

## EX-OFFICIO MEMBERS

WILLIAM G. MCADOC  
SECRETARY OF THE TREASURY  
CHAIRMAN  
JOHN SKELTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

## FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR  
PAUL M. WARBURG, VICE GOVERNOR  
FREDERIC A. DELANO  
ADOLPH C. MILLER  
CHARLES S. HAMLIN

H. PARKER WILLIS, SECRETARY  
SHERMAN P. ALLEN, ASST. SECRETARY  
AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

X-1049

July 8, 1918.

Dear Sir:

There is being sent to your bank under separate cover from the office of the Secretary of the Board, a supply of circulars to be addressed to all the national banks, state banks and trust companies of your district which are being asked to subscribe to Treasury certificates of indebtedness. There are also being forwarded to your bank franked envelopes which may be used in sending out the circulars, inasmuch as the letter is a direct appeal from the Board to these banks.

This communication from the Board to the banks draws their attention to the importance at the present time of a judicious curtailment of credit granted for so-called non-essential transactions and it urges the banks to do their utmost in cooperating in a policy looking to the gradual but general curtailment of such credits. As you may recall, the Board printed in the Federal Reserve Bulletin for April last a statement defining its views on this subject. This statement has no doubt had some educational value, but it is evident that effective steps in the direction of curtailing unnecessary credits have been taken by only a comparatively small number of banks. The situation as regards credits, however, is now better understood, and it is believed that if the Federal Reserve banks will follow up the Board's appeal with energy and tact, good results may be achieved at this time.

The recommendations made in the April statement are renewed, and it is

-2-

suggested that the Federal Reserve banks organize, each in its own district, local groups comprising the leading bankers and business men, and discuss with them the ways and means of bringing about the results desired. It would seem that those industries and enterprises obviously catering to extravagances and luxuries should be considered first. Upon investigation it may develop that industries of this kind need not be closed down, nor their labor thrown out of employment, but that they can be gradually diverted to essential lines of production and distribution. The War Industries Board and the Capital Issues Committee are moving successfully and energetically along these lines, and with the better knowledge of the general principles involved, it ought not to be difficult now to secure the effective cooperation of banks throughout the country in dealing with individual credits.

It may be well to point out that in the interest of successful Government financing, it would be much better to hold credit within reasonable bounds by intelligent cooperation, rather than to attempt to force contraction by establishing high discount rates.

Very truly yours,

Governor.

The Chairman of the Board  
and Federal Reserve Agent  
Federal Reserve Bank of