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 CHAIRMAN  
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 COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
 FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD  
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 W. M. INLAY, FISCAL AGENT

February 25, 1920.

X-1839

Subject: Demand for Circulation.

Dear Sir:-

For your information there are enclosed herewith copies of replies received from all Federal Reserve Banks to the Board's telegram of February 18th, asking to be advised of conditions in the respective districts, which have brought about the unusual demand for currency.

Very truly yours,

Enclosure.

Governor.

Letter to Chairmen of all F.R. Banks.

## FEDERAL RESERVE BANK

BOSTON

X-1839

February 18, 1920

With reference to the telegram as to the causes of the unusual demand for currency in this District at the present time. We have just made an investigation with representative banks in four states and all of them tell about the same story.

First, payrolls representing the bulk of the outgo are heavier than ever before.

Second, local retail trade has slackened off resulting in a less amount of currency being turned into the banks due to the severe storm and the crippling of local transportation with the following results. It has shut off trade from suburban towns and even slackened trade within the town and it has also held up the supply of goods to be sold so that in many cases merchants are unable to supply the demand. To summarize, first, high wage scale with resulting enormous payrolls. Second, unusual weather conditions and crippled transportation restricting retail trade and the process of turning back currency from the pockets of wage earners to stores and thence to banks to be used over again.

F.H. Curtiss

OF NEW YORK

X-1839

February 18, 1920.

Your telegram of today asking about the causes for the increase in the circulation of notes has been received. The following gives the best information that is available at this time.

The circulation of Federal Reserve notes reached their maximum on December 24 last, when the total stood at \$827,679,000. By January 15 the circulation had reduced to \$755,288,000, the minimum for the year thus far. From that time for about a week the circulation remained approximately static, and since January 22 has been steadily rising, until at the close of business yesterday it stood at \$813,283,000. At present, therefore, our circulation is \$14,400,000 less than it was on December 24 last. The present figure is very close to that of January 2 of this year.

An increase in Federal Reserve note circulation on or about January 22 is not abnormal for this bank. In 1918 the minimum as shown in the weekly statements was on January 11 and by February 21 had increased about \$24,000,000. In 1919 the minimum figure shown in the weekly reports was on January 31. It started to rise immediately thereafter and on February 21 had increased \$19,000,000. The increase this year has been unusually heavy up to this time and is variously accounted for.

We learn that there have been heavy shipments to Cuba, where United States currency is legal tender for the movement of the sugar crop. During January the National City Bank shipped about \$1,000,000 a week to Cuba, and in February has shipped at the rate of about \$1,250,000. The National Park Bank has shipped about \$2,700,000 to Cuba and is about to ship \$700,000 more. The Guaranty Trust Company has also made shipments to Cuba for the same purpose, but in smaller amounts. We understand also that some of the New York banks have been shipping currency in amounts ranging around \$200,000 to Florida, but probably the aggregate effect on our currency expansion has not been great from that cause. A third factor is the amount of cash used for paying laborers engaged in snow removal. I am informed by the City Department of Finance that this figure is in excess of \$2,000,000 and it suggests that the heavy storms requiring a large amount of day labor throughout the state has swollen the amount of cash commonly required for payrolls. Of course labor in this district, as elsewhere, is very generally employed, with resulting heavy demands for currency, but accurate statistics covering the month of February have not been received, so that it is impossible to say whether increased employment accounts in any measurable degree for the expansion of our circulation.

Our circulation of Federal Reserve Bank notes is now about \$2,000,000 less than it was on January 2.

Shepard Morgan.

X-1839

## FEDERAL RESERVE BANK

PHILADELPHIA

February 19, 1920

In reply to your telegram inquiring as to the cause of the large increase in issue of notes, we beg leave to say that from the best information obtainable a portion of it is due to the increased shipments to the coal regions, where we are told pay-rolls are considerably larger than they were, on account of the greater production of coal which the miners are getting out.

A large part of it is due to the tying up of the country on account of the snow storms. Banks report that very few notes are coming back to them and pay-rolls continue as heavy as ever and they had to be met with new issues of notes. As transportation improves receipts of notes increase, and before long we expect to have notes returned to us in large quantities.

The general increase in the activity in business also possibly accounts for some of it.

R.L. Austin

## FEDERAL RESERVE BANK

CLEVELAND

X-1839

February 18, 1920

Your telegram, the unusual demand for currency is on account of increased pay-rolls. One member bank that has analyzed this demand says that the pay-roll demand for February tenth for forty customers was 100 percent greater than the same date last year and 40 percent greater than the preceeding month of this year. This situation is believed to exist in manufacturing centers throughout the district.

D.C. Wills

## FEDERAL RESERVE BANK OF RICHMOND

X-1839

February 18, 1920.

We have your telegram advising that the Board has noted the unusual demand for currency at this time, as evidenced by increasing Federal Reserve Note issues, and requesting that we advise as nearly as possible the causes producing this situation.

The issue of Federal Reserve Notes by this Bank since January 1st does not appear to have been unusual. Taking figures from the bank and deducting from the Notes outstanding the amount of Notes on hand by the Bank, there was outstanding on December 23rd about \$149,396,000 of Federal Reserve Notes. The amount gradually declined by January 26th to \$131,600,000, and has remained at about this figure, or a little lower, since that date. The net amount outstanding February 16th was \$130,034,000, which is the lowest figure since October 14, 1919. These figures correspond very closely with those for 1919, the net amount outstanding on February 18, 1919 being \$132,025,000.

Business has continued active and high prices necessarily swelled payrolls. Since January 1st, we have paid out the following round amounts to the points named:-

## Banks of -

|                      |                  |
|----------------------|------------------|
| Richmond, Va.        | \$3,039,000      |
| Danville, Va.        | 300,000          |
| Norfolk, Va.         | 185,000          |
| Newport News, Va.    | 1,005,000        |
| Charleston, W. Va.   | 266,000          |
| Gary, W. Va.         | 80,000           |
| Charlotte, N. C.     | 291,000          |
| Wilmington, N. C.    | 269,000          |
| Winston-Salem, N. C. | <u>1,005,000</u> |
|                      | \$6,492,000      |

None of these amounts appear to be unusual. Shipments to Winston-Salem probably indicate large tobacco payrolls or Government taxes. The shipments to Newport News were largely, I am sure, for payrolls at the Shipyard there. Some of the amount, however, is due to requests from the banks there to strengthen their cash on hand, due to the excitement over the failure of the Colonial State Bank at that point.

We should be glad to have any information which the board may issue on this subject, made up from reports of other banks.

Caldwell Hardy.

## FEDERAL RESERVE BANK

ATLANTA

X-1839

February 18, 1920

Answering your telegram this date, circulation Federal Reserve Notes this district. Naturally our circulation should largely decrease. Total issues here and at branches since January 1st to date \$17,800,000. In this is included \$4,800,000 issued by Treasurer United States Washington. Redemptions \$28,473,000. In this is included unfit all sources through comptrollers office \$14,378,000. Net decrease in district \$10,673,000.

As to increases: Atlanta \$2,195,000. Desire for new money replacing worn bills. Redemption \$7,550,000. New Orleans \$4,815,000. Mainly large bills shipped to Cuba, presumably payment for sugar. Redemptions \$3,890,000.

Nashville 1,470,000. Due largely to establishment branch and redeeming unfit currency. In addition to our redemptions, large redemptions for St. Louis district. Redemptions \$355,000. Birmingham \$2,840,000. Increased activities iron and steel industry and larger payrolls. Redemptions \$1,215,000. Jacksonville \$1,580,000. Tourist travel Florida demanding new bills. Redemption \$1,085,000.

Joseph A. McCord,

## FEDERAL RESERVE BANK

X-1837

## CHICAGO

February 18, 1920

Re yours today on unusual demand for currency. In view of publicity given to Reserve position and newspaper comment thereon it would not be surprising if hoarding were going on. However, there is as yet no substantial evidence of this. Quiet inquiry today with a number of leading bankers develops all sorts of answers to your question, beginning with the usual high cost of living. It is a fact that every-one is carrying in his pocket two or three times as much cash as formerly. This is particularly noticeable and commented on in regard to the wage earner who usually carries a pocketful. Another reason given for immediate cause is that building operations have begun on a large scale in Chicago and all over the district, and this is requiring a large additional amount of ready cash. It is probable that a good many country banks have been building up their vault cash in view of the promised speedy supply of cars to move grain in this district, which supply, however, has not substantially materialized, except in spots. It is probably true, also, that country banks all over the district are accumulating additional cash in order to fortify themselves against the unusually numerous and large land transactions which center about March first and which will begin to be closed within the next few days. A large percentage of these transactions in country districts are made by actual cash instead of by check and no country banker can determine accurately just what the form or volume of these transactions may assume. The usual return flow of currency from the country has not this year been as large as usual for this season, whereas the calls for currency are coming from all over the district. Reports to us from various sections indicate that March first transactions will run in dollars from two to six times the ordinary amount and the large city bankers here say that advices from their country correspondents indicate about the same condition of affairs.

Wm. A. Heath.



## FEDERAL RESERVE BANK

X-1839

ST. LOUIS

February 18, 1920

I beg to acknowledge receipt of your telegram of today reading as follows:

"The Board has noted the unusual demand for currency at this time as evidenced by increasing Federal Reserve note issues. Please advise as nearly as you can the causes which have produced this situation."

The Federal Reserve Notes of this bank in actual circulation at the close of business each Friday since Christmas were as follows:

|                   |               |
|-------------------|---------------|
| December 26, 1919 | \$148,451,930 |
| January 2, 1920   | 143,411,080   |
| " 9, 1920         | 138,726,815   |
| " 16, 1920        | 136,621,190   |
| " 23, 1920        | 135,849,585   |
| " 30, 1920        | 134,207,830   |
| February 6, 1920  | 134,455,160   |
| " 13, 1920        | 136,668,335   |

From the above, you will note that the amount of Federal Reserve Notes in actual circulation decreased from \$148,451,930. to \$136,668,335. on February 13th. There was a steady decrease in circulation until the last of January. Since that time, the circulation has been increasing. The reason for the unusual demand for currency at this time of the year in this district is due in great measure to increased building, industrial and commercial activities and the high cost of labor and materials.

In the southern part of our district the weather has recently permitted the resumption of cotton picking, and this has stimulated the demand for Federal Reserve Notes. It seems that quite a good deal of last year's cotton crop still remains unpicked in some portions of our district, due to the wet weather last fall.

Wm. McC. Martin.

## FEDERAL RESERVE BANK

MINNEAPOLIS

X-1839

February 18, 1920

Replying wire of today our note issues have remained stationary since February 1, and show a contraction of about 5 million since January first for like period one year ago contraction was 8 million our high mark was 103,000,000 December 27th 1918 our high in 1919 was 97,000,000 on December 27. Our present circulation over 5,000,000 below peak of 1919. In addition there has been not less than 25,000,000 dollars in gold coin, gold certificates, legals and silver certificates retired in this district during 1919. Part of this money, especially in the case of state banks, has been replaced by our issues. As soon as the railroads are able to move grain more freely from country points there should be a heavier demand for currency but even with this demand our circulation should decrease due to the increased volume of notes destroyed at Washington.

John H. Rich

## FEDERAL RESERVE BANK

KANSAS CITY

X-1839

February 18, 1920

Replying telegram regarding unusual demand for currency as evidenced by increasing Federal Reserve Note Issue, you are advised that increase in this district is slightly above normal probably due to inability of borrowers to liquidate indebtedness in wheat districts on account of lack of transportation facilities. Banks in packing house centers report large quantities used to meet packers pay-roll. One banker suggests that Federal Reserve Currency is probably being hoarded.

Asa E. Ramsay

## FEDERAL RESERVE BANK

X-1839

DALLAS

February 19, 1920.

As requested in your telegram of yesterday, and confirming wire acknowledgment of the same, I made some inquiry and investigation of the causes for the demands for currency in this district. I presume your message was sent to other Federal Reserve Agents, and as far as this district is concerned that no unusual or extraordinary demand for currency caused the investigation. As a matter of fact, I do not think the issue of Federal Reserve notes, which this department has made to the bank here within recent weeks, or the demands upon the bank, which have been partially met by other forms of currency, are indicative of anything but the seasonal movement.

The bank has recently been shipping national bank notes, which it received from member banks, to the United States Treasurer as a transfer of funds, and has met the demands of member banks with Federal Reserve notes. This has caused a slight increase, and in addition to this demand, we have on a few occasions, recently, upon instructions to do so, requested the Comptroller to deliver notes direct to the United States Treasurer, against entries in the latter's general account here.

Our attention is also directed, by the head of our Cash Division, to the continued demand for currency at Wichita Falls and Shreveport, on account of the necessity for large amounts of funds to finance the oil activities in those sections.

This office will keep in close touch with the situation and keep you advised of any unusual, or abnormal developments.

Chas. C. Hall

## FEDERAL RESERVE BANK

X-1839

SAN FRANCISCO

February 18, 1920

Your telegram date. In absence of Mr. Perrin beg to advise no increase in circulation Federal Reserve notes evidenced in this district since first of year. Federal Reserve notes in actual circulation December 31, 1919 \$242,462,000 gradually decreased from that time, until February nine, when reached minimum for year of \$222,077,000. Notes in circulation have now increased to \$225,926,000, approximating \$226,176,000 in circulation on November 25, 1919. Gross amount Federal Reserve notes outstanding for which Federal Reserve Agent liable have been constantly decreasing from \$279,419,000 on January 2nd, to \$262,672,000 on February 17th. Total issues and re-issues by Federal Reserve Agent during this period \$11,060,000, total redemptions including notes returned to Federal Reserve Agent \$28,939,000.

E.H.Tucker