

At a special meeting of the Federal Reserve Board held in the office of the Governor on Monday, May 13, 1918, at 3:10 P. M.,

PRESENT:

Mr. Harding, presiding,	Mr. Hamlin,
Mr. Miller,	Mr. Willis, Secretary.
Mr. Warburg,	

Present also, a delegation of Kansas City district bankers as follows:

J. W. Perry, Chairman,	President Southwest Natl. Bank of Commerce, Kan. City.
C. W. Allendoerfer	Vice President First Natl. Bank, Kansas City.

Representing Kansas City Clearing House Association.

H. H. Ogden,	President First National Bank, Muskogee, Oklahoma.
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Representing Oklahoma banks.

W. W. Head	Vice President Omaha Natl. Bank, Omaha, Nebraska.
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Representing Omaha Clearing House.

James Ringold	Vice President U. S. Natl. Bank, Denver, Colo.
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Representing Denver Clearing House.

J. T. Mitchell	President Denver National Bank, Denver, Colo.
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Director Federal Reserve Bank, Kansas City.

Mr. Perry began by stating that the delegation was here for the purpose of asking relief on exchange and collection conditions. Mr. Harding, interposing, made a brier statement of the problem, as he understood it, sketching the special exchange difficulties growing out of the present adjustment of time allowances in New York. He stated that should the present time allowance basis in force in New York be broadened it would be necessary to broaden it elsewhere in like measure, with the result that the system would go by the board. He further noted the bad effect upon reserves in the system produced by the growth of "float" in the several reserve banks.

Mr. Perry thereupon explained why no reply had been sent to Governor Harding's letter of March 10, dealing with the situation, and stated that he hoped Governor Harding would see his way to changing the position taken in the letter of March 18.

Governor Harding said he understood the position of the bankers to be that while the bankers were getting the disadvantage of losing the intra-district float they were failing to get a compensatory advantage through inter-district float sufficient in

amount to act as an offset.

Mr. Perry called attention to the activity of business and transfers in Kansas City as compared with other districts, such as San Francisco which had accustomed themselves to the principle of telegraphic transfers.

Governor Harding urged that there was no reason why a reserve bank should practically grant a premium for the development or float--the most undesirable form of asset that a reserve bank could have.

Mr. Warburg thought that the conditions in the Kansas City district were local or temporary, but that Mr. Perry was discussing the situation as if it were permanent or general. Mr. Perry rejoined that this was not the case except in so far as the peculiarities of the Kansas City district called for special or peculiar treatment. He asked whether a meeting of representatives of the several districts could not be called to harmonize differences.

Discussion of the question of the proper schedule or charges to be applied by member banks ensued, and Governor Harding stated the essentials

of the charging system, effective July 1, which the Board is now planning.

Mr. Perry said there were several points in Governor Harding's letter of March 18 which the delegation desired to answer as follows:

1. Banks in Kansas City were not able to apply the principle laid down in the letter of March 18 that a check is payable at the counter of the drawee bank.

2. A merchant in New York City under present time allowances can use a local check with loss of only one-half the interest lost by a Kansas City merchant through time allowances.

3. It was not true that New York exchange should normally be at a discount in Western cities. The facts showed that in the three years before 1914, New York exchange was practically never at a discount.

At this point Governor Harding laid before the meeting the discount rate revision wired from the Federal Reserve Bank of Kansas City at the morning meeting of the Board. It was the opinion of the delegation that the proposed schedule of rates would do no good whatever.

Discussion of the relative rights and merits of the Federal Reserve Banks of New York, of Kansas City and of other places, with reference to the allowances, ensued.

Governor Harding analyzed the relationship of the intra-district and inter-district collection system and especially considered the working of a plan for immediate par receipt of transfer orders by all Reserve banks. He said he was convinced that it was possible to give immediate credit for checks all around and overcome the delays due to differences of time and space, but that some one must carry the load and pay for it; the question now was who ought to pay the expense.

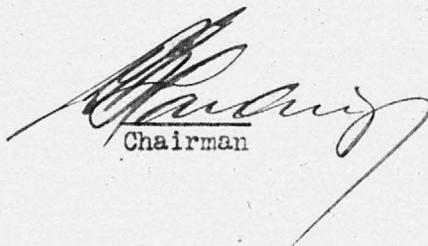
After further discussion of details of transit and remittance methods Mr. Perry recurred to the idea of a conference representing all Federal Reserve districts. Governor Harding suggested that a conference of technical specialists was not likely to be very helpful, but Mr. Perry replied that the conference should have a membership composed of men of breadth and not of narrow technical experts.

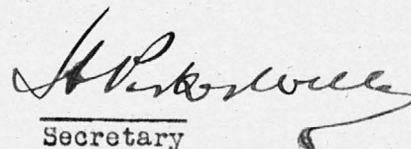
Mr. Harding restated the problem of exchange at Kansas City as he understood it.

Further discussion ensued with reference to reserve conditions at Federal Reserve banks, and Governor Harding emphasized the declining tendency of reserves and the necessity of protecting the Federal Reserve banks.

After further informal interchange of views the conference was, at 5 P. M., declared adjourned.

APPROVED:


Chairman


Secretary