

STATEMENT FOR THE PRESS.

November 21, 1916.

The Federal Advisory Council, which closed its regular quarterly session here today, devoted its attention to a survey of business conditions throughout the country, to reserve conditions in the several districts, and in this connection, to a consideration of the situation produced by the large and continuing imports of gold.

The Council considered means for making effective in a greater degree the transfer of vault money by member banks to their respective Federal reserve banks - a process rendered possible by the recent amendment to the Federal Reserve Act. It was agreed that this is a desirable development and that it should be encouraged.

The Council announced itself as in entire accord with the views already expressed by the Board, suggesting caution and moderation in the use of those credits which, being open for a long period of renewals, lose their character as essentially self liquidating transactions of short maturity.

The Council renewed its recommendation that the National Bank Act be amended so as to enable National banks in reserve and central reserve cities to establish branches within those cities.

Another recommendation made by the Council was to ask Congress at its approaching session to amend the Federal Reserve Act so as to provide that the final steps specified in the Act be taken early in the year 1917 instead of in November of that year as now provided, so that balances with reserve agents should cease to be counted as reserve after February or March 1917. This change would reduce materially the present excess reserves, and the so-called "reserves" now kept by country banks with correspondent banks, would henceforth be considered properly as bank balances only.

This is a change which under the law must be made not later than November 16, 1917. In the opinion of the Federal Advisory ^{Council} /and of the Federal Reserve Board, it could be effected now or in the near future without inconvenience and to the real benefit of the country. Both bodies agreed that it would ^{be} highly desirable to make this change at a time when we are certain that it can be done without any shock or jar, and when the increase of real reserves with the Federal reserve banks, would be so effective in strengthening the control of the country's gold supply, and would at the same time minimize any apprehensions that might be felt because of its increasing volume.

While all members of the Council reported excellent business conditions in their districts, statements were made that here and there some indications of increasing demand for credit facilities are to be noted, as well as a tendency on the part of some banks towards over investment of funds.

Members of the Board and of the Council expressed the view that there are no dangers that need come from further importations of gold in settlement of our heavy trade balances, provided proper methods are employed to control the gold and to prevent undue expansion. The consensus of opinion was that a general adherence to a policy of prudence and conservatism would be the surest means of maintaining our present prosperous conditions.