

FEDERAL RESERVE BANK
OF DALLAS

Circular No. 13
Series of 1918

Dallas, Texas, March 13, 1918.

TO THE BANK ADDRESSED:

I am today in receipt of the following telegram from the Federal Reserve Board:

"Board is anxious to have you watch situation in your District with respect to competition for deposits, through advancing interest rates with view of getting banks contemplating advances to defer action and of inducing those who are paying more than normal rates to reduce them. Board feels that Government financing should have right of way, and that reserve strength of banks would be increased by encouraging the public to invest in Treasury Certificates of Indebtedness and Liberty Bonds issued rather than by banks competing for these funds and thus necessitating heavy investment in these securities for their own account. Wide distribution of Government issues is most important. Deposits throughout the country show general tendency to increase in volume and there seems to be no good reason to increase rates of interest paid for them thus adding to cost of money. Transfer of balances from one bank to another does not add anything to strength of banking position as a whole. Board urges that broad national view to be taken on this question. In view of approaching Liberty Bond campaign sharp nation-wide contest between banks for deposits would be particularly unfortunate.

"New York Clearing House yesterday unanimously adopted this resolution: 'Resolved that this Association wishes to record that any general campaign for deposits at increasing and competitive rates of interest, inasmuch as such action is disturbing throughout the nation and does not add to the collective strength of banking resources, is at this time improper and should not be undertaken by any institution.' It is expected that New York Clearing House will reach definite agreement within next ten days or two weeks. In meanwhile interior banks are advised against hasty and ill considered action. Please bring this telegram to attention of banks in your District with view of ascertaining their views and of enlisting their co-operation."

The wisdom and timeliness of this suggestion must be apparent to every thoughtful banker. While this evil probably is not so widespread in this District as in some others in the Country, nevertheless, the appeal of the Federal Reserve Board will, I hope, receive favorable consideration and be followed by every bank in the District. We must all stand together and permit no merely selfish personal interest or practice to stand in the way of the Country's welfare.

Yours very truly,
W. F. RAMSEY,
Federal Reserve Agent.