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 AND FISCAL AGENT

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

September 11, 1916.

Mr. M. B. Wellborn,
 Chairman of the Board,
 Federal Reserve Bank,
 Atlanta, Ga.

S i r :

The Board has received a letter signed by Cashier Bell, dated September 7th, in which he confirms your code telegram instructing the withdrawal from the gold settlement fund of \$1,000,000 and the deposit of same amount with the Treasurer of the United States for your bank's credit. Mr. Bell states that the object in having this deposit made was to provide for the shipment to your bank by the Treasurer of the United States of the same amount in gold certificates and United States notes of small denominations, enabling you to supply the demand which you anticipate will be made upon you by member banks, and he goes on to say that he may have occasion to make similar requests in the future. Mr. Bell further states that you prefer, "for the time being at least, to put in circulation in our district United States currency which we can obtain at a cost to ourselves of approximately 20¢ per thousand rather than issue our notes at a considerably greater expense to us."

While the Board recognizes the importance of small economies in the operation and administration of the Federal Reserve Banks, it feels, nevertheless, that it is unwise to lose sight of the larger objects to be attained. It is of the opinion that it is highly desirable that there be held in the vaults of the Federal

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Reserve Banks of the United States Treasury and Sub-treasuries as large an amount of gold as possible, and it deprecates the use of gold certificates and legal tender notes for crop moving purposes. Silver certificates in small denominations and national bank notes will naturally form a substantial part of the circulating medium, but the Board would prefer to have Federal Reserve notes used wherever possible, and is anxious to see this policy adopted by the Federal Reserve Banks. It hopes, therefore, that your bank will not let a desire to save a small expense influence it in this respect and that whenever it can issue Federal Reserve notes it will do so, thereby helping to concentrate gold certificates in the vaults of the Federal Reserve Banks and to put in circulation currency of an elastic character, which will be withdrawn automatically as soon as the demand for it ceases.

Very truly yours,

(Signed) W. P. G. HARDING.

Governor.