BANK SYSTEM BENEFITS CERTAI[N]

—FEDERAL RESERVE BOARD.

Washington Board Makes It[s] First Report on Workings of Act

JAN 28 1915

Declares Effect on Merchan[t] Paper Market Was Immediate.

CLEVELAND PLAIN DEAL[ER]

WASHINGTON, Jan. [illegible]—The report of the federal reserve boar[d] covering the developments which preceded the opening of the twelve regional reserve banks last Novembe[r] and the two months in which the[y] have been in actual operation, wa[s] sent to congress today. It announce[s] that noteworthy results already hav[e] been accomplished and that the system now "cannot be regarded as experimental in the sense that there i[s] any uncertainty as to the outcome." The board makes the following point[s] in the course of its extended report:

The hurried opening of the federal reserve banks has fully justified itself.

The new system caused such a release of bank reserves and increase in confidence that in New York commercial paper in two weeks dropped from above 6 per cent. to 3 1-2 and 4 per cent.

Formation of the gold exchange and cotton funds rendered material service by restoring confidence and stabilizing value.

Had the federal reserve banks been in operation at the beginning of August they, instead of the clearing houses and the United States treasury, would have supplied the great volume of currency which was called for.

The reserve bank's duty is not to await emergencies, but by anticipation do what it can to prevent them.

There is no reason why the federal reserve banks should not earn their expenses and a fair profit besides.

Impatience to show results should not tempt those in charge of the reserve banks to precipitate any unwise action.

The board refers to open market operations of the reserve banks and announces that regulations governing purchase of acceptances will soon be made public. With the issue of these regulations and others governing open market operations, the report says, there will be ample employment for all funds of these banks, which experience demonstrates they may safely and properly invest at times when such funds are not absorbed in responding to the demands of commerce, industry and agriculture.

The board points out that another pressing problem, that of admission of state banks and trust companies to the system, is receiving consideration and "that at least a tentative solution of the problems at issue may be arrived at in the near future."

The report shows that ninety-three state banks and trust companies, with aggregate capital and surplus of $9,151,306, have been converted into national banks and entered the system since the passage of the act. Nine state banks and four trust companies with capital and surplus of $17,884,000 have been admitted under their own charters, with the understanding that they will accept regulations for the conduct of business made by the board. Applications from fifty-one other such institutions which prefer to wait for the issuance of regulations governing their admission are pending before the board.

Salaries of Bank Heads.

The federal reserve board made public the annual salaries being paid federal reserve agents and governors of the twelve banks. The cost of the system is a matter on which member banks up to now have had only partial light. When the details of yesterday's report to congress have been given out the expense of organization and conduct so far will be easily ascertained. Salaries of federal reserve agents are:

Boston, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, $10,000; New York, $16,000; San Francisco, $12,000; Atlanta and Dallas, $6,000; Minneapolis and Kansas City, $7,500. Governors—New York, $30,000; Philadelphia, Chicago and St. Louis, $20,000; Cleveland, $16,000; Boston, Minneapolis and San Francisco, $15,000; Dallas, $12,000; Richmond, $10,000; Atlanta, $9,000, and Kansas City, $7,500.

The board approved a directors' fee of $20 and of $10 for those attending meetings of the executive committee. Directors living more than fifty miles from reserve banks will be allowed a per diem fee of $10 for every day's absence from home involved in attendance, plus actual necessary traveling expenses.

Cleveland Plain Dealer 1-29-15

Reserve System's Expenses.

An extract from the report of the federal reserve board to congress regarding expenditures incurred by the reserve system follows:

"An assessment of four-tenths of 1 per cent. was levied on the capital of the reserve banks to meet the estimated expenditures of the board during the six months beginning Nov. 1, 1914, on which date the total capital was $107,760,100. The money derived from this assessment is deposited with the treasurer of the United States, subject to check by the governor of the board, countersigned by the secretary.

"In preparing the estimates for the first six months, it was difficult to foretell the expenses of every kind incident to the development of the system, but it is believed that the levy made will be sufficient to cover all expenses for the period named. It should be observed in connection with this statement of expenses that nearly 50 per cent. or the total assessment upon the federal reserve banks has been for the preparation of a large supply of federal reserve notes. This expense will probably not need to be repeated in the near future. The following statement will show the receipts and expenses of the board to date:

Estimated expenses for six months beginning Nov. 1, 1914, including $208,560.25 for purchasing paper, making dies, and printing and engraving federal reserve notes; also salaries of the members of the board from Aug. 10 and of its secretary and assistant secretary from Sept. 14 to Oct. 31, 1914, and for liabilities incurred incident to organization of the board and of the federal reserve banks	$ 431,040.00
Total capital of reserve banks Nov. 1, 1914	107,760,100.00
Assessment, four-tenths of 1 per cent.	431,040.00
Amount received on account of above assessment up to Dec. 31, 1914	259,613.87
Disbursements to Dec. 31, 1914	52,833.93
Balance with the treasurer of the United States to the credit of the board Dec. 31, 1914	206,779.94
Expenses of the board to Dec. 31, 1914:	
Salaries	45,256.14
Equipment (including furniture, adding machines, typewriters, etc.)	6,024.58
Miscellaneous	2,689.45
Printing	3,171.33
Stationery	2,027.36
Postage	51.00
Total	$59,229.87

"The reserve banks are in the first stage of growth and both the volume of business which they can develop and the expenses which their operation will entail are matters of estimate. Much of the expense thus far incurred by the banks has been for their initial organization, including such items as equipment, note issues, etc., and as the banks were necessarily opened before complete regulations governing their operation could be framed and before their functions could be fully developed, their staffs had to be organized on the basis of [illegible] rather than immediate needs. The board is therefore, not able at this time to make a definite report on the normal expenses of the reserve banks."

A complete schedule of salaries of governors, federal reserve agents and salaries of the main office staff at Washington has been filed with congress.

Loosen Up Rediscount Rules.

The federal reserve board yesterday gave out new regulations governing rediscounts. They lessen the stringency of the rules first issued as to the information required concerning financial affairs of people and [firms] borrowing from member banks.

CLEVELAND PLAIN DEALER

The new regulations provide that regional banks shall not require statements of financial condition when member banks present depositors' paper for rediscount in the following cases: Where bills bear the signatures of purchaser and seller of goods and present prima facie evidence that they were issued for goods actually purchased or sold; where the aggregate amount of obligation of a depositor actually rediscounted and offered for rediscount do not exceed $5,000, or where bills are specifically secured by approved warehouse receipts covering readily marketable staples. Member banks shall certify to these conditions in manner to be designated by the federal reserve banks.

JAN 30 1915

Bradstreet's compilation of business failures for the latest week is 55[2] compared with 453 in the corresponding period last year. This mercantile agency declares the pendulum o[f] trade still swinging in the directio[n] of improvement, though the movement is conservatively steady.

JOIN CLEARING HOUSE

Five trust companies Monday were admitted to membership in Cleveland's clearing house and the Federal Reserve bank also was taken in as an honorary member. Hitherto, the clearing house has been composed of the national banks.

FEB 1 1915

The trust companies admitted are: Citizens Savings & Trust Co., Cleveland Trust Co., Guardian Savings & Trust Co., Superior Savings & Trust Co., United Banking & Savings Co.

Tellers' windows in national banks will remain open until 3 p. m., beginning Monday, instead of closing at 2:30 p. m. This conforms with the trust company hour.

MODIFIES RULING ON DISCOUNTS.

The federal reserve board yesterday issued a new ruling governing acceptance of rediscounts from member banks. The new ruling modifies a former one carrying stringent provisions for information regarding the financial status of borrowers whose paper is offered for rediscount. The new regulations do not require such statements of financial condition in the following cases:

CLEVELAND LEADER.

Where bills bear the signatures of purchaser and seller of goods and present prima facie evidence that they were issued for goods actually purchased or sold; where the aggregate amount of obligations of a depositor actually rediscounted and offered for rediscount do not exceed $5,000, or where bills are specifically secured by approved warehouse receipts covering readily marketable staples. Member banks shall certify to these conditions in manner to be designated by the federal reserve banks.

The board announced that it had not modified its views upon the general principle of the desirability of credit information. The present step is taken, it was pointed out, to facilitate operations "particularly during the initial period."

The federal board also authorized a lowering of the discount rates by the Kansas City reserve bank to 4 per cent on maturities up to sixty days 4½ per cent for sixty to ninety days and 5½ per cent for longer dates.

Finance Cleveland, 1-30

CINCINNATI

Improvement in general business is slow but steady, and prospects seem more encouraging than for some months, justifying a feeling of optimism. Grain and hay were active during the week, with an advance in prices, while higher quotations for flour do not appear to be an obstacle to purchases, as demand is reported active. No particular change is noted in the coal market, domestic trade being fairly satisfactory and values fully maintained. Receipts of cattle were somewhat lighter than the previous week, and quality fair to good. The demand was only moderate and prices were slightly lower. There was practically no trading in stock cattle, as quarantine restrictions are still in force to some extent. Wholesale dealers in drugs report business moving along fairly well, and, while no particular improvement was noticed during the week, prospects for spring are considered encouraging. The domestic demand for whiskey is only moderate, although mail order houses report a fair trade. There has been no change in prices for some time.

Analyzing the federal reserve banking system from the viewpoint of the government's representative, D. C. Wills, chairman of the board of the Cleveland Federal Reserve Bank, explained in an address the modus operandi of the new financial system Tuesday night at the meeting of the Cincinnati Chapter, American Institute of Banking, in the Sinton Hotel parlors.

Excerpts from his address follow:

"Under the new act national banks will be inclined and required to become strictly commercial banks. The bulk of the assets will consist of liquid commercial paper, based on the business of the country. This commercial paper the member banks can rediscount at the federal reserve bank when the business demands of the country require it, and the business of the country will hereafter regulate the ebb and flow of funds. When business is active and requires large sums for its operation, these sums will be available, though they be far in excess of the loaning powers of the banks themselves. It is then that the reservoir of the federal reserve bank will be used. These facilities to the member banks are not subject to the whims or necessities of another bank, but constitute a right that belongs to the member bank.

"Another advance that the establishment of this system will bring about is the improvement of credits. While the elasticity of the currency, of which I shall speak later, is important, it seems to me the question of the improvement of credits leads. By the improvement of credits I do not mean only that there will be no tightening of credits hereafter merely because of the shortage of the circulating medium. There will be under the new system, I hope, a tightening of credit to the man or the institution that is now getting a larger line of credit than he or it deserves.

"However, it need not be felt by any of you that the federal reserve banks are going to attempt to revolutionize the methods of doing business in this country all at once. In November the Federal Reserve Board set the date of January 15 as the time that member banks would be required to certify to the federal reserve bank that they carried in their files a statement of the borrower whose paper was being offered for rediscount. Recently, however, the Federal Reserve Board has indefinitely deferred that date, so that the banks would be given sufficient time to adopt a general policy of obtaining statements from all their commercial borrowers."

After his address, Mr. Wills spent more than an hour answering questions put to him by the bankers present and succeeded in clearing up many points. The meeting proved one of the most interesting helps by the chapter.

J. E. Bohn, Jr., president of the chapter, opened the session and appointed Robert McEvilley, cashier of the First National Bank, chairman. William Beiser, chairman of the educational committee, announced the following future lectures: February 9, "The Federal Reserve Act," by Charles W. Dupuis, vice president of the Second National Bank; February 24, "Investments," by E. A. Sisson, secretary of the Central Trust & Safe Deposit Co.; March 9, "A Phase of Corporation Finance," by Howard Warren, professor of the Cincinnati College of Commerce; March 23, members' night, "The Smile an Asset of Business," by W. L. Thede, secretary of the Union Savings Bank & Trust Co.; "An Important Banking Topic," by C. E. Ford, of the Fifth-Third National Bank.

Mr. Wills is an enthusiastic chapter member and was at one time president of the Pittsburgh chapter of the organization.

Finance. Cleveland 1,30

Annual Report Of Federal Reserve Board

A Washington dispatch says:

The first report of the Federal Reserve Board, covering the developments which preceded the opening of the twelve regional reserve banks last November and the two months in which they have been in actual operation, was sent to Congress Wednesday. It announces that noteworthy results already have been accomplished and that the system now "cannot be regarded as experimental in the sense that there is any uncertainty as to the outcome." The board makes the following points in the course of its extended report:

The hurried opening of the federal reserve banks has fully justified itself.

The new system caused such a release of bank reserves and increase in confidence that in New York commercial paper in two weeks dropped from above 6 per cent, to 3½ and 4 per cent.

Formation of the gold exchange and cotton funds rendered material service by restoring confidence and stabilizing value.

Had the federal reserve banks been in operation at the beginning of August they, instead of the clearing houses and the United States Treasury, would have supplied the great volume of currency which was called for.

The reserve bank's duty is not to await emergencies, but by anticipation do what it can to prevent them.

There is no reason why the federal reserve banks should not earn their expenses and a fair profit besides.

Impatience to show results should not tempt those in charge of the reserve banks to precipitate any unwise action.

The board refers to open market operations of the reserve banks and announces that regulations governing purchase of acceptances will soon be made public. With the issue of these regulations and others governing open market operations, the report says, there will be ample employment for all funds of these banks, which experience demonstrates they may safely and properly invest at times when such funds are not absorbed in responding to the demands of commerce, industry and agriculture.

The board points out that another pressing problem, that of admission of state banks and trust companies to the system, is receiving consideration and "that at least a tentative solution of the problems at issue may be arrived at in the near future."

The report shows that ninety-three state banks and trust companies, with aggregate capital and surplus of $9,151,306, have been converted into national banks and entered the system since the passage of the act. Nine state banks and four trust companies with capital and surplus of $17,884,000 have been admitted under their own charters, with the understanding that they will accept regulations for the conduct of business made by the board. Applications from fifty-one other such institutions which prefer to wait for the issuance of regulations governing their admission are pending before the board.

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"In preparing the estimates for the first six months, it was difficult to foretell the expenses of every kind incident to the development of the system, but it is believed that the levy made will be sufficient to cover all expenses for the period named. It should be observed in connection with this statement of expenses that nearly 50 per cent of the total assessment upon the federal reserve banks has been for the preparation of a large supply of federal reserve notes. This expense will probably not need to be repeated in the near future. The following statement will show the receipts and expenses of the board to date:

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A complete schedule of salaries of governors, federal reserve agents and salaries of the main office staff at Washington has been filed with Congress.

FEDERAL BANK STOCK SUBSCRIPTIONS.

CLEVELAND LEADER.

Governor Fancher, of the Federal Reserve bank, announced last night that up to the close of business close to $1,600,000 of the second call or subscriptions to federal bank stock had been paid in. This amounts to 80 per cent, both in the number of subscribing banks and the amount paid in. As subscriptions were made payable as of yesterday's date the balance is probably in transit and will be paid in by tonight. The subscriptions received on the present call [illegible] 618 banks out of a total of 763 banks in the district.

An easier tendency in sterling exchange appeared to conflict with the importance of the foreign selling of American securities, but it was probably accounted for in the great outgo of cotton and the rush to ship a few more cargoes of grain. During the past three business days exports of cotton reached the record total of 284,000 bales, worth approximately $12,000,000. This is making exchange infinitely faster than the outgo of foodstuffs.

FEB 3 1915

The Daily Iron Trade reports that [illegible] is endeavoring to buy 50,000 to 100,000 tons of pig iron in this country and that American makers will probably get the business.

In the way of domestic business the Burlington has entered the market for 1,400 cars. This, along with the 27,000 tons of rails ordered on the previous day by the Northwestern, makes a rather good showing of new business contributed by granger lines. Pittsburg now reports that steel mills in that district are working at close to 60 per cent of capacity.

WILL CLEAR FOR FEDERAL BANKS

Central Fund of $25,000,000 Basis of Clearing House for Reserve Institutions.

CLEVELAND LEADER.

WASHINGTON, Feb. 6.—Conferences between members of the federal reserve board, governors of several of the reserve banks and some reserve agents have developed definite plans for the extension of clearing house operations by the twelve regional reserve banks. One feature of the plan provides for the creation of a central fund of possibly $25,000,000, to be held in Washington to the credit of the reserve banks, to take care of clearing operations between them.

The results of the deliberations, which lasted several days, will be laid before the entire federal reserve board next Monday. Since the plans have the approval of W. P. G. Harding and Paul M. Warburg, two members experienced in practical banking, it was believed tonight that they would be indorsed.

No attempt is to be made toward hasty action, but it was understood to have been unanimously agreed in the conference that the time has arrived when the clearing functions of the twelve banks should be exercised as fully as possible. Actual development of the clearing system through the reserve banks will be gradual, but members of the reserve board believe these banks will in time take the place contemplated in the reserve act and do practically all the clearing for member banks.

It has been estimated that the handling of the central fund here will not entail any great burden on the force of the federal reserve board. It will be devoted exclusively to taking care of items between federal reserve banks themselves and will have the practical result of setting up a clearing agency in Washington for the twelve banks. Balances probably will be adjusted only once a week or once a month, and will be largely matters of bookkeeping.

In connection with clearings within a district the conference laid plans which will not force member banks to clear through their reserve banks, but which it is hoped will prove attractive to bankers and show the advantages of general intradistrict clearings. At first the plans contemplated clearances only for such banks as accept it, but eventually it is believed that all banks will come in.

REDISCOUNT RATES OF U. S. BANK ARE CUT

NEWS CLEVELAND

The Cleveland Federal Reserve bank Thursday ordered a general reduction of its rediscount rates, effective Saturday. The lower rates suggest the ease of money in this district.

FEB 4 1915

The rate on all rediscount paper up to sixty days' maturity was reduced to 4 per cent, sixty to ninety days 4 1-2 per cent, and more than ninety days 5 per cent. Heretofore the rate on all maturities up to thirty days had been 4 1-2 per cent, thirty to ninety days 5 per cent and more than ninety days 6 per cent.

Banks in the district controlled by the Cleveland Federal bank have thus far been slow in taking advantage of the rediscount privileges. It is believed, however, that the new rates will have a tendency to stimulate rediscounting.

12

RESERVE SYSTEM CAPITAL GROWING

Latest Week Sees $2,008,000 Paid on Subscription Installments.

Notice for Funds Read on or Before Feb. 2—Statements.

JAN 31 1915

The federal reserve system in the latest week increased its rediscounts $893,000 and its investments $2,746,000, making the total committed to these branches of its operation $27,135,000. Capital paid in rose $2,008,000 in the week, due to payments on the second installment of stock subscriptions; the payments will make a greater showing in next week's report. Reserve deposits decreased $4,677,000, reflecting outside financing in which member banks were concerned, and payments for reserve system stock.

The Cleveland regional bank reports increases in gold holdings and capital paid in, both due to stock payments. There was a decrease in rediscounts; enlargement of this item is likely as February goes on and the higher emergency currency tax begins to be felt.

Just as a matter of comment, it is interesting to note that federal reserve notes when they are taken out by member banks as result of credits established with the regional bank cannot be counted as reserve. The credits in the regional bank are reserve, but when converted into the new money cease to be so.

The federal reserve board has explained its loosening of the rules regarding information required of member banks concerning the people whose notes they seek to have rediscounted at the regional institution. The board suggests that the rules not requiring financial statements be not applied to "purchase paper" bought through brokers or others with whom the purchasing banks have no direct relations. In cases of this sort where borrowers' statements in the required form are not available until after the close of the business year, statements for the previous year may be accepted until such condition is remedied. Member banks are urged to accustom borrowers to furnishing statements even in case of limited borrowings.

The board issued a circular governing the purchase of tax warrants by reserve banks. It made it clear that the interests of the banks and not of the municipalities should be considered in making such investments and pointed out that investments of this nature should be relatively small in proportion to the aggregate resources of the banks.

Federal Reserve System.

Jan. 29.

RESOURCES.

Gold coin and certificates	$235,905,000
Legal tender notes, silver certificates and subsidiary coin	20,882,000
Total	$256,787,000
Bills discounted and loans:	
Maturities within thirty days	$6,331,000
Maturities within sixty days	4,903,000
Other	2,721,000
Total	$13,955,000
Investments:	
Due from federal reserve banks	$13,180,000
Items in transit	7,421,000
All other resources	10,891,000
Total resources	$302,284,000

LIABILITIES.

Capital paid in	$20,440,000
Reserve deposits	279,516,000
Federal reserve notes in circulation (net amount)	2,278,000
Total Liabilities	$302,284,000

Gold reserve against net liabilities 86 per cent.

Cash reserve against net liabilities 93.6 per cent.

RESOURCES.

	Jan. 29.	Jan. 22.
Gold and gold certificates	$17,585,000	$17,258,000
Legal tender notes, silver certificates and subsidiary coin	998,000	968,000
Rediscounts and loans	425,000	515,000
Investments	820,000	820,000
All other resources	202,000	247,000
Total resources	$20,030,000	$19,808,000

LIABILITIES.

Capital paid in	2,436,000	$2,144,000
Net deposits	17,475,000	17,520,000
Federal reserve notes in circulation	119,000	144,000
Total liabilities	$20,030,000	$19,808,000
Gold reserve against all liabilities	99.9%	99.8%
Cash reserve against all liabilities	105.6%	108.3%

New York Clearing House.

ACTUAL CONDITION.

		Increase.
Loans, etc	$2,238,224,000	$21,011,000
Reserve in own vaults	370,562,000	9,936,000
Reserve in federal reserve bank	108,286,000	*4,753,000
Reserve other depositaries	32,075,000	372,000
Net demand deposits	2,122,531,000	24,493,000
Net time deposits	90,377,000	1,451,000
Circulation	41,439,000	*1,103,000
Aggregate reserve	510,923,000	
Excess reserve	144,259,930	1,237,140

*Decrease.

Other New York city banks end the week with $554,327,600 loan total, a $650,007,100 deposit total and reserves in vault $54,035,000, all items showing insignificant changes.

Local Clearings.

Last week	$23,289,794
Week last year	25,534,989
Last month	108,491,795
Month last year	122,671,921

Local Nationals.

Cleveland national banks report for the week ended with the close of business Friday last increase in loans $466,085; increase in deposits $2,087,136, and increase in cash and due from reserve agents $484,519.

2-5

CLEVELAND PLAIN DEALER

Cleveland Rediscount Rates Cut.

Rediscount rates of the Federal Reserve Bank of Cleveland were reduced to 4 per cent. on maturities not exceeding sixty days, 4 1-2 on paper not exceeding ninety days and 5 on longer maturities.

Eight of the banks now have the 4 per cent. minimum rate, and four have this rate for maturities not exceeding sixty days. The present reason for reduction is of course not to encourage general rediscounting so much as to bring in the security behind emergency currency. The south has big blocks of the currency still outstanding, but rediscount rates are going down and tax up, so that retirement should go on rapidly. The federal reserve board's evident intention is to have the emergency money retired and replaced by the cheaper and more scientific federal reserve notes.

While the southern regional banks will not care to load up to extremes on cotton paper, for planting of the new crop and more borrowing is but a few months away, they probably will take all they reasonably can and then will shift the excess to other parts of the country through the interregional bank rediscount process. Rediscounting among federal reserve banks has not yet been done. When it is done the northern regional banks will find profitable employment for plethoric funds.

CLEVELAND PLAIN DEALER

2-6

Emergency Notes Down to $80,000.

New York has added to its holdings of cash from the interior this week. Here at home $125,000 of emergency currency was retired yesterday, leaving but $80,000 of Cleveland notes out and about $1,100,000 in the whole Cleveland currency district, out of a maximum at one time of $8,287,000.

Of the 761 members of the Cleveland federal reserve bank 728 had paid in full their second stock installments by last evening. Of $2,017,000 called there had been delivered $1,965,000. The response, practically all in gold and gold certificates, has been quick, testifying to the real abundance of the wherewithal.

2-7

CLEVELAND PLAIN DEALER

New Work for Reserve System.

The federal reserve board considers the system's progress so far up to expectations that it will take on new work. Definite plans have been made for gradual extension of clearing operations. A central gold fund, which may run to $25,000,000, will be made up of deposits from each of the twelve regional banks and will be held in Washington to the credit of these banks to take care of clearing operations between them. This fund will be devoted exclusively to handling items between regional banks, balances to be adjusted only once a week or once a month and to be largely matters of bookkeeping. There is also outlined for slow development a plan for clearing within districts, which only those member banks desiring to do so will adopt. Announcements will follow on both matters.

2-9

CLEVELAND PLAIN DEALER

Leave Gold in New York.

Retirement of $50,000 emergency currency in the Cleveland association's district brings the amount outstanding here to $1,050,000, of which but $80,000 is from Cleveland institutions. Another outcropping of gold plenty is seen in the decision of most of the Cleveland banks which were in the $100,000,000 gold pool to leave their share of the $19,000,000 distributed when the pool was ended last week in the hands of New York correspondents. A substantial part of the $1,850,000 contributed from here was sent in metal and certificates.

The committee in charge of the pool has turned the money into the Federal Reserve bank of New York and it can be checked out from there. New York correspondents of interior institutions are leaving the bulk of the money in the regional bank, and most interior regional banks that have gold fund checks deposited on them will leave the gold where it is. Thus the New York regional bank gains from the New York clearing house and the subtreasury where the fund was deposited an amount in metal and certificates equal to more than half of the paid-in capital stock of the entire reserve system.

Regulations defining the extent to which national banks may become executors and administrators have been completed and will be given out in the near future. The powers will be fairly broad. They must be, for the national banks must be granted compensating privileges to make up for contemplated admission of state banks after the nationals have set the ball rolling with their funds.

OPERATIONS OF THE RESERVE BANKS.

Federal reserve banks during the week increased their loans and investments by $8,991,000. The total of these two items is now $31,126,000 compared with $27,135,000 a week ago. Discounts increased $2,405,000 and investments $1,526,000.

The increased operations of the reserve banks in discounts and investments was less, however, than the gain in cash. Gold holdings increased by more than $20,000,000, of which $14,600,000 was due to the receipt of the second installment from member banks on stock subscriptions.

The federal bank of Cleveland made no new investments and its discount operations show no marked change.

FEB 7—1915

The report as a whole continues to reflect no material deviation from the original policy of the federal reserve board to approach the matter of active participation in banking affairs in a most deliberate and painstaking way. The $31,126,000 of loans and investments reported by all federal banks is about $4,000,000 less than their paid in capital.

The New York bank statement was conspicuous only for its $29,000,000 loan increase, a reflection of the numerous financing events of the week. The cash gain was smaller than anticipated and the surplus showed a nominal decrease.

Cleveland clearing house officials omitted issuing the usual weekly comparisons as the figures are those of twelve banks. The comparison against the seven banks in the clearing house a week ago would be valueless. It may be said, however, that the national banks lost about $2,000,000 in deposits, wiping out an increase of that amount of the previous week.

LOWER DISCOUNT RATES AN ATTRACTION.

The 4 per cent minimum federal bank rate offers an opportunity to banks that still have emergency out to retire such currency at a profit of 1 per cent as the tax on emergency circulation is now 5 per cent.

In fact, there are evidences that the 4 per cent discount rate of the reserve bank may attract some business on its merit. New financing of a profitable nature is just commencing to appear on which banks can secure a return of 6 per cent. It is a profitable operation to turn over some of their best short-time commercial paper to the federal institution in order to make room for more profitable operations in the underwriting or other fields and it is impossible to conceive that agile minded bankers will continue to let the opportunity slip. For that reason, if for no other, it may be taken for granted that in the near future the reserve banks are to become more of a factor in current day financial history.

CLEVELAND LEADER.

The plans for a $25,000,000 central clearing house fund to facilitate operations between reserve banks is a move of the first importance to the new system.

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It is quite conceivable that this fund will grow in due time to $50,000,000 or even more. It is the missing link in the system that will permit the federal banks to commence inter-bank discounting or other interdistrict business as provided for in the new banking act.

"The plan," said Governor Fancher yesterday, "will save settlements between federal banks without actual shipments of gold or currency. For instance if the Cleveland bank has a credit balance in the clearing house fund of a continuing nature until it reaches, say $1,000,000 or $2,000,000, that would mean that some other federal bank or banks had an offsetting debit. Provided we did not need the funds, it would be logical for me to look around to see where this credit could be turned to account. We will presume that I should find that the southern banks are the principal debtors. That would mean that an opportunity had opened for the Cleveland bank to rediscount for the southern reserve banks against the maturity and marketing of the cotton crop."

FEDERAL BANK HERE REDISCOUNTING.

The reserve bank of Cleveland yesterday announced acceptances of applications for rediscounts to the amount of $300,000, in connection with which $100,000 of federal reserve notes were issued. The discounting banks are located in the eastern and southern sections of the Fourth reserve district.

It can be stated that the [illegible] not represent in any way a crowded position on the part of the discounting [illegible] The transactions represented purely the rediscounting of very prime paper in order to take on other equally good accounts, the low rates of discount now making such transactions profitable to banks.

CLEVELAND LEADER.

Member banks have heretofore shown an indisposition to utilize the rediscount privileges as it might be considered a sign of weakness upon the part of the discounting banks. Evidently they are beginning to get away from that feeling.

Yesterday's operation brings the note issue of the Cleveland bank up to $304,000 and the rediscounts to [illegible]

FEB 10 1915

Over in England the Lombard street banks use the Bank of England whenever they find they can turn a legitimate penny thereby. They leave it to the bank to call the turn on them and raise the discount rate when things get going too fast. No doubt in time this will be the mental attitude of member banks to the new reserve banks. Yesterday's operations indicate a hopeful start in that direction. If there is any general significance in the operation it is that business is beginning to look up a bit.

2-10

Demand sterling went to 4.83 cents, a new low for eight years. Notwithstanding the selling of German stocks here, Berlin exchange again declined to 85 1-2 cents for four marks, a figure which, at least in the minds of the antis casts doubt on the status of German currency. In the absence of securities liquidation on a new scale, the exchanges are likely to move still more in our favor in the next few days, as payment is made for goods hastily exported from here before marine war zone complications shall set in on Feb. 18.

The new rediscount rates are increasing the volume of accommodation asked of regional banks. The local institution yesterday increased its rediscounts by $269,000 to $690,000, most of it to further emergency currency retirement. The regional bank issued $100,000 new federal reserve notes in the course of the operation, furnishing a materially cheaper currency for the member banks.

BANK STATEMENTS

CLEVELAND LEADER.

Cleveland Federal Bank.

RESOURCES.

	Feb. 12.	Feb. 5.
Gold	$19,134,000	$19,102,000
Legals, etc.	663,000	1,001,000
Rediscounts and loans.	661,000	435,000
Investments	922,000	320,000
All other resources	[illegible]	123,000
Total resources	$21,505,000	$21,481,000

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LIABILITIES.

	Feb. 12.	Feb. 5.
Capital paid in	$4,027,000	$3,997,000
Net Deposits	17,269,000	17,863,000
Circulation	209,000	118,000
Total liabilities	$21,505,000	$21,481,000

All Federal Banks.

RESOURCES.

	Feb. 12.	Feb. 5.
Gold	$259,256,000	$256,217,000
Legals, etc.	22,117,000	22,641,000
Total cash	281,373,000	278,858,000
Discounts, 30 days	7,884,000	7,714,000
Discounts, 60 days	6,126,000	5,945,000
Other discounts	3,080,000	2,761,000
Total discounts	17,090,000	16,420,000
Investments	15,546,000	14,708,000
Items in transit	4,462,000	5,419,000
All other resources	6,551,000	6,823,000
Total resources	$325,022,000	$322,224,000

LIABILITIES.

	Feb. 12.	Feb. 5.
Capital paid in	$35,841,000	$35,128,000
Reserve deposits	284,996,000	284,101,000
Circulation	4,185,000	3,000,000
Total liabilities	$325,022,000	$322,224,000

New York Banks.

CLEARING HOUSE ACTUAL.

		Increase.
Loans, etc.	$2,287,397,000	$24,716,000
Reserve in own vaults.	368,151,000	*1,448,000
Reserve in federal reserve bank	113,293,000	648,000
Reserve in other depositaries	32,773,000	528,000
Net demand deposits	2,166,861,000	22,883,000
Net time deposits	93,122,000	819,000
Circulation	39,464,000	*1,230,000
Aggregate reserve	514,217,000	....
Excess reserve	139,873,350	*4,113,230

OTHER NEW YORK BANKS.

Loans, etc.	$554,326,100	$279,400
[illegible]	42,872,700	*718,400
Legal tenders	10,290,800	*9,800
Total deposits	642,500,500	*926,500
Banks' cash reserve in vault	10,931,200	....
Trust companies' cash reserve in vault	42,232,300	....

*Decrease.

CLEVELAND PLAIN DEALER

2-13

Bank Buys Federal Bonds.

The Federal Reserve Bank of Cleveland announced the purchases of its first lot of government bonds. Its investments so far have been in municipal warrants, yielding more than the governments. The latest purchase consists of $100,000 threes due Aug. 1, 1918. Of this issue, emitted while the Spanish-American war was on, $63,900,000 are outstanding. Their short remaining life and the fact that they can be used as security for circulation make them attractive for regional bank purchase, though the institutions have no present prospect of need for circulation other than that based on commercial paper. The New York market for these 3s is 101 1-2 bid.

ANOTHER RESERVE BANK PURCHASE. FEB 13 1915

The Federal Reserve Bank announced the purchase of $100,000 United States government 3 per cent bonds and a small further amount of rediscounts from member banks.

CLEVELAND LEADER.

That the activities of the federal banks will shortly be felt in more decided measure was evidenced in the issue at Washington yesterday of the federal reserve board's circular on acceptances. In its ruling the board does not shut the door on purchases of acceptances in the open market but it indicates that the reserve banks should given tenders from member banks preferential treatment, extending this preference even to the matter of rates when the acceptances bear the endorsement of member institutions. The circular describes the acceptance as the world's standard in the discount market and asserts that, while in its infancy in American banking, it will ultimately prove an effective substitute for the call loan.

The New York cotton exchange was closed but New Orleans was open and bear pressure at that center resulted in a decline of over ten points. Recent large exports seem to have satisfied the pressure of foreign demand, but spinners' takings have enlarged in the domestic

Finance, [illegible] at 0, 2-13

Federal Reserve Bank Reports

The federal reserve system reports for last week an increase in capital stock paid in of $14,083,000. The full amount due as second installment is nearly all in.

How rapidly this is being paid in is indicated by the statement of the Federal Reserve Bank of Cleveland, which, at the close of business last week, had outstanding less than 1 per cent of the installment, all but 19 of the 761 banks in the district having been heard from.

The system's rediscounts rose moderately, $2,465,000, after an increase of $893,000 in the previous week; rediscounting and consequent retirement of emergency notes is expected to grow this week, as the various new minimum rates are cast up against the increased tax. The new rates of the Cleveland institution and of several others announced last week became effective last Saturday and will figure in the coming statement. Especially in the south, federal reserve notes in circulation are likely to increase as emergency currency is retired.

Regional banks in other parts of the country will send their money into the south, if that is needed, through rediscounting for southern regional banks. The statements follow:

FEDERAL RESERVE SYSTEM.

RESOURCES.	Feb. 5	Jan. 29
Gold coin and certificates	$256,217,000	$235,905,000
Legal tender notes, silver certificates and subsidiary coin	22,641,000	20,882,000
Total	$278,858,000	$256,787,000
Bills discounted and loans:		
Maturities within 30 days	$ 7,714,000	$ 6,331,000
Maturities within 60 days	5,945,000	4,903,000
Other	2,761,000	2,721,000
Total	$ 16,420,000	$ 13,955,000
Investments	14,708,000	13,180,000
Due from federal reserve banks, items in transit	5,419,000	7,421,000
All other resources	6,823,000	10,891,000
Total resources	$322,224,000	$302,234,000
LIABILITIES.		
Capital paid in	$ 35,123,000	$ 20,440,000
Reserve deposits	284,101,000	279,516,000
Federal reserve notes in circulation (net amt.)	3,000,000	2,278,000
Total liabilities	$322,224,000	$302,234,000
Gold reserve against liabilities, per cent	91	86
Cash reserve against liabilities, per cent	99	93.6

CLEVELAND FEDERAL RESERVE BANK.

RESOURCES.	Feb. 5	Jan. 29
Gold and gold certificates	$ 19,102,000	$ 17,585,000
Legal tender notes, silver certificates and subsidiary coin	1,001,000	998,000
Rediscounts and loans	435,000	425,000
Investments	820,000	820,000
All other resources	123,000	202,000
Total resources	$ 21,481,000	$ 20,030,000
LIABILITIES.		
Capital paid in	$ 3,997,000	$ 2,436,000
Net deposits	17,363,000	17,475,000
Federal reserve notes in circulation	118,000	119,000
Total liabilities	$ 21,481,000	$ 20,030,000
Gold reserve against liabilities, per cent	109.2	99.9
Cash reserve against liabilities, per cent	115	105.6

LAYS DOWN RULES FOR ACCEPTANCES

Federal Reserve Board Tells How Banks May Deal in New Paper.

Defines How Institutions May Project Their Names Into Money Market.

CLEVELAND PLAIN DEALER

The federal reserve board yesterday issued regulations governing discount or purchase of bank acceptances. Member banks may purchase acceptances in the open market, but the board expresses a preference for discount of such paper only when presented by member or other banks. A move toward dollar exchange is taken in the rule that acceptances must be payable "in dollars, in the United States."

FEB 13 1915

The federal reserve act authorizes national banks to purchase acceptances based on the importation or exportation of goods and the board's regulations indicate how banks may avail themselves of the aid of the federal reserve banks in securing rediscount of such paper, and lay down the lines by which the regional banks will be guided in purchase of acceptances in the open market. Before the federal reserve act was passed domestic dealings in acceptances were confined to state banks, trust companies and private banks. How far American banks now may proceed in taking away from London a share of this business, a considerable part of which is done with South America, the board does not pretend to know.

Youngstown Sheet & Tube.

YOUNGSTOWN, Feb. 11.—(Spl.)—The Youngstown Sheet & Tube Co. in the last six months of 1914 earned its regular semiannual dividend of 4 per cent. on $20,000,000 common and 3½ per cent. on $5,000,000 preferred. Earnings provided for the usual depreciation charges. There was paid interest on $1,800,000 bonds and a quantity of short-term notes given in payment of coal land purchases. Improvements to the amount of $800,000 were financed from earnings during the period, President Campbell states.

The record for the period is believed to be unsurpassed in the country. The January tonnage of the corporation exceeded that of December about 25 per cent.

Day in Iron and Steel.

The Daily Iron Trade says: Advanced price of spelter has caused Pittsburg wrought pipe makers to advance galvanized pipe $4 a ton and sheet mills to increase galvanized quotation $5 a ton. Eastern blast furnaces have sold 50,000 tons of iron in the past week, but report of general buying movement is deprecated. Eastern fabricators continue to extract encouragement from increasing number of building projects up for figures.

Milwaukee & Chicago Breweries.

Milwaukee & Chicago Breweries, Ltd., has declared a quarterly dividend of 4½ per cent., less income tax, payable March 31 to stock of record Feb. 24. The last dividend paid was on Oct. 30, at the rate of 3½ per cent.

Independent Brewing.

The Independent Brewing Co. of Pittsburg has declared the regular quarterly dividend of 1¾ per cent. on the preferred stock, payable Feb. 27 to holders of record Feb. 16.

RESERVE SYSTEM'S GOLD INCREASES

Yellow Metal and Certificates in Vaults Go Up $3,039,000.

FEB 14 1915

Acceptance Rules Laid Down Open Way to Finance Foreign Trade.

CLEVELAND PLAIN DEALER

A $3,039,000 increase in gold is reported by the federal reserve system for the latest week. An increase of $718,000 in stock paid in, marks the fag end of the payment of second installment on subscriptions.

There was an expansion of $670,000 in rediscounts and of $838,000 in investments. Of the former increase the Cleveland institution contributed $226,000 and of the latter $102,000 (purchase of government 3s).

Now that the federal reserve board has laid down rules for dealing in acceptances member and regional banks are in position to extend their operations in furtherance of foreign trade. The effort will be to establish dollar exchange, and to free American business houses from the time-loss and inconvenience involved in present financing of foreign trade, when London or Berlin is often called into service for purely financial work in connection with merchandise deals concerning directly only this country and Brazil, for instance. Economy should result, too, from the saving of commissions paid to London and to Berlin bankers.

Reserve deposits of the system increased $895,000 in the week. This would indicate that there has been little change in deposits in member banks. But it is noted on the other hand that the New York clearing house institutions report a $23,702,000 deposit increase for the week; from this two deductions are possible, one that decrease in deposits in member banks in other cities have neutralized the increase in the member banks in the New York clearing house—the other that member banks are slow in making adjustments in their reserve accounts in regional banks to keep pace with changes in their own deposits.

The rediscount rate for paper not exceeding thirty days has now been reduced to 4 per cent. in all but the Minneapolis institution, where the wheat and flour situation prevent ease to the degree prevailing in other sections of the country.

The Cleveland regional bank's gold rose $32,000, resulting almost wholly from the $30,000 additional stock payments. Increase in rediscounts here produced a like effect on federal reserve notes in circulation. The item "all other resources" is made up of expenses, currency in transit for redemption, and all national bank notes held.

Federal Reserve System.

RESOURCES.

	Feb. 12.	Feb. 5.
Gold, gold certificates	$259,256,000	$256,217,000
Legals, silver certificates, subsid. coin	22,117,000	22,641,000
Bills discounted and loans:		
30 days	7,884,000	7,714,000
60 days	6,126,000	5,945,000
Other	3,080,000	2,761,000
Total	$ 17,090,000	$ 16,420,000
Investments	15,546,000	14,708,000
Due from fed. res. banks in transit	4,462,000	5,419,000
All other resources	6,551,000	6,823,000
Total resources	$325,022,000	$322,224,000

LIABILITIES.

Capital paid in	$ 35,841,000	$ 35,123,000
Reserve deposits	284,996,000	284,101,000
Federal reserve notes in circ. (net)	4,185,000	3,000,000
Total liabilities	$325,022,000	$322,224,000
Gold res. against net liabilities, per cent.	91.1	91
Cash res. against net liabilities, per cent.	98.8	99

Cleveland Federal Reserve Bank.

RESOURCES.

	Feb. 12.	Feb. 5.
Gold, gold certifiates	$19,134,000	$19,102,000
Legals, silver certificates, subsid. coin	633,000	1,001,000
Rediscounts and loans	661,000	435,000
Investments	922,000	820,000
All other resources	155,000	123,000
Total resources	$21,505,000	$21,481,000

LIABILITIES.

Capital paid in	$ 4,027,000	$ 3,997,000
Net deposits	17,269,000	17,363,000
Federal reserve notes in circulation	209,000	118,000
Total liabilities	$21,505,000	$21,481,000
Gold reserve against liabilities, per cent.	109.4	109.2
Cash reserve against liabilities, per cent.	113	115

New York Clearing House.

		Increase.
Loans, etc.	$2,287,397,000	$24,716,000
Res. in own vaults	368,151,000	*1,448,000
Reserve in federal reserve bank	113,293,000	648,000
Reserve in other depositaries	32,773,000	528,000
Net demand depos.	2,166,861,000	22,883,000
Net time deposits	93,122,000	819,000
Circulation	39,464,000	*1,230,000
Aggregate reserve	514,217,000	....
Excess reserve	139,873,350	*4,118,230

OTHER NEW YORK BANKS.

Loans, etc.	$ 554,326,100	$ 279,400
Specie	42,872,700	*718,400
Legal tenders	10,290,800	*9,800
Total deposits	642,500,500	*926,500

*Decrease.

CLEVELAND CLEARINGS.

Feb. 13	$ 4,084,821
Day last year	8,393,868
Last week	23,455,774
Week last year	28,942,745

TO SAVE MILLIONS FOR U. S. BUSINESS

New Power Granted Banks Produces Economies in Foreign Trade.

Cleveland and Tokio Can Deal Directly and Cheaply Under New Ruling.

BY H. S. ROSENTHAL.

The movement to throw off from this country's foreign trade the yoke of foreign bankers was begun last week, when the federal reserve board laid down rules under which banks belonging to the federal reserve system may enter the acceptance business.

CLEVELAND PLAIN DEALER

Through the years untold millions of dollars have been lost to United States business because the pound sterling and not the dollar is the world's standard of exchange. British currency became the clearing medium of the world for many reasons, but among them that United States banks were not adequately equipped to care for foreign trade. Now our banks are so equipped.

Interested as never before in foreign trade, business men of this country, with all their tours, traveling salesmen, commission house connections and publicity, would still be hampered by lack of proper financial facilities. This lack the federal reserve act is remedying.

Hereafter the Cleveland medicinal chemical house buying menthol in Japan will do business only with the Japanese seller and with its own bank here in Cleveland. Heretofore three countries often would be involved in such a deal, because the financing would be done through London. Sometimes Berlin would do it. In either case there was a commission for the English or German banker and a rake-off in the currency differences.

Similarly when a Cleveland manufacturer of conveyors sold one to Brazil, the English or German banker came in for velvet and the business was subject to scrutiny of people friendly to English or German conveyor makers.

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How They Will Accept.

Under the federal reserve act as now operative, financing these transactions can be conveniently and speedily done through United States banks. Members of the reserve system are granted a power never before permitted them—they may 'accept'—that is assume responsibility for a time draft before maturity, by stamping "accepted," date and signature across its face. The draft then becomes an easily negotiable instrument, safe and desirable as a short time investment for other banks. In the working out, the acceptance power means that a bank may project its name and credit into the general money market on the draft.

Here is an instance of acceptance business. The Cleveland menthol buyer instructs the Japanese seller to draw a draft for the money on the Sixth City National bank of Cleveland, payable ninety days after sight of the document. The Japanese writes out such a draft, and turns it into his own bank with bill of lading, insurance and other necessary papers attached. The Japanese bank transmits all of the papers direct to the Sixth City National, which signifies its "acceptance" on the draft and keeps the other papers for security. The draft belongs to the man in Japan, but through his bank's correspondent here he can have it taken to any regional bank and have it turned into cash at a very small discount. The menthol seller thus obtains cash in short order for use here, or for transmittal back to himself in the form of yen. He need not wait ninety days for the maturity of the draft.

Under the system heretofore prevailing he could accomplish the same ends, but likely as not the draft would be drawn for pounds sterling instead of dollars, would go to England, be accepted by an English ban and converted into cash or Japanes exchange in London. Three coun tries would be in the deal, and th English banker would get commissio and exchange profit. Meanwhile ther has been another chapter of th transaction, that between the Cleve lander and the New York bank actin for him on the one side and the Lon don bank on the other. Therein la another source of income for the Eng lishman.

Under the new system busines can be done direct between Clevelan and Tokio, producing a saving tha will mean millions of dollars as th years go by.

Also under the new method, a Cleveland exporter of automobiles to Russia can draw direct on the New York banker with whom Russia ha set up credits in this country. This banker's acceptance, even though he be not a member of the reserve system, will be convertible into cash immediately in a member bank or regional bank.

Benefits Summed Up.

Summed up, the power to enter acceptance business now granted banks which are part of the reserve system will encourage foreign trade on the part of United States citizens because financing will be done cheaply because without intervention of a third country—because leaks of confidential information to foreign competitors will be eliminated—and lastly because here at home will be laid the foundation for a "discount" market where accepted drafts will be bought and sold, furnishing cash on the one hand and a safe short term investment on the other. Banks will find in the discount market a splendid secondary reserve, bringing them fair interest and not subject to stock market calamities such as affected the call loan last summer.

Safety of the Paper.

How well safeguarded the paper will be can be gleaned from the menthol case. The accepted draft would have behind it the liability of the menthol seller, of his bank, of the menthol buyer and of his bank.

Regional banks will not accept paper, but they will discount or buy accepted paper. The process of discounting is the same as buying, except that in the discounting transaction the paper must be indorsed by a member bank, its liability thus being added to that before on the paper. A few member banks have been doing acceptance business before last week, but only on a limited scale, the general understanding having been to wait for reserve board regulations. State banks of New York state can, under the new Van Tuyl law, do acceptance business based on foreign and on domestic trade. It is conceivable that the federal reserve act, as years go by, may be amended to include paper based on domestic trade, but it was deemed wise at the start to limit the name-projection facilities afforded member banks. Because of the pressing need for increased facilities in foreign trade and because the almost universal custom between residents of different nations is to do business by draft, the acceptance business power is confined for the present to the foreign trade field.

Establishment of branch banks abroad further export trade financing facilities. There are now two foreign branches of the National City bank of New York, one in Rio Janeiro, one in Buenos Aires.

2-19

Trust Company Power.

The Federal Reserve board shortl[y] will define the powers granted na[t]ional banks to act as executors an[d] trustees. The details of the rulin[g] will be especially interesting here because there is serious doubt tha[t] Ohio national institutions can do any such work under the state's present laws.

The Washington board paved the way for actual business in acceptances by approving maximum and minimum rates of 4 to 2 per cent. for bankers' acceptances when discounted by the regional banks of Boston, New York and Chicago. The board also approved a 4 per cent. rediscount rate on merchant paper for the Richmond institution on maturities not exceeding ninety days; this is the longest time so far allowed for the 4 per cent. rate and reflects tobacco needs.

BANK STATEMENTS

CLEVELAND FEDERAL BANK.

	Feb. 19.	Feb. 12.
Gold	$18,802,000	$19,134,000
Legals, etc.	703,000	633,000
Discounts	740,000	661,000
Investments	922,000	922,000
Other assets	122,000	155,000
Total assets	21,289,000	21,505,000
Capital	4,031,000	4,027,000
Net deposits	17,095,000	17,269,000
Circulation	163,000	209,000

CLEVELAND LEADER

ALL FEDERAL BANKS.

Gold	$251,808,000
Legals, etc.	29,887,000
Total cash	281,695,000
Thirty-day loans	7,721,000
Sixty-day loans	6,909,000
Other loans	3,132,000
Total loans	17,762,000
Investments	15,314,000
Items in transit	2,766,000
Other assets	8,917,000
Total assets	326,454,000
Capital	36,056,000
Deposits	285,468,000
Circulation	4,930,000

2 1 1915

NEW YORK BANKS.

CLEARING HOUSE ACTUAL.

		Decrease.
Loans, etc.	$2,286,948,000	$481,000
Reserve in own vaults	365,176,000	2,975,000
Reserve in federal reserve bank	111,696,000	1,597,000
Reserve in other depositaries	32,791,000	*18,000
Net demand deposits	2,156,052,000	10,809,000
Net time deposits	97,997,000	*4,875,000
Circulation	39,415,000	49,000
Aggregate reserve	509,663,000	....
Excess reserve	137,174,450	2,698,900

OTHER NEW YORK BANKS.

Loans, etc.	$555,915,900	*$1,589,800
Specie	43,950,200	*1,077,500
Legal tenders	10,085,400	205,400
Total deposits	656,355,800	*13,855,300
Banks' cash reserve in vault	10,260,000	....
Trust companies' cash reserve in vault	43,076,000	....

*Increase.

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Reserve Bank Visitors.

Callers at the Federal Reserve bank of Cleveland in the last week included H. A. [illegible]lter, assistant secretary and treasurer of the Farmers Savings & Trust Co. of Mansfield; Harry P. Wolfe of Columbus, director of the regional institution; George R. Rodgers of the Manufacturers & Traders National of Buffalo; L. F. Kiesewetter, vice president of the Ohio National of Columbus; [illegible] B. Bslow, cashier of the City National of Evansville, Ind., and W. F. Hopkins, vice president of the Third National of Buffalo.

FEDERAL RESERVE REPORT

Federal Reserve System.

RESOURCES.

	Feb. 19.	Feb. 12.
Gold coin and certificates	$251,808,000	$259,256,000
Legal tender notes, silver certificates, subsidiary coin	29,887,000	22,117,000
Bills discounted and loans—		
Thirty days	7,721,000	7,884,000
Sixty days	6,909,000	6,128,000
Other	3,132,000	3,080,000
Investments	15,314,000	15,546,000
Due from federal reserve banks—		
In transit	2,766,000	4,462,000
All other resources	8,917,000	6,551,000
Total resources	$326,454,000	$325,022,000

LIABILITIES.

	Feb. 19.	Feb. 12.
Capital paid in	$ 36,056,000	$ 35,841,000
Reserve deposits	285,468,000	284,996,000
Federal reserve notes in circulation (net amount)	4,930,000	4,185,000
Total liabilities	$326,454,000	$325,022,000
Gold reserve against net liabilities, per cent.	87.5	91.1
Cash reserve against net liabilities, per cent.	97.9	98.8

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CLEVELAND PLAIN DEALER

Cleveland Federal Reserve Bank.

RESOURCES.

	Feb. 19.	Feb. 12.
Gold and gold certificates	$18,802,000	$19,134,000
Legal tender notes, silver certificates, subsidiary coin	703,000	633,000
Rediscounts and loans	740,000	661,000
Investments	922,000	922,000
All other resources	122,000	155,000
Total resources	$21,289,000	$21,505,000

LIABILITIES.

	Feb. 19.	Feb. 12.
Capital paid in	$ 4,031,000	$ 4,027,000
Net deposits	17,095,000	17,269,000
Federal reserve notes in circulation	163,000	209,000
Total liabilities	$21,289,000	$21,505,000
Gold reserve against all liabilities, per cent.	108.9	109.4
Cash reserve against all liabilities, per cent.	113.0	113.0

New York Clearing House.

ACTUAL CONDITION.

		Decrease.
Loans, etc	$2,286,948,000	$ 431,000
Res. in own vaults	365,176,000	2,975,000
Reserve in federal reserve bank	111,696,000	1,597,000
Reserve in other depositaries	32,791,000	*18,000
Net demand deposits	2,156,052,000	10,809,000
Net time deposits	97,997,000	*4,875,000
Circulation	39,415,000	49,000
Aggregate reserve	509,663,000	....
Excess reserve	137,174,450	2,698,900

Other New York Banks.

Loans, etc.	$ 555,915,900	*$1,589,800
Specie	43,950,200	*1,077,500
Legal tenders	10,085,400	205,400
Total deposits	656,355,800	*13,855,300

*Increases.

Local Bank Clearings.

Check exchanges of Cleveland clearing house banks for the latest week show a gain of nearly $2,000,000 over the corresponding week last year. While some of this increase is due to 1915 entry of five state institutions into the clearing house, the gain is in acord with the showings of a number of other centers outside [illegible]

Feb. 20, 1915	$ [illegible]764
Day last [illegible]	2,880,[illegible]
Last w[eek]	23,460,172
Wek [la]st year	[2]1,531,638

2-20

The New Bank Notes

A Washington dispatch says:

The federal reserve bank system is now in full swing. It was put in operation November 16 and all the kinks incident to a new system are gradually being ironed out. A requisition placed with the Bureau of Engraving and Printing for the printing of $250,000,000 of federal reserve notes is being gradually filled, and so far $30,000,000 of these notes have been placed in the vaults of the Federal Reserve Board in the Treasury Department.

The cost of printing these notes, which includes the purchase of the paper, making and engraving the dies, etc., is in round figures $215,000. Much of this expense will not have to be duplicated as the plates can be used for several years before they will have to be replaced. These federal reserve bank notes are being issued on demand, but the net amount of such notes now in circulation is approximately $2,280,000.

Emergency currency when printed cost at the average rate of $50 per 1,000 sheets. On each sheet are four notes running in denominations from $5 to $100. Of the $500,000,000 emergency currency printed as stated $385,000,000 was put into circulation through the banks. This currency was sent to the various sub-treasuries throughout the United States at the expense of the Treasury Department, the average cost to the department being 20 cents per $1,000.

In some cases the banks preferred to have it sent direct from the treasury here to the individual banks, in which event the bank paid the regular express charge, which is considerably more than the government rate. In getting such currency from the various sub-treasuries of the interior banks, that is banks not located in the same city with the sub-treasury, had to pay express charges from the sub-treasury to their banks.

In addition to these charges the banks paid to the government a monthly interest rate which increased each month that the money was used and which is now running at the rate of 5 per cent a year. This rate was imposed for the purpose of retiring the currency, and that it has been effective is shown from the fact that the amount of emergency currency outstanding has been reduced, October 25 (the high-water mark), from $385,000,000 to approximately $50,000,000. By March 1 the emergency currency is expected to be almost entirely retired.

2-20

Reserve Banks

A dispatch from Baltimore says:

In an address before the Baltimore Association of credit men, Frederic A. Delano, vice governor of the Federal Reserve Board, explained the federal reserve act "from the point of view of the business man."

He said that it was evident that in some particulars the true functions of the federal reserve banks have been misunderstood. Important as they are as the central banks of their districts they "are not in any sense wholesalers of money to their member banks, who, in turn, dispense or retail it at a profit to their customers."

"Their gross assets," said Mr. Telano, "really bear only a small ratio to that of the aggregat[e] of the stockholding banks, and, while their power and influence are very great, their actual currenc[y] issuing power will represent, after all the reserve[s] have been paid in, only some 12 to 15 per ce[nt] of total loanable funds of banks in the countr[y] national and state."

Finance
Cleveland
2-20

Reserve Act Now a Menace

By CHAS. G. DAWES, of Chicago

"The federal reserve bank bill, as it stands today, injects the banking business into politics.

"Until it shall be radically amended I regard the bill as one of the greatest menaces which ever confronted the country. Unless it is amended I believe it will bring down the commercial interests of the country in chaos and financial ruin.

A DANGEROUS POWER.

"I have the greatest confidence in Secretary McAdoo, but the bill puts into his hands—into the hands of the Secretary of the Treasury, a political appointee—a greater power than should be given to any man.

"At his will he can deposit any or all of the funds of the United States government in the federal reserve banks. At his will he can withdraw any or all of these funds.

"It is in his power to deposit in the federal reserve banks more money than all the national banks in the country have deposited in the federal reserve banks. It is equally in his power to withdraw all this money.

"The most important and the least discussed provision of the bill is that which permits the federal reserve banks to compete for loans in the open market with the national banks.

"Political clamor and the pressure of public opinion will force them to so compete. Then when the credits of the country have been greatly expanded wil come the danger.

"The federal reserve bill must be amended!"

POLITICS INJECTED.

"The United States, for the third time in its history," Mr. Dawes said, "confronts the problem of adjusting the central banking idea to the politics and the business of the country. Twice before, in the case of the First and Second banks of the United States, it has tried and failed, with disastrous consequences to the business of the nation.

"Seeking relief from the inelasticity of our currency and banking credits, we have passed a federal reserve law which, while in most part conformable to sound economics, may, unless amended, again plunge us into widespread disaster. The federal reserve banks are great credit creating devices, using as a foundation money belonging to other banks, and in use by them already as a foundation of existing credits. They have not as yet to any extent expanded their credits, but if they did, and then for any reason should be compelled suddenly to contract them, business disaster must ensue.

NOT "BANKS FOR BANKERS."

"Whatever may be their present impression eventually the people will never consider the federal reserve banks as 'banks for bankers,' but as banks to be operated primarily, as well as secondarily, in the public interest. This will result largely from two facts—first, that to exist and still preserve a reasonable capacity for public usefulness in times of emergency the federal reserve banks must loan chiefly in the open market in competition with other banks; and, secondly, because the co-operation of the United States government in the matter of public deposits is absolutely essential to make the federal reserve banks effective factors in time of emergency.

"About the least discussed and yet one of the most important provisions of the federal reserve law is that authorizing open market operations and allowing the federal reserve banks to purchase domestic bills of exchange without the indorsement and guaranty of member banks. Nothing is easier than to change the form of ordinary commercial paper into domestic bills of exchange. Under this provision, either in its present or amended form, the federal reserve banks, in normal times, must chiefly employ their funds.

NOTE ISSUES AND INTEREST RATES.

"Over a year ago I pointed out that in normal business times, banks will not pay a higher rate to borrow notes from federal reserve banks than they now pay in open competition for the money of the depositing public—to-wit: about 3 per cent for time money and 2 per cent for demand money. This is the reason why so few federal reserve notes have thus far been issued. If the federal reserve banks should loan their money to the member banks at these low rates in normal times, they would employ so much of their resources to pay their expenses and dividends as greatly to impair their usefulnes in times of emergency.

"Let me illustrate this and the very great part which the Secretary of the Treasury must hereafter play in the finances and commerce of the country, by referring to the Federal Reserve Bank of Chicago. After maintaining its 35 per cent reserve on its deposits, it has without public deposits only a note issuing capacity, based upon its present business, of about $64,000,000, while maintaining behind them a 40 per cent gold reserve. An income of about $700,000 a year will soon be necessary to pay its expenses, provide for dividends, and the accumulation of a proper surplus as a safeguard against losses. If it loans $28,000,000 of notes at 2½ per cent to member banks to produce the $700,000, it will have a note issuing capacity left for times of emergency of only $36,000,000, unless the Secretary of the Treasury comes to its assistance with public deposits.

IMPAIRED POWERS.

"The inadequacy of this amount for a time of emergency may be judged by the fact that the deposits of the member national banks in the Chicago district alone total the great amount of $1,005,234,535, and that during the financial crisis of this last fall the banks of the one city of Chicago required the use of $43,000,000 in Aldrich-Vreeland emergency notes and clearing house certificates, the greater part of which were used by national banks.

"If, however, the federal reserve bank would employ in normal times its funds in the open market at 4½ per cent, it would require only $15,500,000 in loans to produce the needed $700,000, and its note issuing capacity in times of emergency then would be $48,500,000, without government deposits.

NOTE ISSUING CAPACITY.

"Let us now consider the note issuing capacity of the combined federal reserve banks, based upon their statement of December 24. After maintaining the 35 per cent reserve upon their deposits they would have left $170,890,900 gold as a basis for note issues, which under a 40 per cent reserve would give them a note issuing capacity of $427,225,000. A rough estimate of the annual expense, dividend and surplus requirements of the twelve federal reserve banks is $4,500,000 and to produce this in normal times $100,000,000 of its note issuing capacity must be used at 4½ per cent in the open market, or $180,000,000 in loans to member banks at 2½ per cent. If the first course is followed, $327,000,000 of a note issuing capacity remains for a time of emergency and $247,000,000 if the latter course is followed. And yet the aggregate net deposits of the national banks of the United States, to protect abnormal fluctuations in which this sum is designed, aggregate the immense sum of $7,291,342,479, to say nothing of the deposits of the state banks of the country.

GOVERNMENT DEPOSITS.

"This brings us to the enormous power over the business of the country given to the Secretary of the Treasury by the provisions of law, authorizing him, in his unqualified discretion, to deposit the general fund holdings of the United States Treasury in the federal reserve banks. Is it generally realized that if the Secretary of the Treasury should deposit all the present general fund holdings of the United States Treasury in the federal reserve banks he would have a larger amount to his credit than all the national banks of the United States put together?

"The reserve deposits in the twelve federal reserve banks now total $249,786,000, while the Secretary of the Treasury would have subject to his check $255,722,000. If he makes this deposit, and if the federal reserve banks use it in their business, who will be the real power in the situation, the Federal Reserve Board or the Secretary of the Treasury?

"Suppose he should deposit this immense sum $99,700,000 of which is in gold and the bulk of the balance in lawful money (which would release gold held by the federal reserve banks

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a part of their 35 per cent reserve on de-
posits to be used as a basis for note issues), and
suppose $400,000,000 of additional federal reserve
notes would go into circulation upon the basis of
the government's deposit, upon what would de-
pend the entire business and credit of the
country?—certainly upon the discretion of the
Secretary of the Treasury or the political admin-
istration of which he is a part.

"We have no need of additional circulation in this country in normal times; it has only been in crop moving period and times of financial crisis that our present volume of currency has proved insufficient. We have been suffering from the inelasticity, not the dearth of currency. In the meantime the public must be educated to the dangers of the law in its present form and efforts made in Congress for its correction. It is the most important question today before the American people."

2-20
Finance, Cleveland O

Federal Reserve Board On Acceptances

A Washington dispatch says:

Another step in the development of American finance designed to bring it more in accord with that of other nations was taken by the federal reserve board last week when it issued regulations governing the discount of purchase of bankers' acceptances.

The federal reserve act authorized national banks to purchase acceptances based on the importation and exportation of goods, and the board's regulations indicate how banks may avail themselves of the aid of the federal reserve banks in securing the rediscount of such paper, and lay down the lines by which the reserve banks themselves will be guided in purchases of acceptances in the open market.

Before the federal reserve act was passed domestic dealings in acceptances were confined to state banks, trust companies and private banks. How far American banks now may proceed in taking away from London a share of this business, a considerable part of which is done with South America, officials here do not pretend to know.

Although under the new regulations the reserve banks are not barred from outright purchases of acceptances, the board indicates a present preference for discount of such paper presented by member or other banks. The board announces that acceptances must be "payable in dollars in the United States," a step toward making the dollar at least one of the mediums of international exchange.

STILL IN INFANCY.

Weeks have been spent by the board in preparing the resolutions, and many conferences have been held with the Advisory Council, some of the governors of federal reserve banks and the federal reserve agents.

"The acceptance is still in its infancy in the field of American banking," the board says in a circular.

"How rapid its development will be cannot be foretold; but the development itself is certain. Opportunity is given by the federal reserve act to assist the movement in this new direction."

The circular adds that present regulations are to be regarded as a first step to be extended as circumstances warrant.

"The acceptance is the standerd form of paper in the world discount market," it continues. "By reason of its being readily marketable it is widely regarded as a most desirable paper in the secondary reserve of banks and will help to provide an effective substitute for the call loan." Its growth, however, will depend upon the ability of the American market to adjust its rates effectively to those prevailing in other markets for paper of this class.

MAY ESTABLISH RATES.

"Federal reserve banks may from time to time submit for the approval of the board maximum and minimum rates within which they desire to be authorized to deal in acceptances; within such limits and subject to such modifications as may be imposed by the board. Federal reserve banks will be allowed to establish the rates at which they will deal in acceptances."

The board says preferential treatment should be allowed on acceptances bearing the indorsement of member banks, and will sanction such a preferential, but points out that federal reserve banks which desire to purchase such paper not so indorsed may do so, though they should restrict operations to acceptances bearing some other signature than that of the drawer and acceptor preferably that of a bank or banker.

An acceptance, the regulations say, must bear or be accompanied by evidence satisfactory to a reserve bank that it originated in an actual bona fide sale or consignment involving importation or exportation of goods.

"In framing their policy with respect to acceptances," says the board, "federal reserve banks will have to consider not only local demands to be expected from their own members, but also requirements to be met in other districts. The plan to be followed must in each case adapt itself to the constantly varying needs of the country."

Finance, CLEVELAND O
2-20

Federal Reserve Bank Statement

The weekly report of the combined condition of the twelve federal reserve banks, announced by the Federal Reserve Board, was as follows:

RESOURCES.

	February 12	February 5
Cash on hand, gold coin and certificates	$259,256,000	$256,217,00
Legal tenders, silver certificates and subsidiary coin	22,117,000	22,641,00
Total	$281,373,000	$278,858,00
Rediscounts	17,090,000	16,420,00
Investments	15,546,000	14,704,00
Due from fed. reserve banks; in transit	4,462,000	5,419,00
All other assets	6,551,000	6,823,00
Total	$325,022,000	$322,224,000

LIABILITIES.

	February 12	February 5
Capital paid in	$ 35,841,000	$ 35,123,000
Reserved deposits	284,996,000	284,101,000
Federal reserve notes in circulation	4,185,000	3,000,000
Total	$325,022,000	$322,224,000
Gold reserve against liabilities	91.1%	91.0%
Cash reserve against all liabilities	98.8%	99.0%
*Cash reserve against all liabilities	99.7%	99.6%
Federal reserve notes in circulation	20,106,000	18,702,000
Gold in hand from federal reserve agents for retirement of outstanding notes	15,921,000	15,702,000
Net liabilities of reserve banks upon outstanding notes	4,185,000	2,000,000
Maturities within thirty days	7,884,000	7,714,000
Maturities within sixty days	6,126,000	5,945,000
Other maturities	3,080,000	2,761,000

*After setting aside 40 per cent gold reserves against federal reserve notes in circulation, and after deducting items in transit between federal reserve banks.

Finance M. 2-20 .0

Booklet On Bank Acceptances

The Guaranty Trust Co. of New York has issued an interesting pamphlet on the subject of bank acceptances. Coming as it does just at this time when the Federal Reserve Board has issued regulations governing the discount paper of this character, it is naturally unusually apropos. The pamphlet treats the subject from the standpoint of the layman and illustrations of sample acceptances are included in its pages. A table also is given which indicates the attitude of the banking laws of the various states with regard to bank acceptances. We understand that copies may be secured upon application to the Guaranty Trust Co. of New York.

FEDERAL BANKS' OPERATIONS.

FEB 21 1915

Changes in the federal bank reports were not conspicuous as to the totals but the official analysis put out yesterday by the federal reserve board stated that the south had been discounting with exceptional freedom, the movement having been offset by decreases in the north. The south is evidently using the rediscount privilege to retire its emergency currency. The board states that it anticipates a fresh impetus to the loan and discount item this coming week owing to the lowering of the rate in New York. The 4 per cent rate for ninety day paper, it points out, is lower than like rates maintained by the European central banks. Loans and discounts for the week increased $670,000.

The New York bank statement disclosed a loss in cash and a moderate decrease in surplus. The outcome was no doubt due to the suspension in midair of the huge amount of financing put through in the period prior to ten days ago. At that time the public was taking hold nicely and underwriters were encouraged to take on a huge mass of new securities that had been awaiting the auspicious moment. The international complications intervening came inconveniently upon the heels of these events and before the public had had time to relieve the syndicates. Hence little has been heard of new issues since.

At the close of the week Pittsburg reported that the Carnegie Steel Company is operating 65 per cent of ingot capacity, 90 per cent of its plate capacity, and that the Steel Corporation mills as a whole are going 54 per cent of ingot capacity. Buyers have been specifying unusually freely against their contracts while new business has been fair.

REGIONAL BANK PLACES CITY ON NEW PINNACLE

Reserve Institution in Three Months of Practical Operation Has Made Cleveland the Hub of Broad Financial Wheel.

CLEVELAND PLAIN DEALER

Money Activities of Four States Revolve About Gold Reservoir Here—Eastern Bond Houses Establish Local Offices.

FEB 22 1915

BY H. S. ROSENTHAL.

After six months of the federal reserve system, what has it done for the country? What for Cleveland?

The results are real today. They wil be apparent more and more as the months go by and new fields of work are entered. They will be tested whenever again the nation passes through financial shock.

The reserve system has given the United States new confidence in its banking structure. The system and it twelve reservoirs of gold, in existence three months, have made it impossible, it is confidently believed, that acute money stringency shall ever agin rack the country. The reserve act, in the ordinary course of affairs, gives the business man no new facilities for borrowing, but it gives his commercial bank an unfailing supply of cash and credit; the bank always will hav facilities for making the loans which are the foundation of 95 per cent. of all larger current business operations.

If member banks refuse to grant proper credit the regional institutions can go into the open market and loan direct, but they will exercise this power only under extraordinary circumstances.

The reserve system has eliminated

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the possibility of money panic. Business of any sort can become insolvent as before through mismanagement, lack of capital or bad luck or all of them, but no business should ever again lack money for legitimate current needs because of contradiction in the circulating medium and consequent tightening of credit which has brought ruin so often in the past.

Things to be Done.

The federal reserve board is working along the following new lines—to provide convenient financing for American foreign trade free from the surveillance and commissions of banks of rival nations—to establish by degrees a countrywide check clearing system which will expedite the nation's business and perhaps make the personal check a current medium of payment in and between all places from coast to coast.

These in rough outline are some of the benefits accruing and to accrue from the largest banking system in resources and extent the world has ever seen. All of the purposes toward which effort is being directed cannot be accomplished to the full until more state banks and trust companies join the system. Steps are being taken with the end to bring about that enlargement. Meanwhile the country has stepped from an outgrown and mistrusted financial foundation to one in which broad confidence is imposed.

What for Cleveland?

It is pertinent to inquire in provincial fashion what has the Federal Reserve Bank of Cleveland done for Cleveland? It has afforded this city the advantages furnished the rest of the country. Further, it has made Cleveland the hub around which revolves the commercial banking activity of an area containing 761 national institutions. The district which includes al' of Ohio, the western third of Pennsylvania, the pan handle of West Virginia and nearly half of Kentucky is 500 miles across at its widest. It extends from Bearlake in the northwest corner of Pennsylvania away down to Pine Knot and Redash in Kentucky on the border of Tennessee. The officers and directors of 761 banks in this area, including Cincinnati, Pittsburg, Columbus, Lexington, Wheeling, Toledo, now look to Cleveland for the regulations under which they conduct their business. They have sent to Cleveland about $4,000,000 in gold and gold certificates in payment for stock. They have on deposit here about $17,000,000 besides. Between the member banks and the regional institution money and the paper evidences of it are constantly passing back and forth. To the regional institution the member banks will look for dividends on their stock.

One by one these member banks take a trip to Cleveland to see the stewards of their funds and incidentally to get acquainted with the city. They form acquaintance with Cleveland bankers and establish new relations. They bring their families, spend a few days here, shop here, spread Cleveland publicity.

New Bond Offices.

Whether or not this concentrating here of out-of-town bankers is the cause, one of the most powerful national banks in the country has established a branch of its bond department here, and another big eastern investment house has set up bond distributing quarters here since the reserve institution opened.

We may pass with little comment the fact that the regional bank has brought to the city twenty-two permanent residents, most of them banking experts and most of them with families. Nor need stress be laid on the fact that the institution occupies substantial parts of three floors of a downtown building and soon will need more space—that it purchases here a mass of supplies such as typewriters, adding machines, stationery, printing, furniture, other supplies—that it keeps the name of the city and her activities constantly before the eyes of Washington and the readers of financial literature and daily newspapers; also, which is selfish

to contemplate, that it provides for Cleveland banks quick facilities of every sort they may require from the institution; also that it has appreciably increased the business of Cleveland express offices and transit insurance agencies.

Follow the publicity idea a little further and one sees that the draft on Cleveland, when the clearing system becomes effective, can supplant the draft on New York which is now used to settle all but purely local remittances. The draft on Cleveland will serve especially well within the entire Cleveland reserve district. It will appeal to bankers and consequently to their customers because it will eliminate the scramble and expense now so often resulting from the scarcity of New York credits in the interior.

The reserve system is educating the country, and Cleveland as one of the centers is getting its full share of this education, as to the operations of rediscounting, accepting, currency issuance and the larger finance operations, which until recently were mysteries to all but a handful of experienced bankers and economists.

ORDERS SUPPLY OF FEDERAL NOTES.

Secretary McAdoo yesterday announced his intention to print $500,000,000 of federal reserve notes, which will be sent to federal reserve banks on demand. This is probably the answer to the advocates, who have sprung up of late in some numbers, of a proposal to extend for another year the operations of the Aldrich-Vreeland emergency currency law. That expedient has served its purpose and will be allowed to expire on present time limitations.

CLEVELAND LEADER.

New York exchange at leading Canadian cities continues in a bad way. Within the past few days rates have advanced to ¾ of 1 per cent. The discrepancy is most marked when the low cost of shipping gold from Montreal to New York is considered. The expense of the operation is almost purely nominal, while in the case of sterling exchange the cost, always an item to be considered, has enhanced considerably from the high ocean freights and insurance as well as from the longer average period in transit.

FEB 26 1915

In these days of strange happenings, it is perhaps nothing unusual that the $10,000,000 gold engaged for shipment from Ottawa to New York has not yet been reflected in the New York bank figures. Gotham bankers, in fact, have seen nothing of the consignment. Possibly it has been shipped around by way of Vancouver in order to befool any possible lurking submarine in the St. Lawrence. Wherever it may be, it is still figured in the Bank of England.

Finance
Cleveland, O.
W.S.A.
2-27-15

Federal Banks Will Pay, Says Hamlin

A Washington dispatch says:

"I believe that all of the federal reserve banks will more than meet expenses during the first year of their operations," said Gov. Charles S. Hamlin, of the Federal Reserve Board. "It would meet expenses the first year. Private enterprise is ordinarily posed as a standard of governmental success. Instead of waiting several years, I think the reserve banks in their first year will meet expenses."

Gov. Hamlin's prediction affects a very practical question that was raised before the passage of the federal reserve act, and which has been the subject of comment among private bankers since the system was inaugurated. It has been thought that the reserve system might prove to be a huge and expensive burden for private banking business to carry. The expenses, in the long run, are paid by customers, but it may be that this expense, to be reimbursed largely through rediscounts, will not be an actual burden on commerce because of the additional credit facilities with which the business world may find itself equipped.

EXPENSES SHOULD DECREASE.

It is stated that the expenses, not only of the Reserve Board itself, but of the various district reserve banks, will be proportionately heavier the first year than during succeeding years. The papers and dyes, together with printing required for the initial issue of the federal reserve notes cost $208,560. This expense need not be incurred again for several years.

The profits to be made by the Reserve banks will probably be largely derived from the rediscount of commercial paper. The last report of the banks, as of February 19, shows bills discounted and loans amounting to $17,762,000. About half of this paper matures in 30 days, and therefore takes the lowest rates, which is 4 per cent and 4½ per cent in various districts. The average return on all rediscounts under existing rates is probably about 5 per cent. On this basis rediscounts are producing returns at reserve banks at the rate of $900,000 per year. Members of the Reserve Board expect the rediscount business to grow rapidly, however. Earnings on the present amount of rediscounts would admittedly leave most of the banks with a deficit on operations for the year.

HEAVY DIVIDENDS TO PAY.

The rates of the reserve banks will probably always follow the private rates of discount and never quite reach them. This is the practice of the Bank of England, and directors of regional banks have indicated that this policy will be followed in the American reserve system. This will remove the reserve banks from the competitive field.

The largest item the reserve banks have to meet is the dividend guaranteed member banks on the paid in capital. This is not properly chargeable, however, as expense of operation. At the present time $36,056,000 has been paid in, and a 6 per cent dividend on this sum, which will be largely augmented before the close of the year, would call for $2,160,000. If the banks do not make enough money to pay this dividend the burden or part of it will go over another year, the dividend on capital being cumulative.

Two months ago the Reserve Board admitted that it could not estimate accurately the expenses of the reserve system. Gov. Hamlin's prediction is taken to mean that the reserve officials have learned much in the last sixty days about the probable requirements of the regional institutions.

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Finance

Cleveland, O.

2-27-15

Federal Reserve Reports

FEDERAL RESERVE SYSTEM.

RESOURCES.

	Feb. 19	Feb. 12
Gold coin and certificates	$251,808,000	$259,256,000
Legal tender notes, silver certificates, subsidiary coin	29,887,000	22,117,000
Bills discounted and loans—		
Thirty days	7,721,000	7,884,000
Sixty days	6,909,000	6,126,000
Other	3,132,000	3,080,000
Investments	15,314,000	15,546,000
Due from federal reserve banks—		
In transit	2,766,000	4,462,000
All other resources	8,917,000	6,551,000
Total resources	$326 454,000	$325,022,000

LIABILITIES.

	Feb. 19	Feb. 12
Capital paid in	$ 36,056,000	$ 35,841,000
Reserve deposits	285,468,000	284,996,000
Federal reserve notes in circulation (net amt.)	4.930,000	4,185,000
Total liabilities	$326,454,000	$325,022,000
Gold reserve against net liabilities, per cent	87.5	91.1
Cash reserve against net liabilities, per cent	97.9	98.8

CLEVELAND FEDERAL RESERVE BANK.

RESOURCES.

	Feb. 19	Feb. 12
Gold coin and certificates	$ 18,802,000	$ 19,134,000
Legal tender notes, silver certificates, subsidiary coin	703,000	633,000
Rediscounts and loans	740,000	661,000
Investments	922,000	922,000
All other resources	122,000	155,000
Total resources	$ 21,289,000	$ 21,505,000

LIABILITIES.

	Feb. 19	Feb. 12
Capital paid in	$ 4,031,000	$ 4,027,000
Net deposits	17,095,000	17,269,000
Federal reserve notes in circulation	163,000	209,000
Total liabilities	$ 21,289,000	$ 21,505,000
Gold reserve against all liabilities, per cent	108.9	109.4
Cash reserve against all liabilities, per cent	113.0	113.0

OPERATIONS OF THE FEDERAL BANKS.

Discounts and investments of the federal banks increased about $4,000,000 for the week. These combined items now total $37,900,000. Deposits increased nearly $5,000,000, so that the participation of the reserve banks in the financial activities of the period are scarcely keeping pace with their accumulating resources.

It is evident that extreme conservatism still marks the operations of the banks and there is to be no departure from that policy. It may be anticipated, however, that since recent rulings regarding open market operations in acceptance are now more than a week old the reserve banks are very soon to expand their activities in this new direction in a substantial way.

The New York bank statement again showed a substantial increase of $10,000,000 in loans, with no material change in the cash account. Money rates showed a hardening tendency during the uncertain period at the commencement of the week, but there was an easier tone later.

FEB 28 1915

STATEMENTS OF BANKS

Rediscounts of the federal reserve system increased $2,700,000 and investments $2,100,000 in the latest week. Gold resources decreased $2,900,000, following a decrease in the same item of $7,400.000 last week. This is due to the return to subscribers of the gold held by the New York regional bank for account of the gold pool; these funds were turned over to the institution as fiscal agent and need for them to straighten out the foreign exchange situation has passed. The transactions are outside the bank's normal scope and the gold loss has little significance.

The three southern regional banks, Richmond, Atlanta and Dallas, report over 75 per cent. of the total amount of commercial paper held by all. About $1,900,000 of acceptances were bought by the New York, Philadelphia and Boston banks during the week. As this paper matures only within sixty to ninety days, the proportion of short term maturities is smaller than in previous weeks, the percentage of thirty-day paper being now 37.4 per cent. and that of sixty-day 34 per cent. Of the total of $4,406,000 of United States bonds on hand (investments) reported by six banks, Chicago, alone reported $3,125,000.

PLAIN DEALER

FEDERAL RESERVE SYSTEM.

RESOURCES.

	Feb. 26.	Feb. 19.
Gold	$248,909,000	$251,808,000
Legal tenders, silver certificates, subsidiary coin	29,085,000	29,887,000
Bills discounted and loans	20,469,000	17,762,000
Investments	17,417,000	15,314,000
Due from fed. res. banks in transit	8,088,000	2,766,000
All other resources	7,765,000	8,917,000
Total resources	$331,733,000	$326,454,000

LIABILITIES.

	Feb. 26.	Feb. 19.
Capital paid in	$ 36,069,000	$ 36,056,000
Reserve deposits	290,336,000	285,468,000
Fed. res. notes in cir.	5,328,000	4,930,000
Total liabilities	$331,733,000	$326,454,000
Gold res. against net liabilities, per cent	86,6	87.5
Cash res. against net liabilites, per cent.	96.7	97.9

FEB 28 1915

Cleveland Regional Bank.

RESOURCES.

	Feb. 26.	Feb. 19.
Gold, gold certificates	$18,431,000	$18,802,000
Legal tenders, silver certificates, subsidiary coin	705,000	703,000
Rediscounts	772,000	740,000
Investments	922,000	922,000
All other resources	121,000	122,000
Total resources	$20,951,000	$21,289,000

LIABILITIES.

	Feb. 26.	Feb. 19.
Capital paid in	$ 4,031,000	$ 4.031,000
Net deposits	16,743,000	17,095,000
Federal reserve notes in circulation	177,000	163,000
Total liabilities	$20,951,000	$21,289,000
Gold reserve against all liabilities, per cent	108.9	108.9
Cash reserve against all liabilities, per cent	113.1	113

NEW YORK BANK STATEMENT.

CLEARING HOUSE ACTUAL.

		Increase.
Loans, etc.	$2,297,504,000	$10,556,000
Res. in own vaults	369,494,000	*1,682,000
Res. in fed. r. banks	113,066,000	1,370,000
Res. in other depositaries	33,008,000	217,000
Net demand deposits	2,160,702,000	13,650,000
Net time deposits	98,746,000	749,000
Circulation	39,118,000	*297,000
Aggregate reserve	509,568,000	
Excess reserve	134,761,000	*2,412,750

OTHER NEW YORK BANKS.

Loans, etc.	$560,642,700	$4,726,800
Specie	44,104,400	154,200
Legal tenders	10,101,600	16,200
Total deposits	651,858,300	*4,997,500

*Decrease.

FEDERAL BANKS TO CLEAR FOR MEMBERS.

The federal reserve board at Washington yesterday directed the reserve banks to proceed with plans for the clearance of checks of member banks at once.

Governor E. R. Fancher of the local bank, just returned from a conference at Washington, stated that the reserve board had given the banks latitude to go ahead and perfect plans adapted to each district, but conforming to general conditions laid down by the board.

CLEVELAND LEADER

In general the plan provides for a voluntary entry by the member banks into a plan by which assenting members will keep a special deposit with the federal banks to cover check collections between such assenting banks. The federal banks will make a service charge to cover what is called the "float." This is the mass of exchange in transit and constitutes an item on which national banks in reserve cities are often willing to give correspondent banks an immediate credit.

The proposal is entirely voluntary so far as member banks are concerned. They may come into the federal bank scheme and use its facilities or continue to use their reserve banks for that purpose. Governor Fancher stated that it will probably be May 1 before the plans are perfected and in operation.

MAR 5 1915

Foreign exchange was firmer in New York yesterday. The Bank of England made a weak showing with a loss of some $20,000,000 in gold. This, however, was only partly due to gold exports. The bank has earmarked over $5,000,000 against the maturity of treasury notes.

Paris furnished an interesting bit of news in the announcement that the customs of $18 a long ton on steel rails had been suspended by decree until further notice. This suggests that France is about to import steel rails upon a considerable scale.

ALLIES' BLOCKADE POLICY PUTS RESTRAINT ON LIST

Stocks Await More Light on Plans—Grain and Cotton Tumble—Federal Bank of Cleveland Buys $400,000 Acceptances and $200,000 Warrants.

2 - 1915

BY F. F. DUNCAN,
Financial Editor of The Leader.

There were decidedly mixed tendencies in the stock market movement during the first session of the week. The opening was quite strong with Union Pacific making good headway in the way of recovery of its dividend, but it was in the motor list and a few of the industrials, notably steel, that the best buying was witnessed.

As the session progressed two widely separated restraining factors turned the close into a mixed situation of fractional gains and losses.

The disposition to await the details of the British blockade announcement and an endeavor to read the future in the light of new factors it might develop was probably the factor of more general influence. But, supplementing this, specific weakness in New York Central and a heavier tone in Pennsylvania on the appearance of an indifferent monthly report of earnings, brought to the front the old, old story of the leading factor of purely domestic origin—the unsatisfactory state of railroad finance. Equipment shares were inclined to sympathize with the weakness of the rails. Louisville & Nashville fell two points to 110, Locomotive preferred three points to 78, and American Express seven, to 83.

Willys-Overland common led the movement in the motors with a gain of over two points, flanked by fractional gains in Maxwells and Studebaker. United States Rubber was weak on the announcement of a cut of 6 to 7 per cent in the price of tires, but its aggressive competitor Goodrich rose a fraction and then closed a shade off. There are evidences of a keen situation for business among the leading tire makers. That, of course, is nothing new, but for the present season increases in capacity appear to be putting a new edge on the competition.

ALLIES' BLOCKADE ORDER OPENS NEW CHAPTER.

On the bigger issue of international diplomacy and the future of our overseas trade, it is rather a difficult matter to determine just what new phases are to develop from the British blockade of Germany. The action is not an answer to the American proposals, but it seems to overlap the American tentative note and to contain an answer. Whether Germany will respond with another volley of torpedoes and a fresh indiscriminate scattering of mines, and what the outlook for American shipping, appear to be factors as hazy as ever. The position of the neutrals, too, remains to be determined. The outcome is evidently just in the making.

Tangible consequences on view yesterday were a wide open break of six cents in wheat, the Dardanelles factor joining in this, and a break of six to ten points in cotton—the latter wholly on account of the prospective shutting off of cotton exports to Germany and Austria, although it was by no means certain up to the close of business hours just what the blockade portends.

That a new and important phase of this titanic struggle is about to develop is the only thing that is perfectly clear.

Gold imports of $750,000 direct from London were announced—this being the first direct return of the yellow metal since the exchanges turned in this country's favor. Foreign exchange was weak and unsettled on the appearance of the blockade announcement. Acute weakness was in evidence in rates of remittance to Germany, Italy, France and Switzerland.

The weekly traffic reports from the west indicated some cessation of the growing movement of the few weeks preceding. Pennsylvania's monthly earnings report showed a net loss for January of $227,000 on the lines east and $780,000 on the lines west.

FEDERAL BANK BUYS ACCEPTANCES.

Officials of the Cleveland federal bank yesterday announced the purchase of $400,000 of acceptances through the federal bank of New York, including a participation by various institutions in items originally accepted by the Guaranty Trust Company of New York. The local institution also purchased $200,000 more municipal warrants of the city of New York, making total new investments of $600,000 in addition to some small items in the way of rediscounts with member banks in this district.

The announcement of the purchase of acceptances is of unusual interest. It is understood that several of the reserve banks have participated with the federal bank of New York, so that the total operation is of some magnitude. The bills taken over represent various items of foreign trade.

While the original New York accepting houses are by no means dependent upon the rediscounting of these acceptances at the reserve banks, the fact that a precedent has been established adds just that much more to the desirability and the liquid nature of these foreign bills of acceptance.

The operation takes on added significance in the light of the huge foreign trade now accruing to this country. For January the figures showed $267,000,000 of exports and an excess balance over imports of $145,000,000. The acceptance is becoming one of the most powerful instruments in the machinery of this huge foreign business, and the fact that the federal banks are taking their allotted part in the furtherance of it is a matter of supreme importance to the country.

CLEVELAND PLAIN DEALER

MAR

Reserve System Clearing Order.

The federal reserve board has directed such banks as have not begun clearance of checks for their members, to take up plans for such clearance immediately. The board has not prescribed details of the plan but it will be in the nature of a reciprocal arrangement by which member banks assenting will receive the benefits of clearing through their federal reserve banks all checks against other assenting banks in the same district. For the present no attempt will be made to clear between federal reserve districts.

URGES FRANKNESS IN BANK DEALING

CLEVELAND PLAIN DEALER

First National's Credit Expert Talks to Business Men on Borrowing.

Federal Reserve Act Ultimately to Require Close Information.

MAR 5 1915

William Tonks, manager of the credit department of the First National bank, addressed the Cleveland Association of Credit Men in Hotel Statler last evening on "Bank Credits and Analysis."

An acknowledged expert on the subject, Mr. Tonks discussed in detail the requirements of the federal reserve act concerning commercial paper and the qualities such paper must possess in order that banks belonging to the system can reconvert it into cash or credit at the regional bank. Urging business men to furnish statements to their banks, the speaker said:

"Member banks must get more written, not oral, credit information than heretofore and you, in turn, will be justified in requiring more from your customers, which is going to establish credits on a higher plane, and if your credit departments will enter into a campaign of education you will gradually bring about all the good the federal bank law is capable of producing.

"Do you realize the strength of a member bank that can establish a secondary reserve nearly as good as cash from 20 to 25 per cent. of its total loans in the form of commercial paper that could be rediscounted at any moment with its federal reserve bank? Even if it were never found necessary to rediscount, it is a very enviable position, and it is a very fortunate institution that has customers far sighted enough to do their share in establishing that additional strength for their own bank.

"The trend of the federal board shows that the kind of paper which ultimately will alone be eligible for rediscount is that which exists when the member bank can certify it has:

"1. A statement not more than a year old from the borrower, as well as the profit and loss account, said statement showing proper proportion of quick.

"2. Satisfac[illegible] evidence that short-term paper is [illegible]uidating and is not being issued for pe[illegible]anent investments.

"3. Customer's report of the maximum of such paper to be issued, and an obligation not to exceed that amount without obtaining his bank's consent.

"Later on there may be a fourth. A certified accountant's statement to be signed under oath.

"Regardless of the present law, and on the basis that credit is not all the ability to borrow but is more the ability to pay, nothing will so strengthen your credit as a statement bearing all the earmarks of having been made up with care, modern in methods and construction, which evidence a good organization; nothing will so cement the union between borrower and banker than a frank and open statement; nothing is of less harm to an honest borrower. It widens your commercial influence. The banker's opinion of your commercial rank will be sought by people inclined to sell, by people inclined to buy, from commercial agencies who lean hard on the banker's opinion; to be brief, it is more to your interest to give it than for him to receive it. If I were a merchant or manufacturer, whether I borrowed money or not, I would see to it that the bank had an annual statement of my affairs, and establish a line of credit for any emergency.

"The many laws that are being passed which have direct influence in business, such as the income tax and federal reserve laws are going to bring about enactment of [illegible] English statutes making it a punishable offense for a retailer not to keep a [illegible] of books. In Europe, where banking [illegible] regarded as a profession, it is universal [illegible] statements at a bank, where an account is maintained, while here there are still a few cases where borrowers give statements only when one is actually demanded."

CLEVELAND PLAIN DEALER

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Federal Bank Directors Meet.

Directors of the Federal Reserve Bank of Cleveland at yesterday's meeting elected Directors William S. Rowe and Harry P. Wolfe to the executive committee, taking the places of Robert Wardtrop and Stacy B. Rankin. The executive committee consists of Gov. E. R. Fancher, Chairman of the Board D. C. Wills, Deputy Chairman Lyman H. Treadway and two other directors whose terms rotate.

Finance

Cleveland, Ohi[o]

3-6-15

Federal Reserve Act

A Washington dispatch says:

A bill passed by the Senate has been ado[pted] by the House, amending section 13, paragra[phs] three, four and five, of the federal reserve [act] so that any reserve bank may discount acc[ept]ances based on importation or exportation [of] goods and which have maturity at discoun[t of] not more than three months, and indorsed b[y at] least one member bank. Acceptances disco[unted] shall at no time exceed stock and surplus o[f bank] for which rediscounts are made, except by [au]thority of Reserve Board.

Aggregate of such notes and bills bearing [sig]nature or indorsement of any one person or [com]pany, rediscounted for any one bank shall a[t no] time exceed 10 per cent of capital and surplu[s of] said bank, but this shall not apply to discoun[t of] bills of exchange drawn in good faith agains[t ac]tually existing values.

Any member bank may accept drafts or bi[lls of] exchange drawn on it and growing out of t[rans]actions involving importation or exportation [hav]ing not more than six months' sight to ru[n, but] no bank shall accept such bills to amount [equal] at any time to more than half its capital an[d sur]plus, except by authority of Reserve Board.

According to paragraph three of section [13 of] the act, reserve banks were permitted only t[o dis]count acceptances for a member bank [whose] amount did not exceed half the paid-up c[apital] and surplus. The amendment raises this l[imita]tion to full amount of capital and surplu[s and] adds the words "except by authority of R[eserve] Board under such general regulations as [the] board may prescribe."

The fourth paragraph is unchanged from [orig]inal text. The fifth paragraph, which directl[y con]fers authority of granting acceptance on m[ember] banks, is altered by adding the words "exc[ept by] authority of the Federal Reserve Board," [as] above.

These amendments were first introdu[ced by] Senator Owen on March 24 last, with [some] slight amendments in regard to disposition [of re]serves. The latter were passed by Congr[ess be]cause they rectified some apparent inconsis[tencies] in the original draft.

Finance

Cleveland

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Cleveland Railway Dividen[d]

Cleveland Railway has declared its [regular] quarterly dividend, payable April 1, to sto[ckhold]ers of record March 13.

FEDERAL BANKS MORE ACTIVE.

Operations of the federal banks in the discount and investment markets are attaining cumulative value. Each week's purchases are moderate but there has been a constant expansion over a period of several weeks.

For the week the twelve banks report an increase in discounts of $5,262,000 and in investments of $2,690,000, a total increase of $7,952,000. Total discounts and investments aggregate nearly $46,000,000.

The Cleveland federal bank increased its discounts by $351,000 and its investments by $250,000, a total of $601,000. Purchases of acceptances representing foreign trade transactions were the conspicuous feature of the week's operations.

Total loans, discounts and investments of the local institution are now $2,395,000. It is evident from the figures that the reserve banks will shortly become self-supporting and will earn a dividend for the shareholders—the member banks.

The New York bank statement showed an increase of $32,000,000 in loans with practically no gain in cash. Surplus decreased $5,000,000. Possibly the only lucid comment that can be made on the bank figures is that the Gotham institutions are feeling perfectly safe in indulging the opportunities presented by the lowering of the reserve ratio and are doing it. Current money rates continue very easy, so that it would scarcely do to infer a closer position from the bank figures.

One of the stray tokens of significant import that appeared during the week was the return of the big insurance companies to the market for real estate loans.

F. S. Bauder, of this city, who represents the Equitable Life in its operations in northern Ohio in realty loans, announced that his company was again in the market after having done nothing for almost a year. Insurance funds are manifestly about to become a factor in the markets once more. Their purchases are, of course, the largest single factor in the realty loan market. Their return to the market cannot but have a salutary effect upon the supply of funds available for improvements.

CLEVELAND LEADER MAR 7 1915

TELLS HOW CREDIT FABRIC CAN BE MADE STRONGEST

CLEVELAND PLAIN DEALER

Cleveland Business Men Should Prepare for Coming Bank Borrowing Requirements by Making Detailed Statements to Banks.

Recounts Matters to be Touched Upon in Such Reports of Condition—Extracts From His Speech.

MAR 8 1915

William Tonks, manager of the credit department of the First National bank of Cleveland, in a talk to the Cleveland Association of Credit Men Thursday evening, discussed the business man's relation to the bank. He dwelt particularly on the trend of affairs under the federal reserve act and the strict requirements of that law concerning information to be furnished commercial banks by their borrowing customers.

"The trend of thought of the federal reserve board shows," he said, "that the paper which ultimately will alone be eligible for rediscount is that which exists when the member bank can certify it has:

"1. A statement not more than a year old from the borrower, as well as the profit and loss account, said statement showing proper proportion of quick.

"2. Satisfactory evidence that short term paper is self-liquidat[illegible] and is not being issued for permanent investments.

"3. Customer's report of the maximum of such paper to be issued, and an obligation not to exceed that amount without obtaining the bank's consent.

Let us consider the advantages to the customer who now complies completely with the spirit of the federal regulations, and establishes the eligibility of his paper for rediscount.

1. Because such paper is nearly as good as cash, the banker will naturally seek such paper in times of stringency while he is calling for the payment of that which is not acceptable to the government—thus the up-to-date manufacturer or wholesaler will be enabled to carry his customers more [illegible].

[illegible] to your finan-[illegible]

[illegible]cial statement [illegible] your paper acceptable [illegible] such rediscount. It establishes the fact that the paper must meet certain [illegible] and credit principles.

3. The full success of the federal reserve law rests with the borrower and not the banker. It was constructed in the interests of the former and on him rests the responsibility.

Two rules are well established:

1. Quick assets only are a basis for a commercial bank's loans.

2. Fixed assets are only considered as giving an unknown support to quick.

There is another rule which has [illegible]

many exceptions based on the character of the business, and, that is, "the debt limit of the borrower has been exceeded when his liabilities are over 50 per cent. of his quick assets."

On the basis of these rules there are three items that a bank's credit department must establish as accurately as possible:

1. Excess quick assets or working capital.

2. Proportion of quick assets to quick liabilities.

3. Net worth.

The speaker then referred to the form of statement required from borrowing customers by the bank with which he is connected. Each of his hearers was presented with one of these four-page forms, and Mr. Tonks took up the items thereon one by one, telling its significance and what it should be composed of. He said in part:

"CASH IN BANK, to be quick, must be free of any liens or offsets and withdrawals by check on demand. When this sum is in proportion to outstanding obligations, also services performed by your banker, you establish his good will. If you feel it is good policy to establish the relationship with your banker on a reciprocal basis, your balance should be, say, not less than 20% of loans extended, and an additional amount to cover transit and exchange cost on items deposited. Inasmuch as [illegible] of an account should be part of the data of a bank credit department, let me explain this last remark with [illegible], because it is little understood by the public. [illegible]

cont.

STATEMENTS OF BANKS

CLEVELAND PLAIN DEALER

The federal reserve system in the latest week enlarged its loan and investment operations by $7,952,000, of which increase $701,000 was by the Federal Reserve bank of Cleveland.

The Cleveland bank purchased $400,000 bankers' acceptances based on imports and exports, $250,000 New York city and Rochester (N. Y.) municipal warrants, and increased rediscounts. In other words, the local institution as well as the system materially increased facilities extended for internal business, for foreign business carried on by residents of this country and for city borrowing for short terms.

While the surplus reserves of banks generally are large and money is in light demand, bankers are satisfied that this should be the situation for the present, and are making no audible objection to regional bank purchase of municipal warrants and acceptances of nonmember banks. This business is helping to bring the system toward a paying, then to a dividend basis, especially at the rate new commitments have been taken on in recent weeks. The statements follow:

FEDERAL RESERVE SYSTEM

RESOURCES.

	March 5.	Feb. 26.
Gold	$247,231,000	$248,909,000
Legal tenders, silver certificates, subsidiary coin	23,292,000	29,305,000
Bills disco., loans	25,731,000	20,469,000
Investments	20,107,000	17,417,000
Due from f. r. banks in transit	7,162,000	[illegible]
All other resources	6,814,000	[illegible]000

LIABILITIES.

Capital paid in	$36,082,000	$ [illegible],069,000
Reserve deposits	287,883,000	[illegible],336,000
F. R. notes in circulation (not liability)	6,392,000	5,828,000
Gold reserve against net liab., per cent.	86.1	86.6
Cash reserve against net liab., per cent.	94.2	96.7

CLEVELAND FEDERAL RESERVE BANK

RESOURCES.

	March 5.	Feb. 26.
Gold	$17,446,0[illegible]	[illegible]1,000
Legal tenders, silver certificates, subsidiary coin	663,[illegible]	705,000
Rediscounts, loans	1,223,000	772,000
Investments	1,1[illegible],000	922,000
All other resources	[illegible]15,000	121,000

LIABILITIES.

Capital paid in	$ 4,0[illegible]1,000	$ 4,081,000
Net deposits	16,349,000	16,743,000
F. R. notes in circ.	239,000	177,000
Gold reserve against all liabilities, per cent.	105.2	108.9
Cash reserve against all liabilities, per cent.	109.1	113.1

LOCAL BANK CLEARINGS.

March 6, 1915	$3,754,806
Day last year	3,290,203
Last week	25,950,625
Week last year	22,652,953

The Cleveland clearing house for the week ended with the close of business Friday last reports for its member banks a loan decrease of $415,321—a deposit increase of $1,918,842—and a cash and due from reserve agents increase of $1,803,492.

COMBS AND STOLL ARE BACK FROM CLEVELAND

Governor Fancher, of the Federal Rescue Bank, to Be Invited to Lexington

Senator Thomas A. Combs, who is a member of the Board of Directors of the Cleveland Reserve Bank, and J. W. Stoll, president of the Kentucky State Bankers' Association, who went to Cleveland Thursday to attend a banquet given by the Cleveland board Friday night, returned to the city yesterday afternoon. Present at the meeting was President F. W. Delano, of the Federal Reserve Bank, and the presidents of the State Bankers' Associations of Pennsylvania, Ohio, West Virginia and Kentucky, in addition to the members of the Regional Board of the Cleveland bank, and members from the Reserve Board at Washington.

Mr. Stoll said the meet was simply to discuss the operation of the Federal Reserve Banking Law; and to give the bankers from different sections an opportunity to exchange information as to the general financial conditions in their territories.

It is probable that one or two members of the Regional Board will be present at each meeting of the banking groups in the State, and Governor Fancher, of the Cleveland Bank, is one of the first who will be invited to come to Kentucky. A strong effort will be made to have some of the directors go to Jenkins June 10 to attend the meeting of Group Ten, the bankers' asosciation in the Tenth Congressional District. A large number of bankers from this part of the State will probably go to the Jenkins meeting, and Mr. Stoll will try to make arrangements with the L. & E. Railway Company to run a special train to McRoberts, the terminal of the L. & E. in Eastern Kentucky, which is only six miles from Jenkins, to transport these bankers. It is said that many residents of this section, who are interested in coal properties in the Letcher County fields, are anxious to make the trip.

ADVISES UNIFYING U. S. PAPER MONEY

Manufacturers' Banking and Currency Committee Makes Recommendations.

Would Consolidate Note Issues Into One From Regional Banks.

The committee on banking and currency of the National Association of Manufacturers makes the following recommendations regarding the United States banking and currency system in connection with an extensive report.

1. Abolition of the unlimited legal tender power given to silver dollars so that our monetary system be based absolutely on gold.
2. Abolition of the useless term "lawful money." No money which is not lawful is supposed to circulate, and there is no use in maintaining a discrimination in theory.
3. The consolidation of all note issues into one only, emanating directly from the government through a federal reserve bank and guaranteeing it with the same reserves that are guaranteeing today the different classes existing.
4. Establishment of a central reserve bank owned and controlled by the government, but operated by co-operation of all banks; this bank to have one branch in each state instead of the twelve federal banks, and as subsidiaries of each the clearing houses now existing, of which all banks could become members without discrimination.
5. Unification of all banking laws into one only.
6. Extension of the power of acceptance given to banks for domestic purposes also.
7. To suppress the system of cash discounts, except when based on the regular rates of interest for advanced payments.
8. To substitute accepted drafts or signed notes for the present system of open accounts in domestic business.
9. To fix the rates of rediscount at the federal reserve banks in accordance with the prevailing rate of interest in each center.
10. To establish one or more American banks for foreign trade.

May 1915

may be $12,000. Against this our institution must carry a reserve in cash, a reserve in central reserve cities, a reserve in the federal bank, and does carry secondary reserves in the shape of balances with banks in other cities, which are not legal reserves, to compensate these banks for clearing items on a certain territory. Even the largest banks cannot possibly send every out-of-town check direct to the bank or place of payment; but the larger the bank the more nearly items are sent directly. All of these reserves make up a total of over $3,000. That, presumably, will leave a balance to loan out of $9,000, which is far from a fact.

Fallacy in re Bank. Profit.

Suppose you are depositing daily an average of $2,000 in items on St. Paul, Minneapolis, Memphis and Nashville, from which it requires five days to get our money and at a cost of $1 per $1,000, it now is evident there is $10,000 in daily transit and we are really loaning $1,000 without interest, out $2 for exchange cost, and have no compensation for administrative expenses.

Ohio has nearly 200 towns that cost three days' transit, and from 50 cents to $1 per $1,000 exchange. Another point, items on other Cleveland banks deposited after 10:15 a. m., which is the clearance hour, are credited to your account on day of deposit, but we do not get our money until next day's clearance.

In the face of these facts, how many of you are drawing on the banker for unrealized funds? It is correct business to ask your customer to remit in current funds, otherwise he is not paying the face of his obligation, and either you or your banker must stand the loss.

NOTES RECEIVABLE are not quick if they represent past due notes, stockholders' notes, or straw men for stock supposed to be fully issued, obligations of officers and directors who have their all invested in the corporation, kited notes, notes taken for past due and worthless accounts.

On account of the federal reserve law and board's preference for double-name paper drawn on a purchaser against an actual sale of goods, which is prima facie evidence of its self-liquidating nature and the character of the transaction, we may see acceptance gradually take the place of open accounts. New York city at present is *rapidly superseding the European centers in* the handling of international acceptances, which has been brought about by the federal reserve act and the war.

ACCOUNTS RECEIVABLE. The banker expects this to be the net amount not yet due for merchandise sold to customers; but it has been found to include such slow assets as disputed freight claims, overdrafts of officers, directors or salesmen; bills long over-due; or, not in fact a "receivable" but merely "advances" or "deferred." Those pledged for loans, if an asset at all, are slow. Such practice establishes a prior lien against the best liquid assets on which the banker, wholesaler or manufacturer has based credit. The company holding these assets should finance the whole proposition, the borrower should then buy for cash and not seek loans from a bank.

MERCHANDISE. Inventory is the acid test of honesty. Bankers are never pleased to learn that an inventory has been marked up, and nothing creates so much suspicion in my investigations of any asset as a profit taken which has not been realized. Of course, every increase in valuation set upon merchandise at the end of this year means a smaller figure of profit next year. The valuation of finished goods should be cost or market, whichever is the lower, not sales prices. In no event will conservative methods admit of any part of administration and selling expenses being added to the cost of goods. "Cost" may include all expenses incurred in manufacturing. It is conservative to inventory unfinished as raw material and that at present market cost. Supplies, stores, etc., while consumed in the activities carried on, do not themselves form an integral part of the products manufactured; therefore, are slow and not a part of merchandise.

STOCKS, BONDS AND INVESTMENTS—When the banker is not given proper data on this item that he may determine actual worth and whether quick or slow, his proper method of analysis is to treat it all as slow. If made up of investments in subsidiaries or branches where it must remain in order that those concerns can carry on their business, it is unquestionably permanent and slow. That the banker may give you all the quick, therefore loans, you deserve, it is well to furnish him the necessary data. A banker who profits from past experiences will require a consolidated balance sheet made up by a competent certified public accountant on a concern that is extensively financing branches and subsidiaries.

This item should not include unissued stocks and bonds of the corporation itself, which are not an asset; and even, issued stocks or bonds, temporarily repurchased, require close analysis before listing in quick.

PERMANENT OR SLOW ASSETS—The only consideration given by the banker to the several items under this head is comparative in nature. He may search there for symptoms if other parts of the statement have a sickly appearance, or if the profit and loss looks too healthy, all conditions considered. If a concern's capital is nearly all invested in permanent, the banker feels it is poor business to furnish working capital. No matter how much money may be actually invested in permanent, its sale is always a matter of waiting for a buyer, long negotiation, and then sell at a sacrifice; or, it may mean additional money and the banker entering into the manufacturing or real estate business for a long period.

NOTES PAYABLE FOR MERCHANDISE—If there is a large amount borrowed from banks on the implied contract that it is for the purpose of discounting bills, which in some lines yields from 10 to 30% per annum, this item, if large, warns of a lack of cash capital unless it is the character of business that usually gives notes for merchandise purchases, but then the bank borrowings should be small; anyway, this item when it appears, should bear a normal percentage to purchases.

NOTES PAYABLE TO OWN BANKS—It is frequently difficult to draw a clear distinction between current loans and such as are made for capital purposes; but those made against accounts and bills receivable and paid off as these are collected would be unquestionably current loans, or seasonal advances, and from the standpoint of good banking should be liquidated once or twice a year, that is, between seasons.

NOTES PAYABLE FOR PAPER SOLD—If a concern is borrowing a full line from its bankers, then it should not use a note broker at the same time. If it is doing both and giving notes for merchandise, it enjoys the sport of skating on thin ice.

ACCOUNTS PAYABLE—This item should contain bills not due or not subject to discount, that is, if the business is being properly conducted and is in good credit at its bank.

DEPOSITS OF MONEY W[illegible] covers loans from wife, son[illegible] tives, or savings of employe[illegible] concern, often repayable at [illegible] of the parties depositing the mon[illegible] prove a menace to the busine[illegible] cases the concern is getting [illegible] titled to in the way of loans f[illegible] sources.

RESERVES—If all parties who [illegible] these statements were accountants and bookkeepers, they would understand this item represented allocations of surplus for the purpose of conserving the concern's financial interests by reducing the surplus available for dividends, and whatever such reserve may be called, it is in reality a part of the general surplus of the business; but if the debits or offsetting entries are proper charges against income, then the so-called reserve should be deducted from the assets to which they relate, which we do with reserve for bad debts, taking it from quick assets in our analysis, and reserve for depreciation of plant from slow assets. We are rather embarrassed when [illegible] one sum which is labeled reserve for bad debts and depreciation of plant, and [illegible] is why we ask customers to itemize the reserves. If we do not get this correctly, the net worth is sure to be wrong.

The speaker then took up in detail the condensed profit and loss statement. One question to which his bank asks an answer is, "what is the actual expense of conducting the business?" He said in part:

ACTUAL EXPENSE OF CONDUCTING BUSINESS is manufacturing cost, selling, office, general and administrative expenses. Of course, under this very condensed form of arriving at figures, this head would include repairs, renewals and replacements unless business is so poor that you are capitalizing such items and opening *yourself to criticism.*

CONTINGENT LIABILITIES (upon rediscounted receivables, upon accommodation indorsements, upon notes exchanged with others, for guarantees, for bonds, etc.) This is a subject that has been worn threadbare since the recent big dry goods failure, and we will not repeat what all of you must know.

We have advanced far enough in this subject to make it plain why a banker or his credit department must ask quite a few questions to determine accurately what is excess quick, proportion of quick and net worth, also meet federal regulations, and not do the customer injustice. It is impossible to make up one form of questions that will cover all classes of business and not leave something to be desired. When special cases come up, we ask the necessary questions, and if we don't get replies, the very manner of the refusal will often tell us all we want to know.

I have shown you the simplest side of analysis, but the credit men must go deeper and compare with previous years, and for the present year with other good concerns in the same line of business, from which he establishes an elaborate and valuable volume of statistics covering:

Average net sales per $1 quick assets, per $1 working capital, per $1 total capital.

How net sales line up with merchandise on hand, accounts receivable and notes payable.

Percentage of fixed assets, of liabilities, of net worth.

Percentage earned [illegible] net [illegible] on capital stock, on working capital and [illegible] true net worth.

Establish liquidating values [illegible] accounts receivable and merchandise [illegible] different classes of business that he may judge the proper proportions of quick for each line of business.

A good bank prides itself on the care with which it guards the information entrusted to its steel files with good locks, [illegible] only to the credit department and official staff.

FEDERAL BANK SOON TO BE SELF-SUPPORTING

Operations of the Cleveland federal reserve bank have extended to a point where the institution soon will be self-sustaining. Current income is close to 50 per cent of expenditures.

The weekly statement, issued Saturday, shows rediscounts and loans amounting to $1,223,000, an increase over the preceding week of $451,000. This includes about $200,000 of foreign acceptances, the privilege to purchase which recently was granted the federal banks.

Investments Saturday were reported at $1,172,000, an increase of $250,000, the gain representing purchases of eastern municipal warrants and government bonds.

NEWS CLEVELAND
MAR 13 1915

Cleveland Federal Bank.

Statement of condition at the close of business March 12:

RESOURCES.	
Gold coin and gold certificates....	$16,928,000 00
Legal tender notes, silver certificates and subsidiary coin........	575,000 00
Total cash	$17,503,000 00
Bills discounted and loans..........	$1,754,000 00
Investments	1,170,000 00
Due from other federal reserve banks (net)	343,000 00
All other resources....................	342,000 00
Total resources	$21,112,000 00
LIABILITIES.	
Reserve deposits	$17,080,000 00
Capital paid in..........................	4,032,000 00
Total liabilities	$21,112,000 00
Cash reserve against all liabilities......	104.6%
Gold reserve against all liabilities......	101.1%

TO TELL EXPENSES OF FEDERAL BANKS

MAR 17 1915

Board at Head of Reserve System Will Publish Income and Outgo in Detail.

Decision on Pittsburg Request for Cleveland Institution Delayed.

CLEVELAND PLAIN DEALER

WASHINGTON, March 16.—Income and expenses of each of the twelve federal reserve banks will be made public July 1, according to an announcement today by the federal reserve board. The first statement will show earnings and outgo from the opening of the system. It was said today that the banks are doing a fairly good business, and that the 7,600 and more stockholders or member banks will probably get returns on their investments. No time was named.

The federal reserve board announced that it had deferred for thirty days consideration of appeals from the work of the reserve bank organization committee in districting the country and making reserve cities. Several members of the board are expected to be absent from Washington during the next month.

REVIEW AND OUTLOOK

COUNTRY BANKS AND THE FARMER

This is the season of the year when the various associations of state bankers hold their conventions. Readers of the addresses delivered before these eminently useful conventions must have noticed an outstanding feature. It is the relationship between the farmer and the banker. It emphasizes, indeed, the extent to which the intelligent banker can help the farmer, and can even protect him against himself.

At the convention of the Virginia Bankers Association, Dr. Bradford Knapp, of the Department of Agriculture, suggested a series of questions which the banker should put to the farmer, for the farmer's own sake, when he applied for a loan.

What did he intend to do with the money? What were his prospects of repayment? What was his reason for supposing that the new venture would be successful? Was his agriculture confined to one crop? To what extent was he diversifying his crops? Was his farm in this respect self-supporting? How many people did it support? What mechanical appliances had he? If he intended to switch to dairy farming, what did he know about milch cows? What provision had he made for them, not merely in barns but for feeding the cattle? What was his market, and how did he intend to reach it? What had he done to develop his farm in the past?

There are plenty more questions suggested at these conventions which might not only be usefully put by the banker, but should be put by a farmer to himself. He is in the greatest, the most elementary business in the world. It is a business in which the successful man deserves the rewards. As at present constituted, in all too many cases, the business of farming is cluttered up with incompetents gathering a bare existence, and always one season behind in their obligations.

Here is something which the bankers can do that no legislation can accomplish. If they can persuade the farmer to diversify his crops, raise his dairy return, stimulate his breeding of chickens and pork, so that he will not be receiving revenue once in the over-pledged fall, but throughout the year, the bankers will have done something which Wall Street and Washington put together cannot do for them. It is of the last economic consequences that they now recognize the fact, and are facing it with courage and understanding.

Wall Street Journal
June 22, 1915

EXCEPTION

Taken ByLocal Bankers

To Statement That Cincinnati Banks Are Asking For Large Rediscounts in Chicago.

Cincinnati bankers were very much surprised to read in yesterday's issue of the Wall Street Journal an interview attributed to George M. Reynolds, President of the Continental Commercial National Bank, of Chicago, in which he is reported as saying: "Our deposits have begun to work lower. Cincinnati and Louisville banks ask for a large amount of rediscounts. Minneapolis and Kansas City are asking credit."

From the statement, bankers say, an impression is created that Cincinnati banks are short of funds and are under the necessity of asking Chicago for loans by rediscounting their paper with the Windy City banks. Nothing is further from the facts, local bankers declare. A canvass of the national banks and the larger state banks yesterday elicited the information that not one of them has any paper rediscounted in Chicago. On the other hand, several of them have handsome balances to their credit in Chicago. None of the bankers interviewed believed there was the slightest foundation for the statement.

The Cincinnati banks have ample funds to meet the current demands on them. Since the last statement the loan accounts show material increases and the banks are working on a closer margin, but the demand has not yet developed to sufficient extent to cause a hardening of money rates, which are quoted locally at 3½ and 4 per cent on call, 4 and 4½ per cent on time and 4½ and 6 per cent for commercial loans and discounts.

Cincinnati bankers say that Cincinnati rarely rediscounts at Chicago and that there is nothing in the present situation to require it or make it advisable. Little rediscounting has been done even with the Cleveland Reserve Bank. Local bankers yesterday pointed out that during the stringency following the opening of the European war Cincinnati money rates were lower than Chicago rates. It was the general opinion among the local bankers yesterday that Mr. Reynolds was either misquoted or misinformed. They were unanimous in asserting that the statement as credited to him was not in accord with the true situation.

Cincinnati Enquirer
November 9, 1915

CHECK COLLECTIONS WITHOUT EXCHANGE

Clearing House Tomorrow Will Consider Establishing of Special Department.

WIDENING PRESENT METHOD

More Out-of-Town Banks to be Asked to Join in Scheme with Association Members.

The New York Clearing House Association will hold a meeting tomorrow to consider the establishment of a special department for collecting checks of out-of-town banks at par. For three years individual banks have had working agreements with the banks of certain "discretionary points" in Massachusetts, Rhode Island, Connecticut, New Jersey and New York, under which the institutions here collected without charge checks drawn on the interior banks. While this arrangement was satisfactory as far as it was applied, members of the Clearing House Association believed it could be extended greatly if the work here could be put under the direction of the association.

A committee consisting of Walter E. Frew, President of the Corn Exchange Bank; Charles H. Sabin, President of the Guaranty Trust Company, and Edward Townsend, President of the Importers and Traders National Bank, was appointed last November by Albert H. Wiggin, President of the Clearing House Association, to study the field of check collections. This committee reported two months ago that a department of the Clearing House to handle collections for all member banks of the Association was feasible. It was stated in the findings that, with the work centered in a single body, it would be possible to widen the radius of New York bank collections, as well as to decrease substantially the cost of collections.

The proposal will be voted on in the form of this resolution:

Resolved, That the Clearing House Committee be and hereby is authorized to establish in the Clearing House for the benefit of its members a department for the collection of out-of-town checks, and to make such rules and regulations for the conduct thereof as it may from time to time determine.

Under the present limited system individual banks and trust companies here, who are members of the Clearing House Associations, cash checks drawn on banks in interior points, and receive from these banks remittances covering the amount of the checks cashed. No charge is made by the local banks for the service, whereas the banks which make collections for outside institutions with whom they have no agreement make a charge which is taken from the face value of the checks. If the association decides to take up the work, it is planned to invite many other banks than those at the discretionary points to accept the service, and the individual phase of the business will be swallowed up in the joint labor of the Clearing House's department.

By way of illustrating the method to be followed, it can be assumed that checks drawn on the Mechanics National Bank of Providence, R. I., are cashed by five New York banks on the same day. Under the present system the five banks send the checks to the Providence institution and receive five checks covering the amounts paid out. The Department of Collections of the Clearing House, under the plan, receives the checks from the five banks, sends them in a single envelope to the Providence bank and receives in return a check covering in a lump sum the face value of the checks. The department then distributes among the banks here the sum due to each, and makes no charge for the work.

If the proposal goes through, three systems for the free collection of checks of interior banks will be in operation in this city. The Federal Reserve Bank three months ago established its service for intradistrict collection at par, and soon afterward the Guaranty Trust Company set another in operation for trust companies.

An officer of the Federal Reserve Bank said yesterday that the Clearing House system would not conflict in any way with the Reserve Bank's method, but in fact would complement it. The Reserve Bank's collections apply, of course, exclusively to members of the reserve system, while a casual survey of the contemplated plan makes it appear that the Clearing House will act for banks accepting its services which may be either within or without the jurisdiction of the Reserve Bank.

New York Times
July 20, 1915

22

RECOMMENDS REDUCTION

Of Paid-In Capital of Federal Reserve Banks By Two Thirds.

Washington, November 17.—The Federal Reserve Board to-day issued a statement outlining recommendations for amendments to the Federal reserve act, made by the Federal Advisory Council.

In addition to the suggestion that the work of the office of the Comptroller of the Currency be absorbed and administered by the Reserve Board, the council recommended a reduction by two thirds of the present paid-in capital stock of Federal Reserve Banks, the subscribed capital to remain as under existing law. It suggested that the Clayton antitrust act be amended in the section affecting interlocking Directorates, so it would be lawful for an officer or Director of one bank to hold office or be a Director in another bank.

The council expressed the view at the request of the board, in respect to high interest rates by banks which are members of the system, that the demand for money is regulated by its cumulation or lack of cumulation in banking centers. It adopted a resolution declaring unalterable opposition to legislation that would make farm land bonds, such as have been proposed in connection with rural credit bills, security for loans from Federal Reserve Banks or to any measure that would make such bonds the basis for acceptances by member banks.

The Executive Committee of the Governors of Federal Reserve Banks met here to-day with the Executive Committee of Federal Reserve Agents, to discuss policies in connection with the operation of the reserve banks.

Cincinnati Enquirer
November 18, 1915

CLASS C DIRECTORS

Will Not Be Appointed Until Late in December.

SPECIAL DISPATCH TO THE ENQUIRER.

Washington, November 5.—Although the polls will be closed December 1 for the election of Class A and Class B Directors of the various Federal reserve banks, the appointment of Class C Directors will probably be reserved until about Christmas.

A member of the Federal Reserve Board said that the appointment of Class C Directors, which is wholly in the hands of the board, will be delayed until the latter part of December, although announcements will be made in time to permit new officers to make arrangements to assume their duties.

H. P. Wolfe, of Columbus, is the Class C Director of the Fourth District whose term expires December 31.

Nominations Close.

SPECIAL DISPATCH TO THE ENQUIRER.

Cleveland, Ohio, November 5.—Nomination lists for the election of two Directors of the Federal Reserve Bank of Cleveland, to represent the smaller banks, will be sent out Monday. The nominations closed to-day. The list of nominees will not be announced until sent to member banks Monday.

Cincinnati Enquirer
November 6, 1915

REYNOLDS SEES HIGH RATES

George M. Reynolds, president of the Continental and Commercial National Bank, notes fast movement into business of idle money and consequent stiffening of money rates. He says:

"Our deposits have begun to work lower. Cincinnati and Louisville banks today asked for a large amount of rediscounts. Minneapolis and Kansas City are beginning to ask for credit. As the money is drawn from us farther West and Northwest we in turn shall reduce our balances in New York and in consequence there will shortly follow improvements in rates. And it all shows that the present talk of increase in business is not merely an expression of a wish, but a statement of conditions."

Chicago Post
November 6,1915

Federal Reserve Bank.

The terms of three directors of the Federal Reserve Bank of Cleveland will expire December 31.

A successor to Harry P. Wolfe of Columbus will be named by the Federal Reserve Board at Washington and successors to Stacy B. Rankin of South Charleston, O., and A. B. Patrick of Salyersville, Ky., will be chosen by member banks. Mr. Rankin is a Class A director chosen by group three, consisting of the smaller banks of the district. Mr. Patrick is a Class B, business man, director chosen by the same bank group. In accordance with the rotation policy of the Reserve Act, the successors to the three men will serve for three-year terms, though the present incumbents have one-year terms. Notice concerning method of election will be issued to member banks in due course.

The Federal Reserve Board this week approved rediscount rates of 3½ per cent. for the Cleveland bank on trade acceptances with maturity up to sixty days and 4 per cent. on the same kind of paper running sixty to ninety days. The trade acceptance takes preferential rates because the Reserve Board desires to increase its use; it is two-name paper, the buyer of merchandise accepting a draft drawn by the seller rather than remain debtor on open account on the seller's books. Trade acceptances apply to domestic business.

New York Financier
October 9, 1915

23

SUGGESTED AMENDMENTS TO FEDERAL RESERVE ACT

Turn Comptroller's Work Over to the Board, Amend Clause on Farm Loans, Reduce Capital, Bar Officials From More Than One Bank

Washington—The Advisory Council has suggested several amendments to the Federal Reserve Act, the chief among which are:

That the work of the office of the Comptroller of the Currency be absorbed and administered by the Federal Reserve Board.

That Section 24 of the Federal Reserve Act relating to loans on farm lands be amended to read as follows: "Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm lands situated within its Federal Reserve district, or in an adjoining district, provided the land on which the loan is made is within one hundred miles of the office of the bank making the loan."

A reduction by two-thirds of the present paid-in capital of the Federal Reserve banks, leaving the subscribed capital and double liability as now constituted.

That the Federal Anti-Trust Act be amended so that the second paragraph of Section 8 will read as follows: "No bank, banking association, or trust company, organized or operating under the laws of the United States in any city or incorporated town or village of more than 200,000 inhabitants as shown by the last census of the United States shall have as a director or other officer or employe any person who may be connected in either of these official capacities with more than one other bank, banking institution or trust company located in the same place. Provided, that nothing in this section shall apply to mutual savings banks not having a capital stock represented by shares. Provided further, that a director or other official or employe of such bank may, besides being an officer or director in one other bank, be a director, officer or employe of not more than one additional bank or trust company organized under the laws of the United States or any state where the entire capital stock is owned by stockholders in the other. And provided further, that nothing contained in this section shall forbid a director of Class A of a Federal Reserve bank, as defined in the Federal Reserve Act from being an officer or director, or both, in one member bank.

That the Anti-Trust Act be so amended as to permit joint stock ownership by national banks of banks organized to do business in foreign countries through branches established therein.

That the National Bank Act be amended to permit the establishment of branches by national banks having an unimpaired capital of not less than $1,000,000, provided that no branches are placed outside of the limits of the city where the bank is itself located.

The Council also passed the following resolution:

"That this Council is unalterably opposed to any provision whereby farm lands' bonds described in the Hollis bill may become security for loans from Federal Reserve banks and to their being made a basis for acceptance by member banks.

FEDERAL RESERVE BANK ELECTION

In accordance with the provisions of the Federal Reserve Act, Pierre Jay, chairman of the New York Federal Reserve Bank, has sent a circular letter to the district reserve electors of Group 3 in this district advising them of the candidates who have been nominated for the two Class A and Class B directors whose terms of office expires this year. Apparently the present incumbents, Franklin D. Locke, of Class A, and Leslie R. Palmer, of Class B, have received an overwhelming plurality in the nominations.

Franklin D. Locke, of Buffalo, has been nominated by 82 banks in the district. The other nominees in this class were B. H. Howell, of Garfield, N. J., who received one vote; Josiah W. Place, of New York city, three votes; W. M. VanDeusen, of Newark, N. J., four votes and D. D. Woodward, of Granville, N. Y., was nominated by one bank.

Leslie R. Palmer, of Croton-on-Hudson, N. Y., received nominations from 88 banks for Class B and James W. Johnson, of New Brunswick, N. J., three votes.

Wall Street Journal
November 19,1915

Federal Reserve Banks Have Helped Country

New System Has Yet to Take Up All Its Powers—Has Improved Lending Conditions and Made Money Rates More Stable.

By HENRY PARKER WILLIS, Secretary of the Federal Reserve Board.

While there has technically been about a year of experience with the Federal Reserve system, there has been considerably less than a year of active operation of the banks. Some functions assigned to them by law have not yet been undertaken at all. The time, however, has been sufficient to indicate many things that may be expected of the new system, to show where certain of its principal problems will lie, and to suggest the nature of its further development in sundry directions, both in law and in business practice.

Predictions made by opponents of the Federal Reserve system with reference to the probable character of the personnel of the new institutions have been without foundation. The Federal Reserve Board itself has never been governed by partisan considerations in its choice of employes. The personnel of the several banks, so far as its selection lay within the power of the board, has also been chosen upon its merits. In the business transactions of the banks there has been no opportunity for the exhibition of party preference; and, so far as can now be seen, no such opportunity is likely to be afforded.

This policy has resulted in the choice by the several banks of their own staffs, wholly free of interference on the part of the Federal Reserve Board, although the board has, in the case of the higher officers, freely given its advice when requested. The board has not only, as already noted, chosen its own staff without reference to political considerations, but has made the choice under a system of selection as rigid and careful as that employed by the Civil Service Commission.

Standardizing Paper.

Students of banking in its theoretical aspects, however, will be only secondarily concerned with the practical mechanics of the reserve system. They will naturally ask what has been done by the Federal Reserve Board toward the standardization of commercial paper and the improvement of lending conditions in the United States. This was one of the first problems to be attacked.

The Federal Reserve act provided for the acceptance of bills of exchange by member banks and for the discounting of their bills by Federal Reserve banks, thereby introducing a practice which had been impossible under the national banking system. The example thus set in the Federal Reserve act has been copied by many states, and to-day several of them have already introduced similar provisions into their laws. Under Circulars 11 and 18, Series of 1915, the board has practically standardized these acceptances by providing their content, the character of security by which they must be accompanied, and the nature and number of the indorsements required in connection with them.

In other circulars there has been an attempt to describe and provide for different types of commercial paper, with a view to encouraging the introduction of new business practices and the improvement of old ones. In the circular relating to trade acceptances (Circular 16, Series of 1915) the board has pointed a way to further development of the kind of two-name paper which is most widely used in Europe, and has endeavored to encourage the use of such double-name drafts by aiding in the establishment of specially favorable rates for them at Federal Reserve banks.

Under the provisions of the Federal Reserve act it is required that loans be made upon paper protected by warehouse receipts, and such provisions have been made by the board in the circular relating to commodity paper (Circular 17, Series of 1915), where it is sought to meet the requirements of the section of the act referred to. By way of rendering this circular and the provisions on which it is based really effective, it has been necessary to do a considerable amount of accompanying work designed to promote the adoption of uniform warehouse legislation, and the issue of warehouse receipts against staple products in satisfactory form.

Effect on Rates.

Perhaps no one feature of the Federal Reserve act had received so much attention prior to the organization of the new banks as its provisions regarding the rate of discount. During the agitation for the Aldrich, or monetary commission, bill much was said of the supposed necessity of developing a uniform rate of discount, applicable to the whole country. The Federal Reserve act was framed upon the theory that such a uniform rate of discount was neither practical nor desirable for a country possessed of so great an extent of territory as the United States and containing within itself so many different industrial conditions and such widely varying demand for, and supply of capital.

The organization of the Federal Reserve system has changed the situation in two ways. It has offered to the banks of the country the opportunity of obtaining rediscounts by actually presenting specific items of paper, not as collateral, but for the purpose of obtaining a bona-fide rediscount in each and every case. Furthermore, it has established throughout each Federal Reserve district a definitely known rate of rediscount, published each week and available to all member banks upon exactly the same conditions.

The effect of this change has been important. It has tended to bring about the standardization of rates by city banks on a level substantially similar to that fixed by the Federal Reserve bank in the district in which the rate was offered. It has thus given to borrowing banks a standard of comparison which in the past they have never possessed. They now know that by going to the Federal Reserve bank with a given carefully described kind of paper they can get a thirty-day accommodation at, say, 4 per cent.

Business men who at present understand that their paper falls within the requirements of the Federal Reserve are able to demand and do, in practice exact a rate on such paper corresponding roughly to the rate fixed by the Federal Reserve bank, plus a moderate commission. Some of them have been able to discount their paper below the Reserve Bank rate because their own banks were holding high reserves and were eager to get business. Had the conditions been reversed and had severe stringency been prevalent they would have been able to demand accommodation from their banks based upon the rate charged by the Federal Reserve bank of the district. The effects of the Federal Reserve system upon the large business man, or the business man irrespective of size, who knows how and is able to make his paper coincide with the requirements of the Federal Reserve act, have been already perceptible and important.

Currency Function.

Experience thus far has unquestionably shown that the currency function of the Federal Reserve Bank has been unimportant. It is true that Federal Reserve banks have obtained and placed in the hands of the public very nearly $200,000,000 of their own notes; but the bulk of this sum has been represented by gold and lawful money which has been deposited with Federal Reserve agents dollar for dollar. In all, the actual liability of the Federal Reserve banks for outstanding notes (protected by commercial paper) is $20,000,000 or less. The figures just given—as well as all other evidence obtainable—show that little element of "elasticity" in the correct sense is to be perceived in the Federal Reserve notes up to date, notwithstanding the fact that the Federal Reserve act contains practically every provision known to monetary science for forcing the notes back to their issuers.

This state of affairs with regard to Federal Reserve notes is partly due to the fact that, during most of their life, the circulation was clogged by the Aldrich-Vreeland notes, which had been so plentifully issued last autumn, and partly to the fact that the new Federal Reserve banks were organized under the so-called "banking theory" rather than upon the currency theory and that consequently they perf... their service without necessarily involving the issue of notes. Furthermore, there is the general fact that the circulation of the United States is already too large, and is daily being added to by imports of money from abroad.

In the domain of note circulation, therefore, as in that of commercial paper, it must be said that the Federal Reserve system has barely made a beginning in the cultivation of the field opened to it. It has developed the machinery provided by the law, and has shown that such machinery is effective and adapted to the purpose.

Earnings of Banks.

One question inevitably and properly asked with reference to every governmental enterprise of a commercial nature is: Has the undertaking paid? With most governmental operations it is not possible to answer categorically whether a given service has "paid" or not. The Federal Reserve banking system is unique in that it may be subjected to either the general or the narrow test applied to governmental enterprises.

The Federal Reserve Board has published complete tabulated returns showing detailed sources of income and expenditures for the period from the organization of the banks, on November 16, 1914, up to and including October 31, 1915. These statistics show in general that the gross earnings of the system had been about $1,739,000, while the gross expenses of the system had been about $2,748,000. The current expenses have amounted to approximately $1,418,000.

Later months show steady improvement in earnings, but it may be roughly stated that up to November 1 the system has covered current expenses, with a surplus of some $320,000, leaving its organization cost and its equipment outlay still to be written off. Some restriction should be made upon

New York Tribune
January 4, 1916

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President of Trust Company Here Resigns

James I. Buchanan Gives Up Office Because of Press of Other Business.

DIRECTOR ELECTIONS

James I. Buchanan, at a meeting of the board of directors of the Pittsburgh Trust Company yesterday, resigned as president of the institution. His action, he explained, was due to the increasing demands upon his time as president of the Pittsburgh Terminal Warehouse and Transfer Company, especially since the death of G. W. C. Johnston, its secretary and treasurer. Mr. Buchanan will continue his connection with the trust company as a director. No successor was chosen.

One of Concern's Founders.

Mr. Buchanan was one of the founders of the Pittsburgh Trust Company in 1895. He had served as its president for 12 years and a year prior to assuming the presidency was first vice president. Under his guidance the company grew steadily and enjoyed an exceedingly prosperous career.

At the same meeting of the board W. W. Goldsborough, manager of the bond department, was elected a vice president.

Mr. Goldsborough has been manager of the bond department of the trust company for 12 years. He is well known in Eastern financial circles and it is understood that his promotion was hastened by knowledge of the fact that two New York trust companies had expressed a desire to secure his services. He is thoroughly familiar with the investment and general financial situation in Pittsburgh.

The executive staff of the Pittsburgh Trust Company now consists of Charles H. Hays and W. W. Goldsborough, vice presidents; D. Gregg McKee, treasurer; B. H. Smyers, secretary, and W. D. Jones, assistant secretary and assistant treasurer.

James I. Buchanan.
W. W. Goldsborough.

Pittsburgh Gaz.- Times

January 19, 1916

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MAY WITHDRAW $346,000,000 IN TREASURY BILLS

Congress Likely to Be Asked to Reduce Amount of Currency; $375,000,000 Issue of Reserve Notes Considered.

Leader Bureau, 402 Riggs Bldg.

WASHINGTON, Jan. 20.—There's too much money circulating in the United States and too many varieties of it. Currency has tremendously expanded; now it's time to forestall a collapse by contracting.

At a joint meeting of the governors of the twelve federal reserve banks with two committees of the American Bankers' Association today, a plan was adopted whereby, if Congress consents, $346,000,000 of treasury notes, popularly called "greenbacks" will be withdrawn from circulation.

E. R. Fancher, governor of the Cleveland reserve bank, and Charles A. Hinch, of Cincinnati, member of the Cleveland district board of directors, participated in the conference, which is regarded as history-making in national finance.

To accomplish the withdrawal, an issue of $20,000,000 United States bonds will be necessary. These would be absorbed, according to the plan, by the national banks of the country through the twelve reserve banks. No depletion in the amount of currency actually needed for the business of the land would be involved by adoption of the plan, however. Against the $150,000,000 of gold released by withdrawal of the greenbacks, there would be issued $375,000,000 of federal reserve notes.

An act of Congress would be necessary to put the proposal into effect. A joint committee representing the banking interests was named at today's conference to frame a bill for presentation to Congress at this session.

Cleveland Leader
January 20, 1916

STOCKS.

Waiting on Congress

And the Size of the Proposed Government Loan.

Clews Says It Could Be Put at Thirty Billions

Without Equaling a Ratio To Wealth Already Assumed By Great Britain.

SPECIAL DISPATCH TO THE ENQUIRER.

New York, April 1.—A debt of $30,000,000,000 could be assumed by this country, Henry Clews says in his financial letter, before it reached the same ratio as Great Britain as to the nation's wealth. He concludes his review of conditions as follows:

"Stock Exchange activity has been more or less restricted pending the opening of the special session of Congress on Monday. The most important factor in security markets at the moment is the prospect of a big Government loan. The Government has already announced an issue of $50,000,000 Treasury notes for temporary purposes and may duplicate this transaction, while rumor intimates that Congress will authorize a permanent loan of $1,000,000,000, as mentioned above, possibly on a 3 per cent basis.

There is no doubt about the success of such a loan. The credit of the United States to-day is higher than that of any other nation and we are in a marvelously strong position for borrowing. Our national debt is only about $1,000,000,000, or one third of what it was after the Civil War, and this country could issue over $30,000,000,000 of bonds before its debt reached the same ratio between debt and wealth as Great Britain. The latter's debt before the war was about $3,500,000,000 and to-day is about $17,000,000,000 or over.

Our bank resources are in splendid condition, being reported by the Comptroller of the Currency at $16,000,000,000, an amount $210,000,000 greater in the reserve cities than ever in their history.

Foreign borrowings are still a feature in this market, and the continued heavy drain upon capital for war purposes is destined to have a restraining effect upon ordinary industrial and commercial enterprise.

The situation for American railroads, though somewhat complex, is slowly improving. Earnings on the principle roads for the second week of March were 11 per cent greater than a year ago. This is not sufficient considering the heavy increases which the roads must meet for wages, coal and materials in general, plus the pressing demand for increased facilities. Applications for advances in freight rates have been made by both the Eastern and Western Lines. Ultimately these will probably be granted, although ample time will be allowed by the Interstate Commerce Commission to consider the protests from shippers, which are sure to arise. The railroads in this instance, however, have such strong claims, based upon justice and necessity, that public opinion will support their requests.

The future of the market is unavoidably uncertain while so many conflicting and striking influences are at work. When the Easter holidays are over and Congress has revealed its intentions, we may expect greater activity.

If it had not been for our inventions of the submarine and aeroplane, which Germany seized and improved upon for her own use, we would not now be on the verge of war, as the former is her most deadly weapon.

While the European nations are fighting ing to the death, calling for all their resources in men, munitions and money, Germany must concentrate all her forces against the allied armies, therefore, could not now invade our country, but this does not prevent her from a vigorous use of submarines in our waters.

This weapon is, therefore, the one that we must fight and the only way to do it is to lose no time in commandeering all the machinery in this country adapted for making parts of submarines and aeroplanes and work night and day until we have at least 500 to 1,000 of the most up-to-date machines—that would do to commence with, together with additional quick-firing, small fighting craft.

If we are to be involved in the war our object should be to fight the submarines with all the force, skill and determination that the American people are capable of; in other words, wipe all the enemy submarines off the Atlantic Ocean. With that accomplished the war would soon end, and after that neither Germany nor any other nation will have the audacity or means in men or resources to make any kind of war against the United States for some years to come.

Great Britain is really fighting our battle against Germany by locking up all her fighting ships. I suggested in many public speeches over 18 months ago that we ought to build from 500 to 1,000 submarines and aeroplanes as speedily as possible. If we had done that our nation would now be free from apprehension of a war with Germany, and they would not have dared to take their present attitude against this country, making it necessary for us to fight or be humiliated.

Cincinnati Enquirer
April 2 1917

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Denies City Was Choice of Bank Board

Shift from Cleveland Prevented by More Than Attorney's Ruling Officer Asserts.

BOARD NEVER DECLARED ITSELF

[SPECIAL TELEGRAM TO THE GAZETTE TIMES.]

WASHINGTON, April 17.—Assistant Secretary Allen of the Federal Reserve Board tonight said there was no authority for a rumor that a majority of the board members had virtually decided to change the headquarters bank for the Fourth district from Cleveland to Pittsburgh, and that such a change was halted only by the opinion of the Attorney General who ruled that the board had no such authority.

"This is a rumor and nothing else," said Mr. Allen. "No one knows what the board thinks of this matter or what it would do if it had the authority to make a change as the board has never taken action on this proposition nor have the members declared themselves in discussing it."

While Representative Robert F. Hopwood of Uniontown said today he might call a conference of representatives from Western Pennsylvania to discuss the advisability of an amendment to the Federal Reserve law under which such a change could be made, the impression is that such an amendment would have a slim chance of getting through Congress.

Secretary McAdoo, former Assistant Secretary and now Governor of the Reserve Board Charles S. Hamlin and Controller of the Currency John Skelton Williams all opposed Pittsburgh when the reserve bank cities were being selected.

Pittsburg Gazette Times
April 18. 1916

Clearings Make Record.

Record figures are being made in clearings. Money rates remain unchanged, and banks are plentifully supplied with loanable funds. Clearing figures in the same cities for the first fifteen days in April are as follows.

Cincinnati	$ 73,099,600.00	$ 58,785,400.00	$14,314,200.00	24.3%
Cleveland	94,889,457.40	68,209,928.04	26,679,529.36	39.1%
Columbus	23,183,800.00	14,912,200.00	8,271,600.00	55.5%
Pittsburg	142,665,960.11	113,489,693.82	29,176,266.29	25.7%
Toledo	19,840,915.83	13,713,337.00	6,127,578.83	44.7%
Youngstown	9,712,252.69	3,359,294.49	6,352,958.20	189.1%
Total	$363,391,986.03	$272,469,853.35	$90,922,132.68	33.4%

The wheat crop in the district looks good. A great deal of tobacco probably will be put in. The price of this commodity is advancing rapidly.

Cleveland's Federal Reserve Bank to Be Clearing House

WASHINGTON, April 30.—Cleveland's federal reserve bank will soon act as clearing house for all the member banks of the Cleveland reserve district. Charles S. Hamlin, governor of the federal reserve board, today announced that the board has adopted a plan, effective June 15, whereby each federal reserve bank will clear at par from its member banks all checks drawn on all member banks, whether in its own district or other districts. All checks drawn on nonmember banks will also be accepted at par when such checks can be collected by the federal reserve banks at par.

This innovation is expected to increase the importance and utility of the Cleveland and other reserve banks. It will probably necessitate, moreover, an expansion of the various office forces.

Cleveland Leader
May 1, 1916

29

NATIONAL BANKS OPERATE UNDER ADVERSE CONDITIONS

NOW GETTING RID OF THEIR U. S. BONDS AND REDUCING CIRCULATION UNDER NEW SYSTEM

Have Sold $27,000,000 U. S. Bonds Since March, 1915—Reduced Circulation $17,000,000 in Two Months—Reserve Banks Invested Heavily Because of Money Conditions—Decrease in Number During Year

The great increase in the resources of the national banks, which the Comptroller of the Currency emphasizes in connection with his recent report has occurred, it would appear, not by reason of Governmental influence, but in spite of it. After comparing favorably the aggregate resources of our national banks with the largest central institutions of the world, and noting incidental changes in the various items, the Comptroller reaches the crux of the national bank situation when he shows that their holdings of United States bonds, on March 7 last, decreased $20,000,000 as compared with December 31, 1915, and $27,000,000 compared with March 4, 1915, and that the circulation of national banks, which stands now at $695,000,000, decreased $17,000,000 in a little over two months.

The Comptroller seeks to explain this by pointing out that the Federal Reserve banks have been increasing their holdings of Government bonds in the meantime. That is just it. The Federal Reserve banks, by law, are forced to take over a certain amount of the United States bonds each year, while the national banks are taking advantage very readily of the opportunity of getting "out from under" their bond secured circulation. To the Federal Reserve banks is gradually being shifted the burden of protecting the Government issues, which the national banking law laid upon the national banks more than fifty years ago.

It is true the Federal Reserve banks have invested in United States bonds considerably in excess of the statutory $25,000,000 a year called for, but this is due largely to the fact that they have been forced to find an outlet for the investment of their funds. At the present time they own $45,000,000 of United States bonds, and have bought $35,000,000 of municipal warrants. Bills discounted and bought amount to $66,000,000, but only $22,000,000 of this represents bills discounted for member banks. In other words, at a more active time in the money market, the reserve banks will not absorb the United States bonds to a greater extent than they have to.

There is no getting away from the fact that the national banks have been working against adverse conditions, and, it would appear, particularly within the last few years. Going back a little further than the Comptroller's present review, we find that the national banks have gotten rid of about $40,000,000 of United States bonds since October 21, 1913, or just before the passage of the Federal Reserve act.

The total circulation of national banks on March 7 indicated a continuation of the steady decline since the high-water mark of their circulation on October 21, 1913 (if the temporary issue of emergency currency in 1914 be omitted), the aggregate decrease amounting to $32,000,000. In fact, in point of circulation, the standing of national banks is carried back to September 1, 1911.

An extraordinary feature of the March 7 report is a decrease of 13 in the number of national banks with an increase of only $700,000 in capitalization in twelve months. The Comptroller attempts to explain this as due to the liquidation of a number of national banks for the purpose of consolidating with other national banks. The fact remains that it is nothing more than a climax to the decreasing number of national banks organized in recent years. For some years after the passage of the Financial act of March 14, 1900, the average increase in the number of national banks was at the rate of about one a day, but after 1907 the movement fell off and has been accentuated lately.

The following table shows the yearly increases in the number of national banks and the increased capitalization on the dates given:

	New Banks	Increased Capital
March 7, 1916.........	*13	$700,000
March 4, 1915.........	106	10,100,000
March 4, 1914.........	53	4,200,000
April 4, 1913.........	85	16,140,000
April 18, 1912.........	139	24,550,000

*Decrease.

Wall Street Journal
April 29, 1916

EXCHANGE

FEDERAL RESERVE CHECK COLLECTIONS

Reserve Board in Circular to Reserve Banks Lays Down General Rules, but Leaves Details to Banks—In Operation June 15

Washington—The Federal Reserve Board has mailed to the Federal reserve banks for distribution to all their member banks its circular announcing a plan for country-wide check clearing and collection. The salient points of the circular are as follows:

The Federal Reserve Board, acting under the authority of the Federal Reserve Act, has designated the Federal Reserve banks to act as clearing houses for the clearing and collection of checks for their members. In doing this the Federal Reserve Board has laid down certain general principles but has left it for the executive officers of the Federal Reserve banks to work out the details.

The board evidently recognizes the immense amount of detail work that must be done in order to put such a vast machinery into smooth operation, and has set the time for beginning the operation of the system as June 15. The important features of the plan are:

(1) The Federal Reserve banks will accept at par all checks from member banks whether drawn against other member banks, non-member banks, or private banks. An exception, however, is made at the outset in the case of checks drawn against non-member banks which cannot be collected at par.

(2) All checks thus received from member banks will be given immediate credit entry, although amounts thus credited will not be counted as reserves, nor become available until collected.

(3) In order to enable member banks to know how soon checks sent in for collection will be available either as reserves or for payment of checks drawn against them, time schedules, giving the minimum time for collection, will be furnished by each Federal reserve bank to its member banks.

(4) The actual cost, without profit, of the clearing and collection of checks will be paid by the Federal reserve banks and assessed against the member banks in proportion to their sendings.

(5) The whole plan is based on generally accepted principles under which clearing and collection plans have long been operated.

A Federal reserve bank will not debit a member bank's reserve account with items forwarded to it for collection until the remittance of the member bank, in payment of such items shall have had time to reach the Federal reserve bank.

Wall Street Journal
May 1, 1916

SAYS STATE BANKS SHOULD JOIN RESERVE

FESTUS J. WADE, OF ST. LOUIS, REPLIES TO E. C. McDOUGAL.

President of Mercantile Trust Company Declares Buffalo Banker Has Not Cited One Fundamental Reason—Denies Political Interference—Is Opposed to Elimination of Secretary and Comptroller from Reserve Board.

F. J. Wade, president of the Mercantile Trust Co. of St. Louis, has contributed an article to the May issue of the "Journal" of the American Bankers' Association in which he replies to the statements made in a previous number of the publication by Elliott C. McDougal, president of the Bank of Buffalo, who advanced reasons why State banks do not join the Federal reserve system. The chief objection cited by Mr. McDougal was "political interference," and he urged the elimination of the Secretary of the Treasury and the Comptroller of Currency from the Federal Reserve Board.

Mr. Wade takes up all the points made by Mr. McDougal and concludes with the assertion that the Buffalo banker's article "is absolutely devoid of one fundamental reason why any State bank or trust company should fail to join."

"The Mercantile Trust Company in St. Louis," says Mr. Wade, "has been a member of the Federal Reserve Bank of St. Louis since the day of its establishment. I have never seen the slightest indication of politics being played by the Federal Reserve Board at Washington, and the charge is unjust, un-American and unmanly. To my notion, it would be extremely unfortunate, unwise and unmerited to eliminate by amendment the Secretary of the Treasury and the Comptroller of the Currency from office on the Federal Reserve Board.

"The Secretary of the Treasury is now and always has been in absolute touch with the financial requirements of the nation, and during the panics of 1893, 1903, 1907 and 1914, had it not been for the prompt and forceful action of the Secretaries of the Treasury during the periods named, disaster would have followed in those years. Point out a banker in the United States to-day who will have the temerity to suggest, then prove, that had it not been for the courageous manner in which the present Secretary of the Treasury met the situation this country was confronted with commencing on the fourth day of August, 1914, and continuing the balance of that year, when he permitted to be issued under the Aldrich-Vreeland Bill more than $375,000,000 of Aldrich-Vreeland notes, there would have been disaster. To whom were these notes issued? To the bankers. Why? Because they urgently pleaded with him to do so, from the Middle West, from the Pacific Coast, from the North and South and from the East; it was a universal demand of the bankers all over the nation. Was that politics?

"The Comptroller of the Currency is the credit man of all member banks of the Federal reserve banking system. By law his office is empowered to investigate and examine every member bank in the Federal reserve system. He knows, as reflected by the statements filed in his office through his various bank examiners, the condition of every member bank in the Federal reserve system. He knows from those statements to whom credit may justly be extended. He knows the strong, clean banker, the weak banker, the reckless banker. How can anyone assume to have a perfect Federal reserve banking system which should not have on the Federal Reserve Board the Comptroller of the Currency, who has direct supervision of all member banks? Where does the politics come in? Point it out!

"Again it is stated: 'Abolish the Federal reserve agent.' To do this would be a stupendous mistake. The Federal reserve agent is the representative of the Federal Reserve Board. He is in absolute touch with the Federal reserve bank of which he is the agent, and the Federal Reserve Board at Washington ought to and should have, and I am happy to say now, has by statute, a man which it appoints in each of the twelve Federal reserve banks, to see that the Federal reserve law is strictly observed. The abolition of his office would only be a weakness of the Federal reserve system.

"For more than twenty-five years both of the great political parties have endeavored to formulate monetary laws that would meet the needs of the nation. The Federal reserve system is the result of most exhaustive research by Congressional committees and by committees of the American Bankers' Association. It is not complete in all its ramifications and detail, but it is the best monetary law, it is the best financial system put on the statute books in the history of this Government. Why criticise it? Why try to tear it to pieces? Where is the red tape? Is the red tape imagined or real? Is the weakness of the system imaginary or real? Those of us who are member banks believe in its practical operation against any theory or criticism advanced against it.

"It is stated: 'The collection system of the Federal Reserve banks is not a success and cannot be a success until member banks are obliged to remit at par for checks upon themselves.' The answer to that criticism is that 'Rome was not built in a day.' The law makes ample provision for development of the collection system of the Federal reserve banks, and those of us who are member banks are aware of the fact that the collection system is being greatly expanded under the Federal reserve law, and that the system is even now profitable to every member bank in the Federal reserve system."

New York Journal of Commerce

May 5, 1916.

COST OF RESERVE SYSTEM TO THE COUNTRY BANKER

HIS LOSS OF INTEREST ON RESERVE AND CAPITAL SUBSCRIPTION, AS WELL AS COSTLIER EXAMINATIONS

Difficulty of Doing Business Compared With National Banking Law—A Bank Having Resources of $3,000,000 Cannot Do Business With Only $80,000 With Reserve Agents—Banker's Yearly Losses

Bankers all over the country continue to complain of the heavier expenses which they are being subjected to under the new system, and particularly in respect of the greater cost of bank examinations. It is impossible to refer to the specific complaints in detail, but all bear the same tenor.

Few of the bankers naturally wish to have their names mentioned in respect of their individual experience, but here is a letter from a country banker in Ohio which appears to express the general sentiment in regard to the difficulties of doing business under the new requirements of the banking law. It is a point of view which is causing some dissatisfaction in the ranks of the smaller national banks and, taken in conjunction with the attitude of the Comptroller, is operating to keep the state institutions from coming into the system. This banker writes in substance as follows:

"Permit me to state without fear of contradiction that the Federal Reserve System, to a country bank, with $200,000 capital, is a very expensive proposition. Under the National Bank Act, country banks were required to carry a reserve of 15% of their deposits; three-fifths of the 15% with Reserve Agents, and two-fifths in the bank in cash and vault.

"A bank with $2,000,000 deposits, under the National Bank Act, would have a reserve of $300,000 and three fifths of the 15% to be kept with Reserve Agents amounting to $180,000. The balance of the 15%, the two-fifths, or $120,000 to be in bank—not locked up in the vault, but 'in bank'—and useable all the time, with a reduction of our redemption fund, which is on deposit with the Treasurer of the United States, and available at all times by the Department.

"It requires $150,000 to $180,000 reserve account to handle comfortably the transactions and transfers of a bank of $3,000,000 resources, and an active officer of any bank the size as indicated above would not feel comfortable unless his reserves would total as above. But now comes the Federal Reserve System and says: 'You may keep with Reserve Agents four-twelfths, or $80,000.' The bank above indicated cannot do business with so small a reserve account as $80,000. The Federal Reserve System not allowing the country bank to carry funds with Reserve Agents, the country bank necessarily has to reduce its Reserve Agents' account four-twelfths, or $80,000 after May 16, and place it with the Federal Reserve Bank, and without interest.

"In addition, a stock subscription is required and a cash outlay of $12,750, and no revenue up to date.

"Therefore, a bank with $200,000 capital under the Federal Reserve System, as compared with the National Bank Act, must deposit without interest, and out of its loanable funds for its community:

With Federal Reserve Bank	$80,000
Stock subscription	12,750
Total	$92,750

"Aside from withdrawing the funds, there is the loss of revenue, at least at 3%, or $2,782.50 per year.

"The examiner's fees for country banks have increased more than 200%, which should be added to the loss of revenue.

"Possibly there may come a time when all the machinery of twelve reverse banks may be needed, but are we not paying very dearly for the protection? Why not have one central bank, and cut out the enormous overhead of so many organizations? That is what the hard-headed business man would do."

Wall Street Journal
May 16, 1916

FEDERAL ADVISORY COUNCIL MEETS IN WASHINGTON

THIS BODY TO ACT AS AN INTERMEDIARY BETWEEN BANKS AND THE FEDERAL RESERVE BOARD

Submitted Six Recommendations as a Result of Meeting Held Last November—Would Abolish Office of Comptroller of the Currency—Rumored That Influences Are Exerted to Have This Reconsidered

This week members of the Federal Advisory Council hold their second meeting of the year at Washington. The members of this council are selected by each Federal reserve bank and must meet at least four times each year at Washington. The council is meant to act as a go-between, between the banks and the Federal Reserve Board, and can call for certain information and make recommendations.

The meeting of the advisory council in Washington last November was the most important one held so far in respect of the recommendations made. The council offered six separate recommendations, some of which have since received serious consideration and are in a few instances the subject of amendments to existing statutes. The first recommendation of the council on that occasion was "that the work of the office of the Comptroller of the Currency be absorbed and administrated by the Federal Reserve Board."

It is said an effort may be made at the meeting this week to have the council rescind its former action recommending the abolition of the office of the Comptroller of the Currency. Whatever influences may be brought to bear in this regard, it is hardly likely that the council will stultify itself on this point since the recommendation was carried by eight to three at the November meeting. The majority feel now, as they felt then, that the Comptroller's office is made superfluous by the Federal Reserve Act, which has brought the national banks under the control of the Federal Reserve Board.

That the advisory council is by no means a useless body is judged by the substance of its other findings. At the November meeting, besides the abolition of the comptroller's office, it recommended an amendment to the Federal Reserve Act relating to loans on farm lands, to the effect that such loans might be made within one hundred miles from the office of the bank. This, in effect, was one of the amendments to the Federal Reserve Law recommended by the Reserve Board and now before Congress.

The council recommended also an amendment to the Clayton Law, to permit joint stock ownership by national banks of banks organized to do business in foreign countries through branches established therein. And it likewise suggested the establishment of local branches by national banks within the city limits. These are also embodied in the proposed amendments to the Federal Reserve Law indorsed by the Board.

That the paid-in capital of the Federal Reserve Banks be reduced to two-thirds of the present amount, leaving the subscribed capital and double liability unchanged, was also recommended by the council in November. At the February meeting, however, the council reconsidered this suggestion of the reduction of stock and advised that for the present no reduction should be urged. But only a minority report was presented. Perhaps it is now hoped that the council may be induced to take similar corrective action in regard to the Comptroller of the Currency on the present occasion.

Wall Street Journal
May 17, 1916

RESERVE BANKS VITAL TO STATE

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Twenty-one Counties of Kentucky Not Represented in the System

REQUIREMENTS GIVEN

Local Institutions Should Become Members of National Board

Of the fifty-six counties in that part of Kentucky included in the district served by the Federal Recerve Bank of Cleveland, there are twenty-one counties in which there are no national banks, members of the Federal Reserve system. Within this part of Kentucky there are eighty localities (cities and towns) having banking facilities not represented in the Federal Reserve Bank by members, out of 126 counties in which banks are situated. Thus it appears that, for the eastern half of Kentucky, the provisions of the Federal Reserve Act, in regard to membership in the system of state banks, and trust companies, are matters of vital concern and worthy of most serious attention and consideration by the bankers and business men of the various counties, particularly those not having national banks, at least six of which are quite important counties, as far as agriculture and commerce are concerned.

If the Federal Reserve System, as has been stated by many noted financiers and economists, is the best financial structure ever offered to this nation, and if it affords suitable relief from the ills of the past, as intended by the framers of the act and those persons charged with the management of the banks, then it behooves both banks and the people to give it the full measure of support and confidence which it merits. If it be good for national banks to become members, as required by the Act, is it not equally beneficial for state banks to join as permitted by the Act? If business and agriculture are offered security and facilities by the Federal Reserve System not otherwise accessible, are state banks properly performing their powers in failing to become members or in fact even considerisg such action?

Everyone is agreed that the Federal Reserve system affords insurance against money or currency panics, such as all of us can remember as occurring in the near past—1914, 1907, 1893. The provisions of the Act concerning Federal Reserve notes ossure adeouate supplp of available funds to meet legitimate business requirements, and the processes for securing these notes are in daily operation, so that should occasion arise for emergency currency, there would be instantaneous supply. Every bank having demand deposits is necessarily interested in this condition, and should be in position to take advantage of it.

The member banks of the Federal Reserve System have the positive right of rediscounting, by which, out of their own resources, they can meet any unexpected withdrawals or unusual demands for loans. They do not, as formerly, have to arrange a loan or a line of discounts with their city correspondents, either of which may be upset by those correspondents being themselves confronted by conditions causing withholding further advancements or ceasing to make additional loans. The Federal Reserve Board and the several Federal Reserve Banks have constantly and studiously endeavored to make dealings between member banks and the Reserve Banks as simple and expeditious as is consistent with good banking and sound credits. Whatever uncertainties or defects in the Act have become apparent, proper recommendations have been made to Congress for amendment, and the constant effort of the Board and the Banks is to make our financial system the best and strongest in the world, useful to the smallest as well as the largest bank, and helpful to the business needs of our great country.

From the practical and scientific viewpoints, there seems to be no possible reason for a commercial bank failing or hesitating to become a member bank, or perhaps it may be better stated to say that all such banks should be members. Even were it questionable that the Federal Reserve Banks will earn and pay dividends upon their paid in capital and they should become an expense to members, it is the duty of fair-minded state bankers to help carry the load for the benefits which would accrue from the system should stringency arise. There does not seem to be a doubt that in due time the Banks will pay dividends, even in normal times, for the operations authorized by law in government bonds, municipal warrants, and discounts arising out of exports and imports, assure constantly increasing earnings, and an open discount market—world-wide—which is being developed, presents opportunities for wonderful revenues to the Federal Reserve Banks—all not taking into consideration the use member banks may make of their Federal Reserve Banks when loanable funds in the country are not sufficient to meet local requirements.

An objection to the Federal Reserve System, voiced by some persons, which appears to be a disadvantage to member banks, is the fact that the Federal Reserve Banks do not pay any interest on reserve deposits, thus causing loss of revenues to the members. The answer to this is that an interest bearing deposit is not reserve for the reason that it must be loaned to earn the interest paid, and when money is loaned it is not available for immediate demands. Out of this "reserve at interest" have arisen practically all of our financial disturbances of recent years, which have no doubt cost our business interests many times the income from the accounts. Sound banking principles require "reserve" to be in actual cash available for use without forewarning.

The Federal Reserve Act provided a reduction in the reserve of country banks from 15 per cent to 12 per cent on demand deposits. This apparently meets the objection to loss of interest on reserves. Under the national bank act a bank having $100,000 deposits might keep 9 per cent with reserve agents, which at 2 per cent yielded $180. Under the Federal Reserve Act, the $3,000 released from required reserve, would yield at 6 per cent an income of the same amount. The reduction of reserve required against time deposits to 5 per cent also is advantageous to members, and releases additional funds for loans or investments.

The Federal Reserve Act enables state banks to become member banks of the Federal Reserve Bank of the district upon the following conditions:

1. They must have paid-in capital in amount equal to that required for a national bank in their locations, viz., $25,000 in towns of 3,000 or less, $50,000 for 6,000 or less population, $100,000 for cities of less than 50,000 and $200,000 for cities exceeding 50,000 population.

2. They must comply with reserve requirements of Federal Reserve Act, and conform to laws as to national banks respecting limitation of liability to be incurred by any person, the prohibition against purchasing or loaning of their stock, impairment of capital, payment of unearned dividends, etc.

3. They must submit to examinations and regulations prescribed by the Federal Reserve Board. The regulations of the Board concerning admission of state banks to membership authorized satisfactory examinations by state authority, where there is a separate banking department, to be accepted.

It would seem that there is no obstacle in the way of the progressive state banker obtaining for his institution and for his community the security and benefits of this great system, thus giving his depositors safety against currency shortage, and affording his borrowers the full extent of their legitimate demands. Patriotism as well as consideration of safety, would suggest that it is the duty of every sound bank to consider very seriously the desirability of membership in the system.

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RESERVE BANKS VITAL TO STATE

6/20

Twenty-one Counties of Kentucky Not Represented in the System

REQUIREMENTS GIVEN

Local Institutions Should Become Members of National Board

A number of so-called country bankers have voiced more or less complaint against the contemplated par collection of checks as provided in the circular of the Federal Reserve Board recently issued. The criticism has been mainly due to the loss of profits from exchange charges, and the change of methods and practices which have been existing for about twenty-five years.

The prospective loss of their usual exchange charges has elicited considerable protest from some of the country bankers, probably without any thought as to the reason or desirability for the parring of checks. They do not seem to consider that in charging exchange they are discounting the obligations of their banks to repay depositors' funds without deduction.

The banker in soliciting business virtually says to his depositor: " I offer you my facilities for the safe keeping of your funds with the security which you may feel by virtue of your confidence in the management of my institution, together with the amount of its capital stock. I agree to maintain against your deposit the reserve legally required, and to repay your deposit upon demand. I expect to make use of your funds by loaning them (except the reserve), the income thus derived being my compensation for the services and facilities of this bank."

He does not usually say, but he should say: "If your deposit with me justifies the transaction by reason of the earnings which I am enabled to make, I will make remittance of funds for you anywhere without cost, but unless your account is profitable to me I can not permit you merely to use this bank as a medium of shipment of funds without expense to you, and if you send your check on this bank to a point where it will mean cost to me to effect settlement, then that cost must be borne by you."

The ideal banking condition is one in which remittance outside of a defined radius from a given locality should be by bank draft rather than personal check, so that the bank which makes the draft can provide funds at the place of settlement, at least by the time of the presentation there of the draft, and not be subjected to meeting unexpected items from various places, and providing settlement afterwards.

This promiscuous use of personal checks throughout the country has caused enormous "float" of checks in transit in the mails about which so much has been said and written. Competent authorities estimate the amount of the "float" at from three hundred to five hundred million dollars per day. This means actual reduction of loanable funds to that enormous amount. If this "float" can be reduced by one-half, as it should be under the direct routing of checks and their charge and credit in centralized clearing houses, the possible earnings on the amount released will be largely in excess of the most flagrant percentage of exchange.

The country banker who charges exchange must know that this charge is borne by some one. In some instances this is reflected right to his own depositor, who suffers increased prices because his checks are known to be worth less than par. In a large number of cases the banker bears it himself by maintaining large balances with correspondents which should be earning more interest than they command. In other cases he meets it by payments of like charges to other banks upon which he has forwarded items.

There can be no question of the universal desire in this country, strongly evidenced prior to the passage of the Federal Reserve Act, for the elimination of exchange and the universal parring of checks, on account of their use in so great a portion of the business of the country. It is estimated that approximately 90 per cent of settlements is made by checks, and that these settlements should be even partially subject to illegitimate deduction has long been a matter of complaint in the business world.

The process for the settlement of balances arising through check collections, as contemplated by the Federal Reserve Board, will probably be as simple as can be made, looking to the convenience of the bankers interested, provided they enter into the plan with a desire to its satisfactory working. It must be conditioned upon realized settlement because it is absurd to ask the Federal Reserve Bank to use its funds, reserve funds, to carry the enormous float, and thus absolutely wipe out its power to meet emergencies, the fundamental purpose of these banks. The deferring of charges, that is charging the banks upon which drawn after the items are received by it and sufficient time has elapsed for it to remit funds, and the credit of items remitted to the Federal Reserve Bank after the Federal Reserve Bank has had the necessary time to collect the items forwarded seem to be the only practicable solution.

The reasonable, conscientious banker who has the proper interest in the progress of business and the scientific conduct of business relations is going to undertake the new order of handling checks with the idea of working out the betterment of banking facilities. It is not safe or good any longer for the banker to say, "I will not be a party to a scheme which seems to be against my interests nor do anything to further it, no matter how great the general benefits." By assuming an attitude of hearty co-operation, it is generally believed by thoughtful persons that the banker will within a short space of time find that he is enabled to make more in earnings for his bank than he thought was possible before adopting such course.

U. S. RESERVE BANK GIVES CITY FINANCIAL PRESTIGE

Lending Power of Cleveland Institution is Now $15,000,000 Greater Than Any Currency Emergency Here Ever Demanded.

THAT the importance of Cleveland as a financial center has been fixed by the selection of this city as the location of one of the twelve regional banks is the opinion of conservative financiers.

This, it is pointed out, is particularly true in view of the fact that the Federal Reserve bank of Cleveland is now third in size of capitalization and fourth in total amount of member bank deposits.

The Federal Reserve bank of Cleveland is in reality a bankers' bank; its depositors are the 759 banks holding national charters in the fourth federal reserve district and such state banking institutions as make application and qualify for membership. At present there is just one state bank, the Guardian Trust & Savings bank of Toledo, which is a duly qualified member of the Federal Reserve bank here, bringing the total number of depositors to 760. All state banks in this district are eligible to become member banks of the reserve bank here.

The fourth federal reserve district, of which the Sixth City is the financial metropolis, territorially includes the whole state of Ohio, the eastern portion of Kentucky, the panhandle of West Virginia and the western portion of Pennsylvania.

To understand the organization of the reserve bank here, it must be borne in mind that each member bank has subscribed to the capital stock of the Federal Reserve bank to the extent of 6 per cent. of the capital stock and surplus of the member bank in question. The capitalization of the reserve bank at the present time is $12,000,000, of which $6,000,000 has already been paid in.

The purpose of the reserve bank is fourfold: First, to provide the concentration of all the financial reserves of the district in which the regional bank is located. Second, to furnish an elastic currency by the issuance of federal notes. Third, to afford a means of rediscounting commercial papers. Fourth, to provide a more effective supervision of the member banks.

The federal reserve notes referred to are issued by the regional bank to its member banks against rediscounted commercial paper at face value. Until this rediscounted paper is paid off, the reserve bank must carry a 40 per cent. gold reserve.

The total gold holdings of the Federal Reserve bank and the Federal Reserve agent here at this time is about $32,000,000. This figure applies until May 16 of this year, when the member banks will make their next deposits. The deposits of the member banks are now more than $26,000,000.

The marvelous strength and potential assisting power of the Federal Reserve bank of Cleveland is illustrated by the fact that the present lending power of the institution is between $40,000,000 and $45,000,000, or $15,000,000 more than has even been required in any currency emergency in this district.

"By reason of the establishment of the Federal Reserve banks," said David C. Wills, Federal Reserve bank agent here, recently, "there can never be a recurrence of a currency panic such as this country experienced in 1893 and 1907."

The executive offices of the Federal Reserve bank of Cleveland are located on the second floor of the Williamson building; the money and tellers' departments surround the entrance to the vaults on the lower floor while the transit and mailing departments are on the fourth floor of that building.

May 23, 1916

SYSTEM

For Par Collections

In Federal Reserve Districts To Be Inaugurated July 15.

Local National Banks Are Instructed How To Clear Items Under New Regime.

Instructions were received yesterday by the local national banks from Governor E. R. Fancher and Reserve Agent Willis, of the Cleveland Reserve Bank, that arrangements have been completed for the inauguration, on July 15, of the check collection and clearing system under the Federal reserve act. At the close of business on July 14 the present intra-district collection system will become inoperative.

Under the new system, checks and drafts on all parts of the United States will be collectible through the Cleveland bank at par, provided they are drawn on a member bank or upon a nonmember bank whose checks can be collected at par by the Federal Reserve Bank. However, no member bank is obliged to send its items to the Federal Reserve Bank for collection, it having the option of using the system or collecting them through its present correspondents.

Items drawn on a member bank will be forwarded to it by the Federal Reserve Bank of the district and it will be required to remit at par to cover the amount of such items, either with items on other banks which are collectible at par, drafts on its correspondents, or in lawful money or Federal reserve notes.

Under the system the Federal Reserve Bank at Cleveland will receive from its member banks checks and drafts, payable on presentation, drawn either on member banks of this city or any other Federal reserve district or any Federal Reserve Bank; or on nonmember banks located in any of the 12 Federal reserve cities which can be collected through the clearing house of those cities, or on all other nonmember banks which can be collected at par. A list of such nonmember banks is provided.

The system will discourage the indirect routing of items. In order to reduce time and expense of collection arrangements for sending checks and drafts direct to the bank on which drawn, if that bank is located in District No. 4, or direct to the Federal Reserve Bank of any other district in which items may be payable, will be encouraged, whenever the volume of such items warrants this course and time may be saved thereby.

A service charge of 1½ cents per item, to be made by the depositing bank, has been fixed for District No. 4. No service charge will be made on items payable in Cleveland.

Penalties are to be provided if a member bank permits its average available balance on the Cleveland bank's books to become less than the required monthly average reserve.

The new system has been worked out after a long period of study, but is subject to future charges as experience dictates. The member banks are urged to give the new system their fullest cooperation.

Cincinnati Enquirer

June 27, 1916

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MONEY PANIC IMPOSSIBLE, SAYS HAMLIN

Federal Reserve Board Governor Talks on Currency Bill Before Credit Men.

COMMITTEES REPORT

"I believe that under our new currency system there will never be another panic in the United States," said uCharles S. Hamlin of Washington, governor of the Federal Reserve Board, in an address delivered at the morning session of the National Association of Credit Men in the ball room of the William Penn Hotel yesterday.

Gov. Hamlin recounted briefly the accomplishments of the new banking and currency bill. He declared that under that act the country's business was given a sounder foundation and a new impetus, and that the integrity of commercial relations had been materially strengthened. More than 1,500 delegates are now in attendance at the convention of credit men.

Charles D. Joyce of Philadelphia, Pa., first vice president of the association, presided at the morning session. The invocation was delivered by Rabbi A. H. Silver of Wheeling, W. Va., who came to the convention yesterday morning with a delegation from Wheeling.

Ovation for Dr. Brashear.

Dr. John A. Brashear received an ovation when he was introduced as "the man whom the universities of the world delight to honor, who has received more honors than any other man in the United States, and who was properly designated 'Pennsylvania's foremost citizen.'" The convention arose, cheered as Dr. Brashear stepped forward.

"When you go out from this convention," he concluded, after telling of the work at the Allegheny Observatory and in the public schools of the city, "go out to bring sunshine into the world. The business that has not its human side, its side of warmth and affection, is worthless."

F. B. Atwood of Minneapolis, Minn., chairman of the membership committee, read the report of that committee and H. P. Gaunce of Seattle, Wash., delivered an address on "Commercial Mortality, Its Cause and Prevention," following an open forum on the previous committee report and resolutions.

Trade Relations Summarized.

D. L. Sawyer read the report of the committee on credit exchange bureau and the discussion, which centered about the central credit exchange plan, was led by J. W. Chilton of St. Louis, Mo.

One of the features of the reports of committees was that of banking and currency read by H. H. Merrick of Chicago, Ill. The report summarized the trade relations of the United States and stated that the balance of trade for this country for March alone amounted to $196,000,000 and that for the nine months ending March 31 to $1,491,000,000. The report said:

Our holdings of gold coin and bullion are over $2,300,000,000, this supply having been augmented since January 1, 1915, by over $300,000,000 from foreign countries alone, and we have loaned abroad to the extent of about $1,250,000,000.

It is estimated that by August 1 the German national debt will be $12,250,000,000, or $188.46 per capita; Great Britain's national debt will be $14,500,000,000 or $314 per capita, and the French debt will be $14,500,000,000, or $368 per capita; making a grand total of $41,250,000,000. These figures presage the foreign economic conditions we may expect to prevail at the close of the European war, should peace be in sight at all.

Urge Revision of Bank Laws.

President H. G. Moore proposed that F. R. Salisbury of Minneapolis, Minn., be made a member of the honorary advisory board in recognition of his nine years' service as an officer of the association. In that time, it was stated, Mr. Salisbury had served as president, vice president and director. The proposition was unanimously adopted.

The convention passed a resolution urging the revision of the savings and private bank laws in the states where the depositors are not protected. The discussion on the resolution was the case of the Pittsburgh Bank for Savings, in which the savings of 12,000 school children were jeopardized by the insolvency of the institution.

Lavish words of praise were used to describe the generosity of H. C. Frick, who, it was stated, had conserved the confidence of the younger generation in the general integrity of financial institutions.

Banking System Praised.

Gov. Hamlin was the last speaker at the morning session. In his address on banking and currency development in this country, Gov. Hamlin said:

It pleases me to come to this wonderful city of this wonderful commonwealth. If I should tell you of the great assistance that has been given to the Federal Reserve Board by your great organization it would require two or three hours. The work you have done along the line of trade acceptance has been of incalculable benefit to the people of the United States. This association has been always with us, ready to give their advice and help every since the establishment of the federal reserve system. Recently it gave me great delight to walk in the preparedness parade in Washington, in which over 60,000 persons participated and which was headed by the President of the United States. It is marvelous to behold the feeling for military preparedness for defense. On December 23, 1913, Congress gave us complete financial preparedness. We see the federal reserve system established to meet the demands of every situation that can possibly arise. Today we have a banking system ready to meet any possible stringency in our business situation.

In the time of great prosperity we must become conservative and look into the problems of the future. We must take care of those situations which are likely to arise following a great industrial and commercial period of activity. We feel that whatever problem may arise we will be able to adjust our financial system that it will take care of the devious troubles that may beset us when the present prosperity has a tendency to relax. During the period of the operation of the act we have yet to record a single case in which a federal reserve bank has asked for a re-discount from another bank of the system.

Believes Panics Impossible.

We have now an elastic currency which can take care of the cases presented to it with surety and confidence. We have satisfied the people of the world that every obligation of the United States can be fulfilled.

When the commission of foreign bankers came to us from abroad to see whether or not we were in a position to pay to them our obligations they had hardly landed before they discovered that that was not their problem, but that the problem was—how they were going to meet their obligations to the United States? I believe that under our new currency system we can never have a panic in the United States.

It is unpatriotic for state banks not to come in the system. It is as unpatriotic as if the militia of the several states refused to respond to the military necessities of the United States.

Pittsburg Gazette Times
June 1916

Acceptance Directory

MEMBER BANKS OF FEDERAL RESERVE SYSTEM WHICH ACCEPT DRAFTS IN IMPORT AND EXPORT TRANSACTIONS AND BUY AND SELL ACCEPTANCES:

American Exchange National Bank
128 Broadway New York

Atlantic National Bank
257 Broadway New York

Bank of New York
48 Wall Street New York

Citizens Central National Bank
320 Broadway New York

Irving National Bank
Woolworth Building New York

Mechanics & Metals National Bank
20 Nassau Street New York

National Bank of Commerce
31 Nassau Street New York

National City Bank
55 Wall Street New York

Philadelphia National Bank
Philadelphia Nat. Bank Bldg. Phila.

TRUST COMPANIES AND STATE BANKS WHICH BUY AND SELL ACCEPTANCES, AND ACCEPT IN DOMESTIC AS WELL AS IMPORT AND EXPORT TRANSACTIONS.

Bankers Trust Company
16 Wall Street New York

Broadway Trust Company
MEMBER FEDERAL RESERVE SYSTEM
Woolworth Building New York

Columbia Trust Company
60 Broadway New York

Equitable Trust Company
37 Wall Street New York

Guaranty Trust Company
140 Broadway New York

PRIVATE BANKING HOUSES WHICH ACCEPT DRAFTS IN IMPORT AND EXPORT TRANSACTIONS:

Brown Brothers & Co.
59 Wall Street New York

International Banking Corporation
60 Wall Street New York

DEALERS WHO BUY AND SELL ACCEPTANCES:

Bernhard, Scholle & Co.
14 Wall Street New York

Curtis & Sanger
49 Wall Street New York

Mann, Bill & Co.
7 Wall Street New York

National City Co.
55 Wall Street New York

F. S. Smithers & Co.
19 Nassau Street New York

July 1916

KNOWLEDGE

Of Reserve Plan

Imperfect Among Bankers, Rich Declares.

Views of Financiers Are Analyzed By Governor.

Result of Poll Shows Friends of System Are Increasing.

Holland Says Head of Minneapolis District Made First Careful Survey of Replies.

SPECIAL DISPATCH TO THE ENQUIRER.

New York, August 4.—Charles H. Sabin, President of the largest of American trust institutions and one of the younger generation of bankers, is perhaps as well informed respecting conditions in other lands as is any other American banker, with the exception, possibly, of J. P. Morgan.

The address recently delivered by Mr. Sabin, in which he predicted that other nations would, after the close of the war, be compelled to turn to the United States for commodities, thereby assuring a continued heavy export trade, has been widely commented upon. The view has not been accepted by all of the leaders, for there has been apprehension that America would be made the dumping ground for foreign commodities after the war is ended. Mr. Sabin has intimate knowledge of conditions in China, which his institution is preparing to aid, and also in Russia. He looks for a very great trade with the United States by Russia after the close of the European war.

Sought Views on Reserve.

Another service which Mr. Sabin recently has performed has perhaps attracted less attention than did his speech in the Northwest. For it was he who, President of a state-chartered bank institution as he is, undertook to get the view of American bankers respecting the Federal reserve banking system.

In reply to inquiries which he sent the bankers many letters were received by him, but there has been no careful analysis of these replied until one was made this morning by John H. Rich, Chairman of the Federal Reserve Bank of the Ninth District, of which Minneapolis is the center.

The relation of the Federal reserve system to American business interests and the highly important relation which this system will bear to those interests after the war is ended makes Mr. Rich's analysis all the more valuable.

It appears to Mr. Rich that many hasty conclusions have followed the canvass, made by Mr. Sabin of the sentiment of the banks of the country with respect to the Federal reserve system. Some who are, or profess to be, of good authority, have discovered in the canvass statements which should give the Federal Reserve Board serious concern because important defects in the law and in the mechanism of the Federal Reserve Banks are discovered.

Many Results Escaped View.

Nevertheless, in Mr. Rich's view, some of the most curious and significant results of the canvass have escaped the observation of the critics.

In the United States there are 26,000 banks, but of this number only 7,600 are national banks and members of the reserve system. The public has not realized in what a proportionately small part of the total number of banks in the United States the Federal reserve system has gained a foothold.

Of the banks that replied to Mr. Sabin's inquiry, there were in number 5,344, or only about one fifth of the entire number in the country. The operation of the Federal reserve system was favorably commented upon by 1,760 of the banks, but 1,811 expressed no opinion. Nearly 7 per cent of the banks of the country made critical replies to Mr. Sabin's inquiries, and of this number 1,080 banks were member banks and 685 were non-member banks.

Discounts Were Satisfactory.

During the 14 months of the operation of the Federal Reserve Banks a little more than two thousand discounted nearly a hundred and eighty-three millions of commercial paper and a little over twenty millions of agricultural paper, and every one of the banks reported that these transactions were entirely satisfactory.

Mr. Rich thinks that it may be reasonably presumed that all the banks that are dissatisfied—some of them because of the adjustment of the Federal reserve district, some on account of par collection of checks—are to be included in the list of those who object to the system, but as the objections they make have nothing to do with the reserve system as a banking mechanism, the opinion expressed by these objectors has little more significance than can be attached to a straw vote.

Thirty-three member and 243 non-member banks regard the rediscounting privilege as no value, and yet the Federal reserve system has for one of its fundamental principles the establishing of banks of rediscount for the purpose of offering support to the banking fabric of the country by providing a market for bank paper in times of emergency. The canvass made by Mr. Sabin is, in Mr. Rich's view, very significant on account of the misconception which still prevails among some bankers and the imperfect understanding of the system.

Many Members Enthusiastic.

Nevertheless a large proportion of the members banks, are not only friendly to the system, but many of them are becoming enthusiastic over it. Some of the banks which have objected are managed by officers who have given only superficial study to the new law and have taken little pains to familiarize themselves with the operation of the Federal Reserve Banks.

Mr. Rich says that bankers should seek carefully to inform themselves of the mechanism of the Federal Reserve Banks and the operation of the system. Banking opinion is necessarily and justifiably conservative. Many bankers have become accustomed to the old system, which was in operation for nearly 50 years and for that reason certain practices had become so firmly established as to be regarded as unwritten law. There is too much tendency to compare the new system with the old for the sake of criticism. Mr. Rich's experience as Chairman of the reserve bank at Minneapolis, whose influence reaches far into the Northwest, leads him to believe that speedily criticism will end and that the objectors of to-day will become the friends of to-morrow.

The Federal Reserve Banks are still new. They have been in operation for a year and a half, and for that reason it seems unfair to criticize a system that has so far had no good opportunity to show what it can do in a crisis. The Federal reserve system has been established so that it may be made possible to face and overcome crises, for instance, like the one of 1907. Another year in operation may clearly demonstrate to the banks of the United States the advantages of which many bankers are now convinced.

HOLLAND.

Cincinnati Enquirer

August 5, 1916

BANKER INDORSES FEDERAL RESERVE

New Financial System Works Out to Advantage of Bankers as Well as Public.

Net Increase of Bank Profits in Columbus Shown to Be $90,000 a Year.

"At the inception of the federal reserve act, passed some two years ago, I was somewhat concerned as to the effect this act would have on the earnings of national banks," remarked the head of one of the largest national banking institutions in this part of the country yesterday.

"This view was shared by many of the most thoughtful and careful bankers everywhere. They realized that the federal reserve act would prove of the greatest value to the public at large in more stable rates for money, in the ability of the small borrower to secure money on a par with the largest ones, and the fact that the act virtually insured the country against future monetary panic. In view of the practical workings of the act itself and the many advantages it has brought to the public it has been accepted by the people at large as a remarkable piece of constructive legislation.

"Bankers, however, have been slower to accept the new condition as they have come into daily contact with the different provisions of the federal reserve act, and many of them have reserved their opinion as to its direct effect on banking profits until they could be shown. In view of this it is interesting to consider the situation in Columbus as shown by the last public statements of the national banks here.

Showing for Columbus Banks.

"Under the former national banking act all national institutions in this city were required to carry a legal reserve of 25 per cent of their deposits. The amount of reserve required under the new act, however, was lowered to 15 per cent. At the time of the last call by the comptroller of the currency the combined legal reserve of all national banks in Columbus was 17 per cent, which was above the legal reserve act, but a decrease of 8 per cent from the amount that it was necessary to carry under the former law. Eight per cent of the $35,000,000 national bank deposits in this city amounts to $2,800,000. It is safe to assume that this entire amount has been converted into loans at 5 per cent. Probably one-half of this amount, or $1,400,000, has been loaned from the vault reserve; the income on same at 5 per cent would be $70,000. The other $1,400,000 was probably carried with reserve national banks outside of Columbus, on which the banks of this city received interest at 2 per cent, giving them a profit of 3 per cent, or $42,000, making a total profit on the $2,800,000 of $112,000.

"The banks of Columbus, however, carry an aggregate balance in the federal reserve bank of Cleveland of about $1,150,000, on which it is proper to allow 2 per cent, or $23,000, which should be deducted from the $112,000 profits above mentioned. These balances with the federal reserve bank do not draw interest, but without the federal reserve system they would have to be maintained elsewhere and would be bearing interest of not to exceed 2 per cent, so it appears that the national banks of Columbus are profiting by the difference between $112,000 income and the $23,000 they lose by maintaining these balances without interest in the federal reserve bank of Cleveland.

Banks' Net Profit $90,000.

"This leaves a net increase in profit to the banks of this city of approximately $90,000 annually on account of the greater freedom they have in using their assets, as permitted by the federal reserve system. The commerce and industry of Columbus have also nearly $3,000,000 more loans at their disposal.

"Bankers properly feel that they are entitled to an income of at least 5 per cent on the amount of their capital invested in the stock of the federal reserve bank, but, inasmuch as the reserve bank at Cleveland is now earning this dividend, and this is becoming largely true throughout the country, that matter can be dismissed. Of course, it is now and was formerly necessary for banks to carry balances which do not count as reserve, in order to make collections, but there is now no necessity for carrying larger balances than when the act was passed. In fact, the constant broadening of the collection system recently inaugurated by the federal reserve banks will result in a gradual decrease in such balances in other national banks and materially lessen the cost of check collections to both the banks and public."

Ohio State Journal - Columbus

August 1916

MONEY PLENTIFUL TO MOVE THE CROPS

Officers of Federal Reserve Banks Throughout Country Tell of Prosperity.

SAY LABOR IS RESTLESS

Readjustment of Commodity Prices Has Resulted in More Wholesome Business Relations.

Officers of Federal Reserve banks, expressing opinions on business conditions, note without exception that the money supply is entirely adequate to finance the crop movement and other business demands of the Fall. Some of them believe that a readjustment of many commodity prices has resulted in more wholesome business relations without impairing prosperity. Labor is a subject uppermost in the minds of many of them, without any particular reference to the railroad labor dispute. In scores of localities and in scores of trades it appears, from their experience, labor is restless and insistent on a constantly increasing proportion of the manufacturing profits. From the South reports of damage to cotton are emphatic.

Pierre Jay, Federal Reserve Agent, New York, says that the course of business has been steadier and less uncertain since the reaction in commodity prices a few months ago, and adds:

"The general industrial situation is practically unchanged. Textile mills, in particular, are working to capacity. Shoe factories have been very busy, despite the recent increase in the cost of footwear. Jewelry manufacturers anticipate a brisk Fall trade. Wool and wool products are in good demand. Provisions command firm prices. Collections are better, and it is believed will be generally satisfactory as the season advances."

Frederic H. Curtiss, Federal Reserve Agent, Boston, asserts that "there are so many different and unusual factors which all lines of business during these days have to contend with, particularly those pertaining to labor and the high cost of raw material, that it is rather difficult from month to month to notice any particularly marked change in the more important industries of this section." Building and engineering operations in New England continue to show a considerable increase over any corresponding period for many years. "Labor conditions," he continues, "are unsatisfactory from the standpoint of the employer. Labor of practically all kinds is scarce and especially is this true of skilled labor and farm help. Persistent reports of the arbitrary manner in which employes are making demands and regulating their own hours are being heard on every hand. This has made manufacturers cautious about extending their business unduly lest they be unable to keep or secure enough help to carry out their contracts. High wages are causing much shifting of employes from one place to another."

Report From Philadelphia.

Richard L. Austin, Federal Reserve Agent, Philadelphia, says that "commercial and industrial conditions have shown no essential change during recent weeks, operations being maintained at as high a rate as the hot weather and shortage of labor and materials will permit. Raw materials are high and prices firm, and some customers are inclined to defer the placing of orders for future delivery."

Charles M. Sawyer, Federal Reserve Agent, Kansas City, states that "continued high temperatures, with almost total absence of necessary rains, during the last thirty days, have generally interfered with the previously favorable agricultural prospects. Latest obtainable reports indicate that the corn crop in Kansas, Oklahoma, and Missouri has been seriously damaged. In Nebraska, Colorado, and Wyoming some improvement in the crops is noted. Were it not for the serious and unsettled condition of the controversy between railroads and their employes, labor conditions might be said to be satisfactory. Employment bureaus report that there are many places open, but that labor is scarce. Retail business shows a gain for July of 18 per cent. over the same month last year, and a gain of 47 per cent. for the period from Jan. 1."

Situation Unchanged in Cleveland.

D. C. Wills, Federal Reserve Agent, Cleveland, reports that "changes respecting business and agricultural conditions are few compared with thirty day ago. The financial situation and money rates are unchanged. A large volume of business is being handled by the banks. In one or two centres of the district there has been a rather brisk demand for funds. As a rule, however, money is reported easy all over the district. Dealers in securities report no let up in the market, but observe a strong tendency toward the higher grade investments. The greatest problem of all the manufacturers in the district is the labor problem. Some are experimenting with negro laborers, who are being brought here in considerable numbers from the South."

C. H. Bosworth, Federal Reserve Agent, Chicago, says that "banking opinion as to conditions varies, with banks in agricultural sections somewhat uncertain and those in manufacturing centres quietly hopeful. Rates have shown a downward trend since last report, and are now about one-half of 1 per cent. lower. Money seems to be in generous supply, and in but few localities is the demand sufficient to meet the approval of the banks. Labor continues well employed. Fall business to a large extent depends upon the results of the crops, and in this district, when the prices are considered, the farmers should receive a satisfactory return."

William McC. Martin, Federal Reserve Agent, St. Louis, asserts "the distribution of merchandise, both wholesale and retail, remains at a high level throughout the entire district," and adds: "Sales and collections continue satisfactory and increases are generally reported. The outlook for Fall business in all lines seems to be entirely favorable. In general it may be said that the usual seasonable lull in business has been less noticeable this year than for a number of years past. A month ago labor conditions in this district were believed to be satisfactory. Since that time the unrest so noticeable in the Eastern sections of the country seems to have spread to this district. Local strikes have become more frequent, and the situation cannot be said to be without its problems."

Few Ships on the Pacific.

John Perrin, Federal Reserve Agent, San Francisco, reports that business on the Pacific Coast is hampered only by scarcity of ships. He says:

"The status of lumbering is unsatisfactory and shows little change during the last month, though reports indicate some tendency toward increased demand and slightly firmer prices. Due to lack of bottoms, foreign shipments, which absorbed about 35 per cent. of the lumber output before the war, have largely ceased. The great activity previously reported in shipbuilding continues without abatement."

W. F. Ramsey, Federal Reserve Agent, Dallas, states that "banks throughout the district are experiencing a good demand and are getting ready to handle the crop movement. At this season, of course, deposits are greatly reduced. Loans of this bank have increased some $900,000 within the last month. The first evidences of the Fall crop movement have been shown this last week when this bank made shipments of approximately a million dollars to interior banks. Business conditions on the border are said to be exceptionally good on account of the troops stationed at those points. Labor conditions are satisfactory and statistics show less unemployment in the district and better wages obtaining than any time since the beginning of the European war."

Edward T. Brown, Deputy Chairman of the board, Atlanta, asserts: "While there is a disposition to take a better view of the cotton crop prospects, the rains following the July storms have prevented the crops from recovering lost ground. Some improvement is shown in northern Alabama, Georgia, and Mississippi. In the southern part of the district the boll weevil is causing material damage. In Tennessee the crop is very good and fruiting well."

Caldwell Hardy, Federal Reserve Agent, Richmond, expresses the opinion that "general business is much above the average, reports on conditions are cheerful, and the outlook for the future regarded at least with complacency."

New York Times

September 1. 1916

NEW SOUTH AKRON BANK TO BE OPEN FOR BUSINESS SOON

First Meeting of Stockholders of Rubber City Savings Bank Held Saturday.

NEW BUILDING IS NOW BEING PLANNED

Reported Option Has Been Secured on Good Site in South Akron.

The first meeting was held Saturday of stockholders and directors of the Rubber City Savings bank which will open for business about September 30, at 1133 S. Main st. This bank has been organized by manufacturers and merchants of South Akron, headed by Mr. H. S. Firestone, president of the Firestone Tire and Rubber company.

All of the stockholders and directors have long been affiliated with the industrial growth of the southside, and this important step in its development has been taken after realizing the needs for added banking facilities in this district.

Prominent among the organizers are H. S. Firestone, Jacob Pfeiffer, J. M. Beck, Ben Campbell, H. G. Haun, H. B. Sperry, W. H. Stoner, John Knapp, W. L. Kile, A. J. Saalfield and others.

The following directors were elected at a meeting held Saturday, Sept. 23: H. S. Firestone, Jacob Pfeiffer, J. M. Beck, J. G. Robertson, L. B. Walters.

The officers are: H. S. Firestone, president; J. G. Robertson, vice-president; L. B. Walters, secretary and treasurer.

The active management of the bank will be in charge of Mr. L. B. Walters, formerly of the Union National bank and the Federal Reserve bank of Cleveland. He joins the Akron banking circles with a large experience of commercial banking in all its phases, and has brought with him Mr. Alexander C. Warady, who will take charge of the Foreign Department of this institution. Mr. William P. Cummins, formerly of the Cuyahoga Falls Savings bank, has also joined the organization.

Temporary quarters of the bank have been established at 1133 S. Main st., and it is said an option has been secured on a good site in South Akron which they expect to purchase for a permanent bank building. When completed it will be in harmony with the most up-to-date bank buildings in this section of Ohio.

September 1916

$60,000,000 IN RESERVES PAYABLE NOVEMBER 16

COUNTRY BANKS AND RESERVE CITY BANKS MUST THEN MAKE LAST MINIMUM PAYMENT TO REGIONAL BANKS

Interior to Raise Portion of Reserve Kept With Regional Bank From 4-12 to 5-12ths, Reserve City Banks From 5-15 to 6-15ths—No Further Change Until November 16, 1917—What the Amended Law Provides

On November 16 another payment of reserve is due from member banks, outside of central reserve cities, to the Federal Reserve Banks. In the case of the country banks, the additional reserve bank payment will be one-twelfth, raising the portion of the reserve to be held in the Federal Reserve banks from four-twelfths to five-twelfths. In the case of the reserve city banks, the portion of reserve to be held in the Federal Reserve banks will be raised on November 16 from five-fifteenths to six-fifteenths. About $60,000,000 will thus be paid in. No change takes place in regard to the member banks in central reserve cities whose reserve requirements were adjusted permanently on the inaugration of the system on November 16, 1914.

With the additional payments to be made by the country banks and the reserve city banks next month it should be noted that no more payments are required to be made into the Federal Reserve banks before the three years period expires from the date of the inauguration of the system. Nor will their valut reserves be changed so that for twelve months after November 16, next, no change will have to be made in the distribution of member bank reserves in vaults, reserve banks or reserve deposits elsewhere.

At present the country banks hold five-twelths of their reserve in their own vaults and the reserve city banks six-fifteenths in their own vaults. On November 16, 1917, the minimum vault reserve in the case of the country banks is reduced to four-twelfths and the reserve city banks to five-fifteenths. On that date those institutions will no longer be able to count deposits with reserve agents in other cities as part of their reserve. That portion must be distributed either in their valuts or in the reserve bank. That data will mark the consummation of one of the aims of the Federa Reserve law, namely, to do away with the present system whereby reserves are maintained in distant cities, and concentrate reserve funds in the different districts.

The amendment to the Federal Reserve Act of September 7, last, made an important change in respect of the disposition of the bank reserves whereby member banks may be permitted to carry in the Federal Reserve banks of their respective districts any portion of their reserves now required to be held in their own vaults.

This authority conferred upon the Federal Reserve Board by the amendment is of vital importance and is regarded as an effective means whereby a proper control might be exercised over our gold supply in the future. It is a provision which the Federal Reserve Board is hopefully counting upon to this end. The matter was touched upon by both Paul M. Warburg and A. C. Miller, members of the Federal Reserve Board, in recent addresses at bankers' conventions.

In this connection Mr. Miller said: "I therefore regard the recent amendment to the reserve act allowing the member banks to increase their reserve deposits with their reserve banks, without limitation or restriction except such as their own judgment of their interests and necessities may impose, as one of the most important steps that could have been taken in the further development of the Federal Reserve system. It provides a simple, direct and natural way of strengthening the reserve banks as that becomes necessary, and forestalls any occasion for resort to alternative methods of doubtful expediency."

Mr. Miller estimated that, to face a gold export movement after the war, it would be necessary to bring up the free gold holdings of the Federal Reserve banks at the present time to $500,000,000 or $600,000,000. In other words they require an additional $400,000,000 to fill out. The national banks today have cash holdings of over $750,000,000. If the whole burden of supplying the required $400,000,000 fell on the present membership of the system the banks would still have over $350,000,000 of till money.

"If the shifting of Cash," Mr. Miller said, "would be promoted by a change in the form of your condition statement which would show your cash in vault and in the Federal Reserve Bank as one item, I see no good reason why this should not be done and could not be done." This is the system followed by the European banks, especially the English joint stock banks.

Wall Street Journal

October 27, 1916

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11/16/1916

REVIEW AND OUTLOOK

FEDERAL RESERVE'S BIRTHDAY

Today the Federal Reserve banks celebrate their second anniversary. Born during one of the darkest periods in the world's financial history, the Federal Reserve system has nevertheless been afforded a wonderful opportunity for establishing itself. It has been developed under singularly advantageous monetary conditions, and there has never been a time when the required payments by the member banks have occasioned the least sacrifice or disturbance in the money market. On this occasion the banks outside of central reserve cities will make their last compulsory payment of reserve into the regional institutions, thus adding about $60,000,000 to the latter's deposits.

As yet the reserve banks have naturally had little opportunity of imparting any considerable benefit to the individual banks in the way of rediscounting. There has been no call for such operations, except in scattered instances and in the rather gratuitous solicitude for the cotton interests of the southern reserve districts. At the present time there is the insignificant amount of $16,500,000 of commercial paper behind the Federal Reserve notes, put up by only five of the reserve banks, namely, $3,620,000 at Richmond, $3,521,000 at Atlanta, $5,346,000 at St. Louis, $2,406,000 at Dallas and $1,640,000 at Kansas City. The remainder of the $247,873,000 of outstanding notes are secured by gold in the possession of the twelve agents.

The individual banks may be said, however, to have derived a direct benefit from the past two years' operations in respect of having found an opportunity to divest themselves of some of their bond secured circulation. The reserve institutions have invested $38,800,000 in United States bonds and $11,300,000 in the converted one-year Treasury notes. All of this has improved the market for Government bonds since the humiliating experience of the summer of 1913.

As regards the general public, there can be no question of the far-reaching advantages derived from the new banking machinery. The country-wide check collection system, although still in its infancy, has overcome the first great traditional obstacles, and its daily progress leaves it merely a question of time when the system will be in general use. Through the inter-district settlement process, too, an effective means has been afforded of distributing funds more equitably throughout the country, although the return of more normal money conditions may not insure the same success.

Aside from bringing the state banking institutions into the system, one important step still remains for the Federal Reserve authorities to accomplish. This is, to bring about a better concentration of gold into the reserve banks, and this should be effected before peace comes. The Reserve Board is fully alive to the pending urgency, and has recommended an amendment to the law to this end, through the issuance of notes directly against the deposit of gold. But Congress has obstructed the proposed protective measure on the theory that it would encourage inflation. It is to be hoped that the lawmakers will take a broader view of this matter.

November 16, 1916

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The First National Bank of Woodlawn has been organized, by electing the following officers and directors: John R. Morrow, president of the Continental Trust Co., this city, president; James A. Lawson, formerly cashier of The People's National Bank, Clintonville, Pa., cashier; H. G. Miller, vice-president;

JOHN R. MORROW
Who Heads New Bank at Woodlawn

John Wright, J. C. Collins, C. A. Turkis, J. F. Campbell, F. A. Hornstein, J. T. Thomas, J. H. Figley and D. W. McClure, directors, all of Woodlawn.

The Bank will have a paid-in capital of $100,000 and a paid-in surplus of $20,000, all of which has been subscribed principally by the people of Woodlawn. The first installment of 50 per cent. of the stock subscriptions has been called and is now being paid. The bank has purchased its own building, which is now being remodeled and when completed will be one of the most up-to-date banking plants in Beaver County.

The bank will open for business about January 1st.

Money and Commerce
November 1916

Present Position and Future Development of Reserve System

Finance Dec. 2, 1916

An intelligent treatment of this subject seems to require a brief review of our banking history during the past two years and an analysis of present conditions, out of which reasonable deductions as to the future may be based. The fundamental principle of the federal reserve act is the mobilization, in a scientific and effective manner, of the banking reserves of the country, not in one central reservoir but in a number of them, distributed throughout the various sections. This process has not yet been fully accomplished, but is approaching completion. The next installment of reserves, which is the last that will be obligatory, and which will amount to about $60,000,000, will be paid in on November 16. According to the most recent statement, October 28, 1916, the twelve federal reserve banks held $407,955,000 in lawful money, while the national banks of the reserve and central reserve cities on September 12, 1916, held $515.690,000. These last-named institutions held $671.768,000 according to the last statement issued before the organization of the federal reserve banks. *There is, of course, no basis for* comparison between these figures and those applicable at the present time, owing to the great industrial and financial changes which have taken place during the past two years; and, as bank deposits are subject to the influence of external changes of various kinds, it is obvious that any attempt to isolate the effect of the establishment and operation of the federal reserve system upon these holdings of cash would be useless. We can, however, say with certainty that there is today a co-ordinated and efficient system of reserves available for the ordinary requirements of member banks, as well as for their necessities in times of stress. Three years ago there was a very general fear on the part of bankers that the transfer of reserves would be accompanied with serious inconvenience and loss, and the manifestation of this apprehension is responsible, no doubt, for the gradual rather than immediate transfer of reserves that was provided for in the federal reserve act. The figures already given show, however, that no inconvenience or hardship has been incurred, but that, on the contrary, the strength of the member banks and the growth of their deposits and banking power have advanced step by step with the progress and development of the federal reserve system. You will note that I have not said because of the federal reserve system, although I might perhaps properly have done so. Even the most prejudiced critic must admit the co-ordinated growth of the member banks and of the federal reserve banks, and must concede that *the establishment of a great system of mobilized* reserves, amounting at present to $407,955,000, the actual potential value of which is no longer open to doubt, has been effected without even a seeming setback to the member banks out of whose resources this great reserve has been constructed. The foundation of this reserve, with its assurance of safety to the banks and to the public, is the first and fundamental achievement of the federal reserve system. It is the point of tangency between our new banking system and the well-tried systems of other countries, where it has become possible for us to attain the object long ago found desirable and necessary by advanced modern nations—the establishment of an effective and properly controlled system of credit accommodation, available for the immediate conversion into cash or credit of short-time paper of a commercial and liquid character—in other words the creation in this country of a broad and dependable discount market.

Closely connected with the foregoing is the provision for an elastic note currency. Through the federal reserve banks there has been provided an adequate method for supplying a circulating medium of exchange based upon commercial transactions in an amount to be determined by the volume of business and by the ability of the banks to supply the requisite gold reserve. There are outstanding $234,-[illegible]76,000 of federal reserve notes, to secure which the federal reserve agents hold $219.502.000 in gold certificates and coin, and $15,817.000 in commercial paper. The federal reserve banks themselves hold $407,955,000 in gold and lawful money and $107,216,000 of commercial paper, including rediscounts for member banks and purchases of acceptances on the open market, nearly all of which, under the recent amendment to the federal reserve act, are available for federal reserve note issues. The free gold, that is, the amount in excess of reserves against federal reserve notes outstanding and against deposits held by the federal reserve banks, amounts to $231,377,000, so that the potential note-issuing power of all the federal reserve banks, based upon the minimum reserves of 35 per cent and 40 per cent respectively, is today about $578,442.000. This, of course, presupposes a demand for the notes which would first be evidenced by the acquisition of commercial paper to a corresponding degree. Of the federal reserve notes so far issued, all but $15,374,000 have a full 100 per cent gold cover in the hands of federal reserve agents, so that the comparatively small amount actually outstanding as federal reserve notes may properly be regarded as merely an indication of the method through *which currency may be obtained when desired* from federal reserve banks and is not to be taken as a measure of the relief that may be supplied through this means when the machinery of the system is fully called into play. Experience thus far, limited though it has been, has shown that the machinery for the issue of the notes provided for by the federal reserve banks, can work promptly and effectively, and there is no reason to doubt that whenever it may be called upon to render extended service in times of stress or difficulty it will be able immediately to meet the requirements of those calling for assistance through the medium of note issues.

Although not yet two years old, the federal reserve banks have done much to standardize commercial paper in this country. The circulars and regulations of the Federal Reserve Board have supplied an authoritative definition of commercial paper of various kinds which has been lacking in our banking practice heretofore, while the efforts of the federal reserve banks to bring about a larger use of credit statement forms by the member banks, and to secure the co-operation of banks and borrowers in putting their paper into shape to conform to the regulations of the board, constitute the first organized effort to bring about uniformity of action and practice in the direction desired. That the steps already taken are having an important influence in standardizing methods of accounting and in bringing about a uniform understanding of the meaning of various commercial terms, is not, I think, open to question. Credit must therefore be given to the federal reserve system for having taken the first practical step toward bringing about a reform long desired by financial students and by practical business men—the standardizing of credit methods and commercial paper throughout the United States. *The federal reserve system has operated* also toward stability and uniformity in rates of interest throughout all sections of the country, as is evident at a glance at a table showing the official discount rates in all federal reserve districts. To what extent the reduction in discount and interest rates that has taken place during the past two years is due to the establishment of the federal reserve banks, it is, of course, difficult to determine, for the net inflow of gold during that time has amounted to between $600,000,000 and $700,000,000, and this large addition to the basic money of the country has, of course, had a powerful effect upon rates. We have, however, seen low interest rates in bygone years in certain sections and on certain classes of paper at times when other sections and other borrowers were not included in the scope of the interest reduction. It may be claimed with confidence that the federal reserve system has operated toward stabilizing interest rates and toward making them more uniform. It is pointed out by economists that the rate of interest is made up of three distinct elements: one providing a return for the labor and amount of investigation involved in analyzing and consummating any particular operation, or the overhead cost; the second is concerned with the remuneration necessary to induce the owners of capital to part with it, while the third is connected with the risk involved and the insurance against the risk. In general, reduction of interest rates through the operation of federal reserve banks is in part a reduction of this last element of cost—a lowering of the element of risk, as the federal reserve system has provided a method for the recognition of unquestionably good paper and for the adjustment of the rate of interest on such paper, so that it will more nearly correspond with the actual value of the funds employed. In other words, methods have been provided whereby legitimate and conservative borrowers all over the country can obtain accommodations at rates approximating a standard on the kind of paper that they have to offer and are relieved of the necessity of paying more in the proportion that they are able to demonstrate their own responsibility and solvency. The advantage of this reduction has been most appreciated by the small business man, who in the past may have been unable to obtain the rate of interest to which the character of his paper, and his *own personal standing, efficiency and general con*dition of solvency entitled him. Besides meeting the needs of the general public and of the business community, the federal reserve system has rendered also a direct and important service to the banks themselves, not only in making it safer for them to do business, but in actually extending their field of operations and their avenues for profit. Three distinct lines of business are now open to national banks, from which, before the passage of the federal reserve act, they were absolutely barred. As you are well aware, national banks are now permitted to do an acceptance business, making their acceptances either against transactions involving the importation or exportation of goods, or against certain domestic transactions, as provided by the federal reserve act and defined by the regulations of the board. Then again, wherever not contrary to state law, national banks may, by conforming to certain regulations, exercise fiduciary powers, which functions were formerly forbidden them. Finally, the new law has enabled a large proportion of the national banks to make loans under safe and conservative conditions, upon real estate—not only upon farms, but also for periods not longer than twelve months, upon other kinds of improved property.

While there are twelve reserve banks, each governed by its own board of directors, and each an independent unit, they are all co-ordinated through the Federal Reserve Board, to which body has been given extensive powers of supervision. The banks, though each is independent within its own district, in the general conduct of its business, are the component parts of a great system and the law has provided means for an effective mobilization of the resources of all for the relief of any; and, while it has never yet been necessary for one federal reserve bank to call upon another to rediscount paper for it, facilities have been provided and are ready, so that the strength of the entire system is available for the support of any particular district which may at any time experience a demand that would tax its own resources. The fact that no such action has been necessary thus far is strong testimony as to the sound workings and beneficial influence of the system itself, but it is worth while to note that machinery for this kind of relief is always available and in working order. Without attempting any specific enumeration, I will ask you to think of some of the sensational and grave events that have transpired at various times during the past two years, which have threatened crises, not only in our relations with foreign countries, but in our domestic affairs as well. Through it all there has been no disturbance whatever in our money markets; no abnormal fluctuations in discount rates, and no panicky conditions. Do you think that before the establishment of the federal reserve system it would have been possible for our financial community to have remained unruffled and serene in the face of such tremendous shocks, or to have undertaken the vast credit operations that have been engaged in so successfully?

The federal reserve system is already an important factor in the development of our foreign trade, and is destined to play a much larger part in this particular field. I have already made a brief reference to the acceptance powers of national banks. The acceptance has long been recognized abroad as a most convenient as well as essential piece of machinery in carrying on international transactions, but until recent years its use in this country was practically unknown. The national banks and state institutions in some of the states now have the power to accept, so that when we contemplate the future development of the federal reserve system, there is hardly any banking function that will play a more important part than the acceptance business.

Figures recently compiled by the board show that there are now outstanding about $175,000,000 of drafts accepted by American banks and bankers, of which about $100,000,000 have been accepted by New York banks and bankers. These acceptances have found a ready sale at low rates in the open market and about $86,000,000 of them are now held by federal reserve banks, having been taken under regulations issued by the board, but it must be remembered that the regulations of the board are necessarily broad in their scope and are not intended to deal with specific cases. They are intended to be permissive within the limitations defined, but the extent to which federal reserve banks should invest in any class of "eligible" paper is a question to be determined as a matter of policy, in accordance with the changing position and requirements of the federal reserve system as a whole. While the federal reserve banks have been and doubtless expect to continue to be liberal purchasers of acceptances, the directors of these banks are charged under the law to "administer the affairs of said banks fairly and impartially and without discrimination in favor of or against any member bank or banks, and shall, subject to the provision of law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements and accommodations as may be safer and reasonably made, with due regard for the claims and demands of other member banks." They must, therefore, in view of possible calls upon them, keep in mind some limitation of their investments in paper which is not in the highest sense self-liquidating or is not of an intrinsically liquid character, however secure and however certain its ultimate payment; and while the member banks have entire freedom of discretion as to transactions in which they may lawfully engage and as to investments which they may legally make, they should not forget that there are certain kinds of paper which will always be preferred by federal reserve banks over other forms of credit, and which can be negotiated at lower rates.

We are no longer a debtor nation. Our current obligations to Europe were liquidated many months ago. We have already absorbed the larger part of the American securities that were held in Europe when the war broke out, and our advances to other countries now exceed $1,900,000,000. Furthermore, our exports to foreign nations are now in so vast a volume as to render full and immediate settlement in gold impossible. We are absorbing every month more than the world's total new production of gold and we are receiving large sums from the hoarded stocks of nations now debtors to us. But even with this, large credits are necessary to sustain our exports. Through force of circumstances the United States is now the world's banker and must continue to act in that capacity for a long time to come, and if we make proper use of our opportunities, we can remain permanently, at least as one of the bankers of the world. We must expect to be called upon abroad to render much of the service that has hitherto been performed very largely by England in extending those short term credits which the world requires in the production and transportation of all kinds of goods. The nature of the acceptance business is such that it can best be carried on by those countries that have the lowest discount rates and have the freest and most reliable gold markets. Hitherto the country enjoying these facilities to the greatest degree has been England, and partly for that reason and partly because of her command of the carrying trade, she has been able practically to monopolize the short credits which her bankers had handled through the medium of acceptances. While we have an opportunity now to extend our business with all nations, including particularly those neutrals whose accustomed credit facilities have been cut off or curtailed, the services we render must necessarily redound to our own benefit from a banking standpoint, not only because the extension of proper credits is a sound and profitable business, but also because the establishment of an acceptance market, made up of traders and bankers from all over the world, will bring to us a new element of great strength.

The proper financing of our foreign trade ought to prove a most efficient means of protection for us, whenever the golden tide now flowing so strongly toward our shores begins to ebb and finally to turn the other way, running out perhaps so fast as to reveal rocks and shoals whose existence we had forgotten. Under such circumstances, by the simple process of raising our discount rate we should be able to force foreign debtors to finance themselves elsewhere and to pay us off. The more the banks begin to participate in the development of the acceptance market, the more they will understand it and the more will grow their habit of purchasing these acceptances, recognizing in such paper the most liquid investment for which a broad and dependable market at minimum rates may always be expected, whether they expect to sell in the open market or to the federal reserve banks. But the most important feature in the successful development of an acceptance market, in fact, a vital principle, must be the intrinsic liquidity of the paper dealt in. *It should be plainly understood that an acceptance transaction is essentially a loan of credit rather than of money, and it is of the essence of an acceptance in its true sense that the drawer shall place the funds in the hands of the acceptor on or before the due date of the acceptance, so that the acceptor will not be called upon to use his own fund in paying the maturing obligation.* That is an eventuality which should arise only in the case of the drawer's bankruptcy, and against which the acceptor should be well protected by the security taken before the acceptance is made. In the free and natural development of a discount market the drawer or endorser of the acceptance should be the one to rediscount the paper or to offer it on the market, and it should not be the acceptor even though possibly there may be exceptional conditions under which the acceptor would be justified in purchasing his own obligation in order to withdraw it from the market. It is not the custom abroad for acceptance houses in the usual course of business, to purchase their own acceptances and to offer them after having once acquired them. In the regular course it is distinctly understood that the accepting firm does not offer on the market for its own its obligation created by its acceptance, and the practice is quite the contrary.

The acceptor may reside in London and the holder by purchase may be in Paris, Berlin, Liverpool or New York, retaining the bill in his possession until it matures. This process up to the present time has not been emphasized in this country, but it is essential for the proper development of the discount market that the business should take this course. We should be careful not to confuse commercial banking with investment banking, nor should we permit our discount market to become so saturated with offerings intrinsically of an investment character, as to influence discount rates and impede its free operation. The Federal Reserve Act distinguishes clearly between these two forms of banking and specifically excludes from purchase or discount "notes, drafts or bills covering investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds or notes of the government of the United States." The Federal Reserve Act applies particularly to commercial transactions, and lays stress upon the importance of liquidity by stipulating that federal reserve banks must not buy bankers' acceptances having more than ninety days to run, and in its original form it provided that acceptances should be given only in transactions involving the importation or exportation of goods. The recent amendment to the Act has extended the acceptance power so as to apply to transactions growing out of or involving "the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance, or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples." It is clear that the intent of the Act is to safeguard the self-liquidating character of acceptances, as securities of an investment nature are barred, and provision is made that the transaction should be based upon either an actual sale of goods or upon the conveyance of legal title to goods which can be readily marketed so as to protect the acceptor. Quite naturally, under conditions now existing throughout the world, the board was, soon after the establishment of the federal reserve banks, called upon to consider the question of renewals of acceptance credits. In European countries there are practically no legal restrictions governing the acceptance business, and in order to establish dollar acceptances in competition with sterling bills, or with those drawn in francs or marks, the board ruled that certain renewals of acceptance credits which clearly grew out of the shipment of goods in the first instance, need not, as a matter of principle, be excluded, and federal reserve banks were advised that they might consider as "eligible" bills having not longer than three months to run and draw under such credit arrangements. The American acceptance is now quite well established in the world's market, being well known in almost all parts of the globe; and even in those countries which three years ago had a monopoly of the acceptance business, American credit facilities are now being used. Speaking, not so much from the standpoint of the federal reserve banks, but from that of the American banker generally, it would seem proper to extend acceptance credit in liberal amounts to facilitate commercial transactions all over the world, and while we may expect to see this acceptance business grow into very large figures, we must not permit either our ambition, our desire to assist others, or consideration of profit, to run away with us and to cause us to disregard long established and sound banking principles, the observance of which is so necessary for the safety of our federal reserve banking system.

There are two rules in this connection which it may well be emphasized. *One is that acceptances should finance the drawer and not the accepting bank.* When a banker makes a cash advance at a given rate of interest for a certain length of time he should not ask his debtor to draw upon him for the purpose of enabling the banker to reimburse himself by the sale of his acceptance for the advance which he has made to the debtor. Such a process would make it possible for a long term borrowing to be financed by an accommodation bill drawn for the benefit of the banker. Such a draft would not be essentially self-liquidating. The real borrower may have secured the advance by renewal agreements for eighteen months or two years, at a fixed rate for the entire term and not

... readjustment at any renewal period. He is not concerned in the discount transaction, and when the first bill matures the advance will continue to run and attempts will be made to rediscount or sell the draft. A bill of this kind is known as a finance draft, and other bills, which also may be called finance drafts, are drawn by brokers or individuals upon a banker and accepted against the deposits of investment credits. Drafts of the description last mentioned may be attractive where the transactions offer handsome profits because of the great difference in interest rates prevailing in two countries and by reason of tempting fluctuations in foreign exchange rates. It is clear that banking prudence requires abundant security in transactions of this kind if they are to be engaged in at all, and that a bill so created has no place in the portfolio of a federal reserve bank.

A foreign draft based originally upon importations of goods from this country and drawn upon an American banker with a definite agreement on the part of the domestic banker for several renewals at an interest rate fixed for the entire period covered by the renewals, does not give the chief advantage which should accrue to the banks of a country granting foreign acceptance credits, because, no matter to what point the federal reserve banks, if this country be concerned, or the central banks, in case of other nations, might raise the discount rate, it would have no effect upon the foreign debtor, for, having provided at a given rate for his requirements until the expiration of the last renewal, no increase in rates would move him to cover his acceptance and seek accommodation in his own country, because during the term of the extended credit he would have no interest in the discount rate of the country upon which he has drawn. Not the original debtor, but the acceptor would be the borrower in the discount market, and as regards the original borrower, the acceptance would become merely an accommodation draft for the benefit of the acceptor, who alone would be subject to the changing vicissitudes of the discount market.

It is equally clear that drafts drawn in one country upon another against long-term securities are not self-liquidating, no matter how short a time the drafts themselves may have to run. Where acceptances are based upon actual commercial transactions, the sum total of acceptances bears a definite relation to and is regulated by the volume of international trade, but if bills are accepted against securities this automatic regulation is lost, and if finance drafts are permitted to be drawn without discrimination they would continue to pile up just as long as there is a substantial difference in the interest rates of the two countries involved. It is entirely natural and proper that countries or sections where wealth has accumulated and which have large holdings of gold should afford credit facilities to their neighbors. As between nations this can be done through short commercial credits by means of bankers' acceptances, where the acceptance is liquidated out of funds coming from the borrower before maturity; or, as an investment proposition, by transactions outright in securities issued or held by citizens of the borrowing country. There is no reason why both methods should not be perfectly sound, but the lenders of credit should distinguish clearly between the two transactions.

The discount market, which is intended to deal with short-term and commercial borrowings, should not be used or abused so as to serve as an adjunct of the investment market. It may not be possible, of course, always to apply these principles with absolute rigidity. We are living in abnormal times and there may be abnormal conditions when temporary exceptions to rules governing normal times may be expected, but such exceptions, whenever permitted, should be kept within reasonable bounds, nor should it be forgotten that they are exceptions and do not constitute the rule. However anxious we may be to continue as a world factor in trade and finance, and however desirous we may be that the wonderful prosperity which we are now enjoying should continue indefinitely, we should remember still that if the time should ever come when our debtors can no longer offer us satisfactory settlements or when our own power of absorption may have reached its limits that whenever that moment should arrive it would be more satisfactory to contemplate some slowing down of our enormous business than to buy its continuance at the expense of undue hazard, and that the loss of interest on idle gold is better than the loss of principal.

In some important particulars the Federal Reserve Act has not thus far been applied at all. The law empowers the federal reserve banks, with the consent of the Federal Reserve Board, to open and maintain banking accounts in foreign countries and to appoint correspondents and establish agencies in such countries for the purpose of purchasing, selling and collecting bills of exchange, and to buy and sell with or without their endorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions having not more than ninety days to run, and which bear the signature of two or more responsible parties. Under conditions that have prevailed since the establishment of the federal reserve banks, it has been thought best to disregard any temptation of profit and to go slowly in entering the foreign field, so that, up to this time the federal reserve banks have no foreign accounts. Upon the close of the war, however, with the United States playing an increasingly important part in the foreign trade and vested with the responsibility of determining the relationship between American and foreign institutions under new and difficult conditions, there will be a large field of important work to be covered by the federal reserve system in this connection before the federal reserve banks can be regarded as having fully discharged the duties and responsibilities imposed upon them by the Act. How great the importance of this phase of their activity may be, can be judged only by those who have formed an adequate conception of the part that is to be played by this country in international trade after peace has been restored.

The business of the federal reserve banks as fiscal agents for the United States government is not yet fully developed. So far they are acting in a limited way only as fiscal agents, but in the future financial operations of the United States government the federal reserve system will stand ready to discharge the duty of providing for issues of bonds, arranging for the retirement and refunding of existing indebtedness, and such other financial operations as may be necessary from time to time. Its functions in the handling of routine business for the United States treasury and the sub-treasury will no doubt be extended, as the federal reserve banks become better able to render this service.

The clearing of country checks provided for under Section 16 of the Federal Reserve Act, has been a problem of peculiar difficulty and has been complicated by the desire of many of the member banks in the smaller towns particularly, to retain their accustomed profits, and further by the fact that a large volume of the checks that must be handled are drawn upon non-member banks. The clearing of checks was undertaken in a very limited way immediately upon the establishment of the federal reserve banks, and after a great deal of study and some experimentation, the present clearing system was put into effect on July 15th last. Its operation has demonstrated that it is based upon correct principles, and the constantly expanding volume of business handled through it shows its efficiency. The underlying principle of the clearing plan is the discontinuance of the practice of carrying items in transit as reserve, and the requirement that each bank carry its own float. One important result of the clearing system has been to bring the member banks into more frequent and intimate contact with the federal reserve banks, so that the reserve banks are now regarded more and more as active and potential factors in the banking field and not so much as storage reservoirs for use only in emergencies. Very largely, no doubt, because of the abnormally low rates for money that have prevailed during the past eighteen months, which have made it difficult for member banks to make satisfactory earnings, *there has been a feeling in some quarters that the federal reserve banks are dangerous competitors, actual or potential, of their own member banks, but with the development of our foreign trade and with the constantly increasing activity of our domestic business, this feeling is gradually passing.* The managements of the various federal reserve banks and the members of the Federal Reserve Board, with an appreciation of the value of thorough co-operation and complete understanding, have kept in close touch, both by correspondence and by frequent personal contact, so that the board has been kept informed of local conditions and the federal reserve banks are made familiar with the viewpoint of the board on matters of policy. Just as this co-operation and understanding between the board and the banks is necessary for the best development of the federal reserve system, so is it essential that there should be the same close relationship between each federal reserve bank and its own member bank. The scope of the federal reserve banks and the activities in which they may properly engage, and the functions which they were created to discharge, are all being better known as time passes. Some who, at the beginning, were its severest critics, are now among the strongest advocates of the system. There are few today who would wish to wipe it out or to reconstruct it radically, and when again conditions throughout the world approach the normal, it will be the most powerful agency in assuring to the United States a sound financial position at home, and in securing for our country its proper place in the realm of world finance.

Ohio's Population

January 1, 1917, the population of Ohio will be 5,181,220, according to the estimate made by the Bureau of Census, on a basis of the normal growth of the state in past years and the actual census figures of 4,767,121 in 1910.

Other estimates of population as of January 1 are:

Indiana, 2,826,154; population in 1910, 2,700,876.

Kentucky, 2,386,866; population in 1910, 2,289,905.

West Virginia, 1,339,320; population in 1910, 1,221,119.

HIGH SPOTS

In Business Situation

Cincinnati Enquirer

Dec. 3. 1916.

Are Transportation and Fuel, Says Wills in Review.

District Four Originates Most Freight in the World.

Inefficient Equipment Is Problem of Railroads — Loanable Funds Are Abundant.

D. C. Wills, Federal Reserve Agent for District No. 4 (Cleveland), in his report on the business situation in the district covering Ohio, Western Pennsylvania, Kentucky and West Virginia, says:

"Transportation and fuel are the overshadowing subjects in this month's survey of business conditions in a district which originates more freight than any other in the world. Changes outside of these two influences are slight.

"Timely rains have helped the crop situation, and farmers now say that wheat, of which there is an unusually large acreage, has never looked better at this season of the year. Big prices are obtained for all crops except hay.

"Prices of pig iron continue to advance, with better deliveries. The lumber demand has improved, especially for interior points. Prices are firmer, but about the same as 30 days ago.

Lack of Coal Serious.

"Coal operators are making every effort to meet the demands of their regular trade, but on account of extreme car shortage and labor conditions are only partially and in an unsatisfactory manner serving their patrons. Free coal is selling as high as \$5 at the mine and \$7 50 for coke at the oven. These unusual prices have not benefited many companies whose deliveries are covered by long-time contracts. A number of industrial plants are actually closed for lack of coal.

"There still seems to be a demand largely in excess of the supply in almost every branch of the iron and steel business—in fact, most mills are sold up through the entire year 1917. Prices have advanced since last month, the most notable being that in steel rails. Car shortage is acute and curtailing shipments. Material is accumulating on the shipping beds, and mills are facing closing down to relieve the situation.

"Insufficient car capacity and motive power is the problem of all the railroads in this district. Railroads are in the market for equipment, but deliveries are uncertain and prices are almost prohibitive. The freight traffice congestion shows no improvement, and has caused a decrease of 6 per cent over last month in loads billed within this district on one important trunk line.

"The labor situation is difficult, principally because of the scarcity of both skilled and unskilled laborers.

"Mercantile trade continues at the recent maximum, and surpasses all previous totals at this season.

"Reports on collections this month are not quite so satisfactory as 30 days ago. From some quarters come complaints that collections are a trifle slow, due to the fact that the existing high prices require more capital to do business.

"Bank deposits continue heavy, and clearings are showing high totals. Practically the whole of District No. 4 is abundant with available funds. The demand for loanable funds is not as good as last month. Six months' paper of the higher grade names has been selling recently in the centers at 3¼ per cent, and commercial paper brokers predict a three-per-cent rate for January. The supply of securities of recognized standing is not sufficient to fill the demand. Record prices are being made for industrial shares, and there is large speculative buying. Dealers with stocks in new enterprises are taking advantage of these conditions and are having little difficulty in placing their securities with the public."

Cincinnati Enquirer
December 3, 1916

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HOW MONEY MARKET WAS IMPROVED LAST WEEK

DISCOUNTS AND BILLS BOUGHT IN OPEN MARKET BY FEDERAL RESERVE BANKS AGGREGATED $30,000,000

The New York Federal Reserve Bank Contributed $14,000,000—In Addition the Higher Money Rates at This Center Brought About the National Corrective Process — Loans Decreased $39,600,000

The volume of rediscounting done by the member banks at the New York Federal Reserve Bank last week was $9,289,686 which raises the amount of discounts held by the local institution to $9,941,566. This is not only the largest amount reported by this institution but one of the largest amounts shown so far by the regional banks since their establishment. In addition, the New York Reserve Bank increased its purchases of bankers' bills in the open market by $4,705,846, bringing the total to $41,386,090. The total of bills discounted and bought by the Federal Reserve Bank now amounts to $51,327,656, an increase of $13,995,533.

Throughout the Federal Reserve system the volume of bills discounted and bought was increased during the week almost exactly $30,000,000. Of this amount the New York Federal Reserve Bank's quota was about $14,000,000, thus leaving about $16,000,000 as the extension of credit by the other Federal Reserve banks for the rest of the country. The total cash reserve held by all the Federal Reserve banks was reduced $17,400,000.

It is evident that the discount operations and purchases of bills in the open market by the Federal Reserve banks last week swelled the volume of outstanding Federal Reserve notes from $268,270,000 to $279,462,000, or an increase of $11,192,000.

Saturday's clearing house bank statement fully bore out general predictions in banking circles. There was the substantial increase of $32,790,530 in the surplus reserve, which brought that item up to $73,790,840 in the actual condition of the banks at the end of the week. Loans were decreased $39,599,000 on account of the transfer of accommodations to outside banks which had been induced to come into the local money market through the higher rates

No doubt loans would have shown a greater reduction had it not been for certain syndicate operations towards the close of the week. It is also certain that cash would have shown a greater increase than $27,364,000 if all the gold that has been received here lately could have been counted and paid for in time so as to enter banking channels.

The ready influence of money rates at this center upon outside funds is a striking characteristic of the monetary situation. The present result was therefore a foregone conclusion in view of the events of last week. It is true that money did not begin to arrive at this center from the interior until towards the close of the week. This is indicated by the fact that the average cash increase was only $18,814,000, as compared with the $27,364,000 actual cash increase. But now that the movement has set in experience may be counted upon to look for a continuation of the process of equalization and this week will probably witness a further substantial increase in the surplus reserve, which will bring that item up above $100,000,000.

MONEY MARKET AID

Nearly Half the Credit Extended Last Week by Federal Reserve Was by the New York Bank

Nearly half the credit extended to the money market last week by the Federal Reserve system was contributed by the New York Federal Reserve Bank. It discounted $9,290,000 of bills, and bought $4,706,000 in the open market, a total of $13,996,000. Although the Boston Federal Reserve Bank discounted bills to the extent of $4,726,000, it reduced its holdings of bankers' acceptances by $2,359,000, so that its extension of credit was only $2,367,000. Philadelphia contributed $3,889,000 to the supply of credit, of which $2,409,000 was in discounts, and $1,480,000 represented bills purchased in the open market.

Following list shows the additional discounts and bills bought by the twelve institutions during the past week:

	Bills Discounted	Bills Bought	Additional Bills Held
Boston	$4,726,000	*$2,359,000	$2,367,000
New York	9,296,000	4,706,000	13,996,000
Philadelphia	2,409,000	1,480,000	3,889,000
Cleveland	1,279,000	1,244,000	2,523,000
Richmond	*174,000	410,000	236,000
Atlanta	246,000	436,000	682,000
Chicago	126,000	2,140,000	2,014,000
St. Louis	*809,000	844,000	35,000
Minneapolis	177,000	1,747,000	1,824,000
Kansas City	*39,000	555,000	516,000
Dallas	*349,000	569,000	220,000
San Francisco	*17,000	1,730,000	1,713,000
Total	$16,613,000	$13,403,000	$30,016,000

*Decrease.

Wall Street Journal
December 12, 1916

'cian, Heal Thyself!

question the financiers and business men of the United States are possessed of sufficient judgment to give its true value to the preachment of President Frank A. Vanderlip, of the National City Bank of New York, upon the subject of conditions after the European war. This banking institution, through its President and its familiar circular letter, has set itself up as an oracle of not only financial matters, but of national statecraft as well. Perhaps it is unconsciously that the President and the Court circular editor find themselves in agreement upon the point that whatever is best for their particular bank is also best for the United States.

Several weeks ago the circular and Mr. Vanderlip advised investors of this country of the dangers that the continued influx of gold would produce in the business world, and recommended that our surplus funds be converted into the short-time notes which the foreign Governments are issuing as one of their many wartime expedients. With unusual unanimity the advice was rejected in financial circles, and the Federal Reserve Board formally warned the member banks that these securities would not be discounted as commercial paper.

In his most recent address delivered in Chicago Mr. Vanderlip asserted that the Federal Reserve Board had acted unwisely, because the investment he recommended would have had a tendency to restrict further gold importations, which may lead to dangerous domestic inflation. It is quite evident that the distinguished New York banker has not realized that the judgment of the country is against him, or else he is obstinate. It is this persistency that subtracts from his value as a counselor and raises the logical query in the minds of those who strive to follow his utterances whether his advice is to be received above that of any other member of the community enjoying the same advantages for observation of conditions. Events seem to have made of him a pessimist, or what is called in Wall street language, a "bear," upon the future of the United States. There is one sentiment he expressed, though, in which all may join with him, because it is as near a panacea as can be found for the cure of the widespread mental conservatism which afflicts those who mistakenly regard the Eastern speculators as our real business men. It is this:

"Must we not safeguard the future from the unwise participation of Government in business by seeing that business is so well conducted, so fairly administered, so completely responsive to legitimate needs that there will be no sound reason for governmental participation?"

The first step in this direction should be the separation of a certain type of business men from participation in the control of the Government for negative ends rather than affirmative ones. It is because of their negation that genuine business finds itself confronted with affirmative governmental competition, regulation and control. Unhappily there are sound reasons why this should continue until the real causes for participation by the Government are exposed and eradicated.

Cincinnati Enquirer

December 19, 1916

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COLLATERALS AND THE RESERVE SYSTEM

P. S. Babcock, secretary of the Trust Company Section of the American Bankers Association, has asked members for suggestions for topics to be considered by the section at the Kansas City convention. Dr. J. R. Morrow, president of the Continental Trust Co., has given this matter careful attention, and replying to Mr. Babcock, in part says:

"I would advocate the discussion of legislation, with a view to the advantage of trust companies becoming members of the Federal Reserve System, as the law is so constituted at this time that there is no advantage to be gained in belonging to the Federal Reserve System, unless your company is specializing on commercial business, which kind of business is not the object of and is not carried on to any extent by the trust companies, as they were organized to act in a fiduciary capacity. Where they do a general banking and savings business, accepting deposits subject to check and time, their money is used principally in making collateral loans on demand and time, accepting as collateral the active and high-class securities of the country, such as active railroad, industrial, and public service corporation stocks and bonds, and municipal bonds, which collateral loans should receive the same consideration by the Federal Reserve Banks as commercial paper. It is just as necessary for the prosperity of the country that collateral loans secured by the collateral of our railroads, public service corporations and municipalities be re-discounted as it is necessary that commercial paper be re-discounted, as commercial paper is only a part of the great wheel of prosperity. There is nothing more important to the successful future development than the prosperity of our railroads and public service corporations, and if we expect to foster these corporations and add value to their securities, the Federal Reserve Act should provide to accept securities of this kind on the same basis as commercial paper is accepted.

Money & Commerce
Pittsburg 1916

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Checks - Coll. at par

1-1-1917

PAR CHECK COLLECTIONS

The recent extension of the system for par check collections with the New York Clearing House is important, as it means stretching the facilities to the greatest limit possible from all practical standpoints. Now, any bank or trust company which is able to remit payment for checks drawn on it, so that remittance will be received in New York in time to be cleared in the regular exchanges the following day, is eligible to the discretionary list, which is practically the same thing as saying that their checks pass current in New York City at par.

The present system has not been established over night. It is the outcome of four years of careful consideration and evolution, each new step being taken as circumstances developed. This fact is worth noting, as the opinion was generally held until a short time ago that a great injustice prevailed in regard to the system of charges for inland exchange in force at the local Clearing House, and demands were made by banks in the neighboring states for sweeping concessions. But with every effort to conciliate these demands, and notwithstanding the aim of the new banking laws to open the doors wide to universal par check collections; the innovation has only been possible through a slow process. Nevertheless, what has been accomplished must be regarded as highly satisfactory.

It is interesting to recall the steps that have been taken to bring about the present system that exists at the Clearing House. Those who advocated a change regarding the collection of checks outside of New York in 1912, based their argument on the fact that the system of collections then in force had not been revised since they were adopted, in April, 1899; and during that thirteen years the volume of collections had increased enormously, while the methods of handling exchanges by the different clearing houses throughout the country had been greatly improved. Accordingly, a committee was appointed by the Clearing House, in April, 1912, to investigate the matter and to see whether it was possible to modify the existing charges.

After an exhaustive investigation, the committee found that the clearing house members derived a net income of $97,467 from the prevailing charges during 1911. This was at the rate of about $1,500 for each bank, thus refuting the charges made by the Pujo money trust investigating committee of an exorbitant levy through these charges by the New York banks. The committee therefore recommended that no change be made in the schedule of charges that had been in force for so many years. It, however, recommended that there be added to the discretionary list, consisting of certain nearby cities, any bank or trust company located in Massachusetts, Rhode Island, Connecticut, New Jersey, and New York, which undertook to remit in New York funds at par on the day of receipt for all funds drawn on it received from members or associate members of the Clearing House. This was put into effect March 1, 1913.

The next step came after the Federal Reserve system was established. To the above discretionary list was added such items as are collected through the Federal Reserve Bank in New York, which the latter was prepared to receive from its members for immediate credit at par. For the further convenience of the country banks the collection department of the Clearing House was formed in August last year, which enabled the banks to remit in bulk to the manager of the Clearing House instead of directly to the individual New York banks, thus saving labor and postage.

The recent amendment eliminates the barriers of the five state lines. Wherever a bank or a trust company can find postal and transportation facilities so that its remittance can reach New York by the first mail on the following morning, it can enjoy the par privilege in New York. Beyond this it is not reasonable to expect the New York banks to go. As it is, they are giving two days credit on deposit of these out-of-town checks. Appreciating the physical difficulties in the movement, it would appear that a universal par collection system is a long way off. The problems of time and space are inherent obstacles in the scheme. But for these, San Francisco checks might now be current in New York at par.

Wall Street Journal

January 10,1917

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RESERVE NOT UNDERSTOOD.

John Perrin Finds Much Haziness About Banking System.

As a rule, annual reports which come from the Government Printing Office in Washington make very dry and uninteresting reading, clothed around multitudinous statistics which appear incomprehensible even to the most intelligent. Not so in the case of the third annual report of the Federal Reserve Board, a volume of 488 pages, which consists not only of a review of the Board's activities, but a compilation of "report-lets" from each of the twelve Federal Reserve Agents.

The humorous section of the volume is a contribution from John Perrin of the Federal Reserve Bank of San Francisco, the earnings of which bank, by the way, were the smallest of any of the twelve institutions when compared with the paid-in capital. Mr. Perrin, who is well known in New York, devotes a page or more to the discussion of "public relations," asserting that the public has unquestionably accepted the Federal Reserve system as an instrumentality of inestimable value to commerce and industry in all departments. He regrets to be obliged to report frequent manifestations of "haziness of ideas" about the system, and illustrates his point by the following selected answers to questions put to those seeking licenses as teachers in one of the States of his district:

QUESTIONS.

What is the Federal Reserve act of Wilson's Administration? How many banks were formed and how governed?

ANSWERS.

1. The Federal Reserve act was making a park in Colorado, very much like Yellowstone National Park.
2. To form National Reserve Banks to aid in bringing the war in Europe to a close.
3. The regional banks are to be controlled by corporations elected by the President.
4. The Federal Reserve act is taking care of the old soldiers and having them practice war.
5. The Federal Reserve act is one storing money of the country, and any one who is without money, or "broke," can go to these banks and get what money they need.
6. The Federal Reserve act is the tax which he (President Wilson) has levied or the stamps he has caused to be put on all goods bought or sold in the United States. There is also a tax on telegrams, telephone long-distance calls, &c. This is to raise a fund to improve the army and navy and help pay the national debt.
7. There is a Federal Reserve bank in each city of over 10,000, controlled by the officers.
8. The Federal Reserve act was to lay aside a certain amount of the United States money, and this is to be used only in times when the country is in need of it and demands its usage. This money is to be used only when all other money of the United States is at an end.

Mr. Perrin fails to state whether or not the authors of these answers were duly appointed teachers and whether or not they have been intrusted with the responsibility of educating the bankers of the next generation.

"Organized and systematic public relations work," says Mr. Perrin, "would be invaluable, both in informing the public so that through knowledge they would have intelligent reliance in sound member banks fortified by a Federal Reserve bank, and also in developing the understanding of member banks with resulting greater co-operation and consequent profit to themselves and benefit to general business.

"The objective results of the Federal Reserve system so depend upon knowledge both of bankers and of the public that it seems important that this phase of a Federal Reserve bank's endeavors should not be sporadic, but in conformity with a definitely organized plan. Progress in development seems likely to be in direct proportion to the character and quality of such effort."

New York Times
March 18,1917

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FEW RESERVE BANKS USE REDISCOUNTS

Less Than 10 Per Cent. of the Local Institutions Avail Themselves of Opportunity.

302 APPLICATIONS IN YEAR

Aggregate of $22,501,332, Although Small, Is About Double the Amount of Previous Year.

Less than 10 per cent. of the 625 banks which are members of the Federal Reserve Bank of New York availed themselves last year of the rediscounting facilities of the institution. Pierre Jay, Chairman of the Board of Directors, in his annual report which has just been issued, points to the fact that during the year only 302 applications for rediscounts or advances were received, the same aggregating $22,501,332. These came from 62 member banks of which 16 were in New York City and 46 elsewhere in the district.

Although the amount is small, it is about double the figures for the previous year when 277 applications, totaling $11,384,037, were received. It is interesting to note that while in 1915, the difference betwen the applications received and those accepted amounted to $1,715,405, last year this difference, which represents rejections, was only $171,751.

The number of discount items in 1916 was 2,505 compared with 2,261 the previous year. The heaviest rediscount operations occurred in December, during which month the bank granted discounts or advances amounting to nearly $18,000,000 out of a total of a little more than $22,000,000 for the whole year. The largest single application was for $3,877,000 and the smallest, $450. The largest single piece of paper discounted was $1,000,000 and the smallest, $18. The large total for December discounts is accounted for by Mr. Jay, who says that during the period of unsettlement which prevailed in the stock and money market during the latter part of the month, the large New York City banks made use of the discount facilities for the first time, their discounts aggregating $15,620,000.

"The New York district," says Mr. Jay in his report, "is distinctly a creditor district, and its banks are lenders rather than borrowers of money. On June 30, 1916, the total amount borrowed by our member banks from all sources was $4,909,000, against total member banks borrowings for the entire country on the same date of $69,067,000."

The report reviews the increase in the volume of business financed in this country under bankers' acceptance credits, or "dollar credits," as they are called both at home and abroad. The New York Reserve Bank, during the last year, purchased 6,296 acceptances, aggregating $123,406,549, of which $112,664,618 covered export and import transactions, $4,026,818 were indorsed trade bills of foreign origin, and $6,485,112 were domestic acceptances. The balance of $230,000 were bills drawn to furnish "dollar exchange." The New York Reserve Bank also purchased 8,667 acceptances, aggregating $126,487,939 for the account of other reserve banks.

Discussing the progress made during the year in the development of a discount market, Chairman Jay says:

"Responsible banking and brokerage houses have become dealers and specialists in bankers' acceptances, purchasing them at wholesale as they are accepted and offered in this country, quoting rates by cable to foreign countries where they originate as bills of exchange, and contracting for their purchase upon arrival here. This is giving an increasing currency and stability to the 'dollar' bill in foreign markets.

"The demand for such bills during the year from banks and other investors requiring liquid assets of short maturity has generally exceeded the supply and has tended to keep rates for them well below those commanded by any other form of commercial credit instrument. The ease with which they were negotiated at stable rates during periods when other money rates rose abruptly demonstrated in a convincing way their desirability as prime and liquid banking assets, which has long been recognized in other countries.

"The liberal purchase of bankers' acceptances by the reserve banks has undoubtedly added stability to the open market and aided its development.

"The volume of American acceptances current at the close of 1916, including those of nonmember banks and private bankers, and trade bills of foreign origin drawn on American firms and indorsed by banks, is estimated to be about $250,000,000.

"During the year the Federal Reserve Bank of New York has followed the same policy in purchasing acceptances as during the previous year. The acceptances of nonmember banks and of private bankers have been purchased as freely as those of member banks, although the rate on the latter has been slightly more favorable. In order to encourage the indorsement of bills a slight differential has also been made in favor of bills indorsed by prime banks or bankers."

New York Times
March 18, 1917

PLANS FOR MOBILIZING U. S. GOLD RESOURCES

PROPOSED AMENDMENTS TO THE FEDERAL RESERVE ACT.

Changes Sought by Board at Last Session of Congress Failed of Passage and Now Efforts for Such Legislation Will Be Renewed—Proposals Would Bring Accumulation of Gold in Federal Reserve Banks to About $900,000,000.

[Special Correspondence of The Evening Post.]

WASHINGTON, April 3.—Efforts made by the Federal Reserve Board at the last session of Congress for amendments to the Federal Reserve act to permit a mobilization of the gold resources of the country, and for other purposes, are to be renewed. This legislation was formally approved by the Banking and Currency Committees of both houses in the last session, but the legislation died on the calendars because of the brevity of the session and the filibuster, which, in the closing days, prevented the passage of all legislation.

The Federal Reserve Board, like every other branch of the Government, is especially interested in preparedness measures these days, and, in a general way, the more important amendments to the Federal Reserve act that have been suggested emphasize that fact. Owing to the unprecedented prosperity throughout the country, which Gov. Harding declares has helped to make the banks of the United States the strongest, individually and collectively, in the whole world, and owing to the large surplus of gold that has flowed to this country since the war began, the Federal Reserve Board believes it possible to reduce the percentages of reserves required of the member banks in the Federal Reserve system, and would allow the Federal Reserve Banks to receive gold coin and gold certificates in exchange for Federal Reserve notes, which is now done to some extent, by indirection.

IDLE CASH WOULD BE RELEASED.

The effect of these proposals would be to release a goodly portion of the surplus cash now lying idle in the bank vaults, and at the same time increase the accumulation of gold in the vaults of the Federal Reserve banks by about a quarter of a billion dollars, bringing the total to $900,000,000, approximately. By controlling the gold upon which the basis of credit finally rests, the Federal Reserve Board, as the central agency, will be better able not only to finance national amergency demands, but will also be able to prevent over-inflation in all directions.

It is rather a remarkable fact that, on the whole, the Federal Reserve act, as originally passed by Congress, has proved not only a highly efficient instrument of law, but that, at this date, few changes, and those only in the interest of mobility and liberalization, have been found necessary. It is possible that had the new banking system proceeded up to this time through a normal period some of the amendments now proposed might not have been found necessary or agreeable. The new amendments, in fact, bear testimony to the extraordinary financial situation existing in this country, and they will also have a distinct bearing on future developments, whether they relate to the entry of this country into the European war itself or are merely confined to financing some of the belligerent Powers.

SOME MINOR AMENDMENTS.

Coupled with the proposed increased mobilization of gold are a number of minor amendments, which are of interest only to the banks in the Federal Reserve system. These amendments involve small, but somewhat important, changes relative to bank officers in the Federal Reserve Banks, and to relieving national banks of the necessity of keeping on deposit the old United States bonds on which circulation was based.

One amendment—that which proposes an extension of the clearing and collection facilities to non-member banks under certain specified restrictions—represents the last stage of a contest which began when the Federal Reserve system first started. Step by step the Federal Reserve Board has required the member banks to extend their collection facilities until collection for non-member banks has been definitely recommended. The small banks which desire to avail themselves of this facility will be required to cover at par checks on themselves sent for collection, and to keep a compensating balance with the Federal Reserve Bank of their district, which will be fixed by the Federal Reserve Board. The system will be made broad enough to include all checks.

Members of the Federal Reserve Board are anxious to see these amendments enacted by Congress at the present special session. To accomplish this it will be necessary for the Board to impress upon Congress the necessity for all times, as well as the emergency nature of the legislation proposed. It is generally understood that both Houses of Congress desire to touch only such legislation at the present session as is absolutely essential to the general welfare or national defence, but it is believed that Congress would be willing to help the Board mobilize the financial resources of the country as quickly as it would assist the army and navy get men and supplies, payment for which might easily become a problem inviting the attention and coöperation of the Federal Board.

New York Eving Post
April 4, 1917

CLEVELAND, OHIO

David G. Wills, chairman of the Cleveland Federal Reserve Bank, in his analysis of conditions in the Fourth District, says, in part, as follows:

"During March, especially for the week ended March 17, there was a noticeable hesitancy and uncertainty in many lines of business throughout District No. 4. The foreign relations of our Government and the transportation situation caused considerable unrest in commerce and industry. Indications at this writing point to general relief from this feeling and resumption of all activities to the fullest extent.

"Present indications are for a fair yield only of the winter wheat crop. From the Kentucky section the reports show that the tobacco and hemp crops of last year were marketed at greatly increased prices to the farmer, and preparations are being made now for increased production of these crops in the section. Specific inquiry throughout the district reveals a rather unsatisfactory condition regarding plans for increased production of foodstuffs. The lack of sufficient or competent farm laborers is urged as the chief difficulty, due, of course, to the demand for labor in industry at higher wages than the farmer can afford. There are indications that in some agricultural sections farming machinery will be used to a greater extent than heretofore, by which the effect of the labor scarcity will be modified.

"The reports received from various sections of the district indicate that the surplus supply of live stock used for foods is at most not greater than the average of preceding years, and there has apparently been little real effort to improve the situation.

"Since the middle of March the industries of the district have resumed their forward movement with energy, and the indications are for continued aggressiveness.

"Pig iron, billets, plate, bar, rail and sheet producers and manufacturers report very strong demand for all classes of production, with soaring prices. Quotations are marked up all along the line. The prosperity and capacity of producers is apparently limited only by insufficient transportation, labor and fuel supplies. A great many of the producers have indicated intentions of supplying Government needs in advance of all their orders, and in some instances this condition has rendered necessary the postponement of private deliveries. It is entirely fair to say that the observations above made apply with equal force to finished materials and other fabricated articles.

"The producers are entirely unable to secure an adequate labor supply for the production of a sufficient amount of output to meet their demand. Reports show that in the Pennsylvania, Ohio and Kentucky coal regions overtures have been made for entire outputs of the mines at advanced prices. In some instances contracts have been made, and in others refused either on account of conditions or in the hope of making better arrangements, or, as noticeable in the Pennsylvania fields, producers have felt the necessity and desirability of maintaining a percentage of output as free coal.

"There is not much change from the preceding months in commercial activities, unless it be a lessening of stocks of goods by reason of inability to secure shipments; but collection conditions have become a little less favorable. Foodstuffs continue to advance in price, and there is in the cities evidence of decreasing surplus supplies, indicating perhaps further advances.

"A cursory examination of the published statements of banks under the Comptroller's and State Banking Department's calls for reports of condition as of March 5th indicates further gains in the deposit lines generally, though in some localities the increase has been merely nominal. The supply of loanable funds in banks is more than adequate for the needs of the respective localities, and rates continue for the most part unchanged. There was a lessened demand at lower prices for investment securities during the first half of the month of March.

"Bank clearings maintain increases over the corresponding period of the preceding year.

"The outlook is good for commerce and industry, and fair as regards agriculture; necessarily, the agricultural situation will affect unfavorably the general conditions later. There has recently been renewed effort to encourage farm production, and if this should instill greater energy into the farmer the prospects would be better. It does not seem that the movements for increased acreage or more scientific methods in farming have been organized or developed to such an extent as to be promising of results before the planting season."

American Banker
April 7, 1917
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