

**The Suggested Plan
For A National
Reserve Association**

**An Address
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THE SUGGESTED PLAN FOR A NATIONAL RESERVE ASSOCIATION

*An Address Delivered by
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MISSOURI has always stood for sound banking. In the days when St. Louis was a station for trappers on the borders of a wilderness, her trade notes were the currency in use as far North as Canada, as far South as the Gulf and as far West as there was a civilized man to receive them. Later the notes of the Bank of the State of Missouri took their place and for thirty years were gladly received by trapper, trader, riverman, merchant, woodsman, plainsman and gold seeker. When a general banking law was passed in 1857 it contained a provision calling for examinations and reports from banks and if this was not the first provision of its kind, it was among the very first. Our tradition shows that we are conservative enough to be sound and progressive enough to meet conditions. So, of course, we are intelligently interested in any proposed plan to make more effective our banking system.

Our Banking System Unsatisfactory

In an audience of this kind, it is unnecessary to do more than state that our present one is unsatisfactory. We are all so close to the days of 1907, that we have seen this fact demonstrated. Some of us doubtless have had it brought so close home that we were under the necessity of giving the cook a check for her wages and when that important personage looked doubtful, have had to enter into an elaborate explanation, the purpose of which was to convince her that a white piece of paper signed with our name was better than the green bank notes to which she was accustomed. In this case, however, the embarrassment may have been less, for the cook may have postponed giving notice for another month, waiting to get what she would call real money. We have heard of a mysterious individual called John Smith and were glad to take his checks though he was unidentified. There may be a few grey hairs

in this room caused by perplexity over the problem "Shall we build up our reserves, by calling loans and ruining our community, or be extremely lenient in calculating the minimum necessary under the law?" We read that there was a money stringency throughout the world, but we found that neither England, France, Germany, or even a country as newly modern as Japan, suffered as we. In no other nation would a period of six months show fluctuation in interest on demand loans from 2% in August to 126% in January. Before 1907 there were prophets in the land who delivered jeremiads against our system but we practical men, not having had our fingers burned, left the fire to what we were inclined to call "the alarmists". However, it is different now. We have practically been forced to give the situation attention. The result is that we have unanimously concluded that our system is defective at least in two respects.

Chief Defects

(1) Our currency is not elastic. It expands and stays expanded, or contracts and stays contracted with no regard to real business needs. Instead of acting like a rubber band and governing itself by the size of the package, it expands and contracts according to a standard outside of itself,—the price of government bonds. Foreigners have said it was the most unscientific system in the world.

(2) Our reserves are really not reserves to be relied upon in times of need.

A Banking System an Outgrowth

Having found the vital defects that we agree upon, the next thing is to remedy them. But in considering any remedy, we must bear clearly in mind that a banking system is not a soil, but is an outgrowth. The bank was never first established and then the community taught its use. There was a need in the community, and the bank was established to meet that need, to meet the wishes and habits of that particular people. Human nature all the world over is pretty much the same, but its habitat has an influence and its manifestation in government is different. Knowing this we can study the experiences of other countries for our guidance, but we necessarily cannot expect to use exactly the same means to an end. We have to put in practice the ancient wisdom "What's meat to one man is poison to an-

other," in preparing a banking system as well as in other things.

The proper course to follow then is to see if some of the remedies found effective in our own experience cannot be amplified and systematized until our banking is at least the equal of any in the world.

Proven Remedies.

The panic of 1853, clearly indicated that banks as isolated units each striving for its own preservation regardless of others, resulted disastrously not only for the country as a whole, but generally for the individual bank. New York, profiting by this lesson, in 1860 when threatened with trouble by the impending war, knowing that self-preservation of the individual bank meant the preservation of all, through its Clearing House arranged for cooperation. They combined their reserves so that the reserve of the strongest was available for the deserving weakest. They also issued Clearing House Certificates, which we may call a clearing house currency, against the deposit of approved securities with the clearing house committee, this currency to be accepted by banks in the settlement of obligations to other banks. The stringencies and panics following 1853, including 1907, emphasized this fact, that a bank in order to save itself must of necessity be altruistic and also emphasized the remedy of concerted action, combined reserves, and clearing house currency. The backbone of any banking system is confidence and cooperation helped to restore this.

St. Louis, New York, Chicago, Boston, Philadelphia and other cities have proved the practicability of this course, so it would seem natural to try to apply it to the entire country.

Conditions to be Met

Let us now state our problem. The territory of the United States is of vast extent; part of it is fully developed and part of it is still in the pioneer stage. We have a population of ninety million, served by 22,491 banking institutions, or an average of one banking institution to every thirty five hundred of our people, but these institutions differ greatly in size and are unevenly distributed. Of the above number of banks 6,893 are operated under Charters received from the Federal Government; 13,459 under Charters from State Governments, and 1,497 have no Charters, that is, are private banks. We are a re-

public and our people believe neither in the divine right of kings, politicians nor plutocrats. Our intelligence is of the highest, our civilization of the best, our agriculture the most abundant, our manufactures the most effective, our mines productive, our industry and commerce the greatest in the world. Our financial system—and it is as important to the Nation as the nervous system to the body—has been found weak in at least two ways. First our currency is not elastic, and second, our reserves are not real reserves. Our experience has shown that in times of stress cooperation, combined reserves and clearing house currency were effective. How then shall we apply the remedies as shown by experience, to the proved defects, and make such changes as will bring about a real improvement in the banking conditions of the United States, remembering always that while we may profit by the experience of England, Canada, France, Germany and other countries, we are different in many respects from all of them.

Investigation Necessary

The common sense method is first to investigate, then to formulate a plan. This is the order we have followed. A National Monetary Commission was appointed by Congress and its work has been of great value. I speak from personal experience, for in the latter part of 1905, I began the attempt to investigate this question on my own account. I found it practically impossible to find proper books on the subject and even in such treatises as I found, the information was so out of date or so scattered, that a man who spent his day in a financial institution could make practically no headway. The Commission has gathered this information now in as compact shape as possible, and it is accessible to every one. This Commission as yet has not reported but Senator Aldrich, its Chairman, has drawn up a plan which he has submitted to the committee and which it has published throughout the country. On October 19th Senator Aldrich published a revision of his plan and it is this revision I propose briefly to discuss, but at the outset we must bear clearly in mind that it is only a proposal. It is not a Bill before Congress, but as a beginning has to be made, is a starting point. Its purpose as I understand it, is to provoke study, discussion and criticism. The Commission is holding public hearings on the plan traveling through the

cities from coast to coast. All interested will have a chance to express themselves.

Membership in the Reserve Association

In the plan as originally proposed only National Banks having a minimum capital of \$25,000 shall own stock in a federal corporation to be called the Reserve Association of America. This was doubtless on the theory that National Banks are subject to a more rigid examination and supervision than State banks. In some States this is true, but not in Missouri. You who were at the last State Convention in Kansas City heard your Bank Commissioner state that it had been "three and a half years in the State of Missouri since there had been lost to any depositor a single dollar in the banks of Missouri". When you think that these three and a half years immediately follow a panic, I think that we can all be justly proud of the banking institutions and their regulation in this State. And it was in Missouri that attention was first called to this injustice. To the honor of the State be it said that the first public discussion of this measure was by the Bankers' Club of St. Louis, and at that meeting Mr. Breckinridge Jones protested against barring State institutions from the privileges of the measure. He maintained that the Federal Government did not have the power under the constitution to charter National Trust Companies; and that under proper regulation State banks, Trust Companies and Savings Banks should be admitted on an equality with National Banks. Later the Executive Council of the American Bankers' Association approved such an amendment to the plan. Our State Association has also made a similar recommendation, and now the revision of the plan provides for the membership of State Banks and Trust Companies on an equality with National banks.

It is not the purpose to compel any bank to own stock in this association. It may buy, or it may not, as it sees fit, but will have to own stock or it cannot receive the privileges of membership. If it does become a member it will have to buy stock in the Reserve Association to an amount equal to twenty per cent of the purchasing bank's capital. It cannot take more than this, nor less; it is twenty per cent of its capital or nothing, and one-half must be paid. If the member bank increases its capital, it must increase its ownership in the Association, and if it decreases its capital, it must decrease its

ownership. A member can never transfer its stock, but in case of liquidation or suspension can surrender its stock at book value.

These provisions are to keep any one bank from gaining a dominating influence in the Association through stock ownership, merger or otherwise.

Dividends

The dividends of the Reserve Association are limited to five per cent per annum and provision is made for a surplus equal to twenty per cent of the paid-in capital. When the surplus reaches this amount, then all earnings in excess of a five per cent dividend are to go to the government. It is obviously the purpose and correctly so that the Association shall not be considered a money making institution, and a limited dividend will serve to lessen the desire of any one faction for control.

Organization

For purposes of organization and operation the Reserve Association is composed of three divisions. The Central Association is approached through the District Association from the Local Association. The Local Associations are composed of banks, the District Associations are composed of Local Associations and the Central Association is composed of District Associations. Each Local Association is to be composed of not less than ten banks with an aggregate capital and surplus of not less than five million dollars. Subject to these limitations, there may be any number of Local Associations, the District Associations are limited to fifteen to begin with, but may be increased if found necessary, and each one is to have a branch of the Reserve Association located in it, so the Branches are limited at first to fifteen. Local Associations, District Associations and Central Association are to be governed by directors the majority of whom are chosen by the banks having one vote each irrespective of capital and a minority by stock representation, the purpose being fully to safeguard the influence of the smaller members.

The Local Association

This machinery is necessarily complicated, but once set in motion it seems that it should work smoothly. Perhaps we can get a clearer idea of this matter if tonight, as the banks of St. Louis, including in our number not only the members of the clearing house,

but those financial institutions located in the city that clear through members of the clearing house, but excluding those located in the county or in Illinois, we proceed to organize a Local Organization.

In this city national banks must have a capital of at least \$200,000, and under the revised plan state banks would also have to have a capital of at least \$200,000 to become members of the Association. Therefore, there are in St. Louis seventeen banks, national and state, that could become members of a Local Association which we shall call the Local Association of St. Louis. Under the revised plan trust companies would have to have a capital of at least \$500,000 and a surplus of 20% of the capital. There are four such trust companies in St. Louis. This gives a total of twenty-one financial institutions that could take advantage of the revised plan in this city, with an aggregate capital and surplus of \$80,010,291.36. Of these, four financial institutions have each a capital and surplus of over \$5,000,000, sufficient to qualify in this respect each for membership but it gives these four financial institutions no advantage, for a Local Association must have at least ten banks. The consequence is that St. Louis though it has capital and surplus enough to form sixteen Local Associations, could not possibly have more than two Local Associations because the number of financial institutions that could qualify is only twenty-one, and doubtless the banks would find it much more convenient and practical to have only one, constituted as the clearing house is at present.

Having formed ourselves into a Local Association, the first meeting is for the purpose of electing directors and is held right here in this room. The plan provides that only a president, vice-president or cashier can represent his bank, and no proxies are allowed, consequently we are pretty sure of having assembled here twenty-one bank officers. We are supposed to enact our own by-laws and by them we make the number of directors of our Local Association twenty-five. Three-fifths of this number, or fifteen, we proceed to elect by each bank casting one vote, that is the majority of the twenty-one votes elect them. The remaining two-fifths, or ten, we elect by each bank casting as many votes as it has shares in the Reserve Association. As our total capital (surplus is not considered in this) is \$38,550,000 and twenty per cent of this would be the par amount of

shares held by the Local Association of St. Louis or \$7,710,000, the total number of shares voted for this two-fifths of the number of directors would be 77,100, and in this voting the banks with the larger capital would have the advantage. However, the number of banks would control sixty per cent of the board, and the number of shares but 40%. At this meeting we would also doubtless elect our proxy holder to represent the St. Louis banks according to their stock ownership in the Reserve Association. This representative would cast 77,100 votes for directors of the District Association, and the only duty he has is to vote.

Our District would probably consist of at least three states—say Missouri, Arkansas and Oklahoma, and the branch of the Association would doubtless be at St. Louis. In this District there would probably not be over 15 Local Associations of which the Local Association of St. Louis would be one. As the board of directors of St. Louis, we would elect by ballot one director of the District or Branch Association, and according to the plan as originally proposed have little else to do unless we are asked to guarantee paper for rediscount which would probably be only on rare occasions.

However, in the revised plan it is provided that the Local Association have a complete organization with a president, vice-president and executive committee. It is to appoint examiners who shall report to it and whose reports are to be furnished the National Reserve Association when desired. By a vote of three-fourths of its members with the approval of the National Reserve Association it may exercise such of the powers and functions of a clearing house as are not inconsistent with the purposes of the plan and it can be compelled to facilitate domestic exchange. It will also have the power to suspend a member bank which refuses to comply with the conditions of the Local Association. As the Local Association is the primary unit of the whole system, in my judgment, these provisions for a complete organization are most excellent and will greatly help the plan to success. In brief it so arranges it that the St. Louis clearing house, by calling itself a Local Association instead of having a restricted independence as at present, becomes part of a nation-wide system and its duties are practically unchanged. In the Local Association is modeled after the clear-



ing house as known in St. Louis and Chicago which organizations have already proven themselves of value in time of trouble in this country.

Each of the fifteen local boards of directors in our district would do as we and elect one director to the District Association. This would give us fifteen directors elected this way. Then our proxy holder with his 77,100 votes, whom we had already elected would meet the proxies from the other Local Associations here in St. Louis where the branch is.

The District Association

These proxies would elect ten of the District directors and then would go home with no other duties to perform. These ten with the fifteen elected by directors of different Local Associations gives the District twenty-five directors, and these twenty-five would elect an additional five directors who shall not be officers of banks, but who fairly represent industrial, commercial, agricultural or other interests in the community. The total number of directors then of our Misouri-Arkansas-Oklahoma District would be thirty, of which fifty per cent were elected by what we may call individual representation, 33 $\frac{1}{3}$ % elected by stock representation and 16 $\frac{2}{3}$ % were elected by joint individual and stock representation. The district will have a manager and deputy manager appointed by the Governor of the Association with the approval of the Executive Committee. These District Branches will be the chief means by which the functions of the Reserve Association are carried out.

The Central Association

Let us now examine the organization of the Central Association. Its board of directors will consist of forty-five, of which six are ex-officio, these being the governor of the Reserve Association, two deputy governors, the Secretary of the Treasury, Secretary of Commerce and Labor, and the Comptroller of the Currency. Each District Board is allowed to elect one director, and this gives fifteen. An additional twelve, are elected by voting representatives who cast the number of shares owned by the Districts. Then the twenty-seven elected directors (the ex-officio directors, under the revised plan, are not allowed to vote for members of the board) elect twelve additional men to the board, who shall fairly represent the industrial, commercial, agricultural and other interests in the community. This makes a board of forty-five directors, of which 13 $\frac{1}{3}$ % is ex-officio.

33 $\frac{1}{3}$ % is elected by individual votes, 26 $\frac{2}{3}$ % is chosen by votes according to stock, and another 26 $\frac{2}{3}$ % is chosen by the joint individual and stock vote.

In order to prevent the possibility of centralization of management the revised plan just presented to the Commission also provides that of the twenty-four directors made up of the twelve elected by stock representation and the twelve selected from the industrial, commercial and agricultural and other interests, not more than three can be chosen from any one district. With this additional safeguard, it seems the Central Association is fully protected from the possibility of sectional control. Even New York state in which it is said there is centered fully three-fourths of the money power in our country could not have more than four directors in the Central Association, the one elected by the directors of the District Association, and the three elected by stock representation from the industrial and other interests and the New York District could not by itself elect these three, the other Districts would have a voice in the matter. The same is true of our proposed Missouri-Arkansas-Oklahoma District; we could not have more than four directors.

The Smaller Bank is Protected

It is apparent that throughout the plan the purpose is to give the control to number of banks rather than to the capital of banks. It would seem that the interests of the smaller institution are thoroughly safeguarded. The local association is the fundamental unit and it seems to have been overlooked in discussion that this unit is protected in two ways. The Local Association must have ten banks and must have \$5,000,000 capital. As there are only twenty-one eligible banks in St. Louis, this means there could not possibly be more than two Local Associations in this city, and probably only one, which in spite of its capital of \$38,550,000, would have no more privileges than exercised by a rural Local Association with capital one-third as large. This same thing is true of New York and other big cities. The last statistics available showed that the New York Clearing House had fifty-one members. This would mean that there would doubtless be not more than five local associations in that city, and the chances are there would be only one.

James J. Hill's Criticism

Mr. James J. Hill in a recent address before the Illinois Bankers' Association as reported by the press,

has suggested that this method of organization is not effective and says that some large bank wishing to dominate the Reserve Association could take a million dollars and organize forty banks with \$25,000 capital each and so get forty votes in the local association. How far fetched and theoretical this objection is, is shown by the fact which seems to have been overlooked by Mr. Hill, that in order to have any effect on the Reserve Association itself, the financial interests attempting such a thing would have to furnish a million dollars to every Local Association, and go through the proceedings necessary to establish forty banks in each Local Association. When it is considered that probably there will be at least fifteen Local Associations in each district and that there are fifteen districts, which means the establishment of 3,000 new banks—more than the total number of national banks now organized—and the furnishing of \$225,000,000 of capital with the prospect of a most dubious return, it is clear that such an undertaking is practically impossible. It would take time to do a thing of this kind and it could not be done surreptitiously, consequently it seems incredible that even if the means could be found, that the people would allow it. If such a thing is possible, we are indeed in a bad state.

Safeguarded Against Political Control

It seems to me that this plan of organization, especially since the revision, can hardly be improved upon and I do not believe that under it any financial interest can get control. I also do not see how politics can dominate it. It is true that the governor is to be appointed by the president, but he can only select from names submitted by the Board of Directors and surely a board of forty-four men, selected in the manner they are selected will not be subservient to any party or power. Under the revised plan two deputy governors, who are also ex-officio directors, are to be elected by the board, not appointed by the governor and the governor himself can be removed by a two-thirds vote of the board. Three others of the board are government officials, namely, the Secretary of the Treasury, the Secretary of Commerce and Labor and the Comptroller of the Currency, but these with the governor make only four out of a board of forty-five and it is rather stultifying to American citizenship to say that these four will dominate.

Executive Committee

It is also hard to see how the executive committee could be more completely safeguarded. It is to be composed of nine members, the governor, two deputy governors and Comptroller of the Currency ex-officio, and five others elected by the board, not more than one of whom can come from any one district. In other words five sections of the country will always be represented. The Comptroller of the Currency is the only strictly government official on this board, for while the governor is appointed by the president, he is selected from names submitted by the board and can be removed by the board. The two deputies are elected by the board and with the five other members make a majority of seven.

Cooperation Possible Only Through an Association

Having examined the plan and finding the two danger points of political control and financial control protected, let us see what advantages will come from this cooperation of the banks through the Reserve Association. There are those who say that no instrument like an association is necessary, and they point to the banking systems of Canada and Scotland, saying no Central Institution is needed in those countries. This is true, but the fact seems to be overlooked that there are only twenty-nine banks in Canada, and these control all the banking business through 2,000 branches. Of these head banks, nineteen are in Toronto or Montreal and the entire twenty-nine are so situated that they can get together with as much ease as banks can go to a meeting of the Clearing House Association in a city. In Scotland there are only eight head banks and these find it easy to cooperate at any time. We have 6,893 National banks and 13,457 State institutions so widely scattered they could never get together except through some central medium. History also shows that Canada and Scotland are exceptions to a general rule, for the fourteen larger foreign countries, even though most of them have not near our expanse operate under a Central bank. Let us not get confused, however, the plan under discussion does not propose a central bank in the sense of the Bank of the United States destroyed by Jackson. Its **purpose is not profit**. Primarily it is a medium of co-operation.

Present Banks Not to be Done Away With

This Reserve Association does not enter into competition with any bank. It is not contemplated that

any change be made in existing banking laws except a possible change allowing National banks to have savings departments and under given restrictions to lend limited amounts of their savings deposits on real estate. It is not to be allowed to pay interest on deposits. It is to receive deposits from the United States Government and member banks, and these deposits of members are to be counted as part of their reserves. All banks, large or small, are to be treated alike and it shall be the duty of the Reserve Association and its branches upon request to transfer any part of the deposit balance of any bank having an account with it to the credit of any other member bank. This, it seems to me, will eventually do away with the charging of exchange on out-of-town checks and make every town which has a member of the association a par point, certainly an advantage to every one.

Bank Notes

It is also proposed that the right of issue be gradually taken away from national banks and vested in the Reserve Association. Under the revised plan the amount of notes that may be issued by the Reserve Association is unlimited but is safeguarded in two ways. First there must be a reserve of fifty per cent in gold or other money of the United States, which national banks are now authorized to hold as part of their legal reserves, against all demand liabilities, including deposits and circulation, and when this reserve falls below fifty per cent the Association has to pay a special tax on the deficiency of reserve. Second, all note issues must be covered to the extent of at least one-third by gold or other lawful money and the remaining portion by bankable commercial paper or obligations of the United States. No further notes can be issued whenever the lawful money falls below one-third of the notes outstanding. This is a dead line beyond which the right of issue cannot go, and when the reserve of the Association against deposits and outstanding notes is less than fifty per cent, it can only approach this limit by a special tax on the deficiency of reserve.

Upon the notes themselves there is no tax until they amount to over \$900,000,000, and this includes any national bank notes that may be outstanding at the time. When this amount is exceeded unless the excess is covered by an equal amount of lawful

money it is subject to a tax of one and one-half per cent per annum. When the notes exceed \$1,200,000,000 and the excess is not so covered then it is taxed at the rate of five per cent per annum.

This is an ingenious combination and adaptation of several European methods for the regulation of note issues and would seem to combine safety with a proper elasticity. It will give us in place of our very faulty bond secured currency, a currency based on a self-liquidating security, commercial paper, and unquestionably will be a great improvement.

Rediscounting Commercial Papers

Probably the most important service to be performed by the proposed Reserve Association is in rediscounting paper. None of us likes to do this under the present conditions as it is a reflection on our credit, but we must all realize that if a proper agency were afforded, we would be able to keep in such a liquid condition as to be safe at all times. In fact, we might call our commercial paper a secondary reserve and it would be practically the same as cash. The Reserve Association may rediscount commercial paper having not more than twenty-eight days to run and made at least thirty days prior to the date of rediscount having the indorsement of any bank having a deposit with it. It may also rediscount for any depositing bank commercial paper having more than 28 days to run, but not exceeding four months, but in such cases the paper must be guaranteed by the Local Association. There is in addition what may be called an emergency measure, whereby with the approval of the governor and the Executive Committee of the Association and also of the Secretary of the Treasury, the Association may discount the direct obligation of a depositing bank indorsed by its local association, provided the indorsement of the local association is fully secured by pledge, with the local association of satisfactory securities of one-third greater value than the obligation discounted.

Creation of Discount Market

These provisions mean of course that instead of sending our surplus money to New York to be lent on the stock market we will lend it on commercial paper at a better interest return to ourselves than the two per cent we receive now and with just as great certainty of turning it into cash when needed, as that we can get it from our correspondent when

needed now. This will be especially true when on account of banks accepting bills of exchange as the bill contemplates, a great discount market is established. Those of us who send our money to central reserve cities now receive the customary rate of two per cent, it makes no difference whether the money is lent at 1% or 100%. In European countries where discount markets are established the discount rate is usually fixed at from 1% to 1½% higher than the rate established—say by the Bank of England. As the Reserve Association will be authorized to fix a uniform rate, we will have a standard by which banks can fix their rate in a fairer way both to themselves and to their correspondents.

The Plan Based on Proper Principles

It seems to me that the plan is founded on the proper principles. It takes co-operation as found effective in our different financial stringencies and offers it through the only medium suited to a country so large with so many needed and well established financial institutions, which it wishes to disturb as little as possible. It guards against both the politician and the plutocrat.

Results to be Achieved

The results attained would unquestionably seem to be:

(1) Elimination of bonds as a basis for currency and an issue of bank notes truly elastic and responsive to the needs of business.

(2) Bank reserves will be brought under control of a body which can use them so they really are reserves, especially during panics, and an institution which can go to the aid of a deserving subscribing bank when it gets into a dangerous position.

(3) An institution which will rediscount paper at a uniform rate throughout the United States and thus put us on a commercial paper basis, which means a self-liquidation basis.

(4) The creation of a general discount market so that surplus funds will not have to be sent to New York for investment in demand loans.

(5) The substitution of a well organized system of credit banking in place of our dangerous and defective system of Stock Exchange banking.

These are among the chief ends to be attained, and if attained we will see no more scenes like those of 1907. On the contrary we will have one of the soundest banking systems in the world. We will have all the advantages of co-operation so concentrated as to re-

sult in quick decision and quick action. While reserves will be centralized and so mobile as to be used to strengthen any danger point, control in reality will be distributed between fifteen districts of our country and thus decentralized. It is a generally known fact that New York holds nearly all of our reserve now. It is also known that probably four or five New York banks hold three-fourths of the reserve in that City. In other words these four or five banks are the present central instrument. This situation is brought about by prevailing conditions. New York has the only call money market, and the surplus funds of all of us find their way there. When such facilities for rediscounting are afforded as proposed by the Reserve Association and when bank acceptances result in a great discount market, instead of sending all our surplus money to New York through our correspondents, we will lend a far greater amount to our home people for commercial transactions, thus benefiting our community. The Stock Exchange will cease to be the governing factor on money rates. New York will be less of a central point. The Reserve Association will be an instrument to the end of separating legitimate business from the speculative. It will be a medium of co-operation and an instrument of decentralization.

Bankers Must be the Nation's Leaders

Upon the bankers of the United States rests the chief responsibility for reform. It is our business, and the people look to us for guidance. In these days of quick transportation and communication by telephone, telegraph and wireless, there are no isolated places and the banker of the small town as well as of the large city must keep his hand on the pulse of country wide movements. If he is wise, he does not say a currency reform does not affect him. All banks, as I have said before, are now part of the Nation's nervous system, and a shock to any one is felt by all. It is our duty to study this plan carefully and from every viewpoint. The subject is too big and too vital to allow its proper solution to be affected by political considerations. In contemplating it we may have to give up some of our pet theories and get over our personal prejudices, so that we may act on that high plane of citizenship which places above self the good of the country as a whole. The record of Missouri bankers, however, speaks for itself. They have always stood for the best and their judgment can be relied upon now.