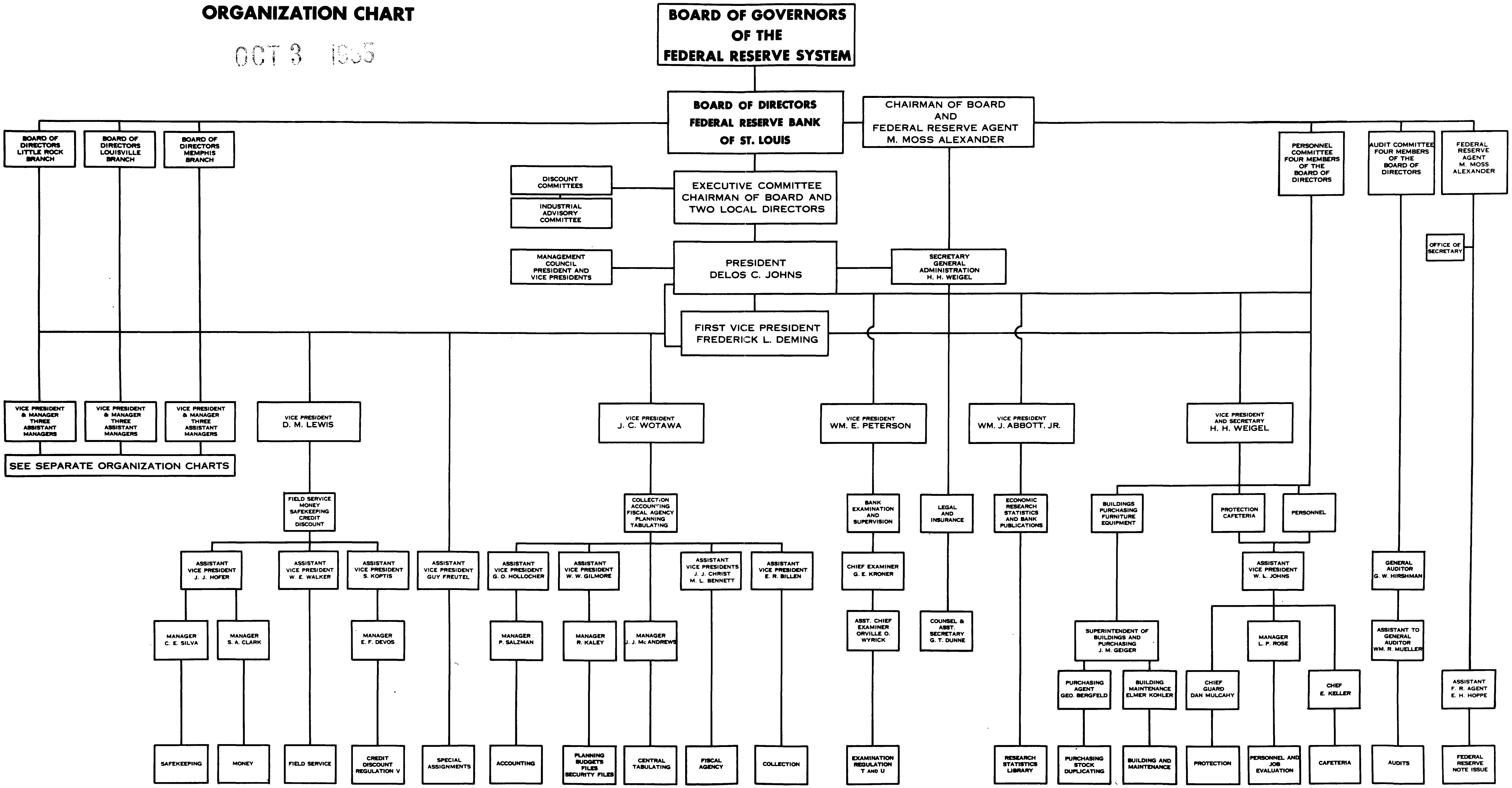
FEDERAL RESERVE BANK OF ST. LOUIS
ORGANIZATION CHART

OCT 3 1955



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LITTLE ROCK BRANCH
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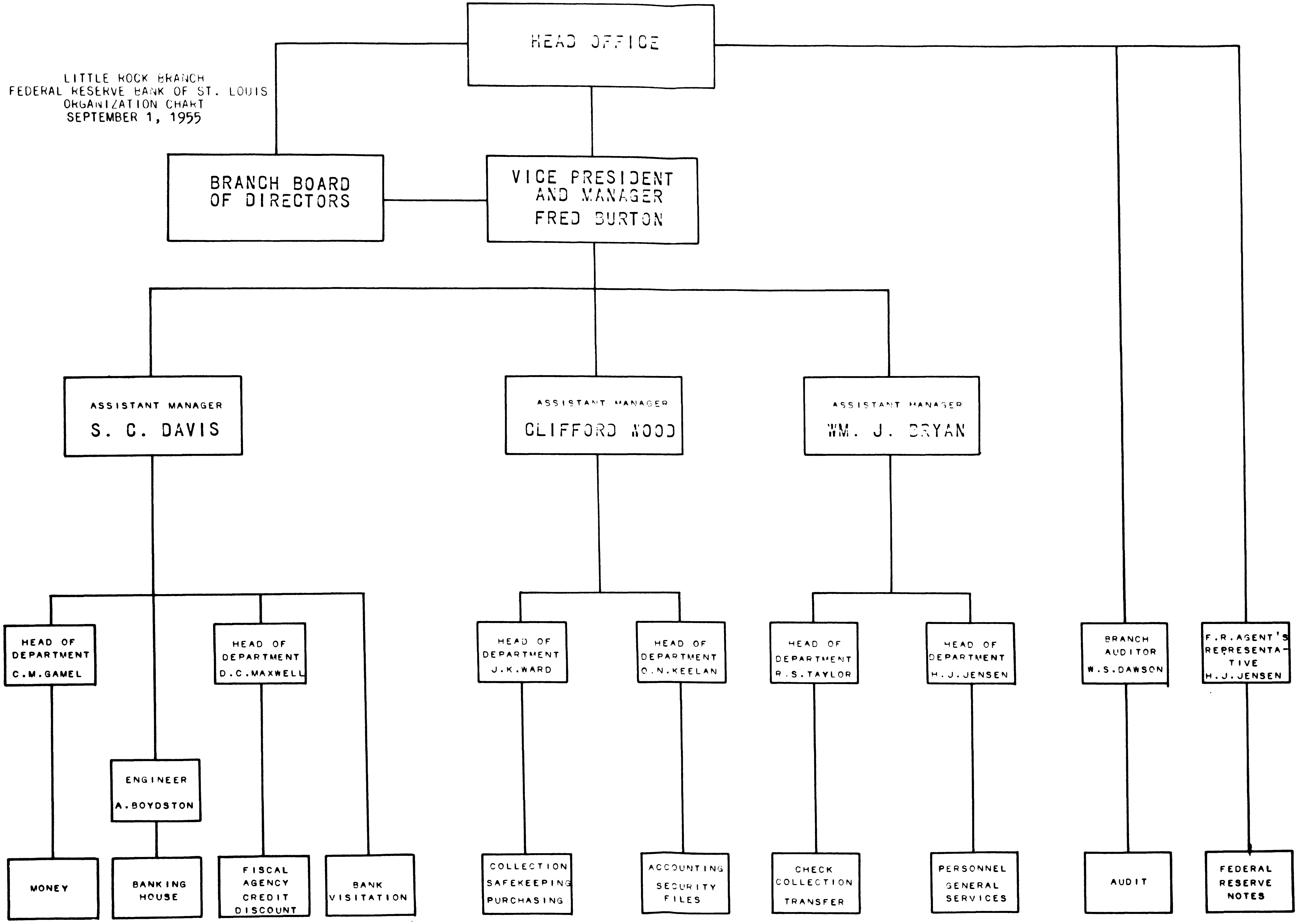
SEPTEMBER 1, 1955



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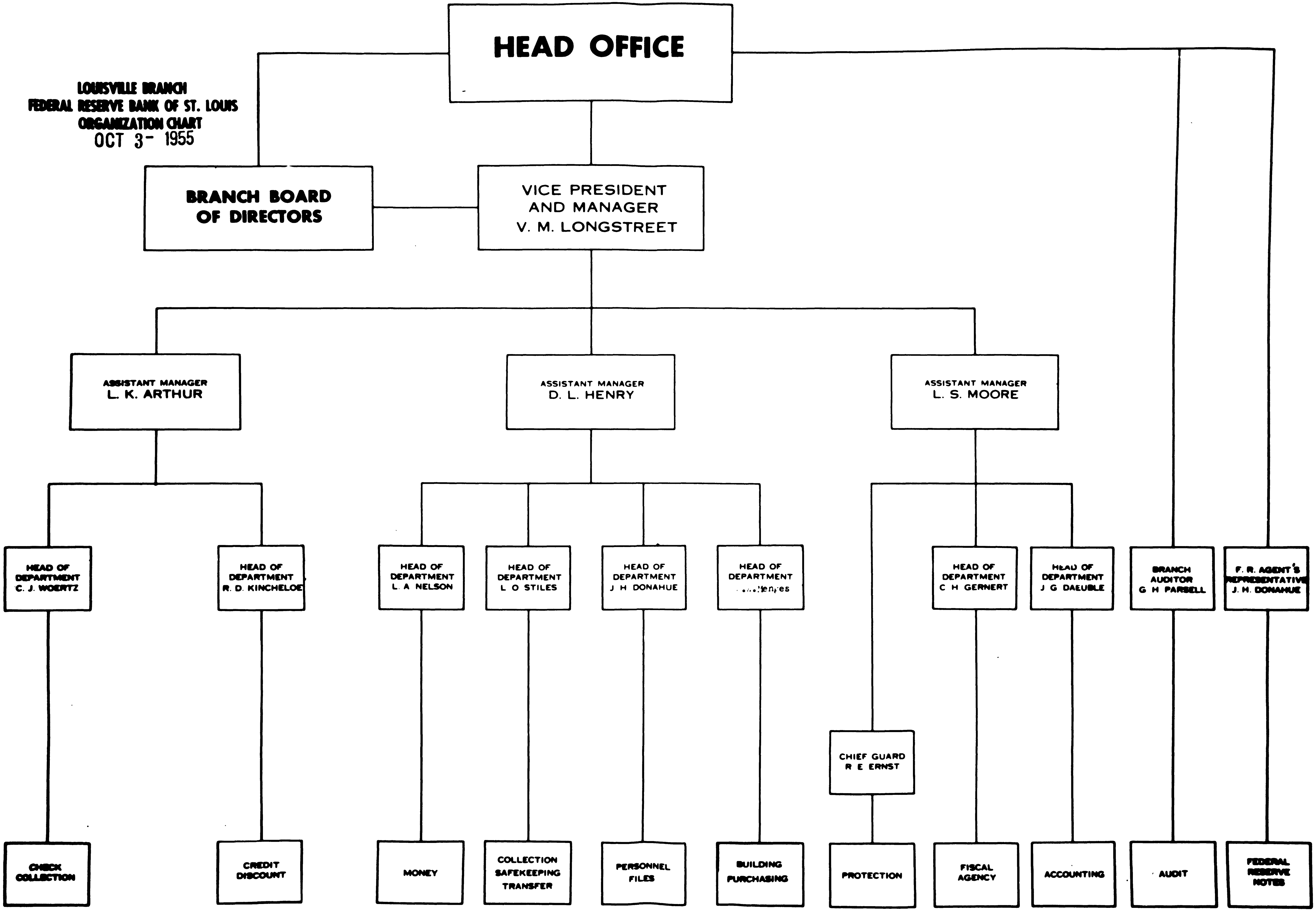

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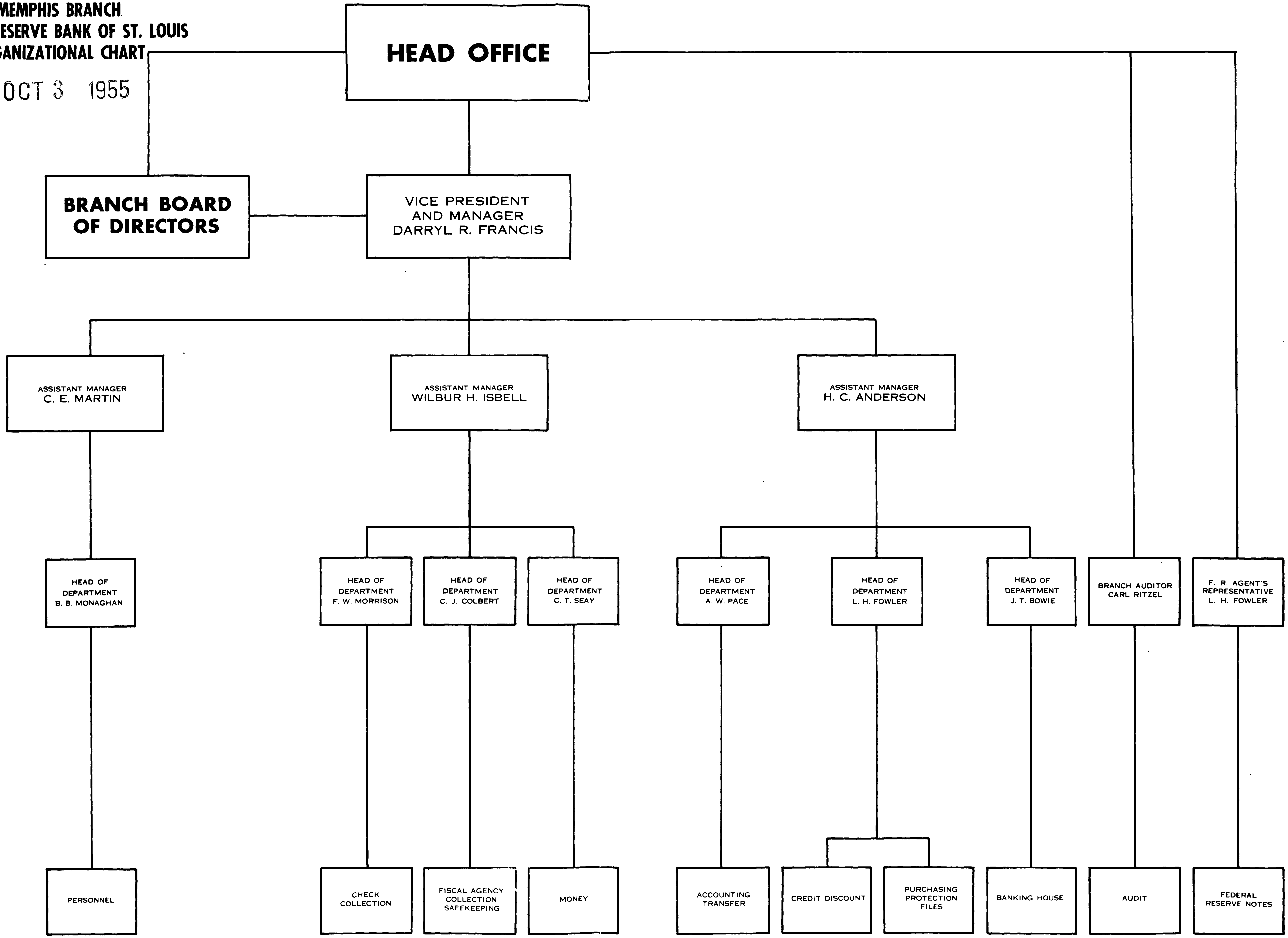
MEMPHIS BRANCH
FEDERAL RESERVE BANK OF ST. LOUIS
ORGANIZATIONAL CHART

OCT 3 1955



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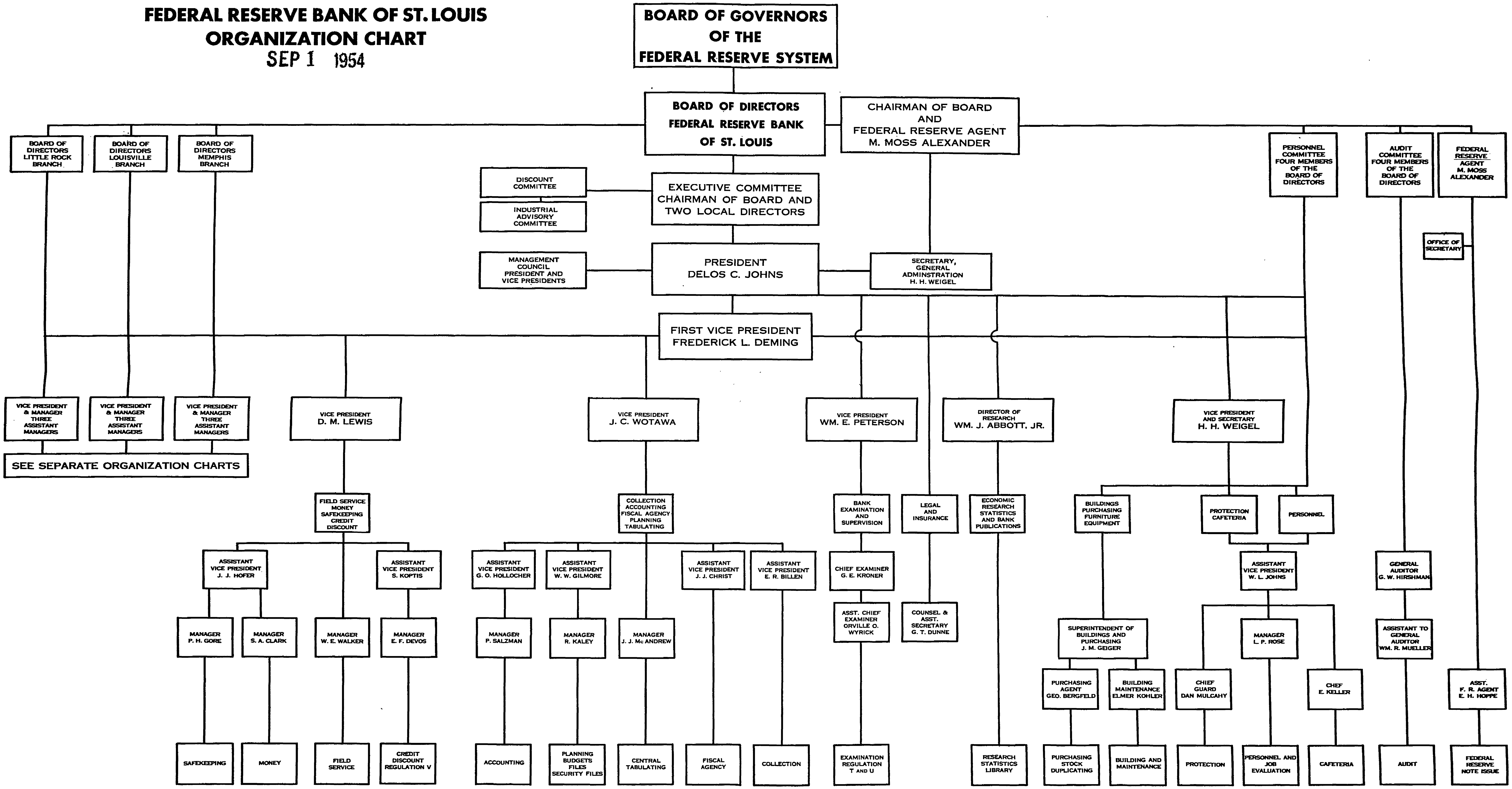

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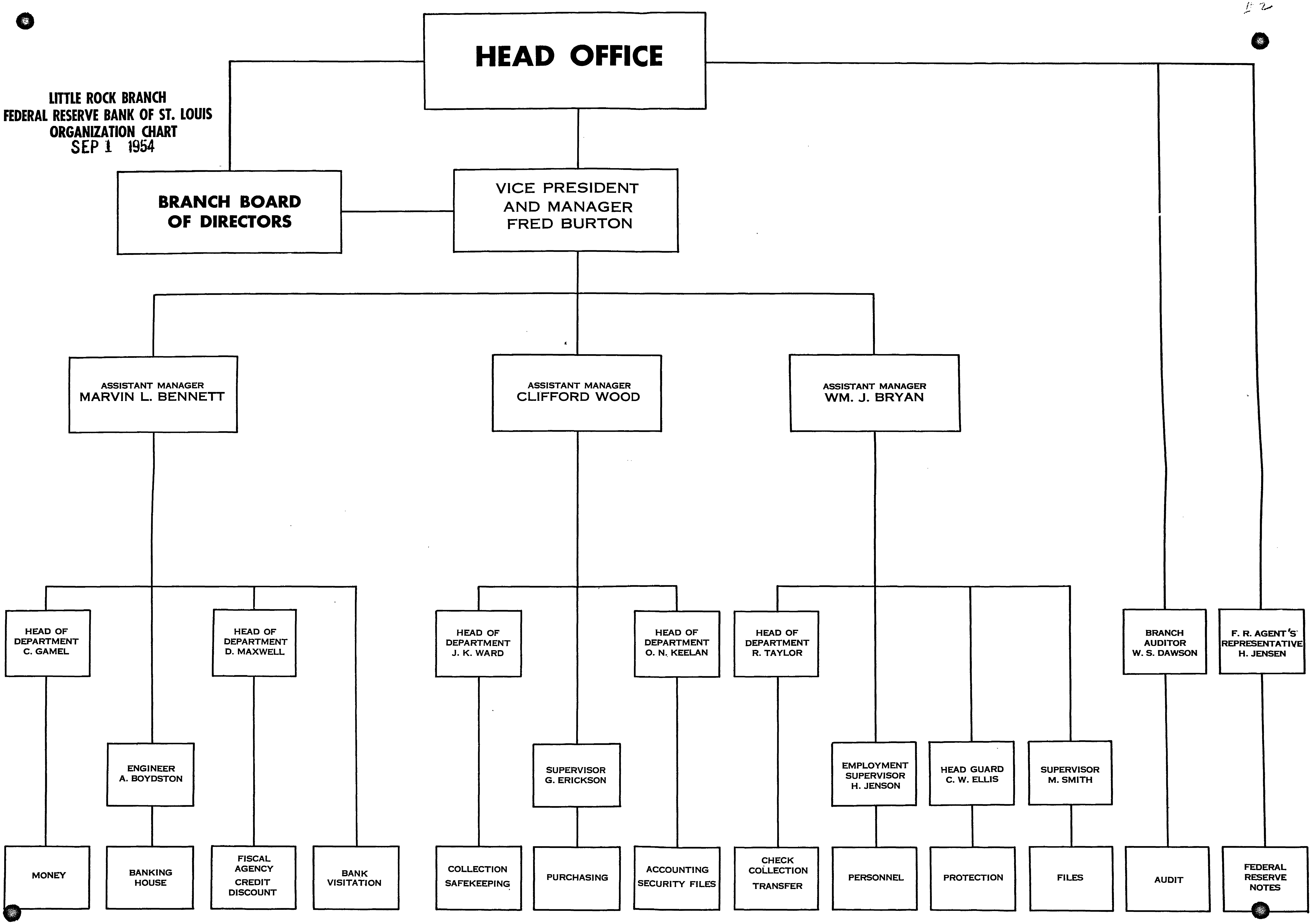

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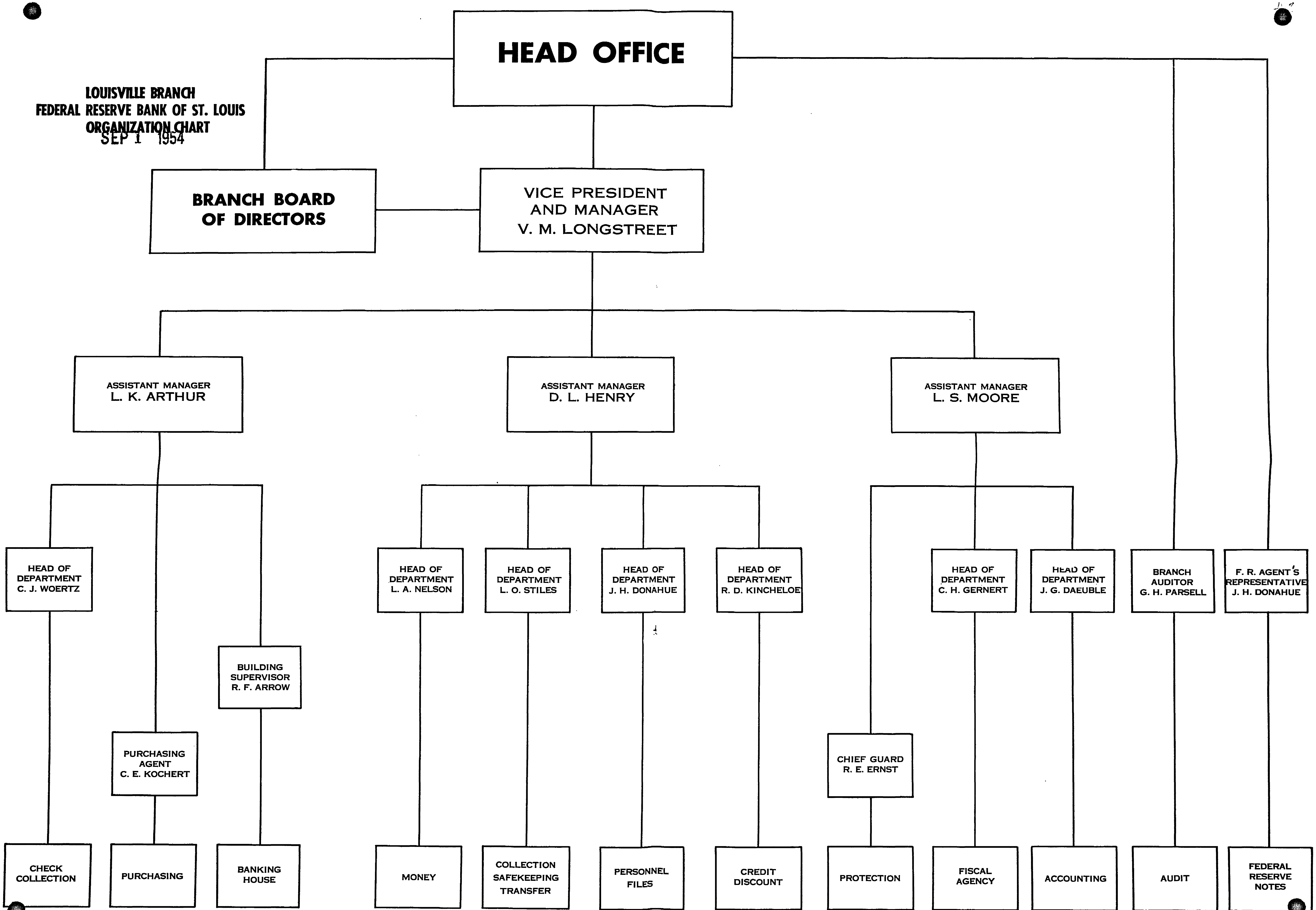

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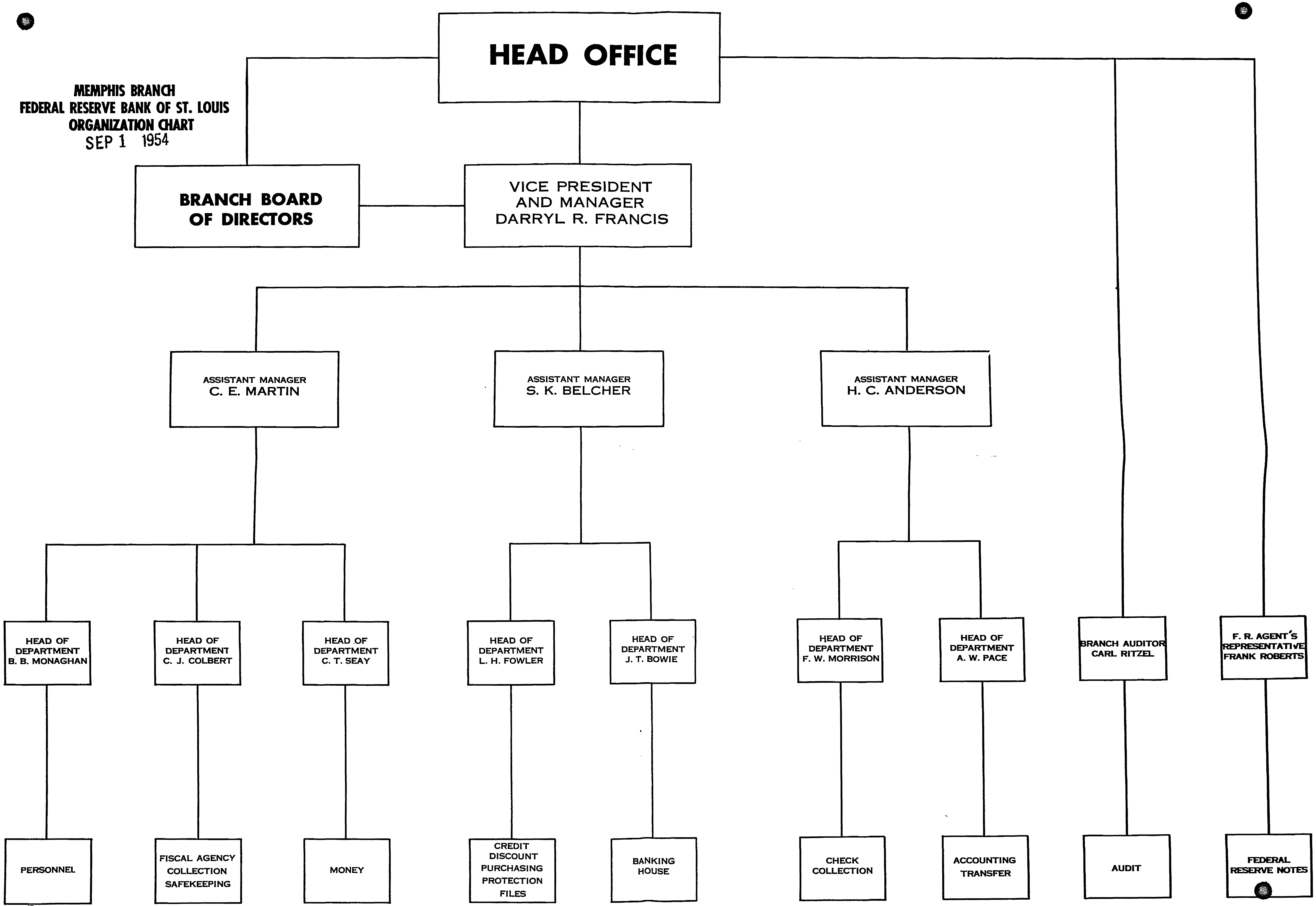

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Article Title: On the Changing Apparatus of Competition

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Author(s):

Article Title: Input-Output Goes to Work in St. Louis Bank Study

Journal Title: *Business Week*

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Date: August 23, 1952

Page Numbers:

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EMIL PLACEK et al.

v.

M. D. EDSTROM, Appt.

LESHARA STATE BANK OF LESHARA, Intervener

Nebraska Supreme Court -- March 7, 1947

(148 Neb 79, 174 ALR 856, 26 NW2d 489)

Chappell, J.

Bank of Prague and Emil Placek, its president, instituted this action to obtain a declaratory judgment construing Chapter 11, Session Laws of Nebraska 1945, appearing as sections 8-163.01 and 8-163.02, RS Supp, 1945, and hereinafter generally designated as the act, to be permissive of an alleged new check-clearance exchange formula adopted by the bank after August 10, 1945, the effective date of the act, or in the alternative to declare the act unconstitutional and enjoin its enforcement. The act is generally known as the par check law. The Leshara State Bank intervened, asking similar relief for itself and all other banks similarly situated who have strictly observed all provisions of the act since its effective date. All banks involved are state banks organized under the laws of this state and for convenience in this opinion will be generally designated as plaintiffs.

After trial upon the issues appropriately presented by the pleadings, the trial court concluded that plaintiffs' alleged new formula was prohibited by the act, and in its decree found generally for plaintiffs and against defendant, adjudged the act to be void as unconstitutional, and enjoined its enforcement. This was done upon the grounds that the act was repugnant to section 14, article III, Constitution of Nebraska, in that it was amendatory of sections 62-213 and 62-1189, RS 1943, and neither contained nor repealed said sections as amended; that the act was repugnant to section 10, article I, Constitution of the United States, in that it impaired the obligations of contracts; and that the act was repugnant to section 3, article I, Constitution of Nebraska, and section 1 of the Fourteenth Amendment to the Constitution of the United States respectively, in that it deprived plaintiffs of property without due due process of law, and denied them the equal protection of the laws.

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Defendant's motion for new trial was overruled, and he appealed to this court, assigning substantially that the trial court erred in so holding the act unconstitutional and enjoining its enforcement. We sustain that contention.

The act provides: "Section 1. All checks drawn on any bank or trust company organized under the laws of this state shall be cleared at par by the bank or trust company on which they are drawn; Provided, the foregoing direction shall not be applicable where checks are sent to banks or trust companies as special collection items. Sec. 2. Any officer or employee of any such bank or trust company who violates the provision of this act shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not less than five dollars nor more than ten dollars for each offense."

Concededly, the proviso contained in section 1 is not involved in any manner and no trust company is a party to this action. Generally speaking, the case is one of first impression, although landmarks of law point the way to constitutional validity.

We have no doubt that the act may be considered as remedial in character. This court has held that: "A law is entitled to be considered remedial whether it remedies a defect of the common law or of a pre-existing statute." Securities Investment Corporation v. Indiana Truck Corporation, 129 Neb 31, 260. This court has also affirmed that in a limited and restricted sense a statute may be penal yet remedial in its nature if designed to remove a condition inimical to the public welfare. Nebraska District of Evangelical Lutheran Synod v. McKelvie, 104 Neb 93, 175 NW 531, 7 ALR 1688.

As early as Harmon v. City of Omaha, 17 Neb 548, 23 NW 503, 504, 52 Am Rep 420, this court put its approval upon the following sage statement appearing in 1 Blackstone's Com., p 87: "In construing remedial statutes there are three points to be considered, viz., the old law, the mischief, and the remedy; that is, how the common law stood at the making of the act, what the mischief was for which the common law did not provide, and what remedy the parliament hath provided to cure this mischief; and it is the business of judges so to construe the act as to suppress the mischief and advance the remedy." We have adhered to that position ever since in cases too numerous to cite here.

It was said in Nebraska State Railway Commission v. Alfalfa Butter Co. 104 Neb 797, 178 NW 766: "The intention of the Legislature is the law, and such intention is to be gathered from the meaning of the language used, in the light of the necessity for or reason of the enactment, and the objects sought to be attained, and, in determining the meaning of the language, its ordinary and its grammatical construction is to be followed, unless an intent appears to the contrary, or unless, by following such construction, the intended effect of the provisions would apparently be impaired."

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This court held in Nebraska District of Evangelical Lutheran Synod v. McKelvie, supra: "The legislature must be presumed to have had in mind all previous legislation upon the subject, so that in the construction of a statute we must consider the pre-existing law and any other acts relating to the same subject," and "Where the general intent of the Legislature may readily be discerned, yet the language in which the law is expressed leaves the application doubtful or uncertain, the courts may have recourse to historical facts or general information, in order to aid them in interpreting its provisions."

The act involved will be construed, therefore, in the light of such judicial direction. As in every other field, there has come about an unprecedented but natural evolution in the business of banking. The public use of its facilities has become almost universal. Its business is no longer localized. The vast bulk of the financial business and commerce of the country is now consummated by the use of checks on banks. They are now generally recognized as a safe and efficient method by which bank credit is transferred from one person to another throughout the state and nation, upon which the necessities of all business, trade and commerce, as well as the financial safety, convenience, and welfare of the public is dependent.

Before checks came into such general usage, banks naturally collected legitimate exchange charges from their customers or depositors for making their funds available, by one recognized mode or another, at a distant place where the customers wished to use them in making a purchase or paying a debt, and they are not now prohibited by the act or by any other law from doing so with profit to themselves. However, with the almost universal use of checks by bank depositors, that method became more or less obsolete. Thus, in making such funds so available, the charge originally made to its customer, the drawer or payer of the check who so transferred his funds to another place, was arbitrarily shifted by some banks in a manner hereafter apparent, from their customer or depositor, who received the benefit thereof, to the payee, or holder of the check, as a so-called exchange charge, without his permission. The latter practice was ultimately recognized as an unjust exaction and became a source of greatest irritation both to banks and to the public. All national banks and most state banks have now long since generally abandoned the practice. Those who have abandoned it are called "par banks," and those who have not are called "nonpar banks." Plaintiffs come within the latter category.

Prior to the effective date of the act, nonpar state banks were exacting the so-called exchange charge from out-of-town checks drawn upon themselves, by their own depositors, at the time when such checks were directly presented by out-of-town banks, wherein they had been deposited, in cash mail letters for clearance, with request for collection and remittance, which was customarily consummated by draft drawn upon a correspondent bank and mailed to the forwarding bank. Under its original formula, plaintiffs computed such charges at the

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rate of 5 cents on each check of $10 or less, 10 cents on each check over $10, subject to a limitation of not more than 50 cents for any one cash letter. The charges so computed were deducted from the total of all checks received in any one cash letter, and after such deduction was made and credited as a profit to itself, a draft was drawn by the bank and mailed in remittance of the balance to the forwarding bank.

After the act became effective, evidently conceding that its original formula was prohibited by it, the Bank of Prague adopted a so-called new formula which it claims was not prohibited by the act. Under that formula, it computes the total of all checks received in any one cash letter, deducts thereform an amount equal to 10 cents for each $100 or fraction of the total, and after such deduction, draws a draft for remittance of the balance, which is mailed to the forwarding bank. The only difference observable to us between the old formula and the new is that the amount exacted and deducted under either one or the other might not be the same. In fact, there is simply a distinction without a difference between the two, and if the act is constitutionally valid prohibiting one, it certainly prohibits the other or both of them.

We come then to the question whether or not the act is constitutional. Its efficient words are: "All checks drawn on any bank . . . organized under the laws of this state shall be cleared at par by the bank . . . on which they are drawn; . . ." . The requirement is not that all checks shall be paid at par, nor that they shall be collected at par. It is the manner in which all checks must be cleared by all state banks, and not that they must be paid or collected at all events, that is prescribed by the act. It is par clearance which is required.

In First State Bank of Hugo v. Federal Reserve Bank, 174 Minn 535, 219 NW 908, 912, it was said: "Primarily the benefit from having checks cleared at par goes to the makers of such checks, the customers of the bank upon which they are drawn. If such a customer can send his check to another city or place in payment of his debts or purchases and have the check cleared at par, he saves money and inconvenience, saves purchasing a draft and paying the exchange thereon. He cannot compel his debtor or obligee at the other end to accept his check subject to exchange charges. His bank is, to that extent, favoring him and incidently attracting customers to itself."

In Farmers & Merchants Bank of Monroe, N. C. v. Federal Reserve Bank, 262 US 649, 43 S Ct 651, 653, 67 L ed 1157, 30 ALR 635, it was said: "Par clearance does not mean that the payee of a check who deposits it with his bank for collection will be credited in his account with the face of the check if it is collected. His bank may, despite par clearance, make a charge to him for its service in collecting the check from the drawee bank. . . . Par clearance refers to a wholly different matter. It deals, not with charges for collection, but with charges incident to paying. It deals with exchange. Formerly, checks, except where paid at the banking house over the counter, were customarily paid either through a clearing house or by remitting, to the bank in which they had been deposited for collection, a draft on the drawee's deposit in some reserve city. For the service

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rendered by the drawee bank in so remitting funds available for use at the place of the deposit on the check, it was formerly a common practice to make a small charge called 'exchange,' and to deduct the amount from the remittance." It was a similar deduction by a drawee bank which the act involved sought to eliminate, but there is nothing in the act which prevents the bank from charging its customer or depositor for such services rendered to him for his benefit. Therefore, the act does not compel such a bank to donate the use of its services or property without compensation. It is not thereby, or by any law related thereto, as will be hereinafter observed, compelled to do anything without compensation. Such banks are simply told that if they do clear checks, it must be done at par without deduction of a so-called exchange charge from remittances to forwarding banks.

A check can be paid by an individual, but it can be cleared only by a bank. In other words, a check can be paid without being cleared. In this state, when checks are forwarded to a drawee bank by another bank in a cash letter, the drawee bank now ultimately becomes the agent of the forwarding bank, and the holder of the check. When it charges the amount of the check to the account of its depositor it pays the check to itself as agent for the holder or forwarding bank, and thereafter holds the funds in a fiduciary capacity as such agent. The check is then paid but not cleared. It is only cleared when such funds are properly remitted to forwarding bank. This court has held that the drawee bank may and does now act in a dual capacity, to wit: (1) As drawee in paying the checks to itself, and (2) as agent for the holder or forwarding bank in receiving its payment and clearing the check by directly remitting the funds in their hands to the forwarding bank. State ex rel. Sorensen v. Nebraska State Bank, 120 Neb 539, 234 NW 82. See, also, sections 62-207 to 62-216, inclusive, RS 1943.

The legal relationship, therefore, of drawee banks as agents with their principals, the holders of the checks, is entirely distinct and different from their relationship as drawees with their depositors, the payers or makers of the checks. Their relation with the depositors is contractual, actual or implied. City of Lincoln v. First Nat. Bank, 146 Neb 221, 19 NW2d 156. The act, it will be observed, does not relate to or affect the contract of a bank with its depositors. Therefore, it does not impair the obligations of such contracts in violation of section 10, article I, Constitution of the United States.

A check is a negotiable instrument. Sec. 62-1185, RS 1043. As such, it contains an unconditional order to pay a sum certain in money. Secs. 62-101 and 62-1126, RS 1943. It is discharged by payment in due course. Sec. 62-1119, RS 1943. The bank's duty to its depositor is to honor and pay its checks if, when presented, the drawer has on deposit sufficient funds available for that purpose. That duty is fully discharged when the bank receives, honors, and pays the depositor's check and complies with the order contained therein to pay the sum certain. However, that duty is subject to the common-law right of the bank, preserved by section 62-213, RS 1943, to refuse to pay checks drawn upon it as drawee otherwise than at its own counter. Therefore, the bank may insist that the holder or his representative receive payment over the counter and is not required

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to forward the proceeds to another place. Therefore, if a drawee bank undertakes to and does pay checks presented otherwise than at its own counter, such as checks received by mail in cash letters, it does so entirely outside its contract with and its legal duty to the depositor who draws the check. By doing so, the bank assumes new and different relationships and duties not based upon its contract with its depositors.

Section 62-209, RS 1943, provides: "Where the item is received by mail by a solvent drawee or payer bank, it shall be deemed paid when the amount is finally charged to the account of the maker or drawer." When that is done we are no longer concerned with the bank's legal duty to its depositor. That duty has been fully performed because checks drawn by the depositor have been discharged by payment in full at par to the bank. From that point on, the bank's legal obligation is to the holder, arising from the fact that the bank is then the holder's agent and possesses and holds the entire proceeds of the paid check in an agency-trust relationship. At that point clearance begins. The act provides that: "All checks . . . shall be cleared at par," but at that point, the plaintiff bank makes a deduction from a trust fund held by it and remits the balance thereafter. It is that mischief which the act sought to remedy, and it relates to and affects only the capacity of a drawee bank as agent for the holder of checks drawn upon and paid to itself.

Section 62-1189, RS 1943, specifically provides that a check does not of itself operate as an assignment of any part of the funds to the credit of the drawer at the bank, and that the bank is not liable to the holder unless and until it accepts or certifies the check. Certification is not involved here. It is clear that prior to the time when the check is accepted by the bank, it is under no legal duty to the holder thereof. That duty which is fiduciary in character, arises only when the bank accepts the check, charges it to the drawer's account, and pays itself the money. It is terminated only when full remittance is made to the holder. The act simply requires full performance of that duty.

At this point, it is well to say that we fail to see how the act could be violative of section 14, article III, Constitution of Nebraska, since it does not amend, or contain, or in any manner affect or repeal either sections 62-213 or 62-1189, RS 1943, or any other statute of Nebraska previously existent. Without doubt those sections and the act in controversy simply relate to the same or closely allied subjects and have a common purpose or the same general purpose and are component parts of the same general banking scheme or plan, therefore in pari materia. It is fundamental in this jurisdiction that statutes relating to the same subject, although enacted at different times, are in pari materia and should be construed together. Morrill County v. Bliss, 125 Neb 97, 249 NW 98, 89 ALR 932; McQuiston v. Griffith, 128 Neb 260, 258 NW 553; Enyeart v. City of Lincoln, 136 Neb 146, 285 NW 314; Hadley v. Corey, 137 Neb 204, 288 NW 826.

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We have heretofore found that the act did not impair the obligation of any contracts between the bank and its depositors. We turn then to the obligations of drawee banks to the holders of the checks. It is an elementary proposition of constitutional law that the obligations of a contract cannot be said to be impaired by a statute which was in force when the contract was made. Generally speaking, the laws in force at the time a contract is entered into form a part of it and enter into its obligation, but the law then in force affording a remedy for its breach may be modified or changed without impairing the obligation of the contract if an adequate remedy is left. Norris v. Tower, 102 Neb 434, 167 NW 728.

Section 10, article I, Constitution of the United States, has reference only to laws enacted after the making of contracts, the obligations of which are claimed to be impaired. Lehigh Water Co. v. Borough of Easton, 121 US 388, 7 S Ct 916, 30 L ed 1059; Munday v. Wisconsin Trust Co. 252 US 499, 40 S Ct 365, 64 L ed 684; City of New Orleans v. New Orleans Water Works, 142 US 79, 12 S Ct 142, 146, 35 L ed 943.

In the last cited case, it was said: ". . . we think that, before we can be asked to determine whether a statute has impaired the obligation of a contract, it should appear that there was a legal contract subject to impairment, and some ground to believe that it has been impaired; and that, to constitute a violation of the provision against depriving any person of his property without due process of law, it should appear that such person has a property in the particular thing of which he is alleged to have been deprived."

Likewise, in Chicago, B. & Q. Co. v. Cram, 228 US 70, 33 S Ct 437, 440, 57 L ed 734, involving a Nebraska statute, it was said: "The contention is made that the statute impairs the obligation of the contracts which existed between plaintiff in error and defendant in error; but that contention was not made in the court below and cannot therefore be made here. Besides, there is no evidence of the contracts in the record. Contracts were pleaded, and there appears to have been some attempt to introduce them in evidence, but unsuccessfully, and they were stricken from the bill of exceptions. But, assuming the contracts may be considered on this record, a complete answer to the contention that the statute impairs their obligation is, they were made subsequently to the statute, and therefore are subject to it."

Contracts upon which plaintiff banks obligate themselves with holders of checks drawn on themselves are implied in law. They are necessarily of short duration and generally performed and fully executed the same day. Plaintiffs neither pleaded nor proved, nor did the trial court find that any such contracts were in existence and unexecuted on August 10, 1945, the effective date of the act. Every check drawn on plaintiff banks and received and paid by them thereafter was the subject of a new and separate contract between the bank and the holder, and embraced the act as an integral part thereof, which includes plaintiffs' statutory duty to remit the balance in full, that is to clear all checks at par.

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Upon the basis of the analysis heretofore made, we conclude that the act did not impair the obligations of any contract between plaintiff banks and any other person, either depositor or holder, therefore it is not repugnant to section 10, article I, Constitution of the United States.

Finally, we have the question whether the act is unconstitutional upon the ground that it denies plaintiffs equal protection of the laws or deprives them of property without due process as in violation of section 3, article I, Constitution of Nebraska, and section 1 of the Fourteenth Amendment to the Constitution of the United States.

Section 8-110, RS 1943, specifically provides: "The business of banking, or the receiving of deposits of money or instruments of credit subject to be repaid upon check, draft, certificate, passbook or order; the discounting or negotiating of promissory notes, drafts, bills of exchange, and other evidences of debt; and the loaning of money upon personal or other security is hereby declared to be a quasi-public business and subject to regulation and control by the state."

It is generally held that: "Banks are indispensable agencies through which the industry, trade, and commerce of all civilized countries and communities are carried on; the business which they transact, though for private profit, is of a preeminently public nature, and is therefore universally recognized as a proper subject of legislative regulation under the police power of the state. The power of the legislature in this regard is supreme, subject only to such limitations as are imposed by the fundamental law." 7 Am Jur, Banks, § 9, p 30. See also, Citizens State Bank v. Strayer, 114 Neb 567, 208 NW 662; State ex rel. Chamberlin v. Morehead, 99 Neb 146, 155 NW 879.

In speaking of due process of law and equal protection of the law, it was said by this court in Dysart v. Yeiser, 110 Neb 65, 192 NW 953, 955, "These constitutional provisions are intended to, and do, guarantee the right to make and enforce contracts as property rights, but the right to make and enforce contracts may be restricted and is subject to such limitations as the state, in the proper exercise of its police power, may impose. That is to say, it is subject to reasonable restraint and regulation in the interest of the public welfare."

In State ex rel. Sorensen v. Nebraska State Bank, 124 Neb 449, 247 NW 31, it was held: "The business of banking involves more than the creation of a private debtor and creditor relation, and embraces the establishment of a public instrumentality for the discharge of a public purpose for the promotion of public good."

No part or provision of the federal constitution was ever intended to take from the states the right to properly exercise their police powers, which generally extend to all the great public

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needs which are lawfully recognized as immediately necessary to promote the public welfare. That such power may be exercised by a state within reasonable limits to regulate the business of banking, whose facilities are generally recognized as an indispensable condition of commerce, is well established. Noble State Bank v. Haskell, 219 US 104, 31 S Ct 186, 55 L ed 112, 32 LRA NS 1062, Ann Cas 1912A, 487, rehearing, 219 US 575, 31 S Ct 299, 55 L ed 341; Shallenberger v. First State Bank, 219 US 114, 31 S Ct 189, 55 L ed 117; In re Opinion of Justices, 278 Mass 607, 181 NE 833, 82 ALR 1021; Holland v. Nakdimen, 177 Ark 920, 9 SW2d 307, 62 ALR 484; State ex rel. Chamberlin v. Morehead, supra.

In Wenham v. State, 65 Neb 394, 91 NW 421, 423, 58 LRA 825, this court said: "All property in this state is held subject to rules regulating the common good and the general welfare of our people. This is the price of our advanced civilization, and of the protection afforded by law to the right of ownership and the use and enjoyment of the property itself. Rights of property, like other social and conventional rights, are subject to reasonable limitations in their enjoyment, and to such reasonable restraints and regulations by law as the legislature, under the governing and controlling power vested in them by the constitution, may think expedient. This power, legitimately exercised, cannot be limited by contract, nor bartered away by legislation. It is a power that is necessarily inherent in every form of government. This inherent power, reasonably used, may be said to be due process of law. . . . The police power of the state cannot be put forward as an excuse for oppressive and unjust legislation, but it may be lawfully resorted to for the purpose of preserving the public health, safety, or morals; and a large discretion is vested in the legislature to determine not only what the interests of the public require, but what measures are necessary for the protection of such interest."

In Pascagoula Nat. Bank v. Federal Reserve Bank of Atlanta, D. C., 3 F2d 465, 468, of which the United States Supreme Court refused to take original jurisdiction because the constitutional question raised was not sufficiently substantial (269 US 537, 46 S Ct 119, 70 L ed 400), it was said: "The result of these provisions of the Reserve Act so construed is to require a member bank to pay without deduction checks drawn on it when presented by its Reserve Bank, whether paid over its counter or by the more convenient means of a check on its own deposits elsewhere. This takes none of the property or property rights of complainant without due process of law. Complainant may refuse to pay otherwise than in cash over its counter, according to the common law, as, on the other hand, the Reserve Bank may insist on that sort of payment. What is lost is the right to agree on a compensation for a more convenient payment by draft on more accessible reserves when both parties are willing so to agree. That the state, having power over the state banker and his business, may regulate his method of receiving and paying out his deposits was ruled in Farmers' & Merchants' Bank of Monroe, (N. C.) v. (Federal) Reserve Bank of Richmond, (Va), 262 US 649, 43 S Ct 651, 67 L ed 1157, 30 ALR 635. A similar power must be

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recognized in the United States to regulate the banking in the Federal Reserve system. Complainant, being a national bank, chartered to do its business under the federal laws, cannot complain that those laws are not, or do not remain, such as it would prefer. It is not compelled to do anything without compensation. It is simply told that, if it does the thing in question, it must be done without compensation. Noble State Bank v. Haskell, 219 US 575, 31 S Ct 299, 55 L ed 341." We conclude, therefore, that plaintiffs were not deprived of property without due process of law.

In Farmers & Merchants Bank v Federal Reserve Bank, supra, it was said: "It is well settled that the Legislature of a state may (in the absence of other controlling provisions) direct its police regulations against what it deems an existing evil, without covering the whole field of possible abuses. . . . If the Legislature finds that a particular instrument of trade war is being used against a policy which it deems wise to adopt, it may direct its legislation specifically and solely against that instrument. . . . If it finds that the instrument is used only under certain conditions, or by a particular class of concerns, it may limit its prohibition to the conditions and the concerns which it concludes alone menace what it deems the public welfare." It will be noted that the classification of the act is all inclusive of all checks drawn upon and cleared by all state banks. The record in this case discloses ample grounds for such a classification. Hence, there was no denial of equal protection of the laws.

In the light of the situation heretofore presented, we can only decide that the act is an entirely reasonable exercise of the police power of this state and not repugnant to section 3, article I, Constitution of Nebraska, or section 1 of the Fourteenth Amendment to the Constitution of the United States.

We conclude that the trial court was right when it found that plaintiff's new formula was prohibited by Chapter 11, Session Laws of Nebraska 1945, but erroneously adjudged that the act was unconstitutional and void and erroneously enjoined its enforcement by the defendant. For the reasons heretofore stated, the cause is reversed and remanded with directions that the trial court enter a decree in favor of the defendant and against plaintiffs, in conformity with this opinion, with costs taxed to plaintiffs, Emil Placek and Bank of Prague, except that intervener shall be taxed with all costs of intervention.

Reversed and remanded with directions.

Petition for rehearing denied.

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BENEFITS AND REQUIREMENTS OF THE FEDERAL RESERVE SYSTEM

Purposes. Following the money panic of 1907, Congress appointed the National Monetary Commission to inquire into and recommend changes in the banking and currency laws. The Commission made an exhaustive study, not only of our laws and experiences, but also of the central banking systems of other countries. It submitted its report in 1912, which paved the way for needed legislation.

In 1913 the Federal Reserve Act was enacted, being signed by the President on December 23. As stated in the preamble, its purposes were "to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." By amendments since then, the functions and objectives have been broadened.

Organization. Under provisions of the Act, the Federal Reserve System was established on November 16, 1914. It comprises the member banks, over 6,700; twelve regional Federal Reserve Banks with 24 branches; the Board of Governors of the Federal Reserve System; the Federal Open Market Committee, and the Federal Advisory Council.

Located in Washington, the Board of Governors consists of seven members appointed for 14-year terms by the President and confirmed by the Senate. On the Open Market Committee are the seven members of the Board of Governors and five reserve bank presidents designated annually by the reserve institutions. The Advisory Council is composed of twelve members, one selected annually by each reserve bank.

The Federal Reserve Banks are located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, and each serves a designated territory. Their activities are coordinated by the Board of Governors, through regulations, examinations, conferences, and other means.

Member banks include all national banks and such eligible State banks and trust companies as apply for membership and are admitted. They own the capital stock of the reserve banks, and maintain their legal reserves in them. The members hold over 85% of the demand deposits and about three-fourths of the total deposits in all banking institutions in the United States.

Functions. Federal Reserve functions include services and central banking operations for the general welfare.

The performance of functions to help maintain sound monetary and credit conditions has become an important activity of the Federal Reserve authorities. This requires policy decisions from time to time regarding open market transactions in U. S. securities, discount rates, reserve requirements, maximum security loan values, interest rates on deposits, and other factors.

Through the issuance of Federal Reserve notes, the reserve banks furnish an elastic currency that enables the circulating media to expand or contract in accordance with seasonal and other demands. Besides being obligations of the United States and a first lien on the assets of the issuing bank, the notes are specifically secured by gold certificates and other eligible collateral.

Various services are provided by the Federal Reserve Banks for the member banks, such as making advances or rediscounting, supplying currency and coin, collecting checks and noncash items, and transferring funds by wire, as hereinafter described. Making the entries to the reserve accounts of the members expedites and facilitates such transactions.

In addition, the Federal Reserve Banks act as depositaries, fiscal agents, and custodians for the U. S. Government and some of its agencies. The reserve banks carry the principal checking accounts of the Treasury Department, and handle much of the work in issuing, exchanging, and redeeming Government securities.

Value of System. During the four decades of its existence, the Federal Reserve System has become an integral part of the American economy. In times of peace and war, the System has demonstrated its usefulness and beneficial influence.

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The Federal Reserve Bank of St. Louis serves the Eighth District, which embraces the entire State of Arkansas, all of Missouri except the western tier of counties, the southern portions of Illinois and Indiana, the western parts of Kentucky and Tennessee, and the northern half of Mississippi. It has branches in Little Rock (opened 1-6-19), Louisville (12-3-17), and Memphis (9-2-18).

The Board of Directors of the Federal Reserve Bank of St. Louis is composed of nine members, six of whom (Classes A and B) are elected by the member banks, and three (Class C) are appointed by the Board of Governors in Washington. One Class C director is designated Chairman of the Board and Federal Reserve Agent, and another as Deputy Chairman. Each of its branches has seven directors, four of whom are appointed by the head office directors, and three by the Board of Governors. The directors are chosen from industry, commerce, and other pursuits, as well as banking. Officers of the head office and branches are elected by the St. Louis board.

At close of 1953 the bank had a paid-in capital of $9,150,000, surplus and other capital accounts $32,073,000, total deposits $809,000,000, and Federal Reserve notes outstanding $1,215,000,000. Its 493 national and State bank members ranged in size from institutions with $25,000 capital to the largest in the district.

REQUIREMENTS OF MEMBERSHIP

As stated in Regulation H of the Board of Governors, in acting upon the application of a State institution for membership, the law provides that consideration shall be given to its financial condition, management, corporate powers, and other factors.

Capital. To be eligible for admission to membership, "a State bank...must possess capital stock and surplus which, in the judgment of the Board, are adequate in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities: Provided, That no bank engaged in the business of receiving deposits other than trust funds, which does not possess capital stock and surplus in an amount equal to that which would be required for the establishment of a national banking association in the place in which it is located, shall be admitted to membership unless it is, or has been, approved for deposit insurance under the Federal Deposit Insurance Act."

The minimum capital requirements of new national banks are as follows:

In cities having population of -	Capital required
6,000 or less	$ 50,000.
Over 6,000 but not over 50,000	100,000.
Over 50,000	200,000.

except that in the outlying districts of a city of over 50,000, where the State laws permit the organization of State banks with a capital of $100,000 or less, national banks may have a capital of not less than $100,000.

Deposit Insurance. The Act provides that deposits in member banks shall be insured by the Federal Deposit Insurance Corporation (up to $10,000 for any one depositor).

Stock Subscription. National and State member banks subscribe for stock in the Federal Reserve Bank equal to 6 per cent of their capital and surplus. Only one-half of the par value of the stock is paid, the other half remaining subject to call by the Board of Governors of the Federal Reserve System. Upon the amount paid in, the reserve bank pays cumulative dividends at the rate of 6 per cent per annum, credited semiannually.

Reserve Requirements. Member banks maintain with the Federal Reserve Bank reserve balances of not less than the following: Banks in central reserve cities

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(New York and Chicago), 13 per cent of net demand and 3 per cent of time deposits; in reserve cities, 10 per cent of demand and 3 per cent of time; and elsewhere, 7 per cent of demand and 3 per cent of time. The Board of Governors has power to change these percentages "in order to prevent injurious credit expansion or contraction," but the requirements may not be made lower than those stated nor more than twice as high.

The only reserve cities in this district are Little Rock, Louisville, Memphis, St. Louis, and National City (Ill.). If located in the outlying district of a reserve city, a member bank may apply for the lower requirements. The reserve against demand deposits is figured on the net amount, that is, gross demand deposits less cash items in process of collection and balances due on demand from banks other than the Federal Reserve Bank.

All of the States in the Eighth District, except Illinois in which the law is silent on the subject, provide that when a State bank or trust company becomes a member of the System, it shall be required to maintain only the reserves prescribed under provisions of the Federal Reserve Act.

A member bank carries its reserve account with either the head office or a branch. The reserve account may be freely checked against and may be kept up by shipping currency at the expense of the reserve bank, by depositing checks and drafts, by wire transfers, or by borrowing. If the average balance for a reserve period is insufficient, a penalty is assessed on the deficiency at a rate 2 per cent above the reserve bank's discount rate. In certain cases the penalty may be waived.

Examinations and Reports. National banks are examined by the Comptroller of the Currency semiannually, as a rule, and copies of the reports are furnished to the reserve bank. State member banks are examined by the Federal Reserve Bank's examiners ordinarily once a year, and such examinations are usually made in conjunction with State examinations. No charge is made for Federal Reserve examinations. In practice, the FDIC discontinues its examinations of an insured State bank when it joins the System.

State member banks furnish the Federal Reserve Bank semiannual reports of earnings and dividends and not less than three reports of condition each year. The national banks send the reserve bank copies of similar reports that they submit to the Comptroller. Member banks also furnish it reports of required reserves - those on a reserve city basis submitting such reports weekly and those on a country bank basis, semimonthly.

Miscellaneous. There are certain other Federal provisions which apply to State members as well as to national banks. For instance, they are subject to Sec. 5136 (par 7) of the U. S. Revised Statutes, with respect to purchasing, selling, underwriting and holding investment securities and stock. However, the limitations do not apply to general obligations of States and political subdivisions thereof or to obligations of the United States and various agencies. The Federal Reserve Act (Sec. 22g) limits to $2,500 loans to a member's own "executive officer" (one who participates or has authority to participate in the operating management otherwise than as a director). Inactive officers may be exempted by resolution of the board. Under Sec. 11m, the limit on loans to a borrower on U. S. direct and guaranteed obligations is 25 per cent of a member's capital and surplus, and on other bond and stock collateral, 10 per cent. In general, the State limitations continue to apply on loans of a State member.

The Board of Governors prescribes for each State institution approved for membership conditions to the effect that (1) there shall be no change in the general character of its business or in the scope of its corporate powers exercised at the time of admission, without the Board's permission, and (2) the net capital and surplus funds shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

However, subject to the Federal provisions, a State bank or trust company becoming a member of the System retains its charter and statutory rights and may continue to exercise the corporate powers granted it by the State. It may withdraw from membership if it should so desire.

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Other information that may be of interest in this connection is given in the following regulations of the Board of Governors: Retention or establishment of branches, Regulation H; interlocking bank directorates, Regulation L; loans to executive officers, Regulation O; affiliates of members, Regulation P, and relationships with dealers in securities, Regulation R.

SERVICES AND BENEFITS

Among the privileges and advantages which banking institutions enjoy as members of the System are the following:

(1) Borrow from the Federal Reserve Bank on eligible paper, Government obligations, and other sound assets. The reserve bank is authorized to rediscount eligible paper and to make advances on members' own promissory notes secured by eligible paper, United States direct or guaranteed obligations, or other sound assets.

The Federal Reserve Bank may also aid financing institutions in providing working capital for established industrial or commercial businesses, and assume not to exceed 80 per cent of any loss. It also handles guarantees of defense production loans.

(2) Obtain from and ship to the reserve bank, currency and coin, with costs absorbed. The Federal Reserve Bank pays the postage or expressage and insurance on shipments of paper currency and coin to and from its member banks. At the request of a member bank, the reserve bank also ships paper currency and coin to any member or nonmember in the district, but does not pay the charges on shipments to nonmembers. Wrapped pennies to halves are furnished to member banks at a nominal charge.

(3) Use the expeditious par check collection facilities of the System. The Federal Reserve Bank performs clearing functions for its member banks. It handles, without charge, checks on banks on the par list and checks and warrants on the United States Treasurer. The par list comprises all member banks and also nonmember banks the checks on which can be collected at par. Over 87 per cent of commercial banks in the United States are on the par list.

Items are routed directly to the places of payment by the reserve bank or branch serving the territory in which the drawees are located. In order further to expedite collection, a member bank may make arrangements to send directly to other reserve banks and branches items payable in their districts. In such cases the direct sending bank will be reimbursed for the postage involved. The twelve reserve institutions maintain an Interdistrict Settlement Fund in Washington, through which settlements between them are consummated daily over private wires.

The Federal Reserve Bank also handles postal money orders, crediting member banks and debiting the U. S. Treasurer.

(4) Collect through the reserve banks, notes, securities and other noncash items. The Federal Reserve Bank receives from its members for collection, notes, drafts, acceptances, certificates of deposit, bonds, coupons, and other items which require special handling. Such items sent to the reserve bank for collection are subject to charges made by collecting agents and to certain other charges. A member bank may arrange to send direct to other reserve banks noncash items payable in their districts.

(5) Use the Federal Reserve Bank for transfers of funds by wire or mail. Transfers of funds between member banks in the district are made through their reserve accounts at the Federal Reserve Bank, while those from one district to another are effected through the Interdistrict Settlement Fund in Washington. Transfers of bank balances of $1,000 or more are made over the Federal Reserve leased wires, without cost to member banks. Telegraphic transfers for other amounts and purposes are made subject to a charge not exceeding the commercial wire rate. Transfers may also be made by mail for any amount or purpose.

(6) Issue exchange drafts on the Federal Reserve Bank, having immediate availability at any reserve bank or branch. Besides ordinary drafts, a member bank may issue exchange drafts on its reserve account after making arrangements. These exchange drafts are available for immediate credit in the 36 reserve bank and branch cities, and may be used to supply "exchange" on such cities.

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(7) Deposit securities and commercial paper with the reserve bank for safekeeping, under certain conditions. The Federal Reserve Bank receives for safekeeping, mainly from members outside of reserve bank cities, securities, open market commercial paper, and bankers' acceptances, owned by them. It will hold for any member bank collateral pledged to secure deposits of its trust department and of public officials. Coupons are clipped and maturing obligations are collected. No charge is involved in the collection of Government securities or coupons, and out-of-pocket expense incident to collection of miscellaneous coupons is absorbed by the reserve bank. Other charges arising from shipments or collections are passed to the member for which incurred.

The reserve bank handles subscriptions for securities of the United States Government and certain of its instrumentalities, and some member banks leave with it, for safekeeping, their own securities allotted on such subscriptions.

(8) Buy and sell, through the Federal Reserve Bank, securities of the United States and its agencies. The facilities of the reserve bank for such transactions are available to the member banks without charge. In addition to market orders, it will accept "open orders" to buy or sell bearer securities of the United States Government or its agencies at specified prices. U. S. direct obligations can be transferred by wire between Federal Reserve Banks and most branches.

(9) Receive advertising material and supplies of drafts, credit statements and other forms, without charge. The Federal Reserve Bank furnishes its members forms for obtaining financial statements from farmers, merchants, and manufacturers; drafts for use in drawing on their balances with it; stamped envelopes for remittances; forms for ordering or shipping currency and coin, and other forms.

The reserve bank also supplies members with rubber stamps and electrotypes of the phrase, "Payable at par through the Federal Reserve System," for use on checks, and of the standard design, "Member Federal Reserve System," for advertising purposes. Decalcomania membership signs are supplied for their windows and glass doors. It has an interesting Currency Exhibit for display by members, as well as motion picture films about the System for schools, clubs, banking and other groups.

(10) Obtain publications containing agricultural, industrial, commercial, and financial statistics and other information. The Board of Governors mails to member banks its annual reports and the monthly Federal Reserve Bulletin, containing information of national and international scope, and the Federal Reserve Bank furnishes them each month a review of conditions in its district, without charge. Arrangements may be made to obtain copies of the monthly review for local distribution if desired. Various studies, such as the annual operating ratios of member banks, are supplied. Comparative statements of banks and some other data are released weekly.

(11) Receive 6% dividends on investment in the reserve bank stock. The amount paid in by a member bank on its subscription to the stock of the Federal Reserve Bank bears cumulative dividends at the rate of six per cent per annum. Dividends are credited to the accounts of the member banks semiannually.

The Board of Governors' counsel expressed the opinion in 1915 that, under Section 7 of the Act, stock of the Federal Reserve Bank held by members and the dividends thereon are exempt from local taxation. Under Treasury Decision No. 5160, dividends on reserve bank stock purchased prior to March 28, 1942 (effective date of the Public Debt Act of 1942) are exempt from the Federal income tax, but not in the case of stock purchased on or after that date.

(12) Use the emblem of membership and benefit from the prestige and satisfaction it affords. State bank members are indicated in the bank directories by a diamond shaped symbol or otherwise, and their names and locations appear in the Federal Reserve Par List. Many national and State bank members have benefited by displaying the membership design. Besides helping to attract new customers, membership is a source of satisfaction to the old ones and also to stockholders, directors, and officers.

OTHER INFORMATION - VISITORS

The member banks are furnished copies of the Federal Reserve Act, the Regulations of the Board of Governors, and the Operating Letters of the Federal Reserve Bank, as well as the publications previously mentioned.

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Members are also given the Board of Governors' booklet entitled "The Federal Reserve System - Purposes and Function," which is a comprehensive and authoritative explanation of the System, including the central banking functions.

Other material issued by the Board of Governors, such as banking studies, monetary statistics, chart books, and reprints, is also available. A list, showing charges if any, appears in the Federal Reserve Bulletin.

The Federal Reserve Bank of St. Louis has prepared an explanation, with visual aids, of the monetary functions, for presentation to banking, college, and certain other groups.

Representatives of the Federal Reserve offices call on banks in their territories about once a year, to answer questions regarding operations of the System and to discuss general conditions.

Bankers, students, and other visitors are welcome at the head office and branches. Guides are available to show them the various departments. Explanatory material will be gladly furnished.

ADDENDA

Following are the Regulations issued by the Board of Governors:

A - Discounts for and advances to member banks by Federal Reserve Banks.
B - Open Market purchases of bills of exchange, trade and bankers' acceptances.
C - Acceptance by member banks of drafts and bills of exchange.
D - Reserves of member banks.
E - Purchase of warrants.
F - Trust powers of national banks.
G - Collection of noncash items.
H - Membership of State banking institutions in the Federal Reserve System.
I - Increase or decrease of capital stock of Federal Reserve Banks.
J - Check clearing and collection.
K - Banking corporations authorized to do foreign banking business under Sec. 25(a).
L - Interlocking bank directorates under the Clayton Act.
M - Foreign branches of national banks and of corporations organized under Sec. 25(a).
N - Relations with foreign banks and bankers.
O - Loans to executive officers of member banks.
P - Holding company affiliates - voting permits.
Q - Payment of interest on deposits.
R - Relationships with dealers in securities under Sec. 32 of Banking Act of 1933.
S - Loans and commitments to provide working capital for established businesses.
T - Extension and maintenance of credit by brokers, dealers, and members of national securities exchanges.
U - Loans by banks for purchasing or carrying stocks registered on a national securities exchange.
V - Loan guarantees for defense production.

The Operating Letters issued by the Federal Reserve Bank are as follows:

1. List of directors and officers.
2. Territory of each office.
3. Banking hours.
4. Authorized signatures.
5. Capital stock.
6. Member bank reserves.
7. Advances and discounts.
8. Collection of noncash items.
9. Collection of cash items.
10. Money.
11. Safekeeping.
12. Transfers of funds.
13. Federal Reserve exchange drafts.
14. Government coupons.
15. Purchase, sale and telegraphic transfer of Government securities.

(Copies to head office and branches.)

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Other sources of historical information:

Present and past officers and directors.

Annual Reports of Federal Reserve Bank

Annual Reports of Board of Governors

Federal Reserve Bulletins

4-4 News

Bothwell's Thesis

× Files of Chairman and Federal Reserve Agent.

Minute Books of bank

Presidents' conference

Federal Reserve Agents Conference

× not on destruction schedule.

For Miss Mildred Adams, of Board of Governors' Historical Committee

C. M. Stewart

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From "Episodes of My Life"
by Rolla Wells, first Governor of the Federal Reserve Bank of St. Louis, who had a limited edition published in 1933.

THE FEDERAL RESERVE BANK OF ST. LOUIS

The outbreak of war in Europe on August 4, 1914, participated in later by this country, proved that the enactment of the Federal Reserve Act, December 23, 1913, was timely. Undoubtedly it prevented great financial distress among the people of the United States, and was an important factor in the final victory.

The Federal Reserve Act provided for an organization committee consisting of the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency. This committee made an extensive tour of investigation throughout the country, taking testimony regarding available locations for the Federal Reserve banks.

I learned of the contemplated visit to St. Louis of Secretary of the Treasury, William G. McAdoo, and Secretary of Agriculture, David F. Houston, for the purpose of holding hearings as to the desirability of locating one of the banks in St. Louis. Because of my personal acquaintance with both of these gentlemen, and being desirous that they should look with favor on St. Louis as a location for one of the Federal Reserve Banks, I invited them to be the guests of honor at a dinner at my home, to meet some of our prominent bankers and citizens. The invitation was accepted, and the guests were: Messrs. Robert S. Brookings, James Campbell, Murray Carleton, H. N. Davis, John D. Davis, D. R. Francis, E. F. Goltra, Walker Hill, Breckinridge Jones, Robert McKittrick Jones, William H. Lee, James G. McConkey, N. W. McLeod, Charles Nagel, Tom Randolph, A. L. Shapleigh, James E. Smith, J. Clark Streett, J. C. Van Riper, Festus J. Wade, Julius S. Walsh, F. O. Watts, Erastus Wells, Lloyd P. Wells, Thomas H. West, Edwards Whitaker and A. O. Wilson.

This dinner occurred on January 21, 1914. Secretary McAdoo and Secretary Houston addressed the gathering and responses were made, setting out the advantage of St. Louis as a financial center and as a desirable location for a Federal Reserve Bank.

After public hearings, the organization committee of the Federal Reserve Board selected the city of St. Louis as a location for one of the twelve reserve banks, the district to be known as "District Number Eight."

At this time I had no expectancy or desire to have any official connection with the Reserve System. I, therefore, was surprised to receive, on September 15, 1914, the following telegram from David F. Houston, Secretary of Agriculture:

> "Am authorized to inquire if you will accept the Chairmanship of the Board of Directors of the Federal Reserve Bank of St. Louis, acting as a Federal Reserve

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Agent. Details of compensation not yet settled. Opportunity to render a tremendous public service. Urgent that these banks start out right. Earnestly hope that you can accept and serve at least until things are in good working order, if not permanently. Others of your type are being drafted for service. Will not interfere with your duties as National Treasurer. Do not decline. If in doubt, can't you come here and discuss it? You might canvass matter with a few men in confidence."

The following day I made acknowledgment of the telegram, thanking Mr. Houston for the tender, but declining offer.

On September 19, 1914, I received the following telegram from William G. McAdoo, Secretary of the Treasury:

> "Greatly regret to learn that you will not consider chairmanship we have tendered you and hope you may reconsider. If you won't, then kindly consult with Brookings, Watts and any others you think advisable and wire me promptly your suggestions for this place. Kindest regards."

Thinking over the matter, it occurred to me that Mr. William McChesney Martin would be a desirable candidate for the position. I knew Mr. Martin, associate trust officer of the Mississippi Valley Trust Company, who had for some time previous been acting as secretary of the Fiduciary Committee of the Trust Company, of which I was a member. His capable handling of the affairs of the committee had favorable impressed me.

On Sunday morning, September 20, 1914, I telephoned Mr. Martin, requesting him to come to my home, which he did, and during the interview I asked him if he would like to be the Chairman of the Board and Federal Reserve Agent of the Federal Reserve Bank of St. Louis. He expressed his pleasure for being so considered. I asked him if he would be able to go to Washington with me the following day, and he said he could do so. I then sent the following telegram to Mr. McAdoo:

> "In compliance with your telegram last evening I will be in Washington Tuesday afternoon next, accompanied by a gentleman whom we feel to be admirably suited for the position under consideration. If our visit not well timed, please advise promptly, as we leave on noon train tomorrow."

Mr. Martin and I arrived in Washington at noon Tuesday, and immediately called on the Secretary, Mr. McAdoo, and had a conference with him in connection with the position of chairman, which ultimately resulted in Mr. Martin's appointment.

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Having in this manner disposed of the question of my active participation in the management of the Federal Reserve Bank, I was, again, surprised to receive the following telegram from Mr. McAdoo, dated October 27, 1914:

> "In view of great importance opening Federal Reserve Bank, St. Louis, November sixteenth, and difficulties securing satisfactory Governor up to date, will you not consider taking governorship temporarily if offered to you? You will render great public service by so doing. I do not think it will burden you heavily, and it will not be necessary for you to give up any of your business interests or investments. Sincerely hope you will do this. Have telegraphed to Watts and Martin."

The Board of Directors of the Federal Reserve Bank were holding a meeting in St. Louis at the time, and at an adjourned meeting the following day, October 28th, a committee of the Board called on me, stating that they were desirous of having me accept the position of Governor of the bank, and, after expressing my willingness to accept, I was duly elected Governor.

Associated with me at the opening of the St. Louis Federal Reserve Bank were:

William McChesney Martin, Chairman of the Board and Federal Reserve Agent.

Walter W. Smith, Deputy Chairman and Deputy Federal Reserve Agent.

Members of the Board of Directors:

Class A - Walker Hill, St. Louis, Mo.
F. O. Watts, St. Louis, Mo.
Oscar Fenley, Louisville, Ky.

Class B - Murray Carleton, St. Louis, Mo.
W. B. Plunkett, Little Rock, Ark.
Leroy Percy, Greenville, Miss.

Class C - William McChesney Martin, St. Louis, Mo.
Walter W. Smith, St. Louis, Mo.
John W. Boehne, Evansville, Ind.

The Board appointed Mr. James G. McConkey as Secretary and General Counsel.

On December 8, 1914, the Board elected me a member of the Advisory Council from District No. 8, the other members being:

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Daniel G. Wing, President, First National Bank, Boston, Mass., representing District No. 1; J. P. Morgan, J. P. Morgan & Co., New York, representing District No. 2; L. L. Rue, President, Philadelphia National Bank, Philadelphia, representing District No. 3; W. S. Rowe, President, First National Bank, Cincinnati, Ohio, Director, Federal Reserve Bank of Cleveland, representing District No. 4; George J. Seay, Governor, Federal Reserve Bank of Richmond, Va., representing District No. 5; Charles A. Lyerly, President, First National Bank, Chattanooga, Tenn., representing District No. 6; James B. Forgan, President, First National Bank, Chicago, Ill., representing District No. 7; C. T. Jaffray, 1st Vice-President, First National Bank, Minneapolis, Minn., representing District No. 9; E. F. Swinney, President, First National Bank, Kansas City, Mo., representing District No. 10; J. Howard Ardrey, Cashier, City National Bank, Dallas, Texas, representing District No. 11; Archibald Kains, Governor, Federal Reserve Bank, San Francisco, Cal., representing District No. 12.

During my term of office as Governor, and in later years as Chairman of the Board, the following gentlemen served as members of the Board of Directors, in addition to those who were members of the Board of Directors at the time of the inauguration of the bank: Mr. David C. Biggs, St. Louis; Mr. T. C. Tupper, St. Louis; Mr. Sam A. Ziegler, Albion, Ill.; Mr. C. P. J. Mooney, Memphis, Tenn.; Mr. J. C. Utterback, Paducah, Ky.; Mr. John G. Lonsdale, St. Louis; Mr. John C. Martin, Salem, Ill.; Mr. Paul Dillard, Memphis, Tenn.; Mr. Max B. Nahm, Bowling Green, Ky.; Mr. J. W. Harris, St. Louis.

A narration in detail of the operation of the bank would be too tedious a story; moreover, it is of public record. However, I will mention the emergency organization which was created at the outbreak of the war for the sale of Liberty bonds.

This organization was made up of hundreds of patriotic and earnest workers throughout the district--too many for me to name. As Governor of the bank I was general chairman of the organization, and I called to my assistance Mr. William R. Compton, to be actively in charge. The people of the Federal Reserve District No. 8 cheerfully met their obligations to the country, as is shown by the following statement:

First Liberty Loan:

Quota	$ 80,000,000.00
Subscriptions	86,141,350.00
Allotment	65,469,600.00

Second Liberty Loan:

Quota	$120,000,000.00
Subscriptions	184,280,750.00
Allotment	150,169,250.00

Third Liberty Loan:

Quota	$130,000,000.00
Subscriptions	199,835,900.00
Allotment	199,835,900.00

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Fourth Liberty Loan:

Quota	$260,000,000.00
Subscriptions	295,329,750.00
Allotment	295,329,750.00
Total Quota	$590,000,000.00
Total Allotment	710,804,500.00
Excess	$120,804,500.00

Sales of Thrift Stamps and War Savings Stamps made by the Federal Reserve Bank of St. Louis during 1918	$ 26,768,619.17
Sales made through the United States Post Office at St. Louis	8,097,113.43
Total sales 1918 Issue	$ 34,865,732.60

Having served as Governor for more than four years, and being desirous of no longer continuing, I asked to be relieved of the responsibilities, and tendered my resignation in May, 1918, but I was not relieved of my duties until the following January, 1919, when my resignation was accepted.

On February 5, 1919, Mr. David C. Biggs, a Class B director, was elected Governor of the bank to fill the vacancy caused by my resignation.

On April 5, 1919, I was elected a Class B director of the Board of Directors, and served continuously as such until January 23, 1929.

I retained my official connection with the Federal Reserve Bank of St. Louis, as a director and a member of the Executive Committee, during the receivership of the United Railways of St. Louis, which lasted for a period of eight years and eight months.

On November 30, 1928, Mr. David C. Biggs, Governor of the bank, resigned as Governor, and Mr. William McChesney Martin resigned as Chairman of the Board and Federal Reserve Agent, and was elected Governor to fill the position made vacant by the resignation of Governor Biggs.

The members of the Board of Directors of the bank urged upon me the acceptance of the appointment as Chairman of the Board and Federal Reserve Agent, and, recognizing my reluctance to accept the position, some of the members took up the matter with the Federal Reserve Board in Washington, urging my appointment. This resulted in a member of the Federal Reserve Board coming to St. Louis, and, on behalf of the members of his Board, tendering me the position.

I informed this gentleman that I expected shortly to make a West Indies cruise, to be absent about a month, and, in addition, I was already booked for a world cruise of about three months' duration, starting in January, 1930, and suggested to him that under the

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circumstances it would be well for me to decline the offer. He informed me that the matter could be arranged, and, on January 23, 1929, I was appointed a Class C director and Chairman of the Board and Federal Reserve Agent, and assumed the duties of the position.

Mr. Clarence M. Stewart was the Assistant Federal Reserve Agent, and was most helpful to me in every way.

As the time drew near for me to start on the world cruise, which would necessitate my being away for three months, or longer, the realization of what it would mean for me to carry with me the responsibility of the position, prompted me before leaving to send my resignation to the Board in Washington.

No action was taken until my return, as stated in a letter from Mr. R. A. Young, Governor of the Federal Reserve Board in Washington, under date of May 9, 1930.

My years of association with the Federal Reserve Bank of St. Louis were very pleasant, and I greatly appreciate the cordial relationship I experienced with all of the officers, members of the Board of Directors, and the employees of the bank.

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This document contains internal or confidential information and has been removed.

Author(s): Federal Reserve Bank of St. Louis

Title: Four Four News: Organization of Federal Reserve Bank of St. Louis

Date: November 1939

Page Numbers: 3-6

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Excerpt from minutes of a meeting of the Board of Directors of the Federal Reserve Bank of St. Louis held in Louisville, Kentucky, on September 18, 1935, as a joint conference with the Louisville Board:

"MAMMOTH CAVE

In the afternoon, upon invitation of Mr. Nahm, Chairman of the Kentucky National Park Commission and of the Mammoth Cave National Park Association, the visitors were driven to Mammoth Cave by Louisville bankers. The following day, September 19, 1935, during a trip through the Cave, the party, consisting of Directors Harris, Hitt, Lonsdale, Nahm, and Wood, Governor Martin, Deputy Governor McConkey, Secretary Stewart, Managing Director Moore, H. M. Ferris, Asst. Vice Pres. of Citizens Union National Bank, Louisville, W. T. Chapin, Executive Vice Pres. of Lincoln Bank & Trust Co., Louisville, M. L. Charlet, Manager of Mammoth Cave, and Young Hunt, Guide, paused at 11:30 a.m. in a large cavern near the River Styx and Chairman Wood called the gathering to order. He announced that it had been suggested by Mr. Nahm that this unnamed hall be hereafter known as the Federal Reserve Council Chamber and that it be so marked with a tablet. Upon motion of Director Lonsdale, seconded by Director Hitt, the suggestion was unanimously adopted. Whereupon, Governor Martin dedicated the room as the Federal Reserve Council Chamber.

The appreciation and thanks of the visitors were expressed to Director Nahm, the Mammoth Cave organizations, the Louisville bankers, and others who contributed to this delightful and interesting occasion."

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BRONZE TABLET INSTALLED IN MAMMOTH CAVE, KENTUCKY.

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July 6, 1954.

Following the issuance of explanatory folders and booklets by the individual reserve banks and under auspices of the Federal Reserve Agents' Conference, the Board of Governors published "The Federal Reserve System - Its Purposes and Functions" in 1939. It recently issued the 1954 edition, containing 200 pages, which is of especial value to senior students, bankers, and business men.

From time to time the head office and branches have prepared explanatory folders about the System to hand to grade and high school students and other visitors, as well as to new employees. In 1952, the head office printed an attractive 16-page illustrated booklet entitled "The Federal Reserve Bank Welcomes You," which explains the organization of the System and the operation of the bank by departments.

The attached two-page description of the purposes, organization, and functions of the Federal Reserve System is a recent revision of a two-page outline which I arranged after coming to Little Rock in 1947. It was made inclusive but brief to encourage reading. However, it contains a footnote that more detailed information or an explanatory booklet will be furnished on request.

C. M. Stewart, Manager.

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THE FEDERAL RESERVE SYSTEM

Purposes. Following the money panic of 1907, Congress appointed the National Monetary Commission to inquire into and recommend changes in the banking and currency laws. The Commission made an exhaustive study, not only of our laws and experiences, but also of the central banking systems of other countries. It submitted its report in 1912, which paved the way for needed legislation.

In 1913 the Federal Reserve Act was enacted, being signed by the President on December 23. As stated in the preamble, its purposes were "to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." By amendments since then, the functions and objectives have been broadened.

Organization. Under provisions of the Act, the Federal Reserve System was established on November 16, 1914. It comprises the member banks, over 6,700; twelve regional Federal Reserve Banks with 24 branches; the Board of Governors of the Federal Reserve System; the Federal Open Market Committee, and the Federal Advisory Council.

Located in Washington, the Board of Governors consists of seven members appointed for 14-year terms by the President and confirmed by the Senate. On the Open Market Committee are the seven members of the Board of Governors and five reserve bank presidents designated annually by the reserve institutions. The Advisory Council is composed of twelve members, one selected annually by each reserve bank.

The Federal Reserve Banks are located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, and each serves a designated territory. Their activities are coordinated by the Board of Governors, through regulations, examinations, conferences, and other means.

Member banks include all national banks and such eligible State banks and trust companies as apply for membership and are admitted. They own the capital stock of the reserve banks, and maintain their legal reserves in them. The members hold over 85% of the demand deposits and about three-fourths of the total deposits in all banking institutions in the United States.

Functions. Federal Reserve functions include services and central banking operations for the general welfare.

The performance of functions to help maintain sound monetary and credit conditions has become an important activity of the Federal Reserve authorities. This requires policy decisions from time to time regarding open market transactions in U. S. securities, discount rates, reserve requirements, maximum security loan values, interest rates on deposits, and other factors.

Through the issuance of Federal Reserve notes, the reserve banks furnish an elastic currency that enables the circulating media to expand or contract in accordance with seasonal and other demands. Besides being obligations of the United States and a first lien on the assets of the issuing bank, the notes are specifically secured by gold certificates and other eligible collateral.

Various services are provided by the Federal Reserve Banks for the member banks, such as making advances or rediscounting, supplying currency and coin, collecting checks and noncash items, and transferring funds by wire, as hereinafter described. Making the entries to the reserve accounts of the members expedites and facilitates such transactions.

In addition, the Federal Reserve Banks act as depositaries, fiscal agents, and custodians for the U. S. Government and some of its agencies. The reserve banks carry the principal checking accounts of the Treasury Department, and handle much of the work in issuing, exchanging, and redeeming Government securities.

Value of System. During the four decades of its existence, the Federal Reserve System has become an integral part of the American economy. In times of peace and war, the System has demonstrated its usefulness and beneficial influence.

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FEDERAL RESERVE BANK OF ST. LOUIS

District No. 8. The Federal Reserve Bank of St. Louis serves the Eighth District, which embraces the State of Arkansas, all of Missouri except the western tier of counties, the southern portions of Illinois and Indiana, the western parts of Kentucky and Tennessee, and the northern half of Mississippi. It has branches in Little Rock (opened 1-6-19), Louisville (12-3-17), and Memphis (9-2-18).

The Board of Directors of the Federal Reserve Bank of St. Louis is composed of nine members, six of whom (Classes A and B) are elected by the member banks, and three (Class C) are appointed by the Board of Governors in Washington. One Class C director is designated Chairman of the Board and Federal Reserve Agent. Each of its branches has seven directors, four appointed by the head office directors, and three by the Board of Governors. The directors are chosen from industry, commerce, and other pursuits, as well as banking. Officers are elected by the St. Louis board.

Membership Requirements. The Act requires national banks to be members, and provides that State banking institutions may become members if they meet the capital and other requirements. All members must have Federal deposit insurance.

Each member purchases stock in the Federal Reserve Bank equal to 3% of its own capital and surplus, and maintains in the reserve bank the legal reserve against its demand and time deposits. This reserve account may be used actively.

Subject to certain Federal provisions, a member State bank retains its charter and statutory rights. It joins voluntarily and is privileged to withdraw.

The reserve bank receives periodic condition, earnings, and reserve reports from its members, and copies of examinations made by national bank examiners. It examines State members usually once a year in conjunction with State examinations.

Services for Members. Among the privileges and advantages which banking institutions enjoy as members of the System are the following:

1. Borrow from the Federal Reserve Bank on eligible paper, United States direct or guaranteed obligations, and other sound assets.
2. Obtain from and ship to the reserve bank, currency and coin, with postage or expressage and insurance paid.
3. Use the expeditious par check collection facilities of the System. Over 87% of the commercial banks in the United States are on the par list.
4. Collect through the Federal Reserve Bank noncash items, such as notes, drafts, bonds, and coupons.
5. Use the reserve bank for transfers of funds, by wire or mail. The Interdistrict Settlement Fund in Washington and leased wires expedite such transfers.
6. Issue exchange drafts on the Federal Reserve Bank, available for immediate credit in the 36 reserve bank and branch cities.
7. Deposit securities and commercial paper (including bankers' acceptances) with the reserve bank for safekeeping, under certain conditions.
8. Buy and sell, through the Federal Reserve Bank, securities of the United States and its agencies. U. S. direct obligations may be transferred by wire in some cases.
9. Receive dividends on the stock of the reserve bank at the rate of 6% a year, credited semiannually.
10. Use the emblem of membership and benefit from the prestige and satisfaction it affords.

The Federal Reserve Bank supplies its members decalcomania membership signs and electrotypes for advertising purposes, as well as drafts for drawing on it, credit statement forms, and other material.

Members are furnished current financial, commercial, industrial, and agricultural information through the Monthly Review and the Federal Reserve Bulletin, as well as results of studies, such as the annual bank operating ratios. Comparative statements of banks and some other data are released weekly.

The Federal Reserve Bank has an interesting currency exhibit for display by member banks for limited periods. A motion picture film or a talk about the System may be provided for schools, clubs, banking and other groups.

NOTE: More detailed information or an explanatory booklet will be furnished on request. Bankers, students, and other visitors are welcome.

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The Ballad of the Bank

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List of those present at banquet given by Mr. Wells at his home, when Federal Reserve Bank moved into its present permanent quarters, June 3, 1925:

Mr. John W. Boehne	Evansville, Ind.	Director
Mr. John G. Lonsdale	St. Louis	Director
Mr. John C. Martin	Salem, Ill.	Director
Mr. Wm. McC. Martin	St. Louis	Chairman of the Board
Mr. C. P. J. Mooney	Memphis, Tenn.	Director
Mr. LeRoy Percy	Greenville, Miss.	Director
Mr. W. B. Plunkett	Little Rock, Ark.	Director
Mr. J. G. Utterback	Paducah, Ky.	Director
Mr. Breckinridge Jones	St. Louis	Advisory Council
Mr. Festus J. Wade	St. Louis	Advisory Council
Mr. F. O. Watts	St. Louis	Director and Advisory Council
Mr. D. C. Biggs	St. Louis	Director and Governor
Mr. James G. McConkey	St. Louis	Secretary-Counsel
Mr. Oscar Fenley	Louisville, Ky.	Director
Mr. Murray Carleton	St. Louis	Director
Mr. Clarence M. Stewart	St. Louis	Asst. Federal Reserve Agent
Mr. Olin M. Attebery	St. Louis	Deputy Governor
Mr. John Lawrence Mauran	St. Louis	Architect
Mr. Rolla Wells	St. Louis	Governor and Director.

Dinner music was provided by Carl Stein's Orchestra:

Herbert's "Pan-America"
Gems of Stephen Foster
Greig's "Peer Gynt"
"Apple Blossoms"
Selections from "Fire Fly"
Liszt's "Second Rhapsody"
"All Alone"
"Rose Marie"

For recitation:
"Highland Laddie"
"Mavourneen"
"Meditation"
"Swan"

Dressed as a minstrel or troubador, I read the ballad at the dinner at the home of Rolla Wells.

C. M. Stewart.

Each guest was presented a silver replica of the new bank building and a copy of "The Ballad of the Bank," which was written by Mr. Martin, with the prologue by J. Vion Papin.

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ADDRESS OF MR. ROLLA WELLS

While the little souvenir you find at your respective places would indicate that this occasion is of an official character, nevertheless such is not altogether the case.

In a few words, which I trust will be convincing, I want you to know I feel that each and every one of you is my personal friend, and in this I am gratified with having you as my guests within this the sanctuary of my home.

During my life, in addition to my personal obligations and interests, at intervals, about thirty-five years have been devoted in an executive capacity to public and quasi-public enterprises.

If success has resulted from their management it was through my good fortune always to be associated with loyal, capable, and conscientious men who constituted the working organization.

My purpose in referring to this is leading up to my connection with the Federal Reserve Bank of St. Louis, since its incorporation - first, as its Governor; and, secondly, as a director.

It is, therefore, an additional pleasure to have you as my guests this evening, for all of you, also, have been connected in an official capacity with the institution.

I feel that it will be becoming - in which you will concur - when I express the belief that the success and high position which the Federal Reserve Bank of St. Louis has attained, can be attributed to the faithfulness, ability and capacity that has been devoted to it by its Chairman, Mr. Wm. McChesney Martin, and, officially and personally, I express my appreciation of his many acts of consideration and kindness. He has the satisfaction of knowing that he has handled his job well, and if kind words can give a heart throb to that, I want him to hear them.

We can offer the Federal Reserve Bank no better fortune than a long continuance of the active guidance of Mr. Martin.

As his host this evening, you can well imagine with what great pleasure I now present to him this souvenir, upon which is inscribed:

> "Rolla Wells to William McChesney Martin, in remembrance of our association with the Federal Reserve Bank of St. Louis, since its incorporation."

June 3, 1925.

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The Ballad of the Bank

Sung by ye minstrel
at ye Castle Wells
at ye Great Feast
given June Third
Anno Domini 1925
by ye Lord there of
Commemorating ye
Opening of ye
New Building.

Federal Reserve Bank of St. Louis.

Organization Certificate executed May 18, 1914, by bank representatives from five of the seven states in the Eighth District.

Certificate of authority to commence business issued by Comptroller of the Currency November 14, 1914.

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CASTLE WELLS
Twenty-five Westmoreland Place
St. Louis

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Prologue

IN ancient days when knights rode through the land
In quest of high adventure,
And doughty bands beneath the banners of their feudal lords
Sought conquests mid their foes' domains,
The fame of deeds of daring-do unto the world was given
By word of minstrel and of troubador.
Beneath the walls of many a high-flung keep
Stood the bent form of the wandering bard;
Hoary beard flying in blustering wind;
Harp slung on shoulder, staff in hand.
From out the mullioned windows, and through portcullis bars,
Strains of revelry pulsed upon the air;
Within the Baron and his company good
Were feasting in the hall.
And thus the Baron spoke:
"Sir Knights, a minstrel is at the Castle's outer gates,
"And he desires to enter in this Banquet Hall,

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"And chant our virtues, also deeds of valor.
"Is it your wish to listen?
"Forsooth 'twill be a merry lay.
"So let the postern open and a page send forth
"To fetch the singer with his wealth of lore."
Such was the custom in the days of yore.
It humors us this custom to revive,
And in rhyming verse we'll strive
Through minstrel's lips to tell
Of how we built this bank so well.

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The Ballad of the Bank

THEY met to travel an unblazed trail,
  No bank of its kind had ever been;
A new thing born must a journey make;
  Directors they were and they had to begin.

First informal meeting October 13, 1914. First regular meeting October 28, 1914.

There was Boehne, once mayor of Evansville,
  Once congressman too, a wise man he,
Who gave of his wisdom that no ill
  Should come to the bank that was to be.

John W. Boehne, September 30, 1914. Deputy Chairman, July 25, 1917. Still Serving.

And Carleton trained in the ways of trade,
  Protected the merchant, who money needs
To turn his goods, to the bank he made
  The gift of counsel that succeeds.

Murray Carleton, August 10, 1914, to December 31, 1915.

As a banker Kentucky sent Fenley here,
  For many years he'd shown the way
That a bank must run and have no fear
  Of the stress and strain of any day.

Oscar Fenley, August 10, 1914, to December 31, 1916.

With a story to tell came Walker Hill,—
  Experienced he was with deposit and loan,
He helped the bank its place fulfil;
  To other banks the way he'd shown.

Walker Hill, August 10, 1914, to December 31, 1920.

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William McC. Martin,
Chairman of the Board,
September 30, 1914.
Still Serving

And Martin was willing and glad to learn
From wiser minds of banking ways,
Hoping perhaps he might return
Their confidence in future days.

LeRoy Percy
August 10, 1914.
Still Serving.

A planter, a lawyer, Senator too—
Percy came from the cotton land,
His care for the South whose needs he knew
Was ever at the bank's command.

W. B. Plunkett,
August 10, 1914.
Still Serving.

He took his place in a quiet way,
Dependable with judgment sound,
Decision prompt, not much to say,
The bank was safe with Plunkett 'round.

Walter W. Smith,
September 30, 1914, to
January 15, 1915.

The usage good and the usage bad,
Examiner Smith who knew both kind;
Of his knowledge gave and much he had,
Which helped the bank its path to find.

F. O. Watts,
August 10, 1914, to
December 31, 1918.

And F. O. Watts in his gracious way,
With wisdom gleaned from many years,
Explained that banking was only play;
When he explains it so appears.

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So nine men sat around the board,
  Showing their judgment naught excells;
They acted all with quick accord,
  As Governor they elected Wells.

Rolla Wells,
Governor, October 28, 1914, to February 5, 1919.
Director, April 4, 1919.
Still Serving.

So the first Board wrought and the new bank grew,
  In Boatmen's Building four rooms small
Were all too large, then soon too few,
  We needed a building to house us all.

Opened November 16, 1914.
Moved to New Bank of Commerce Building December, 1915.

For Providence works, this time we saw,
  Though many's the time we cannot see,
This country needed the System's law,
  So victors in the war we'd be.

United States entered World War April 5, 1917.

And the bank was ready, the bonds were sold,
  And business continued unafraid;
The war was won and the place we hold
  Was by the System made.

Liberty Loan

	Subscribed	*Allotted*
1st	*$ 86,134,700.*	*$ 65,469,600.*
2nd	*184,280,750.*	*150,169,250.*
3rd	*199,835,900.*	*199,835,900.*
4th	*295,329,750.*	*295,329,750.*
Victory	*210,418,700.*	*201,787,600.*
	$975,999,800	*$912,592,100.*

Pre-war, war and post-war days
  This bank prepared whate'r the strain;
It met the issues in all their ways,
  And turned them to the Country's gain.

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T. C. Tupper, June 2, 1915, to December 31, 1916.
C. P. J. Mooney, August 2, 1917. Still Serving.
Sam A. Ziegler, January 1, 1917, to December 31, 1922.
John C. Martin, January 1, 1923. Still Serving.
John G. Lonsdale, January 1, 1921. Still Serving.
J. C. Utterback, January 1, 1919. Still Serving.

Ten years and more the bank has grown,
Other directors strength have given
And helped to guide, as the years have flown
And their best to do have striven.

There were Tupper, Mooney, Ziegler too,
John C. Martin and John Lonsdale
And Utterback, with men so true
No task could ever fail.

D. C. Biggs, Director, January 1, 1916, to February 5, 1919. Governor, February 5, 1919. Still Serving.

When Wells insisted he'd made the start,
A Governor new the bank must run.
As director, Biggs had done his part,
So Governor was the chosen one.

Rolla Wells, December 9, 1914, to December 31, 1915.
F. O. Watts, April 5, 1916, to June 21, 1922.
Festus J. Wade, June 21, 1922, to December 31, 1924.
Breckinridge Jones, January 7, 1925. Still Serving.

And Council Advisory helped to guide,
Wells and Watts and Wade and Jones,
No better advice the whole world wide
As to methods, deposits and loans.

Counsel, November 11, 1914. Counsel and Secretary, January 5, 1916. Still Serving.

McConkey as counsel has served well
The bank since first its work began;
The Law he'd read, and then he'd tell
The way marked out, the legal plan.

O. M. Attebery
Nov. 13, 1914.
Deputy Governor.
Still serving.

Par clearance, time schedules, intricate themes.
Attebery's worked early and late.
He's mastered the details; banking seems
Inwrought in his being by fate.

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And Stewart, whatever the thing to do,
  In daytime or nighttime did that thing;
Whatever the task he'd see it through,
  From chaos he would order bring.

November 5, 1914. Assistant Federal Reserve Agent, August 2, 1917. Still Serving.

A decade thus no home of its own
  The bank served well in seven states;
Today it moved, its home of stone,
  Successful service thus relates.

Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri, Tennessee, June 3, 1925.

He wrought in stone symbolic strength
  And service of Reserve Bank plan.
A story told in breadth and length;
  A clever artist is Mauran.

J. L. Mauran, Architect.

It's in its home, the trail is blazed,
  Its place in history is secure,
Who guided it in early days
  Their names in history will endure.

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Presented by Wm. McC. Martin at dinner of A. I. B. for C.M.S. before his departure for Little Rock in April, 1947.

L. E. D.

Loyal, Efficient, Dependable

This is not an honorary degree such as LL.D. concerning which there is sometimes suspicion, but a real degree earned by achievement.

Most of you gentlemen here through teaching and companionship gave Mr. C. M. Stewart the groundwork of his education. He was a good result of your efforts when he started his higher education with the Mississippi Valley Trust Company, where I first came in contact with him as a stenographer. He had had some prominence at Yeatman, but made the transition from that estate to office boy and stenographer (a transition difficult and sometimes impossible for some young men) with credit to his training and himself. He faced a difficult situation for he worked for some men set in their ways and irritable but he met the situations and though often "bawled" out without reason did his work well.

When I was appointed Chairman of the Board and Federal Reserve Agent on September 30, 1914, and had the duty of inaugurating the establishment of the Federal Reserve Bank of St. Louis, the President of the Mississippi Valley Trust Company, of which I was Vice-President, said I might choose one man from his organization to take with me. I chose Mr. Stewart.

He and I started together along an unblazed trail, for the Federal Reserve System was something entirely new in our country's banking economy. For a time I carried all there was of the bank in a brief case so I could work on it at home. He saw the first instructions, wrote the letters that had to go to Washington and to banks, knew of the first

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payments of capital stock of member banks which had to be in gold, helped in setting up offices on the fourth floor of the Boatmen's Bank Building, then just being finished. We soon, in December, 1915, had to get larger quarters in what was known as the New Bank of Commerce Building, which name was changed to Federal Reserve Bank Building, with an entrance on Pine Street. The bank moved into its own Building June 1, 1925

The Federal Reserve Act was signed by President Wilson in December, 1913. There were war clouds in Europe but little thought on our part that they might overshadow us. However, it was not long before this country was being affected and to try to meet it there was started to care for cotton what was known as "The buy a bale movement," and soon to meet our currency situation there were being issued notes under the Aldrich-Vreeland Bill. There was great need for some such agency as the Federal Reserve Bank and while not entirely prepared it was decided to open all 12 Federal Reserve Banks on November 16, 1914. We had no idea that this country would be drawn into World War I, but what was going on in Europe had badly shaken our economy here. It was providential that the banks were opened when they were for it gave us a chance to learn, as it were, to shift the money and credit gears before we actually went into the war in 1917.

From the establishment of the Bank there had been considerable shipments of gold and we had to learn how to issue Federal Reserve notes. Mr. Stewart had much supervision of this and on August 2, 1917, he was appointed Assistant Federal Reserve Agent and so from stenographer and Secretary to an officer took just about three years, something of a record in itself.

He had a part in the establishing of the Gold Settlement Fund. To do this each of the twelve banks shipped

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one million of dollars in gold to Washington, where a department of the Federal Reserve Board acted as a clearing house. This today is clearing the balances from all over the country.

He helped in writing the first Monthly Review of Business Conditions, had a part in answering questions and preparing literature for banks that were thinking about joining the System and had many meetings with boards of directors of banks in the seven states that are included in this District.

He had a part in the various Liberty Loan Campaigns necessary for us to fight World War I and knows what was necessary to sell bonds for World War II. He took part in the discussions of the problems of rediscounting paper, trade acceptances, bankers acceptances, the clearing of checks, the giving of information and correction of misinformation.

In 1937, The Ohio River with the help of the Mississippi got on a rampage and many towns in the Eighth District were flooded. The water covered Louisville until the vault of the Louisville Branch was flooded and as the Louisville banks kept much of their money in the branch and their own vaults were flooded, there was practically no cash that could be used by the residents of that town. Mr. Stewart took the inoculations that were considered necessary and flew to Louisville I think twice with shipments of money. The plane landed as close to the water as possible and from that point the money had to be taken by truck into the town.

He was always in a confidential position in the Bank and in addition to being Assistant Federal Reserve Agent was made Secretary in 1932, responsible for the minutes of the Board of Directors and the Executive Committees. In 1938 his title was Secretary and Cashier and now he is Vice-President.

We do not like to see him leave St. Louis, but the bank in recognition of his ability is sending him to Little

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Rock, Arkansas, to take charge of the Branch there.

This record of achievement makes it clear that he is Loyal, Efficient, Dependable, and entitled to the degree of L. E. D.

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HISTORY OF THE

LOUISVILLE BRANCH

FEDERAL RESERVE BANK OF ST. LOUIS

LOUISVILLE, KENTUCKY

1917 - 1952

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1952

DIRECTORS OF THE FEDERAL RESERVE BANK OF ST. LOUIS

J. E. Etherton, President
Carbondale National Bank
Carbondale, Illinois

William A. McDonnell, President
First National Bank in St. Louis
St. Louis, Missouri

Phil E. Chappell, President
Planters Bank & Trust Company
Hopkinsville, Kentucky

Ralph E. Plunkett, President
Plunkett-Jarrell Grocer Company
Little Rock, Arkansas

Louis Ruthenburg
Chairman of Board, Servel, Inc.
Evansville, Indiana

M. Moss Alexander, President
Missouri-Portland Cement Company
St. Louis, Missouri

Russell L. Dearmont[1]
Chief Counsel for Trustee
Missouri-Pacific Lines, St. Louis

William H. Bryce[2]
Vice President and Director
Dixie Wax Paper Co., Memphis, Tenn.

Joseph H. Moore, Farmer
Charleston, Missouri

1 - Chairman

2 - Deputy Chairman

- -

OFFICERS OF THE FEDERAL RESERVE BANK OF ST. LOUIS

PRESIDENT

Delos C. Johns

FIRST VICE PRESIDENT

O. M. Attebery

VICE PRESIDENTS

William E. Peterson
Howard H. Weigel
Dale M. Lewis
Frederick L. Deming
Joseph C. Wotawa
Paul E. Schroeder
C. A. Schacht
C. M. Stewart

ASSISTANT VICE PRESIDENTS

J. H. Gales
G. O. Hollocher
John J. Christ
Frank N. Hall
Earl R. Billen
Fred Burton (Temporary assignment)

COUNSEL AND ASSISTANT SECRETARY

Harold B. Kline

- -

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DIRECTORS FOR 1952

LOUISVILLE BRANCH OF THE FEDERAL RESERVE BANK OF ST. LOUIS

A. C. Voris, President
Citizens National Bank
Bedford, Indiana

Noel Rush, President
Lincoln Bank & Trust Co.
Louisville, Kentucky

M. C. Minor, President
Farmers National Bank
Danville, Kentucky

Smith D. Broadbent, Jr.
Farmer
Cadiz, Kentucky

Alvin A. Voit,[1] President
The Mengel Company
Louisville, Kentucky

Pierre B. McBride, President
Porcelain Metals Corporation
Louisville, Kentucky

Ira F. Wilcox, Vice President
The Union National Bank
New Albany, Indiana

1 - Chairman

- -

OFFICERS

LOUISVILLE BRANCH OF THE FEDERAL RESERVE BANK OF ST. LOUIS

MANAGER

C. A. Schacht

L. K. Arthur
Assistant Manager

Fred Burton
Assistant Manager

L. S. Moore
Assistant Manager

R. D. Kincheloe
Signs for Assistant Manager

- -

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FOREWORD

BANKING IN THE UNITED STATES

Commercial banking began in the United States with the establishment of the Republic. The first full-fledged commercial bank was the Bank of North America, organized in Philadelphia by Robert Morris. This bank was granted a charter by Congress on May 26, 1781. Because of doubt whether Congress had the power to charter a bank, the Bank of North America obtained a second charter from Pennsylvania.

The first Bank of the United States was organized in 1791, and for a period of twenty years performed the functions of discount, deposit, issue and fiscal agency for the Government. The charter expired in 1811 so that during the War of 1812 the Government was without banking facilities.

In 1816 the second Bank of the United States was organized. This bank became a football in politics under the administration of President Andrew Jackson, and was liquidated when the charter expired in 1836. Then there began a period of so-called "wildcat banking" when all state banks issued paper money.

The panic of 1837 brought about numerous proposals for the handling of the Government's finances. Finally, after several plans had been presented to Congress, the Independent Treasury System was adopted under the administration of President Polk in 1846.

At the beginning of the Civil War, our currency consisted largely of notes issued by over 1,500 state banks. Many of these notes were worthless and almost all of them circulated at a discount when at a distance from the place of redemption. In financing the war the expedient of issuing legal tender notes

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(fiat money) was first tried by the Government. This procedure impaired its credit. In order to provide a market for Government bonds, to stabilize the currency, to improve the fiscal situation, and to correct many other adverse financial conditions, a change in our banking laws became imperative.

The National Bank Act was recommended by Secretary of the Treasury Chase as early as 1861, but it did not become a law until 1863. Among other features, the Act required all national banks to buy Government bonds, deposit them with the United States Treasurer, and receive in exchange circulating notes. Originally, the circulating notes were issued to the amount of 90% of the bonds deposited. In 1865 a law was passed placing a prohibitive tax of 10% on all currency issued by state banks. This action caused the disappearance of state bank currency issues.

For many years and through a series of money panics and bank crises, the National Bank Act served its purpose well. However, the money supply did not expand and contract to meet the demands of business generally, since the supply of currency depended on the amount of certain classes of Government bonds outstanding. This was one of the basic reasons for the passage of the Federal Reserve Act on December 23, 1913. Another reason for the passage of the Federal Reserve Act was to pool member bank reserves in the Federal Reserve Banks. Prior to that time each bank carried its own reserve in cash and in times of currency stringency, each banking institution had to watch its own currency supply. It was a case of everybody for himself and the Devil take the hindmost. Of course, there are many other features of the Federal Reserve Act but these two, elastic currency and creation of central pools for bank reserves, were the main features.

In addition, the Federal Reserve Banks--twelve in number, with twenty-four branches--act as Fiscal Agents of the Government, and have taken a very important part in financing World War I and World War II.

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Mr. Lee S. Moore in the following article has written a very interesting narrative on the Louisville Branch of the Federal Reserve Bank of St. Louis and its operations. This article brings into written form a very timely story of banking in Louisville since 1917, and brings to light many intimate banking happenings in Louisville in a period of more than a generation. Mr. Moore is to be complimented on the thoroughness of his research and his comprehensive handling of this subject.

C. A. Schacht
Vice President, Federal Reserve
Bank of St. Louis, and Manager
of the Louisville Branch

Louisville, Kentucky
February 20, 1952

- -

IN THE FEDERAL RESERVE ACT
WE INSTITUTED A GREAT AND VITAL BANKING SYSTEM
NOT MERELY TO CORRECT AND CURE
PERIODICAL FINANCIAL DEBAUCHES
NOT SIMPLY INDEED TO AID THE BANKING COMMUNITY ALONE
BUT TO GIVE VISION AND SCOPE AND SECURITY TO COMMERCE
AND AMPLIFY THE OPPORTUNITIES
AS WELL AS TO INCREASE THE
CAPABILITIES OF OUR INDUSTRIAL LIFE
AT HOME AND AMONG FOREIGN NATIONS.

AN ADVENTURE IN CONSTRUCTIVE FINANCE
BY
CARTER GLASS

- -

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HISTORY OF THE

LOUISVILLE BRANCH
FEDERAL RESERVE BANK OF ST. LOUIS, LOUISVILLE, KENTUCKY

BY

LEE S. MOORE, ASSISTANT MANAGER

- -

The Louisville Branch of the Federal Reserve Bank of St. Louis opened for business at 9:00 a.m., on Monday, December 3, 1917, at its quarters on the second floor of the Fidelity and Columbia Building, Fourth and Main Streets. According to the Courier-Journal of December 1, 1917, this occasion was preceded by a gala affair in the banking circles of Louisville on the night of November 30, 1917. This was a reception to which came bankers from Louisville, Western Kentucky, and a few points in Indiana.

The banking rooms, said the Courier-Journal, were tastefully decorated in palms and potted plants and with huge floral pieces from other banks. Music was furnished by a graphophone, punch was served, and cigars were distributed to the visitors, who were said to be delighted with the new quarters and predicted great things for Louisville in a "material" way by having the Branch here.

The directors met in the afternoon of November 30, but planned a second meeting on Monday, December 3, "when the discounts of the day will be gone over" and such other business as may have arisen would be transacted. The staff at the opening was as follows:

W. P. Kincheloe, Managing Director
John T. Moore, Cashier
Ralph P. Jacoby, Manager, Credit Department
John H. Noland, Manager, Transit Department
E. R. Muir, Manager, General Bookkeeping Department
G. W. Harrison, Paying Teller
Miss Mary Rose Moriarty, Transit Clerk
Miss Jessie McDonald, Transit Clerk
Miss Ruth Hover, Transit Clerk
Miss Lillian Messer, Assistant Discount Clerk
S. B. Jenks, Assistant to Transit Manager
Miss Pauline Wuthrich, Secretary to Transit Manager
Alexander Long, Porter

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The Board of Directors of the Louisville Branch consisted of the following:

Charles E. Hoge, Frankfort, Ky.
W. P. Kincheloe, Managing Director
W. C. Montgomery, Elizabethtown, Ky.
George W. Norton, Louisville
F. M. Sackett, Louisville

The Directors and Officers of the Federal Reserve Bank of St. Louis were:

W. McChesney Martin, Chairman of the Board and Federal Reserve Agent
John W. Boehne, Evansville, Indiana
D. C. Biggs, St. Louis
Walker Hill, St. Louis
Le Roy Percy, Greenville, Mississippi
W. B. Plunkett, Little Rock, Arkansas
Frank O. Watts, St. Louis
S. A. Ziegler, Albion, Illinois

Rolla Wells, Governor
W. W. Hoxton, Deputy Governor and Cashier
James G. McConkey, Counsel and Secretary
Olin M. Attebery, Assistant Cashier
R. R. Clabaugh, Assistant Cashier

Mr. Kincheloe was reported as being enthusiastic over the opening and prospects for the new bank. "I have received," he told the Courier-Journal, "assurances of rediscounts for the first day in excess of two million dollars." He also said that many banks in Kentucky and Indiana intend to join the Federal Reserve System now that a Branch bank has been established in Louisville.

Visitors Impressed with Banking Quarters

The visitors at the reception were much impressed with the banking quarters. The bank had 1,800 square feet of floor space on the second floor of the building which included the directors' room, manager's office, teller's cage, Rediscount Department, and "ample quarters for the Transit Department."

At the opening of business on Monday, besides a transfer of $7 million deposit accounts from the head office in St. Louis, the new Branch was to receive $2 million in actual cash, but, said the newspaper account, "the details of the transfer of this immense amount were not announced."

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Mr. O. M. Attebery,* Assistant Cashier of the Federal Reserve Bank of St. Louis, and Mr. William McChesney Martin,** Federal Reserve Agent and Chairman of the Board of Directors, were to be on hand Monday to help get matters started.

The Louisville Branch was thus launched on its career in the final month of 1917 against the grim background of World War I. Woodrow Wilson was President of the United States, and the year had been one of tremendous events. In April, the United States had declared that a state of war existed with Germany, the Russian czar had abdicated, and Russia was proclaimed a republic. The Selective Military Conscription Bill had been made law and, just outside of Louisville, Camp Zachary Taylor had been opened recently and the task of turning civilians into soldiers had begun. New words were to become a part of everyday language -- Ypres, Verdun, "Somewhere in France," camouflage, and Liberty Bonds.

Problems arising in the establishment of the Branch, of course, were to be met and solved. There was the loss temporarily of some of the key personnel who were called to service in the Armed Forces. Weather conditions that year were severe, resulting in transportation difficulties and other complications in a war-time atmosphere.

The Branch was adding personnel and equipment in line with the increasing responsibilities of servicing its member banks (the private wire was installed in June, 1918) and it was not long after operations had begun that it became evident the quarters so much admired on opening day would be inadequate. Early in 1919 the search for larger quarters ended when negotiations were completed for the purchase

* Mr. Attebery is now (1952) First Vice President of the Federal Reserve Bank of St. Louis

** Mr. William McChesney Martin, Sr., later Governor of the Federal Reserve Bank of St. Louis; father of William McChesney Martin, Jr., appointed Chairman of Board of Governors of the Federal Reserve System in 1951

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from the National Bank of Kentucky of the building at the northwest corner of Fifth and Market Streets. This building was constructed in 1914-1915, under supervision of D. X. Murphy & Bro., Architects, for the German Bank.

New Quarters Occupied in 1919

On June 16, 1919, the Branch took possession of its new home. The staff by this time had increased from the original two officers and eleven employees to two officers and thirty-two employees, a growth which was to continue into the next few years. The change to a peacetime economy brought new operating problems arising from the greatly increased volume of checks, currency, and other items handled by the Branch.

An important additional function was assumed by the Branch on April 1, 1920, when the clearing of checks on city banks was taken over from the Louisville Clearing House Association. Mr. Attebery, then Deputy Governor, represented the Federal Reserve Bank of St. Louis in arranging the transfer which was at the time something of a novel arrangement in city Clearing House check settlement and which received some publicity in newspapers and banking publications.

The growth in personnel and operations made an addition necessary in the official staff and Mr. Earl R. Muir was elected assistant cashier on June 1, 1920. Mr. Muir was one of the original group who had opened the bank in 1917 and except for Army service, had remained through the war years and into the postwar period.

It was not so long after the move into the new banking house that once more additional space was to become a necessity. Land was purchased in 1923 on Fifth Street adjoining the building with a frontage of 52½ feet and 105 feet in depth. The addition was designed by D. X. Murphy & Bro., Architects, and the construction contract was awarded to the National Concrete Construction Company. The addition was completed in 1925 and in July of that year occupany began with the removal of the Transit Department to the new quarters. The addition consisted of

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a basement, first floor and second floor, and furnished approximately 15,000 square feet additional space to the 10,600 square feet of space in the older building. An entirely new vault was constructed in the basement of the addition, and some rearrangement was made in the original banking room.

The next few years covered a period of more or less stable times in the story of the Branch, that is, there were no great changes in the number of people who operated the bank nor changes in the building. There was at least one innovation -- in 1928 machines for counting paper currency were installed. These were the times, though, that were leading up to the fateful years to follow the late summer of 1929 -- the years of the Thirties -- when a new era was opened in the history of the nation. The Branch played its part to the best of its ability during the tragic events beginning in 1930 in the financial world in which Louisville and Kentucky received more than a full share of misfortune.

Personnel Changes in Early Thirties

Mr. Muir resigned as assistant cashier on August 22, 1931, to accept the vice-presidency of the Louisville Trust Company. His successor was Mr. Stanley B. Jenks who was elected assistant cashier of the Louisville Branch on September 2, 1931. Mr. W. P. Kincheloe resigned as managing director on October 13, 1931. Mr. John T. Moore succeeded Mr. Kincheloe as managing director, having been elected to that position on November 4, 1931.

Mr. Charles A. Schacht became cashier of the Louisville Branch on November 16, 1931. Mr. Schacht, who succeeded Mr. John T. Moore as cashier, came to the Branch from the head office and his election as cashier fell on an anniversary of his connection with the Federal Reserve Bank of St. Louis as he had joined that bank on November 16, 1917.

In February, 1931, the Branch began to act as custodian for the Reconstruction Finance Corporation. The work began with one employee, and as time

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passed, the department handling this activity grew to a staff at its peak of fifty people. The functions of this department comprised the disbursement of loans, collection of paper, custody of collateral and obligations, and operations growing out of these functions. This activity continued for a number of years, but through transfer of operations to the Loan Agency of the Reconstruction Finance Corporation, the department was gradually reduced. This activity of the Branch was discontinued altogether by 1951.

The years beginning with 1933 saw the Branch in the midst of some memorable events. These were the times of the "bank holidays," when long lines formed in the lobby leading to the tellers' windows to exchange currency for gold (later lines formed to reverse this process).

The closing month of 1936 and the new year of 1937 brought the Ohio River flood of painful memory. The story of the flood is a separate historical narrative which has been told many times, and the story of the part of the Branch in that time is that of the other banks and business houses in the downtown area of Louisville. Although operations were suspended for a short time, a small band of officers and employees remained on 24-hour duty, camping in the building during the emergency. With the subsiding flood waters came the clean up period and the resumption of operations under trying conditions. Large amounts of paper currency and coin were deposited which had been submerged in the water and mud of the flooded Ohio and its tributaries when bank vaults throughout the flooded area were under water for several days. Many and ingenious were the methods devised to handle this inflow of liquid assets, for it was necessary to dry the currency received still soaking wet before it could be placed in the normal process of counting and redemption. For some time visitors to the bank could witness the odd assortment of laundry mangles, hair dryers, and grill work stretched over heaters and resembling barbecue pits, all in use for restoring the wet money to a stage of dry condition.

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Mr. John T. Moore, having reached the age which requires retirement under the provisions of the Retirement System of the Federal Reserve Banks, left the service of the bank on December 31, 1937. Mr. Moore was one of the original group who opened the Branch. Mr. Moore resided in Louisville after his retirement until his death on July 18, 1939. Mr. Frank D. Rash came to the Branch as managing director on February 21, 1938, as successor to Mr. Moore.

Germany declared war on Poland on September 1, 1939, and Great Britain and France declared war on Germany on September 3, 1939, thus opening World War II. After December 7, 1941, the United States entered the war and for the second time in its history, the Louisville Branch entered into a period of service with the country at war.

Mr. Rash had resigned as managing director on February 29, 1940, and Mr. Schacht became managing director on March 1, 1940. Mr. Fred Burton was elected cashier of the Branch on March 15, 1940.

The Branch in the Forties saw the greatest expansion in its history. This was due principally to the transfer from the head office of various activities as Fiscal Agent of the United States. The issuance and the redemption of Defense Bonds, later known as War Bonds and Savings Bonds, were assumed along with other fiscal agency operations in connection with marketable issues of Government bonds. All these activities required a greatly increased personnel, as well as additional space ("additional space" runs through any history of the Branch as a fugue), and it became necessary to rent outside quarters for the new operations.

The custodian functions performed by the Branch for the Reconstruction Finance Corporation beginning in 1944 were handled in space secured on Jefferson Street, and beginning on January 18, 1943, the redemption of savings bonds was carried on at 116 South Fifth Street, a few doors away from the main building.

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Additional Quarters Required

It became imperative to secure more room for fiscal agency activities soon after occupying the Fifth Street quarters. In July of 1944 occupation began in the building at 324 West Main Street by all savings bonds operations and later in the year, the custodian division of the RFC, the latter division by this time performing greatly increased duties. The building on Main Street, containing about 30,000 square feet of space, was occupied by these agencies with a staff in excess of 100 people throughout the war. In May, 1947, the principal savings bonds operations were returned to the parent bank. Through succeeding months the personnel remaining at the Main Street building was returned to the main office at Fifth and Market and the Main Street office was subleased to other tenants.

Mr. Lee S. Moore was elected an assistant manager of the Branch on November 9, 1944.

In 1945 the war ended, and before long most of the men who had left for the Armed Forces began gradually to return to the Branch. During the war there had gone out into the services from the Branch a total of nineteem men, and the Branch was glad to welcome back fourteen of these ex-servicemen.

For a portion of 1945 and 1946, Mr. Earl R. Billen of the head office was assigned to the Branch to serve during the absence of Mr. Jenks who was ill. Mr. Billen at that time was manager of the Check Collection Department of the parent bank, and later was appointed an assistant vice president of the Federal Reserve Bank of St. Louis. Mr. Stephen Koptis of the head office was also assigned to the Branch during a portion of 1947 and 1948. Mr. Koptis had recently returned to the parent bank after service in the Army.

Mr. Jenks died on April 29, 1948, at his home in Jeffersonville after a long illness. He had been associated with the bank since its opening and was an assistant manager at the time of his death.

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Mr. Laurence K. Arthur came to the Branch as an assistant manager on September 1, 1948. Mr. Arthur was an assistant vice president at the parent bank before coming to Louisville, and had been associated with the Federal Reserve Bank of St. Louis since its opening in 1914.

The years after the closing of the war brought a number of changes in operating procedures, and the increased volume of activities handled required additional or replacement machines and equipment. The Check Collection Department, for example, is now equipped with proof machines to the extent of processing all outgoing cash letters through those machines. The Money Department received new currency and coin machines of latest design, including machines for wrapping coin, an operation begun in 1950.

In 1949 it appeared that the Branch might be definitely approaching a solution of the problems of limited space in the form of a new building. The subject was thoroughly explored and progress was being made toward definite plans in the early part of 1950 -- and then came Korea. Under such uncertain circumstances, it was deemed best to defer any plans for a new building until some more appropriate time.

Thirty-fifth Branch Anniversary

This is written in 1952 and in the thirty-fifth anniversary year, therefore, of the Louisville Branch. The Branch is a part of the Federal Reserve System, and the story of the Federal Reserve System has been told in hundreds of volumes since its beginning. No more, therefore, has been attempted in what has been set down here than a record of events as these events relate to the people who started the Branch on its career and those who were responsible for its operation down through the years. Throughout these years there have been many changes -- new functions to perform and variations of existing

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operational methods -- all a part at least of that record of the Federal Reserve System which was expected from the beginning to change in the light of the needs of our economic system.

In the inaugural address of Woodrow Wilson appear the following words:

"We shall deal with our economic system as it is and as it may be modified, not as it might be if we had a clean sheet of paper to write upon; and step by step, we shall make it what it should be, in the spirit of those who question their own wisdom and seek counsel and knowledge, not shallow self-satisfaction or the excitement of excursions whither they can not tell."

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EMPLOYEES OF LOUISVILLE BRANCH WHO SERVED IN ARMED FORCES DURING WORLD WAR II

Name	Entered Service
G. H. Atherton	January 8, 1943
Douglas O. Baxter	July 18, 1942
John M. Bond	September 2, 1942
Joseph E. Conkling	April 5, 1941
Leo G. Floyd	April 4, 1942
Robert E. Harlow	October 9, 1941
Charles C. Hawley	September 8, 1941
E. J. Hockersmith	January 1, 1943
John J. Janson	September 9, 1941
Benton R. Jeffries	June 4, 1942
Carl E. Kochert	March 29, 1941
W. D. Owen	August 13, 1941
Leroy D. Powers	January 15, 1943
Marvin H. Ramsay	October 11, 1942
John L. Reighart, Jr.	November 14, 1942
Ralph Seibert	February 10, 1941
Louis M. Smith	August 26, 1942
Alvin L. Warren	January 5, 1943
Oscar Smith	March 1, 1944

EMPLOYEES CALLED TO SERVICE SINCE BEGINNING OF THE CONFLICT IN KOREA

James Conrad	Leon Duffer	Roy Kerr
Donald Deuser	Artie Herthel	Charles Pate
Kurt Poth	Clarence Swiental	

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MEMBERS OF THE LOUISVILLE BRANCH STAFF
WITH TWENTY-FIVE OR MORE YEARS OF SERVICE IN 1952

Name				Date Employed
Laurence K. Arthur				11-11-14
Alex Long				11-1-17
Charles A. Schacht				11-16-17
Anna Belle Muhs				3-1-19
John G. Daeuble				3-10-19
Clinton H. Gernert				4-14-19
Robert D. Kincheloe				7-7-19
Lee Sutherland	(Retired)	7-1-18 to 1-31-20	Re-emp.	7-5-21
Louis Ogden Stiles				12-16-19
Charles L. F. Kalkhof	(Retired)			4-15-20
Addis K. Summers				4-19-20
Nutter O. Cart				6-23-20
Mary Edna King				6-23-20
Lee S. Moore				8-2-20
Fred Burton				11-23-20
Bessie J. Stone				3-21-21
Mary Lillian Collins				4-19-21
Helen R. Moore				5-24-21
Marie E. Rieder		12-1-20 to 6-2-23	Re-emp.	9-17-23
Charles P. Corrigan				5-4-22
Laura Evelyn White				11-27-22
Clarence J. Woertz				5-15-24
Louis A. Nelson				1-12-26
James Harvey Donahue				5-18-26
Florence M. Collins		3-26-23 to 2-8-36	Re-emp.	6-7-39
Leo G. Floyd				6-3-27

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ROSTER OF DIRECTORS - LOUISVILLE BRANCH - FEDERAL RESERVE BANK OF ST. LOUIS

1917 - 1952

Year		Name	Location
1917-1924		F. M. Sackett	Louisville, Ky.
1917-1919	x	Charles E. Hoge	Louisville, Ky.
1917-1924		George W. Norton	Louisville, Ky.
1917-1931		W. P. Kincheloe	Louisville, Ky.
1917-1924) 1933-1934)	x	W. C. Montgomery	Elizabethtown, Ky.
1919-1931		Embry L. Swearingen	Louisville, Ky.
1925-1929		William Black	Louisville, Ky.
1925-1927		Attilla Cox	Louisville, Ky.
1925-1927	xx	Max B. Nahm	Bowling Green, Ky.
1925-1933		E. H. Woods	Lucas, Ky.
1925-1932		Eugene E. Hoge	Frankfort, Ky.
1928-1928	x	H. E. Jewett	New Albany, Ind.
1928-1930		T. D. Scales	Boonville, Ind.
1927-1933	x	John T. Reynolds	Greenville, Ky.
1930-1934	x	W. R. Cole	Louisville, Ky.
1931-1937		W. W. Crawford	Louisville, Ky.
1931-1933		W. F. Huthsteiner	Tell City, Ind.
1931-1937		John T. Moore	Louisville, Ky.
1933-1938		W. R. Cobb	Louisville, Ky.
1934-1934	*	W. A. Brown	Bedford, Ind.
1934-1936	x	W. V. Bulleit	New Albany, Ind.
1934-1939		A. H. Eckles	Hopkinsville, Ky.
1934-1939		W. P. Paxton	Paducah, Ky.
1935-1941		J. B. Hill	Louisville, Ky.
1937-1942		J. O. Sanders	Huntingburg, Ind.
1938-1940	*	Frank D. Rash	Louisville, Ky.
1938-1943		Perry B. Gaines	Carrollton, Ky.
1939-1945	**	Phil E. Chappell	Hopkinsville, Ky.
1939-1943	*	R. C. Gifford (Advisory Council 2-1-43)	Louisville, Ky.
1940-1948		G. O. Boomer	Louisville, Ky.
1940-1945		C. A. Schacht	Louisville, Ky.
1942-1947		E. J. O'Brien, Jr.	Louisville, Ky.
1943-1948		L. L. Persise	Salem, Indiana
1943-1949	*	Wallace M. Davis	Louisville, Ky.
1944-1948	*	Roscoe Stone	Hickman, Ky.
1946-1951		H. L. Cooper	Henderson, Ky.
1946		Arch C. Voris	Bedford, Ind.
1948		Alvin A. Voit	Louisville, Ky.
1949-1950	*	John W. Taylor	Louisville, Ky.
1949		Ira Wilcox	New Albany, Ind.
1948		Smith D. Broadbent, Jr.	Cadiz, Kentucky
1949		Noel Rush	Louisville, Ky.
1950		Pierre McBride	Louisville, Ky.
1952		M. C. Minor	Danville, Ky.

x Died while serving

xx Served on parent bank board 1928 - 1945

* Resigned

** Resigned to serve on parent bank board

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Federal Reserve Bank of St. Louis

Photostat of a letter in the files of the Federal Reserve Bank of St. Louis.

The "Bill" referred to is Wm. McChesney Martin Jr., now Chairman of the Federal Reserve Board.

Photostat by courtesy of C. M. Stewart

July 20, 1954

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Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK
OF
ST. LOUIS

July 24, 1928.

Dear Mr. Martin:

I enclose copy of letter received today from Evansville in regard to your speaking engagement there on August 2. I also enclose copy of the condensed daily statement for July 23.

Mr. Attebery left last night for Memphis, but will return in the morning. Mr. Novy was here all day to-day and seems to be feeling better.

Today I introduced Bill to the adding machine. He is helping us verify the reports of condition and reports of earnings as of June 30. After that I am going to have him get acquainted with the comptometer. In the morning he is going to help our examiners, Hecht and Kroner, and the State Examiner, John Meyer, in an examination of the Chippewa Trust Company. He will help balance the savings ledgers and sit in on appraisal of the loans and investments and the Board Meeting. I am trying to give him as much experience as I can. John Meyer is the son of A. C. F. Meyer of the Lafayette-South Side Bank. He is a graduate of Yale and he and Bill have been quite friendly.

It has been threatening to rain all day but it is still hot.

Sincerely yours,

C. M. Stewart

Mr. Wm. McC. Martin,
Half Moon Hotel,
Coney Island, N. Y.

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Federal Reserve Bank of St. Louis

The JEFFERSON
A HILTON HOTEL
HOTEL JEFFERSON ST. LOUIS
TWELFTH BOULEVARD at LOCUST . . . SAINT LOUIS, MISSOURI

July 21, 1954

Dear Kay -

The enclosed material is ours with best wishes of C. M. Stewart, who has been with the St. Louis Fed. since before it opened its front door in Nov. 1914. Apparently this kind of thing will be handed to us from time to time - it can go in the St. Louis file unless it gets too bulky.

Every one very friendly and cooperative here. They invited me to attend the meeting of the officers yesterday and to make a short speech on the project, then took me to lunch in the private dining room with Wm. McChesney Martin Sr.

Hotter than Tophet, wherever that is, but the hotel & the bank are both air-conditioned so I'm all right. How those not so fortunate survive is beyond me. Thermometer still stays around 100°

More later - Hope all is well with you

Mildred Adams

AIR CONDITIONED . . . 600 ROOMS

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Federal Reserve Bank of St. Louis

EXCERPT FROM BOARD OF DIRECTORS' MINUTES OF FEBRUARY 27, 1941 -

RETIREMENT OF PRESIDENT MARTIN

President Martin made some remarks incident to his retirement at close of February 28, 1941, under provisions of the Federal Reserve Retirement System. It was mentioned that the condition of the bank, as reflected by the favorable report of the recent examination, was a source of satisfaction to all.

Mr. Martin has served the institution since its organization. He was appointed a Class C director, Chairman of the Board and Federal Reserve Agent on September 30, 1914, became Governor on January 16, 1929, and has served as President since March 1, 1936.

Appreciation of his long and faithful service was expressed, and the best wishes of the institution were extended to him.

In honor of Mr. Martin,
A. I. B. Testimonial Dinner, Hotel Jefferson, Mar. 26, 1941.

At the speakers' table . . . . . .

Honorary Members of
St. Louis Chapter

W. F. GEPHART, PH. D., *Toastmaster*

WM. McC. MARTIN

TOM K. SMITH

FRANK N. HALL

BYRON W. MOSER

•

Chapter Officials

JOHN C. SEILER, *President*

LAWRENCE F. BRENNAN, *1st Vice-Pres.*

RALPH M. FOX, *2nd Vice-Pres.*

HUGH S. HAUCK, *Treasurer*

EMIL N. ULLRICH, *Executive Secretary*

•

Special Guest

WM. McC. MARTIN, JR.

CHARTER MEMBER, FIRST INSTRUCTOR, MEMBER EDUCATIONAL COUNCIL, AND HONORARY MEMBER OF ST. LOUIS CHAPTER, AMERICAN INSTITUTE OF BANKING.

•

MEMBER, THE BOARD OF REGENTS
THE GRADUATE SCHOOL OF BANKING

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Federal Reserve Bank of St. Louis

St. L. F. R. Bank
By-laws

FEDERAL RESERVE BOARD

WASHINGTON

October 10, 1914.

Sir:

Pursuant to action taken by the Federal Reserve Board, I am transmitting to you as Chairman of the Board of Directors of the Federal Reserve Bank of St. Louis, under separate cover, tentative by-laws and a tentative organization chart for submission to your board of directors. The purpose and nature of the by-laws and chart are explained in the above mentioned documents.

It is proposed that in the near future there shall be a meeting in Washington to which the directors of the several Federal reserve banks will be invited to send a committee numbering not less than three, but including as many members of each board of directors as such board shall deem best to send. A letter of invitation in the name of the Governor of the Board will be sent you at the proper time, and will afford a general explanation of the plan and scope of the meeting. One purpose of the meeting will be the discussion and criticism of the by-laws and chart which are now sent you. Pending the calling of the meeting, therefore, a careful study of the by-laws and chart is suggested.

Respectfully,

H Parker Willis

Secretary.

Mr. William McC. Martin,
Missouri Bankers Association,
St. Louis, Missouri.

Original filed under "by-laws," copies under "Charter and organization papers" and "other correspondences". CMS

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Federal Reserve Bank of St. Louis

Charter & Organ.

OFFICE OF THE SECRETARY

TREASURY DEPARTMENT

WASHINGTON

October 26, 1914.

Original filed under Empl. re election of Mr Wellsas Gov.
CMS.

My dear Mr. Martin:

I desire to confirm a telegram I sent you today, and of which the following is a copy:

"Please call a meeting of the Directors of the Federal Reserve Bank of your district and advise them that all necessary statutory requirements having already been complied with by the several Federal Reserve Banks, the Comptroller of the Currency will forward to each bank on or before November sixteen, nineteen hundred and fourteen, the certificate authorizing such bank to commence business as prescribed by section four of the Federal Reserve Act, and the Secretary of the Treasury will, in conformity with section nineteen of the Act, formally announce the establishment of the Federal Reserve Banks in each of the Federal Reserve Districts on the sixteenth day of November, nineteen hundred and fourteen. Please also assure the Directors that this Department will gladly extend to them every facility and all possible assistance in opening the banks on that date, and also assure them of my very best wishes and of my earnest desire to cooperate with them in every possible manner to render this great public service."

Sincerely yours,

W G McAdoo

William McC. Martin, Esq.,
Chairman, Board of Directors,
Federal Reserve Bank,
St. Louis, Mo.

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Federal Reserve Bank of St. Louis

OFFICE OF THE SECRETARY

Mr Smith
Mr Horton
Mr French
Please note and return

TREASURY DEPARTMENT

WASHINGTON

November 9, 1914.

Sir:

The Comptroller of the Currency will, at the close of business on November 14, 1914, execute the certificate or charter provided for in Section 4 of the Federal Reserve Act authorizing your bank to commence business on the morning of November 16, 1914.

Accordingly, on November 16, I shall make formal announcement of the establishment of your bank pursuant to the authority vested in me by Section 19 of the Federal Reserve Act, and will, on that date, formally sign the announcement to be sent to each member bank in your district.

In order that the member banks of the several Federal Reserve Districts shall each receive this notice at approximately the same time, I am sending to each Federal Reserve Bank printed copies of notice to member banks which will be signed by me on November 16. These notices are inclosed in envelopes addressed to the several member banks and upon receipt of telegraphic advices that the formal notice has been signed, you are requested to place in the mail the copies sent to you under separate cover.

Respectfully,

W G McAdoo

Secretary of the Treasury.

Mr. William McC. Martin, Chairman,
Board of Directors,
Federal Reserve Bank,
St. Louis, Mo.

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Federal Reserve Bank of St. Louis

THE WESTERN UNION TELEGRAPH COMPANY

OFFICES IN AMERICA. CABLE SERVICE TO ALL THE WORLD

THEO. N. VAIL, PRESIDENT BELVIDERE BROOKS, GENERAL MANAGER

RECEIVED AT

W7NYUE 110 GOVT

K WASHINGTON DC NOV 16 1914.

WM MCC MARTIN

FED RES AGT ST LOUIS MO

PLEASE ACCEPT MY CORDIAL CONGRATULATIONS UPON THE OPENING OF THE FEDERAL RESERVE BANK OF YOUR DISTRICT AND MY SINCERE COMMENDATION UPON THE EFFECTIVE WORK YOU HAVE DONE IN PREPARING THE BANK FOR BUSINESS IN THE SHORT TIME ALLOWED FOR THE OPENING. I AM SURE THAT THE FEDERAL RESERVE BANKS WILL SERVE A GREAT AND BENEFICIENT PURPOSE IN THE FUTURE OF OUR COUNTRY AND I AM SURE THAT THIS DEPARTMENT AND THE FEDERAL RESERVE BOARD MAY COUNT UPON YOUR LOYAL COOPERATION IN THE IMPORTANT WORK AND DUTIES WHICH HAVE BEEN CONFIDED TO YOU, MY HEARTY GOOD WISHES FOR YOUR SUCCESS

W G MCADOO.

SEND the following NIGHT LETTER subject to the terms on back hereof, which are hereby agreed to

St. Louis, November 16, 1914. 191

To W. G. McAdoo, Secretary of the Treasury,

Washington, D. C.

Your congratulations were received this morning and the good will expressed enabled us to have a most auspicious opening of the Federal Reserve Bank of St. Louis. You unquestionably can count on my loyal co-operation and sincerity in the belief that the Federal Reserve system will be of great benefit to our country. We opened on time this morning and took care of such business as was offered us. Practically all of the St. Louis bankers visited us in person and expressed their good wishes and quite a number of out-of-town bankers also came to see us.

Wm. McC. Martin

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Federal Reserve Bank of St. Louis

THE WESTERN UNION TELEGRAPH COMPANY

25,000 OFFICES IN AMERICA. CABLE SERVICE TO ALL THE WORLD

THEO. N. VAIL, PRESIDENT BELVIDERE BROOKS, GENERAL MANAGER

RECEIVED AT Commercial Bldg., 514 Olive St St. Louis, Mo ALWAYS OPEN

J 16 NY F 81 GOVT

K WASHINGTON DC NOV 16 1914

FEDERAL RESERVE BANK OF STLOUIS. 1003

STLOUIS MO

THE COMPTROLLER OF THE CURRENCY AT THE CLOSE OF BUSINESS ON NOVEMBER FOURTEENTH HAVING EXECUTED THE CERTIFICATE AUTHORIZING THE FEDERAL RESERVE BANK OF STLOUIS TO COMMENCE BUSINESS I HAVE THIS MORNING SIGNED THE ANNOUNCEMENT TO BE MAILED TO ALL MEMBERS BANKS OF THE ESTABLISHMENT OF YOUR BANK AND THIS WILL BE YOUR AUTHORITY TO PLACE IN THE MAIL COPIES OF THE ANNOUNCEMENT SENT YOU FOR THIS PURPOSE

W G MCADOO SECY OF THE TREASURY

730 AM

NIGHT LETTER

THE WESTERN UNION TELEGRAPH COMPANY

CABLE SERVICE TO ALL THE WORLD

BELVIDERE BROOKS, GENERAL MANAGER

SEND the following NIGHT LETTER subject to the terms on back hereof, which are hereby agreed to

St. Louis, November 16, 1914. 191

TO W. G. McAdoo, Secretary of the Treasury,

Washington, D. C.

In accordance with your telegram received this morning, copies were promptly mailed to all member banks, of your notice announcing the establishment of the Federal Reserve Bank of St. Louis.

Wm. McC. Martin, Federal Reserve Agent

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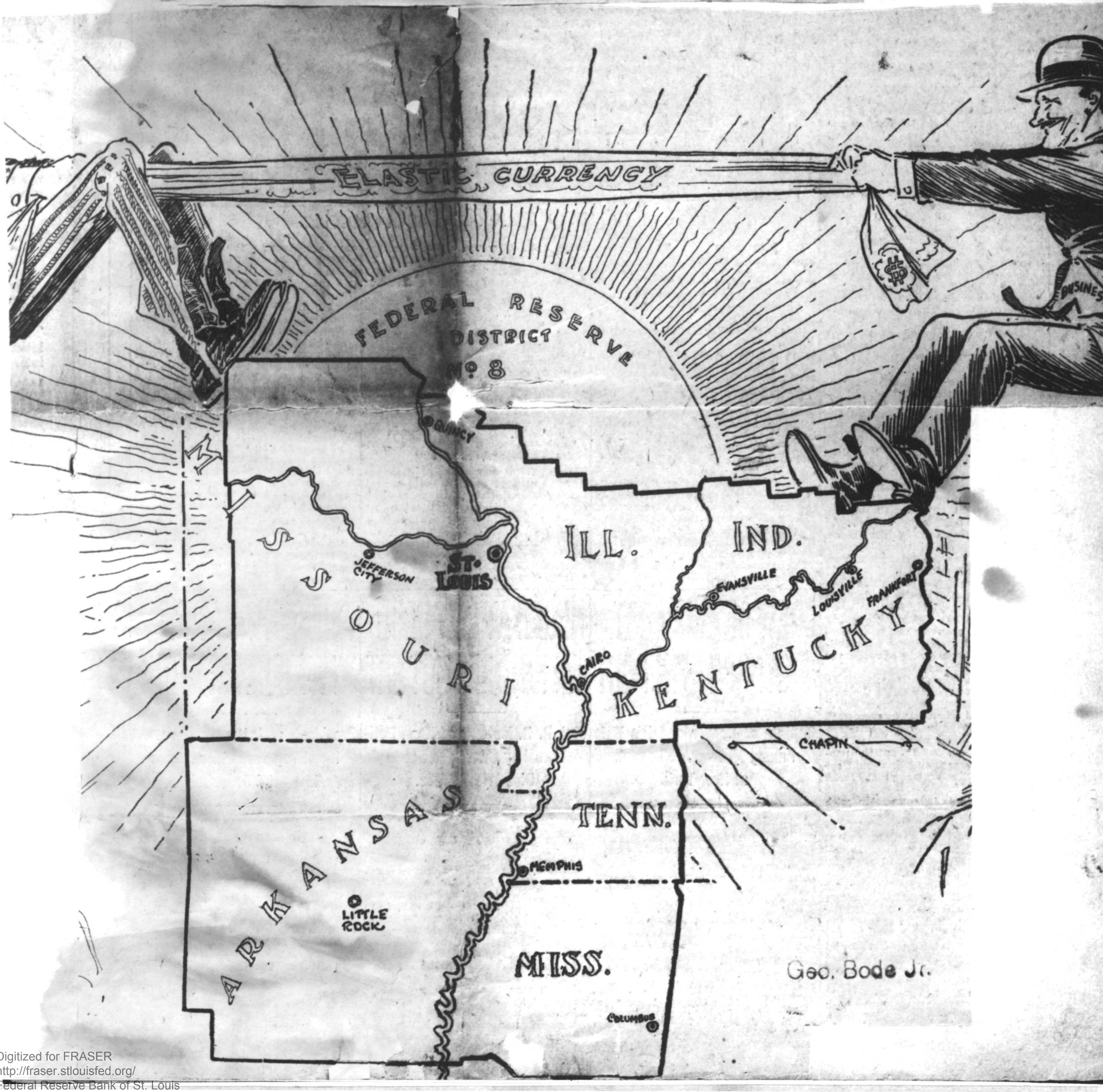
Federal Reserve Bank of St. Louis

THE ST. LOUIS REPUBLIC.

SUNDAY MORNING, MARCH 28, 1915.

Love and Chapin Visit Reserve District Quarters and Learn What Happens When the Farmer Borrows $200 and His Note Is Rediscounted



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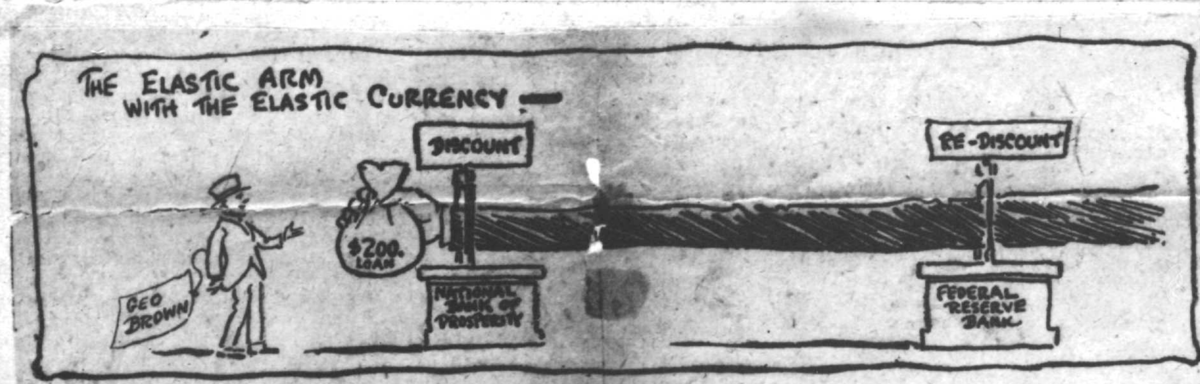

Federal Reserve Bank Is "A Bank of Banks"

BY ROLLA WELLS,

Governor of the Federal Reserve Bank of St. Louis.

FOR many years a more wholesome banking method has been needed in the United States. A new system is now in operation. It will have no effect on the rain and the sunshine, or the fertility of the soil, but it will, in the opinion of many, prove a haven of safety in time of unexpected trouble.

The Federal Reserve Bank of St. Louis, an integral part of the Federal Reserve System, has been in operation since the inauguration of the system, November16, 1914.

The business of a commercial bank is chiefly with the business men; the business of the Federal Reserve Bank is mainly with banks, called ber banks. The St. Louis Federal Reserve Bank, therefore, is "a bank of banks," having 460 banks as ckholders, located in a district embracing 146,474 square miles of territory, covering a part of the States issouri, Illinois, Indiana, Kentucky, Tennessee, Mississippi and all of Arkansas.

The Federal Reserve System is based upon the principle of co-operation, and it would be reasonable to conclude that the centralized credit which the Federal Reserve Bank of St. Louis will afford, through its member banks, to the many diversified interests in its large district, cannot help but prove beneficial.

The Federal Reserve Board, with its Advisory Council, is a central control over the 12 reserve banks, and the authority to regulate the conservation and utilization of their united assets already has brought forth an easier financial atmosphere and repose.

BY ROBERTUS LOVE

ANYBODY who still believes in the old saying that there is nothing new under the sun should go to the Boatmen's Bank building, accompany the elevator to the fourth floor and visit the Federal Reserve Bank of St. Louis, which occupies temporary quarters there. It is a new thing for a bank to be located upstairs. The bank itself is a new thing, and there are eleven others of its kind in the United States, one in each of the newly-created Federal reserve districts.

The St. Louis bank serves district No. 8. This district includes the entire State of Arkansas, most of Missouri and considerable slices of Illinois, Indiana, Kentucky, Tennessee and Mississippi. The map on this page presents the district at a glance. The district ranks sixth in population, ninth in area and tenth in capital. It covers an area of 146,474 square miles, and has a population of 6,726,611. Its extreme length from north to south is 544 miles and its extreme width from east to west is 535 miles. The bank is ready to serve, through its member banks, any resident of this vast territory whose business loans are eligible under the Federal reserve act.

This bank, with the rest of the dozen, was created by the passage of the Owen-Glass bill last year, which was an act "to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording a means of rediscounting commercial paper and to establish a more effective supervision of banking in the United States, and for other purposes."

The St. Louis bank was opened for business November 16 last. We now are beginning to learn just what is meant by an "elastic curency." We have discovered already that it is not just what papa said when Maybelle asked him:

"P what is an elastic currency?"

tion With
n Added.

lastic currency, my dear," re Papa, "may be defined as a that can be stretched to buy two dollars' worth of goods, and if you are going to marry that young dude who comes here every Sunday evening, you'd better see to it that his money's made of rubber."

The Federal Reserve Bank system is giving elasticity to our currency without rubberizing the material of which it is made. It is taking the dollar out of useless hoarding or timid hiding and putting it to useful service. It is making it easier for the man who needs the dollar in carrying on his business to get the dollar just when he needs it. Through the operation of this system it is believed that a panic such as the one which gave us violent visitation in 1907, is rendered virtually impossible. If that be true, then the Federal Reserve Bank in St. Louis is an institution vitally interesting to every man, woman and child in the district.

Former Mayor Rolla Wells is the head of the St. Louis bank, enjoying the title of Governor. W. W. Hoxton Deputy Governor and Secretary. The shier is C. E. French. There is a board of nine Directors, six of whom are elected by the member banks and three appointed by the Federal Reserve Board. William McC. Martin, formerly vice president of the Mississippi Valley Trust Company, is chairman of the board and Federal Reserve Agent in active charge for the Federal Reserve Board. Mr. Martin has begun a thorough personal canvass of the district, beginning with Arkansas. It is his purpose to visit points in each State in the district where meetings of bankers' associations are held, address the meetings and talk with individual bankers, explaining the modus operandi of the Federal Reserve Bank.

The present capitalization of the St. Louis bank is $5,583,500. There are 460 member banks. All but one of these are national banks. The exception is the Mercantile Trust Company, which is a State bank. Every national bank in the district is required to become a stockholder in the Federal Reserve Bank. Each bank must subscribe for 6 per cent of its capital and surplus to the capital of the Federal bank. One-sixth of the amount is payable on call, one-sixth within three months and one-sixth within six months. The remaining one-half is subject to call. Thus, under the law of the nation, the Federal bank is capitalized by its member banks.

Bankers Are Taking To System Readily

Chairman Martin reports that the bankers are taking to the new system readily. Those who were somewhat offish at the start are being won over as they acquire an adequate working knowledge of the new system.

The Republic, with a view to giving the general public an intimate acquaintance with the Federal reserve banking system, to the end that all hazy notions of red tape may be dissipated, requested Chairman Martin to state in plain terms what the system means and how a citizen may be accommodated th the St. Louis bank. In the foll ng interview Mr. Martin goes over t e field thoroughly and in plain language, which he who runs may read and understand, and should read if he cares to learn his new financial opportunities under the reformed currency system given to the nation by the present administration.

"Since the Federal Reserve Bank of St. Louis opened its doors for business," said Mr. Martin, "the territory of District No. 8, as well as the entire United States, has had a feeling of financial stability that it did not enjoy previously.

"The principles underlying the Federal reserve system are neither unfamiliar nor untried. For years, in the larger centers, through the medium of clearing-houses, banks have co-operated with each other and have combined their reserves so that the strength of all could be given to the smallest deserving bank. This advantage, however, was enjoyed by only the larger banks in the large cities, smaller country banks receiving benefit only because their larger correspondent banks were better able to afford assistance on account of the co-operation of the other banks in the same large city.

Never Will Be Another Panic Like That of 1907

"In District No. 8 the banks of a greater part of Missouri, the banks of Southern Illinois, Southern Indiana, Western Kentucky, Western Tennessee, Northern Mississippi and all of Arkansas, are joined together, as it were, by stock ownership in the Federal Reserve Bank of St. Louis. In this bank they also keep their reserves, and at the end of three years all of their reserves will be kept part in their own vaults and part with the Federal Reserve Bank of St. Louis. Whether the member bank is large or small, located in a city or in a village, it will have the strength of the system behind it.

"The ederal Re Bank is given the rig t to redis t paper for its membe banks, an his way assure to suc member properly

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Federal Reserve Bank of St. Louis

Finding Something New in Banks or a Sure Way to Avoid Financial Trouble--A Simple Tale About a Subject You Always Thought Was Difficult

managed the fact that they can always receive cash when they need it. It is not too much to say that this means that there will never be any more money panics like that of 1907 in this country. I do not mean to say that the Federal reserve act will do away with hard times, for they will be with us so long as we have drouths, floods, diseases and death, but it will do away with any unreasoning fear that there is not enough money to take care of any situation.

Prior to the opening of the Federal Reserve Bank of St. Louis, a member bank in District No. 8 was sometimes afraid to make a business man a loan for 90 days, or make a farmer a loan for six months, because the bank could not afford, as it were, to have its money locked up for 90 days or six months. Under the old system, Jim Smith has come in and wanted to borrow $300 for 90 days, in order to buy supplies for his general merchandise store. The banker has said:

"'Jim, we have the money, you always have been prompt in your credit obligations and we would like to lend it to you and can do it if you will take it on demand.'

"Of course, Jim could not afford to be in a situation where he would have to pay any minute he was called on, the banker could not afford to take his 90-day note, and the consequence has been that Jim Smith could not borrow the money from his home bank to buy his needed stock of goods, the bank has lost a good rate of interest, say 6 per cent, on the loan, and the goods have not been bought unless Jim has gone to some big city, purchased on an open account and had the city wholesaler carry him.

"Under the present system, because a loan is for 90 days it will be no reason for the bank refusing the loan. Under the old system, such a loan would have been equivalent to locking up the money for 90 days. Under the present system, the banker knows that he can take the note of Jim Smith, indorse it, present it to the Federal Reserve Bank of St. Louis and get the cash. He can do this whenever the necessities of the case demand.

"The Federal Reserve Bank of St. Louis cannot rediscount a loan arising out of a commercial transaction that has a maturity at the time of rediscount or more than 90 days. However, an exception is made of loans arising out of agricultural operations or based on live stock. Such loans can be made for maturities not exceeding six months.

"Let us trace a loan of $200 to George Brown, farmer, from the time it comes into the country bank, through its offering for rediscount at the Federal Reserve Bank, to its final payment.Let us call the country bank the National Bank of Prosperity.

How the Banker Acts On Loan Application.

"It is, of course, taken for granted that the loan is made to the farmer, not because he is a handsome gentleman or a first cousin of the banker, but because he is a thoroughly sound credit risk. He will, doubtless, talk the matter over with the banker when he applies for the loan; will tell him what he wants it for, and advise with him as to the possibilities of the use of the proceeds of the loan. If he is trying to borrow too much, a good banker will tell him so and suggest the amount of money he is entitled to in order to accomplish the object he has in mind. The banker should know all of the property owned by the farmer and all of the debts for which the farmer is liable. In brief, good banking would require that he get a statement from the farmer.

"The Federal Reserve Bank of St. Louis has prepared a form of statement which is absolutely devoid of technicalities and can be filled out by any 16-year-old boy. It does not contain even such words as 'credit' and 'debit.' Under the heading 'Property Owned' are included cash in bank and on hand, good accounts due the farmer, good notes on hand, live stock on hand, farm products on hand, grain, cotton, hay, feed, etc.; farm lands owned, other lands owned, value of buildings on farm and city real estate owned, the total of which gives the total property owned by the farmer. Under the heading 'Debts Due' are included accounts payable, notes payable, mortgage notes due by the farmer, and all other debts, the total of which gives the total debts of the farmer. Then there are certain questions asked on the statement in regard to the farm land, such as: Where is the farm situated, description of farm, total number of acres, acres under cultivation, acres unfit for cultivation, number of bales of cotton, bushels of wheat, bushels of corn, the land will produce per acre any seasonable year, and other crops? Is land subject to overflow? How long has the farmer owned the land? Is any part rented; how much and for what rent? Distance from nearest town to the farm? Distance from nearest railroad station to the farm? At what price per acre have improved farms in the neighborhood sold during past year? At what price per acre has rough land in the neighborhood sold in past year? Is there any mortgage on the land? Is so, for what amount and when payable? Is the title to the land in the name of the farmer making the statement? For what is the land assessed for taxation? These are all the facts asked for in the statement.

"If for any reason the bank's farmer customer is so unreasonable that the bank is afraid to ask him to make a statement, the bank, of course, before making the loan, will know in a general way the facts asked for by this statement and can make a statement about him.

How Prosperity Bank Gets Note Rediscounted.

"The National Bank of Prosperity having decided to grant the loan, the farmer signs his note for $200, the bank discounts it and puts it in its note case. If the note is to run six months the bank has not tied up its money for this length of time, because it can turn the note into cash. In the development of the bank's business, if its reserve is approaching the limit and it is afraid that it will run short of cash, it takes this $200 note of George Brown out of its note case, indorses it on the back, 'Pay to the order of the Federal Reserve Bank of St. Louis, protest waived, National Bank of Prosperity, by John Doe, president or cashier,' and then attaches the note to what is known as an application for rediscount. This is nothing but a letter addressed to the Federal Reserve Bank of St. Louis, which is all printed out, with but few blank spaces to fill in. In this application, in the blank spaces provided, the bank describes the maker of the note as George Brown, indorser National Bank of Prosperity, amount $200, maturity August 1, 1915, fills in the date to be returned to the forwarding bank and also where payable. This the bank signs. To this application the bank attaches the note and also the statement of the farmer. If it has been unable to get a statement of the former, the bank attaches a statement made by itself, giving the credit facts that induced it to make the loan.

"The National Bank of Prosperity then encloses the note, application and statement in an envelope and sends it to the Federal Reserve Bank of St. Louis. The letter arrives at the Reserve Bank, say at 9 o'clock in the morning, is immediately opened, entered on our offering book and given to the credit department. The first thing the credit department does is to see whether we have on file the bank's authority to rediscount. This is nothing but a copy of the resolution of the Board of Directors of the National Bank of Prosperity, giving the president, vice president or cashier the right to rediscount paper with this bank.

"We have drawn up this form of authority to rediscount, and have sent a copy to each of the member banks of district No. 8, and a great majority of them have signed same and returned it for our files. If the authority to rediscount is in our hands, then the credit department proceeds to go into its files to find out the condition of the National Bank of Prosperity, offering the loan, and then, on blanks prepared for the purpose, to take the figures given on the statement attached to the note and find out what are the quick assets and current liabilities of the maker of the note. It must be kept distinctly in mind that there is a marked difference between fixed assets and quick assets. To determine what constitutes quick assets, these are broadly defined to be: Articles intended for sale in the customary transactions of the note maker's business and resulting assets created by their sale. These quick assets are what the borrower chiefly relies on promptly to meet his current liabilities.

Requests for Rediscount Are Passed on Quickly.

"Current liabilities are the debts of the notemaker contracted chiefly for the things he expects to sell and which he must pay within a short time, as distinguished from debts maturing over a period of years. He must be prepared to meet his current liabilities from week to week or month to month, whereas his long-time debts he prepares to meet by years. Quick assets in the financial statement of the farmer include cash, accounts receivable, rotes receivable, live stock and farm products on hand.

"After the condition of the bank has been ascertained and the statement of the maker of the note has been analyzed, it comes before our Executive Committee and the facts are stated to that committee. This committee, realizing that the farmers' statements will sometimes fail to show a satisfactory margin of quick assets, gives due consideration to the value of farm lands in localities where farms are readily salable. If the offering is acceptable the rediscount is authorized.

"It has been said by some, who were not fully advised, that they could not do business with this bank on account of the red tape that was necessary. I hope it is clear from the above that there is absolutely no red tape required by this bank in connection with a loan. There is not one thing asked for that good banking practice does not demand. A banker, whether of the city or country, cannot make a loan in a satisfactory way unless he knows about the borrower, and this bank only wants to know what he knows. If there is any red tape about the methods of the Federal Reserve Bank of St. Louis there is no one more anxious to find it out than this bank. Whenever it can be shown that there is any red tape in connection with the rediscounting of a loan it unquestionably will be eliminated.

"There is also no delay in passing on loans offered for rediscount. Not once, but many times, we have had a loan like the one mentioned above offered by the National Bank of Prosperity come in the mails at 9 o'clock, go through the hands of the credit department, be presented to the Executive Committee, which meets at 10:30, be passed on and the proceeds entered to the offering bank's credit by 11:30 o'clock the same morning.

Bank Has 44 Employes On Its Pay Rolls.

"In this way the rediscount of George Brown comes into the possession of the Federal Reserve Bank of St. Louis. There it stays until 10 days before the maturity of the note, in this instance 10 days before August 1, and on July 22, unless the National Bank of Prosperity has instructed that it be returned to it sooner, the note is taken out of the discount department of the Federal Reserve Bank of St. Louis and returned to the member bank, so that it will have ample time to present it for payment and protest it to hold indorsers if that becomes necessary. On the day it is sent out, it is not charged to the account of the National Bank of Prosperity. This is not done until August 1, the maturity of the note. If the National Bank of Prosperity wishes to keep its deposit from being depleted by the charge of the note against it on the books of the Federal Reserve Bank, it can, of course, send another piece of paper, rediscount it, and the proceeds of the new note will be placed to its credit.

"When the National Bank of Prosperity takes the note of a business man, it may be payable more than 90 days from date, say four months. A four months' note of a business man is not subject to rediscount by us, but when it has run one month and has only 90 days to run from the time it is offered to the Federal Reserve Bank for rediscount, this bank can take it. The same way with a farmer's note. When it is taken by the bank it may have nine or 12 or even more months to run, but when it has only six months to run from the time it is offered to this bank it can be rediscounted.

"The Federal Reserve Bank of St. Louis is as thoroughly organized as its demands require, and is performing all of the functions required of it under the Federal reserve act. It is more thoroughly developed than the reserve bank of any other district, with the exception of Kansas City. It has its own force and is not borrowing help from any other bank. It never did this, except to a very limited extent the first few days of its existence. On its pay roll it has 44 employes. The bank unquestionably can be of the greatest help to its members and, through its members, to the general public. It is necessary, however, that the member banks become thoroughly familiar with the opportunities which the Federal Reserve Bank of St. Louis offers, so that they can take advantage of them."

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Federal Reserve Chief and His Hosts

St. Louis Republic May 1, 1915.

(LEFT TO RIGHT) WILLIAM McC. MARTIN, ROLLA WELLS AND CHARLES S. HAMLIN.

HAMLIN TELLS AIM OF RESERVE BANKS

Governor of Federal Board Tells Business Men's League They're Not to Make Money.

MAY REGULATE DISCOUNTS

"St. Louis Member One of Greatest in United States," Declares Official.

The new banking and currency system created by the Federal reserve act last fall is not, as many persons suppose, [illegible] to [illegible] the country through emergencies, but will be used to prevent emergencies, according to Charles S. Hamlin, Governor of the Federal Reserve Board, Washington, D. C., who arrived in St. Louis yesterday.

Hamlin, who is on his way home from a trip to California addressed the Business Men's League of St. Louis at a special luncheon at the Planters Hotel.

"What is the function of the Federal reserve system?" said Hamlin. "There have been two schools of thought on this point. One pictures the Federal Reserve Bank as only an emergency bank, which might as well remain closed most of the time, with cobwebs on the desks. Another pictures it as ordinary bank, which should compete with members banks and try to earn money.

May Regulate Discount Rates.

"The truth is about midway between these extremes. The Federal Reserve Bank will relieve stringency by providing a place where sound commercial paper will be rediscounted, but the bank should go forward and do its best to prevent any emergency arising. As to the other view, the time may come when the Federal Reserve Bank may have to do something which looks like a regulation of the discount rate.

"The Federal Reserve Bank will be operated not only for the benefit of the member banks, but for the people of the United States, too. This is the conception of the Federal Reserve Board, and it was the fundamental idea of Congress, in enacting the new [illegible]

"There have [illegible] of the Federal reserv[illegible]

make their expenses. I believe most of them do, but even if not one of them made expenses it would not militate against the worth of the new system. No railroad nor other large business could hope to earn expenses in the first year of its existence.

Not Intended to Make Money.

"And the Federal reserve banks were not organized to make money, but to help the people of the United States. Whether they make or lose money is immaterial.

"While in the west, I prepared figures distributing the total cost of the operation of the San Francisco bank among the member banks of the reserve district. If the San Francisco bank had not made expenses nor any part of them, but everything had been charged to the member banks, their profits would have been lowered by one-fiftieth of one per cent.

"Sometimes you hear a complaint from a banker that his paper is not eligible for rediscount. Usually this is a mistaken idea and he finds most of the notes in his portfolio are eligible and will be readily rediscounted by the Federal Reserve Bank of his district.

"But if it is true that he has no eligible paper, then he had better call a meeting of his directors and re-establish the institution as a commercial bank.

"We hope that every State bank and trust company doing a commercial business will join the Federal reserve system. The Federal Reserve Board will publish its regulations soon, and we hope they will be so fair thousands of State-chartered institutions will decide to join.

Can't Prevent Expansion.

"The board has power to prevent any undue expansion of money in the United States. The individual may speculate or the bank expand, but they cannot drag down with them the business of the nation."

In beginning his address, Gov. Hamlin commented upon "the marvelous growth of St. Louis in the last seven or eight years," since he last was here, and declared the St. Louis Federal Reserve Bank to be one of the great Federal reserve banks of the country.

"We made a 10-strike when we appointed William McC. Martin as chairman of the Board of Directors," said Gov. Hamlin, "and when Rolla Wells accepted the post of governor we knew it was all that was necessary to make the St. Louis Federal Reserve Bank one of the greatest in the United States. Mr. Wells didn't want the post, but he is a man of public spirit, and in patriotism he took up the work."

In the afternoon Gov. Wells and Chairman Martin took him for an automobile ride, and late in the afternoon Gov. Wells was host at an informal reception in the visitor's honor at the Log Cabin Club. Gov. Hamlin also attended the dinner of the Louisiana Purchase Exposition directors at the Jefferson Memorial building last night, departing for Washington at midnight.

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Author(s): Federal Reserve Bank of St. Louis; William McChesney Martin; Jennie Boyd

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C. M. STEWART HIGHLY HONORED.

William McC. Martin, Federal Reserve Agent and Chairman of the Board of the Federal Reserve Bank of St. Louis, recently announced the well merited appointment of Clarence M. Stewart as Assistant Federal Reserve Agent of District No. 8. (8-2-17)

This appointment has been made in conformity with the amendment to Section 4 of the Federal Reserve Act, approved June 21, 1917, which provides that, subject to the approval of the Federal Reserve Board, the Federal Reserve Agent shall appoint one or more assistants.

Mr. Stewart has been serving as Secretary to Mr. Martin since the Federal Reserve Bank of St. Louis was established, and from his familiarity with the affairs of the local institution, as well as banking in general, he is well qualified for the new position. His banking experience extends over a period of ten years, and he has a wide acquaintance among the younger bank men. In June, 1907, he entered the employ of the Mississippi Valley Trust Company, and remained with that institution until November, 1914, when the Federal Reserve Bank was opened, at which time he resigned to accept the position as Secretary to Mr. Martin.

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Author(s): William McChesney Martin

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