

## RETROSPECT

On Friday, March 31st, 1916, thirty-eight Cleveland bankers gathered at luncheon at the Union Club on the invitation of Colonel J. J. Sullivan. The majority of those present, and some other bankers, had previously subscribed their names to the following:

The importance of the City of Cleveland, and the financial prestige which it enjoys, would seem to warrant the opinion that there should be some unifying factor in the banking fraternity of our City.

In many cities of our country there exists an admirable cohesiveness as a result of association in Bankers' Clubs, where representatives of banks meet their fellows, and while breaking bread together, exchange views not only on questions relating to the business of banking, but also on the larger questions of governmental policies and principles relating to agriculture, commerce and industry.

Believing that such an organization in Cleveland would exercise a beneficial influence on this city and on our country, the undersigned do hereby agree to become members of a club to be formed for this purpose under the name of The Bankers Club of Cleveland, and to conform to such rules and regulations as may be adopted for its government.

Upon the suggestion of the Chairman that a motion to proceed to a permanent organization would be in order, Mr. F. H. Goff made the motion that the meeting proceed to a permanent organization, and that Colonel Sullivan be elected by acclamation as the first President of The Bankers Club of

Cleveland. The motion was seconded by several gentlemen, and despite the protest of the Chairman, was put to a vote by Mr. Goff, and carried without other dissenting voice.

Subsequently a committee was appointed to nominate permanent officers other than the President, and another committee to draft rules and regulations for the government of the Club.

At an adjourned meeting on April 14th, the Articles of Association and By-laws which appear on subsequent pages of this year book were adopted, and the officers named on the following page were elected to serve until October 1st, 1917.

## OFFICERS

President: J. J. Sullivan

Vice-Presidents: Thos. H. Wilson, Harris Creech

Secretary: Edwin Baxter

Treasurer: A. H. Seibig

## EXECUTIVE COMMITTEE:

The Officers and George A. Coulton, J. Arthur House

## FIRST DINNER

*At the Union Club, Thursday, May Eighteenth, 1916*

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### *Post-Prandial Proceedings*

PRESIDENT SULLIVAN. The gentlemen will be in order. First of all, I would suggest that you all rise and unite with me in drinking a toast to the President of the United States.

[At this point the orchestra began to play, and the audience joined in singing a stanza of "The Star Spangled Banner."]

We have several telegrams here, which we will not read; we have one, however, from the secretary of the American Bankers Association, addressed to your president, which we will read to you:

"Congratulations upon organization of the Bankers Club of Cleveland, and I wish for the club all success and many repetitions of the first dinner. Regret previous engagement prevents my being with you all. (Signed) Fred E. Farnsworth."

It is certainly most gratifying to see so many of the members and their friends present with us at this first social function of the club, and it affords me great pleasure, gentlemen, to extend to you a most cordial welcome. Thus far I think you have enjoyed yourselves. That your response to our invitation has been so generous—we have one hundred and seventy-five gentlemen here—speaks volumes indeed for your de-

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votion to the importance and advantages of our organization. The motives governing the organization are not to gratify sordid greed, or, as a humorist stated it, to decide what shall be done, who shall be done and how we shall do him. The articles of association state the purpose of the club to be "the promotion of cordial relations between its members, the dissemination of information of value to the membership through speakers" such as we have here on my right and left "and otherwise, and the discussion of subjects relating to the business of banking, as well as questions of governmental policies and principles relating to agriculture and commerce and industry." We are not at all narrow in our views. We are patriotic American citizens, and when the business of agriculture and commerce and industry shall prosper, to that degree will the banker prosper.

That the banking fraternity is in hearty accord with the motives prompting the organization, is much in evidence by your presence here tonight. Bankers as well as those engaged in other lines or industrial activities realize the importance of closer affiliation and harmonious action. As the deposits in our banks, which indeed are the cornerstone of the banking structure, are demand obligations—this is pretty generally the case—it is quite essential that the bankers acquire and possess at all times the most reliable data and keep in close touch with the trend of the times.

We hear a great deal at present about preparedness. The idea of preparedness is not new with the banker, as it is ever present in the daily routine of his business. So important indeed is preparedness considered in banking, that the law of the land compels bankers to be prepared at all times, in the way of sufficient reserve to meet their obligations. "Be ye

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always ready," is a Scriptural injunction with which the bank manager is entirely familiar.

I am sure it is not necessary to say a word to disabuse your minds of the idea that the banker is the cold-blooded individual depicted by men who are strangers to the profession. Some man down in the state—and it is not often that our Ohio men err to the degree which is in evidence here—said of the banker, "He sits in his office and discounts his neighbors' notes and pockets the interest in the cold-blooded atmosphere of selfish calculation." That is the estimation in which you are held by some gentlemen who, of course, are strangers to your business. They describe the banker as being a creature of legs and baldness; legs, they say, to enable the banker to straddle political fences, and baldness superinduced by the strenuous effort to enable the banker to land on the right side of the fence at the right time.

On the contrary, the banker is, by the very nature of his calling, not only a law-abiding citizen, but a patriot, who is the defender of the national honor as well as a practical advocate of peace just so far as it is compatible with the preservation of honor and safety. He stands for loyalty to our country and to its flag. He also stands for preparedness for war in the spirit which makes for peace.

It is not my purpose this evening to speak of preparedness, but I cannot refrain from mentioning the wonderful parade on Saturday last in New York City, as an expression of the sentiments of our people. It was the largest demonstration of its kind in American history. Representatives of all leading activities in the life of that great city devoted themselves to the labor of the day with splendid energy, because they believed that our country is worthy of protection. Of

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course it is. It expressed the spirit and the will of the people of New York, and the whole country indeed, in regard to national defense. If more along that line is necessary to impress the congressional mind, it can and will be forthcoming.

It has been the custom of the banking fraternity during the last thirty years on occasions of this kind to discuss the currency question and resolve, in good English, that the banking and currency system of our country should be improved, and that the old system was defective and unscientific in its operation. After an agitation of nearly thirty years, the National Banking Act has been superseded by the Federal Reserve Act, which became a law a short time ago. The new system provides for a board of seven, who shall have full control in the application of the law to the business of the country. It also provides for a Governor to preside over the deliberations of the board. With a unanimity of sentiment, the business people of New England as well as the country over intuitively turned to one man, and as a result the President, in his great wisdom, made the appointment.

It has been said that, next to the founding of a government, the execution of the laws of a country is one of the greatest responsibilities devolving upon man. The Federal Reserve Board, under the guidance of its Governor, has executed this new law in such a satisfactory and pleasing manner that it is now accepted by every one as being the most important financial legislation enacted in our country since the Civil War.

I have great pleasure indeed in introducing the Head Master of Finance—that is what he is—the Head Master of Finance of all these United States, and our guest of honor, the

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Governor of the Federal Reserve Board, the Honorable Charles Sumner Hamlin, who will speak to you on the Federal Reserve Act.

MR. HAMLIN, Mr. President and gentlemen, I cannot tell you what a pleasure it is to me to come here tonight and to see again this beautiful city after an absence of nearly twenty-five years. When my dear friend Mr. Sullivan wrote me and extended me your courteous invitation, I at first did not see how I could possibly accept, so great was the number of our engagements. But Mr. Sullivan I have known for a great many years. We fought together year after year in the National Board of Trade, when I was a representative of the Boston Chamber of Commerce, and I knew that when Mr. Sullivan made a request it was useless to argue the question, it was much better to gracefully accept at once. I accordingly canceled all counter-engagements, and I can assure you what a pleasure it is to be able to be here and to talk to you, very briefly, tonight.

I must, at the outset, confess to a feeling of almost reverential awe when I enter the State of Ohio, and when I think of its contribution to the statesmanship of the nation. There instinctively come to mind the names of those eminent ex-Presidents, President Hayes, President Garfield, President McKinley, my personal friend, and last, but not least, also my friend, whom we all know and love, William H. Taft of Ohio. But there are many other eminent men that this state has furnished; if I should attempt a mere cursory mention of their names, it would be a work of hours. Some I have had the pleasure of knowing; with some I have the pleasure of a close friendship. I only wish I could have met here your distinguished citizen, the present Secretary

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of War, Mr. Baker, a very close friend. I wish I could have seen here tonight Senator Pomerene, who ably represents this great state in the United States Senate, and, I want to say, his ability, his prescience, his work was a powerful factor in the enactment of the Federal Reserve Act. I wish I could have had the privilege of paying my respects here to another eminent citizen, Senator Harding. I can only say that in the short time that he has served as Senator, he has already made a deep impression and has shown great ability in the public service. I wish also I could have seen here my friends, Senator Burton and Governor Herrick, and Governor Harmon. I would also like to have seen again ex-Secretary Garfield and renew a friendship of many years—but I realize that they are all busy men and that such a fruition of all my hopes would be too much to expect.

I have great pleasure, however, in coming here, in renewing two old friendships. One of these friends is a classmate of mine; if there were no one here but us two, I should call him "Harry" Edwards, but I should hardly dare to address him in that way now. I fully appreciate the sacrifices he has made to come here tonight at my urgent request, or shall I say, command, but I can assure him that those sacrifices will be quickly swallowed up in the greater sacrifice of having to listen ten or fifteen minutes and hear what I have to say.

And it is also a great pleasure to come here and meet again ex-Congressman Bulkley. I want to say to you, I want to pay him a tribute of respect and admiration for the ability with which he has served you in Congress, and I want to say that his hard fighting quality, his ability, was a powerful factor in enacting into law the Federal Reserve Act, concerning which I want to speak to you very briefly tonight.

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It must be a pleasure to all of us as we gather around the table tonight to realize the prosperous condition of these United States. I think it is fair to say that never in the history of our country has there been such general prosperity as there is today. We have practically become, for the time being, and I earnestly hope for more than the time being, the banker of the world. We are slowly but steadily establishing dollar exchange, so that we shall be able to finance our import and our export trade, and even assist in financing the import and the export trade of the world.

It is hardly necessary for me to say to you that I am a thorough optimist, especially under present conditions, but I want to say to you that in the time of our greatest prosperity we should give careful thought and conservative thought as to what we are to do for the future, and I think the banks of this country have the situation well in hand. I think they are to be congratulated upon their conservatism and care lest out of the abundance of prosperity may come unlooked-for adversity. I believe that this conservatism will keep the United States in the forefront of the prosperous nations of the world.

The Federal Reserve System has now been in operation about a year and a half. We see resources of \$530,000,000; we see gold and legal tender of over \$320,000,000 accumulated in the vaults of the Federal Reserve System. We see reserve deposits alone on last Saturday of over \$427,000,000, and that is largely increased today by the recent payment of the reserve requirement due this last week. I think it must be a source of pride to every citizen of this great State also that it has one of the twelve great Federal Reserve Banks, the Federal Reserve Bank of Cleveland. And I want to say to you that

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I am proud to come to this city and testify to the respect and admiration we all have for the group of men who are managing this great bank. I am sure that in the Chairman of the Board, Mr. Wills, you have one of the best equipped men in the United States. I know that in Governor Fancher a better man could not be found in the United States. I think I have a right to say that, because I chased him over a good portion of the United States to corral him, and make him say that he would come into the Federal Reserve Bank of Cleveland, and it was no easy task, but I think the Federal Reserve Board, and the people of this great State, are to be congratulated that he was willing to assume that burden.

I need not speak a word of the Deputy Chairman of the Board, Mr. Treadway, for you all know him and you all respect him; nor need I speak of Mr. Rowe, of the Federal Advisory Council, also one of your directors, one of the best equipped men for that position in the United States. There may be other directors here, I know personally only of one, my friend Mr. Wolfe, and I want to say that the manner in which he is performing his services on your Board of Directors reflects the greatest credit on the best citizenship of the State of Ohio. It is not necessary for me to mention another director who is present here today, Mr. Rankin. I am only sorry that the whole Board could not be here today to hear the tribute of admiration and respect that I am ready here to pay to them.

Now, following the inauguration of the Federal Reserve System, we see, as I have said, wonderful prosperity; we have seen a crop movement that was merely an incident, although I think crop movements in the past, in our history, could hardly be referred to under the term "incident." They have

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been more or less exciting and anxious incidents, but I believe never again in the history of this country will they be more than a passing event which will hardly be worthy of comment, in view of the resources and capabilities of this great system.

We have witnessed another surprising fact. It was felt that the rates of discount fixed by the respective Federal Reserve Banks necessarily would vary very much over the United States, and when we originally fixed the first rates there was considerable variation. But I am glad to say that, following perhaps some unknown economic law, there is a gradual approach to a uniformity in rates in the Federal Reserve Districts of the country, and without too much exaggeration we may say that they are almost or practically uniform today throughout the United States.

When the Federal Reserve Act was being adopted, there was great fear expressed over the power given to the Federal Reserve Board to order a Federal Reserve Bank to re-discount for another bank. I heard learned debates that would almost draw tears to your eyes as to the wrongfulness of taking the assets of a well-managed bank and turning them over to a bank perhaps less providently managed. There were dire predictions of disaster. We have, however, gone through a period of severe strain and stress in the last two years, and not one of the Federal Reserve Banks has as much as asked for a re-discount from another bank. In fact many of the banks have been almost annoyed because other banks would not ask for a re-discount. Many of the banks have said to us, "Now, we think there will be some requests for re-discounts, and we ask that we all be let in on the ground floor, on the principle of fair play, because if there are to be any re-discounts we want our share." We told them that that was a fair, democratic

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principle, and that if any Reserve Bank should ask for a re-discount, they all would come in on an absolutely equal footing, and they were satisfied.

Coincidentally with the growth of the Federal Reserve System, we have also seen the steady growth of the National Bank System. The capital of the National Banks in the last year has increased a little, about \$700,000; the number of the banks has fallen off, I think, by about thirteen, and most of those were consolidations. But we can say that during the last year more banks have entered the National system than have left it, leaving out consolidations of existing banks, and that is very interesting, because we see so much in the papers of the National banks being in such a feeble minority compared with the State banks and trust companies of the United States. They certainly are in some districts, but I think it will surprise you when you look at the whole United States and see how the National Bank System has developed in the last year.

In the first place, if we take the aggregate resources of all the National banks of the United States, we find that they are three times the resources of the 14,500 State banks in the United States, and they are two times the resources of the 2,700 trust companies and loan companies and private banks. If, on the other hand, we look at the aggregate increase of resources, we find that the aggregate increase of the resources of the National system in one year has been greater than the three years' aggregate increase of the State banks, trust companies and savings banks of the United States. We find that the ratio of increase in one year of the National system is five times the average ratio in three years of the State banks, trust companies and private banks of the United States.

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I think any one who considers these figures will realize that the National bank system is not waning, it is waxing. I believe it was never more powerful than it is today, and I look forward to increasing prosperity, and I hope for favorable action by Congress in liberalizing National Bank charters and putting them more nearly on an even level with their competitors, the State banks and trust companies of this nation.

Now, when you think of our prosperity today, it is not such a far cry to go back to August, 1914, and think what then the United States was facing. After the beginning of the war you remember what happened; the declining exports of commodities, the increased exports of gold, diminishing trade,—everything pointed to a panic compared with which the panic of 1907 would hardly have served as a respectable understudy. The Federal Reserve Board, as one of its first acts, before the banks were opened, was appealed to by the banks of the United States to raise a gold fund to meet our obligations on the continent, and we found there was a current indebtedness of five or six hundred million dollars, which had to be paid in gold to sustain the credit and honor of the United States. The bankers came to the Reserve Board, and they said, "It is for you, gentlemen, to take the leadership, the banks of the country will follow you," and we issued a call, as you remember, for a \$100,000,000 gold fund. We apportioned the amount among the various Reserve cities, and you all know the result—instead of \$100,000,000, \$110,000,000 of gold came pouring in almost by return of post, and if we had asked for \$200,000,000 or \$300,000,000 of gold, the patriotism of the banks would have furnished it over night.

We also established a fund of \$135,000,000, the so-called Cotton Pool fund. Out of that vast amount we used in one

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transaction the sum of \$27,000, and many said the Cotton Pool fund was a failure. I don't call it a failure to raise a fund of that amount and have it so suddenly and psychologically turn distrust into confidence that out of \$135,000,000 only \$27,000 had to be used; and that was the effect, in the restoration of confidence and building up the shaken faith of our Southern cotton-raisers, that that cotton fund produced.

Then, you remember, to stem the panic or to stop the panic we had recourse to the issue of over \$300,000,000 of so-called Aldrich-Vreeland notes. But what is not generally remembered is that the Federal Reserve Act fundamentally changed and liberalized the conditions under which the Aldrich-Vreeland notes could be issued. It permitted a larger issue in the first place, it removed many burdensome restrictions, it lowered the rate of taxation, which up to that time had absolutely made it impossible to issue those notes until a panic had got so far advanced that almost no issue could have checked it. But the Federal Reserve Act reduced the rate of interest, removed the burdensome restrictions, and we were able to pour those notes out into circulation.

But beyond all that, there was confidence engendered in the people of the United States from the knowledge that the Federal Reserve Banks would shortly open, and that when they opened we should see a release in reserve requirements amounting to five or six hundred million dollars, with the whole strength of the Federal Reserve system behind it. That restored confidence, and that brought back the country to the stage from which by gradual advancement it has finally reached the culminating point of prosperity, I think I can conservatively say, in the history of the United States.

Now, a great many people speak of panics, and they ask,

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"Can there be any more panics under the Federal Reserve system?" Well, my friends, I can't conceive how there could ever be again a currency panic under the Federal Reserve Act, because the Federal Reserve Board and the banks have power to cope with that question, and I don't believe it could ever arise again. Nor can I conceive how there could be a universal collapse of credit again, because the powers that have been given under the Federal Reserve Act are such that I believe that we can safely and unhesitatingly and confidently cope with that situation. And if ever again a panic of the dimensions of that of 1907 should steal into the United States and read the Federal Reserve Act, it would pack its tents like the Arabs and would silently steal away.

The Federal Reserve Act, as you know, not only required the National banks to come in, but it opened its doors freely for the admission of the State banks. Now, the Federal Reserve system, to my mind, is an unqualified success. It will do all that was predicted that it could do. One distinguished economist, in speaking of that act the other day to me, said, "I verily believe it is fool-proof," and he said that was the greatest compliment he could give to any possible legislation.

But, successful as the system is, you gentlemen here, largely trained bankers, know that the broader the base the broader the scope and usefulness of the system.

We have heard a great deal in the last few months of preparedness, and I need scarcely say that I am an enthusiastic advocate of preparedness, whatever the cost. We are prepared under the Federal Reserve Act. Congress has prepared this great country either for war or for peace; but, my friends, sometimes there are greater defeats

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in peace than in time of war. So far as financial preparedness is concerned, however, our system will insure that. But I want to remind the State banks and trust companies that are doing a commercial business, that we have or will have, I hope, in a few days, a bill settling forever military preparedness, a bill which provides for a regular army and depends on the co-operation of the militia of the states, and if the militia does not give it that helpful, faithful co-operation, the system cannot succeed—I want to remind them that the Federal Reserve Act is based on the theory that ultimately the State banks and trust companies will come into that system, and it is their patriotic duty to contribute to financial preparedness by coming into that system and broadening its base, enabling us more efficiently to cope with the difficulties, the great difficulties that are bound to face us in the future when this war is over.

The Federal Reserve Board has prepared regulations for the admission of State banks, and they have been most liberal, they have gone to the very extreme. The banks can come in and can still loan on real estate, we simply ask that their loans remain in a reasonably liquid condition. They can come in with all their branches, and they become and are today member banks, competing with National banks, and some of them have ten, fifteen or twenty branches, and no National bank can ever have any, except in a qualified way of which I shall speak in a minute. We permit them to come in, and we accept the examination of the State bank authorities. And I want to pay a compliment to the excellence of your State examination in this great State of Ohio. If the State examination of every State in this Union were up to the standard of Ohio, we should have a far higher standard of banking in this

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country. Many of the State banks are permitted to engage in domestic acceptances. They come in and that right is not touched. Many of them are permitted by the laws of their states to carry National bank notes or Federal Reserve notes in their reserve, and we permit them to come in with that right unhampered. We even, by special regulation, provide that any State bank which has entered the system, can, on giving reasonable notice, if it doesn't like it, turn around and leave the system at will but I will make the prediction, however, that having once entered, those banks will never turn around to see whether the door behind is open or shut.

When I was delivering an address a short time ago, a State banker put me the question, "If it is true that there will never again be a widespread panic in the United States, why should the State banks come in? Why should they contribute their resources, and perhaps submit themselves to some burdensome requirements, if there is never going to be another panic?" I replied to him, "Assume that you had been examined by a physician who told you that you were in perfect health, what would you say if you announced to your friends that being in perfect health there was no necessity for your ever taking out life insurance? I think people would look at you with a pitying smile." And I said, "Suppose the people of a municipality were discussing a plan to put in an adequate fire system, and some one should say that he had made a National report to the effect that there could never be a universal fire which would destroy the whole country, and that therefore we need no fire system for our locality?" I think that reasoning would be faulty. We never will have another universal collapse of credit, but we are going to have times of stringency, and I am willing to make the prediction, in all good nature,

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that when those times of stringency come, we are going to see a bread line of hungry State banks and trust companies knocking at our door for admission. They have got to come in or to establish a parallel reserve system of their own, because the system of consolidated reserves is a sound system, and they have got to resort to it or suffer in the future as they have suffered in the past. But if they put off the day, when the time of pinch comes they may find that they are not in as liquid condition then as they are today, and it may not be as easy of entrance into the Federal Reserve System as now, when we welcome them with open arms.

Now, it is unnecessary for me to point out to you the advantages of the Federal Reserve system, but merely to enumerate perhaps some of the defects of the old system which the Federal Reserve Act was enacted to cure. As you know, under the old system, the National system, we had 7500 independent banks, each with its scattered independent reserve. There were 7500 banks, some strong, some weak, some beautifully managed, some poorly managed. There was no cohesive force, no union; each bank had to fight for itself in time of trouble; there was not a corporal, there was not a lieutenant, or a captain or a colonel or a general of the group; they were simply so many individual units. They all had reserves, but by some peculiar law which I never could wholly understand, although they had reserves, if they used them it was illegal, and it depended only on the good nature of the Comptroller of the Currency to keep him from putting a receiver into the bank which had committed the crime of using the reserve which the law said it must keep for emergencies of that very kind. To my mind it was almost like a man dying of starvation, looking through a plate glass window and

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seeing every delicacy in the way of food, with a sign on it, "This food is for you; you may look at it, you may enjoy its fragrance, but under no circumstances can you taste a morsel." And that was literally the legal reserve situation in the United States at the time of the enactment of the Federal Reserve Act. And then, when times of trouble came, the banks had to take care of themselves. I heard it said the other day that the country banks, so-called, although I hate to use that term, have never had much trouble in taking care of themselves in times of panic. That is perhaps true, but in times of trouble you would see the country banks piling up reserves of from 30 to 70 per cent. But what becomes of their customers? They were the ones that suffered. Now, that cannot happen again under the Federal Reserve Act, and I believe there is no more gruesome spectacle in the world than the sight of a frightened bank hoarding its resources, turning its customers away at the time when it ought to turn its resources into the market and save the industrial lives of those very customers. And when the people see the frightened banks hoarding their resources, the people naturally get all they can and put it in their vaults and their pockets, and you see the private hoarding which I believe will never occur again under the beneficent provisions of the Federal Reserve Act. When the banks discounted a piece of paper, what did they do with it? They lowered it tenderly in their vaults and sealed it up, as if they were funeral vaults filled with dead paper, until it was resurrected on maturity day. And if any bank president would take that paper out before maturity and surreptitiously try to sell it, if he was caught in the act you would in some parts of the country, almost point the finger of suspicion at that president. Under the Federal Reserve Act that is all changed.

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A fundamental postulate of the Federal Reserve Act is that re-discounting is righteousness; it is the very foundation of the whole Federal Reserve system.

We had and still have a national bank currency tied to government bonds, a currency supposed to meet the expansion and contraction and the needs of trade and commerce, yet actually expanding and contracting according to the relative fluctuation in the price of government bonds. We saw a national bank currency tied to government bonds—a currency supposed to be responsive to business needs, tied to government bonds which represented the destruction of business and property in the last generation. We saw the national bank currency of the Twentieth Century tied to the evidence of destruction of property in the Nineteenth Century. There may have been a reason for that in the Nineteenth Century, from the desire to make a market for government bonds, but that reason has ceased, and we have now put in its place a flexible, sound system of currency, the Federal Reserve notes, which I believe will redound to the greatest advantage of the people of the United States.

Now, the Federal Reserve Act, as you all know, consolidates the reserves of the banks. Each bank has to put into the Federal Reserve Bank a portion of its reserve, and in times of trouble, when its vault reserve is falling, it takes its discounted paper, not dead but quivering with life, across the street to the Reserve Bank, and it has credit, or gold, or paper, or whatever it desires. It can have its cake and eat it too. It can discount the paper and on request we will turn that paper into gold; and it is no wonder that with that strength behind it, the banks of the country feel confident today as they never felt before.

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Now, a good many of our friends didn't exactly favor the principle of the Federal Reserve system. Many able, conscientious men preferred one central bank. You remember the splendid work that was done by the Aldrich Monetary Commission. They went all over the world, and got together a library of financial information that never had been accumulated in the world's history before. They drafted with wonderful skill a bill providing for one central bank at Washington, with fifteen branches throughout the United States. But the provisions of that bill—the defects of that bill were not in the marvelous skill with which it was put together. There wasn't any doubt that such a system would work, because undoubtedly it would have; it was simply that the people of the United States felt that in essence that bill was founded on the principle that banking is a private and not a public business. Under that bill the great central bank was absolutely controlled by the banks of the United States, and there was only a limited control in the public interest. The act would have worked, it was drawn most skilfully, but there was that feeling that banking was not strictly a private business, it was as well a public business, which must be regulated in the interests of the people of this country; and that bill, skilfully as it was prepared, was never actually brought to a vote in either the House of Representatives or the Senate of the United States.

Now, the Federal Reserve Act, as you know, is founded on the principle that banking is in essence a matter of public interest, and that the people of the United States have a right to have some fair regulatory control over the bank and over its operations. Now, we have got twelve banks, you can't say that there are twelve central banks perhaps, but I think they

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closely resemble in their powers twelve central banks. But if any one should feel that there should be one central bank all over the United States, managed in Washington, I want him for a moment to consider the size of some of those twelve Federal Reserve banks. In the first place, the Federal Reserve Bank of Chicago serves a population of over twelve millions of people, greater than the population of Norway, Sweden and Switzerland combined. I think you will see that that is a very respectably sized central bank. If you turn to area, if you will go out to the Federal Reserve Bank of San Francisco, you can take that Federal Reserve area of San Francisco, you can put in it Great Britain, Ireland and Scotland, then throw in continental France, then throw in the whole of continental Italy, then add to that the whole area of the continental German Empire, and you will have an area left over in the Reserve District of San Francisco larger than all New England excepting only the state of Maine; and I think you will realize that that is a very respectably large sized central bank from the point of view of area.

You know the stockholders of these banks are the banks themselves. You know they are given a certain six per cent dividend. The banks are allowed to accumulate a reasonable surplus, and the Government, as a franchise tax, takes all the rest. So you see the deep interest that the Government has.

But more important than that, all this vast accumulation of funds held by the Federal Reserve Banks is absolutely impressed, every dollar of it, with a trust. It is held in trust for the benefit of the agriculture, the business and the commerce of the United States, and it is forever divorced from the call loan market. Now, think what that means to business, to agriculture and to commerce! No longer can that

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money be poured out on Wall Street on call loans. But prior to the Federal Reserve Act the call loan rate was a barometer of the financial strength or weakness of the country. Now, when the Federal Reserve Act is really in operation, indeed you might say today, we look on the call loan rate with only a languid interest. The call loan used to be the center ring of the financial circus; today it is relegated to the side tent, along with the bearded lady and the fat boy.

It is unnecessary to talk at any length of the powers of the Federal Reserve Board. They are great and ample, and I can assure you that they will be exercised for the best interest of the greatest number of the people of the United States. I can't tell you how we appreciate the help and encouragement that comes to us in every mail from all over the United States. Every letter that is sent to us is carefully read and carefully considered, because we are dependent on the people of the United States for help and for information and for suggestions, and I can assure any of you who will give us that help or those suggestions, that it will be most gratefully received.

Now, there has been some criticism of the Reserve Bank System. Some say, as I have said, that they prefer a central bank. I know of nothing that a central bank could do that the twelve independent Federal Reserve banks cannot do just as well and in my opinion better. I have had one or two petulant men come in and say, "We wish we could go back to the old system." I remember some years ago, when some foreigners were lynched in a certain part of the United States, and their minister took up the question with our Government, he was told that most of them had taken out papers and were American citizens, and he looked into the matter, and it is said that

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he reported to his Government that he had made investigation and found that that statement was true, that all but one of them were American citizens and entitled to all the privileges as such. Now, any man that wants to go back to the old troubles and trials and nervous anxiety of the crop movement, the stress of the panic, any man that wants to go back, I would say let him go back and be entitled to all the privileges that that would give him, if only the rest of us could keep the present benefits of the Federal Reserve Act.

Some complain that there is a loss of interest on their deposits when turned into the Federal Reserve Banks. But, my friends, you ought to set against that lost interest what you have gained in the lower reserve requirements, and what you can gain by loaning out that money which is released, and I think you will find that it is at least equal to what you have lost.

Some presidents come in and say, "There is so much red tape," and that they hold little, if any, discountable paper. I alway ask such a man to run over his portfolio with me, and he generally finds that much of his paper is eligible for discount, and that he would be received with open arms in the Federal Reserve Bank. Sometimes we do find that he has little if any eligible paper, and in such cases I advise him to call his directors together and bring that bank back to the status of a commercial bank, from which it has evidently very far wandered. Some complain of lack of dividends. Well, my friends, if there is any banker here who knows of any large bank that could earn its dividends the first year of its management, I would like to know of it. They tell me it takes two or three or sometimes four or five years. But I will make this prediction here tonight, with perfect confidence, that in

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a very short period the Federal Reserve Banks will have no difficulty whatsoever in earning their dividends and in paying all cumulative arrearages of dividends. That is the very least thing that we have got to worry about; I regard that as absolutely certain and fixed.

Now, the Federal Reserve Board, as I have said, want to liberalize the National Bank Act. We have suggested some amendments to Congress. We want the National Banks to be given the power of domestic acceptance as well as acceptance in the foreign trade, under reasonable regulations, and I think that will be one of the greatest boons to the people of the United States and as well to the banks, that has ever been enacted into legislation, if that becomes a law. I want to see the National banks given power to establish branches within their own cities. We have also favored an amendment of the law so that National banks can subscribe to the stock of foreign corporations doing foreign business abroad, and we believe that is absolutely necessary, when we consider the task confronting the United States in the near future, when this unhappy war shall happily be at an end. We have asked that the power of the national bank be liberalized so that it can lend to at least a limited extent on real estate, city property, as well as on farm land.

We hear objections coming in as to the plan for check clearings and collections recently put out by the Federal Reserve Board. Now, there is much criticism, and many banks say they are going to lose very largely in exchange charges, and they say that apparently this is going to be for the benefit of a few banks at the expense of the other banks, and they say that a fair test of the Federal Reserve system is not the large bank but the average bank; and I heartily subscribe to that

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doctrine. But I can say to you that the Federal Reserve Board never for a moment intended to put into operation any system that would benefit a few banks at the expense of the many. They felt, on the other hand, that they were putting a system into operation which in the long run would be for the advantage of all the banks. But they felt that behind the banks there is another interest in the United States, and that is the interest of the people of the United States; and we put out that system of check clearances because we believe it will redound to the prosperity of the people generally by parring their checks, and we know that when the people are prosperous the banks must be prosperous, as the night follows the day or the day the night. Now, that is the theory. It is a subject of great anxiety to us that any of the banks temporarily are going to lose by this system. But I want to point out to them that in my opinion those banks will see, as a result of this system, a great increase in their deposits. We are going to see an Old Home Week in deposits, and we are going to see the merchants who keep deposits all over the United States, bring them back to their own home bank; their checks will be at par all over the United States, and we believe that will redound to the greatest interest of the people.

But be that as it may, Congress has enacted this law. It has placed upon our Board the duty of establishing this clearing system. We could have gone to the extreme. Many have pressed on us the claim that under the Federal Reserve Act it was the duty of the Federal Reserve Board to take every check at par and give immediate credit to the depositor, and charge that check instantly off against the bank on which it was drawn, without its even knowing that the check had been presented

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or the condition in which its reserve was left. The Federal Reserve Board did not go to that extreme. It said, "No, we will give you immediate credit, not to be availed of until the collection is made, and we will send each check to the bank on which it is drawn, and it will make it good, and then we will credit it to the man who put it in." We have even said that if you have to ship cash to us, the Federal Reserve Bank will pay the entire charge of shipping. We firmly believe that in many instances this exchange charge does not represent an actual service rendered. It was the will of Congress that that plan should be adopted, and it is the duty of the Federal Reserve Board to carry out the command of Congress. But we will do it in the most careful manner. We will be delighted to receive suggestions from every banker and merchant in the United States, and we will meet you half way, and we will mitigate any severity which can or ought to be mitigated.

I have forgotten so many things that I ought to have said to you, that it reminds me of a little railroad in New England, the Boston, Barre and Gardner Railroad. The peculiarity of it was that it didn't begin at Boston, it didn't go through Barre, and never reached Gardner. Now, I began my speech by forgetting some of the most important points, so I didn't start from Boston. I have forgotten a good many other things, so I didn't go through Barre, but the anxious look on your president's face satisfies me that I have reached Gardner, and, thanking you for your attention, I take my seat.

PRESIDENT SULLIVAN. Gentlemen, in considering the matter of speakers for your entertainment at this our first social function, your committee, with an admirable unanimity, turned to Governor Hamlin. We succeeded in persuading him