THE FEDERAL RESERVE SYSTEM

AS A NEW FACTOR

IN NATIONAL AND INTERNATIONAL FINANCE

Address by W. P. G. Harding,

Governor, Federal Reserve Board.

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Daniel Webster, in his Reply to Hayne, began with these words:

"When the mariner has been tossed for many days, in thick weather, and on an unknown sea, he naturally avails himself of the first pause in the storm, the earliest glance of the sun, to take his latitude, and ascertain how far the elements have driven him from his true course. Let us imitate this prudence, and before we float further on the waves of this debate, refer to the point from which we departed, that we may at least be able to conjecture where we now are. I ask for the reading of the resolution." Sixty years later the same idea was epitomized, not elegantly, but tersely, by an Alabama Congressman, who, having been interrupted in the course of debate, resumed his remarks with the question, "Mr. Speaker, where was I at?"

It seems proper, in these momentous times, with half the world in the throes of a death struggle, when the breaking of precedents, the establishment of new records in all lines of business, and the appearance of new problems - industrial and financial - are matters of daily occurrence, that American business men and bankers whose function it is to think and to act for others as well as for themselves, should make careful and constant reckonings, in order to determine where we now are, and how far the storm on the other hemisphere is driving us out of our normal course.

Few, if any, will contend that general business conditions in the United States today are normal. Our export trade for example, has increased from one and one-quarter to one and one-half billions per annum in ordinary times, to between five and six billions. We have received since January first 1915 importations of gold into this country in settlement of trade balances amounting to more than one billion dollars, and within that time we have sent to other countries about a quarter of a billion in gold, so that the net increase in our gold stock in about two years' time has been around seven hundred and fifty millions of dollars. We have witnessed a marked rise in prices of all commodities, - meats, farm products, metals, and manufactured goods, and have seen repeated advances in wage scales, so that costs of production have been greatly increased and the cost of living has reached a point hitherto unknown in times of domestic peace. Just as surely as night follows day, so is action succeeded by reaction, and thoughtful men are turning their eyes to the future and are seeking means for building up a permanent trade in those articles of commerce for which there is normally a steady demand, and with those countries which may reasonably be depended upon to become permanent customers.

Frankly, we know that much of our present prosperity has come to us as a result of calamities to others, and that radical changes must necessarily occur when swords are beaten into plow-shares and peace resumes its sway. No man whose heart-beats respond to the instincts of humanity would wish to see a prolongation of war for the sake of personal gain or national aggrandizement, but it is only natural that we should wish that the changes which must occur with the return of peace be followed by gradual and moderate reactions rather than by a perpendicular slump in business and by general financial disturbance. I must confine my remarks tonight to a brief discussion of the relation of the banks of this country to the present situation and to the changing conditions which are to come. While there are serious responsibilities which must be borne by all the banks, I feel that our new banking system, composed of the twelve Federal Reserve Banks, is charged particularly with the obligation of leadership and of providing means of assisting our financial institutions to meet successfully any situation which may arise. History shows that after every great war there is an aftermath, - a period of reconstruction which requires not only financial leadership of the highest order, but intelligent cooperation and concentration of capital. For several years after the close of the Revolutionary War financial conditions in this country were chaotic; Continental currency was without value, such currency as we had was local and even personal in its character, and we were entirely dependent upon foreign countries for the limited amount of coin that was in circulation or that was held in strong boxes. Closely following the establishment of the Federal government, and mainly through the instrumentality of Alexander Hamilton, the first bank of the United States, a central bank modeled somewhat along the lines of government banks in Europe, was chartered in the year 1791, for a period of twenty years. Through its aid the finances of our young republic were placed upon a firm foundation and a stable and uniform currency system was established. But even in those early days there was a strong prejudice against a central bank as being contrary to the genius of our American institutions; and when the charter of the bank expired in 1811 it was not renewed by Congress.

Then followed the War of 1812 and upon it conclusion it was found that the resources of the independent banks which had come into existence could not be coordinated in such a way as to meet the situation successfully, and so in 1816 Congress chartered the second Bank of the United States, another central bank. The antagonism however, to the central bank idea had never died out, and the latent sparks of opposition finally burst into flame, so that in 1836 the Bank of the United States ceased to exist as a national bank and was forced a few years later to wind up its affairs. From the days of Andrew Jackson there has never baan a time when a majority of the people of the United States have been in favor of one central banking institution. While certain advantages growing out of such a bank have been recognized, they have been more than offset in the public mind by the inherent evils and possible dangers of such a system. In the midst of the Civil Was in 1863, the National Banking Act was passed by the Congress of the United States, and provided a system of banking in this country that was dominant for fifty years and which is the corner stone of our present Federal Reserve system. The first and perhaps paramount purpose of the National Banking Act was to provide a uniform national system of currency, without the creation of a great central institution like the old bank of the United States. The national banks were subjected to uniform laws, and to government supervision, but they were disjointed units, and no means were provided by law for any concentration of their resources in times of need. Any effective cooperation between them was voluntary, through clearing house associations, and the measures adopted by them to meet various crises, while necessary and commendable, were of questionable legality.

The status of the national banks prior to the advent of the Federal Reserve system may be likened to that of the thirteen original states of the American Union during the years that intervened between the recognition of their independence and the adoption of the Constitution. The Federal Reserve Act of December 23, 1913, which has provided a bond of union between the banks is entitled "An Act 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." Section 18 of the Federal Reserve Act provides means, at the option of national banks, for retiring the whole or any part of their circulating notes by authorizing the Federal Reserve Board to require the Federal Reserve Banks to purchase bonds from the national banks in an amount not exceeding $25,000,000 in any one year, which bonds may be exchanged, under the conditions stated in the Act, for United States 3% 30-year bonds and 3% one-year gold notes, without the circulation privilege. The intention of the framers of the Federal Reserve Act was undoubtedly to provide, through the gradual retirement of national bank notes, a vacuum to be filled by issues of Federal Reserve notes. But I am getting ahead too rapidly and this phase of our currency question will be considered later on in my remarks.

When the bill to establish national banks was introduced in Congress in 1863, less than thirty years had elapsed since the withdrawal of the Treasury deposits from the bank of the United States. The opposition at that time to a central bank, or to any institution carrying with it a centralized control, was deepseated and widespread, and the sponsors of the various plans which took final shape in the National Banking Act were carefully to point out that the objections to a central bank had been duly considered and had been avoided by them. It was first suggested that State banks and bankers be permitted to issue circulating notes secured by United States bonds, and it was urged that none of the objections against a central bank could be offered against such a plan, and as the Government would have no power to bestow favors, such a system could not be used for political ends. In a speech advocating this plan Samuel Hooper, a member of the House from Massachusetts, said: "As far as the United States Bank is concerned, it was affirmed that, by its favors, the Government enabled that bank to monopolize the business of the country; and it was affirmed that frequently great inconvenience and sometimes terrible disaster resulted to the trade and commerce of different localities by the mother bank of the United States arbitrarily interfering with the management of the branches by reducing suddenly their loans and sometimes withdrawing large amounts of their specie, for political effect. Here each bank transacts its own business upon its own capital, and is subject to no demands except those of its own customers and its own business. It will be as if the Bank of the United States had been divided into many parts, and each part endowed with the life, motion, and similitude of the whole, revolving in its own orbit, managed by its own board of directors, attending to the business interests of its own locality; and yet to the bills of each will be given as wide a circulation and as fixed a value as were given to those of the Bank of the United States in its palmiest days."

In the second annual report of Honorable Hugh McCulloch, the first Comptroller of the Currency, made in November 1864, the new banking system is discussed at length, and regarding it the Comptroller said: "It promises to give to the people that long-existing'desideratum', a national currency, without a national bank, a bank note circulation of uniform value without the creation of a moneyed power in a few hands over the politics and business of the country.

The banks established under the National Banking Act are, and were designed to be local institutions, independent of each other, but under national control and supervision. Nationalization without centralization is the keynote of the National Banking Act, under which, as originally enacted, each national bank was required to designate specifically the State, county and city, town or village, as the place where its operations of discount and deposit were to be carried on, and was allowed only one place of business, no branches or branch offices being permitted; and, while by the amendment of May 1, 1886, a national bank is authorized to change its location, it must be to a place not more than thirty miles distant and the new location must be in the same State as the old. The local character that was intended to be given a national bank is further emphasized by the requirement that the rate of interest which a bank may charge must not exceed the rate allowed by the laws of the State, territory or district in which it is located; nor are national banks permitted to acquire stock in other banks or to retain such stock when taken to secure a debt previously contracted, except for a reasonable time pending its sale; but under the Federal Reserve Act a national bank is expressly required to be a continuing stockholder in the Federal Reserve Bank of its district.

Notwithstanding the purpose to localize each national bank as far as its situs is concerned, no geographical limitation is placed by the law upon the deposits that may be received by a bank or upon the loans which it may make, although the bank is expressly prohibited from transacting its business in more than one office and is without power to establish a branch even in its own town; but on the contrary every national bank has the right to solicit and to receive deposits from, and to make loans to, individuals and corporations in all parts of the United States and of the world. Further than this, the National Banking Act originally provided that national banks in eighteen cities might be used by national banks in all other cities as custodians of a part of their required reserves and the banks in seventeen of these reserve cities were authorized by the Act to carry one-half of their required reserves with banks in New York City, an inconsistency typical of the composite character of much of our legislation; for while the National Banking Act made possible any number of individual banking units it not only permitted but compelled the concentration of a considerable part of the banking reserves of the country with the banks of a single city. The Federal Reserve Act is more consistent. While it recognizes the advantages of a concentration of reserves, it does not create a central or dominant institution, but provides instead for the establishment of twelve banks, each to act as a central bank for the reserves of its own district, the stock of each to be owned by, and its deposits to come from, banks in its own district and from none other. In this manner the reserves of the different sections of the country are designed to be kept at home, and undue concentration in a single city or in a small group of cities is avoided. A large national bank in Boston or in New York can so extend its business as to solicit and receive deposits and to make loans without any restriction as to locality, counting among its customers corporations, firms, and individuals in all parts of the United States and in foreign countries; but the Federal Reserve Bank of Boston or the Federal Reserve Bank of New York can deal only with banks in its own Federal Reserve district. Any Federal Reserve Bank can engage in open market operations resulting from transactions which may have originated in other districts, and may rediscount for other Federal Reserve Banks, but no Federal Reserve Bank has the same wide field of operation throughout the country as a whole that is open to the national banks. While the Federal Reserve Banks are legally autonomous units there is no power given to them to act with other Federal Reserve Banks by virtue of agreements made by their directors or executive officers so as to constitute themselves a system with centralized powers, but the control of the Federal Reserve Banks in this respect is vested in the Federal Reserve Board, through which body alone the coordinated and centralized powers of the Federal Reserve system are exercised; and even in the creation of the Federal Reserve Board the danger of localized centralization is recognized and guarded against, for the Federal Reserve Act provides that in the designation of the five appointive members of the Board the President shall select not more than one from any one Federal Reserve district and that he shall have "due regard to a fair representation of the different commercial, industrial and geographical divisions of the country." While the main purpose of the National Banking Act was to provide a national currency without the intervention of a central bank, its development and operation made possible a greater concentration of banking power in the hands of a few individuals than the country had ever known before; but the Federal Reserve Act has provided for the concentration of reserves in a carefully controlled central institution in each of twelve geographical divisions of the United States, and when necessary, for the mobilization of the resources of these institutions as one great bank, thus avoiding the dangers that would come from a single centralized institution while affording all the safeguards and benefits to be derived from concentration and cooperation.

Some of you may perhaps have seen a statement that was recently given to the press by the Federal Reserve Board, in which the suggestion was made that in view of abnormal conditions throughout the world, it would be best that the banks of this country should keep themselves in a liquid condition and proceed along indicated lines of prudence and conservatism. The suggestion was made also that as the United States is fast becoming the banker of foreign countries in all parts of the world, investors should receive full and authoritative data, particularly in the case of unsecured loans. I know that there has been criticism of the Board's action in making this statement, which has been given a significance neither justified nor intended. It was not the purpose of the Board to make an attack, either open or covert, upon the credit of any government, nor did it seek in its statement to reflect upon any particular obligations. In my opinion, what the Board had in mind when it made its brief reference to investors, was simply this. American investors have for many years been accustomed to buying industrial securities - railroad obligations to a great extent. In dealing with these securities certain well established rules have been developed. The investor has acquired the habit of requiring specific information regarding gross earnings, fixed charges, net earnings, sinking funds, etc., and he insists upon knowing definitely whether he is offered a first mortgage bond, income bond, preferred stock, or common stock. It is the practice of every issuing house when offering securities to state all necessary details either over its own signature or that of the head of the borrowing corporation. Nowhere is the importance of authentic and complete information more fully understood and appreciated than in Europe, both in England and on the Continent, and prospectuses for foreign loans contain all the important facts relating thereto, in a statement signed by an authorized representative of the foreign government or by the issuing house, or in some cases by both. The Board sought merely to call attention to the fact that as this country has become an important market for foreign securities, the same businesslike habits which are well established regarding domestic loans, should be developed in the marketing of foreign flotations.

It happened that a few days after the Board's statement had been made public, certain momentous events took place which had no connection whatever with any domestic incidents. Last week there was a notable stiffening in rates for call loans in the New York market , which advanced to 15%, a higher level than they had reached since the establishment of the Federal Reserve Banks. One of the leading financial journals, in an editorial discussing this incident, has this to say:

> "The pinch in money at this centre the present week, under which rates for call money on Monday touched 15% and reached maximum figures of 10% on Tuesday and 7% on Wednesday (normal conditions not being restored until Thursday), demonstrates anew that the Federal Reserve system, upon which the whole country has been placing so much dependence, has not solved our monetary problems. If, prior to the experience of this week, any one had ventured to suggest that such high rates were possible with the Federal Reserve system in full operation and at a time when the country is literally flooded with currency in one form or another, he would have been deemed lacking in perfect

faith and denominated a hopeless skeptic. These high rates, too, have come at a time when the gold stream to these shores from foreign countries has been flowing with such strength and volume that many good people have been holding up their hands and saying that we are getting too much of the metal and that the movement ought to be stopped. As it happens, the easing of the monetary tension here which came towards the end of the week was due entirely to the resumption of gold imports on a large scale, and it is evident that whatever may be the situation elsewhere in the United States, New York has been badly in need of extra supplies of gold."

It may seem paradoxical and certainly is anomalous that while the country is literally swimming in gold as the result of the enormous importations of the metal which have occurred since the beginning of 1916, the New York Clearing House banks and trust companies should be steadily drained of their supplies of the metal, and of their money holdings generally, yet the fact itself can not be gainsaid. And it is a striking commentary upon the working of the Federal Reserve system that this should be so. Secretary of the Treasury McAdoo in his annual report the present month is loud in his praises of the Federal Reserve system and of the benefits it has conferred upon the community, but in view of this week's happenings his flattering tribute would appear somewhat premature.

The Secretary avers that the country's present "great propperity could not exist without it (the Federal Reserve system)." This is perhaps pardonable exaggeration, but has no basis in the facts. Nor is there warrant for the contention that "the usefulness of the system has been broadened recently by the amendatory Act of September 7, 1916." On the contrary, through these amendments and the methods pursued in the administration of the law, nearly all of which have tended to promote the inflation possibilities of the law, there has been a distinct departure from the conservatism that marked the statute as originally drafted and the law has lost some of its most potent elements for good.

Certainly the Reserve Act must be held responsible for the depleted state of the Clearing House institutions at this centre. For it is the reduction in the money holdings and surplus reserves of these Clearing House institutions that accounts for the twist in money; and the possibility of such a flurry in money rates as has now occurred would have been sooner recognized except for the implicit faith felt in the efficacy of the Reserve system, which has made the ordinary man inclined to neglect his customary study of monetary currents. It has been argued that business activity, together with high prices and Stock Exchange speculations, necessarily create an active demand for loan accommodation. That of course is in considerable measure true, but the predicament in which the Clearing House banks found themselves this week was not due to loan expansion but followed directly from a severe loss in money holdings. The existence of the Federal Reserve Bank at this centre has not served to relieve the situation and there is no telling what might have happened except for the opportune arrival of some more gold from abroad.

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It is noteworthy that the large credit balances of the Federal Reserve Bank of NewYork did not serve to swell the Reserve Bank's own money holdings, showing that the money must have been transferred to other points by the Reserve Bank through the Reserve clearing house system. As a matter of fact, the New York Reserve Bank's money holdings, after being heavily enlarged in the week ending November 17, (when the total of gold and legal tender mounted from $170,660,757 to $192,852,297), were in the succeeding two weeks reduced to $156,408,741, at which figure the total was the smallest of any week since June 2 last. In other words, the Federal Reserve Bank of New York drew enormous amounts out of the Clearing House institutions and could not retain the money, but transferred it, as already stated, to other points. "

It seems that this high authority is an unwilling witness to the soundness of the position taken by the Board in its statement, although it takes occasion to rap the Federal Reserve system. But it is difficult to see how the New York Federal Reserve Bank can be held responsible for the depletion of reserves of its member institutions, or in what respect its operation has been unfair to the banks of its home city. Besides being our chief financial center, New York is our greatest port of entry. Through its custom house passes a vast volume of goods which do not remain in New York City but which are distributed throughout every State to every town and hamlet in the land. In the same way most of our imports of gold come first to New York, and through the financial institutions there find their way to other sections of this country and to South American nations. The Federal Reserve Bank does not cause this diversion of gold; it merely aids its member banks in effecting the distribution called for by our commercial transactions. It is rather amusing to find in the same issue of the financial journal to which I have referred, - which in its editorial states that the existence of the Federal Reserve Bank in New York has not served to relieve the situation, and there is no telling what might have happened except for the opportune arrival of some more gold from abroad, - this statement in its reading columns:

NEW YORK CITY BANKS AVAIL OF REDISCOUNT PRIVILEGES OF RESERVE BANK.

"The use of the rediscount privileges of the Federal Reserve Bank was availed of for the first time this week by several of the local banks. While the practice is new to the banks of this city, the up-State banks are said to have made use of the rediscount facilities of the Reserve System ever since the opening of the Reserve Bank. So far as the New York institutions are concerned, the New York Federal Reserve Bank is said to have taken the initiative in suggesting that they adopt the practice of rediscounting through it. It is explained that their action in resorting to the Reserve discounting privileges was not the result of any apparent strain of the money market, but to inaugurate this feature of the system and demonstrate its workability."

It is a noteworthy fact that except for a slight advance in the hitherto abnormally low rate for acceptances, there has been no advance in rates for commercial paper of a character eligible for rediscount with Federal Reserve Banks, and the so-called "flurry" was confined entirely to loans secured by stock exchange collateral. While the Federal Reserve Act does not permit Federal Reserve Banks to rediscount paper secured by investment securities such as stocks and bonds, national banks which carry such loans can at any time strengthen their position by rediscounting eligible commercial paper with the Federal Reserve Bank, and it seems that the important banks in New York and Boston which had rediscount transactions a few days ago with their Reserve banks, desired to impress this fact upon banking institutions throughout the country. Hitherto large banks have as a rule not been inclined to show any rediscount liability upon their statements, and an aversion to rediscounts has been felt by many of the smaller institutions throughout the country. The Federal Reserve Act, however, while imposing strict limitations upon the character of the paper that can be discounted by Federal Reserve Banks, distinctly encourages rediscount operations by member banks, and before the amendment of September 7, 1916, permitting Federal Reserve notes to be issued upon the security of bills purchased in the open market, it was impossible to issue Federal Reserve notes except upon paper rediscounted by a member bank. It is highly important, in the proper development of the Federal Reserve system, that banks should overcome their old-time prejudice against rediscounting and that they should learn to avail themselves freely of the facilities afforded by the Federal Reserve Banks.

In the statement to which I have already referred, the Federal Reserve Board announced that it does not share the view frequently expressed of late, that further importations of large amounts of gold must of necessity prove a source of danger or disturbance to this country. That danger, in the opinion of the Board, will arise only in case the inflowing gold should remain uncontrolled and be permitted to become the basis of undesirable loan expansions and of inflation. The Board suggested that there are means of controlling accessions of gold by proper and voluntary cooperation of the banks, or, if need be, by legislative enactment. It suggested that an important step in this direction would be the anticipation of the final transfer of reserves required by the Federal Reserve Act to be made on November 16, 1917. A bill has been introduced in Congress providing that this transfer be made effective within sixty days from the date of its enactment. There are now approximately $600,000,000 of so-called reserves held by national bank reserve agents which, if the amendment becomes a law, and in any event, in November 1917, will no longer be counted as such, but will have the status simply of balances in bank. The actual reserve requirements in gold will be increased by about $200,000,000, and if we do not regard profit as a first consideration, there are other means by which the continued inflow of gold into this country can be used to its lasting benefit.

For many years this country has been handicapped because of the inelastic quality of a very large part of its circulating medium. I refer particularly to the legal tender notes or greenbacks, and to national bank notes. The framers of the Federal Reserve Act had in mind the ultimate retirement, over a period of twenty years, of the bond-secured national bank notes, and the conversion of the United States 2% bonds upon which they are based; but in the permissive form in which this section of the Act was finally passed, there is no certainty that the national bank notes will be retired, nor will I go so far as to say that the retirement of all national bank notes is desirable or necessary in our present situation. I have heard the suggestion made that it might be well to consider the adviasbility of preparing for the retirement of say, $200,000,000 of national bank notes within the mext three years, provided this can be done without injury to the national banks and without permanently contracting our circulating medium, in case it should ever be desirable to keep it at its present volume. An Act of Congress would of course be necessary to carry into effect any plan for the compulsory retirement of national bank notes, and I have made this reference merely to show that our circulating medium need not necessarily become redundant by further injections of gold into it. Treasury notes possessing legal tender qualifications, are outstanding to the extent of $348,721,925, of which $346,681,016 are the old war time greenbacks and $2,040,909 are Treasury notes of 1890 which were issued on account of silver purchases but which are payable in coin. The suggestion has been made frequently that advantage should be taken of the present plethora of gold to retire permanently these notes. No doubt some of the opposition which manifested itself in the late sixties and the early seventies against the retirement of legal tender notes may spring up again, should their retirement be seriously considered. But if our currency is redundant, would it not be wise to strengthen it by retaining gold, at the same time retiring the notes that have caused so much controversy and disturbance in times past? The principal objection will probable come from those who may fear that the retirement of the legal tender notes will lead to permanent contraction, but if they could be convinced that this is not the case and that the vacuum created could be filled at any time when necessary by Federal Reserve notes of a truly elastic character, their opposition would have little to rest upon. If Congress should ever decide upon the retirement of the greenbacks, the Federal Reserve Banks could be utilized as a means of effecting the operation, without the slightest disturbance to interest rates or to credit facilities.

So far any influence the Federal Reserve Banks have exerted in the field of international finance apart from their importance as the holders of domestic reserves, and their position when considered collectively, as a dominant factor in American banking, has come from their ability to purchase or discount acceptances arising out of transactions involving the importation or exportation of goods. Later on, in all probability, the Federal Reserve Banks will avail themselves of the powers given them by law, with the consent of the Federal Reserve Board, to open and maintain banking accounts with foreign countries and to establish correspondents and agencies abroad, but so far they have done nothing in the foreign field except to encourage the development of the acceptance business, which is already playing a very important part in financing our commercial transactions abroad. The Federal Reserve Act authorizes national banks to establish branches in foreign countries, and the amendment of last September permits them to become stockholders in corporations organized for the purpose of carrying on a banking business in other countries. Already two American banks have established branches in the West Indies and in South

America, and it is thought that their example will be followed by other banks in the course of time.

Two years have elapsed since the establishment of the Federal Reserve Banks. While they have not been operated with an eye to profit, they have earned their expenses and a part at least of their dividend requirements. The prejudices which existed in the beginning against the Federal Reserve system have to a great extent disappeared. The Reserve banks had not been established in the summer of 1914 when the country was brought face to face with a great crisis because of the outbreak of the European war, and since their organization they have had no opportunity to give a practical demonstration of their efficiency as emergency institutions, and because of the remarkable ease in money which has existed almost continuously during the past two years, they have not had the opportunity of exercising to any great extent all of the functions for which they were designed. They have nevertheless gained steadily in the confidence of the public, and the fact of their existence has enabled the country to withstand, without the slightest financial disturbance, many shocks and sensations which would probably under old conditions have been followed by unpleasant results. I think it may be said in all fairness that the Federal Reserve system is no longer looked upon as an ephemeral experiment. The country recognizes that it has been established upon a firm and enduring foundation, that it has not been and can not be conducted for the sole benefit of any group or interests, but that the policies governing its operation are, and must continue to be, broad enough to serve the banks and the patrons of banks, without discrimination throughout the entire country. The Federal Reserve law as it stands may not be perfect, but we have every reason to believe that the country feels that it is correct in principle and that any changes which may be made in the law from time to time will be along lines which enable the Federal Reserve Board and the Federal Reserve Banks better and more adequately to provide for all contingencies, and to measure up more fully to the duties and responsibilities which have devolved upon them.