

Washington, D. C., January 24, 1916.

ANALYSIS OF THE RESERVE CITY SITUATION.

First:

Under Clause (e) of Section 11, of the Federal Reserve Act, the Federal Reserve Board is authorized and empowered:

"To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in Section twenty (should be 19) of this Act; or to reclassify existing reserve and central reserve cities or to terminate their designation as such."

Second:

The Reserve requirements at the end of thirty-six months after the Banks were organized - i. e. until November 2, 1918, - will be as follows:

At the end of 36 months from the starting of the banks, (i.e. November 2, 1918) the member banks will have the option of keeping the following percentages of their demand deposits in the manner indicated, depending upon their location:

	(a)	(b)	(c)	(d)	(e)
Member Bank Located In	Required Minimum In own Vaults	Required Minimum Federal Reserve Bank Vaults	Reserve Which at Option of Member Bank may be Kept in Federal Reserve Bank or in Own Vaults	Total of (b) and (c)	Total Reserves
Central) Reserve) Cities)	6%	7%	5%	12%	18%
Reserve) Cities)	5%	6%	4%	10%	15%
Country) Cities) & Towns)	4%	5%	3%	8%	12%

Third:

Under Section 19, of the Federal Reserve Act, which is the Section making provision for the payment of reserves into the Federal Reserve Banks, the Banks in cities already known as central reserve cities or hereafter so defined, are required to pay in their reserve deposits at once, whereas, banks in reserve cities and non-reserve cities are given three years in which to transfer their reserves.

Fourth:

There are in the United States at the present time three central reserve cities and ~~11~~ reserve cities. Grouping these cities according to the twelve Federal Reserve Districts, the list appears as follows:

List of Central Reserve and Reserve Cities, Grouped by Districts and According to Population.

<u>DISTRICT No. 1:</u>	Population	<u>DISTRICT No. 9:</u>	Population.
(*) Boston	670,585	(*) Minneapolis	301,408
		St. Paul	214,744
<u>DISTRICT No. 2:</u>			
(*) New York City	4,766,883	<u>DISTRICT No. 10.</u>	
Albany	100,253	(*) Kansas City; Mo.	248,381
<u>DISTRICT No. 3:</u>		Kansas City, Kans.	82,331
(*) Philadelphia	1,549,008	Denver	213,381
		Omaha	124,096
<u>DISTRICT No. 4:</u>		S. Omaha, Nebr.	26,259
(*) Cleveland	560,663	St. Joseph, Mo.	77,403
Pittsburgh	533,905	Oklahoma City	64,205
Cincinnati	364,463	Wichita, Kans.	52,450
Columbus	181,548	Pueblo, Colo.	44,395
		Lincoln, Nebr.	43,973
		Topeka, Kans.	43,684
		Muskogee, Okla.	25,278

DISTRICT No. 5:

Baltimore	558,485
Washington	331,069
(*) Richmond	127,628
Charleston, S.C.	58,883

DISTRICT No. 11 :

San Antonio	96,614
(*) Dallas	92,104
Houston	78,800
Ft. Worth	73,312
Galveston	36,981
Waco	26,425

DISTRICT No. 6:

New Orleans	339,075
(*) Atlanta	154,389
Birmingham	132,685
Nashville	110,364
Savannah	65,064
Chattanooga	44,604

DISTRICT No. 12 :

(*) San Francisco	416,912
Los Angeles	319,198
Seattle	237,194
Portland	207,214
Spokane	104,402
Salt Lake City	92,777
Tacoma	82,972

DISTRICT No. 7:

(*) Chicago	2,185,283
Detroit	465,766
Milwaukee	373,857
Indianapolis	233,650
Des Moines	86,368
Sioux City, Ia.	47,828
Dubuque	38,494
Cedar Rapids	32,811

DISTRICT No. 8:

(*) St. Louis	687,029
Louisville	223,928

Federal Reserve Cities marked with (*)

Fifth:

In order to study the reserve situation from the standpoint given under the law, a list of cities having a population of 100,000 or more, in each District, is herein shown, also, a list of cities having 50,000, but less than 100,000. It will be noticed that there are fifty cities in the United States having a population of more than 100,000, and fifty-four cities having more than 50,000, but less than 100,000. For the convenience of the student of this question these cities are grouped by Federal Reserve Districts. (See Exhibit A)

LIST OF CITIES IN UNITED STATES
HAVING A POPULATION OF OVER
ONE HUNDRED THOUSAND

Classified as to Federal Reserve Districts

DISTRICT NO. 1:

(*)	Boston, Mass.	670,525
	Providence, R.I.	224,326
	Worcester, Mass.	145,986
	New Haven, Conn.	133,605
	Fall River, Mass.	119,295
	Lowell, Mass.	106,294
	Cambridge, Mass.	104,839
	Bridgeport, Conn.	102,054

DISTRICT NO. 2:

(*)	New York City	4,766,883
	Buffalo, N.Y.	423,715
	Newark, N.J.	347,469
	Jersey City, N.J.	267,779
	Rochester, N.Y.	218,149
	Syracuse, N.Y.	137,249
	Paterson, N.J.	125,600
	Albany, N.Y.	100,253

DISTRICT NO. 3:

(*)	Philadelphia, Pa.	1,549,008
	Scranton, Pa.	129,687

DISTRICT NO. 4:

(*)	Cleveland, Ohio	560,663
	Pittsburgh, Pa.	533,705
	Cincinnati, Ohio	364,463
	Columbus, Ohio	181,542
	Toledo, Ohio	168,497
	Dayton, Ohio	116,577

DISTRICT NO. 5:

	Baltimore, Md.	558,485
	Washington, D.C.	331,069
(*)	Richmond, Va.	127,628

DISTRICT NO. 6:

	New Orleans, La.	339,075
(*)	Atlanta, Ga.	154,879
	Birmingham, Ala.	132,685
	Nashville, Tenn.	110,364

DISTRICT NO. 7:

(*)	Chicago, Ill.	2,185,283
	Detroit, Mich.	465,776
	Milwaukee, Wis.	373,857
	Indianapolis, Ind.	233,650
	Grand Rapids, Mich.	112,571

DISTRICT NO. 8:

(*)	St. Louis, Mo.	687,029
	Louisville, Ky.	223,928
	Memphis, Tenn.	131,105

DISTRICT NO. 9:

(*)	Minneapolis, Minn.	301,408
	St. Paul, Minn.	214,744

DISTRICT NO. 10:

(*)	Kansas City, Mo.	248,381
	Denver, Colo.	213,381
	Omaha, Nebr.	124,096

DISTRICT NO. 11:DISTRICT NO. 12:

(*)	San Francisco, Cal.	416,912
	Los Angeles, Cal.	319,198
	Seattle, Wash.	237,194
	Portland, Ore.	207,214
	Oakland, Cal.	150,174
	Spokane, Wash.	104,402

This list totals 50 Cities.

Note: Federal Reserve Cities
are marked with (*).

LIST OF CITIES IN UNITED STATES
HAVING A POPULATION OF OVER
FIFTY THOUSAND
BUT LESS THAN ONE HUNDRED THOUSAND

Classified as to Federal Reserve Districts.

DISTRICT NO. 1:

Hartford, Conn.	98,915
New Bedford, Mass.	96,652
Lynn, Mass.	89,336
Springfield, Mass.	88,926
Lawrence, Mass.	85,892
Manchester, N.H.	70,063
Portland, Me.	58,571
Holyoke, Mass.	57,730
Brockton, Mass.	56,878
Pawtucket, R.I.	51,622

DISTRICT NO. 2:

Yonkers, N.Y.	79,803
Troy, N.Y.	76,813
Utica, N.Y.	74,419
Elizabeth, N.J.	73,409
Hoboken, N.J.	70,324
Bayonne, N.J.	55,545
Passiac, N.J.	54,773

DISTRICT NO. 3:

Trenton, N.J.	96,815
Reading, Pa.	96,071
Camden, N.J.	94,538
Wilkes Barre, Pa.	67,105
Harrisburg, Pa.	64,186
Johnstown, Pa.	55,484
Altcona, Pa.	52,127
Allentown, Pa.	51,913

DISTRICT NO. 4:

Youngstown, O.	79,066
Akron, O.	69,067
Erie, Pa.	66,525
Covington, Ky.	53,270
Canton, O.	50,217

DISTRICT NO. 5:

Norfolk, Va.	67,452
Charleston, S.C.	58,833

DISTRICT NO. 6:

Savannah, Ga.	65,064
Jacksonville, Fla.	57,699
Mobile, Ala.	51,521

DISTRICT NO. 7:

Des Moines, Ia.	86,368
Peoria, Ill.	66,950
Ft. Wayne, Ind.	63,933
Terre Haute, Ind.	58,157
South Bend, Ind.	53,684
Springfield, Ill.	51,677
Saginaw, Mich.	50,510

DISTRICT NO. 8:

Evansville, Ind.	69,647
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DISTRICT NO. 9:

Duluth, Minn.	78,466
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DISTRICT NO. 10:

Kansas City, Kas.	82,331
St. Joseph, Mo.	77,403
Oklahoma City, Okla.	64,205
Wichita, Kas.	52,450

DISTRICT NO. 11:

San Antonio, Tex.	96,514
(*) Dallas, Tex.	92,104
Houston, Tex.	78,310
Ft. Worth, Tex.	73,312

DISTRICT NO. 12:

Salt Lake City, Utah	92,777
Tacoma, Wash.	83,743

This list totals 54 Cities

Note: Federal Reserve City marked (*)

The question naturally arises, whether this problem of greater reserves in certain banks than in others should be approached,

(a) From the standpoint of the population of the city, on the theory that the banks in cities of considerable population are more vulnerable, e. g. liable to a run, than banks in country districts;

(b) Based on the theory of the size of the bank, banks with large deposits being more vulnerable than banks of smaller deposits; or

(c) Based on the theory that different reserves should be kept against different classes of deposits. For instance, one basis of reserves against individual deposits, and a higher percentage against bank deposits.

If we proceed on the population theory, we can go ahead under the Act as it is ; ; or we can even combine the population theory with that of geographical location, with that of distance and relations of the Federal Reserve Bank as a convenient agency. If, however, we proceed under proposals (b) or (c), we must ask for an amendment to the Federal Reserve Act. It may be said with a good deal of justice that it is unfair to apply a different rule of reserves to a small bank in the suburbs of a large city, which is, to all intents and purposes, a country bank , than applies to a country bank a few miles further away. However, this is an injustice which might be remedied by giving the large city banks the right to operate branches in the same city.

If some intelligent solution of this problem is not found, complaint will certainly be made by banks in central reserve cities that they are required to maintain reserves on a basis of say 18% while given no privileges under the Act (after the three year

period) which do not apply to banks in smaller cities. The result is certain to be that pressure will undoubtedly come to reduce reserve requirements down to the fifteen per cent or even to the twelve per cent level. Already banks in non-reserve cities are asking to have their reserves reduced to nine per cent.

Seventh:

In order to show the effect on Federal Reserve Banks of giving Federal Reserve Cities the designation of Central Reserve Cities as provided in Section 11 of the Act, a table has been prepared showing the ratio to capital and available reserve deposits. This table shows that in New York this ratio is 9 per cent whereas in the three Southern Districts, excluding special Government deposits of \$5,000,000 each, it varies from 31.9 to 34.4 per cent. In order to show what the effect would be of requiring banks in these Federal Reserve Cities to carry 18 per cent reserves instead of 15 per cent reserves, all of which should be paid in at once, another table has been prepared to show the results of this designation. (See Exhibit B & C)

In the case of the Minneapolis District, on account of the close proximity and great competition existing between St. Paul and Minneapolis banks, both of these cities have been treated as Central Reserve Cities.

EXHIBIT B.

STATEMENT OF
CAPITAL and RESERVE DEPOSITS
-also-
PERCENTAGE OF CAPITAL TO THE COMBINED AMOUNTS OF
CAPITAL AND 65% OF RESERVE DEPOSITS
(Figures as of December 1, 1915)
(In thousands of dollars)

Federal Reserve Bank of	Paid-in Capital	Reserve Deposits	65 Percent of Reserve Deposits	Paid-in capital plus 65% of Reserve Deposits	Percentage of capital to sum of Capital and 65% of Reserve Deposits.
BOSTON	5,171	27,252	17,714	22,885	22.2
NEW YORK	11,061	171,144	111,244	122,305	9.0
PHILADELPHIA	5,270	23,728	15,423	20,693	25.5
CLEVELAND	5,931	24,436	15,883	21,814	27.2
RICHMOND	3,354	(a) 15,149 (b) 10,149	9,847 6,597	13,201 9,951	25.4 33.7
ATLANTA	2,421	(a) 12,100 (b) 7,100	7,865 4,615	10,286 7,036	23.5 34.4
CHICAGO	6,641	52,545	34,154	40,795	16.3
ST. LOUIS	2,780	12,502	8,126	10,906	25.5
MINNEAPOLIS	2,497	13,557	8,812	11,309	22.1
KANSAS CITY	3,030	13,692	8,900	11,930	25.4
DALLAS	2,756	(a) 14,053 (b) 9,053	9,135 5,385	11,891 8,641	23.2 31.9
SAN FRANCISCO	3,942	17,331	11,265	15,207	25.9
TOTAL	54,854	(a) 397,489 (b) 332,439	258,368 248,618	313,222 303,472	17.5 13.1

Notes: (a) Inclusive of \$5,000,000 of Government Funds.
(b) Exclusive of \$5,000,000 of Government Funds.

Division, Reports & Statistics,

1/25/16.

FEDERAL RESERVE DEPOSITS OF NATIONAL BANKS LOCATED IN THE NINE FEDERAL RESERVE CITIES NAMED, AND ST. PAUL;
ALSO ADDITIONAL RESERVE DEPOSITS REQUIRED IN CASE THESE CITIES ARE MADE CENTRAL RESERVE CITIES.

(Figures in thousands of dollars taken from Comptroller's report for November 10, 1915)

	Net Amount on which reserve is computed.	Due from Federal Reserve Bank. Nov. 10, 1915(a)		Reserve required after Nov. 16, 1915		Reserve required if the cities named were made Central Reserve Cities		Excess over amount held on Nov. 10, 1915(a)		Excess over amount required after Nov. 16, 1915.	
		Per ct.	Amount	Per ct.	Amount	Per ct.	Amount	Per ct.	Amount	Per ct.	Amount
BOSTON	313,195	2.95	99,253	4	12,528	7	21,924	4.05	12,671	3	9,396
PHILADELPHIA	363,144	3.50	12,713	4	14,526	7	25,420	3.50	12,707	3	10,894
CLEVELAND	88,778	3.16	2,801	4	3,551	7	6,214	3.84	3,413	3	2,663
RICHMOND	31,848	3.23	1,027	4	1,274	7	2,229	3.77	1,201	3	955
ATLANTA	23,659	4.58	1,084	4	946	7	1,656	2.42	572	3	710
ST. PAUL	68,749	2.52	1,733	4	2,750	7	4,812	4.48	3,079	3	2,062
MINNEAPOLIS	82,175	2.66	2,188	4	3,287	7	5,752	4.34	3,564	3	2,465
KANSAS CITY	84,377	3.55	2,994	4	3,375	7	5,906	3.45	2,912	3	2,531
DALLAS	24,152	3.31	806	4	966	7	1,691	3.66	835	3	725
SAN FRANCISCO	142,084	2.69	3,827	4	5,683	7	9,946	4.31	6,119	3	4,263
TOTAL For nine F. R. Cities and St. Paul.	1,222,161	3.14	38,426	4	48,886	7	85,550	3.86	47,124	3	36,664

(a) As shown by Comptroller's report.

1/25/16.